

An aerial photograph of a city skyline at sunset. The sky is a deep orange with scattered dark clouds. The city features a mix of modern skyscrapers and older buildings. A body of water is visible in the foreground, with several boats. A prominent red vertical bar is on the left side of the image.

Remo Dalla Longa

Globalization and Urban Implosion

■ Creating New Competitive Advantage

 Springer

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ISBN 978-3-540-70511-6 e-ISBN 978-3-540-70512-3
DOI 10.1007/978-3-540-70512-3
Springer Heidelberg Dordrecht London New York

Library of Congress Control Number: 2009926016

Project part-financed by the European Union

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Cover design: WMX Design GmbH, Heidelberg, Germany

Printed on acid-free paper

Springer is part of Springer Science+Business Media (www.springer.com)

Acknowledgements

This book is a first synthesis of a work that has involved different research groups in the last four years. The work has involved Universities and research centers of different countries (Bocconi – Italy, Budapest – Hungary, Leipzig – Germany, Krakow – Poland, Bath United Kingdom), but also researchers who operate in research centers of local governments or that have been aggregate from these institutions.

The original idea of the research model (CoUrbIT – Complex Urban Investment Tools) has been developed from Bocconi University and an international network was created around it. The implementation of this research has been made possible by the use of European Funds (Interreg IIIB CADSES Programme) and with the involvement of a large number of researchers. The research has also had some empirical applications in Budapest, Leipzig, Stuttgart, Treviso and Pordenone.

It is very difficult to mention and thank all the colleagues and people that have collaborated to this research. Great thanks for this book are directed to Elisa Ricciuti and Veronica Vecchi from Bocconi University, who have contributed with me to make this book possible. They have carefully worked during the four years of research.

Other thanks are directed to other researchers who have produced information, notes and data for the case studies (Chap. 4 – Case studies): Prof. Gábor Locsmandi (Technical University of Budapest – Department of Urban Design) and Eng. PhD Peter Farkas (City of Budapest – VII District) for Budapest (case study); Prof. Silke Weidner, Dr. Eng-Arch Jens Gerhardt (University of Leipzig – Faculty of Economics and Management, Institute of Urban Development and Management Construction), Dr. Annett Wuensche and Dr. PhD Ute Lenssen (Office for Urban Regeneration and Residential Development – City of Leipzig) for Berlin and Hamburg – case studies (some information was taken from Entrust project); Dr. Nicolas Leyva (City of Stuttgart) for Stuttgart (case study); Dr. Elzbieta Okraska (Institute of Urban Development, Krakow) for Krakow (case studies).

On the single cases (Chap. 4) they are presented researches by G. Locsmandi (Sect. 4.1), N. Leyva (Sect. 4.2), E. Okraska (Sect. 4.4), V. Vecchi (Sect. 4.6) and P. Farkas (Sect. 4.8).

Independent authors of the book are Bryn Jones (University of Bath U.K. – Dept. of Social and Policy Sciences – Chap. 2), Elisa Ricciuti (with R. Dalla Longa – Sect. 4.7) and Veronica Vecchi (with R. Dalla Longa).

Particular thanks go to Professor Elio Borghonovi and colleagues of Bocconi University and SDA Bocconi School of Management, who contributed in different ways to the realization of the CoUrbIT project.

A special mention goes to Gaja Nobili for the precious help, administrative support and constant participation to the project.

A mention should be given to Ing. Antonio Zonta and Arch. Sergio Bergnach and to the staff and administration of the Provinces of Treviso and Pordenone. Great thanks are addressed to the international network of partners which have contributed with suggestions and passion to the project: the University of Krakow AGH, the Municipality of Leipzig, the IRM Centre of Research of Krakow, the Municipality of Stuttgart, as well as the University of Bath, Liverpool, Manchester, the Heriot-Watt University of Edinburgh and the King's College of London which have contributed to the enrichment of the CoUrbIT model with priceless comments and suggestions.

The book author has written almost the entire book and has been the deviser and lead partner of the project. The author is the only responsible for possible mistakes in this book.

Finally, I want to give very particular thanks to Elisa Ricciuti who has carefully read and corrected the manuscript working with me for the final editing of this book.

RDL

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Chapter 1

Introduction

This volume discusses complex urban interventions, starting with the analysis of different cases. Reference is made to big cities of central Europe. The proposed methodology starts from the Complex Urban Investments Tools (CoUrbIT) model (Chap. 2), then moves to an integrated analysis of the cases, in order to present a homogenization of the literature and a comparison of information (Chap. 3). Between the homogenization/comparison and the treatment of the selected eight cases, a chapter is dedicated to the participation of civil society actors and the socio-political foundations of the management of urban redevelopments (Chap. 4). Finally, eight case studies of big cities¹ are analyzed in Chap. 5.

Recent considerations regarding the case studies, especially in the European context, underline how useful they were within the culture of the New Public Management (Osborne, 2000; Osborne & Gaebler, 1992; van der Meer, 2007) to create forms of bottom-up social participation in urban renewal projects that were stimulated also by Communitarian programs (Christiaens, Moulaert, & Bosmans, 2007; Novy & Hammer 2007). The structuring of the cases treated in this volume only partially falls within this stream. It is possible to find a trace of this approach in some cases (e.g., the German cities) and not in others (e.g., the Italian cities). This is not because of the fact that there was a change in the action of public bodies, but to the fact that different models of urban intervention are analyzed within different Communitarian programs but not centrally. However, the main feature of the CoUrbIT model is the individuation of obsolete urban functions and their replacement with new ones, which are then indirectly addressed to relate to the European funds that contributed so much to the development of the European urban growth culture of the 1990s (Novy & Hammer, 2007).

A volume focused on the treatment of case studies related to a quickly evolving topic has the advantage of giving detailed knowledge on the urban transformation of large central European cities. On the other hand, however, the quick expansion of the interventions demands a clear method of classification. A similar problem arose in the 1990s for the Community Economic Development (CED; Armstrong,

¹We will better specify the context when the cases are discussed in Chapter 2.

Kehrer, Wells, & Wood, 2002), which focused on cases that were framed in order to define a shared evaluation method for the community development policies. In this volume, the objective is to make a comparison between the singular cases within an interpretative model described in the following chapter (see Chap. 2).

Because of the strong evolution of urban transformations, the CoUrbIT model has PPP (Public-Private Partnership) as one of its main elements. PPPs are forms and organizations that grow dynamically, but it is also true that they can be judged not in the short term, but only after a long time (Coulson, 2005). This is also the approach chosen for this volume.

Recently, two books focused on urban case studies were published, which can usefully serve for a comparison as shown in Fig. 1.1 (Moulaert, Rodriguez, & Swyngedouw, 2003; Tsenkova & Nedovic-Budic, 2006). The comparison is focused on the following aspects.

- The present volume uses the acronym CoUrbIT; Moulaert et al. use the acronym URSPIC (Urban Redevelopment and Social Polarization in the City); Tsenkova and Nedovic-Budic use TPRDC (Transition Propriety Rights Diversity Competition).



Fig. 1.1 Representation of different city cases analyzed from URSPIC (*squares*), TPRDC (*circles*), and CoUrbIT (*stars*)

- The present volume, as the other two, refers to the treatment of an almost equal number of cases (8–9 for each volume) for a total amount of almost 26 case studies. They all refer to big cities, comparable from the point of view of their extent.
- Each group of cases refers to a different geopolitical area: URSPIC to big cities of Western countries, TPRDC to big cities of Eastern post-socialist countries. CoUrbIT divides its eight cases equally between Western cities and post-socialist cities. The framework, comparing the three different contributions, covers a wide representation of European cities.
- There are some overlaps in the models that can be used for a comparison. URSPIC makes use of large scale Urban Development Projects (UDPs) to demonstrate how globalization defines the new neoliberal policies in big Western cities, while also activating new forms of social exclusion. Here, a method is re-examined that had been used by Harvey (1973) and Castells (1979)—then abandoned for a long period—in order to support how globalization now shapes the *elitist* policies of social exclusion and non-cohesion. The New Urban Policy, which is expressed through new *governance* forms focused on competitiveness, supports new relations between the local state and the private sector (PPPs), according to URSPIC, and this leads to an erosion of the democratic decision-making process. Chambers of commerce and similar institutions help UDPs to be generally presented as positive examples of cooperation between the public and private sectors, or between democracy and market. Therefore, some *drivers* indirectly emerge that are linked to UDPs and, more generally, to what is defined as the “new urban policy.” According to URSPIC, the argument is often about elites that exclude participation represented by the “neighbourhood population in decision-making” and form “new urban coalitions” between public and institutional sectors and new economic and financial subjects. Other authors (Savitch & Kantor, 2002, p. 22) identify the new dichotomy arising between old and new representations in big cities in the “deindustrialization/decentralization/globalization” phase. Also, the analysis of PPPs is a good field of comparison between CoUrbIT and URSPIC: in CoUrbIT, PPPs are a fundamental element; for URSPIC, PPPs often represent the *formula* that allows the development of the new urban policy. Almost all UDPs cases are comparable with CoUrbIT (Andersen, 2003; Baeten, 2003; Bartley & Treadwell Shine, 2003; Rodríguez & Martínez, 2003; Häußermann & Simons, 2003; Vicari Haddock, 2003). Another element is shared by URSPIC and CoUrbIT is the fact that the UDPs have precise physical dimensions and can be measured by the hectares of the intervention within the different cities.
- TPRDC acts within a systemic type-scheme in which some ambits, which are less ideological than those of URSPIC, have some similarities with CoUrbIT. The driving factors determining urban change are:
 - (a) The competitiveness linked to globalization and to market competition at a general and regional level
 - (b) The extended forms of privatization of production, but also of consumption (houses, trade and others) within urban areas

These factors affect the context (socio-economic policies and institutional structures), the urban space and urban change (urban forms and urban functions), and the urban planning and policies (initiatives). The new set of driving factors for the post-socialist cities (which include the different levels of transition and transformation, as well as the diversity of urban conditions characterizing the urban landscape and the countries) represent the engine for the change of functions, quite similar to those identified for CoUrbIT. It is exactly with the change of functions that it is possible to activate the PPP, although the initiatives themselves can contain the instruments of the intervention, as will be better shown for CoUrbIT in this book. Other authors (Bodnár, 2001; Thomas, 1998) assert that the social and economic transformations of Central-Eastern European cities were part of a global restructuring. They have also identified the *drivers* of the urban change stimulated by a global market (competition), which itself pushes both from outside and inside the urban context. The post-socialist cities react in a way that can appear radical; economics, social aspects, governance, and landscape change through their functions. In other words, they experience what the urban models of CoUrbIT call *restructuring*. The phenomenon presents itself here in a more acute and diffuse form than in other Western cities, because during socialism “a certain level of resources was assured through systematic state allocation; now, under the new circumstances, cities have to compete for resources and attract capital” (Tsenkova & Nedovic-Budic, 2006). There are several cases comparable with CoUrbIT (e.g., Hirt and Kovachev, 2006; Kreja, 2006; Tasan-Kok, 2006; Tosics, 2006).

Savitch and Kantor (2002) analyzed urban interventions in some European cities (Liverpool, Glasgow, Paris, Marseilles, Milan, and Naples) using a theoretic model of urban development that starts from deindustrialization/decentralization and globalization. Their analysis includes a long period of time starting from the 1970s. Savitch and Kantor defined whether the interventions in those cities depended more on market or on social rules. Their reference is a guide (“driving”), a direction (“steering”), a process and a result. Notwithstanding some common themes, the approach is distant from the one used in CoUrbIT. For this reason, it is not used here as a direct term of comparison.

Chapter 2

Interpretative Models of Urban Intervention

2.1 Model Proposal

CoUrbIT is based on an interpretative model for the process of urban transformations (see Fig. 2.1). It uses a systematic breakdown of the components of the urban reality in order to better explain the actual urban complexity. Urban systems can very often represent the engine of an economic relaunching, whereas their decline represents an element of economic stagnation. The interpretative model is based on the following elements:

- (a) Functions
- (b) Urban models
- (c) Actors: public administrations, private operators, and Public-Private Partnerships (PPPs)
- (d) Tools
- (e) Drivers: the subject or the network able to manage the dynamics of competitive advantage

2.1.1 Functions

Globalization causes a quick change of functions, especially in urban areas and particularly for economic and productive functions (but also social functions). Some functions require a substitution or change; in other cases, the lack of intervention causes obsolescence. The change or replacement of functions can be linked to both the physical transformation (*container*) and the *contents*. CoUrbIT focuses more on the containers than on their contents.

2.1.2 Urban Models

An analysis of European urban phenomena, because of the different CoUrbIT partners' experiences, leads to the identification of seven models. The former objective of CoUrbIT was to work on a single model: urban renewal and its framework, as

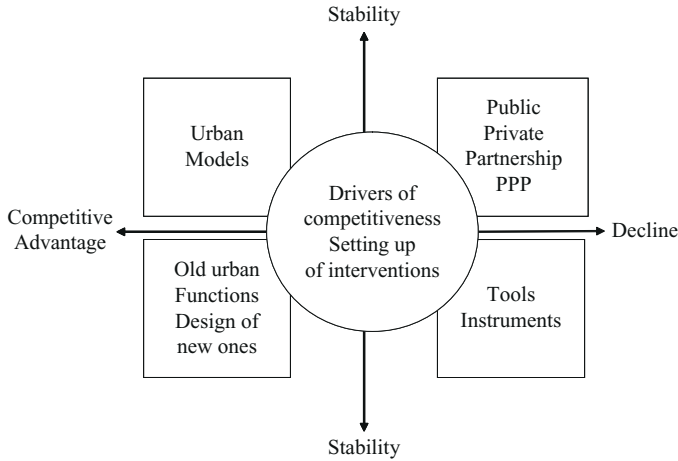


Fig. 2.1 The CoUrbIT model

well as the creation of ventures. The seven models identified are linked to the different types of interventions that can be developed and to the functions to be transformed. They allow for the analysis of the complexity of urban phenomena. The seven models are:

1. Renewal
2. Redevelopment
3. Regeneration
4. Recovery
5. Revitalization
6. Framework
7. Gentrification
8. Restructuring

2.1.3 Actors

The development of new functions or, in general, of complex urban investments requires the intervention of several subjects. Public administration and private operators intervene for their respective projects; in some cases, PPPs are formed. The CoUrbIT thesis is that PPPs are essential to cope with the need for new complex ventures and to address the different interests involved. This is a new scenario. Until recently, we assisted in a separation between the State and the Market. With complex urban investments, the need to develop a PPP arises. In many cases, it is

not possible to analyze complex urban investments without PPPs. Nowadays, planning new functions requires new managerial schemes, like PPPs, especially to address short-term complex investments, integrated assets, and capital intensive investments. This scenario requires moving from a dimension of *government* to a *governance* of urban investments.

2.1.4 Tools

New urban investments, PPP schemes, and new forms of governance require the development of new tools. Different models of urban intervention require different tools in order to accomplish their specific aims (the design of new functions and the replacement of old ones). It is necessary to define a map of new tools: some of them may just be tested as prototypes, whereas others may represent a well-structured method of intervention. The importance of the design of the tools' map is based on the evolution of traditional models of intervention in urban areas. PPPs require a passage from old tools to new ones.

2.1.5 Driver

The described elements require the presence of a *director* or a *leader* able to develop the competitive advantage of complex urban investments and metropolitan areas. The director/leader is an abstract subject—a new profession or a network of actors—who works to set the governance of the intervention and to fulfill a competitive advantage. That role cannot be played by a single subject (e.g., a local public administration) or by a network of public actors, but it may be played by a complex network of subjects. The questions are: But who are those subjects, and how will they determine the suitable form of governance? CoUrbIT aims to find answers to these questions. The characteristics of the driver (or drivers) may include an ability to:

1. Work within different urban models and to define alternative solutions
2. Define old functions and to draw the new ones
3. Tie together different public competences and roles
4. Involve private subjects on the basis of their characteristics
5. Use the appropriate tools in order to build up the urban interventions
6. Influence the competitive advantage of the urban area, its decline, or its renaissance

We would like to understand if the driver exists and, if so, its characteristics. Also, we hope to determine if it is necessary to create new figures with interdisciplinary competences able to give an answer to the evolution of urban phenomena.

The CoUrbIT model can have a different impact on large Western cities and large postsocialist cities. Both of them exist in a context of market regulations; for this reason, the same categories and variables can be applied. This is an important aspect of the relationship between the case studies, especially within the European Union, where the same general rules are applied.

2.2 Differences and Similarities with the Existing Literature

The CoUrbIT model has several links to different literature contributions. In the 1990s, there was a strong expansion of a literature made by geographers (Boddy, 1999; Cheshire, 1999; Gordon, 1999), sociologists (Le Galès, 2002), and economists and planners (Begg, 2002a; Jensen-Butler, 1997), who identified a new factor in the description of the cities: the search for a competitive advantage. Boddy and Parkinson (2005), as others before (van der Berg & Braun, 1999), affirmed that since the beginning of the 1990s, the problem (not only for English cities), was the *inner city* (Coombes, Dalla Longa, & Raybould, 1989). There is a shift from the city that was seen as “declining” to the city of the 1990s, which was seen as the “dynamo” of the national economy. In the late 1990s and early 2000s, the concepts of competitiveness and competitive advantage were prominent. In other words, the city took the place of the decaying state especially in Europe, but also in the United States (Kresl & Singh, 1999). From this idea, it is possible to create concepts like the support of new urban functions linked to new needs expressed by globalization; or the birth of new forms of PPP in order to face the new urban needs – (not only the physical ones). The different urban models that in CoUrbIT anticipate the concept of PPP are, in practice, undervalued in the treatment on competitiveness. The same can be said for the various usable instruments. A more accurate analysis is dedicated to the drivers. In several cases, the new term considered is *governance*, which often aims to maintain high levels of competitiveness.

A recurring thesis in the “neo-marxist” literature (Le Galès, 2002), as in the “non-neo-marxist” literature (Boddy & Parkinson, 2005), affirms that big cities have passed from a “welfare culture” proper of (prominent in the 1970s, 1980s, and the beginning of the 1990s) to a culture in which intervention guided by actions of “competitiveness” and “competitive advantage” prevails—or alternatively, according to Holland, from a Keynesian welfare policy to a PPP type-governance (Dijkink, 1995; Kreukels & Spit, 1990; Tömmel, 1992). A coalition of international capital (financial, credit, insurance, real estate, and production that acquires estate skills) and of other subjects that emphasizes the competitive role of the cities has taken shape. In this context, academic research centers, statistics, comparisons and benchmarking, urban marketing, international reports and classifiers also used by the press and the chambers of commerce (Dansghaft & Ossenbrugge, 1990) underline those passages. Also, alliances with other subjects are determined, such as “city builders” (Fainstein, 1994), and “property market” (D’Arcy & Keogh, 1999). Elements like governance, PPPs, decisional elites, and

agencies represent the new fields through which this passage is made possible. Global competition becomes then a crucial element, because if the city becomes nonperforming in terms of “greater investment” (Begg, 2002a), meaning innovative or attractive investments, it is classified as a “declining competitive advantage.” Consequently, the decision makers (political coalitions) must respond with adequate programs of intervention. The result are *neoliberal* policies that, by using revenue and rising prices, cause disintegration and destruction of social cohesiveness. These policies undermine any interventions that, through the “zoning” process, the Communitarian policies—and more generally, social policies of inclusion—had implemented in the “welfare state.”

A similar interpretation focuses on a city’s passage from mass production to post-Fordism, with overlapping reference dates and other partial interpretative schemes (Amin, 1994; Turok, 2004, 2005). This passage, during the 1980s, from mass production to flexible specialization defined “post-Fordism” (Brenner, 1998), where flexibility changes market conditions. There is a shift from an accumulation of the value represented by the city, with all the involved contradictions reported by sociologists (Castells, 1979) and geographers (Harvey, 1985), to a phase of revision of the urban spaces with an orientation towards globalization. Here we can find a coincidence with the “counter-urbanization” previously expressed and with the cities’ fear of losing their vitality through forms of subcontracting to others territories through global production (Amin & Thrift, 2002). Only later, during the 1990s, was it realized that urban agglomeration sustains international competitiveness (or, in other words, the urban competitiveness and the competitive advantage, and this is a). This phenomenon developed its own consciousness from the 1990s until today.

Timing is important for a correct classification of the cities and a correct interpretation of the concept of competitive advantage, as well as for the importance, whether instrumental or not, that it starts to have from the 1990s. During the 1970s, the Western city reached its maturity and its conflicts started to be analyzed (social conflicts, linked to revenues). During the 1980s, a crisis emerged (as well as a fear for the destiny of Western cities), as did a new phase of cities as “centers for the irrigation of the production” and “transmission of the knowledge in a new global space” (Castells, 1989, 2000). Thus, the city was rediscovered as a region and introduced as a “global city,” unlike in contrast with the defense of the Fordist city (Savitch & Kantor, 2002). The 1990s were the period of the redesign of old mental schemes, of attention to the small productive units within the cities (definable as “high-tech” and connected on the Web one with the other), and of the instruments and logics proper of the birth of the “urban governability” (Osborne & Rose, 1999). There was a new aggregation between urban power, representativeness, and economy. In the international vocabulary, the term *new urban renaissance* was introduced. It is therefore possible to define four different periods:

- (1) The maturity of urbanization and the first signals of crisis (1970s)
- (2) The crisis and first intuitions on the new role of cities (1980s)
- (3) A new culture and a new classification for the cities (1990s)

- (4) A reflection on new instruments and consequently the passage from the analysis to the attempt of systematization of the intervention, even from the point of view of problem solving, the treatment of the *implosion* concept, and a new reclassification of urbanization (since 2000)

It may be useful to define the single components of the model in detail and find through them a more detailed comparison with the existing literature.

- (a) In the CoUrbIT model, the economic and social functions of the cities undergo a more or less rapid obsolescence due to the dynamics of the global economy (Sassen, 2001, 2006; Scott, 2001), and not exclusively to the continuous search for the competitive advantage made by the cities (Le Galès, 2002). This is synthesizable, according to Turok, in “increasing international mobility of capital and more open national markets.” One of CoUrbIT’s theses is that, with the globalization, the city is greatly affected by factors of obsolescence in some of its parts, due to, as Amin and Cohendet (2005) postulated, being “spatially stretched.” The obsolescence is growing. Especially in comparison with the last century (during the 1980s and the early 1990s), factors of rapid obsolescence affect almost all the Western cities because they face the same market’s dynamic. According to Sassen (2006), there has been a rapid substitution of old functions with new ones, for example, from highly specialized to high-profit firms. The rhetorical question of Sassen is whether the new scenario, which is synthesizable with globalization and information technology, has made the cities obsolete and altered their economic functions. In the loss of old functions and the substitution with new ones, Sassen asks when this trend. However, we see a constant increase in the replacements of old functions with new ones. Many cities react with innovations, determining or even stressing the decline of those who stand still (Urry, 2004). There is also the risk of destroying the value and compromising the competitiveness of the cities and the whole country (Ohmae, 2001). If counter-urbanization was a crisis of the cities and consequently a destruction of urban values, even if colocated in other parts of the national territory, now the destruction of value is a loss of opportunity in comparison with other cities outside the country (Bowler, 2005; Coombes et al., 1989; van den Berg & Braun, 1999).
- (b) In CoUrbIT, the urban models represent the search for complexity in the intervention, rather than for theoretical simplifications that favor an intervention over a unique scheme, (usually capitalistic) scheme (Harding, 1997; Harvey, 1985, 1989; Massey, 1995). If there is a thesis like, for example, the birth of a *neo-liberal elite* responding to the loss of competitiveness of the city with economic investments wanted by a coalition (the *elite*) with the purpose of recovering rating in the competitive advantage, even the cases taken into account in order to support this thesis will not be able to pass through the different urban models, but only one will be favored (Brand & Thomas, 2005; Brenner, 2002; Moulaert, Rodriguez, & Swyngedouw, 2003). Within the CoUrbIT model, there will not be an instrumental use of terms and theories such as “post-Fordist spatial division of labor,” “urban regime theory,” and “city operating according

to capitalistic principles” (Parker, 2004). The CoUrbIT urban model starts from progressive research on urban phenomena, usually models of intervention, synthesized within eight models. It draws from different experiences and disciplines with a *bottom-up* logic rather than a *top-down* one (i.e., associating the case with a given “ideological” thesis). On the contrary, with CoUrbIT we expanded the investigation field to include different typologies and models of intervention (Dalla Longa, 2006).

- (c) In CoUrbIT, the PPP does not represent a “political” or “sociological” simplification like in other works, but verification of a complex subject that is not always developed clearly within the cases analyzed. Some literature (Peck & Tickell, 1995; Le Galès, 2002) affirms that the PPP represents a transfer of power from elected local authorities to networks of elites and urban oligarchies, particularly in Great Britain. The case of Manchester is often analyzed and used as a paradigmatic element (Cochrane, Peck, & Tickell 2002; Hebbert & Deas, 2002; Peck and Tickell; Quilley, 2000; Williams, 2003). The problem cannot be excluded or too much emphasized. There is no question that a problem concerning the process exists where there are great investments, which means a possible separation between the extended involvement of stakeholders and the financial and technical aspects, which have different forms of representation from participation. The element that basically divides the two parts of the process (involvement and construction) is time: undefined and unstable on the side of the involvement, but more precise, shorter, and codified as much as possible on the construction side. The strong interests involved in the process, the short-term views of the political decision maker, the lack of instruments, and the lack of organization of the driver encourage the creation of an elite. It is not by chance that all the things mentioned above are particularly stressed within scenarios like the Olympic Games in Manchester or Turin, or the skyline of Milan for the Expo 2015. In CoUrbIT, the PPP represents a central point of the treatise. In the literature there is a bit of simplification and confusion on what a PPP at the urban level really is. Iveson (2007) affirms that “the public space has fallen victim to the prevailing neo-liberal ideologies of privatization and PPP.” It is one thing to operate with big investments on infrastructures and estate and then manage them within the urban context; a different thing is to apply the PPP on situations of minor impact and with much more reduced budgets, with the involvement of the third sector as a private subject, as occurs with some technical assistance or maintenance interventions. Everything regarding the city’s physical dimension and renewal assumes a different strategic weight, much more complex, affecting even very different technicalities regarding the organization, the financing, the management, the complexity, the realization and the time management, the amount of resources, the urban impacts and their persistence in the foreseen timing and, last but not least, the whole management of the intervention. There is sectoral literature that specifically treats this type of intervention (Akintoye, Beck, & Hardcastle, 2003; Broadbent & Laughlin, 2003; Bult Spiering & Dewulf, 2006; Klijn, Edelembos, & Hughes, 2007; Koppenjan, 2005; Vining & Boardman, 2006). The need is to define where it is possible to

build up a PPP, with what kind of procedure and of which typology. McQuaid (2002) rightly affirms that the methods for carrying out the PPP are limited only by the imagination; again, as each partnership has different dimensions, these can be combined to form a set of characteristics of a partnership. Several examples can be cited; everyone could have different proposals and ask who is involved, when, where, in what kind of intervention, how, and with what type of components. The PPP taken into account here cannot be abstract, but it has to be applied to the other elements of the CoUrbIT model (obsolete functions to be replaced, urban models, instruments, drivers, and competitive advantage). The passage from a traditional intervention to a PPP will involve the transformation of the concept of traditional state and the shift in the direction of something new, from a regulatory state (or post welfare state) to a state partner of the private subject. In CoUrbIT, the ambit of application of a PPP is also limited. It refers not to all the urban effects indistinctively, like security (Raco, 2003), culture, no-profit, mutual benefit, quality of life, etc, but to the estate, the durable good, the physical part of the city, and some contents linked to those aspects. Often besides the design and construction, there is the management and the propriety/ownership of the good, the ex novo constitution and production of assets, and the negotiation. Then the intervention seems to be more invasive and complex, with a relevant absorption of resources compared to more simplified interventions. Disregarding those fundamental distinctions could cause one to make a simplification and propose, without accurate and justified analysis, synthesis as if previous policies at the PPP proposed inclusions. Then, the policies that are born with the PPP would destroy the action of inclusion; propose a new form of social exclusion and this, as Iveson (2007) says, risks transforming the contemporary city. It is thus not possible to look at the PPP as an instrumental formula; it must be fitted within a sequential logical structure as attempted with CoUrbIT.

- (d) In the CoUrbIT model, instruments are the interception of something interdisciplinary that must be created and coordinated in order to build up the interventions. They cannot be considered monothematic and isolated from the other elements, especially if they are the direct interface with the urban models, the PPP, and the drivers, comprehending also the interception of obsolete functions to be redesigned and the reference to the competitive advantage. It is about organizing instruments for *multisectoral and multiactor* interventions. From the heterogeneity, multiplicity, and dynamism of the instruments, van Dijk (2006) introduced the “new urban management” that, besides the more traditional “spatial planning approach” adds a “more economic and management approach,” joining the “urban competitiveness approach” with an urban “New Public Management approach” (Pollitt, van Thiel, & Houmburg, 2007; Purdue, 2005). Moreover, the economic and social functions of the city are rapidly becoming obsolete, demanding instruments and functions of the urban manager who “will face new challenges all the time.” The same urban management that uses the traditional top-down model is no longer adequate to the global urban competitiveness (van den Berg, Pol, van Winden, & Woets, 2005), and that is why the term

“new” urban management is used, in order to underline a major urban governance. During the 1990s, the term *urban governance* was preferred to the term *urban management* to support the idea that not everything can be managed with a top-down approach (Kearns & Paddison, 2000; Silva, 2004). Apart from the instruments, this is required from the enormous groupings of public bodies, stakeholders and private bodies.

- (e) In the CoUrbIT model, particular attention is given to the drivers. Also in this case, the aim is not to make a list of drivers to verify a change in the urban strategy due to globalization and urban competitiveness. The purpose is to segment the drivers for every treated case and to define the role of every actor within the process of functions’ replacement. The term *driver* needs to be different from the more general term *governance*, which is linked to the urban competitiveness. It may happen that they will be reunified, but it is useful if there is a clear integrated framework.

Chapter 3

Impact of the General Model on Specific Case Studies

The whole volume consists of the analysis of some big cities of central Europe, where some complex urban interventions are examined (see Fig. 1.1 and Table 3.1). This chapter has the target of homogenizing the case studies and creating a unique field of comparison between heterogeneous situations. The treatise has the purpose of finding some specific points in the different cases and their impact on the general model presented. Similar (or assimilable) Communitarian “rules” are particularly interesting elements, as well as a new urban competition that derives from globalization, through which an attraction or a loss of value, and therefore of competitive advantage, can occur to one city’s advantage and to another city’s detriment. All these things lead to a treatise developing within two different sections: homogeneity of the treatise (Sect. 3.1) and impact with the proposed model (Sect. 3.2).

Several elements have been considered and it has been attempted to reorganize them by some specific points. An effort has also been made, besides the case studies, to consider some incidents that could be related to the cases. In view of eight cases of metropolitan areas, therefore, twelve different incidents have been added with the aim to activate a benchmark between the main case and other situations considered homogeneous to it. The eight cases refer to four European countries,¹ located in central Europe, selected on the basis of their size: almost all are metropolitan areas with the highest number of inhabitants and the highest population density in their respective countries.

The phenomenon of implosion mainly involves big cities, which have more means and “structural power” to organize interventions considered mature and exportable with specific corrections in smaller towns. This is true even if, as Koppenjan asserts (2005), what is successful (or unsuccessful) cannot have the same effect in other contexts. The focus is on big cities able to absorb a large amount of resources for their intervention with specific urban assets, and to the possibility to organize and realize relevant buildings.

If we consider a wider area including other countries of central Europe (Switzerland, Austria, Czech Republic, Slovakia, and Slovenia), cities comparable to those indicated are Vienna (1,550,000 inhabitants) and Prague (1,550,000 inhabitants). All other cities are dimensionally smaller than the ones analysed in the cases. For the

¹Germany, Italy, Poland, Hungary.

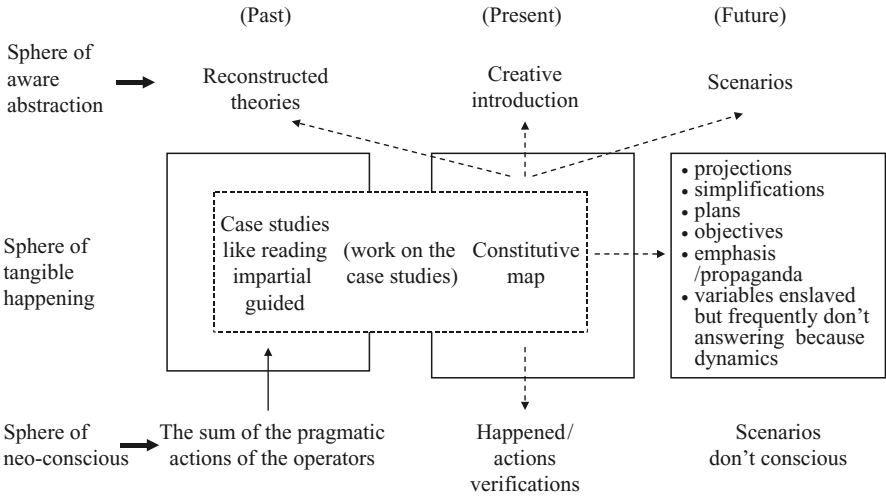


Fig. 3.1 The cases as the basis for a constitutive map

Table 3.1 Representation of the cities treated in the cases

Country	City (cases)	Inhabitants (a)	Density inhabitant/hectare	Km ²	Range (b)
Italy	Milan	1,256,000	6,901	182	2
	Turin	865,000	6,618	130	4
Germany	Hamburg	1,715,000	2,272	755	2
	Stuttgart	584,000	2,816	207	6/8
Hungary	Berlin	3,388,000	3,799	891	1
	Budapest(1)	1,725,000	3,285	525	1
	Budapest(2)				
Poland	Krakow	741,000	2,267	327	3

(a) Inhabitants are usually compared with the different Municipalities' surfaces; (b) the reference is to the extent of every city within its own country (Italy: Rome has more inhabitants than Milan, Naples and Turin; Germany: Munich, Cologne and Frankfurt have more inhabitants than Stuttgart, Essen and Dortmund have slightly more inhabitants than Stuttgart; Poland: Warsaw and Lodz have more inhabitants than Krakow).

choice of the cities it has been attempted to make a comparison between those with a Western origin (four) and those with an Eastern origin (four), because all the interventions have been carried out close to the fall of the Berlin wall, or a little before.

Another characteristic of the analysis is the focus on the obtained results, leading to the necessity to consider long periods of realization. The complex urban interventions considered have as a fundamental characteristic a long time frame (many years) from the project idea, the start-up, and the development: this represents one of the main critical aspects, which seems not only related to the analysed cases, but to almost all structures of complex urban interventions. The choice of a complex urban intervention (renewal or others) arises many years before the testing or the

start-up of productions that are supposed to replace old functions with new ones. For this reason, different cases from the above-mentioned countries have been taken into account. They have been selected with the aim not to analyse aspects still to be implemented (as in many incidents and cases which are still evolving), but to verify the final implementations. The cases taken into consideration concern therefore projects that are finished, or close to their conclusion.

This represents an important point in the treatise because complex urban interventions are in a process of ongoing evolution; a final treatise becomes significant in order to understand the dynamics, the difficulties, and the knowledge that the single subjects have to bring to the process. It has also to be considered that the executed interventions are fundamental elements for the creation of an intervention's culture and maturation. Those interventions, nevertheless, do not represent the reality, which has a rapid evolution.

Fig. 3.1 defines the context where the cases are located. Urban renewal interventions, for their complexity and duration, are not very consistent with a descriptive dissertation based on future projections. The imprecise existence of a codified decisional process, and the voluntary nature usually characterizing those interventions, often leads not to the effectiveness but to “castles in Spain” (Koppenjan, 2005), especially during the first interactions. As a matter of fact, if declarations, interviews, and dissertations of designers, politicians and urban developers are intercepted, often the achievement of a milestone is possible to measure the gap with the resulting reality of those descriptions, especially if revisited after a long period of time. They are not an exception to like magazine articles written by subjects taking part in the process (architects, professors, engineers, managers) who present their partial success as the description and the setting of the entire model—as if their partial success should be the whole concretization, as if the articulation of the variables at stake should not be much more important and complex. By considering complex interventions, there usually emerges a direction change, a shift in times, an overlap of subjects, a non-declared stratification of events, a whole series of contradictory interests—in other words, a non-linearity. For this reason, it becomes important that the work is done on the single cases as proposed, in order to define a model's “constitutive map” (Fig. 3.1). Working on case studies allows the creation of that constitutive map through which it is possible to measure the reference model and to analyse all the links with the other components of Fig. 1.1.

3.1 The Urban Implosion

The concept of implosion deserves a separate dissertation. The concept is scarcely and incorrectly used. There are some references in Lefebvre (Elden, 2004; Lefebvre, 2003), the theorist of the urban space and the State; there are dissertations of an important historian as Munford (Miller, 2002); the two abused terms of implosion and explosion are often repeated related to the urban structure, or even inverted (Goonewardena, Kipfer, Milgrom, & Schmid, 2008; Pinder, 2005); there

is a conjunction between implosion and urbanization, but still little has been elaborated to explain the new phenomenon (something in Grogan & Proscio, 2001; Haggett, 2001) that is observable in many large European and Western cities. We asked ourselves whether to call the phenomenon constituting the important part of the CoUrbIT model renewal (which will be treated in a further book on urban models) or implosion, ultimately choosing implosion.

The implosion is the collapse towards the interior of parts of the city. This is linked, as already said, to dynamics such as the reduction of (economic and social) functions' life cycles due to globalization and world competition of urban systems, to big and complex investments for the replacement of functions with high revenue potentials, to complex institutional structures to build in order to transform implosion into competitive advantage and not the opposite, to a strong revision of the concepts of state and market and to new guiding and coordination instruments. Nevertheless, these instruments alone are not sufficient to specifically define the implosion. It involves a noncontamination with the urbanization running along the external lines, or with a conjunction of parts (city-region; Bertrand & Kreibich, 2006). It is neither a pre-globalization urban hierarchy, where there is equilibrium of functions centre-periphery mostly internal to the equilibrium of the city itself where urbanization takes place, with a slow and often "geometric" re-positioning of the centre, through proper tools (urban planning, private capital with the support of public infrastructures). These frameworks broke up with the implosion; for this, reason, this concept is not to be treated as the other face of urbanization.

Marcuse (2005) identified within the globalization some key questions: (a) Has globalization produced a new spatial model of city? and (b) Is the pattern an aspect of all the cities or only of the global cities?

The implosion could be the answer to the first question: increasing globalization increases, the implosion within urban centres. At the same time, about the implosion, the cities more involved than the global cities among them in competition. With the other minor urban systems, there is a transmission of the globalization effects (Castells & Himanen, 2002).

The implosion requires attention to the problem of replacing what is decaying, to the difference between implosion and explosion, to what is happening in the neighboring areas: a sort of "domino" situation comes to be determined, like a spreading contamination of the need of replacement; or even, as the term betrays, we can limit to a phenomenon of collapse of some specific and limited functions, even if relatively wide and close to each other.

The answer is left in a wider form to a further publication on the urban models. Nonetheless, as an extreme synthesis, it can be said that if there is extension (explosion), the reference model is the restructuring, as in the case studies of big cities of Eastern Europe. This can be a phenomenon close to but different from implosion which, especially in big Western cities, circumscribes the collapse and the need for replacement.

Another important element needed to better define implosion is the arrangement of the obsolescence that must happen in the central part of the city-municipality as indicated in Fig. 3.2, and not in other municipalities, external or distant from the central city-municipality or from the interior of the city-region. In this sense, there

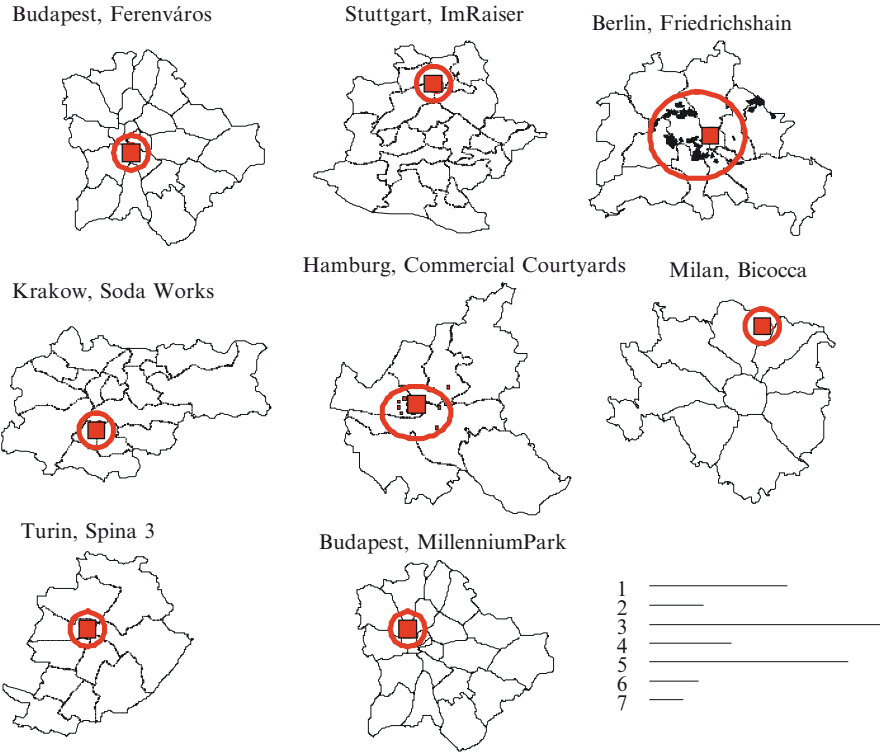


Fig. 3.2 The case studies located within each city–municipality (the *external line* show the city–municipality, inside each there are the districts). The *circles* of Berlin and Hamburg show an intervention split into several further interventions within a wide area; the *numbers* and the *lines* show (sequentially) the different extensions of each city–municipality (see Table 3.1)

is a sort of similarity with the walls that surrounded the old towns, where the “power” was inside the walls, creating some of the first elements of implosion.

The central municipal areas in Fig. 3.2 are all different. Berlin (the largest) is almost five times bigger than Turin (the smallest). Not all the municipalities manage the same functions; in some cases there is a strong power demanded to the districts (this is valid in all the cases analysed, in Budapest in a stressed form). It is only in the central part of the city though, with the proper intervention of the big municipality, that we are in the best condition to define the phenomenon of implosion and consider the possibility to foresee a sophisticated architectural structure able to face the replacement and consider new forms of impact with the competitive advantage. The city (the “mother” municipality) is able to face these global changes thanks to its power, resources, and necessary visibility, with an increase of the architectural structure that would be almost impossible to find in more peripheral municipalities with far less resources and visibility than the mother municipality. Moreover, we are almost always talking about a land revenue that is potentially very high, able to support through the created PPP the business and institutional architectures

otherwise difficult to imagine. This does not mean that big municipalities are adequate to answer to the new phenomenon. Thus the implosions happen within the boundaries of the big cities, which mainly have the role to answer to these new and important needs. Here we see the action of the city-state. An open question is whether the municipal boundaries and the institutions operating there are still adequate to identify and face the forms of implosion with due effectiveness.

Another element characterizing the concept of implosion is the term *urban crisis*. Is the implosion a result of the urban crisis? The implosion seems to be of an opposite sign compared to the urban crisis, at least as it was described in the 1970s and 1980s (Steinberger, 1985). It is not part of an urban conflict (Castells, 1979). It is the result of a new dynamic of development linked to globalization, and it can produce crisis and new forms of implosion (Caldeira, 2001), but it tends to reinforce the central urban systems and not to make them poorer, even if this determines new forms of exclusion/inclusion (Beider, 2007; Moulaert, Rodriguez, & Swyngedouw, 2003) and consumption/production (Jayne, 2006) within the imposed area. These new forms must be well considered and, if not well managed, they can compromise the concept of reinforcement and development (Begg, 2002a; Porter, 1995). In some cases, big cities face a strong transformation, or reinforcement, of their global components of globally competing cities. There is the passage from national cities and global cities too. The implosion is characterized as an urban crisis, thus a crisis of a single nation only if we are not able to create new institutional architectures that can answer the new needs generated by the implosion. In this case, there is a fall of the nation's and city's competitive advantage, with the consequent fall of the international profitability ranking. To recall the ranking is also one of the criticisms, towards the neo-liberal city, since for this reason some forms of exclusion come to be justified (Bartley & Treadwell Shine, 2003). The most suitable term to be linked with implosion in a re-designed view is urban renaissance (Leazes & Motte, 2004), which represents the opposite of urban crisis. Even if the dichotomy between participation/élite remains open, Atkinson and Bridge (2005) describe this as "a process of colonization by the most privileged classes (élite) who come to occupy prestigious central city locations and are supported by a domestic and local service class." Thus this is the result of new forms of consumption (Krugman, 1997) generated by globalization with an effect expected and derived from implosion and its dynamics. If we look at the economies of the modern cities in the second half of the 1970s, according to Krugman (1997), we can see an increased growth of the labour force that produces services that are sold only inside the same metropolitan area.

3.2 Consistency of the Treatment

The target of the treatise is an integration and systematization of knowledge in a more detailed way than what has been done in the case studies, where a common and homogeneous trace for the list of contents has been proposed for all. The points considered are:

- The object of the intervention: it refers to an essential focus on the object (usually a complex model of urban intervention)
- The difficulties: some critical points are defined, which will be subsequently taken up again during the treatise of the cases
- The synthesis of the intervention: the specific elements constituting the basis of the case analysis are individuated
- The complex aspects in the relationship between state and market: the relationships that intervene between public and private action are analysed as the basis of a PPP
- The characteristic of the model compared with other models: a comparison with other incidents (or micro cases) is presented

3.2.1 Restructuring (Housing)

3.2.1.1 Object of the Intervention

This is about the realization of an intervention in a relevant area of the city of Budapest, with the purpose of a readjustment and a re-conversion of an increased quantity of buildings. There is a meticulous reformulation of each construction component, a change in the image and functionality of each single building, and a substantial revision of the entire quarter. The capillarity of the intervention emerges in an area not different from others, which could be considered as a pushing factor guiding a radical change of the image and the structure of the entire city of Budapest. The main elements are:

1. The involvement of a relevant quantity of economic and institutional subjects for the assembly of the intervention
2. The time due for this process, which is not brief but at the same time it does not seem to be excessive when compared to other equivalents
3. The strong impact with the social variable consisting of those who live in the restructured quarter and of the benefits or privations that the restructuring process requests
4. The vast process of realization and production of buildings (apartments) in the area

The intervention consists of an area of 65 ha, but the concentration of the operations is restricted to a smaller area: between 1996 and 2000 the area concerned was not more than 15 ha. Therefore, it is a considerable intervention located in a central part of the city. It remains though smaller than the area of the two Italian cities (75 ha Bicocca and 115 ha Spina 3), but it refers to more than 1,500 apartments with a direct involvement of a number of users of 6,000 inhabitants. If we consider big buildings with 43 apartments (six floors with seven apartments per floor), then the intervention covers not less than 35–50 big buildings constructed or reconverted, each one close to the other within the context of such a small area.

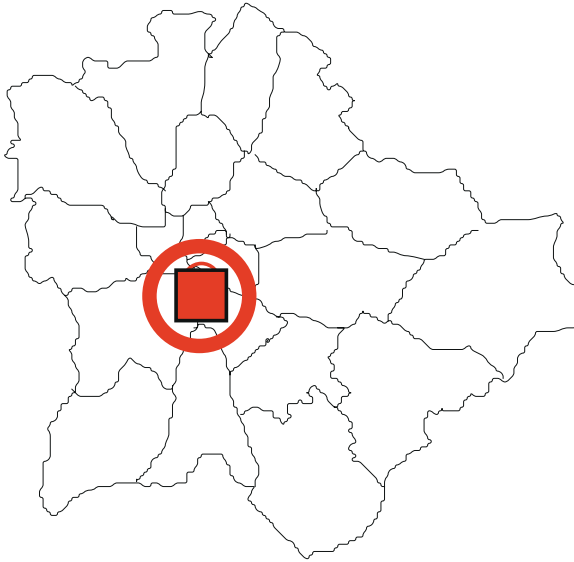


Fig. 3.3 Budapest – The *circled* part represents Ferencváros

A visit to the site gave the impression of a vast area, almost resembling an area that was subjected to bombardments and afterwards reconstructed, with identifiable roads and structures around the blocks of historical and reconstructed buildings: ruins in removal, diffused noise and dust, several working cranes, and many holes due to demolitions within still open or even closed yards.

3.2.1.2 Critical Aspects

A relevant critical aspect has been the social variable. Originally, the area was constituted of 80% of public property, whereas the 20% represented the private property of the estates. At the end of the reconstruction intervention, the situation was reversed: the apartments' prices quadruplicated in 7 years, anticipating the expulsion of a large share of the population. All this was partially mitigated by the increased number of floors in each building and consequently of new portions of the population. The impression is that there has been an increased conflict and turnover of the population in the context of an area guided by the private market's action, which was previously nonexistent.

3.2.1.3 Synthesis of the Intervention

Ferencváros refers to an intervention of urban restructuring. The intervention began in the early 1980s and came to an end in 2000, with the change of the political

regime following the fall of the Berlin wall in 1989. Through this process of re-qualification, it is possible to foresee the metaphor of Budapest towards urban restructuring. The decision of renewal was made in 1983 by the Council of Budapest, a different body from the one of the district created successively. There was a first approval of a master plan. The design of an urban re-qualification in the 1990s involved a great structure of national projection, specialized into the projections' interventions of the public estate property.

The financing of the initiative was assigned to the public bank OTP. In this first phase, the State controlled all the phases of realization of the idea, from the choice of the project company (VATI), to the determination of the bank of financement (OTP). The demolition of the old Hungarian regime coincided with a first introduction of market criteria in Ferencváros. A special purpose company was created, according to the French SEM model. No selection criteria were set for the subjects called to give life to this company. The plurality of the company was controlled by the administration of the district—the local public body concerned, among other tasks, with renewals and owner of a relevant share of the estate of the area under its administration. Minor quotas went to the French Caisse des Dépôts, which was part of the process, and to the OTP, that in the meantime was changing its nature and transforming into a bank that was called to operate in the market. The OTP choses the company that would undertake the operations without any form of competition. In these years, Quadrat Ltd was created, consisting of and managed by the same technicians and workers that left the public structure and became stockholders of this new construction company.

The SEM, which is public for the majority, is a non-profit entity with its function in the preparation of the lots, the demolition of the buildings, the adjustment of the connections, and the improvement of what is offered by the utilities in terms of net services. Once the disposition of the lot is over, it is sold and entrusted to a company for the construction or the modernization of the buildings: it will be up to the company that acquires the lot to sell the realization of the estates and, after having obtained the financing, to re-acquire a new lot by the SEM and to complete in this way the construction of new apartments. The PPP consists in the relation settled between the district, that legitimates the level of intervention, the SEM, that is a mainly public company, and the construction companies called to intervene. Then 80% of the real estate is put into the market in the form of a SEM's lot: the companies acquire it and transform it. Within the chain of the realization process (passage from old to new functions), the costs of the market increase and the consumers of the new product change. The number of tenants abruptly decrease and the owners with a considerable capability to acquire increase, allowing a general increase of inhabitants with a higher economic profile and income. The social classes that were formerly the target of the urban space change too and new purchasers enter into the process. In some ways, the old functions are inserted into the market, which in turn transforms them into new functions without any attention to social issues.

3.2.1.4 Considerations on the Structured Western Visions of the Relationship Between the State and the Market

Through the analysis of this case emerges the importance of the creation of a company that is in its majority public and represents the determining element of the PPP. Moreover, the urban intervention also sees the presence of other public and economic subjects.

In order to create an SEM (company with the purpose of urban transformation) within the European community (EC) framework, it is mandatory to organize a public tender to choose the subjects that will constitute the company. In order to be able to proceed with legitimacy towards the construction of a company, it is necessary to have several subjects to participate to the call for tender and not opt for the French Caisse des Dépôts and the Hungarian OTP as in the case of Ferencváros. The fact that this did not happen demonstrates the absence of a structured market with the competitive presence of many economic subjects in the position to compete the one with the other. The municipality of Budapest choose the French Bank for the enormous experience that it had gained in France, being public in its origin too, with a unique experience and competence in real estates related issues. Another original aspect is the creation of a non-profit company that does not use its social capital for its investments and does not distribute potential returns. It would seem logical—in the context of structured rules of market—to carry out a call for tender on behalf of the public subject in order to search for a subject (a financial institution) able to provide advantages deriving from the release of facilitating credit. In the case of Ferencváros, the participation in the social capital (shareholding) seems to have as principle aim the control on the transparency of the operations, the evaluation of the characteristics with benefits from the deposit of the release of the credit as a return. In the context of the European directives, under some circumstances, for instance in urban renewal interventions, it seems to be difficult to realize the creation of mixed public–private companies with banks.

The first important element emerging from the Ferencváros case is the presence of a complex intervention, with a strong strategic impact on the city, with different economic subjects called to put together competences and different interests. Weak procedures also emerge on the public and private relation side, because the rules of the market relating to the different subjects vary. In the case of Ferencváros the competition rules, which are a basic element of the market, are not diffuse, and the number of subjects working in the market is limited. By observing the economic subjects operating in the case, it seems that an evolution of different subjects towards the rules of the market is emerging, even if the structure remains fragile and gives a definitely peculiar image of the PPP.

Also particular and not consistent with the European directives is that the resources derive from the European Union and from the anticipations made by the municipality of Budapest. These are used by the SEM as a start-up point and serve for the organization of the area, the demolitions, the improvement of public works and the adjacent infrastructures, and the definition of the lot. Only after all is sold to other enterprises will the interventions of construction or revitalization of the real estates be realized. The sale of the lot permits sources to be obtained to proceed

thereafter to another block of buildings. The two banks are interested in participating as co-partners, because in this way they may obtain information in order to be in the position to intervene in the enterprises' and estate owners' investments. Nonetheless, in a well-determined context, this could create problems in the monopolistic predominance of the intervention in respect to other banks. This has been made possible by the absence of fixed market rules.

The financial framework of Ferencváros is as follows:

1. The district administration gives some blocks of building to the SEM, under the framework of a master plan and local building regulations
2. The SEM uses some EC funds, or an advance of funds coming from the municipality's budget
3. The SEM works to ameliorate the area, to demolish some buildings, to create and increase some utilities and infrastructures and public works
4. The SEM creates a lot and sells it to the builder
5. Resources gained from the sale allow the SEM to continue with the preparation of other lots for the market step by step
6. The builder, on the other hand, sells the apartments or the offices and regulates 'state of work progress' (swp) with effective payment in advance from the future owner
7. The process of payment allows the system (SEM, builder, etc.) to continue the production step by step

Another critical aspect is underlined in point 4. The sale of lots takes place without any public tender. A procedure of this type allows also the reduction of the time of realization. It is the sale connected to the market that supports the urban renewal. Everything could have been different if it was necessary to have more blocks of buildings expressed in lots to be organized through a call for tender, waiting for the constructor to build the apartments and with the resources "feeding" the payments to the SEM. In this case, there would have been a lot of elements of uncertainty and the process of realization would have been slowed down, mainly due to the absence of construction enterprises able to face this type of procedure with adequate capital and realizing structures.

From the Ferencváros case emerge peculiarities and weaknesses of a system that is in the process of developing market elements, creating new relations between the state and the private sector with equilibriums that are still uncertain and, at the same time, relating to fixed EC rules, which in the actual situation appear unfamiliar and have to be constructed in the concrete action.

3.2.1.5 Characteristics of the Intervention and Comparison with Western Models

The assembling of the intervention occurs as follows:

- A master plan is drafted in order to give the intervention's dimensions
- The SEM is created with a responsibility to intervene in the preparation of the lots, to organize them in terms of acquisition of the buildings to be demolished

(if they are owned privately); the interventions are carried out, including the demolitions to make the lots ready for sale

- The acquiring enterprise pays the lot to the SEM at market prices and it has to realize the constructions. Nearly 70% of the constructions are made by Quadrat Ltd, which does not intervene in buildings destined to be rented, but in constructed or readjusted buildings. About 54% has the owner itself as a referee. About 12% of the ultimate property is in fact destined to foreign citizens, whereas 34% is sold as speculative investment, under the expectation that with time the price will increase, thus the investment will too. The buildings become higher, increasing their volume and the number of flats too, but in sum the renting population decreases

The situation at the beginning was the following:

- The presence of a very high density of inhabitants
- The average dimension of the apartments was fairly limited (44.5 m²)
- There was a significant proportion of working-class residents (nearly 25%)

The cost of sale per square meter actualized by the Quadrat Ltd for the new buildings realized close to the two blocks is 790euro/m² of which 62% is the cost of construction, whereas the costs undertaken by the SEM itself are summing up to 14% (land, architectural design, use of public roads, commercializing), 18% for taxes, and the remaining 6% divided between a share of profit for the construction enterprise and a share of commercializing. Therefore, the role of the SEM (Fig. 3.5) in the process of restructuring is that of defining, framing, and starting-up the intervention. The most operative component—the realization of a great part of the building and the consequent commercializing—is demanded to the enterprise of construction which is in charge, besides the realization (in the context of a defined area) of the commercializing in order to accumulate resources for every single building, not less than 65% of the overall resources of investment to the urban restructuring.

The important aspects of the case concern the involvement of private subjects in the SEM constitution, without any specific contribution but that of transferring their experience and know-how. The selection of these economic subjects, as the one of the enterprise, has been made through a “weak” competition. Other than that, there is no allowance of the real estate property to the SEM, apart from a minimum capital. In other contexts, as for example in the Italian case, the evolution of the SEM has had different results.

In Italy, in the municipality of Macerata with 40,000 inhabitants, the context is the one of a residential property particularly decayed, located in a central urban area, characterized by a property regime entirely privatized and extremely fragmented. In 1999 the local government defined “target re-qualification areas” and prompted participants to present project proposals coherent with the plan (PRU). The private sector did not intervene and the local government created an SEM (Società di Trasformazione

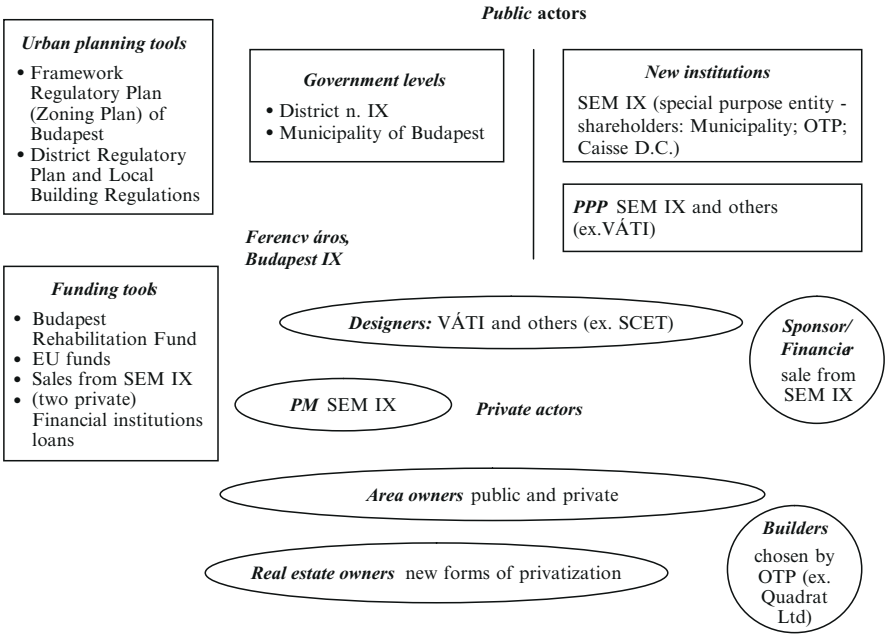


Fig. 3.4 Budapest (Ferencváros) – scheme of the company (SEM) created

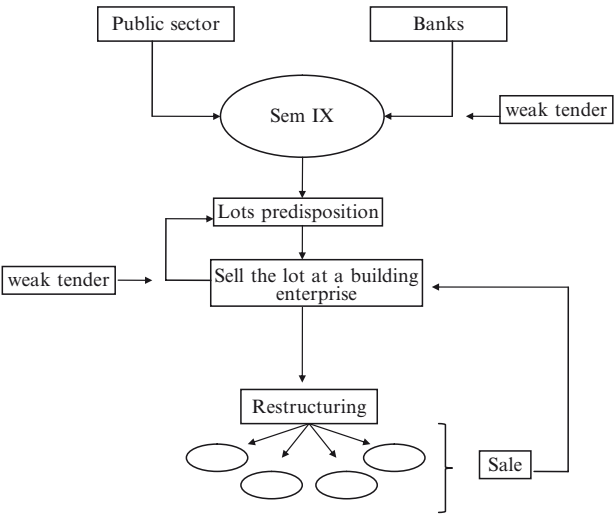


Fig. 3.5 Budapest (Ferencváros) – relational scenario of subjects and instruments

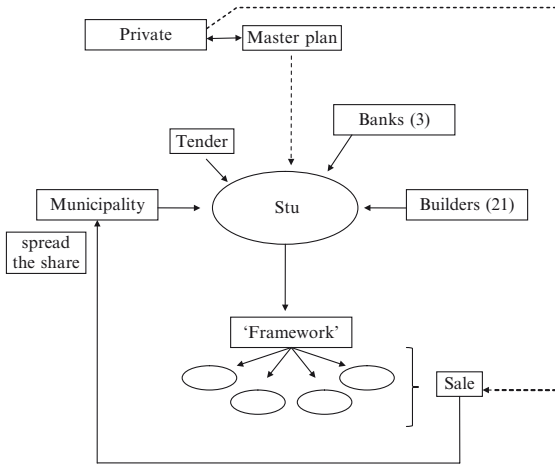


Fig. 3.6 Macerata – scheme of the company (STU) created

Urbana – STU), as an instrument to perform the interventions foreseen in the plan in the absence of the consented private initiative. There may be the opportunity for the private sector to address its areas and real estates to the STU (Fig. 3.6).

Once the term for the private sector to advance independent initiatives was due (March 2001), in April 2001 the municipality proclaimed a public announcement, a statute and the co-partners selection for the creation of the STU. In August 2001, with the end of the tender the STU had been set up (Fig. 3.6). The municipality participated in the realization of the company with 20% of the capital: three credit institutions became co-partners as well as 21 construction companies. The call for tender announcement also specified the share of social capital to be approved, the preventive evaluation of the conferred values to the areas, and the definition of the co-partners' nature.

The municipality determined as a term to exit the company not less than 4 years from the construction of the STU with a determined spread. The entire capital summed up to €5.8 million. The area of the intervention was about 3.5 ha. The intervention consisted of the recover of existing buildings and construction of new ones. Some years after, the intervention performed to improve the area's urbanization was concluded (3 million). In June 2004, the construction and sale of some buildings began.

3.2.2 Redevelopment

3.2.2.1 Object of the Intervention

The intervention consisted of a particular change in the utilization of a former military base that shifted from the control of the U.S.A. (acquired at the end of

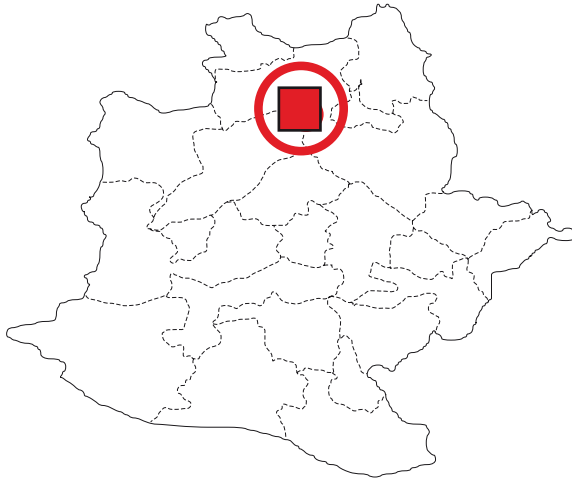


Fig. 3.7 Stuttgart – The *circled* part represents Im Raiser

World War II) to another country. In 1993, three years after Germany's reunification, the area was conferred to the German Federal Republic. This area is placed in the north of the city, which now is completely absorbed by constructions; it shows, due to its previous function, a separation from the surrounding context. The area is placed between the semi-central and the suburban axis of the city, and it is well served by public transports. It is definitely a part of an urban implosion, and not of an expansion.

The city of Stuttgart has studied the area's reconversion since the beginning, formalizing the re-conversion's guidelines in a master plan and pointing out new functions to be performed within the ex-military area. All this happened while the whole area still remained under the Federal State control, until 1999. Afterwards, the city of Stuttgart acquired the estate and began the intervention which had, as an output, an *inclusion* policy: the construction of buildings for young couples with children otherwise doomed to leave the city, due to several factors including:

- (a) Low familiar income and savings
- (b) Need for adequate housing size, consistent with the family dimension
- (c) An unfavorable property market

The characteristic elements are:

- (a) The public bodies' relation concerning the connection and the ownership of the area
- (b) The definition of the intervention's contents by the city of Stuttgart, and the definition of a preliminary design (regarding how precise should be the disposition of lots and other planning details)
- (c) The disposition of a call for tender to sell the land to four different developers, who have the task of completing the design and the construction. In other

words, with some constraints, the intervention is performed by leaving it to the competition and the creativity of the four different developers, from the start to the conclusion

(d) The developers bear the main part of the entrepreneurial risk

The concerned area is quite limited: 8 ha with a settlement of no more than 1,000 inhabitants. Therefore, it was not a particularly complex intervention, but the main interest lies in the specificity of the intervention's assembly.

3.2.2.2 Critical Aspects

A possible critical point is the sale of the land by the municipality of Stuttgart, formerly in favor of the Federal State, then purchased by the developers who have their interest in building and selling the houses. Another critical element is the missing analysis of the level of pollution in the area, and the consequent reclamation costs: this lead to unpredictable consequences on the public intervention's return. Other critical elements are the level of enhancement of the executive constraints created by the municipality of Stuttgart, both from the tender and the winning developers. A double strategy of intervention by the city of Stuttgart is evident: on one hand to ensure the profitability of the operation, on the other hand to maintain fixed function for the area. Therefore, the aim is to verify if the results have been effectively reached.

3.2.2.3 Synthesis of the Intervention

The intervention started in 1993 and ended by the beginning of 2005: during this period, more than 15 years, some significant steps are recognizable.

The municipality of Stuttgart acted from the beginning with a specific aim: to transform the old military function into a place for the settlement of young families with children. It acted with this scope, making use of general and particular urban planning instruments, even before having obtained the ownership of the area. On the basis of the drafted guidelines about the new functions to install in the area, a first tender (competitive contract) was organized, with the following goals:

- To find out the regulation of different housing typologies
- To combine qualitative ideas about the use of the territory
- To define preliminary designs for the building costs' containment and the environmental sustainability of the settlement

In 1998, a detailed plan of the area with the allocation of the lots was approved from the municipality. In 1999 an unclear event happened: WHS was recruited as the general developer. It began, on behalf of the city, to reorganize and rehabilitate the land in order to make it marketable. Between 2000 and 2001, a communitarian competition (over threshold) was organized, on the basis of

defined rules that set out the lots, the possible settlement's areas, the indexes of edificability, and the approximate housing modules. The aim was to find four different construction companies associated with architects, in order to complete the design (definitive and executive) and to realize houses inside the macro lots. The winners were four different building firms (SWSG, WHS, SWG, LEG) with four architects offices.

The financial transaction, after all the administrative costs (i.e., the calls), the demolitions, and the reclamation of the area, should have represented a profit both for the former public owner of the area (the Federal State) and for the city of Stuttgart, which purchased from the Federal State and then sold to the four winning companies. Actually, the profit has been close to zero due to higher reclamation costs than the initial estimates: the city of Stuttgart intervened with its budget asking the Federal State for a refund, partially covered. Moreover, the municipality intervened with an additional subsidy for the installed function. In the final balance, a light financial-economic loss was registered for the city of Stuttgart. Finally, in order to foster the settlement of the new function, the city put the area plus a share of the subsidies at the companies' disposal. All those actions led to a 45% decreasing of costs with reference to market prices.

3.2.2.4 Considerations on the Structured Western Visions of the Relationship Between the State and the Market

The settlement of Im Raiser is things considered to be of low relevance, able to absorb a business of around €100 million. The case represents an intervention that can be considered traditional with the exception of some relevant and innovative elements. In a traditional process, the procedure is managed and supervised by the public body. That is, the municipality acquires the area and defines the functions to be installed; if the social component prevails, and the market influence is nonexistent or weak, it is the public body that organizes the project until its advanced phases, or even until the completion. Then, it organizes a tender for the acquisition of the know-how, with the aim of building what concurs to the services' delivery. Within this process, besides the execution, the design and even the commercialization can be charged to external subjects. There will be call for tenders, winners, and buildings, with the payments, the direction of works, and their testing performed by the public sector.

A variant in the procedure described above can be the project financing (PF) in which, once a good like the land is made available, a private "project company" (special purpose entity) is asked to realize the works consistent with the function. It must be decided through the use of adequate instruments (i.e., feasibility studies, economic and financial plan) how public and private resources can be integrated. The public ones will be based on the social content of the functions to be installed. The intrinsic actions in a PF with low profitability are the reception of public funds in order to cover shares of resources that are not available from the market. An alternative to the PF can be transfers of

funds in favor of private subjects with the aim of making possible the purchase of residential units at a market price; otherwise, they will be excluded from the purchase.

In the specific case of Im Raiser, a first phase of the process of utilization of the area was managed by the public body (municipality of Stuttgart). That is:

- (a) The definition of the contents that should be installed in the area
- (b) The macro design of the contents
- (c) The interventions of demolition and reclamation
- (d) The definition of the lots
- (e) The sale of the area

This was followed by a second phase, privately managed within macro rules for the realization process and the consumption of the good determined by the public body. These are:

- (f) The search of the resources to purchase the areas and to build, with the consequent sale of the buildings
- (g) The acquisition of the area and the undertaking of the profit and the entrepreneurial risk
- (h) The detailed design of the houses to be sold to the private

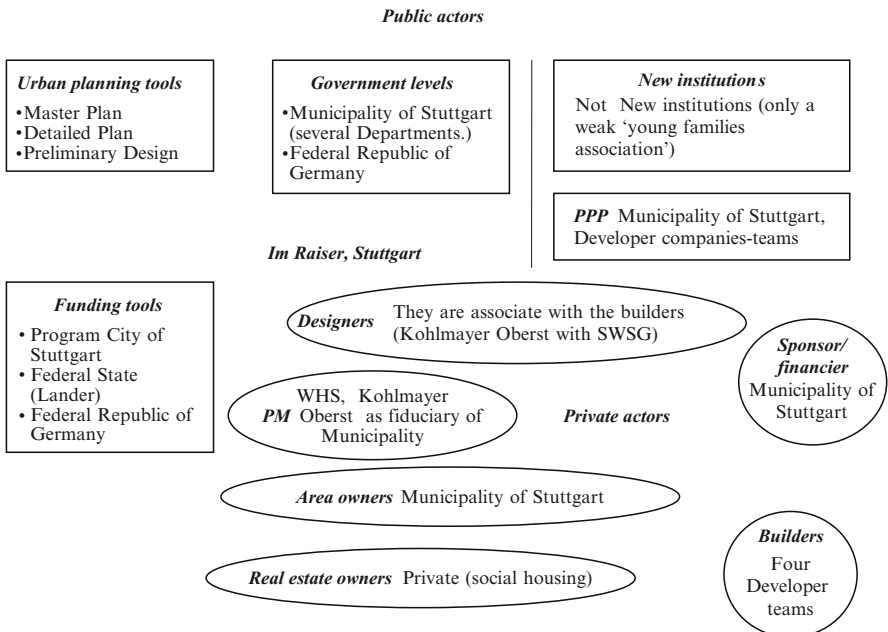


Fig. 3.8 Stuttgart (Im Raiser) – relational scenario of subjects and instruments

- (i) The construction of the houses on one's own (apart from public funds and payments)
- (j) The testing
- (k) The search of the purchasers' profiles consistent with the rules defined by the public body
- (l) The commercialization
- (m) The sale

The innovative phases, with reference to traditional models, lay in point (e), which makes it impossible to talk about project financing. There are also other points that weaken the concept of project financing, mainly concerning the local public body's action of points from connections (c) to (e). The elements emerging from the relationship between the public body (municipality of Stuttgart) and private bodies stress some considerations and critical aspects.

A first consideration is of the several phases lying between the definition of the contents connections (a) and the sale of the houses connections (m). If the goal of the city of Stuttgart was not the return from the sale of the area as it seems from the single steps, but rather a policy of non-exclusion of the city's young generations, it must be wondered if the process could not have been managed in a different way. In other words, it must be wondered if it was not possible to delegate to the private actor many other steps, with the public actor maintaining, maybe, the first two phases in order to orient the realization process ((a) the definition of the contents to be installed in the area; (b) the macro design of the contents). Then, acting in another way, through the sale of the area to builders, the funds obtained and their utilization could encourage the purchase at a market price for families with children. The advantages would have been more flexibility and, maybe, shorter time of realization. More complex and unfair would have been the constitution of a fund for a small number of beneficiaries, placed in an area with a narrow number of buyable goods.

The difference between a 45% direct incentive and a price 45% under the market price, but managed by the private purchaser, is a substantial difference for public legitimacy. The public control on many steps responds to the need for better outlining of the aim to be pursued. The estimation of a cost that is 45% lower than the market price is due to:

- The incidence of the area's cost for the builder, which is between 15% and 20% of the total cost of what is sold—a low incidence taking into account the fact that this is not an expansion but an implosion area, and considering the demolitions and reclamation within the area.
- The architectural and building 'essentiality' of the buildings which are characterized by large sizes,² due to the aim for which they are built, but with limited final touches.

²SWG sold 178 m² houses plus a little garden for €2,100 for m² (that is a total cost of €374,000).

There is no information about the company's profit margin; more careful control should have occurred with an exact check on house sizes. The control from the local body stopped before the final executive design, developed in a post-competition phase. The local body had, however, foreseen the presence of four different developers, in order to leave part of the control of this variable to the market competition.

Another critical aspect is represented by the phases where the private subjects entered the realization process, when everything was still under the public body's control.

- In 1997, there was a call for tender for the realization of the 'family friendly housing buildings' won by the Kohlmayer Obster Architekten architect's office, which took part in the definition of the master plan and in the preliminary design of the whole settlement. Afterwards, during the international tender where the four constructors associated with the architect's offices were selected for the effective realization of the buildings, the Kohlmayer Obster Architekten architect's office was associated with SWSG, a company that will build several apartments.
- In 1999, as we said, the WHS, without any call for tender, was charged by the city of Stuttgart to undertake the role of general developer of the area. After the communitarian competition, WHS appeared then as one of the four building companies. This action, at the border of administrative and procedural legitimacy, is explainable as the only public attempt to control construction aspects (estimated basic metrical calculations) to be sure that the profit of the companies would not improperly absorb a more or less significant part of public incentives intrinsic in the operation during the realization phase.

3.2.2.5 Characteristics of the Intervention and Comparison with Western Models

The assembly of the intervention is the following:

- (a) An old function declines (military use of the area)
- (b) The area passes from the Federal State to the city of Stuttgart
- (c) The new function is to support the growth of new generations within the city, which is progressively getting older; part of the responsibility is to the property market and the settlement's typologies
- (d) The city of Stuttgart organizes a first call for tender to obtain external professional support
- (e) A master plan and a detailed plan are arranged
- (f) The city of Stuttgart, after having demolished and reclaimed the area, organizes a call for tender to sell four macro lots in a nonspeculative way to four builders associated with the architect's offices, in order to complete the design and the construction, focused on the resolution of point (c), at least for what concerns the concerned area named Im Raiser

- (g) Once the project's contents are defined and the connection with the public aim (point c) is verified, all the responsibilities (and the risks) of construction and commercializing activities are absorbed from the private developer

It is unusual to find Italian cases with elements similar to the Stuttgart's case. It is not easy if the approach is:

- To treat a case which is finished, which means designed in the 1990s, concluded in the 2000s, and then ex-post verified
- The sale of an area where other functions existed within the inner city (implosion) and not outside it (farmlands and urbanization)
- A clear redesign of new functions
- The demolition, the urban renewal, and the reclamation of the areas with the creation of lots
- The sale of the lots together with the preliminary designs used as a tender document

Some similarities can be found in Brescia (S. Polo quarter)³ where the municipality (188,000 inhabitants) purchased a large amount of hectares of land from private owners in an urbanization area, built infrastructures, drafted preliminary designs (not only housing modules but also detailed plans and planning constraints), created lots based on the housing modules, and sold them through a tender to private builders who then, with some variants, built negotiated housing following the municipality's modular directions, and shouldering responsibilities, business risks, and commercializing.

The case of Cittanova 2000 in Modena, a city of 176,000 inhabitants, is more significant.

- The area was urbanized but in a zone of expansion and considered of high prestige; in 1999, the local administration selected some consulting partners to identify utilization's procedures of a 17.7 ha area, 10.4 of them available for construction (that area was considered strategic).
- During the last months of 2002, a call for tender was organized to select one or more associated builders and an architect's office in order to complete the intervention's proposal. The call for tender was centred on a preliminary selection of companies and the area was presented to the winner for an amount of money not less than € 25 million. The use of this area was also presented, synthesized in 8 ha of industrial settlement (for the high-tech sector) and 2 ha of general equipping.
- Three subjects took part to the preliminary selection: Feasibility East London together with Italian builders; Hines Italiana Sviluppo Immobiliare; companies and cooperatives from Emilia Romagna. No one developed the following phase because the local administration refused, to modify some indexes of edificability and contents of the call for tender for the presentation of an

³See Dalla Longa (1997).

urban planning and architectural design, and for the following passage that led to executive designs and the construction.⁴

- In 2005, the local administration applied the private negotiation procedure (coherent with the 92/50 European directive, which allows that kind of procedure if the same content of the failed tender arises again) with the three subjects that had taken part to the preliminary selection.
- Four years later (presented at the end of 2006 and approved by the beginning of 2007), one of the candidates (companies and cooperatives from Emilia Romagna) formalized the economic and planning offer requested by the call for tenders: 10 buildings (8 ha) of productive activities with a high presence of high-tech companies and three buildings (2 ha) of general equipping upon a €25 million payment to the local administration for the ownership of the area.
- Within 18 months (April 2008), the presentation of the detailed plan took place, following approval by the local administration and the primary urbanization works from the companies. Within 10 years (2017), all the works will be concluded in four different steps, with an overall expenditure of €300 million.

The comparison between Im Raiser and Cittanova lies in the management of the area's ownership by the local administration; the same clear definition of functions to be installed (even if different in the contents: housing settlement the former, industrial settlement the latter); and the sale of the area with strong realization constraints both on contents and functions. For the same number of hectares, in the case of Cittanova the sale cost appears to be higher for the public body than the private. The time frame of realization also appears to be highly critical: shorter in the case of Im Raiser, almost inadmissible in the case of Cittanova (20 years).

3.2.3 *Regeneration (Neighbourhood Management)*

3.2.3.1 **Object of the Intervention**

The institution of the Neighborhood Manager (NM) belongs to several German cities, even if every one applied it in a different way.⁵ An interesting peculiarity

⁴ Some details expressed in the call for tender were as follows: (a) within 9 months from the adjudication, the detailed plan has to be drafted for the publication; (b) within 6 months from the execution of the detailed plan, the executive project has to be presented concerning the realization and general works; (c) within 12 months from the execution of the Detailed Plan the project concerning at least 30% of the area (SU) has to be drafted; (d) within 12 months from the approval of the planning convention the primary urbanization (UI) and general works have to be started; (e) within 18 months from the approval of the Planning Convention the construction works related to point (c) have to be started; (f) the new buildings must be destined to high-tech start-ups as indicated in an attachment and consistent with the dynamic vision of development of the city (mechanics districts, etc.).

⁵ A significant comparison can be made with Hamburg.

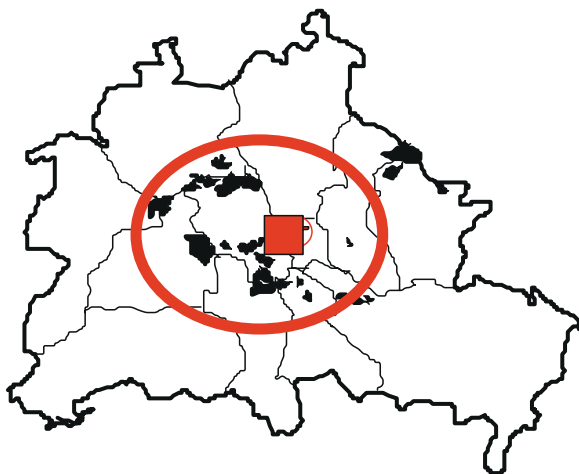


Fig. 3.9 Berlin – the division of the NM areas. The *circled* part is Friedrichshain - Boxhagener Platz

surrounds Berlin. The goal of the intervention was to integrate parts of the city and reduce the elements of economic, social, and environmental contrasts and discomforts. A cluster of indicators were used to identify and define the areas considered to be more disadvantaged. Seventeen different areas were identified within Berlin, of 1,270 ha, with a population of 227,000 inhabitants (7% of the whole population of Berlin). Every single area has its own peculiarities with a different level and priority of intervention (see Fig. 3.9).

For the management of those areas, a new figure was appointed: the NM with his supporting team. This figure covers several territorial institutions and has a budget coming from different bodies including the EU. His specific role is to act as a connection between the institutional bodies (related to the local administration and the government of urban assets) and the inhabitants, the potential settlement, the assets, and their use by the beneficiaries and ‘re-vitalizers.’ Within every area, the NM arranges a first draft of the intervention plan and submits it to the concerned bodies and institutions operating in the area. The document can be modified and integrated during the process. Moreover, before the submission to the institutional bodies for the approval, it is also submitted to the area’s stakeholders for additional suggestions and integrations. The element characterizing the NM’s action is the identification of several small- or medium-sized interventions and the focusing of the private and public action around them. The experience of Berlin began at the end of the 1990s and it developed by the early 2000s. The total budget of the intervention, where the NM’s action is the most evident, amounted to €13 million for 4 years for all the 17 areas. This programme was named “the socially integrative city.” The overall budget amounts to €75 million, in a broader vision that includes also the URBAN (EU funding programme) interventions referred to the same areas or adjacent ones. The characteristic elements are:

- (a) The creation of a fund for the urban regeneration not only of Berlin, but also of other German cities, in particular of ex-East Germany
- (b) The creation of 17 containers corresponding to the areas of intervention through the use of indicators. The area considered in this case (Boxhagener Platz) has an extent of 75 ha and a population of 19,000 inhabitants, and it is located in the inner city of Berlin
- (c) The creation of the NM for the management of each area, with the task of taking care of the input of the intervention's design and of encouraging the improvement of the idea (introduction) with the higher participation as possible. The aim, then, is to develop it, to contribute to its approval, and to implement it. Within the area of Boxhagener Platz, 59 projects out of 136 proposed were approved, some of them characterized by a limited amount (no more than €15,000)
- (d) One of the main goals within Boxhagener Platz is the *gentrification* of the area, that is the use of the high number of vacant shops and small industries (some hectares) unused and dislocated near the railway area

The territorial area where the projects were located, developed, approved, and implemented is comparable to the Bicocca area of Milan, except that in Boxhagener Platz there is no industrial unused area, but an area considered to be of high urban discomfort. The intent was, therefore, to organize projects, find the consensus of economic and social subjects, and define an effective intervention. What has been described so far about Berlin is different from other cases where the target was the assembly of the intervention. There are other types of PPP and instruments. Defining the creation of the intervention's assembly is more complex, in which one of the outputs is the creation of a relational network aimed at changing the use of the urban asset.

3.2.3.2 Critical Aspects

The critical aspect is due to the relevance of the interventions and often to their limited entity. There is the mobilization of widespread interests; thus the targets can, at the end, be in contrast the ones with the others. The integration between public and private takes place more or less on marginal aspects too. Notwithstanding a complex system of projects' instruction, the following steps (like the involvement of economic subjects, organizations, and even citizens) can become risky and the role of the NM can be reduced to a simple funds distributor. Another critical element is that the involvement of subjects and the consequent creating network starts when the funds to be distributed are available, and it loses its significance when the whole structure refrains and the funds are reduced.

3.2.3.3 Synthesis of the Intervention

One of the primary objectives of the intervention in Boxhagener Platz was to fill the empty spaces of the district with artistic, cultural, design, and fashion activities.

It was not a matter of demolishing and building new constructions, but rather ameliorating the external components and creating routes with suitable accesses and street furniture. Moreover, it was a matter of making available the supply of unused spaces, creating support and assistance. The intervention was based on the use of indicators able to define an area where it is possible to organize improvement actions. In the case of Boxhagener Platz, there were a lot of empty building areas, used before as trading zones with a limited amount of production and storage. It was the NM's concern to organize a public tender for the search of proper subjects the settlement, to make financial support available, and to request a project to make the settlement of new functions possible and effective. The target was to attract population and capital through creativity functions, avoiding their escape.

3.2.3.4 Considerations on the Structured Western Visions of the Relationship Between the State and the Market

There is no particular relationship between state and market, with the exception of the approach between supply and demand and the intervention supported from public funds and able to mobilise other forms of private capital. The public subject (NM) limits himself to problem recognition, to formalize questions and to try to give answers alternating integrative actions with the funds' availability. There is a particular attention on the *contents* rather than on the *containers*, which undergo subsidiary and not substantial changes. The public action, rather, is essentially characterized as a pushing factor.

3.2.3.5 Characteristics of the Intervention and Comparison with Western Models

There are several examples on the use of empty building areas for the rehabilitation of the area or of a relevant part of the city where the public body plays an organizing and facilitating role. Different procedures and instruments are used and there is not always a relationship between the state and the market; in some cases the public role is marginal but relevant to the relation between private subjects.

Within this trend it is possible to find some experiences (listed in Table 3.2) characterized by a localized action and not dispersed instead, as often happens. These are phenomena that started in the 1990s concerning single buildings or small productive areas, where the replacement of economic and social functions became important; in many of those cases there was an higher attention on contents rather than on containers.

In the Karlsruhe case (Germany), the reference is to an unused building, once assigned to a munitions factory completely restructured by the municipality of Karlsruhe. The contribution of the designers (four) asked to advance hypothesis for the building's restructuring was important; the best project was chosen and became operative. A first part of the building was inaugurated in 1997, while works and discussions on the use of the building began in 1985. Resources were public

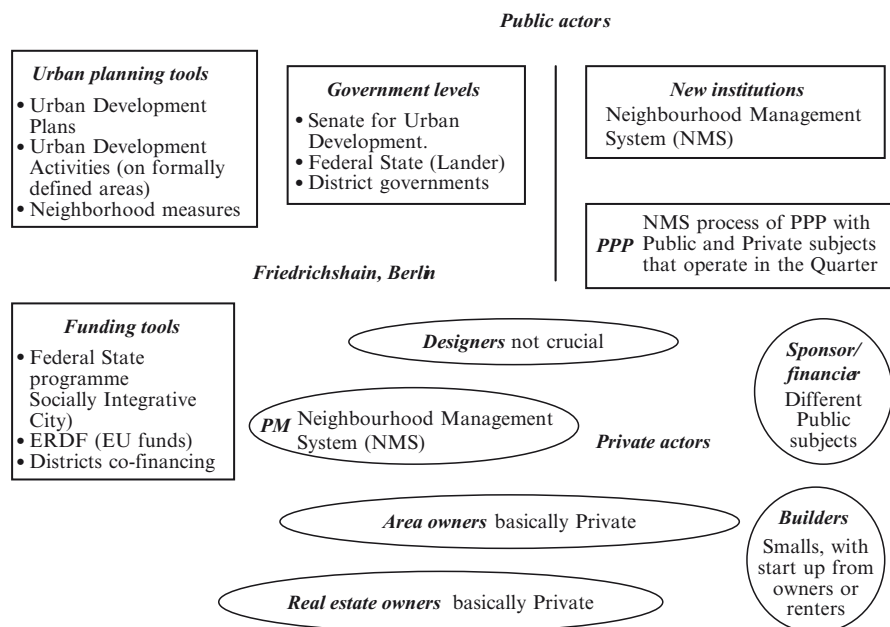


Fig. 3.10 Berlin (Friedrichshain – Boxhagener Platz) - relational scenario of subjects and instruments

Table 3.2 Small incidents compared with the Berlin case

Country	City	Year	Extension (hectares)	Factories	Enterprise
Germany	Karlsruhe	1989-1997	2.5	Mechanical/military	Public
Italy	Milan	1985-2001	3	Mechanical	Public
The Netherlands	Rotterdam	1998-2005	6	Food transformation	Private
Finland	Helsinki	1991-2000	5.5	Iron and steel/cables	Public/private

and they amounted to €20 million (city of Karlsruhe) plus an additional quota of the Lander Baden-Wurttemberg. A foundation under public law was created within the building, operating in the field of arts and media technologies (image and music). The informatics offices are situated in the heart of the city where the research and experimentation activities take place, equipped with valuable technological instruments. There are active contacts with New York, Paris, Tokyo, Austria, and other cities, countries and research centres, museums, and international cultural centres.

In the Milan case (Italy), the objective was the recovery of an unused factory's buildings (Fabbrica del vapore). In the buildings' arrangements, there were investments made by the municipality of Milan (€12 million), but the management formula

appears to be unclear. The local administration considered a public-private mixed formula with the self-financing of the installed functions. The gestation period of the interventions lasted several years and the prevailing orientation seemed to be the creation of a container working as a meeting point for skillful dealers/operators and very talented young people, put in the state of learning, experimenting and producing (graphic design, new media, dance and cinema). The contents, as they were intended, were located on the border between the high-level artistic-creative activities and the world of production.

In the Rotterdam case (Holland), the reference was to an industrial building created for the production and packaging of coffee and tobacco, designed by Brinkman and van der Vlugt between 1925 and 1930. It represents one of the most interesting examples of the modernist architecture movement in Holland. By the middle of the 1990s, the factories were closed and the problem was how to transform this big structure (6 ha). The property company, with a team of designers together with the Welfare Department of the municipality, looked for an answer: the creation of a design factory. The idea was to create a work place for communication, design, and architecture, attracting owners coming from a specific cultural background, but also creating a meeting point for events, conferences, seminars, cinematographic productions, and photographic services. In 1998, the group of buildings was sold for €9 million to a big construction company. In order to obtain the necessary investments for the reconversion, the buildings were sold once again to an ad-hoc created entity, composed by 780 private investors, mostly Rotterdam citizens, while the remaining part of the financing was managed by a private bank. The layout makes one imagine that the building is anything more than the headquarters of a generic industrial activity, wrapped in a glass and iron membrane. The external fronts were conserved in their original form through accurate interventions of maintenance and large-scale repairs. A reception area and a restaurant were created on the second floor (former toasting area); in this space, the owners meet each other for lunch on a 25 meters long table. A place of work that is also a source of inspiration has been created: 75 creative companies sat all around one table—art directors, designers, architects, photographers, directors, and artists. The Design Factory has become the main stage of cultural Rotterdam. Every day thousands of visitors take part in the proposed events (e.g., DAEF Festival, Design Messe).

In the Helsinki case (Finland), the object of the intervention was a structure purchased in 1991 by the city of Helsinki, which decided to transform it from an electric cables factory into a completely independent cultural centre. The name remained the same because, as someone said, “as the electric cables are realized to bring people closer, also the cultural activities, in different ways, have the same goal.” The centre is 55,000 m² and five floors high, but the most relevant and representative area is ‘the sea cable hall’: here, 2,700 m² which are 15 meters high expositions and performances are realized. The area can host 2,000 people. Cable Factory is the biggest cultural centre in Europe realized from a former factory. Every day between 800 and

1,000 professionals work in it; there are five art schools, three museums (including the Finnish Museum of Photography and the Theatre Museum), two radio stations, dance schools, cinematographic companies, schools of martial arts, rehearsal rooms, galleries (one only for the resident artists), and 200 restaurants with concert and exposition halls. Some famous artists also have their studios within the Cable Factory. Cable Factory wants to conserve its economic and political autonomy and to maintain a fundamental role in the world of arts.

The difference between those cases and Berlin's case of Boxhagener Platz is represented by the concerned area. Berlin had a vast area where the intent was to integrate different interventions; it is different to operate within a single building, with a limited area as a reference. The realization process was different too. The evolving phases are the following:

- To arrange data and clusters in order to select medium-large areas of intervention
- The experts, project managers and teams elaborate the first targets and goals and create drafts for possible projects
- The projects' development begins
- The budget for every project is limited in order to encourage a high level of participation, even if the result is a critical participation towards big projects
- A high number of interested subjects are involved in the action, the review, the conclusion, the additional elements to the original idea of the project and their re-proposition and review
- The number of ideas, targets, and interests are related to the growth in the number of projects
- A relevant selection is made through competition for projects to be selected, financed, and implemented
- The coherence of the targets with reference to the first three points above is to be proved, as well as the fact that they take place starting from rational generic considerations (for instance, to insert cultural, creative, and art functions in free spaces)
- The projects must be realized in a period of time that is much shorter than for other types of projects

3.2.4 Restructuring (Brownfield area)

3.2.4.1 Object of the Intervention

The dissertation concerns the conversion of an area which was originally occupied by traditional productive plants. A chemical industry was situated in a peripheral part of the south of the city broadly globalized towards the inner urban tissue and located on an important course artery of Krakow; it was not considered anymore as responding to the function it was originally created for. The two main reasons that brought about the closure of the Krakow Soda Work in 1990 were the decline of production (chemical soda) and the environmental contamination of the soil.

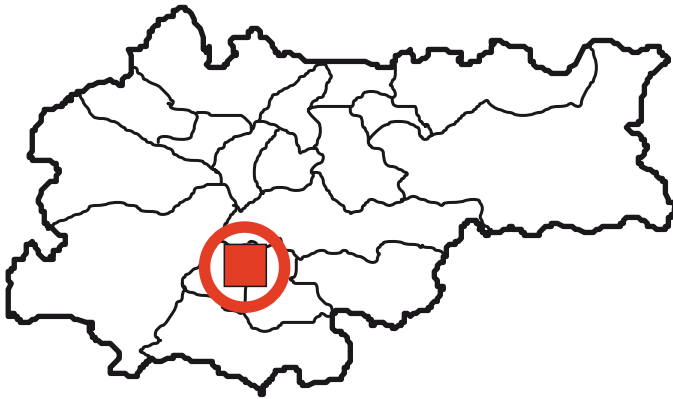


Fig. 3.11 Krakow – The *circled* part represents the Krakow Soda Works

The industrial plant and the occupied area were a public property (state ownership). An ad-hoc public institution, part of a regional agency (KRDA), was created: the Krakow-South Investment Zone (KSIZ). It had the aim of knocking down and upgrading a vast area constituted by industrial plants and green areas, where some soda residuals were originally drained, creating artificial ‘white seas.’ The responsibility assigned to the KSIZ was that of demolishing, reclaiming, and contacting an international investor able to give value to the area located in a strategic point of the city of Krakow. This operation was not led by the municipality as would be expected, given that the area pertained to one of the biggest municipalities in Poland, but was instead led by the KSIZ. The resources for the reclamation and the recovery of the area were public and primarily of the State, as owner of the enterprise and of the area itself, as well as administrator of a fund for the protection of the environment and waters’ administrator. Only partial (less than 10%) resources were given by the Province-Region of Krakow. Once the area was made available, an international competition was launched with the aim of finding a strategic foreign investor. Some of the criteria for the choice made are:

- (a) The range and type of the proposed project
- (b) The consistency with the present local development
- (c) The architectural ‘beauty’ and the investor’s additional planning of infrastructures
- (d) The conditions of the proposed contract
- (e) The number of new jobs foreseen
- (f) The usefulness for the city
- (g) The environmental impact

The area under restructuring was vast: about 170 ha, 30 of which is where the plants of the old chemical industry pre-existed; the remaining 140 of green space was used for chemical waste disposal. The effects caused by the industrial residuals in the area were called white seas because of the chromatic forms and the persisting

stagnation. The attracted capital is French (Carrefour) and it mainly refers to a commercial location, with the presence of some productive activities and apartments. The green zone has been only partially exploited, with the perspective that it could be potentially destined to other uses at the end of works. Carrefour, in association with other economic and productive subjects, is investing a sum of €40 million in the whole operation for the creation of a shopping centre, which will occupy an area of 17 ha. In the negotiation's agreements, the group of enterprises interested in the intervention has dedicated their investments to a systematic reinforcement of roads and the modernization and the connection of roads and transports with the new settlement. The municipality intervened, drafting ad-hoc urban planning instruments and financing some reinforcing infrastructures. The characteristic elements of this restructuring are:

- (a) The public willingness to localize new functions in a vast area of the city comparable to the extension of Spina (Turin) and Bicocca (Milan), even though a relevant part will remain destined to green spaces
- (b) The creation of an ad-hoc public agency (KSIZ) with the commitment, also in legal terms, to operate as coordinator and manager of the 'shopping centre' project
- (c) The consideration that this type of intervention is an asset to attract foreign capital
- (d) The creation of an international competition on a defined base for a minimal negotiation between the public subject and the potential investors
- (e) The uncertainty of the new functions to be installed in the area: there has not been any precise orientation on the use of the area from public subjects (first the proposal and then the choice of a commercial function derived from the competition)

Furthermore:

- (f) The entrepreneurial risk of the initiative is left to the private sector
- (g) The time of realization is quite short (8 years from the liquidation of the enterprise until the testing and start-up of the new plant's activities)

The plant (settlement) includes a vast commercial activity consisting not only of supermarkets (Carrefour) but also of a number of selling points selected and managed by other subjects. There are restaurants, ten multiplex cinemas, apartments, productive activities, and other functions. Forty companies are operating in the restructured area, occupying nearly 3,000 employees.

3.2.4.2 Critical Aspects

The relation with the private economic subjects seems simplified. The main objective of the National Agency (PAIIZ) as well as that of the regional Agencies (MARR, the one of Krakow) is that of attracting foreign capital. For this reason, the assets are presented to the international market with a need of consensus, having to deal

with availability and flexibility. The store factor results are weak and in some cases nonexistent. In December 2005, Poland passed from the twelfth position to the fifth in terms of attractiveness of Foreign Direct Investments (FDIs), coming behind China, India, USA, and the United Kingdom.⁶ The region of Krakow (Malopolskie) during the period 1989–2005 attracted FDIs for €3.6 billion, of which €76 million had been contributed by Carrefour. The pluralistic relation between institutions and the Polish territorial public organizations seems to be weak: a centralization of decisions is made by the KSIZ. The civil society's involvement and participation in the restructuring is also weak, with the exception of the collection of some bottom-up inputs (e.g. on the protection of the environment).

3.2.4.3 Synthesis of the Intervention

The key intervention's steps are the following.

On October 1, 1989, the decision to close down the plant was made with a motivation that was mostly environmental, consisting of prolonged ground pollution and the risk of water contamination. Therefore, there was no production crisis. This first phase was conducted by the Province of Krakow, while treating the process of closure of the plant. The lack of a production crisis influenced the procedure of the intervention. It is also for this reason that the province–agency intervened, instead of the municipality: it was all about decontaminating but also giving value to the area with the scope of recovering 1,500 employees of the Krakow Soda Works and incrementing jobs. The area is divided in three parts with different forms and instruments of proceeding:

- (a) The 30-ha area where the plants were located
- (b) The 80-ha area where the residuals and wastes of the plant (white seas) were drained
- (c) The 60-ha area where a cave of whitewash existed

From 1993, the Province's action was implemented by the Krakow Regional Development Agency (KRDA). The plant and industrial location demolition and the whole arrangement of the area began in 1993 and came to an end in 1995. The team for the liquidation, appointed by the Province and from the Krakow Soda Works – that will enter afterwards the KRDA agency – presented a plan that was approved by the municipality of Krakow in 1994, in which it was defined that the area of the ex-Krakow Soda would have been a settlement of commercial and productive services, shops, parking, transports, and green space. In the approved document, there was no provision of constraining indications on the use and the indexes of edificability. The ultimate reclamation work of the Krakow Soda Works area was officially closed in July 19, 1996. The team that had been operating until the middle of 1995 was transformed into the KSIZ, an autonomous division of the KRDA.

⁶Atkearney (2005)

In 1996, the international call for tender was banned for the search of the strategic investor, for the use to give to the asset and the new settlement's function. A company team was chosen, guided by Carrefour, which at the end of the negotiation would be responsible for:

- The recovering of a part of the industrial archeology⁷ (the one that was not demolished) and its transformation into a museum
- The organization and integration of part of the roads and transportations
- The completion of the hydro-geologic decontamination of the area

The period between 1997 and 1998 represents the phase of construction, testing, and start-up of the commercial centre. In 1998, a first part of the plant (10 ha) began to operate directly. Successively, the plant expanded to 21 ha and continued to expand progressively. In 1999, the newly structured Region of Malopolski, whose capital is Krakow, became the major shareholder of the Agency with an 80% share. The other shareholders were the municipality, the regional companies, and the banks. In 2001, the name of KRDA changed into MARR (Malopolska Agency for Regional Development), consistent with the context of the Region. Consequently, it obtained the status of Regional Financial Institution,⁸ responsible for the promotion, the coordination, and the distribution of funds and resources coming from the EU. This resulted in the completion of a rapid institutional revision of the territorial companies, in which the team and the Agency (Province of Krakow, KSIZ, KRDA, Region and now MARR) were all operating. The property of the area remained with the Agency, whereas through a securitization (which includes management of the construction, marketing, logistics and so on) it acquired the capital from Carrefour and from other private subjects, like a Canadian multinational (the Ivanhoe Chambrige) intervening in the facility management, obtaining that way attention from other companies.

3.2.4.4 Considerations on the Structured Western Visions of the Relationship Between the State and the Market

The passage from old to new functions, represented by the Krakow Soda Works case, gives evidence to an action where the public subjects appear weak. The asset is public, as well as the resources for the restoration of the area. The verified benefits are both for the city and for the region, and on this basis the whole operation is being trusted to the private economic subject. On entrusting to the private sector, the contract between the latter and the construction companies for the commercial activities and the services is being included, as well as the intervention—without any competition—for the organization of the public operations (viability) and the

⁷This was done under the supervision of the Provincial Heritage Conservator.

⁸As in Italy Finlombarda and Finpiemonte.

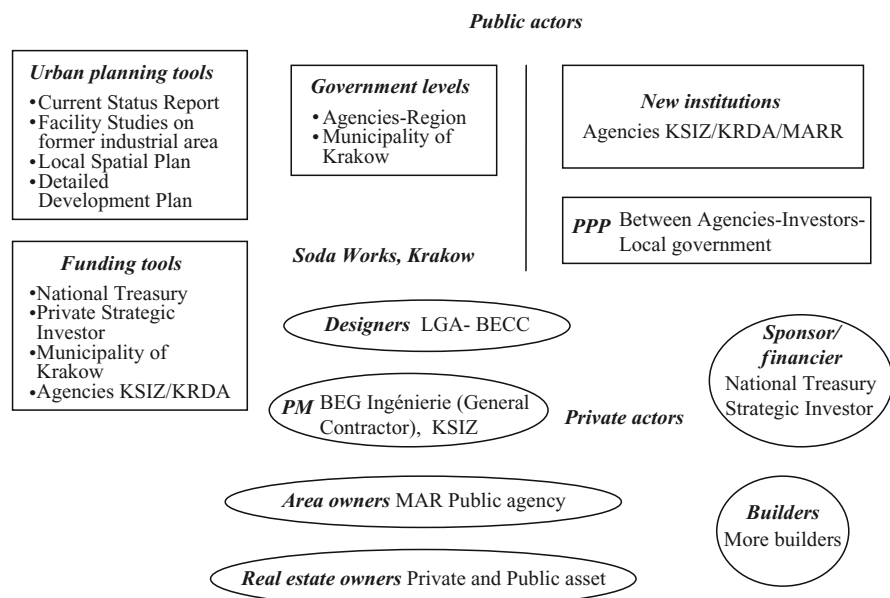


Fig. 3.12 Krakow (soda works) – relational scenario of subjects and instruments

infrastructures (modernization of tram railways). In fact, the whole operation is taking place in terms of procedures that are primarily private, and there is no application of the rules of EU competition.⁹ The KSIZ itself, even being a public institution, adopted privatistic principles and criteria. For this reason, everything seems to configure as a private negotiation, where the share of negotiation regarded the amount of the investment, the restoration of some adjacent plants that were not demolished, and the arrangement of transports as well as the viability in order to favor the access to the commercial area.

3.2.4.5 Characteristics of the Intervention and Comparison with Western Models

What is amazing in the Krakow Soda Work case is the passive action of the municipality of Krakow and the predominant role of the Development Agency with a provincial–regional character. This situation may seem unusual in some terms, given the fact that the context is of metropolitan cities with abundant means and power. Moreover, the context is the one of implosion policies, and not urbanization, with an increasing rate of complexity and interconnection of the public assets,

⁹Poland was not part of the European Union in the concerned period.

many of which belong to the municipality. The intervention does not appear in the form of project financing, because what is being realized is not a collective public good. Commerce and production respond to a pure market logic. The anomaly of the case consists in the ‘elimination’ of the old productive functions and in the introduction to the market of a renewed area with a new value given by the public action (making available an asset and, before, an amount of resources for the renewal of the area). As mentioned above, the area is not being sold but still is a public property even after the construction. A particular role is played by the Polish public agencies, even if this coincides with a phase of ‘gestation’ and adjustment of the new institutions during the period of the political–institutional reorganization just after the fall of the Berlin wall in 1989. Until the end of the 1980s and the beginning of the 1990s, Poland had 49 provinces (founded in 1975). Then the European Community model was adopted and the number of regions was reduced to 16. Within this context, there was a passage from the Province of Krakow to the Region of Malopolskie. It is also for this reason that the Krakow Soda Works case has been used as a reference model: to better define the responsibilities of the Agency inside the territorial organizations.

In many European countries, there are Regional Development Agencies that are even favored by an action of the European Union and for some aspects from the EU-related financing. In recent years, many Eastern countries have created their Development Agencies, with different modalities (Poland, Hungary, Slovakia, Slovenia, Romania and Ukraine). But even the English Development Agencies (instituted in 1999) present different models, as well as the Irish, French, and Italian ones.

In Italy, as in France too, the Agencies seem to differ between regions: Campania officially constituted its Agency not earlier than 2007,¹⁰ whereas other regions, as Liguria, had instituted their Agencies back in 1975. Two contiguous regions as Piemonte (Finpiemonte) and Lombardy (Finlombarda) have totally different structures than each other. In the international context, much depends on the institutional and economical role of regions, as well as the relationship they have with the public territorial organizations.

Figure 3.13 synthesizes, in a general frame, the system of the European states’ agencies for local development; the broken lines indicate where interventions comparable to the Krakow Soda Works case take place. In Poland, there are 16 Regional Agencies; together with the National Agency (PAIIZ), they are highly committed to attracting foreign private capital. Nevertheless, they provide different types of additional services (assistance, procedures, statistics, etc.). The Krakow Soda Works case puts this tendency in evidence.

The nine English Agencies of regional development mainly operate in the context of large ‘links’ of regional character. Only a few of them, with a high concentration of metropolitan areas, intervene in urban renewal related issues. The regional

¹⁰ Regional governing body measure of November 5, 2007, which liquidated four different existing parts (ERSAC – agriculture, ERSVA – crafts, ASC – territorial marketing, EFI – innovation).

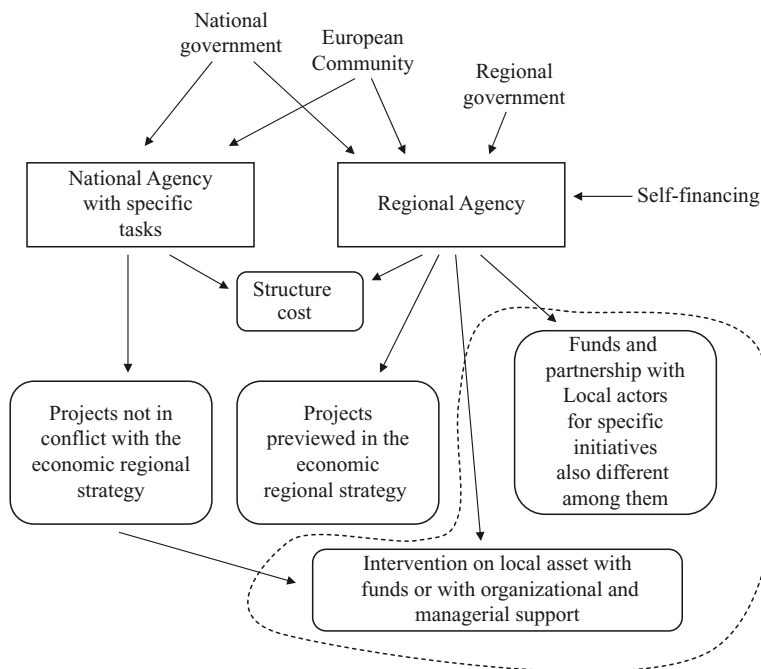


Fig. 3.13 The dynamics of the financial flows in the system where regional and local development agencies operate

Agency NWDA (where the cities of Liverpool and Manchester are located) intervenes, among its seven functions, in the development and the evaluation of projects. This work is done in strict coordination with partners as local authorities and urban regeneration companies, even if they are not considered main activities. Alternatively, the Regional Agency of Yorkshire Forward (where the cities of Leeds and Sheffield are located), among its 24 macro activities that are carried out by its various departments,¹¹ has only one or two activities related to urban renewal and more precisely to the *renaissance* of cities and urban centres.

The five French Regional Agencies seem even less focused than the English ones. Everything concerning complex urban interventions is charged to the Municipal Development Agencies, or to urban transformation companies like the SEMs, which operate with the local administration as the most direct partner. Among the major activities of the regional Agencies are: the start-up of new activities, innovation, creation of integrated development poles and technological parks, assistance to enterprises and regional competitiveness and growth. They are mainly interventions connected to urbanization. Or Alternatively, there are activities connected to agriculture, tourism, environmental quality and sustainability, or administrative activities such as the access to financing, subsidies or interventions in specific sectors.

¹¹ They are five different departments.

A particular case is the Piemonte Regional Development Agency (Italy) concerning the case of Spina 3 in Turin (see the case study in [Chap. 5](#)). The Regional Agency is the intersecting element between public and private subjects. Finpiemonte, in a vast area of nearly 100 ha, mainly operates in the construction of technological parks and production activities. It became an important part of the assembly of the intervention in a typical area addressed to urban renewal, as is Spina 3.

3.2.5 *Revitalization (Network of Public Organizations)*

3.2.5.1 **Object of the Intervention**

The treatise is not about a specific case in the context of an urban area, but about a network of public organizations, with a private share in some cases within the organization asset—unless the city of Hamburg is considered as the entire case. The companies' network refers to specific interventions on the management of public estate properties, the control over the private one and urban revitalization interventions.

The context is the city of Hamburg, where the Federal State almost coincides with the city. It is the same for Berlin and Brema. This is a relevant aspect where we can find many peculiarities of the German cities. The extension of the city is less than the one of the municipality of Rome, but more than double that of Milan and Turin together.¹² Public powers coexist within the city's boundaries, which in many cases risk an overlap, even if the competences of each public institution are different. Local authorities administer seven districts, whereas the Federal State has a more centralized form. All the companies, or agencies, are instituted by the Lander: they are the HaGG, the STEG, the Sprinkenhof AG, and the HGV operating as a holding (Fig. 3.14).

The HaGG was constituted in 1976. As time passed, part of its competences changed. Now it acts basically in medium or large business localization, with the reuse of areas and spaces left without production and with start-ups. In other terms, it is an organization that should be charged with the change of the old functions with new ones, without waiting for the market with its own time and rules to intervene. The final reference is to the city's property and areas. This is a particularly relevant issue for Hamburg, since from the 1970s the first abandonments of areas (first attempts of decentralization) often led to the abandonment of the city and of the Federal State by economic subjects and population. Then, the necessity to guide, orient, and avoid leaving the inadequate vacant spaces responds to precise needs. A flexible agency/organization was therefore considered as the most suitable formula to face these needs. The organizational asset of the HaGG continuously

¹² The surface of the Hamburg federal state (Lander) is 755 km², Rome is 1,285 km², Milan and Turin respectively are 182 and 130 km².

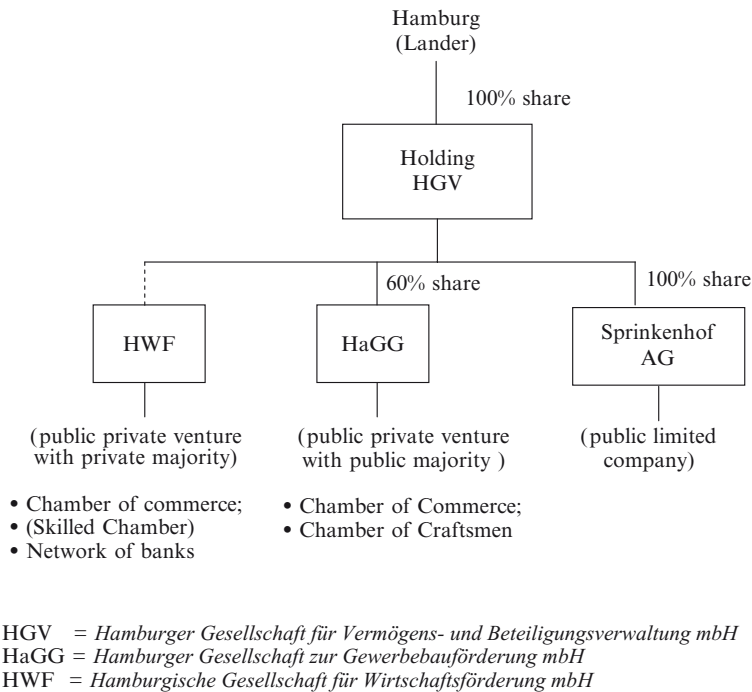


Fig. 3.14 Hamburg – network of public organizations intervening in urban renewal

changes, even if the majority always remains to the Lander with more than 50%. There is also the significant presence of the chamber of commerce and crafts giving evidence to the organization's function. The HaGG interventions cover different parts of the city.

The STEG was constituted in 1990 because of a use of the estates perceived as improper: the occupation of abandoned buildings. Its role rapidly became to organize the needs coming from the bottom (*bottom-up*) relating to public bodies and institutions' intervention. The context of the intervention is urban revitalization with a particular focus on public estates, both buildings and areas. The STEG coincides with the further institution of the quarter manager with the task of structuring a public task force in the quarter in delimited and selected areas, intercepting the needs, organizing them, finding resources, and implementing the interventions. Some offices of the STEG have opened in different quarters in order to provide a better implementation of the interventions. The same aspect has already been shown in the case of Berlin. Unlike the German capital, the quarter manager in Hamburg focuses its intervention on estates with productive and commercial locations, but also readjustments of apartments with the main aim of creating innovation and partnership in the use of the area. For this reason, some PPPs are created ad-hoc. The STEG is a particular developer that

uses different public funds, both from the Lander and from the districts. In some cases it supplies funds directly by accessing credit institutions. The STEG also intervenes in some relevant functions of the Department of Constructions (BBV) such as the release of authorizations to sell and construct and the coherent use of the estates. Therefore, it assumes the significance of a subject committed to defending the area's interests, which is able to operate for rapid medium and small urban renewals as needed.

The Sprikenhof AG was created in 1927 and operates in public property, employing a relevant number of technicians and administrators. It appears as the purchaser of all the public works of the city related to the use and transformation of the public estate. In some cases, there is an overlap with the HaGG's functions within the productive and commercial sector. For all major interventions (i.e., the new location for the municipal police station and the construction of the building), it represents the interlocutor for the enterprises, as well as the realization of high-tech interventions as the House of Multimedia Procedures, for example. Other references are to the network of the companies created around the urban property assets and to the attraction of economic subjects within the urban fabric by means of a detailed assistance.

The HWF has the objective to guide and orient the international enterprises through the urban fabric of Hamburg, as well as to support them in the local business and marketing and to favor a network with other public and private enterprises. In opposition to the HaGG, which basically intervenes in the process for the commercial value of the construction, the HWF acts on any economic sector and operates as a consultant and a partner for the city's services in terms of market, relations with the public administration, marketing, and logistics. It can favor the settlement of enterprises within the 100 ha of commercial sites managed by the public administration, or within the 70 ha of the private one. It is in the position to support small or big investment projects in the high-tech sector (technological media parks or industrial parks).

Concerning urban renewal, revitalization, and support to investments, different Ministers of the Lander do intervene: the Minister of Finance, of Economy and Employment, of Constructions, of Transports and Mobility (BBV), on which the STEG depends. Besides this, there are the seven districts of local administration (the STEG district managers). There is the risk of roles overlapping and causing confusion. It should be noted that, apart from the Lander controlling all these agencies, there is a District Authority that operates also as a coordinator of the actions of the different districts, especially concerning urban matters and the use of the territory. Moreover, the competition between the different public institutions and organizations can be 'strong,' both in the distribution and in the organization of power: the majority of decisions are being made at the local level with the STEG operating as an *integrator*. The role of the holding and the network, with some contradictions, serve also to control the interventions and to favor continuous interactions and partnerships between enterprises and public bodies. In addition, there is the role of the SAK (redevelopment reference group), which was also created to solve this kind of problem and operate as a coordination platform between different institutions, with roles that are defined by time and procedures.

3.2.5.2 Critical Aspects

A critical aspect can be found in the overlapping of the functions that are proper to a local entity with the coinciding functions of the districts and those of Lander (Federal State), having as perimeter the same territorial dimension and therefore the same urban asset. Therefore, as in the Polish experience and in the case of Turin, there is a strong overlap with what is exerted by other entities. The Lander of Hamburg, even more than Berlin and Brema, focuses a great part of its policy on the attraction and the rapid replacement of old functions with new ones. The abandonment of spaces left without replacements, or the coexistence with obsolescent functions, would have as a result a direct negative effect, not only for the city, but also for the Lander (Federal State). It might not have been a coincidence that in 2004 Hamburg was the European city with the most transactions (contracted) for estates addressed to offices and similar activities,¹³ after London and Paris.

Another critical aspect concerns the eventual legitimacy of the public action in favor of the relational public–private links, constituted by the companies' *network*. What appears to be an unquestionable point of power could potentially transform into a weakness in the relationship, due to the EU rules for the right of competition between economic subjects. The risk is that the relational intersections between public and private subjects are not compatible with the EU recommendations. Therefore, this type of intersection will need to be carefully evaluated to ensure that all the rules on free markets have been respected. The specific theme is that of the *in-house* subjects and more generally, of the typologies of competition within the public–private relationship.

3.2.5.3 Synthesis of the Intervention

The intersection of interests and actions of the different companies has certain significance. The major attention is for the activities of companies with a more elevated impact on urban renewal (STEG, HaGG, Sprikenhof AG). A particular interest lies in the companies' operations within defined areas characterized by high obsolescence. A particular intervention is the one at S. Pauli, a central part of the city within a wider quarter of 6,000 inhabitants (Fig. 3.15). It is inside this area that the action of the STEG mainly develops, even if originally the Lander distinguished 12 rehabilitation areas within eight quarters that are different from the districts and cover a larger administration, with more than 100,000 inhabitants. It is in S. Pauli that the greatest interventions take place, as well as an intersection of the activities of the different companies (mainly STEG and HaGG). In 1989, to confirm these linking activities, STEG acquired 9% of the HaGG shares.

¹³ According to a study of the company AtisReal Auguste Thouard on 18 national markets (Edilizia e Territorio 2005, n.22).



Fig. 3.15 Hamburg – different interventions (*circle*) are more concentrated in the S. Pauli area (*square*)

The STEG began to operate within a quarter with a high presence of non-German immigrant population (26% in that quarter, compared to 16% in the whole city of Hamburg). That year S. Pauli was facing a diffuse occupation of buildings. Therefore, the administration of more than 1,500 dwellings and spaces destined to other uses was being charged to the STEG. The interventions in progress in S. Pauli concern:

- (a) The rehabilitation of a building addressed to the start-up of alternative technological activities (Sprungschanze/Etage 21)
- (b) The creation of a business network within several buildings and different structures (Schanze)
- (c) The creation of a centre for auditions, music elaborations, and leisure (Karosstar)
- (d) The reconversion of a small industrial area into residential and commercial units
- (e) The original intervention of rehabilitation, reorganization, and readjustment of public health structures
- (f) The modernization of privately owned apartments

These are the main interventions in the S. Pauli area that started or were given a strong impulse in 1999. The same year, a STEG office opened in Lübeck-St. Lorenz in Schulterblatt, the centre of the quarter. This also coincided with the Lander's programme on the 'social city.' The STEG's functions are different but

The role exerted partially from the HaGG and partially from the Sprikenhof AG is different: the only common aspect is the reference to a wider area. The Sprikenhof AG manages all the estates that the Lander acquires or buys from private owners and relocates them. Therefore, it becomes the owner of all the public real estate assets. It may be affirmed that the Sprikenhof AG has intervened partly within S. Pauli and particularly in the process of realization of the House of Multimedia Producers (HMP). In the latter, the STEG did not intervene, since it is mainly oriented to intervene in projects with social implications due to its focus on the quarter fabric and the small-medium business. The Sprikenhof AG administers big industrial areas to be reconverted, providing assistance to the tenants of the public property through the internal and external maintenance of the buildings (with some overlapping with the STEG). The Sprikenhof AG also manages some assets of the HaGG (commercial courtyards) since they are part of the public property. One of the HaGG's functions is to move and organize enterprises and economic subjects within areas with obsolescent functions. For this reason, there is a synergy and somehow an overlapping with the STEG's activities and some interventions, as already mentioned, are conjuncted. The HaGG has realized and managed 20 commercial courtyards in different parts of Hamburg. More recently, it has coordinated the intervention for the realization of VIVO (20 ha), a €40 million project, 6.6 million of which is coming from the Lander.

Some typologies of public-private interventions in the S. Pauli area are described in the following paragraphs. EGE (Existenzgruender-Etagen) concerns the creation of incubators and business centres for local professionals that begin to operate in the market. A partnership has been created between the STEG, the HaGG, an English partner, and a Spanish partner. There is a preparation phase for the development of the project, marketing assistance, choice, and selection of partners for the start-up. Other procedural phases follow, such as workshops, questionnaires, and discussions with experts. Further there is the development of instruments for the 'micro-business management' and the creation of an EGE, a business incubator. Finally, there is the development, the implementation, and the creation of the network. During all the process, there is the intervention on the property, its readjustment, the logistics and the contracts for rent or sale. The duration of the project is 2 years and the cost of the intervention is €450,000, 50% of which is covered by public funds.

Musikhaus is a small abandoned industrial area (2 ha). The STEG plays an important role of connection between the political decision-maker, still divided on the decisions to be made, some pressing partners, private subjects, and some stakeholders opposing the intervention. The STEG participates in all the phases of lobbying and project assembly. About 300 operators in the music sector are consulted on a possible realization of a musical centre, on the spaces needed, the instruments, the layout, the costs of renting, and other elements. The project feasibility study considers all these aspects. In 2003 a public call for tender was organized by the STEG and banned for the architectural project of modernization and readjustment of the building. The construction works began in 2004 and in 2006 the building was open. The intervention is being considered as an

incubator for the music business; therefore a payment is requested for the use of the spaces besides a proved professionalism. The readjustment intervention is limited: €1 million from the Ministry of Economy, €1 million from the European ERDF (European Regional Development Fund), and the remaining €3.4 million acquired by the credit market. The STEG also participates in interventions of pure negotiation with the private sector.

In Sternquadrant, a private area (dismissed productive activities) of 40 ha, 60% of apartments are anticipated, with elements of inclusion (social housing) and 40% of commercial spaces. In this area, a specific contrast arises between the prevalence of a profit approach from the private partner on one side and the STEG on the other. The private partner is seeking to modify the original agreement incrementing the housing units and reducing the social inclusions. The STEG, with its detailed knowledge of the market, manages to keep under control and re-negotiate the revisions to the original project. The same detailed competence on the micro dynamics of the market can be distinguished, and in this way the prevalence of some interests over others it is avoided in a 'dynamic' implementation of the project.

In 2006, the STEG also intervened in renewal projects of greater dimension, such as the intervention in Antona Endo-Klinik (a district adjacent to S. Pauli) for €89 million. Some activities less linked to the action of a 'homogeneous' quarter, but always referred to as urban renewal, are those developed together by the HaGG and the Sprikenhof AG in the Antona district and referred to the project VIVO, a small dismissed industrial area of 9 ha called Borselhof.

3.2.5.4 Considerations on the Structured Western Visions of the Relationship Between the State and the Market

The characteristic element of Hamburg is that it is not a specific case as treated in other contributions,¹⁵ but that it is about a *network of public-private companies* acting in the implementation of single interventions. A new integration is determined between the specificity of the single company's action and the operations implemented. For this reason, the action of this network of companies is more interesting than the treatment of a single case. This is one of the reasons that brought a greater focus on the STEG and its way of operating. But the weakness of the case emerges too: it must be questioned if, within the public-private relationship, it is possible to create a continuous strategy between a not completely public company and private subjects. But, even if the company was totally public, there would still remain some open queries.

One of the 'classic' characteristics of Public Administration, through the competition that characterizes the relationship with the private, is to consider every single intervention itself, case by case. There could be a strategy and a know-how

¹⁵ Ferencváros (Budapest), Im Raiser (Stuttgart), Krakow Soda Works (Krakow).

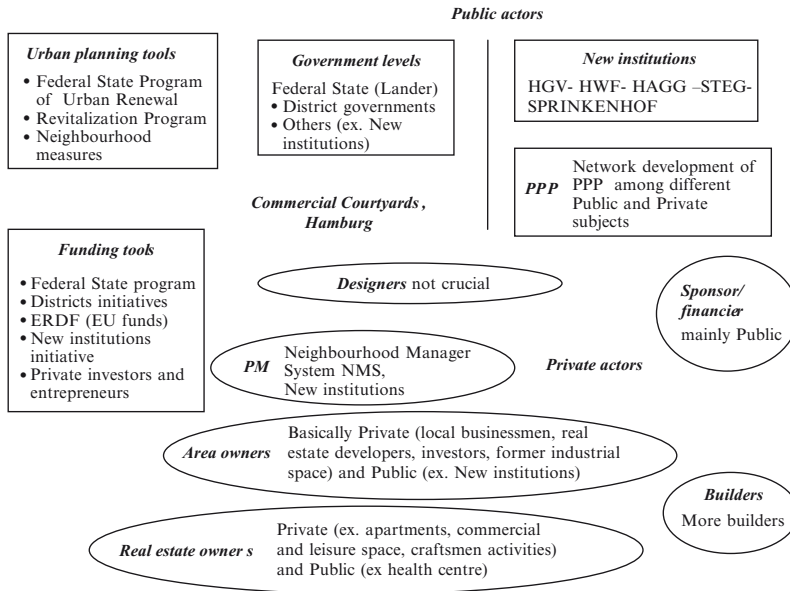


Fig. 3.17 Hamburg (commercial courtyards) – relational scenario of subjects and instruments

that the public entity matures and seeks to apply and to ameliorate, but by definition actors, objects, and situations change.

The Berlin case has some similarities to the Hamburg one both on the definition of some *revitalization areas* and on the quarter manager, but the former is not characterized by the network of public–private companies.

3.2.5.5 Characteristics of the Intervention and Comparison with Western Models

Some international cases with themes quite different from urban renewal, mentioned below, put in evidence the relationship between the public and the private sector, useful for better defining the mentioned critical aspects.

The greatest contrast, even mentioned before, is with the European Community and with the conception of the state and the market emerging from the communitarian treaty and its application, given by juridical–institutional bodies as the Court of Justice well synthesizes the ongoing debate in the state–market field.

In Germany, the city of Halle, with 240,000 inhabitants (Saxony), a few kilometers from Leipzig, commits the phase of the project's construction to a company controlled by the city (the RPL Lochau). This phase will be then taken over by a company specialized in thermo plants and management of urban wastes. Apart from the planning, there is also the instruction to commit the phase of post-testing and

approbation of the plants as well as the waste management without any specific call for tender. The RPL Lochau is a mixed public–private company with the majority of capital owned by the city of Halle and the minority by a private company. Another private subject (the TREA Leuna), which is also interested in providing the mentioned services, contests the decisions made by the City. A juridical case starts between German juridical institutions and the consequent involvement of the European Court of Justice. The judgement, of great impact for the future behavior of all the communitarian public administrations, states the correctness of the contract with the RPL Lochau for a simple preliminary market study, just with a preparatory character as that of a preliminary feasibility study. This study must be inserted in the phase of reflection of the administration, which will be called to decide on an undertaking through public award procedures that may regard the planning¹⁶ and definitely the realization and the management. If this level is overlooked, the procedure becomes illegal and, therefore, contestable. Furthermore, it has been affirmed that every time a public administration wants to conclude a contract for pecuniary interest relating to services, the administration has to follow public award procedures, independently from its share in the concerned company (majority or minority). In the opposite case, there would be a violation of the principle of free competition, which means of the correct relationship between the state and the market.¹⁷ The case of Halle opens a discussion on the relationship between public and private subjects in the process of realization of an output (product or service). This happens when the process absorbs public financial resources.

In Italy, the city of Bressanone, with 20,000 inhabitants (Independent Province of Bolzano, bilingual Italian–German), transforms the agency that has been municipalized by the local government in a stock company controlling all its social capital. Therefore, there are no co-partners for the minority of shares, neither public nor private. In 2002, the municipality of Bressanone entrusted the management of a 200-post parking area for a period of 9 years. The company (ASM of Bressanone) collects the parking tariffs, while realizing the ordinary and extraordinary maintenance of the area. The Parking Brixen GmbH (Ltd: Limited company) contests this municipal initiative because the entrustment has been done without any form of competition. The Court of Justice stated that the object is the ‘service concession’¹⁸ and that the municipality has to respect the European general principle of equal treatment, non-discrimination, and transparency. These basic and elementary rules are not only applicable when the concession-granting public authority exercises a control over the concessionaire (the ASM of Bressanone), which is similar to that exercised over its own departments. What is important is the power conferred to the

¹⁶ The issue is the border between the planning, which can be referred only to the preliminary study, and neither to the definitive nor to the executive; but even on the preliminary there can be confusion and uncertainty.

¹⁷ The case is dated 2003, the judgement is dated 2005 (Court of Justice, sentence C-26/03).

¹⁸ It is not a contract because there is no compensation against a service, but there is the entrepreneurial risk supported by ASM related to a service remunerated through the tariffs.

board and the decisional organs at the moment of the constitution of the company and in the realization of its activities. This control must permit the concession-granting public authority (in this specific case, the municipality) to have a determining influence both on the strategic objectives and on the important decisions of the company. Furthermore, the concessionaire has to carry out the greatest part of its activities under the direct control of the public authority. After having analysed the specificity of the ASM of Bressanone (decisional bodies, diversification, and other aspects) the Court of Justice found illegal the absence of competition.¹⁹ The case of Bressanone opens a discussion on the *in-house* concept, the entrustment of functions from a public entity to a company (it does not matter if totally controlled) without a proper verification on the nature and the actions of the company.

In France, the city of Roanne, with 40,000 inhabitants (Loire Department), made the decision to construct a leisure and commercial centre in a central quarter of the city (cinema multiplex, commercial activities, parking, access roads, public spaces and further a hotel). It is an urban renewal. The city of Roanne entrusts the realization to a pre-existing SEM (mixed public-private company for urban transformation), the SEDL.²⁰ The SEDL is being asked to proceed with:

- (a) The land acquisition
- (b) The search for financing
- (c) The realization of studies
- (d) The realization of a concourse for the design/planning
- (e) The realization of the construction works, ensuring global coordination

An action for annulment was made from some concerned administrators against the resolution of the Roanne Municipal Council, authorizing its mayor to entrust a company without a call for tender. The Court of Justice established as follows.

- (a) The entrustment was made through a written agreement without the procedures for the award, notwithstanding the fact that the contract is onerous (both the city of Roanne and third subjects pay the SEDL).
- (b) The municipality of Roanne cannot be exempted from the respect of the principle listed in point (a), even if the French national law affirms this type of agreements can be concluded only with certain legal persons (the SEM). The French law is, if anything, defective. The SEDL itself, being a public entity, is obliged, in turn, to apply the procedures to the award of any subsequent contract respecting the principle of competition. The problem is to evaluate how many forms of competition exist within the process of realization and whether they can be assembled or reduced.

¹⁹ The case is dated 2003, the judgement is dated 2005 (Court of Justice, sentence C-458/03).

²⁰ Société d'équipement du département de la Loire (SEDL).

- (c) The SEDL is a mixed-economy company with the participation of private capitals. The *in-house*, therefore, cannot be advocated.²¹

The Roanne case puts in evidence the incompatibilities arising in using a public company, even if there are also private funds, to provide services that will favor the assembly of a complex urban intervention.

The creation of a network of public and mixed companies, as happened in the case of Hamburg, highlights an interesting scenario also existing in other described cases (above all Budapest, Krakow, and Turin). Nevertheless, this is a field of strong uncertainty where the single components of the process must be very clear. The correct relationship between the state and the market, from the point of view of a free and sustainable competition, concerns the assembly of the single parts of the process with the aim of keeping it legitimate. The critical points emerging in the treatment of Hamburg, in relation to the forms of legitimacy, are:

- (a) The type of transferred functions
- (b) The type of mixed public–private companies where the functions are transferred (e.g., the HaGG)
- (c) The type of control exercised on the companies from the contracting public authorities that have created them, with the aim of assuring their actions' legitimacy
- (d) The functions carried out by the companies

Concerning (a), the transfer of economic functions with onerous character is always critical for the subject who transfers. There should always be the question of why the public procurement and award procedures are not followed (the HaGG and the STEG represent a critical aspect in this term). Concerning (b), the type of company the functions are transferred to can be critical if it sees the participation of many co-partners: the company should participate to a call as any other economic subject. The principle is valid where private partners are involved, but it could be valid even with only public co-partners, since it may harm the principle of a control defined as 'equivalent' or 'similar' in order to legitimate the *in-house*. This principle has been partially clarified by a recent sentence from the Court of Justice on Spain-Tragsa.²²

²¹ The case is dated 2005, the judgement is dated 2007 (Court of Justice, sentence C-220/05). Several hints emerge from the sentence, even if not of primary importance for our dissertation, treated hereafter: (1) the contract concluded with the SEDL is on services; according to the Court of Justice, it should be on works, since within the whole entrustment process the part concerning works is more extended than the one concerning services. Actually this problem would be solved if the different interventions are separated through different types of competition. (2) In order to define if the contract is over the communitarian threshold (€5,287,000 in 2007) to know if the competition has to follow the communitarian rules, it is necessary to consider not only how much the Municipality will pay the SEDL, but also all the revenues coming from third subjects.

²² The case is dated 2005, the judgement in dated 2007 (Court of Justice sentence C-295/05). It is recognized as *in-house* even when a public partner has the minority of shares (1% of the capital, the region), since it has been verified the lack of any decisional autonomy of the company on the tasks conferred to it from the region.

Table 3.3 Hamburg – STEG’s characteristics

Subjects	Obj.	Type of partnership	Initiatives	Leadership	Organization power
Lander department	(a)	Institutionalization (contracting)	Department/ STEG	Department	Department
Local government	(b)	Institutionalization	STEG/local government	STEG	STEG/Local Government
Activity of quarter management	(c)	Institutionalization	STEG/Committee of the area	STEG	STEG/ Committee of the area
Owners	(d)	Connection with the projects	STEG/owners	STEG	STEG owners/ Department/ Local Government
Entrepreneurs	(e)	Connection with the projects	STEG/entrepreneurs	STEG	STEG
Lobbyists	(f)	Connection with the projects/ Institutionalization	STEG/lobbyists	STEG	STEG/lobbyists

Concerning (c), the type of control on the companies is of central importance to recognize an *in house* configuration and therefore a legitimate transfer of functions. The main problem concerns the lack of decisional autonomy of the entrusted *in house* company. The control should be equivalent to other services directly managed by the authority that has entrusted the company. In other words, the entrusted subject must not show an own autonomy and willingness to negotiate. Concerning (d), it is very difficult that the functions carried out by the company are of assembly and direct management of a PPP, since it would end up in moving away from the concept of ‘equivalent control.’²³

The scheme emerging for the STEG shows this company as ‘highly critical’ and probably for several aspects illegitimate in respect to the above-mentioned principles. Its characteristics are detailed in Table 3.3.

3.3 The Impact of the Proposed Model

During the treatment, all the cases will be taken again in consideration and compared with the five main reference variables:

- The old functions individualized and then transferred
- The individualized urban models
- The PPP
- The used instruments
- The driver

A synthesis of the points indicated above will be done as well; the treatment of every single variable will be postponed to a forthcoming volume. The unique interest, in this circumstance, is the relationability with the presented cases.

3.3.1 *Old Functions Identified and Replaced*

The old functions found in the cases are different and their replacement with new ones is not the main interest of the analysis, even if the CoUrbIT model acts as a *push factor* in this respect. The reference is to unused industrial areas (above all Milan, Turin, Krakow, and Budapest–Millennium Park), to the renewal of social standards linked to the houses (above all Budapest Ferencváros and in part Hamburg), to places destined for military use (Stuttgart), to different ‘micro’ functions considered

²³ This interpretation seems to be confirmed also by the juridical case C-295/05 (see previous note) with some differences with previous causes and openness to some *in house* forms. The court of justice states again that the created company must have the role of a pure executor and not an autonomous role, due to the concept of “equivalent control” which anyway still needs some improvements.

as no longer corresponding to urban needs and standards (Berlin and Hamburg). The replacement takes place with other functions that favor the inclusion of particular brackets of the population (Stuttgart), houses (Milan, Turin, Stuttgart and Budapest), shopping centres (Krakow and Turin), services and public structures (Budapest), productive activities, high-tech (Turin and Hamburg), universities (Milan), leisure and public services (Budapest–Millennium Park), and smaller activities. Usually extended productive areas, like in the unused industrial areas, are replaced with consumption activities (houses and trade), such as in the significant cases of Milan and Turin, but also Krakow. There is a precarious equilibrium with the needs of competitive advantage placed on the medium and long term. In order to avoid that cities become primarily places of consumption, it is necessary to substitute the heavy production with a new one (for instance, high-tech), if not in an intensive way at least in a significant one.

The treated cases have not been chosen on the basis of the old functions they replaced; therefore, they are not comparable on this specific field. A comparison is possible between the *score gap* given to the old functions and the one given, in the same case, to the new functions replacing the old ones and in conformity with the competitive advantage (for instance, Milan has a high score for the old functions and a lower one referred to the competitive advantage; see Fig. 3.18).

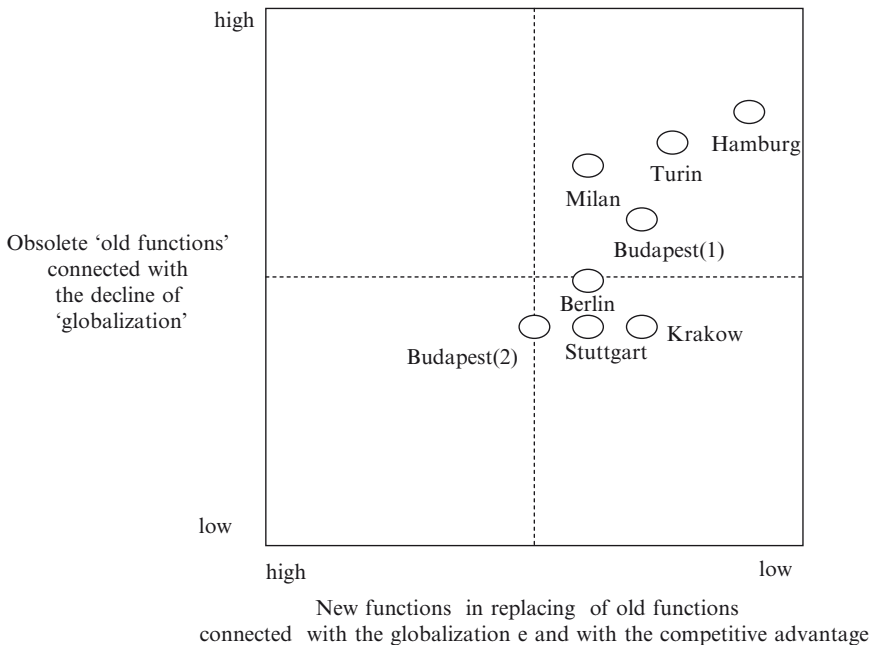


Fig. 3.18 Relationship between old functions and the replacement with new ones

The confrontation between the lost old functions and the evaluation of the new ones have been already explained by Savitch and Kantor (2002), who aimed to verify the competitive dynamism of North American and European cities. Even the attempt to focus all the discussion on the replacement of heavy production with high-tech can be restrictive (Clark, 2004). Important indicators for big global cities can even be the attractiveness of ‘creative value,’ which is movable and not physical (Florida, 2002, 2005a, 2005b), or the cultural consumption, not traditional but ‘aesthetic’ (Du Gay & Pryke, 2002; Miles, 2005; Montgomery, 2003; Negus, 2002). Some literature (Clark, Lloyd, Wong, & Jain, 2004; Glaser, Kolko, & Saiz, 2004) affirms that in big global cities it is consumption more than production that allows the competitiveness. This happens also if the high-tech substitutes the heavy industry. Some authors affirm (Clark et al., 2004) that ‘some have seen globalization as destroying cities’. This may be correct for some production, but not for consumption. This in turn raises questions about consumption versus production. In particular, this highlights the ideas of urban economists from different perspectives (i.e. Chandler, 1990; Porter, 1998, 2003; Saxenian, 1996; Ward & Jonas, 2004) that growth and competitive advantage are favored by production and unfavored by consumption. The latter replaces the former unless we look at the *city-region*, where the two components can find an equilibrium: the more central the consumption, the more peripheral the production. But often, the exaggerated substitution of heavy production with high living standard apartments cannot respond to an increase in the competitive advantage of the city. This is true especially if we are in front of ‘blocked’ cities, where, in central or less central parts of the city, we can find an equilibrium between high revenues and real estates interests to perform replacements (i.e., from heavy production to high living standards), especially if speculation and profitability are the sole vision and the unique guiding element. Regardless, it is undoubted that the non-replacement of functions or its excessive delay leads, in the globalization era, to a collapse of the competitive advantage.

3.3.2 *Urban Models Identified*

In another work (forthcoming), nine different urban models have been defined; hereafter the constitutive aspects of the models are not recalled again, but only the positioning of the different treated cases within these models (Fig. 3.19). Among the cases prevails the one defined *framework* (Milan, Turin, Stuttgart, and strong elements of this model also in Krakow; Dalla Longa, 2006). Other models are: *restructuring*, which is partly about Budapest, Krakow, and Berlin, *regeneration*, and *revitalization*. The principle that the different models have been identified with the scope of encouraging a differentiation is valid: it is not all definable with the same ways of intervention. The different models can influence the PPPs, the instruments, and the complexity of the intervention of the driver, but the fact still is that the urban phenomenon is unique in terms of obsolescence of the functions and in terms of replacement of those no longer in conformity.

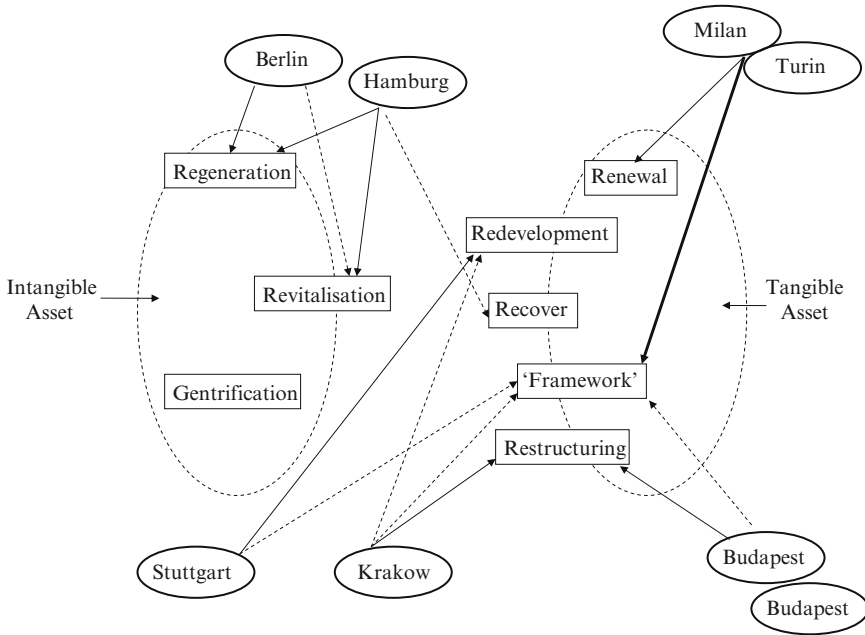


Fig. 3.19 A map of the case studies related to CoUrbIT urban models

3.3.3 PPP (Public Private Partnership)

In the pre-globalization phase, the boundaries between public and private concerning urban assets were almost clear. Welfare policies and inclusion policies too were often managed separately from the State through the social housing. Urban planning used to include the zoning too (general and particular regulations). The administrative functions of local government were separate; the integrated actions among different public institutions and public organizations were weak. The relationships between public and private were focused around a simple building (codificate procedure of simple type). The genetic transformation occurs with the competitive city. According to some authors (Torisu, 2007; Williams & Batho, 2005), briefly, the PPP arises from the pro-economic growth and from the new orientation of the market ('market-led planning') and it becomes the institutional framework for planning and implementing regeneration strategies. A new strategic approach is created, passing from *government* to *governance* to respond to the 'fragmentation' of the previous phase. According to Torisu, the urban regime theory grows into the governance, as well as the neo-liberal elite where PPPs and entrepreneurship are the main guide for the competitive city.

The PPP is a new relationship between the public and the private subject. The PPP application opens the discussion on the spaces delimited between public and

private. It is a loss of autonomy of the public subject to the private's advantage and vice versa, ending in an action and a balance that are completely new. It is a matter of comprehending, for each single intervention, how much autonomy every subject loses. Several solutions can exist, and every single intervention presents different formulas and balances. Several authors have focused on a definition of PPP (Akintoye, Beck, & Hardcastle, 2003; Klijn & Teisman, 2003; Teisman & Klijn, 2000; Nijkamp, van der Burch, & Vindigni, 2002; Pongsiri, 2002). From these definitions, some indications can be shared, such as "the PPP is a cooperation of public and private on the basis of their indigenous objectives, they work together towards a joint target" (Nijkamp et al.); or "the PPP is based on the idea of mutual added value" (Klijn & Teisman, 2003). There are more specific definitions such as the one saying that "the risk, cost and benefits are shared between public and private". This definition must be better verified since it is not always applicable, nor is the one saying that "separate organizational structures will be established to define objectives, task financial platform and responsibilities." A big Confusion still remains in defining a PPP, and above all there are different fields of applicability (Koven & Strother, 2005). Three of them are mentioned hereafter.

- (a) The PPP can concern different projects or services of revitalization and urban development (Bult Spiering & Dewulf, 2006), security (Raco, 2003), management of some social and welfare services (Almqvist & Hogberg, 2005; Bazzoli et al., 1997; Gamm & Benson, 1998), leisure, and culture (Goldenkoff, 2001). It can involve the third sector (Alcock & Scott, 2002), and it can be combined with different urban models (Coulson, 2005).²⁴ All this can be defined as a sectoral PPP of simple type.
- (b) The more structured and better known PPP type, even at the European level, is the one regarding the single infrastructures throughout all the process, from the idea to the management. In many cases, it refers to non-urban infrastructures, seen as single buildings and not as a union of urban assets in a complex and integrated form.
- (c) The PPP we will refer to concerns in general the urban renewal, where it is about the intervention on shares of estate or assets, or of public or private construction with a strong impact with the replacement of urban functions and redesign of urban assets. Besides these fundamental elements, some sectoral components can be recovered and interconnected with the already mentioned urban models (revitalization and regeneration above all). Throughout this treatise, all the urban models identified in Sect. 3.3.2 will be recalled.

Coulson (2005) proposed a different subdivision of partnership compared with the above-mentioned ones. That means: (1) private finance initiatives (PFI) or PPP; (2)

²⁴ Traditionally, PPPs have been more common in fields such as IT, tourism, housing, commercial development of city centres, health (including private clinics, medical, wellness, and fitness services) and the environment. There are also innovative experiences in areas such as transports or urban regeneration. Participation in PPPs in many cases will require the strengthening of the capacities in planning and financial engineering (Commission European, 2005).

local strategic partnerships; (3) local area regeneration partnerships. The last two typologies refer to the urban models of *regeneration* and *revitalization*. In Britain, the *local* strategic partnership considerably involves the third sector and operates in the most deprived areas of England, with micromanagement and relatively small funding programmes. The *local area regeneration partnership* is rather centred on the old ‘enterprise zones’ and it is characterized for the massive presence of sectors pushing to have sectoral and non-integrated resources as in the *local strategic partnership*. Other classifications of PPP, different from the ones described, can be found in Bult Spiering and Dewulf (2006), Becker and Patterson (2005), Skelcher, Mathur, and Smith (2005), and Torres and Pina (2001).

The second type of PPP (b) is the most known and studied since it has faced difficulties in its interpretation and implementation for several of its elements. The variables within the application (b) are far less than the ones within (c) experimented with CoUrbIT. Nonetheless, it has been possible through different studies to ‘model’ the implementation despite the several contradictions encountered. Several authors tried this ‘modeling’ (Bult Spiering & Dewulf, 2006; Yescombe, 2007; Zhang & Kumaraswamy, 2001). The principle is to consider the typology and life cycle of an infrastructure and subdivide its parts in design (D), build (B), operate (O), own (O), lease (L), rent (R), buy (B), transfer (T) and maintain (M), integrating these different phases through contractual forms. Consequently, different models of PPP referring to the public infrastructures are formed (DBO, BOT, BOOT, BOO, BOL, etc.). The critical points of the modeling remain the national law and culture, which have created the implementation peculiarities of this kind of PPP (Broadbent & Laughlin, 2003; Klijn & Teisman, 2003). The existent forms of public–private contracts can also be significantly different from each other (Bult Spiering & Dewulf, 2006). The peculiarities of the single nations have oriented different studies to the analysis of case studies of this PPP and to the comparison between different nations (Greve & Ejersbo, 2002; Klijn, Edelembos, & Hughes, 2007; Koppenjan, 2005). Other elements characterizing this PPP, which will be defined simply as PFI (Private Finance Initiative), are: (1) the reference to the initiative’s financial and market risk, which means risk analysis, transfer, and management; and (2) the value for money (Grimsey & Lewis, 2005), which in England becomes a necessary passage to activate a PFI.

The third type of PPP (c), on which CoUrbIT has focused, has strongly contributed to the choice to work on single case studies. The choice has been made due to the enormous amount of variables involved with the application of this type of PPP and the ‘distinctiveness’ of every single implementation. There is also a difference in the comparison of different nations’ situations in which the case, for the third type of PPP, is better than other instruments able to compare the general model and the variables’ differentiation (Nelson, 2001; Van Boxmeer & Van Beckhoven, 2005). This choice has led to the need to use a unique descriptive matrix for every single case, for its description and analysis (see the introduction to the case studies’ description). Sagalyn (2007) defines this kind of partnership as a PPD (Public Private Development) and points out its characteristics, even historical, for the U.S.A. The PPD is interdisciplinary. It involves joint investments

in brick-and-mortar and collaborative efforts at implementation; the public and private developers have ambitions that could not be reached alone. Finally, the objectives define the operative details of every project and consequently there is an indirect reference to the case studies.

The first important aspect is to fix the starting point of a PPP. A tender, with different competitors and a winner who will realize the work or even a more complex intervention, must not be considered as a PPP. It is by now usual, in the process of realization of a public work or infrastructure, to find the intervention of the public body and the support of other companies or economic subjects (constructors, engineering societies and external designers). If the support or the integration within the process takes place after a traditional tender, there is no PPP. There is PPP when the contract between public and private subject last over time and there is a convergence of resources. There is a breaking of the actions' sequentiality so that there is a public action, it stops, the private replaces it, and then the public action intervenes again. More in general, we talk about PPP when public and private interests join together in order to obtain a maximization of results to be able to divide the benefits of the action. Often without a PPP, it is difficult or counterproductive to perform an intervention. In complex urban interventions, typical of implosions, those types of intervention are potentially very frequent.

The examined cases present different types of PPP. In some circumstances they appear to be embryonic, in others more structured; it is a matter of underlining the width of configuration of PPP, keeping in mind that it is a field always evolving and that the treatise is referring to completed experiences. Different variables will be considered, able to better define the specificity of PPP and fix all the PPP typologies individuated. There could also be a comment that specifies the considered variables. When a PPP linked to complex urban interventions is considered, it can be treated from three different points of view, every one of which contributes to give more depth to the analysis. The three points can be taken separately or together. If the choice is the latter, the analysis will be more complete, even if it will surely increase the complexity. The three points are (see Fig. 3.20):

- The characteristics of the PPP
- The typology
- The management formulas

(A) *The characteristic of PPP* – refers to synthesis data and it is an indicative form. The goal is to give a first reflection regarding the different forms of PPP. Not in all the cases considered in this publication is it possible to find significant examples of PPP and consequently a specific characteristic of PPP: in some cases there are only signs and embryonic developments, in other cases they are similar to different conditions of specificity of the market (for instance, the urban model of *restructuring*).

Hereafter five micro-variables able to better characterize PPP are considered.

1. The value of the investment and the resources put at disposal: it can represent a quantitative indicator or criterium. It is possible to find interesting forms of PPP (for instance Raco), but with low amount of resources involved. It is

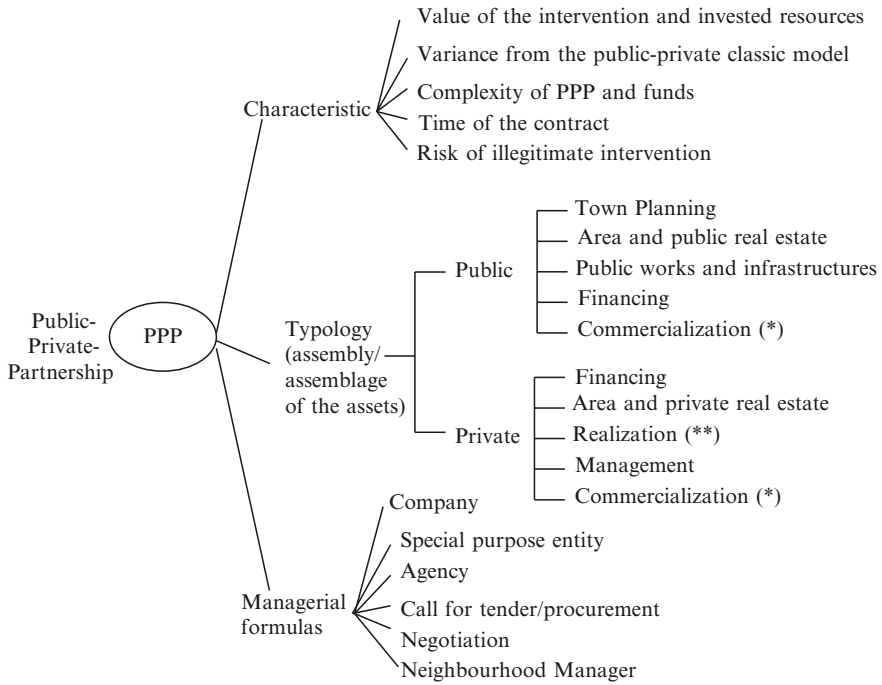


Fig. 3.20 Framework of the analysis of PPP models in the case studies

* but also 'Construction' (case studies: ex. Stuttgart, Milan, Turin);

(**) but also 'Commercializing' in wide sense

useful on this aspect to underline the different specificities represented by the cases. When the reference is to the value of the investment, one of the most tangible aspects in the cases, it has first to be considered what we mean for *value* and *available resources*. The reference is not only limited to public and private funds flowing into the initiative (for the case of Milan Bicocca they are huge—€2 billion—while for Berlin they are more limited because the PPP responds to a different urban model: the *renewal/framework* for Milan Bicocca; a mix of *restructuring/revitalization* for Berlin), but they must include also the value of the land, especially present in the cases of Milan Bicocca, Turin Spina 3, and Budapest Ferencváros. The value of the return can augment significantly the value of the intervention. There are also another values within the PPP, not always tangible and often neglected: organization, management, personnel, procedural simplification, knowledge, logistics and others that are evident in almost all the analysed cases and faced by different actors. Other authors (Bult Spiering & Dewulf, 2006) underline that in a PPP each actor must be able to bring either material or non-material goods to the relationship. Another element is the amount of resources flowing into the PPP

and others that belong to the project but do not assume the characteristics of a PPP. In other words, it can be affirmed that a complex intervention as the one described for Milan or Turin is all referable to a PPP: several operations within the *framework* are of traditional type or with a low index of PPP so that, if we consider the value, it is not totally referable to a PPP. Also this element can be underlined only through specific cases and not through a generic treatment. If almost all the interventions in Berlin and Hamburg can be defined as PPPs, it is not the same for other cases. For every case study, the relationship between internal or external funds to the PPP is evolving, as the PPP itself is evolving within complex urban interventions.

In Fig. 3.21, (A) represents the percentage of resources referable to a PPP ‘process’. These resources are:

- (a) Public and private funds, including elements linked to the revenue and referable to a PPP process
- (b) Organization, management, human resources, knowledge, etc. put in the field from private and public subjects within a PPP process (Link, 2006)

The points (a) and (b) include micro-inputs of negotiation between public and private subjects, which absorb value and bring to the reachness of macro-output that would not be possible in other ways. Micro and macro outputs absorb the value of (a) and (b) and it is the process of PPP itself which brings these particular kinds of resources into a PPP. In Fig. 3.21, every histogram is equivalent to 100, the grey part is the estimated percentage of resources referable to a PPP process. The remaining part of the histogram refers to outputs, within the project, produced through traditional procedures: that means, it would have been possible to produce these outputs even with traditional public or private forms of intervention not referable to a PPP. The percentage represents an accurate esteem derived from the cases illustrated later on (Chap. 5), where the sequence represents their disposition in the text. Complex urban interventions have characteristics that are different from the project finance or other similar forms, where it is the entire management formula which translates into a PPP (Boardman et al., 2005; Evans & Bowman, 2005; Pollit, 2005). The project financing, in terms of costs and revenues, is itself a business (enterprise) derived from a PPP (Akintoye et al., 2003; Atkin & Brooks, 2005; Denton Wilde Sapte, 2006; Merna & Njiru, 2002). The framework/renewal or another perimeter where the urban intervention takes place (cf. urban models) is different from a project’s financing and from the dissertations arising from those formulas. The synthetic principle is, then, that within a complex urban intervention, actions and assemblies of a different nature take place, not all referable to a PPP. Kljin and Teisman (2003) recognize a difference between PPPs linked to an infrastructure and PPPs linked to an assembly (complex urban interventions). The difference is that the former have a more partnership orientation, while the latter (Kickert et al., 1997; Koppenjan and Kljin, 2004) need a supervision of interactions; without a good process of design and a particular type of process management, the assembly breaks up. Unlike our

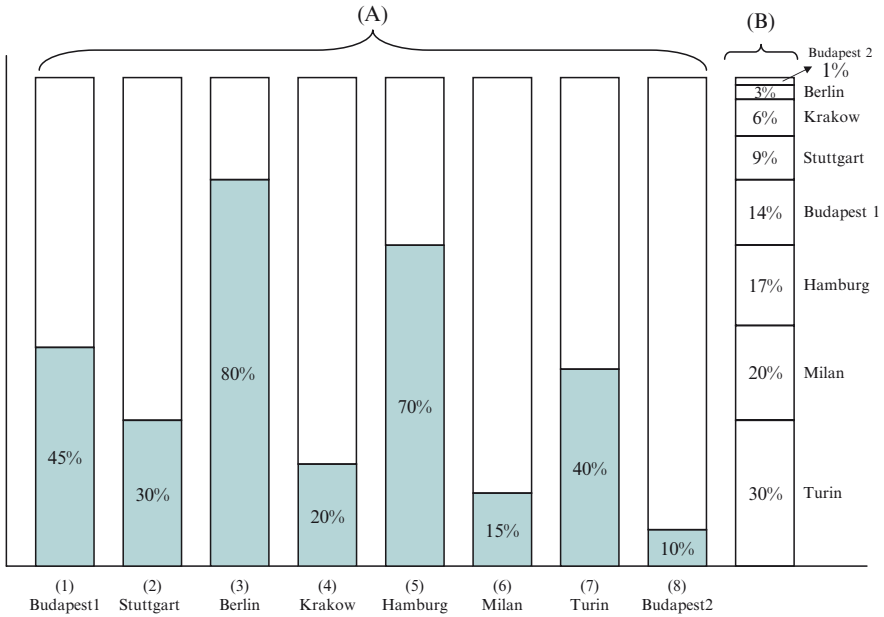


Fig. 3.21 The PPP value calculated for each case in an aggregated form

studies, there is no mention of actions and assemblies of different nature, even within the whole perimeter of assembly of a PPP.

In Fig. 3.21 (B) represents, in absolute values, the weight of a PPP referred to every case compared with the others.²⁵

The proportion represented in the histogram (B) wants to be a piece of information too, led by the value of PPP recognizable in every complex urban intervention represented in the single cases, thus representing a guide and a key variable for the reading of every case.

2. The deviation from the classic model of public–private relationship: The types of PPP referring to complex urban interventions can be different. The classic model without PPP requires a sharp separation of interests between public and private; the public entity must be well separated from the private income

²⁵This is based on the following principle:

$$A = \sum_{i=1}^{n=8} (It_i / 100) * PPP_i; B = \sum_{i=1}^{n=8} \left[\frac{It_i * (PPP_i / 100)}{A} \right] * 100$$

It = Total investment, including the PPP percentage in every single case;

A = resources referable to a PPP as the sum of all the cases;

PPP = PPP percentage in every single case;

N = single cases (1 = Budapest1; 2 = Stuttgart; 3 = Berlin; 4 = Krakow; 5 = Hamburg; 6 = Milan; 7 = Turin; 8 = Budapest2);

B = PPP resources equivalent to 100 as the sum of resources of a PPP in every single case.

and profit. An effective PPP is able to put together private and public profit and equity (Pongsiri, 2002). If anything, the concept of *public interest has to be clearly re-defined*, since the balances between the two subjects are in the process of changing complex urban interventions. The situations where the classic model takes place are different, and the deviation from it can be different. The start up of a PPP then requires:

- A deviation from the classic model where public and private both lose a part of their autonomy
- That the deviation and consequently the PPP applications can be different the one from the other
- The passage from a level of PPP to a further level

The last consideration responds to the principle that it can be a more or less evolutionary dynamic in the creation and improving of PPPs. The deviations are numerous and some of them are recalled in the treated cases: (1) there is no public tender procedure for the choice of a private partner for a mixed public–private company, but this choice has been performed in other ways (Budapest–Ferencváros,²⁶ Hamburg, Turin, and partly Berlin); (2) in the negotiation with the private sector some procedures of realization of public infrastructures are distorted (e.g. Milan and Stuttgart). Several examples can be cited, but two important considerations are missing:

- A scale that defines a possible starting point for a deviation
- The definition of ‘dynamic’ forms of PPP. An example is the following one: a mixed public–private company is formed, representing a certain level of PPP, and the private partner is chosen not through an open competition, since it would cause a distortion of the partnership representing a further deviation from the traditional public–private model

The main aspect of what mentioned above is that the further deviation is due in part to the lack of coherence of procedures and rules linked to the classic model, which comes before the PPP application; this is one of the main reasons for the failure or difficult application of the PPP. The PPP evolution gives evidence of the difficulties of *governance* so that it undermines the global effectiveness of some PPPs. There is a different velocity from the intuition and willingness to activate a PPP on one side, and the capacity to activate its governance on the other side. This is due, in part, to a set of rules previously built and linked to a separation between the state and the market (Hodge & Greve, 2007; Teisman & Klijn, 2002). Several authors faced the problem of the definition of the deviations from the classic model without PPP (Bennett, Grohmann, & Gentry, 1999; Klijn et al., 2007; Saves, 2000; Teisman & Klijn, 2000). In the classic model, there also is a relationship between the public and the private (i.e., realization of public works). The deviation’s definition becomes an important and tangible aspect of what is a PPP and what is not. It has been difficult to define the deviation from a variegated front

²⁶ In this case, we are not in the context of the community regulations yet.

formed by the classic model of relationship between public and private not intended as PPP. Some authors (Bennett, Grohmann, & Gentry, 1999; OECD, 2008; Saves, 2000), with different approaches and results, focused on the creation of a *scale* from the classic model led by the state or the private to mature forms of PPP (Table 3.4). The idea is that a classic model of public intervention (where the private is passive) and a classic model of private intervention (ruled by the market, where the public gives general rules being substantially passive) can exist. In both cases, there is no PPP. From both opposite models, there is a deviation generating PPPs more influenced from the public actor on one side and more influenced from the private on the other, to arrive at a PPP that may be more mature and complex, representing a perfect 'ideal' balance between the public and the private action. Klijn et al. defined 10 characteristics used to observe the differences between the classic model without PPP (contract arrangements) and, symmetrically, the model of PPP (partnership arrangements).

3. The complexity between the considered elements and the convergence of resources is the most critical variable. It refers to the number of public and private assets and subjects involved, as well as to the action of public coordination. This part can be linked to the concept of *governance* and all the related concepts. This means that PPP projects are not easily realized (Teisman & Klijn, 2002) since the *governance* is called to replace the traditional model of *government*. In this specific case, the governance is called to substitute "the contracting among competitive tendering" (Hodge & Greve, 2007). The PPP complexity can contribute to create a gap between 'dream' and 'reality' where often the dream creates rethoric. This means that there is a deviation between declared needs and obtained results in PPP terms, due to the complexity generated from the PPP management through the governance (Teisman & Klijn). Meuleman (2008) affirms a PPP "is a non-hierarchical system of governance in which public and private actor form a common action or venture that serves certain policy goals." The non-hierarchical system of governance becomes more complex as the number of public and private assets increases, as well as the number of subjects involved. The level of collaboration between public and private actors in a partnership varies from case to case (Koven & Strother, 2005); for this reason, the peculiarities are treated in the cases. The complexity of the PPPs analysed is in part linked to the identified *urban models*, or the typologies of intervention linked to these models. The convergence of resources is linked to the models too, but it can be linked also with the predominance of the public or the private inside the PPP. The principle of a PPP is that there is an involvement of one or more actors, where at least one of them is public, and it cannot operate through the pure control on the political decisions as it could do in a traditional relationship. There is a share of responsibilities (*mutual shared responsibility*) on the revenue or the activities, somehow linked to the assets (Akintoye et al., 2003).
4. A characteristic of the partnership is also linked to the duration of the contract. This means the durability between public and private actors in linking or integrating

Table 3.4 Examples of the deviation from the classic relational model between public and private and creation of PPP evolutionary phases

(A)	Some starting points	0	1	2	3
(a)	Concession or acquisition of public or private goods (estate, areas, buildings) within complex urban interventions	0	Tender for the identification of a private subject to whom to sell or give a public good. Acquisition of a private good for a public interest or aim	If the public good is linked to a private subject, then the necessity to strengthen a partnership with an already identified subject	PPP with an identified subject where the exchange of goods (phase 0) is needed, but is less important than the process of partnership to reach the final result
(b)	Constitution of a public-private special purpose entity for complex urban interventions	1	A tender is issued to look for a private partner	Identification of a private owner (area, estate) and constitution of a special purpose entity (or vehicle) for the realization of a step of the process	The mixed company is created with private and public interests and shares, convergence throughout all the realization and consumption process
(c)	Convergence of public and private actions in replacing the obsolescence of part of the urban 'tissue'	0	Selection of the private	Transfer of funds to the private without any selection, but with the identification of the object in order to cooperate to reach a result/gain	Creation of mixed entities of different nature, public and private, in order to reach objectives, realizations with public funds (integrated to private ones) and evaluation of results through negotiations
(d)	Realization of public works and infrastructures in urban Renewal areas	0	Tender for the realization of works	The developer realizes the public infrastructures without any competition, with private and/or partially public resources	The developer negotiates the use of its own areas, realizes the works and sells it to the public through a leasing, without any tender but only through negotiation

(A) Some elements of the tables are treated in the case studies: (a) Budapest (Ferencváros)* Turin, Stuttgart, Krakow, Turin; (b) Budapest*, Turin; (c) Berlin, Hamburg; (d) Milan (0) Classic model without PPP; 1,2,3, progressive deviations to the classic model and presence of PPP often contrasting with the existing regulation, even though this is in a more or less rapid transformation

the value comes from products, services, assets, risks, costs, and resources (Hodge & Greve, 2005; van Ham & Koppenjan, 2001). Some authors such as van Ham and Koppenjan define a PPP through the durability of the contract or partnership. It is important to distinguish whether the PPP refers to public works and infrastructures (PFI; Hodge & Greve; Klijn & Teisman, 2005) or partnership meant as 'cooperative project organization' (Klijn & Teisman) typical of the urban renewal. Referring to public works and infrastructures or to urban renewal also modifies the meaning of the contract's duration (Yescombe, 2007). Moreover, the duration must be at least partly free from the value of the investment that, if relevant, will automatically influence the time: a big investment (high-speed trains, Eurotunnel, Messina Strait's bridge) has a high duration of the contract. It is not a matter of finding an automatism between the PPP and the execution time of a work, but of looking at the pluri-annuity of a variable relationship between a public and a private subject. However, this is different from the pure form of know-how with the aim of transposing something that is codified (designed) in tangible form (work), since this belongs to the traditional model where the public administration acquires, through the tender, the realizing means (used by the company to end the project) and the consequent know-how. Several authors consider the time factor a central element of a PPP. The contract's duration has several important implications on the PPP's characteristics. It modifies the elements of autonomy whether the contract is stable (*mixed company*) or time-bound (*special purpose entity*). The contract's duration is intended as the assembly of assets and the negotiation within a framework.

5. All complex urban interventions risk exposing themselves to an illegitimate intervention, because of the rigidity that the rules (also Communitarian) assume in these terms. Fig. 3.22 summarizes in a short score the characteristic of PPP individuated in the single cases. A high score means a high risk of illegitimacy.

(B) *The typology of PPP (assembling the assets)* – A method to define the typology of PPP is to intertwine the macro-components that substitute the main part of the complex urban intervention. It is often about public and private assets that, integrating the one with the other, serve to build the intervention and consequently lead to variable forms of PPP. The macro-components contain micro-elements that make the single interventions of PPP highly peculiar. The reason is also that in a comparison between cases, it can be useful to trace everything back to macro-variables, especially after having lingered over the details of the singular cases. What emerges is the confirmation that an articulation of models exists with few similarities, almost never overlapping.

The decomposition method is not new and is concerned with the PPP referring to the single work or infrastructure (Pietroforte & Miller, 2002) and much used in the PFI. Pietroforte and Miller studied a historical evolution of this decomposition in the context of the USA. The decomposed elements have already been mentioned in the second typology of PPP. This decomposition has the aim of a definition of the PPP typologies referred to public works or infrastructures. Another decomposition within this trend ('cube' for public private partnership) is proposed by

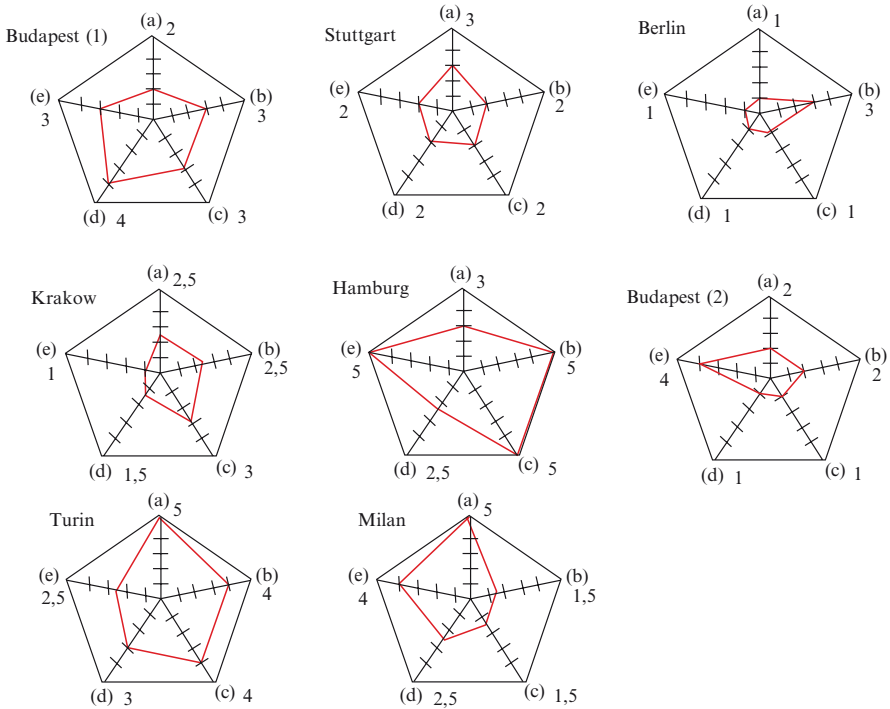


Fig. 3.22 Case studies – representation of the characteristics of the PPP: (a) value of the investment and the available resources; (b) deviation from the classic model of public–private relationship; (c) complexity between PPP considered and the convergences of the resources; (d) duration of the contract; (e) risks of the intervention

Greve and Hodge (2005). Nonetheless, the decomposition applied to public works and infrastructures concerns the process, the level of responsibility and the action of the public and private actors. Besides actions and responsibilities, the manager of the intervention and how the different phases of the process are interconnected (e.g., Build-Operate-Transfer: BOT; Design-Build-Finance-Operate: DBFO) are defined. The distribution of actions, responsibilities, and risks within the process determines the typology of PPP. Evans and Bowman (2005) identify seven risk categories for PPP typology and decomposition.²⁷

The matrix proposed and applied to complex urban interventions defines that some assets, pertaining to either the public or the private, have been reunified and that their integration, for a non-short period (van Ham & Koppenjan, 2001), determined the typology of PPP. The interconnections within a process demanded to the treatment of single cases have not been defined, leading to a standardization of management formulas for what concerns public works and infrastructures. For complex urban inter-

²⁷ Site risk; design; construction and commissioning risk; operating and maintenance risks; financial risks; uptake/patronage risks; force major risks; legislative risks.

ventions, the standardizations of formulas are not possible for the high peculiarity and number of variables influencing the sequence and typology of the PPP assembly. In this phase of synthesis, we limit ourselves to the pure observation of an asset's integration within the treated case, leading the PPP into complex urban interventions. The case's presentation becomes a methodological choice, as well as a content one.

Nijkamp et al. (2002) used macro-components with the method of the meta-analysis (Matarazzo & Nijkamp, 1997) referring to nine case studies of complex urban interventions: nine Dutch cities, seven of them with more than 100,000 inhabitants. In many of these cases, there are clear PPP elements. They decompose the cases to better define the PPP components (e.g. public–private with large number of players; type of co-operation with joint ventures; financing and risk with joint PPP, etc.), or to define the project organization (selection procedure of partners) or contractual arrangements. The meta-analysis is used to attribute synthetic data (aggregate score) to the complexity and effectiveness of the urban intervention implemented. The choice made for CoUrbIT has been different: we are limited not to an aggregate score, but to the identification of the integration of public and private assets, leaving to the cases the treatment of the dynamic assembly.

The principle that every project has its own composition of factors is valid, especially if referring to complex urban interventions. Koppenjan (2005) says that for this reason every singular case incorporates a know-how; this is the basis of a cognitive evolution of who wants to start from this experience in order to make the future interventions evolve. Nonetheless, in the definition of the PPP typology, we have to ask ourselves if all the CoUrbIT urban models are represented by the elements used in the matrix of Fig. 3.23. Probably not: there is a major representation of those urban models that refer to tangible assets rather than intangible (see Fig. 3.19).

Another element that cannot be neglected in the assembly of the assets is the set of the different phases to consider the assembly itself. There is an initial part in which it is easy to define the assets that will be assembled. It is useful to define those starting assets as the initial 'estate' of the singular intervention case. Then, there is a 'during' and a final phase (obviously verifiable in a concluded case) in which it is possible to define the *nuances* of the assets, the assembly, and the structuring of the PPP. For this reason, coherently with what has been said at the beginning of Chap. 3, working on the cases is something more than operating on 'castles in Spain': it is possible to identify the assets forming the intervention, but then end up disposing and 'fitting' them differently during the implementation phase.

To sum up, going over the different details, it becomes possible to indicate with more accuracy how the PPP is structured. The public assets taken into consideration are (Fig. 3.23):

- The town planning
- The public areas and public estate
- The public works and infrastructures
- The financing
- The commercializing

- The town planning must be intended as the whole of the negotiable and binding settling rules, based on the use of indexes of edificability as an element of negotiation; the destinations of use binding and flexible with an ex-ante definition which must be, should be, or should have been useful for the settlement; the definition and the negotiation with the private subject of future settlements. The cases of Milan, Turin, Stuttgart, and Krakow use it as a constitutive element of the PPP.
- The areas and the public estate represent another important asset for the development of a PPP. In order to make the PPP take full shape, it must be necessarily made up by private assets too. The use of private areas and public estate is very frequent in interventions of substitution of old functions within urban implorations. We can find it also in the cases of Budapest, Krakow, Stuttgart, and in a minor form in the other cases.
- Public works and infrastructures must be considered in many ways: as a component of the negotiation (Milan, Krakow) or of the intervention's balance (Hamburg). Nevertheless, they should not be confused with the town planning component, which is definable as urbanization charge. These define the limits for the subject that realizes the new settlement: they must not be burdened upon the rest of the society in terms of primary services (infrastructural networks) and quota of other services (secondary infrastructures). This specificity becomes peculiar for a complex urban intervention not related to urbanization, but to urban spaces already equipped. In this case, they can and must ask for a re-composition, with respect to the urbanization charge.
- The financial contribution can be considered the most classic component of a PPP, significantly present in the case of Berlin.
- The commercialization takes place only for buildings, with some exceptions (Hamburg). This variable assumes a more meaningful nature if the reference is indirect. The public administration contributes to the purchase (Stuttgart) since the purchase of shares of the manufacture makes possible the declared goal of the case.

Not all the treated cases use the variables indicated above, even if some of them contribute to determinate a PPP. In any case, they have not been considered in the treatise as has been done for the consulting and support action from the STEG in the case of S. Pauli in Hamburg.

The private assets are:

- The financing
- The private areas and the private estate
- The realization
- The management
- The commercializing

The private financing is a classic element of a PPP too, with the difference that it appears much less compared to the opposite situation of the public financing of a commonly agreed public–private intervention.

The areas and the private estate represent, for almost all the cases, the fundamental element of the PPP (Milan, Turin, Hamburg) (Table 3.5). In order to be defined as a PPP, the use of private areas and estates needs an integration with the other public components mentioned above.

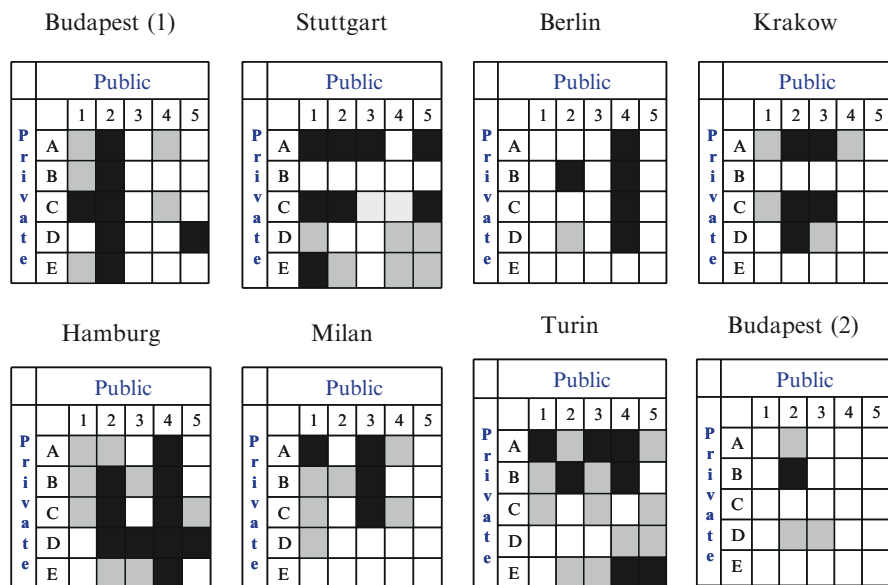


Fig. 3.23 Public-private interactions. Public Administration: (1) Town planning (2) Public area and estate (3) Public works and infrastructures (4) Financing (5) Commercializing; Private: (A) Financing (B) Private area and estate (C) Realization (D) Management (ownership) (E) Commercializing

The realization of an intervention (especially if concerned with new buildings) must be interpreted as something different from a traditional intervention. It must be part of an agreement that gives the responsibility and the market risk from the public body to the private company (Stuttgart, Modena, and in part Turin). Due to this characteristic, there is often a link with the purchase of what has been produced and a direct correspondence with the market.

The management is an important element of the PPP when we refer to project financing, but it can be important also when the public subject shows some functions that it wants to activate (i.e. high-tech). We cannot forget that, once the conditions are created, they must be managed (Turin, Modena, Hamburg).

The commercializing is the 'something' that makes possible the confrontation of the partnership with the market. It is possible to find it after the creation of a special purpose entity (e.g., the STU of Macerata; the SEM) between public and private subjects. In order to wind up the company, it is necessary to sell what is produced to the market, get the income and, if not decided before, divide it among private and public subjects. The same criterion, even if in different forms, is observable in Budapest and Stuttgart. In the latter case, if the aim of the eventual PPP is to give a house to young couples with children, it will be the trade of the houses that will make possible the verification of the effectiveness of the goal, on which an embryonic PPP has been built. The same thing will happen for Budapest: the goal that will be verified is the maintenance of an high number of inhabitants within the renovated buildings and the shift of

these buildings from renters to owners (even if they do not have the resources) and at the same time the attraction of other purchasers (foreign capital and speculators) in order to augment the cost of the purchases and make the whole renovation profitable.

To better define the intersection of public and private assets within a PPP, the matrix below been built to intercross the data.

(C) *The management formulas* – The management formulas can by themselves form a PPP (see Table 3.5): this happens with created mixed companies (Budapest) or agencies with the presence of private subjects (Turin, Hamburg). Even the area of the negotiation may consist of a PPP (Milan, Turin). This is also true for the quarter manager (Berlin and Hamburg). The presence of calls for tender may reduce the constitution of PPP, although it is not absolute data and much depends on how the calls are structured, whether the sequentiality is being proposed, or if there is integration of the actions. The typology of the assets and their assembly can be greatly influenced by the management formulas that the single intervention activates. The distance between the starting point and the result presented in the case can often depend on the management formulas, as well as on the way a call for tender is organized (traditional or innovative way) (Table 3.5).

In the end we have to ask ourselves: what is a PPP? We have already mentioned the high space applicative and the initial application form in the international context, even if an important element is the correct legitimization of the process leading to a PPP creation (e.g., Hamburg). In the analysed cases, we have found embryonic forms of PPP and other forms more structured. There are more types of PPP that only a superficial analysis can bring to a unique form. The PPP in the form of urban competitiveness among cities, and in particular large global cities, represents the element of major articulation and strategic importance. We are only at the beginning, the phenomenon is destined to grow and become more and more complex. When there is no PPP, what is the alternative? As an alternative, we have a sequence of public and private actions separated from each other, extending the whole time of the intervention or inhibiting the different subjects to not intervene (for incapacity to integrate different actions, for lack of funds, for absence of integrated culture). Does a PPP always produce exclusion and the creation of a *neo-liberal elite*? The answer is yes if there are no instruments organizing the

Table 3.5 PPP managerial formulas of the cases considered (cf. Fig. 3.20)

	Budapest(1)	Stuttgart	Berlin	Krakow	Hamburg	Milan	Turin	Budapest(2)
Company	X				X			°
SPE*	°			°	°	°	X	
Agency				X	°			X
Tender	°	X	°	°	°	X	°	°
Negotiation		°	X	°	°	°	X	°
Neighbourhood Manager			X		X			

*SPE = Special Purpose Entity
X = main action in the case; ° = presence and usage in the case

action, if only the economic and financial aspect is considered. In other words, the economic and financial interests are put together with the 'blackmail' that if the intervention is not performed (investments, complex realizations with the attraction of new functions), other cities will do it and the city will lose competitiveness and its value, in some cases even to destroy it. The PPP is a new and very important field that is necessary to consider above all in the context of urban global competitiveness. The PPP is divided into the process of stakeholders and stockholders' involvement and the process of construction. It is within these two different processes and their integrations that a correct definition of social exclusion or integration is possible. In the restructuring urban model of the post-socialist cities, the process of construction often tends to repress the process of stakeholders' involvement (participation). In other words, it is important to verify and observe the assembly of the PPP and the interests involved. Frequently the financial interests do not find a balance with the social ones.

Another relevant risk is that in the absence of proper instruments and tools, a new category (real estate developers, property development companies, facility management companies) become the sole interlocutors and privileged subjects within the different PPP framework, proposing a city 'model' connected to consumption (lodgings, shopping centres, and leisure), by using old areas previously belonging to production or transport and logistics (e.g., large railway ports). In the context of the global urban competitiveness, if the PPP does not want to be a 'neo-liberal' intervention, it has to face the problem of the re-distribution of the urban land value.

The expansion of the PPP in large cities and its relationship with the land value and the consequent new model of state become a central point of the discussion. The choice of cases on large cities also partly answers the question of this book.

3.3.4 Tools

The development of new tools represents an important step. They cannot avoid being new and of an interdisciplinary nature. An ambivalent term such as tools or instruments may be used in order to underline the complexity of the topic. Nevertheless, some fundamental questions need to be dealt with:

- (a) Are the traditional tools decisive enough to influence and orient the decision-maker? The more complicated they are and the more they come closer to the decision, the answer seems to be no! Therefore, this is valid above all for tools that do not have a tradition, that need to be created and experimented with, that are the sum of different tools and cultures. The answer is, therefore, why are they so important? Because in their absence the elite, the irrationality, the inadequacy, the lack of a reached target but also the incompetence, the instinctivity, the autoreference, the patronage and the corruption, the decisions with a great rate of error can prevail. Even to leave the strategic action of substituting the functions to partial subjects with strong interests incorporated into their actions

and to transform high rates of urban revenues in personal revenue and as a consequence favor high forms of direct or indirect speculation.

- (b) Are the academic environments and the professionals in the field able to organize, structure and defend these tools? The answer is no! Since we are outside a sectoral and specialized field, there is the necessity of *high interdisciplinary impacts*.

Two different evidences and considerations are significant. The first one is of a general type and the other is specific. It is not a mystery that in big investments the economic operators and credit institutions modify the values of VAN and TIR of a certain economic and financial plan according to their convenience, with the aim of sponsoring (or not) an investment. It is also surprising that the decision-maker is often aware of this and does not make use of or does not get influenced by these tools, trusting its decision in irrational factors—which is even more irrational than the same economic and financial tool.

A relevant decision-maker has confided (Dalla Longa & Vecchi, 2007) that at the eve of a request for an important financment concerning a rather complex urban intervention extremely important for the city and summing up to €500 million, he did not have any experience and the request was being controlled by an anonymous office. All this took place at the last minute and in a way of chance, basically because of the absence of tools.

Figure 3.24 shows the complexity of the tools and the instruments used or potentially usable in the treated cases. The more relevant task is to insert them inside a wider context of consideration. The urban competition seems to have become the main teaching for the future European urban system (van den Berg, Braun, & van der Meer, 2007) and for the whole world. All this is also connected to the capacity of intersecting the obsolescences and the substitutions of the economic and social functions with a more general vision of the urban models that are in a continuous evolution as are the tools used too (van Dijk, 2006). It can also happen that knowing how to intersect the obsolescence and create processes of substitution with new functions could be itself a tool (van den Berg, Pol, & van Winden, 2003). Economic factors in coalition form processes that can be tracked back to a PPP. We are in the creation of a *corporate community* or a *network* where the objective may be the cohesion and competition (Belil, 2002). The term *network* between the public and the stakeholders concerning redevelopment, revitalization, and urban renewal policies has been analysed from different points of view (Ysa, 2007). We are in front of a particular type of PPP, definable as a *tool*, that some call ‘social’ (van den Berg et al.), in order to distinguish it from other types of PPP.

The figure gives some information: the tools and instruments more common to the different cases refer to the economic and social negotiation, the architectural project, and the project management/manager whose role is to *integrate*. Two out of eight cases (Berlin and Hamburg) present the integration of instruments in tools, which means the case itself is codifiable as a tool, especially Berlin. Various contributions underline the creation of complex tools integrating different things (Belil, 2002)—or as Blomgren Bingham (2006) states, “the new urban government requires not only tools but also new processes to carry the tools into effect.”

Tools/Instruments	1	2	3	4	5	6	7	8
Social and economic negotiation	■		■		■			
Investment analysis		■	■		■		■	■
Investment evaluation	■			■			■	
Strategic plan			■		■			■
Programming		■					■	■
Depollution of the area				■				
Transport		■		■			■	■
Feasibility study			■		■		■	■
Economic and financial plan	■			■				
Quality of the architectural and the landscape					■			■
Architecture design			■					
Engineering design				■				
Facility management	■		■	■		■		
Patrimony asset management		■	■		■	■	■	
Local develop			■	■				
Economic evaluation			■	■			■	■
Social impact	■	■	■		■			
Social participation			■		■			
Innovative institutional formula		■	■	■				
Urban planning	■		■	■			■	■
Juridical negotiation			■		■			■
Call for tender		■				■	■	
Competition		■		■	■		■	■
Business organization design	■			■				
Corporate policy				■	■			■
Company law								
Administrative law				■				■
Project management	■	■				■		
Environmental impact				■			■	■
Risk management					■		■	■
Project financing			■	■	■			
Urban marketing		■	■	■	■			
Local government					■		■	■
Public administration			■	■				■

□ = embrional; ■ = rudimental; ■ = used, although in some cases in imperfect terms

Fig. 3.24 Checklist of tools/instruments related to complex urban investments. 1: Budapest (a); 2: Stuttgart; 3,: Berlin; 4: Krakow; 5: Hamburg; 6: Budapest (b); 7: Milan; 8: Turin

In a different form, in the last 15 years instruments like the LPS (Local Strategic Partnership), the NDC (New Deal for Communities: Couch, 2003; Purdue, 2005), and the TMC (Town Centre Management) have been experimented with in Great Britain as well as in the USA. In the USA, BIDs (Business Improvement Districts) have been created, proven in many cases to be real tools that incorporate inside them more instruments as in the case of Berlin (Guntner & Halpern, 2006). It is nearly always about PPPs that involve stakeholders and that are defined as *networks* (Ysa, 2007) in order to differentiate them from the other PPPs. In Great Britain, the urban

renewal connected to the PPP is part of the new Labour party's programme and it conjugates, partially, with the New Public Management (NPM). This is part of the "developing society of the New Labour government," even if in the 1990s the PPP was set as the basis of the public policy all around the world (Osborne, 2002).

There has been a debate around the various forms of PPP linked to urban renewal, so much that some authors (Cole & John, 2001; Le Galès, 2002; Peck & Tickell, 1995) affirm that "the PPPs proliferated in Europe, they were very different from those in the UK." Atkinson (1999) analysed the argument of the partnership in the contemporary British Urban Regeneration, in order to demonstrate a new form of power and exclusion. An analysis made by Purdue (2005) uses the term 'patchwork' to explain the local public-private-community partnership on urban regeneration in the last 15 years in Britain is also interesting. Three central themes of regeneration have been introduced in Great Britain in the last 15 years: (a) 88 local authorities have been created in the most deprived regions in England; (b) the local strategic partnership (LSP) has been introduced, which in turn develops the neighborhood renewal strategies (NRS); (c) communities of participation have been created in the renewing areas through community chests (CCs) community learning chests (CLCs), and community empowerment networks (CENs). The CENs support community representation on LSP. Each CEN is developed by a lead organization (LO) funded to draw together a range of community, voluntary (and faith) organizations active in the neighborhood renewal areas (NRAs). The precise relation between CENs and LOs varies from one local authority to another. Therefore, in the British reality it is about a series of slots and involvements of subjects and stakeholders whose 'architecture' is a *network*. The objective is the creation of PPPs to favor the urban renewal of British cities. The subjects and the organizations involved are public, economic, and social subjects. The integration and the mix may change from case to case. It can vary from self-help projects of small entities (CCs) to more consolidated interventions such as the *PPP network*. Evidence from Liverpool is worth examining (Couch, 2003). LSPs representing local authorities and other community and business interests drew up local NRS, which will be supported through the NDC (New Deal for Communities), thus providing a focused 10-year program of regeneration for the most deprived areas. Kensington in Liverpool is one of the areas that receives NDC funding (€77 million). All this treatment on the typology and the diffusion of the PPP network is being made in order to reaffirm that it is considered as a new tool coherent to the new forms of competitiveness of the city.

In respect to the new tools emerging from the cases, there can be observed the following points (see Fig. 3.25).

- (a) Tools that, as mentioned earlier, are defined as *PPP networks*: They are not imposed from defined procedures and technicalities, but rather they are instituted and created by means of *bottom-ups*. They have as a characteristic the stakeholders' involvement, they can respond to market rules, but also they have cohesion as a reference and operate within no-profit subjects. The principle that this kind of

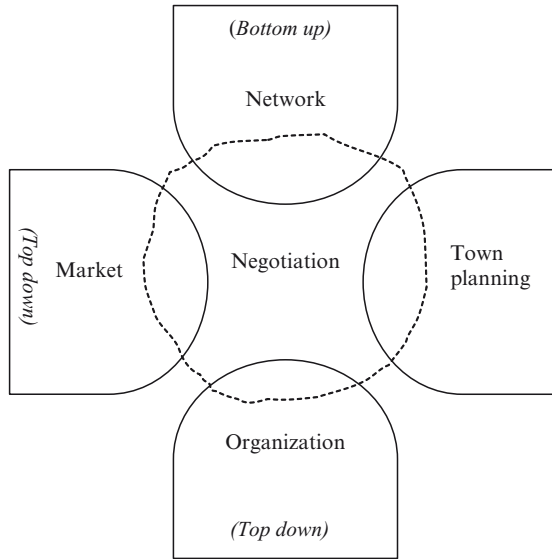


Fig. 3.25 Representation of possible PPP configurations, where the application of different tools/instruments is possible

PPP creates an additional value for the enterprise or the productive subject is valid and often relevant for the improvement of the environment, which can bring also a commercial benefit in the long term. The substitution of functions, the creation of urban models and their evolution, the definition of the proposals and the 'who is involved,' 'when,' 'where,' 'how' (McQuaid, 2002), is required for networks more than for specific subjects. The competitiveness is required for the network, as well as the substitution of obsolete and social functions. The PPP network is itself a tool. The critics of this model and tools sustain that they will end up 'creating the elites' (Brenner & Theodore, 2002) that manage the changes guiding them in the end to their own interests. It is a matter of competition among cities, but around this a new professional and interested elite was born, getting benefits from it. Both the case of Berlin and Hamburg could configure the *PPP network*.

- (b) Tools more related to the market: it is the case of traditional actions of project financing where the criterion of the financing of the project prevails, as well as the economic and financial plan. On this aspect, the literature is consolidated. Within urban implosions these are minor interventions, since the control of the different elements that request a process of industrial type controlled by an economic and financial plan is limited (agreement between stakeholders, stockholders, operations linked to usage and tariffs, realization cycle, and above all management). This is a PPP too, more simple in its form but not in its amounts, and much more circumscribed compared

to the *PPP network*. We refer to community and sport centres (e.g., Congress centre, sports plants), transportation, and parking. The analysed cases do not present particular interventions of this type (cf. project financing is colocated in the ‘market’ area in the figure above). In order to be effectively expressed, these kinds of interventions require an environment with more simple elements. This represents a *top-down* intervention within defined tools, sometimes overestimated, to make a decision in the context of a more complicated environment, as the urban implosion.

- (c) A third field of tools is represented by the management formulas and the creation of public and private companies with the aim of organizing a PPP intervention. The used instruments refer to the coexistence of different managerial logics which have always, or at least for a long time, operated separately. It is the integration of the public component with the private one that permits the realization of interventions previously not so practicable: it is about top-down interventions with reference to PPP forms. The critical aspects are to be searched on one side in the national and European rules that restricts the recourse to societal forms of public-private type, and on the other side in the difficulties of the private subjects (especially the enterprises) to submit to public subjects with some constraints. The cases where such instruments and tools are evident are Budapest, Hamburg, and Turin.
- (d) The town planning—and especially its transformation from zoning to instrument of negotiation—represent a further field where other instruments may be found. The town planning correlated to negotiation favors new forms of PPP. In the analysed cases, this is evident in Turin, Milan, and partially in Budapest and Krakow.
- (e) The negotiation is the new element that develops and continuously updates the instruments and the various PPP forms. It is the element that disarticulates the specializations and makes the tools dynamic. It is the new element around which the cohesion, the competitive advantage, and the competitiveness itself are determined. The European rules themselves have recently introduced and uniformed new fields pertaining to the competitive dialogue between public and private subjects, framework agreements, and other innovative forms able to make the forms of negotiation increase. Negotiation is an expanding field that demands revision and the creation of new instruments and tools.

In the CoUrbIT model, the tools are a connection between the new PPP form and the *driver*. It is necessary to contextualize the new typology of instruments in which an interdisciplinary character, a cultural hole in such an important issue for competitiveness, and the integration of cultures and instruments including the creation of new up-to-date instruments, emerge. The objective could be the creation of interdisciplinary ‘urban centres’ connected with training and analytical capacity of elaboration, considered as research centres too, oriented to the problem solving and in any case not configurable as centers of specific interests and lobbying, and not included in a network, often cited, of ‘neo-liberal elites.’

3.3.5 *Driver of Competitiveness*

On the importance assumed by the driver, a preliminary consideration should be made: whether cities incorporate the new forms of competitiveness (Camagni, 2004; Krugman, 1997; Porter, 1995, 1998), or if this is demanded by the enterprises (Amin & Thrift, 2002)—in other terms, whether the competitors are the cities or the enterprises located within the urban tissue (Begg, 2002b). Around these different interpretations there is a significant quantity of contributions, even contrasting ones (Camagni, 2002; Krugman, 1997), orienting and completing the discussion (Begg, 1999; Boland, 2007; Daniels & Bryson, 2005; Turok, 2004). The cities attract the enterprises for their content of science and technology (Lever, 2002) and their high accessibility (solid exchange with other subjects and facilitated mobility within the city and between the city and others in the world). But one author also affirms (Jensen Butler, 1997) that for the emerging high-tech sectors, the competition is often between small cities associated with leading universities. A critical aspect for the competitiveness is to produce goods and services for the international markets that expand revenues and competitiveness in the medium and long term. Even though only some of the enterprises located in London export abroad (Jones, 2000), London, as it is well known, is in competition with New York, Tokyo, Frankfurt, and Paris for the most advanced business services. Milan and partially Turin (Dalla Longa & Vecchi, 2007) substitute heavy production with consumption. It is not new (Krugman, 2007) that an increasing share of the working force produces services that are marketable only within the metropolitan area; therefore, in terms of competitiveness, they may be located indifferently in a central or a peripheral part if the cities do not represent the new competitiveness of the nation (Normann, 2001). The principle may also be valid that for 10,000 Swedish companies, the access to the city's public goods has an influence on the export revenues 40–80 times superior to the proximity to connected enterprises and similar (Malmberg, Malmberg, & Lundequist, 2000). The following principles can be shared:

- (a) If the city appears to be defective, with unreasonably high costs or if the conditions for using it are inhibited, its competitiveness is influenced
- (b) The destruction of the value linked to obsolete functions not replaced because the 'opaqueness' of the driver creates competitive disadvantages
- (c) Leaving the re-design of the city to an autarchic consumption leads to a reduction of competitiveness in the medium and long term. Therefore, building in old industrial areas that are being sold for the majority to the market and adding shopping centres and multiplex to them creates unbalanced consumption in the city (Andersson, Petterson, & Stromquist, 2007; Dalla Longa & Vecchi, 2007)
- (d) It is undoubtful that nations, regions, and cities compete with each other (Duffy, 1995), and this represents the most coherent part of the globalization in mature states (Castells & Himanen, 2002)

The principle formulated at the beginning is not secondary because the strategic importance of a driver is measured differently if the reference is the first formulation (*the cities are sources of competitiveness*) or the second (*only the enterprises are sources of competitiveness*). This means, in synthesis, whether the driver is inside the enterprise or if it can stand as a *network of subjects*, whether the perimeter of the competitive advantage is only that of the enterprise, or if it stands out significantly from that border and considers the urban asset and the cities. If this is the case, it becomes more important to see it in a more vast form and therefore standing in front of a more enlarged perimeter, as much as the complex urban asset can be. In organizational terms, things also might change if the driver is an association more or less of a traditional type, meaning that the sum of the drivers of the single companies or of their representatives, or rather the constitution of an almost new network since the borders of the competitive advantage have changed, for its representative subjects are to be considered new, at least in their form. It is also their role that assumes a different character. In the case of the city being 'a source of competitiveness,' the importance of the driver increases notably. Knowing how to structure coherently to the identification of the obsolete functions to be substituted, as well as the choice of the new function in order to re-launch the competitiveness, is necessary for the future balance of the city. In any case, it would be important to have a coordinator of urban complex interventions (Begg, Moore & Altumbus, 2000), but its significance would change if it had as a base the competition between the cities and the role of caring about its competitive advantage (Duffy, 1995) or the definition of a driver in order to coordinate the complex interventions. It must be underlined that Amin-Thrift sustain 'how much important still are many trials before being able to confirm that it is the cities and not the companies that are coherent.'

The term of competitiveness cannot regard only the production. The emphasis on the production is evident in the contribution of Porter (1995) too, who talks about the social contents of the *inner cities* and the problems – (or the advantages–)they determine in order to attract the production and therefore to transform into a competitive advantage or disadvantage. Some suggestions follow for the various subjects (public, private, associations, and networks) and a convergence of subjects is being proposed (new roles and new responsibilities in the development of the working-class neighborhoods) to favor competitiveness. The private sector is asked to avoid charitable programs and rather to create and sustain coherent economic activities; the public administration is asked to stop the programs that are linked to administrative subsidies and rather to activate projects concentrated to the market reality. The production able to determine the competitive advantage is brought to the center of attention, to reconsider the inner city in economic terms rather than in social ones. The principle is that the growth of the competitive advantage is destined to solve some social problems. There is a difference of language between Porter (1998), when he sustains that 'the economic potential in inner cities has been largely unrecognized and untapped' and Daniels and Bryson (2005), who based on a study of Birmingham, sustain an almost obvious fact: 'many of the factors are outside the control of

individual firms and many cannot be tackled by the development of local or even regional policy instruments.'

However, both start from the same supposition that the competitive advantage is linked to the enterprise (in a strict form Daniels and Bryson, in an expanded form Porter). In any case, a greater balance with social variables should be sought. It is not possible to define the driver linked to the competitive advantage of the city as an ensemble of subjects addressed to make all the variables converge around the production. In the different cases (not only the German ones), the social variable assumes an important character also linked to the competitive advantage. What appears to be interesting is the double query (Boddy, 2002a) if the exclusion from the big city is versus the competitive advantage and if the competitive advantage creates exclusion. The answers seem weak, whereas the relation between the queries appears to be complex. The conclusion, expressed in the form of a political perspective, is to look for a connection (and integration) between all the sections of the community and the internal neighborhoods in the urban area, because this favors the competitive advantage and feeds the cohesion—even if *social cohesion* is one of those synthetic terms embracing disparate phenomena (Boddy, 2002b).

Besides a social variable linked to the competitive advantage of the city, lately a cultural variable has been developed (Florida, 2002, 2005a), intended as the city's place of creativity's aggregation, since it is within the city that the conditions of attraction are present. The reference is not the enterprise anymore but the individual, who through his predisposition to move and prefer one city to another can determine the competitive advantage of a city firstly, and of a nation secondly. The barycentre has been moved from the enterprise to the creative individual. Recent studies move the attention then from the creative individual to the creative region (Cooke & Schwartz, 2007). It is the presence of interrelated competing matters that give way to the concept of 'innovative milieu' or 'relational capital' (Camagni, 2004). This represents the variables originated from different trends of the competitive advantage in an integrated way.

Referring to the driver, many considerations other than those already indicated are still open. The field taken into consideration in this book is the part of the city where there is implosion and not urbanization; therefore, it is the part less interested in the 'competitive city-regionalism' of the competitive advantage linked directly or indirectly to the enterprise (Daniels & Bryson, 2005; Porter, 2003; Ward & Jonas, 2004) or partially to the creative city (Florida, 2005a, 2005b). The principle that the more one looks in the city with a vast sight the more important are the indicators related to enterprises is valid: general access to the infrastructure, finance, availability of staff with appropriate skills, export, etc. If on the contrary one considers the more central part of the city (core city: all the cases considered in this volume that are related to implosion) it refers to the Knowledge Intensive Business Service (Wood 2006), a production linked to the consumption of the city (Porter, 1995), social inclusion/exclusion (Boddy, 2002a), creative city (Florida, 2003), and relational capital (Camagni, 2004). The institutional levels are different too: in the first case it is primarily the region, in the second case it is the municipality. It may be significant to discover how

the urban funds originating from the EU have changed their focus during their cycle of disbursement. They have passed from an intervention concentrated on the urban development at the micro-level often focused on priority deprived areas, to interventions that appear to be more general and connected to the innovations in the production and therefore from the core city to the city's regionalism (Christiaens, Moulaert, & Bosmans, 2007; Novy and Hammer, 2007).

The links between social cohesion and competitiveness are widely believed to be crucial, yet are poorly understood. Social cohesion is one of those amorphous terms that embrace disparate phenomena. In the definition of the driver, the principle of more subjects entering the category and the decomposition in parts is valid. In Fig. 3.26, an attempt is made to give a form to the driver proposing a decomposition of roles.

The *core* refers to the subjects promoting the intervention, to those who distinguish obsolete functions and determine their replacement. In other terms, it refers to those who have organized the conditions of the intervention from the beginning, and developed the *government* of the intervention during its complete life cycle until the end. This subject is not said to take part in all interventions, since some of them have long time periods due under some circumstances to the cause-effect of the absence of a *core*. This is also due to the absence of an overall strategy. The *pro-active driver* refers to subjects that intervene in an active and determining way during the process, not the entire one but only a part of it. Often they are subjects with a strategic view of the sector, but if it occurs they know how to look outside the sector's boundaries. The *driver* refers to subjects participating with interests and decisions to a part of the intervention process, governing this part but responding only to specific interests that in given conditions may be consistent with the strategy of the intervention. The *other actors* are other subjects that participate without any specific guiding role in the process of the intervention. The analysis is performed at the end of the process; there is no attention to how the *driver* is

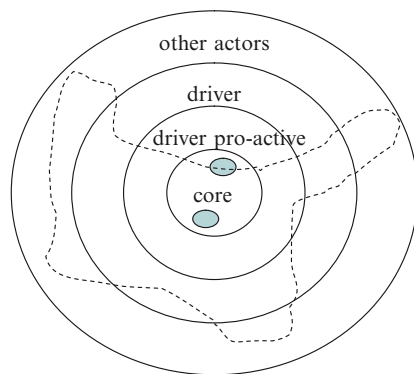


Fig. 3.26 The different representation of the driver within the process of transformation/renewal, where there is complexity and it takes a long time to close the process

designed in relation to the identification of the obsolete function and the type of replacement to activate. For the eight cases, the *driver* concept is being experienced without proper awareness, without any clear direction, but as an ex-post legitimization of decisions and actions. In a future scenario, the design and the construction of a *driver* may be the fruit of a proactive action between functions, urban models, PPP, and instruments.

Chapter 4

Participation and the Socio-Political Foundations of the Management of Urban Redevelopments

Bryn Jones

Can the participation of civil society actors improve the planning and management of re-development and regeneration schemes? Can such participation mobilise social capital in ways that complement the provision of political and financial capital to achieve successful outcomes? Or does more civil society participation impede the management and implementation of complex schemes? Before tackling these questions, they have to be contextualised in the much broader socio-political shifts in the triangular interaction of the state, business, and civil societies. Traditional centralised decision making and implementation of urban and local economic planning are being replaced by new schemes of governance spreading from the 'Anglo-Saxon' societies of North America and the United Kingdom through Western Europe. It could even be claimed that, in some domains, governance through polyarchy is supplanting either the monopolistic authority of state and local government or, in other cases, narrower, 'corporatist'/social partnership triads of government, business, and trade unions. The EU is in the process of adding 'civic partners' to its conventional reliance upon governance through the social partners of labour and capital (Frazer, 2005).

Business involvement in redevelopment is not new but now its role is changing; from that of contractor or adviser to more active funding, planning, and management of schemes. Such business involvement has a much longer pedigree in the United States (Reushcke, 2004). However, since its adoption by the neo-liberal, Thatcherite and 'third way', New Labour governments in Britain, it has been augmented by policies for inclusion of 'communities' and civil society associations to help reverse the decline of both urban economies and social vitality. A pragmatic, efficient case for the direct involvement of business in financing or management of redevelopment schemes can easily be made. However, the participation of community and civil society groups is more difficult to define and justify.

A major complication, evidenced in the British case, is that civil society actors are often envisaged not only as providing means for successful change schemes, but also as part of the ends or objectives of the re-developments (Jones, 2003; Jones & Cento-Bull, 2006). This second objective may take the form of material outcomes: improvements to the employment, housing, infrastructure, health, or education dimensions of urban life. Or, sometimes coincidentally, it may mean changes to the

political status of socially excluded groups, or their representatives. In the latter case, the new governance paradigm assumes that political participation, or at least involvement in local schemes, will enhance perceptions of self-worth, identity, and citizenship (Jones). Such potential implications of the social exclusion dimension have to be borne in mind. However, the present chapter will focus mainly upon the first of these aims of civil society involvement, i.e. assessing the value of its putative contribution to the successful implementation of development plans.

The core question, as posed in Dalla Longa's introduction to this book, concerns complex schemes where the directive, or 'driver,' role cannot be played by a single subject, such as a local public administration or public sector network. In these circumstances, can wider and more complex networks, ones that successfully include civil society associations representative of social groups and local communities, be effective 'drivers'? Although it will only be tentative, without specifically designed empirical evidence, this chapter will also attempt to define key components of a governance model that could be applied to a variety of European urban development programmes.

The analysis begins with a summary of the case for participatory governance. Drawing on empirical examples and literature from the British experience, this overview includes definitions of some of the main concepts and issues and a tentative typology of the main forms of participation. The second section then considers the wider problems of local economic redevelopment for European urban areas, as defined by the EU's CoUrbIT research program, with particular reference to the contexts of both local socio-political relationships and institutions, and broader national legal and governance frameworks that influence local situations. The third and final section synthesises the problems and analytical frameworks to propose a basis for models of participatory governance appropriate to the management of types of urban redevelopment schemes discussed in the rest of this volume.

4.1 The Case for Pluralistic Governance and Its Problems

While there is insufficient space here to catalogue the details and complications of civil society participation in the governance of urban redevelopment, a few general issues need to be summarised. These center, principally, on the case for participation, the scope of involvement, and the main limitations restricting its application.

The case or justification arises in many instances from the broader scope now assigned to major program. Economic and urban re-development improvement of buildings and infrastructure has been subsumed within a broader logic of regeneration of the 'social software' of declining centres and neighborhoods. This logic includes improvements to health, welfare, and cultural or environmental enhancement. It makes sense for local residents and civil society organisations (CSOs)—campaigning groups and representative associations—to be involved in such schemes. Their inclusion may help to avoid omissions, inappropriate or unwanted items of social provision. CSOs can also provide a possible counterweight to a possible business takeover.

Within the Anglo-Saxon system of governing regeneration schemes, business is accorded a primary role.

Government financing is often conditional upon local bodies acquiring business partners providing financial or other resource commitments. In such schemes, and even where business is not an active contributor, local government bodies are expected to form ‘partnerships’ with business actors. But bilateral partnerships entail potential problems for the public authority and for the civil society constituencies that they are supposed to benefit. There is evidence of the agendas of partnerships sliding towards business definitions of improvement and progress and public authority representatives being drawn onto this terrain of interests (Grimshaw, Vincent, & Wilmot, 2002; Mackintosh, 1992, pp. 215–216). If civil society groups and representatives come late to these decisions, or are involved only in a consultative capacity, then any specific interests they may have are likely to be overshadowed by the aims and powers of one of the business–government duopoly. However, the expanded scope of regeneration programs logically requires some significant inputs from local communities, and representatives to ensure that new developments meet needs, expectations, and user preferences. Moreover, UK regeneration programs supported by central government have been permeated by the discourse of ‘social inclusion.’ As a result, central government conditions require certain types of scheme to include participation of community representatives. Public–Private Partnerships have therefore tended to be supplemented by, or enlarged into, wider networks for the governance of the schemes.

Network forms of governance confer distinct advantages. They can increase the transparency of programs as well as generate more information about potential problems, implications, and solutions. Because networks draw on previous separate and shared experiences of their constituents, final decisions should also be better informed (Regéczi, 2005; Schlossberg & Shuford, 2005, p. 16). But these developments also raise a number of wider concerns linked directly and indirectly to Dalla Longa’s formative question about the capacity of networks to act as effective drivers of redevelopment schemes.

- Who should be involved?
- Through what forms, processes and levels of decision making?
- With what impacts, negative and positive on efficient program management?

On the second and third of these questions, available evidence indicates a spectrum of involvement: from consultation to participation that largely shape the nature of the consequent impacts. Therefore, that it is first useful to identify and define the types and modalities of participation. A typology of civil society actors’ participation in developing societies (Pretty, 1995) has been shown to be applicable to the governance of regeneration schemes (Jones, 2003). This schema is a sevenfold classification of participation ranging from the merely ‘manipulative’ to that of ‘self-mobilisation.’ In the former case, ‘outsiders’ involvement in decision-making forums has only symbolic status with no power to influence decisions. The second, case of ‘self-mobilisation’ is the polar opposite: local actors organise successfully to change not only their relative (dis)advantage but to improve the governing system

Table 4.1 Modes of participation and stakeholder governance roles

Type of participation	Extent of influence in terms of:				
	Duration	Shared information	Plan outcomes	Plan scope	Decision-making
Passive	Short-term	Minimal	None	None	None
Consultative	Short-term	Minor	Minor	None	None
Incentivised	Fixed	Fixed	Pre-defined	Pre-defined	None
Functional	Fixed	Detailed	Pre-defined	Limited	Limited
Interactive	Open-ended	Optimal	Extensive	Extensive	Extensive

Source: adapted from Jones (2003)

in their interests without losing control of their own resources. In between these extremes are five intermediate levels of influence: the passive, consultative, incentivised, functional, and the interactive (see Table 4.1).

The passive model is similar to the manipulative one in terms of its limitation on outsiders’ influence. The opinions of outsiders are received by the key decision makers but the latter take no serious notice of these and continue to monopolise decision-making and information. In the consultative pattern, decision-makers consult directly with communities and their representatives but the authorities define and control key issues, processes, and decision-making; also, there is no obligation to respond to outsiders’ views and arguments. The incentivised type gives outsiders a ‘stake’ in the process through rewards or compensation for involvement, but when incentives finish so does participation. In the functional model, participation is more advanced in the sense that it is interactive and authorities share some decision-making; but this is mainly on subsidiary rather than framing decisions and objectives. Significantly, the groups involved are dedicated to the scheme in question rather than having an independent role and existence. Finally, there is the most advanced of the intermediate participation forms, the interactive mode, where participation is recognised as a right with more comprehensive coverage: information sharing, plan formation, and joint decision-making. Multiple perspectives are recognised so that communities or their representatives develop a stake in maintaining decision-making institutions.

Clearly some of these modes, such as the self-mobilisation one, are more relevant to general principles and processes of participative democracy, rather than to a specific conduct of urban programs. However, it needs to be recognised, and will be shown below, that the commitment of civil society actors to participation in particular schemes depends in part on their belief that these are also steps towards more genuine and democratic involvement. In the specific context of planning and managing redevelopment schemes, public authorities need new orientations and capabilities to complement rather than resist these participatory dynamics. For example, Hague has argued that consensus building and conflict resolution skills will be needed (Hague, 2006). The core of the problem is then whether it is legitimate and practical to use such skills and orientations merely for the application of the more restrictive modes specified in Pretty’s typology. From an administrative point of view, such minor types of participation are more easily manageable. But from a

wider perspective they might be self-defeating: failing either to reveal genuine drawbacks in plans or to channel grievances into constructive proposals. If the latter is true, then unresolved resentments may be redirected into opposition that might delay, disable, or undermine schemes.

Thus, for the participatory element in governance, a variety of forms, processes, and levels of decision making are possible. Whether the impacts of these modes on program management are, negative or positive, however, depends very much on both the level of development of local socio-political relationships and institutions, and, also, upon the broader national legal and governance frameworks that shape and delimit these relationships or institutions.

4.2 Societal and Local Problems for Participatory Governance

Whatever their intrinsic strengths and weaknesses, any trans-national model of participation and governance will also be limited by the institutional context in which it is to be applied. CoUrbIT is specifically concerned with transferability between different regions of the EU, with particular reference to suitability for the new accession countries in Central East Europe (CEE). A range of societal dimensions therefore need to be considered: the structures, roles, and capabilities of different levels of national and regional government; the capacities and scale of business organisations; the jurisdiction and effectiveness of legal systems and institutions; the level of development and scope of civil society and community organisations and associations. Analysis of all of these contextual factors would be too much for the present analysis. The discussion is therefore restricted to the most basic dimensions relevant to the participatory dimensions of network governance: the politico-legal system and the vitality or weakness of civil society institutions.

A useful classification of the politico-institutional frameworks of urban governance has been elaborated by Di Gaetano and Strom. This framework does not operate at the level of the modes of participation outlined above. However, it does indicate the kinds of socio-political and cultural governance conditions likely to favor some of those modes of participation rather than others (Di Gaetano & Strom, 2003). As Table 4.2 shows, only the clientilistic, pluralist, and populist governance regimes allow significant civil society involvement in decisions. Moreover, the clientilistic mode of governance in the Di Gaetano and Strom model favors only particularistic and selective inclusion of community members and CSOs. The need for the realisation of material, rather than the merely symbolic, objectives of the populist form suggests that for participative urban regeneration schemes more than one governance regime would need to operate. Di Gaetano and Strom's managerial mode could form a later stage of arrangements that begins by combining the inclusiveness of the populist mode with the negotiated decision-making of the pluralist form.

However, rather than attempting to construct yet another typology here, the significance of these dimensions for modes and levels of participation may be more readily gauged by comparing polar opposite forms of participation from case studies. Economic forces and national government policies have encouraged local governments

Table 4.2 Modes of urban governance

Type of participation	Extent of influence in terms of:				
	Clientilistic	Corporatist	Managerial	Pluralistic	Populist
Governing relations	Particularistic	Exclusionary negotiation	Formal bureaucratic or contractual	Brokering or mediation among competing interests	Inclusionary negotiation
Governing logic	Reciprocity	Consensus building	Authoritative decision-making	Conflict-management	Mobilisation of popular support
Key decision makers	Politicians and clients	Politicians and powerful civic leaders	Politicians and civil servants	Politicians and organised interests	Politicians and community movement leaders
Political objectives	Material	Purposive	Material	Purposive	Symbolic

Source: Di Gaetano and Strom (2003, p. 366)

in both Italy and the UK to attempt partnership modes of regeneration within network forms of governance. However, the pressure that central government can exert to ensure local-level participation is much greater in the UK than in Italy because the fiscal and planning powers of British local authorities are more centrally regulated. By contrast, at the local level in Italy, urban politics are becoming much more centralised around the pivotal office of executive mayors: a constitutional arrangement successfully introduced into Italian local government in the 1990s has failed to be widely adopted in the UK.

As a consequence, a comparison of two similar regeneration sites in one British and one Italian city, conducted by myself and colleagues, found that national regulations successfully influenced British local government actors to work with local CSOs. The Italian mayoralty, on the other hand, deliberately chose to exclude them from the formulation of the masterplan for recovery and regeneration of a former industrial site and its adjuncts (Jones & Cento-Bull, 2006). These differences in planning strategies in the two cases were also critically affected by differences in the character and scope of the existing civil society networks. Naples, the Italian case, had previously suffered from a clientilistic governance regime. Some groups of CSOs tended to be linked historically with speculative property developers who had undermined previous attempts at systematic planning for urban progress. Opposition to this regime came from the leftist political and labor movements that constituted the principal political base for the incoming mayor. Consequently, CSO participation was limited to the legal, consultative minimum so as to exclude the property development lobby—with the acquiescence of the community groups informally allied to the party organisations.

In the UK, on the other hand, relevant Bristol city councillors had informal but close links with community associations and CSOs, which had developed strong

and autonomous networks and their own federal institutions over decades of active campaigning. They were therefore both independent of business and political parties but also genuinely rooted in the concerns and interests of local residents in the areas involved in the regeneration plans. Aided by central government incentives for formal involvement of community representatives and local CSOs, and assisted by political party links with the latter, elected councillors had increased linkages between the local government management of schemes and community groups. In terms of the Di Gaetano and Strom classification, the governance regime for urban schemes had evolved to a position between the pluralistic and participatory modes. In relation to Pretty's typology of participation, the Italian case corresponded to a mix of the passive and manipulative forms of participation, while the British case had achieved the status of functional participation, with some groups pressing for an extension of their involvement to the interactive level.

Other British cases also indicate that the civil society context is critical for the value and quality of network roles and participation. In a study of local government partnerships with Welsh community groups, Hodgson found that these were 'colonised' and manipulated by local government bodies in order to make them fit their activities and identities into the requirements of the official schemes (Hodgson, 2004). In preparatory fieldwork for the Bristol–Naples comparison, it was also found that a neighboring local authority in the UK was taking the initiative in creating CSO networks, similar to the incentivised and functional modes. This was deemed necessary as none had spontaneously developed, in order to meet central government regeneration funding criteria for civil society 'partners' (Cento-Bull and Jones local government interviews September–October 2000; see also Hodgson). These examples suggest that, while central encouragement may be necessary to foster local participation, direction from central government can also lead local government actors to create relatively meaningless, passive, and narrowly incentivised forms of involvement.

In central East Europe, other contextual factors need to be identified and evaluated. It is tempting to assume commonalities in development across the region because of similarities in moving away from the centralised political and economic planning systems of the Communist era. However, the different societies concerned took different paths in breaking with these regimes and also inherited different structures and cultures of civil society institutions (Kuti, 1999, pp. 59–60; Rupnik, 1999). So although there are relevant commonalities across the region, such as the relatively low levels of civic and political engagement (Vercseg, 2003), there are also significant differences. For example, Poland has a relatively burgeoning NGO movement, while in other CEE countries central governments have had to take responsibility for a deliberate promotion of such organisations (Frazer, 2005). Bearing in mind these caveats, the contextual constraints on participative forms of governance through networks can be schematically illustrated drawing mainly on aspects of Hungary.

1. Civil society actors have inherited modes of interaction with public bodies fostered by the legacy of clientistic relations under communist monopoly governance. CSOs therefore tend to favour 'informal' processes rather than the legal-moral ones of open governance (Borocz, 2000).

2. Hungary possesses full and explicit legal provision for consultation on planning matters, but this legalism encourages reactive and particularistic involvement rather than functional or interactive participation in scheme governance. The scope of issues contested tends to be restricted to 'classical' design and related issues (Urbact, 2006).
3. Some Public–Private Partnerships embody principles of 'management through networks,' but many others lack its basic characteristics. Because partnerships are seen primarily as a means of distributing risks and achieving economic results, ideas of joint decision-making and participation are irrelevant (Regeczi, 2005).
4. In countries such as Hungary, despite EU guidelines and international pressure for CSO involvement (cf. the Budapest Declaration, Vercseg, 2004), government adoption of Public–Private Partnerships has been primarily motivated by public budgetary constraints and governance restricted by longstanding traditions of mistrust and conflict with citizens' concerns (Regéczi, 2005).
5. Substantial involvement in cultural, religious, and sporting associations is not matched by membership of, or engagement in civic affairs and forums (Vercseg, 2003).

Such factors may not be as influential in all post-communist countries. However, the Hungarian example suggests the local conditions necessary for functional, let alone interactive, modes of participation will be inhibited by the under-development of CSO engagement and an economistic and low-trust political culture (Vercseg, 2003). In such circumstances, paradoxically, stronger, but more consensual central government involvement, or political alliances between local government actors and key civil society groups, may be necessary to create frameworks in which participation can play a significant role.

4.3 Participation in the Modelling of Redevelopment Management Schemes

Let us now consider the preceding socio-political and contextual details of participative governance in relation to the more practical questions about effective management of development schemes identified by Dalla Longa. Elaborate urban redevelopments obviously need a 'director or a leader.' This role is essential, not only as he says, to give the resulting developments a competitive advantage, but simply in order to complete them in reasonable time, within specified budgets and to required technical standards. The problem is that in a European context of international markets and diverse urban populations, cities' complex and changing economic and social conditions increasingly limit the extent to which this executive role can be played by a sole subject or authority.

It is however true, as Hague suggests, that there are conditions in which a single unitary controller may still be more appropriate than governance through networks. Control by a traditional public authority control may be better than even a limited

partnership arrangement in situations where the authority needs merely to provide incentives or remove constraints. Such unilateral arrangements could work well in meeting well-defined financial and material objectives. However, from the perspective developed in this chapter, without adequate civil society involvement unilateralism could mean subsequent and/or unarticulated resentment and dissatisfaction amongst community residents and organisations. Despite general consensus, the Bagnoli development in Naples, described above in Sect. 4.2, exhibits such complications. Exclusive leadership by the mayor's regime and deliberate exclusion of the corrupting influence of some civil society interests secured overall success. However, minor but significant aspects of the final plan were still disrupted by other civil society NGOs in its later stages.

In numerous other cases, a single subject—such as local public administration, limited only by central government rules and market pressures—cannot take on all the responsibilities. The governance paradigm and the pressure for combining multiple social, cultural, economic, and urban goals become more important and the question is whether leadership can be shared by networks: either of public actors or of complex networks of subjects, including civil society and community groups. The preceding analysis has suggested that differences in geographical, historical, and socio-political contexts militate against a simple check list or universal model that defines the leadership role. Bearing in mind these caveats let us consider, from the participation angle, the more basic questions.

- What type of subjects could be included in the leadership network?
- What kinds of capabilities would this joint leadership require?
- What governance arrangements suit collective direction?
- What kinds of capabilities would this joint leadership require?

Firstly, from the participation perspectives examined above, membership in decision-making arrangements would need to be an effective and authentic reflection of communities, their social groups, and campaigning organisations.

For individual actors to be both legitimate and effective representatives in decision-making bodies, they need some form of mandate from their organisations or neighborhoods. In some situations and localities, such as the Bristol case described in Sect. 4.2, this criterion can be easily met where CSOs are numerous, well-organised, and resourceful. But in other cases, the local civil society may be undeveloped or one-sided in the groups and interests that predominate. The temptation for public authorities is then to take the initiative in selecting and organising individuals, focus-groups, and similarly superficial forms of opinion-sampling (Hirst, 2002). But such arrangements are most likely to end up as, what the Pretty model terms, unsatisfactory 'passive' or 'manipulative' relationships. In such circumstances, it may be better to work more intensively through the conventional local democratic system of representation, as happened with moderate success in developing the masterplan for Bagnoli in Naples. If the local political system is mechanistic, or poorly supported, another alternative might be to co-opt local councillors into the decision-making, on the condition that they engage in proactive consultations with local constituents and associations within their electoral district.

The second requirement concerns the capabilities and competences of both community and public authority representatives. Being representative of a community neighborhood, organisation, or CSO is not a guarantee that individual participants will possess relevant skills and resources. Yet if they lack these attributes, they may be either outmaneuvered by officials and more organised interests and/or overloaded with tasks and time commitments that they cannot manage. In Britain, many small, voluntary, and local CSOs have complained of the excessive demands made upon their limited capacities (Cento-Bull & Milner, 2006), while individuals report being used, manipulated, or alienated because of an inadequate understanding of technical procedures and language (Jones, 2003).

Pre-participation training could mitigate these adverse effects. Public authority representatives, on the other hand should already possess most technical and organisational skills. What they are more likely to lack are the ‘soft skills’ of negotiation, consensus building (Hague, 2006), and receptive communication. Care has to be taken not simply to replicate business management versions of these competences, which are often founded on adversarial and competitive assumptions about deal-making (Grimshaw et al., 2002; Mackintosh, 1992, pp. 215–216). The fields of social work and conflict resolution may prove to be more relevant sources for acquiring the skills needed to optimise debate, elicit commitment, and maximise trust amongst inexperienced participants, who may come from traditions and histories of mistrust, conflict, and opposition (Beresford & Croft, 1993; King et al., 1998).

Thirdly, there is a need for a governance structure that is devolved from the earliest stages of the planning process: at the point of defining the aims or ‘visions,’ not later when constitutive means or objectives are worked out (ReUrbA2 and Stipo Consult 2005). For this and other reasons, as above, authorities and CSOs need to plan ahead of the formation of teams and networks for particular schemes. This means priming or setting up representative governance forums, in advance of the processes of initiating and planning schemes to familiarise representatives and officials with methods of working, procedures, and each other. In this respect, the Pathways area boards on Merseyside in UK seem to have successfully institutionalised participation in general above and beyond the formation and implementation of specific regeneration projects (Jones, 2003).

Finally, network forms of governance must still, at critical stages in the process of planning and decision-making, cede final authority to an executive figure or body possessing the capabilities and authority to act on behalf of the network and the legitimacy to enter into contracts and agreements with commercial organisations or higher government levels of government. Indeed, regulatory and legal frameworks usually require such a singular accountable authority. For this subject to respect the network and still make legal, responsible, and effective decisions, it needs to be trusted by the rest of the network and be recognised as a legitimate authority by the network’s membership. To achieve such recognition and confidence, the executive figure or body has to demonstrate accountability and responsiveness to the rest of the network during the long preliminary stages of authorisation, planning, and deliberation; by means of information sharing, transparency, and consistency.

4.4 Conclusion

This chapter has tried to demonstrate the importance of optimising, but not necessarily maximising, participation of community representatives and CSOs in networking forms of governance. This has not been recommended as a universal formula for urban redevelopment schemes, but only in relation to the existence of identifiable development needs, suitable socio-political pre-conditions, and democratic and administrative processes and practices. It is just one element of a composite framework needed for the model proposed by the CoUrBIT project. Yet the present analysis does offer ways of determining what aspects of such a model could be adopted in the variety of urban situations in both economically mature Western cities and the rapidly changing ones in CEE countries.

To summarise: Partnerships and network forms of participatory governance may not be appropriate for all situations. Conventional, public authority-led approaches—though with suitable consultative adjustments—may still be applicable where economic circumstances are favourable but civil society and community developments are stalled or undeveloped. However, where Public–Private Partnerships are needed or are likely to be more productive, participation must not be restricted to business interests. A counter-weight to this public–private duopoly and its attendant risks of economistic or over-commercial agendas then needs to be sought from communities and other civil society agents.

Rather than specify a participation model of a ‘one size fits all’ kind—whether based on a lowest common denominator or the most ambitious—the preceding analysis has proposed a reciprocating analytical approach. It is reciprocating in the sense that it involves detailed comparison of the governmental–legal frameworks and socio-political regimes of governance and institutions on the one hand with, on the other hand, the levels or modes of participation in the functional typology outlined in Sect. 4.1. Above all, it should be borne in mind that effective management systems cannot be arbitrarily abstracted from one social and political context or transferred to another situation without taking into account the contextual conditions that may either facilitate or obstruct their functioning.

Chapter 5

Case Studies

The eight treated cases and the reasons for their inclusion have already been explained. In the analysis of each case, a systemic approach has been followed, through a decomposition of the elements in homogeneous and comparable topics, as shown in Fig. 5.1. The main objective has been to make possible the comparison with the CoUrbIT model and, if possible, between the different elements.

The most important decompositions concerned three basic elements: the history of the case; the public administration and local government involved in the intervention; and the private actors involved in the rehabilitation. Two elements have been added: the contest of the intervention, with the aim of better understand the historical background; and the framework of public and private intervention and the PPP-model applied, which will be better defined later on. The main objective, following the CoUrbIT model, has been to re-conduct the changing social and economic functions within the history and the context of the case, linking them also with all other variables. The history of the case represents the real dissertation and essence of each case. The following steps represent some specific investigations. The urban models characterizing each case have been identified as the independent variables able to influence the treatment of all the components and sub-components, Where the social component is predominant (i.e., in the Berlin case), the treatment of a subcomponent, as for example the design (subsection, “Designer” in Sect. 5.1.4.1), is not applicable since it is not consistent with the specificity of the case. The section “Designer” in Sect. 5.1.4.1 is more consistent with the urban renewal’s physical change than the revitalization’s social and economic change. Therefore, avoiding the treatment of that subcomponent can have a precise sense in explaining the CoUrbIT urban model that is referred to (Dalla Longa, 2007).

A particular importance is assumed by the public administration and public actors involved since one of the fundamental assets of CoUrbIT is that a complex urban intervention cannot exist without an interconnection between public and private, which can end up in articulated forms of PPP. For all the cases, it is important to consider the decomposition of the public administration action (Sect. 5.1.3) in (Sect. 5.1.3.1) short profile and organization of every public subject involved in the complex urban intervention, (Sect. 5.1.3.2) the functions of the public administration,

	A	B	C	D	E	F	G	K	
1	Y	N	Y	Y	Y	Y	Y	Y	HISTORY OF THE CASE
1.1	Y	Y	Y	Y	Y	Y	Y	Y	The phases when the problems of urban renewal have been considered
1.2	Y	Y	Y	Y	Y	Y	Y	Y	Phases of the interventions
1.3	Y	Y	Y	Y	Y	Y	Y	Y	Innovations in the rehabilitation
2	Y	Y	Y	Y	Y	Y	Y	Y	CONTEST OF THE INTERVENTION
3	N	Y	N	N	N	Y	N	Y	PUBLIC ADMINISTRATION AND LOCAL GOVERNMENT INVOLVED IN THE INTERVENTION
3.1	Y	Y	Y	Y	Y	N	Y	Y	Short profile and organization
3.2	Y	N	N	N	N	N	N	Y	Functions of public administration bodies in the complex urban intervention
•	Y	Y	Y	Y	Y	N	Y	Y	Competence
•	Y	Y	Y	Y	Y	N	Y	Y	Urban planning tools used
•	Y	Y	Y	Y	Y	N	Y	Y	Funding and financial tools used
•	Y	Y	Y	Y	Y	N	Y	Y	Managerial models adopted
•	Y	Y	N	Y	Y	N	Y	Y	Promotion of the rehabilitation
4	N	Y	N	N	N	Y	Y	Y	PRIVATE ACTORS INVOLVED IN THE REHABILITATION
4.1	N	Y	Y	Y	Y	N	Y	Y	Typology and specificity of each subject
•	Y	Y	Y	Y	Y	N	N	Y	(The area owners);
•	Y	Y	Y	Y	Y	N	Y	Y	(The builder(s))
•	Y	Y	Y	Y	Y	N	Y	Y	(The sponsor and the financier)
•	Y	Y	Y	Y	Y	N	Y	Y	(The designer)
•	Y	Y	Y	Y	Y	N	Y	Y	(The project manager)
•	Y	Y	Y	Y	Y	N	Y	Y	(The real estate owners)
4.2	Y	Y	Y	Y	Y	N	Y	Y	Phase where the actors take part in the rehabilitation
4.3	Y	Y	Y	Y	Y	N	Y	Y	The competition (tender) as element for the private actors
5	Y	Y	Y	Y	Y	Y	Y	Y	THE FRAMEWORK OF PUBLIC AND PRIVATE INTERVENTION AND THE-PPP-MODEL APPLIED

Fig. 5.1 Matrix used in the treatment of each case study. (A = 5.1) Budapest (a): 5.1. (1) *History of the case*; 5.1. (1.1) *The Phase When the Problem of Urban Renewal Has Been Considered*; 5.1. (1.2) *Phase of the interventions*; and so on, this for every case study following; (B = 5.2) Stuttgart; (C = 5.3) Berlin; (D = 5.4) Krakow; (E = 5.5) Hamburg; (F = 5.6) Milan; (G = 5.7) Turin; (E = 5.8) Budapest (b); Y = yes, the element has been analyzed; N = no, the element has not been analyzed due to the specificity of the case. The colour gradation presents a more or less deep and articulated treatise

divided into sub-points such as (subsection “Competence” in Sect. 5.1.3.2), and the public administration competences that are put together to start and implement the intervention. Then there are references to the (subsection “Urban Planning Tools Used” in Sect. 5.1.3.2) urban planning and other tools used, where urban planning is directly linked to the urban models with a prevalence of the physical component of the intervention (i.e., renewal, redevelopment, recover, framework), while the urban planning can be totally absent for other urban models where other tools can be used. There are the (subsection “Funding and Financial Tools Used” in Sect. 5.1.3.2) funding and financial tools used from the public administration within the complex urban intervention described in the case. They are also relevant the extrapolation of (subsection “Managerial Models Used” in Sect. 5.1.3.2) the managerial models adopted and finally, the public subject that has been charged with (subsection “Promotion of the Rehabilitation” in Sect. 5.1.3.2) the promotion of the intervention. For each of the eight cases described, the profiles, functions, organizations, competences, instruments, public funds, and innovative models adopted from the public administration have been decomposed.

For the private sector (Sect. 5.1.4), the decomposition is important to better define the specificity and interconnections with the public action in the case. In this sense,

(Sect. 5.1.4.1) the typology and specificity of each subject are defined, particularly the role played by (subsection “The Area Owners” in Sect. 5.1.4.1) the area owners, (subsection “The Builders” in Sect. 5.1.4.1) the builders, (subsection “The Sponsor and the Financier” in Sect. 5.1.4.1) the sponsor and the financier of the different interventions, (subsection “The Designer” in Sect. 5.1.4.1) the designer, the existence or at least the level of consistency of (subsection “The Project Manager” in Sect. 5.1.4.1) the project manager and finally (subsection “The Real Estate Owners” in Sect. 5.1.4.1) the estate owners. The attempt has been always tried within the private actors to verify when and where (Sect. 5.1.4.2) the actors take part in the rehabilitation. It cannot omit the verification in the decomposition of the private action in case of interconnection with the public administration, of (Sect. 5.1.4.3) the type of tender organized. The last point has been the type of PPP structure in the case: (Sect. 5.1.5) in cases where it existed, how and which actors structured it; in cases where it was absent, why.

In relation to the CoUrbIT model, the treatment allows the emphasis of the tools used, mentioned many times in the analysis of the cases. The role of the drivers emerges too, as they pushed and made the realization of the case possible.

The decomposition leads to a strong impact for the urban model of the *framework* (especially in Milan and Turin, but also Budapest, Stuttgart, and Krakow) where almost all elements and sub-elements are present in the treated cases. The proposed decomposition has been designed to give a better explanation and depth to the CoUrbIT model theorized in the first part of the book and gives the possibility to make precise verifications.

5.1 Budapest, Ferencváros

5.1.1 *History of the Case*

The ‘restructuring’ in Ferencváros, started in the early 1980s as an inner city housing development, seemed cease after the political changes, but became a public–private urban renewal operation in the early 1990s.

5.1.1.1 The Phase When the Problem of Urban Renewal Was Considered

The cityscape of the IX district of Budapest (Ferencváros) was extremely varied, as it included old tenement houses and apartment blocks, obsolete industrial sites and tiny family-run businesses on the ground floors, hospitals, army barracks, schools, and shops. In the beginning of the 1980s, the increasing maintenance costs of deteriorated houses, the high ratio of flats with no modern conveniences, and the related social problems made the rehabilitation all but inevitable. Kiss (2002) and

Kovács (1994) emphasized the change of the industrial area in the IX district where the intervention took place.

The decision about the renewal of the Middle-Ferencváros area was made in 1983 by the Council of Budapest. The new detailed master plan approved that year served as the basis of the rehabilitation. The core concept, based on the existing town structure and road network, was that a modern cityscape should be created by renovations and new buildings, preserving buildings of historical value at the same time.

The plan was primarily residential building-oriented and determined the number of flats to be kept and added. Space was reserved for public buildings and additional green areas as well.

5.1.1.2 Phases of the Interventions

Phase I – The first phase of the rehabilitation included the commencement of the implementation of the above-mentioned plan. The design of the first three blocks of buildings started in 1986, together with the preparation of the site and the necessary demolitions. It was decided by the Master Plan (nowadays called Structural Plan) which buildings should be demolished, regardless of the ownership. Buildings owned by the local government were generally in worse shape. Before demolishing private buildings, the local government purchased them from the private owners at market price. Kiss (2002) underlines the difficulties caused by the tangled and fragmented ownership structure in that district. Only deteriorated buildings were selected for demolition, so their owners were very willing to sell. Otherwise they could not have sold their property and they had no resources for renovation. Residents from flats that had to be demolished were moved to new flats created in the attics and by building new floors on top of the existing buildings. Financing was secured by Országos Takarékpénztár (National Savings Bank, hereafter called OTP), the biggest private bank in Hungary. Construction works were carried out by large state-owned enterprises. The new residential buildings of the first block were completed in 1990. The renovated houses were filled with tenants extremely quickly, but the sale of new flats proceeded rather slowly.

Phase II – The second phase in the history of the rehabilitation started in the beginning of 1992, soon after the change of the political system in Hungary. The actors and their interests, as well as the financing options, changed considerably. Recognizing that the rehabilitation should continue, the newly organized local government (the Municipality of the IX district) needed a new subject to manage the works and handle public assets while keeping the fundamental objective of the rehabilitation in sight.

The creation of SEM IX, a joint venture, proved to be crucial for the further success of the rehabilitation (for the influence of privatization and foreign capital in industrial changes in Budapest after 1989, see Keivani, Parsa, & McGreal, 2001, p. 2462; Kiss, 2002, p. 74; Kovács, 1994, p. 1090).

In the communist regime, OTP was practically the only bank in Hungary, acting on behalf of the government. One of its tasks was to build and sell flats in housing

estates. OTP usually demolished every building in targeted areas and built new mass housing units: since everything was owned by the state, they could do anything they wanted. OTP did not really like to be in charge of this task since it was far less profitable than banking. But this was a role they were forced to play, being the only Hungarian bank. After the changes, OTP was privatized and stopped construction activities. There were several large areas ‘half-done.’ Small private companies that were just formed in the new capitalist system were not strong enough to continue and complete the development of such areas. That is why the creation of SEM IX was decided: to manage development and coordinate various actors.

The original shareholders of SEM IX were the municipal government (51%), the OTP (24.5%), and the French financial institution Caisse des Dépôts, hereafter BDL, or Bank for Deposits and Loans (24.5%). SEM IX was—and still is—responsible for the infrastructural upgrading of the targeted territory, the installation of public utilities, and the sale of the municipal land. In particular, SEM IX’s detailed functions are:

1. Preparing feasibility studies
2. Carrying out internal projects, or projects assigned to other subjects through a public tender procedure
3. Launching tenders for building/restructuring works
4. Involving buildings’ tenants/owners
5. Preparing and selling lots (and not single buildings) on the market, while renewing public properties where necessary, upgrading infrastructures and public spaces

The OTP Bank and the French BDL gave financial capital to the ratio of their own share (total 49%) to SEM IX to make the restructuring of real estate property possible. SEM IX founding capital was used to prepare the first lot, carrying out all the works necessary to the sale, demolishing buildings and upgrading public utilities. After the sale of the first lot, income was used to prepare the next ones, and so on. Not all prepared dwellings are sold to the market, but the land prepared for development is sold to builders and entrepreneurs, who make profit constructing new buildings or renovating the existing ones and selling them. The following types of lots/flats were sold to the developers:

- Flats owned by the local government, occupied by tenants. In this case, new flats (somewhere else) were provided to the tenants
- Flats owned privately. In this case, SEM bought them first from the owners

Actually, the same building may contain flats with different ownership (public and private).

The two banks involved cannot be defined as the financial operators of the interventions. They are co-partners in SEM IX, but provide no direct finance, since income is mostly generated by:

- The sale of prepared lots
- EU and Hungarian grants
- The local government own resources (few)

The benefit of the two financial institutions involved (OTP and BDL) has nothing to do with the sale of flats, since SEM IX is a non-profit company; therefore, all the profits must be re-invested into the company, Partners cannot take dividends or a share from the profit in any way. Profit covers the operation of the company and the preparation of the lots for the next action, but is not used to 'pay back' the OTP or the BDL. Banks participated in the project because they were extremely interested in advancing loans to actors of a very well-known project. This minimizes their risk and can provide better conditions. Preparation of land carried out by SEM increases the value of the area and makes the land attractive for builders. They build good-quality building(s) on the lot, increasing the prestige of the area. In this way, SEM IX can sell the next lot for a higher price on with the restructuring process.

Concerning the local government, it pays SEM IX fees. If SEM IX operates well, it generates enough income from the sale of land to provide for its own expenses. All financial transactions related to the SEM's operation are done on a separate bank account owned by the local government. Money from this account cannot be used for other purposes.

The action plan for the continuation of the urban renewal, prepared by SEM IX, was approved at the end of 1992.

Phase III – In the next phase (beginning of 1993), work started on the basis of the action plan. The first flat was sold at the end of the same year. Uneven pace characterizes the so-far longest phase of the rehabilitation. The sale of new real estate was fundamentally influenced by various policies of successive governments. The new socio-political benefits introduced in 1995 increased buying power, but the so called 'Bokros-package' (named after the Minister of Finance of that time), cutting expenditures and introducing financial restrictions, slowed down the sales and consequently the progress of rehabilitation. Sales, however, took off in 2000, or rather skyrocketed, when the new government introduced a favorable mortgage-scheme that provided long-term bank loans at low interest rates and required a low initial payment to buy real estate.

Phase IV – The last phase of the rehabilitation of Ferencváros is the current one. Nearly every vacant block of land has been sold and no more income can be expected from sales. Investments, however, will be continuously required to keep the urban renewal alive and the municipality is turning towards the EU for new financial resources. Since Hungary joined the European Union in May 2005, new channels of support have opened.

5.1.1.3 Innovations in the Rehabilitation

In Budapest, the first innovative measure in the history of the rehabilitation occurred as early as 1983. Until that time, the common Hungarian practice of urban renewal was the replacement of traditional town structure by large housing estates dominated by high-rise houses made from prefabricated elements (the

so-called ‘house factory flats’). The concept for the IX district focused on the rehabilitation of housing blocks, while keeping the existing streets network. The new constructions had to blend into the environment defined by existing buildings; the areas inside the blocks were turned into pleasant parks and gardens (Cohen, 1998; Kiss, 2004, p. 84).

The formal innovation has occurred in the second phase with the creation of the joint venture SEM IX. The biggest advantage is that a separate company organizing the otherwise municipal responsibilities had to act according to market rules, because the two financial institutions rightfully expected that. But being the company’s biggest shareholder, the municipal government still has total control of the company and is able to enforce its own interests.

The way of operation of SEM IX was also innovative in Hungary. The company ensured that the local government did not have to make a decision about the sale of every single block of land, as would have been otherwise.

5.1.2 *Context of the Intervention*

The site of the rehabilitation is situated in an 18th century suburb of the city of Pest, where there is one of the most important industrial areas of the city (Fig. 5.2).¹ The development of the site started in the 18th century, when the area was in the outskirts of Pest. Agricultural land was subdivided along some lanes. Low quality, small one-storied dwellings were erected, similarly to other outskirts. Some of these houses were still there at the second half of the 20th century, as the construction ‘boom’ at the end of the 19th century never really reached this area (for more historical background from the end of XVIII century in Budapest, see Kovács, 1994). Unlike in other parts of Budapest, here the reconstruction of tenement houses came to a halt rather soon. The main reason for this was that one of the most important industrial sites of the capital was located nearby, which made the replacement of old buildings with modern and multi-storied ones financially unattractive. Most houses were nationalized in the 1950s and the company responsible for the maintenance and management of state-owned buildings only carried out the absolutely necessary maintenance works.

In the beginning of the 1980s, when the planning of the rehabilitation started, Middle Ferencváros was inhabited by workers and lower-middle class people. The Table 5.1, based on the census carried out in 1980, shows the characteristic data for a typical block. The very low floor to area ratio results from averaging the oldest one-floored houses and the multi-storied buildings constructed later. The low floor

¹ The area is exactly between Ferenc Boulevard, Üllői Road, Haller Street, and Mester Street, part of Ferencváros (“Francis town”).



Fig. 5.2 Budapest – Ferencváros area of renewal

Table 5.1 Ferencváros – general indicators of the area of restructuring

Area occupied by non-residential uses	21%
Building density (gross floor area/land area)	0.95 m ² /m ²
Residential density (net m ² /inhabitant)	20.8 m ²
Proportion of flats with bathroom	43%
Average size of flats	44.5 m ²
Active population with academic degrees	8.5%
Active blue-collar workers	approx. 25%

space index is the result of the fine mixture of the oldest, low-density residential buildings and the multi-storied ones. In other parts of the city, the highest density figures in residential areas in the central city of Budapest are as high as 4.5 m²/m². The residential density was relatively favorable. It was due to the sharp decline of the population in the area and the high share of single households and single parents in small flats. The low status of the buildings was indicated by the lack of modern conveniences in more than half of the flats. In spite of this, there were hardly any vacant flats in the area.

5.1.3 Public Administration and Local Government Involved in the Intervention

5.1.3.1 Short Profile and Organization

The following departments of the municipality of the IX district of Budapest played an active role in the rehabilitation.

The Chief Architect's Office – The main task of the office is the professional management of architectural and town planning developments within the whole district. Regarding the rehabilitation, it prepares proposals for the detailed development strategies, concepts, and regulations in the district, as well as for the harmonization of local development with that of the whole capital city. The office analyses the effects of political and economic decisions made by the local government and evaluates completed procedures. It co-operates with various authorities and non-governmental organizations, and it is responsible for the provision of information to the public.

In 2000, the Chief Architect's Office completed a detailed GIS (Geographical Information System) for the whole area of the IX district, which proved to be an invaluable tool for development planning and decision-making.

The Renewal Bureau – The bureau's main tasks are the renovation of municipality-owned buildings, the management of the related public procurement procedures, and the preparation of contracts with designers and builders. In this rehabilitation process, it worked in close co-operation with SEM IX, the Chief Town Planner's Office, and other relevant municipal organizations.

The preliminary decisions on the question 'Who is to move?' are made by the officials of the Renewal Bureau. The procedure starts with a site inspection by the selected architect and an official of the Bureau. They visit every tenant and gauge the situation of the dwelling, both from a physical and a social point of view. The next step is the work of the architect whose design is decisive, naturally in agreement with the Bureau.

The Asset Management Bureau – It is responsible for the demolition works and the process of moving the tenants from the demolished buildings to new flats, as well as for the utilization and the sale of some limited assets of the Municipality. In 1991, there were 12,258 flats in Middle Ferencváros owned by the Municipality. By 2001, they decreased to 5,413.

5.1.3.2 Functions of Public Administration Bodies in the Complex Urban Intervention

Competence

Some authors identify the decentralization of power as the fundamental change in local administration and urban planning policy due to privatization processes in central European cities (Keivani et al., 2001).

In the Hungarian capital, there are two local governments that have authority in development matters: the Municipality of Budapest and the relevant District Municipality. The competence and responsibilities, as well as the ownership of public spaces, are divided between these two public administrations. Generally, the main roads within a given district and part of the public utilities belong to the municipality of Budapest, while the buildings are the property of the District Municipality. The rehabilitation actions are always the District Municipality's responsibility, while the municipality of Budapest is never involved if we exclude the Rehabilitation Fund (see below subsection "Funding and Financial Tools Used"), and it has never shown a real interest in any of the rehabilitation interventions. The municipality of the IX district applied for and was granted financial support from this fund. At the national level, there is no law, act, or any governmental order for the support of this type of actions. There is no central financial support either.

Urban Planning Tools Used

There are two documents that serve as the basis for any infrastructural development in Budapest.

The Structure Plan Framework Regulatory Plan (or Zoning Plan) of Budapest (FSZKT). It defines and illustrates on a map the general requirements related to the usage of land within the public administration area of Budapest, with due attention to the protection of natural and built environment. The FSZKT is basically a combination of land use and zoning plan for the whole area of Budapest, a local by-law approved by the General Assembly of Budapest (Enyedi & Tózsá, 2004, Locsmándi, Péteri & Varga-Ötvös, 2000, p. 27).

The District Regulatory Plan and the Local Building Regulations. They are prepared by the local governments (district) on the basis of the above plan and define the conditions and methods of construction within the area belonging to its public administration, with due attention to local characteristics.

Funding and Financial Tools Used

The main source of finance is the sale of the real estate, which is the responsibility of the development company SEM IX. Occasionally the main shareholder of the development company, the local Municipality, can invest money to cover temporary budget deficits. Such intervention is rare and always short-term. Some additional amount was granted on application by the Budapest Rehabilitation Fund established by the municipality of Budapest in 1996. EU funds were also granted from the Phare program in 2004 and other resources have opened up since Hungary joined the European Union in May 2005.

SEM IX management was able only to give estimates on financial sources used. According to them, there were three successful applications for EU funds: one in

the context of the Phare program and two from the Regional Operative Programs (ROPs).

Managerial Models Adopted

SEM IX is responsible for the complete management of the rehabilitation. Today, the two banks have left the company, with 75% of the shares owned by the Municipality and the remaining shares belonging to a private urban development company, the SCET Corporation. The conception management of the company is the responsibility of the General Assembly. There are four persons making up the Board; three of them, including the president, are appointed by the Municipality and one by the other shareholder. The Steering Committee is a six-person body: five of them are appointed by the Municipality and one by the other shareholders. Any person within the Steering Committee has the right to veto any decision.

Promotion of the Rehabilitation

Even before the success of the rehabilitation became apparent, efforts were made to promote the program. The first conference in this regard was organized in 1992. Articles have appeared continuously in the national media, and various books and leaflets were published by the Municipality and by SEM IX. Several real estate development awards naturally multiplied the interest of the media as well as professionals (planners and architects) and decision-makers. The rehabilitation became the subject of countless articles not only in Hungary, but also in foreign media, above all French. Since the establishment of SEM IX was based on a French model, the special interest from that country is easily understandable.

5.1.4 Private Actors Involved in the Rehabilitation

5.1.4.1 Typology and Specificity of Each Actor

The Area Owners

Originally only 20% of the property was private. Generally, the municipality-owned flats were kept and renovated and the privately owned ones were demolished as these were in very poor condition. The main reason behind this is that a 1949 law required that buildings containing six or more flats be nationalized (for an analysis of the housing market of Budapest from 1949 to 1983, see Sillince, 1985, p. 141). Consequently smaller, less valuable buildings remained as private property with poor owners. These buildings rarely received proper maintenance; thus their quality deteriorated fast. During the process of rehabilitation, SEM IX purchased these buildings for replacement flats.

The Builders

The OTP, as the representative of the state in the development programs, was authorized to select the construction company. Therefore, OTP had the right to run tenders, which are not the same as today's tenders under EU rules. A company from Komárom County was chosen by the bank. It had a branch company in Budapest that was operating relatively successfully despite the worsening economic conditions of the late 1980s, which caused it to gradually lose its ties to its mother-company. Finally the management and the workers bought the firm, and a new private company called Quadrát Ltd. was founded in 1989. At the following tender, Quadrát's offer was more favorable than that of the former mother-company; thus the new private company was chosen by OTP. As the rehabilitation moved forward, more and more builders became involved. On the first dozen blocks of land, the new buildings were constructed by 2–3 medium size companies. Today there are some 10–15 building companies operating in the area.

The Sponsor and the Financier

There was no sponsor for the rehabilitation. At the outset, the intention was to build state-owned rental flats on the cleared plots, but the project was soon converted into an OTP financed housing for sale in condominium form. It became clear that the costs of modernization of the existing old public infrastructure, together with that of the provision of flats for the permanently removed and compensation costs for the resettled small industries, altogether fell beyond the limits of the budget of an 'ordinary' public housing project. Following the establishment of the development company SEM IX, the financing scheme fundamentally changed.

The Designers

A master plan for the area was prepared in 1992 by VÁTI² and amended by the private company SCET Corporation.

Architectural design was the responsibility of the building contractors. Either their own offices prepared the designs or they subcontracted this task to specialized architectural design companies.

It was the task of the Chief Town Planner of the IX district to ensure harmony of design and appearance.

²During the era of privatization of state-owned companies at the end of 1993, VÁTI was first transformed from a state-owned entity into an independent corporation.

The Project Manager (PM)

Since its establishment in 1992, the development company SEM IX has been fully responsible for the comprehensive management of the rehabilitation project. Although its main shareholder is the municipality of the IX district, the company is operating independently, adapting to the current conditions of the market.

The Real Estate Owners

At the end, only very few flats remained as the property of the municipality. A key feature is the ownership of the green space enclosed by housing blocks. Even though 80% of the flats were the property of the Municipality, the flat owners in each block have exclusive access to this green space.

5.1.4.2 Phases Where the Actors Take Part in the Rehabilitation

The Ferencváros operations started not as an urban renewal project but as a housing project mixed with renewal. Quadrat started to build under the contract signed with OTP. Gradually, OTP's privileged position in residential building was weakened; for example, interest payment obligations were introduced on short-term loans raised by its development section. Poor-quality marketing activities of the bank continued to reflect its monopoly situation, demand for new apartments in the deteriorating area was relatively low, and landscaping of the courtyards was still missing. Therefore, the selling of apartments went on extremely slowly. After the political changes, OTP recognized the expanding market in office development and decided to focus on commercial building, withdrawing from financing and building dwellings in Ferencváros. As a shareholder of SEM IX, OTP returned to the project. After the establishment of SEM IX, the former housing project finally turned into a full-scale rehabilitation and urban renewal. As the rehabilitation proceeded and gained fame, further actors joined: new builders and architects as their subcontractors.

5.1.4.3 The Competition (Tender) as Element for the Selection of Private Actors

In the beginning of the rehabilitation, when the area had a poor reputation, practically no company wanted to invest or build in the site. It was the task of the SEM IX to issue tender invitations for design and construction. The value of the area started to rise significantly around the year 2000. Since then, the tender element has appeared even in the sale of the rehabilitated blocks.

5.1.5 The Framework of Public and Private Intervention and the PPP Model Applied

Real estate development is a well-defined project that yields profit and thus attracts the interest of private investors. Not being profit-oriented organizations, local governments in general should not be involved directly in the implementation phase.

Local governments conduct urban development actions that affect larger areas in order to achieve the complex goals defined in (local) Master Plans. In the IX district, it was recognized early that local governments should not try to direct the urban development action within their existing organizational structure. All such previous attempts have failed, due to bureaucratic and political obstacles. The solution was the establishment of a development company, set up exclusively for one purpose. Before the establishment of this company, the following schemes were considered:

- (a) The Municipality delegates all the tasks related to the rehabilitation to a private development company
- (b) A company will be created that is fully owned by the local government
- (c) A joint venture will be created where the majority of shares will be held by the local government

After the evaluation of the schemes, the following general remarks were made to assist the decision-making. The drawback of scheme (a) is that it requires a well-established private company with significant financial background, experience, and references. This could not be found in Hungary at the beginning of the 1990s. It is also difficult to ensure that the local government maintains its influence and enforces its interests on the project. In scheme (b), the company hardly differs from an average department of the local government. Sooner or later, real or imaginary political expectations take over from market-related requirements, undermining the efficiency of the whole intervention. Scheme (c) is the model that has been operating in Ferencváros. The local government appoints members to the Board, thus ensuring participation in the decision-making. The other owners of the company (often banks or other financial institutions) usually operate in a condition of efficiency and are used to monitoring market-oriented operations.

Some advantages of the PPP model are the following:

- (1) Market-oriented approach with local government management: The local government, however, does not give direct orders to the company. Its views and interests are communicated within the governing bodies of the company, with regard to the opinion of other shareholders.
- (2) Close co-operation with the banks in the implementation of local government projects: The bank, as a shareholder, has a deeper knowledge and overview of the project, enabling it to provide finance at lower interest rates, by receiving relevant information right from the planning phase of the project.
- (3) General transparency: Working under market conditions and flexibly as a private enterprise, the company is still totally transparent for its major owner, the local government.
- (4) Financial balance: Relieving the local government's budget. Since the income of the company (from the sale of real estate) is re-invested into further development

actions, the funds allocated for such purpose in the local government's budget may be significantly reduced. A properly operating company does not require further support from the local government. Financial balance may be achieved during several parallel development actions.

- (5) Vitalizing local economy: Infrastructure development and construction works are usually assigned to local contractors, providing further employment opportunities. Experience shows that private contractors are attracted to such development actions, as they are not concentrated on separate buildings (as a block of flats or a hotel), but belong to the framework of the co-ordinated development of a larger area. The Development Company sells the building lots for the contractors. It provides technical and legal conditions that enable the contractors to carry out safe financial planning and construction in an environment whose value is continuously increasing.

5.2 Stuttgart, Im Raiser

5.2.1 *History of the Case*

5.2.1.1 **The Phase When the Problem of Urban Renewal Was Has Been Considered**

The residential area Im Raiser experienced a conversion process in the late 1990s after the first settlements emerged on its grounds early last century. There was an integration of spaces, before separated, in an area close to the center of the city. The first settlement of the area dates back to 1936. In this year the German armed forces established in the 8-ha site in the North of Stuttgart, constructing a block of buildings known as the Grenadierkaserne (Grenadier Barracks). After the Second World War, the US Army took over the site and established itself in the existing buildings.

During its utilization as a military area, the site consisted mainly of approximately a dozen buildings of a marked military typology: austere longitudinal constructions of four to five floors arranged next to one another in a strict pattern. With the progressive extension of the city of Stuttgart, Im Raiser slowly became an impenetrable non-integrated island surrounded by consolidated residential urban areas. After the site of the Grenadierkaserne was given back to Germany by the US Army, the urban renewal problem began to be considered.

The city of Stuttgart took advantage of this situation and began to develop concepts for the integration of the former military areas in their urban context. The site Im Raiser demonstrated a high potential of conversion and its redevelopment soon became a priority to the local authorities, who at that time had to begin to focus on inner urban development. In contrast to a settlement in suburban areas, the former military site had the advantage of being already equipped with the necessary technical and social infrastructure and being situated in a strategic location compared to the other existing urban areas in the Northern district of Stuttgart-Zuffenhausen.

5.2.1.2 Phases of the Interventions

The development of the project Im Raiser can be considered in five phases. A more precise chronology is reported in Table 5.2.

Phase I – Between 1993 and 1998, the city of Stuttgart developed an urban reorganization concept for the former military areas of the Grenadierkaserne and Burgholzhof (in the North of Stuttgart). A Master Plan for the urban development was decided. This concept conceived the conversion of the sites into residential areas. On that basis, the legally binding land use plan was elaborated.

Phase II – The city of Stuttgart conducted two calls for tender. The first one took place in 1997, before the acquisition of land from the Federal Republic. This was possible since the Municipality is the only entity responsible for the development of urban areas. Even if the plot of land belongs to the Federal Republic (or any other owner), the Master Plans and Implementation Plans are developed by the Municipality. As responsible body for the urban development plans, the Municipality has the possibility to launch the calls.

In 1997, the city carried out a tender for ideas (competitive contract) and realization for the regulation of the typologies for ‘family friendly housing buildings.’ The winning design from the architecture office Kohlmeier Oberst Architekten combined ideal land use qualities with the fundamentals of constructing in a cost-saving and ecological manner. In 1998, the binding land-use planning for the site was separated from the Burgholzhof site as an independent planning procedure.

Table 5.2 Chronology of urban development measures related to the case

Time	Actions/measures
1936–1945	Formation of the Grenadier barracks by the German Army
1945–1993	Utilization by the US Army
1993 – 1998	Legally-binding land use plan procedure for ‘Grenadierkaserne and Burgholzhof’
1993 – 1999	Investigation concerning soil and groundwater contamination
(10.03.1994)	Decision to realize an urban development measurement – Urban Master Plan
1997–1998	Competition for ideas (competitive contract) and realization for family-friendly housing buildings
(06.10.1998)	Separation of the planning between Grenadierkaserne site and Burgholzhof site
(19.03.1999)	Assignment of Wüstenrot Haus- und Städtebau GmbH (Ltd: Limited company) as project developer
(20.05.1999)	Completion of the sales contract between City of Stuttgart and Federal Republic of Germany
2000 – 2001	European competition awards for four building constructions concepts
(10.08.2000)	Start of the demolition activities
2000 – 2001	Clearance, demolition, and disposal of contaminated soil
(02.11.2001)	The legally binding land-use plan enters into effect
2001 – 2003	Coverage and landscaping of the whole area
2002 – 2003	Construction of the local kindergarten
(11.05.2002)	First building constructions
(Summer 2003)	Move in of first inhabitants
2004	Statement of account for the development measurement

In 1999, the Wüstenrot Haus- und Städtebau GmbH (hereafter WHS) was charged with the general development of the site and began to reorganize and rehabilitate the grounds and commercialize them on behalf of the city.

An international call for investors was carried out between the years 2000 and 2001 to select the construction companies. The winners were commissioned with the construction of the new housing block. The competition selected four teams (one architecture firm and one developer) to develop and implement different building housing concepts.

Phase III – In order to launch the second call (the international one), the land had to be purchased from the Federal Republic.³ After closing the purchase contract between the Federal Republic of Germany and the municipality of Stuttgart in 1999, the conversion process developed very quickly. With an already existing urban development concept, the first legal and constructive measures were carried out in order to begin the construction of the housing blocks by the different developers.

Phase IV – However, the rehabilitation of the area turned out to be more complicated and expensive than originally expected. Extensive pollution was found in the ground after carrying out several investigations on the quality of the soils. This partly originated from oil and gas tanks as well as from other mechanical works facilities. Moreover, other pollutants were found in soils and groundwater (e.g., PAHs of unknown origins and pesticides). In total, 95,000 tons of contaminated soils had to be removed and disposed to eliminate the high risk to future inhabitants. The costs of this procedure exceeded notably the original valuation (€7.64 million). Due to the fact that the Federal Republic of Germany was the previous owner, it paid up to 90% of the remediation costs. In all, the final sum reimbursed amounted to €5.83 million.

The new urban concept conceived the construction of new housing blocks throughout the area following the typology established in the tender. This meant that the existing building fabric, consisting mainly of barracks, had to be demolished. All but one barrack were demolished between 2000 and 2001. The remaining barrack was renovated and today is used as a public office building. With its sober and austere appearance, this building is the only lasting witness of the original vocation of the new urban space.

Phase V – In 2002, after completing the preparation measures (the legal aspects, the removal of the contaminated soils and the demolition of the existing buildings), the construction of the first 190 housing units and a kindergarten began. This first construction

³In this respect, it is worth underlining that in the German system each public administration (municipal, federal, national) is completely independent from each other, and manages its own budget. This means the different public administrations have the possibility to buy or sell goods (plots of land) to each other. By German law, the plots of land which are given back to Germany (for example, in this case, from international armed forces) belong automatically to the Federal Republic. Therefore the Municipality interested on developing the plot of land, must acquire it, as it happened in the case.

phase was completed in the summer of 2003 along with the streets and general landscape works. The complete construction of entire housing block—8 ha with approximately 250 new flats and 900 inhabitants—was expected in 2006. The only unexpected situation the developers had to face was the variation in demand for the different types of residential units. Some types of housing units were better accepted by buyers than others. For example, the semi-detached housing type presented a demand that was lower than expected, while other unit types were sold successfully.

5.2.1.3 Innovations in the Rehabilitation

For the site Im Raiser, the city of Stuttgart applied the planning tool Urban Development Measurement stated in the Federal Planning Law of Germany. This instrument focuses on the special site and enables an accelerated planning procedure. By means of this tool, the costs for demolition, remediation, and preparation of land for building could be balanced in large part. The two-phase development process (with the call for ideas and the other call for development) ensured the implementation of the suggestions by the city of Stuttgart. The selection of four teams to develop and implement different building housing concepts secured the time frame of realization and the character of the diversified quarter. Each of these sections follows the common typological plan from the winning proposal. Maximum construction costs were established for each type of house. However, the four sections differ in the architectural approach that each developer applied in its own designs.

For the development of the planning, an association for building and urban development, the company WHS, was authorized. This private association accompanied the planning calls for tender, managed the demolition of buildings and the investigation of contaminated building material, coordinated the investigation of soil and groundwater damages, and controlled the excavation and disposal of contaminated soil. Special paragraphs in the purchase contract enabled the city to reimburse most of the costs for contamination investigation and disposal by state funds.

The project for the development of the Grenadierkaserne was coordinated by one responsible person at the department for urban renewal at the city of Stuttgart. This person was the internal and external person for communication of the project. All aspects of the planning and development were discussed in city internal workshops. Because of this solution, the different departments of the city involved in the development process were coordinated and the project could be implemented without remarkable hindrances. This figure (the project manager of the complex intervention, within the process-organization of the public administration) was very innovative in Stuttgart, and came from the consideration that very often public administrations work inefficiently due to the lack of communication between the different offices involved in the implementation of measures or projects (see also Arndt, Gawron, & Jähnke, 2000).

Ten years passed since the first discussions on the topic took place in the City Council until the first families moved into their new homes. However, most of these 10 years were spent solving the legal, financial, and ecological problems, previous

to the construction phase. Once the tools were there and the grounds were suitable for building, construction found no more obstacles.

5.2.2 *Context of the Intervention*

The site is delimited to the north and south by already consolidated residential areas; to the east by a school, and to the west by green spaces. Im Raiser relies on already existing technical and social infrastructure. This includes an efficient public transport, schools, sport and leisure facilities, and stores. All these facilities, can be accessed by foot. Im Raiser relies and its surroundings represent the typical social structure of the city of Stuttgart, in which there is a relatively high percentage of non-German inhabitants. In the region of Stuttgart, the foreign communities are integrated within the general population. That is the case of Im Raiser, in which so far inhabitants of 20 different nations have settled.

The total area of the site Im Raiser is approximately 8 ha, with around 900 inhabitants and 250 housing units.



Fig. 5.3 Stuttgart – Im Raiser area of renewal

5.2.3 Public Administration and Local Government Involved in the Intervention

5.2.3.1 Short Profile and Organization

The municipality of Stuttgart is organized in a simple structure, composed of a Lord Mayor office and seven directorates specializing in a respective thematic area. The seven directorates, including the departments directly assigned to the Lord Mayor of Stuttgart, together with nine departments, have shared responsibilities in the field of inner urban development projects in Stuttgart. The following tasks are given to the departments involved.

The Mayor's Office for Economic Development and Employment Promotion (settled at the Lord Mayor Office) is the contact point for commercial investors and supports them in all phases of project. Promoted with high priority are projects that serve the settlement of new jobs.

The Department for Municipal Real Estates and Public Housing administers urban real estate properties and co-ordinates the public housing. In addition, if necessary, brownfield properties (usually after industrial exploitation) are bought up and sold again after urban development (often also after investigation of contamination).

The Department for Urban Planning and Renewal acquires concepts concerning urban development for structural brownfields. In addition, the zoning plan is often updated and new legally binding land-use plans are set up. Upstream Master Plans concerning town construction in the case of the development of larger areas work satisfactorily. In the case of (infra)structural deficits, urban renewal areas are disclosed and subsidies of the state and/or the federation are requested and are managed.

The Building Regulation Department gives the building approval and also decides thereby on the validity of planned uses and/or the necessity for the changes of legally binding land-use plans. In case of contaminated sites, remediation targets are set as preconditions of the approval.

The Civil Engineering Department provides necessary facilities for the development (traffic and sewage systems). The department also carries out necessary remediation measures on contaminated sites and accompanies the remediation process of investors if the municipality supports these financially. The disposal of contaminated materials may be managed by the municipal waste management enterprise (AWS).

In the case of a suspected contamination, the Department for Environmental Protection examines the contaminated site up to the remediation conception. In addition, the department represents other ecological aspects (nature conservation, emission control, water and soil protection, reduction of noise and air pollution, urban climate protection).

The investor has to cooperate with several municipal departments for the development of his inner urban projects. If he reconciles his planning only with one or some of the departments in charge, demands to change or supplement the planning may arise late during the building approval. This may lead to unexpected delays and increases of costs. Thus the investor may be annoyed and the project may fail. Since investment decisions are limited by the company centers and decision time periods are short-

ened more and more, location disadvantages may arise for the inner urban brown-field development projects.

Thus, particularly with large projects, investors select the procedure over the administrative head (Lord Mayor or deputy mayors) or over the city council. This increases the pressure to all participants, but does not eliminate the existing coordination requirements.

The Federal State of Baden-Württemberg was not involved in any step of the planning process for this project. The Federal State only participated by offering subsidies that amounted to €0.13 million, a sum that is actually not relevant to the project compared to the entire cost (€27 million).

5.2.3.2 Functions of Public Administration Bodies in the Complex Urban Intervention

Competence

Redevelopment of the site was targeted to young families with children for several reasons; among them, the growing demand for affordable housing space for this particular social group. Having established this specific target group, measures had to be designed so that this specific target could have a realistic access to owning a home in the new housing complex. These measures included architectural solutions to their specific spatial needs, as well as financial instruments for acquisition. The term ‘young families’ implies a specific financial situation, since in the majority of cases this type of social group is mostly composed of young workers with small children who are starting their professional careers and therefore do not have a solid financial basis. The city realized that it was necessary to find solutions to this financial issue. It became clear that the public sector would have to support the project financially in its different phases, by subsidizing prices of land, construction costs, and the purchase of homes.

Urban Planning Tools Used

In each of the four contract sections of the developed area, the buildings are followed by a series of row houses and semi-detached houses. The housing units are composed of a two-story module, 7.50–10 meters wide and 6.50–8.50 meters deep. The superposition of modules provides spacious terraces. A maximum of six row houses builds a group, which shares common spaces and areas for children. The accessibility of the quarter is supplied by traffic-reduced roads.

For the area Im Raiser, the planners followed the urban concept ‘compact urban green’ that characterizes the most widespread typology of the city of Stuttgart. The design introduces concepts of the garden city, in which low rise housing blocks are strictly organized in a condensed pattern. The clear cubical outline forms a uniform urban landscape, strongly integrated to the environment. Of the entire area, almost half of it was dedicated to living, 28.3% to green areas, 14.7% for streets, and 4.6% for office uses. In the remaining 2.4% of the total area, a kindergarten was located.

Managerial Models Adopted

Since in the project Im Raiser the Municipality of Stuttgart had to work closely with the private sector, a managerial model had to be developed in order to guarantee a smooth interaction between the different parts. This was attained through a fiduciary. Therefore, the relationship between the different parties was that of trustees.

Promotion of the Rehabilitation

Responsible for the marketing of the project was the development firm WHS. The municipality of Stuttgart, as main engine of the project, has also done promotion through publications and public events. Promotion was mainly directed to the target group. For this reason, publicity showed the advantages that living in this quarter brings to this specific social group. Specially highlighted was public space and space for children, green areas, playgrounds, environmentally friendly designs, centrality, accessibility, community life, and access to social infrastructure. The financial factor was also an important element of promotion, since the acquisition of subsidized houses is very attractive for families.

5.2.4 Private Actors Involved in the Rehabilitation

5.2.4.1 Typology and Specificity of Each Actor

The Area Owners

The area of the Grenadierkaserne was bought by the city of Stuttgart from the Federal Republic of Germany in 1999, which had automatically become land owner after the departure of the US Army in 1993. From the original military area to be redeveloped, only a small part was withheld by the Federal Republic. All buildings on the site were demolished except for the building that accommodates the national auditing administration. The four winning development teams selected bought the respective lots of land for the construction of their proposals. This way they became real estate owners of the new buildings until the property was sold to the single young families.

The Builders

Four teams were in charge of the construction of the project. Each team was composed of an architecture firm and a developer. These teams were:

- The Stuttgarter Wohnungs - und Städtebaugesellschaft mbH (SWSG: association for housebuilding and urban development) with Kohlmayer Oberst Architekten
- The Wüstenrot Haus- und Städtebau GmbH (WHS: Wüstenrot association for building and urban development) with Architektengruppe Trostdorf
- The Siedlungswerk (SWG: non-commercial association for house building and urban development mbH) with Ackermann & Raff architects
- The Landesentwicklungsgesellschaft Baden Württemberg (LEG: state development association) with Project GmbH

These were chosen through the international call for tender carried out between 2000 and 2001. One section of the site was assigned to each team to be developed. Each of these sections consists of similar proportions.

The Sponsor and the Financier

The Municipality of Stuttgart was responsible for the financing of the infrastructure and part of the public spaces of the project. The construction of the residential units was financed directly by the developers of the private sector.

The Designers

The design of the project has two different levels. The first level is the urban one comprehending the design of the entire site. In this case, a general typological proposal was selected in a call for ideas. The intention behind a proposal of typologies was to guarantee an urban fabric that is fully integrated with the typology of its surroundings. At the same time, typologies could attain specific living qualities and urban landscape in a coherent urban space. The second design level is represented by the housing units. The four winning architecture firms had to adapt their designs to the module house from the urban competition. Each section was developed by different teams of developers and planners, the result obtained was a heterogeneous urban fabric, in which different materials, colours, qualities can be perceived. However, despite the differences between the sections, the typological uniformity guaranteed a coherent continuous urban space, where living quality is highlighted.

The Project Manager (PM)

The project management for the development of Im Raiser was based on a particular model where public and private sectors were involved. The project had two managers. The first one, representing the city, came from the Urban Planning Department of the municipality of Stuttgart. The second one was a representative of the WHS Company (Sect. 5.2.1.2 Phase II). The two managers had to work together to develop

the project through a fiduciary. The representative from the city was in charge of directing the urban project, whereas the representative of the private sector was responsible for its development.

The Real State Owners

Different modalities of house ownership can be found in this project. Families can either buy a property or rent it. Most of the housing units were bought through a subvention program for young families from the city (Fig. 5.5). However, in some cases the purchase of apartments or houses was privately financed. Approximately 30 units were rented.



Fig. 5.5 The site after the rehabilitation. Educational facilities: 1. Uhland school (primary and secondary); 2. Secondary school Rilke; 3. High school Ferdinand Porsche; 4. Gustav Werner school (for disabled persons), facilities for old people; 5. Else Heydlauf Foundation; 6. Old people's home Caritas project; 7. Neighborhood center; 8. Youth center; 9. Community house and leisure activities; 10. Sport fields; 11. Areas for leisure. The letters show: A – Area for kindergarten; B – Area for the extension of the kindergarten; C – Institution from the Federal Republic (public offices). The *external line* gives the delimitation of the area, the *internal blue line* shows the subdivision of the area in four plots a,b,c,d; (constructed between 2002 and 2004), and the *light blue line* shows the most recent areas b1 and d1, developed between 2005 and 2006

5.2.4.2 Phases Where the Actors Take Part in the Rehabilitation

The municipality of Stuttgart has been involved in the process throughout its phases, including conception of the project, formulation of the legal framework, remediation of the soils, establishment of financial basis, selection of private actors, disposition of subsidies for a specific group of society, etc. From its conception to its completion in 2006, the city has invested €27 million for the development of this project. The WHS started its activities in the second phase of the project. Once the legal framework to carry out measures was established by the City Council, the city charged this private company with the important mission of materializing ideas and concepts. At this point, the city had already selected the winning design for the urban development through a call. The planners and developers in charge of the development of each of the four sections entered the project in its third phase. Their job was to construct the living quarters through their own interpretation of the housing typologies established in the first call for tender.

5.2.4.3 The Competition (Tender) as Element for the Selection of Private Actors

The development of Im Raiser is an example of the selection of private actors through public purchase represented by different typologies of call for tender.

The first tender (competitive contract), won by the architecture office Kohlmayer Oberst Architekten, took place in 1997; its aim was to generate ideas for the proposal of the typologies for 'family friendly housing buildings.' In 1999, the Wüstenrot Städtebau-und Entwicklungsgesellschaft mbH won the public bid for the realization of the general development of the site Im Raiser, and took on reorganizing, rehabilitating, and commercializing the grounds. This company coordinated on behalf of the city the measures of investigation, planning, and marketing. One responsible person from the company Wüstenrot and one from the Municipality of Stuttgart were charged with the project management. In 2000 and 2001, the above-mentioned international call for bids for investors was carried out between the years 2000 and 2001 to select the construction companies that would develop the site. In their tender, they had the chance to interpret the main concept in their own manner, proposing different designs and spaces. This resulted in a heterogeneous urban fabric, which can be clearly perceived today.

No private investor had to be involved in the project development or marketing.

5.2.5 The Framework of Public and Private Intervention and the PPP Model Applied

Table 5.3 describes the different private and public actors of the project and their roles within the project. These actors are:

Public sector:

- Federal Republic of Germany
- Municipality of Stuttgart: Department for Urban Renewal, Department for Environmental Protection, Department for Public Works

Private sector:

- Developers: Wüstenrot Haus und Städtebau (WHS); Stuttgarter Wohnungs- und Städtebaugesellschaft (SWSG); Siedlungswerk (SWG); Landesentwicklungsgesellschaft Baden Württemberg (LEG)
- Architecture firms: Kohlmayer Oberst Architekten; Architektengruppe Trostdorf; Ackermann & Raff architects; Project Architekten Käppel und Klieber (only kindergarten)
- Consulting firms: Kirchhoff-Heine; Arcadis; Trischler & Partner GmbH; Weidelplan

A population does not need to grow in number to require a wider area. That is the case of countries like Germany, where over 100 ha a day are transformed into residential or industrial areas while the number of inhabitants is stable or even decreasing. In Stuttgart, for example, since 1970 the number of households has increased by 31.6%, while the number of inhabitants has decreased by 12.8%. Since 1950, the settlement areas per inhabitant have increased by almost 80%, consuming mostly former rural grounds. This is certainly not a sustainable trend of development. These phenomena can be explained by the changing social structures. Today people demand more area for living and working due to their growing living standards and incomes. In addition, household structures have evolved from family to single households. This trend has negative consequences to the environment. Among them are:

- The deterioration of the traditional town centers
- An urban sprawl/the urbanization of the landscape
- The sealing of the surfaces/the loss of the filter and storage properties of the soil
- The damage to water bodies and ecosystems
- The utilization of more resources

However, in Germany land was not always considered a subject of protection like water and air. Only in the 1980s and 1990s did the problem of contaminated grounds become an important issue in the environmental policy. Since the second half of the last decade, the rehabilitation of deteriorated urban areas has become an integral part of urban planning in Germany and the recycling of areas a development priority. A clause of the urban planning law in Germany stipulates, as political objectives, the reduction of the use of land resources through a reutilization of existing urban areas and the optimization of the use of grounds through densification and mixture of uses. A great number of recycling projects under PPP models have been carried out over the past years. The first examples of these practices were applied in the former coal mines of North Rhine-Westphalia and Saarland, where with post-industrialization the local economies based on mining and industry strongly declined. Industrial sites quickly became brownfields and derelict land. But

Table 5.3 Private and public actors and their roles in the intervention

	Realizer	Owner	Financier	Planner/ designer	Developer/ builder
Conception	Stuttgart: Office for municipal renovation				
Ownership and purchase		Federal Republic, Stuttgart, developers			
Development plan	Stuttgart: Office for municipal renovation	Stuttgart			
Competitions	Stuttgart: Office for municipal renovation	Stuttgart	Stuttgart		
Design urban concept		Stuttgart	Stuttgart	Kohlmayer Oberst Architekten	
Design housing units		Stuttgart	Stuttgart	4 Architecture firms	
Remediation of soils	Stuttgart: Kirchhoff-Heine	Stuttgart	Stuttgart, Federal Republic	ARCADIS/ Trischler & Partner	
Demolition of barracks	Stuttgart: Kirchhoff-Heine	Stuttgart	Stuttgart: Office for municipal renovation		
General development	WHS	Stuttgart		Rauschmaier/ Weidelpfan	WHS
Streets and landscape		Stuttgart	Stuttgart	Kohlmayer Oberst Architekten	WHS
Housing units		Developers	4 teams	architecture firms	Developers
Kindergaten		Stuttgart	Stuttgart	Käppel und Klieber	Stuttgart
Marketing	WHS		Developers		

conversion examples are not limited to areas with a clear industrial vocation. Also former military and railroad areas, ports, harbors, and airports possess a high potentiality for conversion. Today, areas of every origin, size, and condition are regarded as potential recycling areas.

The interaction of the public and private sectors in recycling projects has proven to be of great importance for the materialization of renewal and revitalization of brownfields and deteriorated areas. Often tailor-made solutions must be applied in order to adapt to the different realities and situations of a specific place. The city of Stuttgart has created different tools and strategies to prioritize the recycling of brownfields by introducing the private sector in the process. In the end, the main objective is to facilitate the development of redevelopment projects for the private sector.

In Stuttgart, the project *Sustainable management of urban areas* (Nachhaltiges Bauflächenmanagement) was introduced in 2001 with the objective of creating the preconditions for supporting the concept of the *inner development* through PPP models. For this purpose, strategies and instruments were to be developed to activate and make marketable the areas identified as potentially convertible. The mentioned program was created to inventory and manage all inner urban areas with potential for revitalization. These include industrial areas, former railways, and military areas such as the Grenadierkaserne. The program is permanently updated and constitutes today one of the most important instruments for the promotion of redevelopment within the city. It is divided into three main sections:

1. Inventory and analysis of the areas: compilation of all potential areas (brown-fields, derelict areas, and empty sites). Over 300 locations were identified, which add up to approximately 500 ha.
2. Construction of an information platform: creation of a database with the identified areas and all the information (location, size, land use, etc.). The database can be permanently updated by the administration. The information on this database can be easily consulted by private developers through the internet.
3. Strategies and concepts for the promotion of inner development: analysis of the restraints and obstacles for inner development, planning of instruments for the investigation of potential uses, elaboration of proposals and recommendations for the fields of action to activate the potential areas.

The city of Stuttgart has slowed down the urbanization process and recovered deteriorated sites. Private developers wishing to invest in urban projects can easily access information through the *Sustainable management of urban areas*.

5.3 Berlin, Friedrichshain

5.3.1 History of the Case

The quarter manager structure of the Boxhagener Platz acted between 1999 and 2005. One of the most relevant problems in the Neighborhood Management Area Boxhagener Platz was and still is the vacancy rate of shops (more than 20%), a number of premises not or only partially in use and abandoned public infrastructures like schools and kindergartens. This is caused by:

- Structural change in retail trade, crafts and industry
- Unclear ownership titles
- A falling birth rate and (out)migration of families with children

Vacant shops are considered a sign of the economic decline of the area and of the poor quality of the urban environment: dirty, low-lit streets with decaying premises (many authors have analysed the typical problems of Berlin in terms of economic

decline and unemployment rate after the unification, among them see Dangschat, 1993; Kemper, 1998). As a solution, it was suggested to use vacant shops temporarily for artistic and cultural projects, thus blazing a trail for the economic recovery of the area. This idea was agreed upon by the Neighborhood Management Boxhagener Platz in cooperation with the Senate Department of Urban Development. Since 2000, a number of start-up companies are being located in formerly vacant spaces in the area around the Boxhagener Platz. While new job opportunities and a stabilization of the district's economic situation has been achieved, there is also a beneficial change in the image of the area. This process is supported by a complex system of urban management with several actors involved both from the public and from the private side (for a detailed analysis of the partnership approach for the management of distressed urban areas, see Conway & Konvitz, 2000).

5.3.1.1 The Phase When the Problem of Urban Renewal Was Considered

In recent years, economic difficulties, increasing poverty, and migration of the middle classes have caused changes in the social and economic structure of some districts in Berlin, often worsened by ethnic problems (see Kemper, 1998; Krätke, 2001). The problem for the area in question were the numbers of vacancies in housing and commercial spaces, in public infrastructure and on former industrial sites, which were the result of economic and demographic change. In the eastern part of the area, about 16% of the housing stock was empty, with a concentration in (mainly un-restored) old buildings. About 1,000 commercial units (about 40%) were empty (counting ground floor units). Throughout the whole area, in particular along the railway tracks, there were derelict industrial sites and garages temporarily and partially used for various kinds of culture and trade. Dramatic decline in industrial jobs left its traces in the area. The economic structure of the area is now dominated by small enterprises, mainly services, offices, shops, trade, gastronomy, social and cultural facilities, and medical aid. Until re-unification, the eastern part was an important location for industrial production and suffered dramatically from deindustrialization in the last 15 years (see Dangschat, 1993). Three quarters of the jobs (12,500) in the former Volkseigene Betriebe VEB (State Owned Enterprises) with more than 500 employees in Friedrichshain were lost through re-unification.

An example is the Oberbaum City, right in the middle of the area. About 5,500 people, many of whom used to live in the surrounding streets, had a job in this former company in the late 1980s. With the boom of the new economy, a number of promising young companies moved here (see also Krätke, 2001). However, after the crisis of the IT sector most of the premises are empty again. Other former industrial plants located in the eastern part of the area that did not survive after the re-unification are the Knorr-Bremse (1,000 employees) and car park supply (800 employees). In companies taken over like Mitropa (1,000 employees), the number of jobs were reduced to one third. Meanwhile, the area holds parts of the University of Applied Sciences for Mechanics and Economics. Today, culture industries take

root in the area. The waterfront along the river Spree is developing into a lively location for music and media industries. With Universal Music and MTV moving here, first success of investment attraction can be seen. On a former industrial site close by, a cultural and leisure park with a huge arena is in its planning phase.

5.3.1.2 Phases of the Interventions

Phase I – In 1999, the government of Berlin in close co-operation with the concerned boroughs defined 15 ‘areas with special development needs.’ In order to achieve a lasting improvement of the situation in those areas and to contribute to their stabilization, it was decided to implement a Neighborhood Management (hereafter NM) in each area concerned with the Neighborhood Management program. Procedures were implemented until late 2001. Every time, the Ministry of Urban Development and the respective borough agreed to implement the procedure cooperatively. This included the participation of a representative of the borough and a representative of the Ministry in each NM team, setting priorities for the available instruments and funds for the NM area, finding a consensus on all important decisions and a common engagement of an external team (for an analysis of urban forums and networks; see also Arndt et al., 2000). Initially, the pilot scheme was intended to run for 3 years but it was prolonged for two more years, until spring 2004.

Phase II – In the beginning of 2001, the Boxion project (Arts and Culture in Vacant Shops) was created, which managed the reuse of 27 previously vacant commercial properties in the Boxhagener neighborhood. Within the framework of the NM Boxhagener Platz, the Boxion project tried to achieve two goals: 1) to improve the chances of vacant shops to become rented out again by means of a temporary artistic/cultural use; and 2) to revitalize the public space around the shops and to make it more attractive, with local residents participating in the effort. The creation of partnerships and networks between landlords, artists, the local population, the project coordinators from Spielfeld, the NM Boxhagener Platz, and other partners during 2001 can, slightly simplified, be subdivided into three phases:

- (1) Initial Phase. The main tasks were to convince landlords and property managers to rent out their vacant shops at beneficial conditions, and to find reliable art and culture projects for the duration of the project.
- (2) Image-Building Phase. The focus was on the support of the cooperation of the cultural projects involved, their communication with the area and beyond, and the creation of an individual image for each shop.
- (3) Setting-Up Phase. Assistance was given to those shopkeepers who wanted to settle down permanently in the area.

Difficulties in the initial phase arose on two levels. Despite a large number of art projects that applied for using the shops, only a few of them were ready or able to contribute appropriately to the shops’ rents. The real number of vacant and usable shops had to be scaled back significantly, because during the shop inspections and

negotiations with landlords and property managers, it appeared that many units could not be used due to the exaggerated rental fee demanded, overdue refurbishment measures, unclear property titles, or desolate condition of the buildings (e.g. mold and dry rot). During the public events staged by the Boxion project, partnerships with further protagonists from within and beyond the area of neighborhood development emerged, in particular with media partners in local papers, newspapers, city guides, radio and TV stations, and other socio-cultural projects.

Phase III – After evaluating the experiences with the Boxion Project in 2001, the Neighborhood Development Boxhagener Platz and the Senate Department of Urban Development decided to continue the project in 2002. The focus of Boxion 2002 is no longer the limited, sponsoring-dependent temporary use of empty shops, but the support of business start-ups and investments from cultural industries in order to reduce shop vacancies and to create jobs in the area in the longer term. From October to November 2001, companies of the culture industry that were interested in establishing themselves in the area were invited by a public call for tenders. A total of 45 applications with concepts for the use of vacant shops in the neighborhood from the lines of fashion design, arts, photography, communications design, music, and product design were handed in. The choice was up to a jury consisting of representatives of:

- The Spielfeld Agency as responsible project coordinator
- The Neighborhood Management Boxhagener Platz
- The Department of Design of the College of Technology and Economics
- The Culture Committee of the District Council of Friedrichshain-Kreuzberg
- The JugendLOK as a local competent partner in questions concerning start-ups

In June 2003, the Gründerbox M25 project started and within 2 months achieved the complete rental of all vacant spaces in the property.

Phase IV– Due to the success of Gründerbox M25, the next vacant commercial space was activated through the same procedure in November 2003. Since the start of the second project Gründerbox S23, the complete rental of all spaces has been achieved within 4 months.

According to the assignment by the Senate Department of Urban Development, the NM team does not act as a representative of the interests and matters of the residents, crafts and trades, initiatives, and clubs. Rather it is to enable the local protagonists in the neighborhood to stand up for themselves and act responsively for the development of the area (*empowerment*; see also the role of community involvement in Conway and Konvitz, 2000, p. 757). Therefore, an important element for the anchoring and mainstreaming of the approach is the development and improvement of networks of local protagonists who can continue the activities initiated by neighborhood development (*sustainability*).

5.3.1.3 Innovations in the Rehabilitation

The forms of partnerships used within the NM framework constitute the major innovations in the project. Since 1999, within the framework of the NM Boxhagener

Platz, more than 250 projects of cooperation with various partners for a well-balanced development of the area have been put into practice. Based on this experience, four basic types of partnerships can be described:

- (1) Trading Information – Information is a vital resource for the development and maintenance of partnerships. Therefore, it is of critical importance for the neighborhood management to enhance the exchange of information and opinions between the NM protagonists: residents, associations and initiatives, landlords, public institutions, crafts, and trades.
- (2) Strategic Cooperation – The Integrated Action Plan is setting the targets for the Neighborhood Development Boxhagener Platz. The NM, as a consignee of the city state (Land) of Berlin, is operating as a service provider, preparing an action program that is integrating all protagonists. The leading role in the realization of this strategy lies with the government of the city-state of Berlin.
- (3) Financial Cooperation – The financial resources for the realization of the strategy are mainly provided by public support programmes. The complementary financing by the European Union, the national government and the Land of Berlin, is forming a budget – related partnership. A pilot scheme has been the Neighborhood Fund, where the citizens had the leading role in such a partnership.
- (4) Leadership in Projects – Project-related partnerships that realize concrete measures for the improvement of the quality of life in the neighborhood provide local protagonists with the greatest opportunities of participation. All these projects are being led by the dedicated protagonists in the neighborhood. The NM team acts as a catalyst, turning ideas and suggestions into concrete measures of neighborhood development (see also Arndt et al., 2000).

5.3.2 *Context of the Intervention*

The Boxhagener Platz area (Fig. 5.6) lies in the former eastern part of Berlin within the political-administrative district of Friedrichshain-Kreuzberg. With its historical five-story tenement houses and often commercial use in the courtyard, the area represents the historical ‘Berlin mixture’ of housing and work. Under the GDR regime, most of the buildings were not renewed and consequently became dilapidated, so that by the time of re-unification many houses were empty. The German legal principle of restitution after unification aimed at re-establishing the ownership existing before 1949. This principle has brought years of unclear ownership relations and slow investment into the area. In the 1990s, the area saw a process of social change. By 1999, about half of the residents had not been living there for more than 5 years. Many families with children left the neighborhood during this decade, while young single person households arrived (notably students). Today, residential moves within the area outnumber those moving in from outside.

The Boxhagener Platz is an area full of contradictions. New houses built in the 1970s sit next to renewed old buildings and dilapidated houses; a number of little cafés and lively streets are next to vacant houses and derelict sites. However,

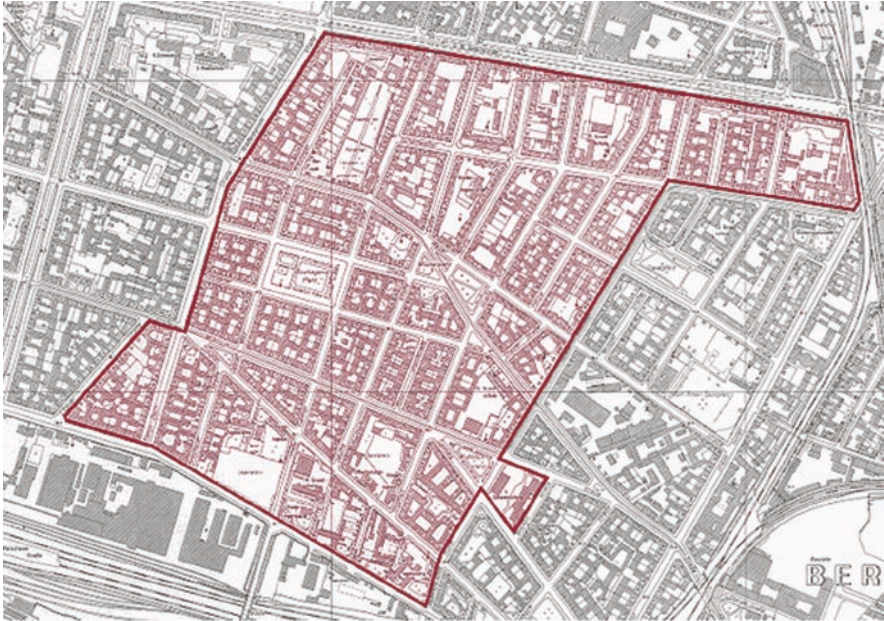


Fig. 5.6 Renewal area Boxhagener Platz

these sites bear development potentials, like the former Railway Rolling Stock Repair Shop, Reichsbahnausbesserungswerk (RAW) area, which is derelict and offers green open spaces and rooms for cultural uses. A number of social and cultural initiatives are placed here.

The inhabitants of Boxhagener Platz live predominantly in households with low income, although unemployment and welfare aid are below the city-wide average. There are no major green spaces here but a few intensively used pocket parks with urban character like the Boxhagener Platz itself, which is a significant point of local identity with its food market and flea market on Sundays.

5.3.3 Public Administration and Local Government Involved in the Intervention

5.3.3.1 Short Profile and Organization

Meetings of an accompanying steering committee are being held at the level of the State Secretaries approximately two to three times per year. It gathers those Senate Departments involved in questions of Social Urban Development. These are the

Senate Departments of Urban Development; of Education, Youth and Sports; of Health, Welfare and Consumer Protection; and of Economics, Labour and Women. In this round, fundamental issues concerning the *Socially Integrative City* program and the local neighborhood development are discussed, especially reflecting on the complexity of underlying trends and the city-wide implications and looking for the solution of possible conflicts of aims. The cooperation between the state level and the districts is stated in an administrative agreement for the personal and financial support of the program.

The Senate Department of Urban Development is responsible for carrying out the program. It is the engine of the process and ensures that all necessary contents are covered. Its area of responsibility is the running of the program (giving grants and reporting duties). As ‘advocate of the programme,’ it mediates between the two districts if necessary and communicates with other Senate Departments. It is supported by an external management: this agency is the contact point for all stakeholders—in particular for the community—and tries to mediate as a neutral actor between the players.

The district is the main local (governmental) stakeholder. Its responsibility covers not only the financing of enduring public services but also competencies with regard to planning and building regulations, which are highly relevant for the projects. Here, the various sector policies of the Senate Departments have to be transformed into the provision of local services. So, it is the most important stakeholder for projects’ implementation. Projects for improvements of public space or related to traffic are often managed by the districts, and for the other projects, the responsible institutions have to cooperate with them.

5.3.3.2 Functions of Public Administration Bodies in the Complex Urban Intervention

Competence

Urban renewal saw its first stage in the 1960s and 1970s. In the western part of the divided city, it focused on the historical areas built before 1918. Formally, its procedures were regulated by the Federal Law that determined target areas for funding. Their development perspectives elaborated primarily the physical renewal of the infrastructure and the housing supply, both supported by public funds. Whilst the first stage assisted large-scale demolitions and new buildings when economic pressure for restructuring was looming large, the next stage of urban rehabilitation focused on rehabilitating the existent stock of housing and buildings. After the reunification of the city, this program targeted the neglected areas in the city’s eastern part. The core of this approach is the principle of decentralized policy coordination. In the concerned areas, NM teams have been appointed to implement the neighborhood development schemes. In the URBAN II area an external programme management has been contracted. These agencies have been assigned per contract by the Senate Administration, and they have their

Table 5.4 The division of competences between the Senate departments and district of Berlin

Area of intervention	Senate departments	Districts
Financing	Funding for urban regeneration (time-limited projects)	Financing of basic services (youth, social, culture etc.)
Planning law	General planning (Land Use Plan)	Local plans
Building control	Basic standards	
Projects of city-wide importance	Building control/permission	
Property management	Basic standards	Management, contracting
Construction	Projects of high difficulty (bridges, tunnels) or of city-wide importance (operas, motorways)	All projects (if not Senate departments)
Services (social, youth, culture, schools)	Basic standards Projects of city-wide importance (operas, vocational schools)	Delivery of all services (if not Senate departments)
Green spaces, parks		Maintenance

office in the Berlin neighborhoods. They are the central hubs within the governance network of the regeneration process. The local authorities (districts) treat these areas as priorities. They also assign a responsible area coordinator to each team, as the Senate Administration does too. This allows for a concerted action across the borders of departments and administrations. Some concrete local tasks of the teams are:

- Mobilizing inhabitants and businesses to actively participate in the development process of their neighborhood
- Coordinating the neighborhood, linking different interest groups and local actors
- Establishing cooperation between institutions, initiatives, businesses, and housing societies
- Assisting with the development of social, cultural, and economic projects, or those dealing with physical renewal (project initiation)

Urban Planning Tools Used

There are two documents that serve as the basis for any infrastructural development in Berlin.

- (1) Urban Development Plans (UDPs) are instruments for the informal city structural planning. UDPs are designed for the whole city of Berlin and include directives and objectives for different functions such as work, living, social infrastructure, transport, supply, and waste disposal. They are the basis for all future planning and reinforce the land use plan by defining spatial and temporal priorities and pointing out the necessary measures to be taken. The densely built inner city areas are essential components of the urban fabric. For a large number of

these old building neighborhoods that have not been classified as redevelopment areas, there is need for action. The securing of socially and functionally mixed neighborhoods and the securing of affordable apartments are of special value in these areas. Association and estate-oriented measures, as well as guiding projects for self-help, are to be continued and to be intensified. The quality of both the public spaces and the infrastructures are to be improved.

- (2) The urban developments activities are focused on the formally defined redevelopment areas Samariter Quarter, Warschauer Strasse, and Traveplatz-Ostkreuz.

In addition, quarter management measures aim to prevent undesirable social segregation. Urban renewal is to be continued on a high level and is seen as an essential element of the development of housing stock. The urban redevelopment measures are to be associated even more strongly with:

- Labor market and structure policy
- Promotion of economic development
- Social integration
- Promotion of education and training

Urban activities can be especially supported by the Municipality, if subsidy programmes are applied in a target area. After their application, urban developments activities were focusing on these formally defined areas.

Funding and Financial Tools Used

Socially-oriented urban development policy in Germany is not just a local policy, but a multi-layered one. It is established not only in the city state of Berlin, but at several political and administrative levels. This can take a variety of forms. They also entail specific funding regimes including different shares of the European, national, city state, and district level.

The NM procedure and the projects resulting from it have been financed since 1999 by the Federal State Socially Integrative City program. Until 2002, the Federal State was paying €13.2 million. Additionally, from 2000 to 2006, €39 million (22.3 million until 2002) was provided by the European Regional Development Fund (ERDF) of the European Union (funding scheme ‘Urban and Local Infrastructures’) for the NM areas in Berlin. For the federal government and the EU programme mentioned above, Berlin has to contribute the mandatory proportion of co-funding. Between 1999 and 2002, Berlin’s share amounted to about was 39.5 million, 8.7 of which was for the Neighborhood Fund of the period 2001–2003. The total funds for the period 1999–2002 were €75 million subdivided between Federal State, EU, and the city of Berlin.

Managerial Models Adopted

The managerial model adopted is based on the concept of Neighborhood Management. The NM procedure corresponds to the quarter management if the

terms neighborhood and quarter are describing the same spatial level. For example, a district (or borough) in Germany is on a higher spatial level since it comprises different quarters, which is why a district (borough) manager in Germany acts on a conceptual level: the district management elaborates and updates areas of activity in connection with district development and assigns responsibilities and support instruments to measures and tasks.

The *Socially Integrative City* is a continuation of urban renewal policies focusing on:

- An integrated operational approach
- A combination of urban development, housing, social and economic policy instruments
- A network of public, private, and business protagonists

It is characterized by a combination of tools and methods to counteract several of the following factors:

- Deficits in urban development, construction, and ecology
- Deficits in infrastructures
- Economic stagnation on a low level
- Turmoil and severe reduction of economic activities
- Unbalanced vital statistics
- High rate of unemployment
- High degree of dependency on social welfare
- Immigrants form a large proportion of the population, especially among children and young people
- High degree of migration, especially of families, employees, and the upper classes
- Increasing social and cultural segregation and exclusion
- Increasing delinquency in public areas

All these problems affect these areas, further increasing their negative development. In Berlin, the *Socially Integrative City* program has been realized by three different approaches:

- A social urban redevelopment in 30 officially defined areas
- A strategy for the further development of 32 large housing estates of social housing schemes and 17 large housing estates of complex housing programs (the latter according to former GDR Law)
- The *Socially Integrative City* itself as a program begun in 1999 in 15 areas (extended to two more in 2001) defined by the government of Berlin, and the area of the pilot scheme Urban II by the EU

The managerial model adopted is based on a large development of multi-urban projects, where the organizational model is a strong diffusion of project manager and management (PM/M). Institutional form (i.e., the NM) or methodological forms of PM/M have been created.

Promotion of the Rehabilitation

The activities to find new users for vacant commercial spaces depended on a large effort to raise awareness for the location potentials and to upgrade the image of the neighborhood to further interest enterprises and clients to contribute to a more vibrant economic activity. A large part of the program funds were earmarked for an ongoing stream of events and actions drawing attention to the project and its participants.

5.3.4 Private Actors Involved in the Rehabilitation

5.3.4.1 Typology and Specificity of Each Actor

The Area Owners

The majority of the buildings are owned by individual owners who acquired the property mostly during recent years. Since 1998, owners have widely renovated their building stock, leading to a doubling of the renovated housing stock. In the area, there are a number of brownfield lots whose ownership problems have not yet been completely resolved. The ownership structure complicates the development of the area as the buildings are either bought for short-term investment return or owned by unknown owners or communities of heirs undecided about what to do with their property (for ownership and housing issues in Berlin, see also Clapham, 1995). The local housing authorities have expressed their willingness to cooperate in the strengthening of economic activities, such as supporting employment opportunities for the upkeep of the neighborhood and providing space for the innovative interim use of vacant space.

The Builders

Building activities limit themselves to renovation and adaptation of buildings and structures to new uses. Builders are the owners, or even the renters in agreement with the owner.

The Sponsor and the Financier

The main funding comes from public programs on all levels: federal, state, and city government as well as the EU. In addition, there is sponsorship from local business community and through the involvement of private building owners, media partners, and artists on a small scale.

The Designers

The designer was not relevant in the process.

The Project Manager (PM)

The project manager was commissioned by the public offices and forms the Team Boxhagener Platz Quarter Management. For the composition of the team, the following skills, expertise, and focal points have been taken into consideration:

- Management, moderation, and networking
- Small-scale trades and crafts advice
- Job training, further education, and labor market programs
- Fundraising, new funding programs and filing of applications
- Social competence, especially concerning young people, foreigners, initiatives, and projects

The manager of such a varied process has to create the conditions to involve a stable constellation of actors and to ensure a sustainable level of participation for a long enduring positive development of the area.

The Real Estate Owners

They were not relevant at the end of the process.

5.3.4.2 Phases Where the Actors Take Part in the Rehabilitation

Trade Unit Exchange: Information System on Available Trade Units. Through an internet address, companies, start-ups, projects and administrations that are interested in starting a business in the NM Area Boxhagener Platz are provided with continually updated information about available trade units. The database of this information service contains details about location, size, equipment and rental fee demands of the individual units. The data base is linked with other neighborhoods in the district of Friedrichshain-Kreuzberg, so that potential investors are provided with detailed information about more than 1,000 locations to choose from. In the area of the NM Boxhagener Platz, about 30 business start-ups are supported by the Trade Unit Exchange each year.

5.3.4.3 The Competition (Tender) as Element for the Selection of Private Actors

For the realization of the temporary use of vacant shops, in October 2000 partners were invited by means of a public call for tenders to develop a concept for 'Arts and Culture in Vacant Shops.' Key criteria for the evaluation of the concepts presented by the applicants were:

- A focus on the structurally weak eastern part of the NM area
- The continuous use of the vacant shops during the whole year of funding
- The organization of public relations and events for the inclusion of the local residents
- The number of temporarily used shops
- The acquisition of additional funding for the project

Other call for tenders and competitive contracts were organized on different projects with the involvement of more juries and commissions formed by representatives of the NM and others members.

5.3.5 The Framework of Public Private Intervention and the PPP Model Applied

The work of the NM is based on an Integrated Action Plan. This plan itself is based on the image of Berlin as a *socially inclusive city* and identifies domains in which concrete measures for social integration at the level of neighbourhoods are being taken. It contains a SWOT analysis of the area, which was prepared by the contracted agency NM Team Boxhagener Platz in cooperation with residents, district administrations, local initiatives, landlords, craftsmen, and shop keepers. During the first months of work by the NM, this draft was refined during an extensive consultation process, then agreed upon by the administration of the district Friedrichshain and confirmed by the district assembly. In a cooperative process, a first draft was developed by the NM team, based on an activating survey of the residents at the weekly market at Boxhagener Platz, and on discussions with experts from the district administration and local initiatives and associations, in October 1999. The district's area coordinator distributed this draft to all departments of the district administration. Thus, the knowledge and experience of all departments could be included in the development of the plan, creating a truly integrated action plan. In addition to the district administration, the draft was made available to all initiatives, projects, and project executing organizations, so that they also had the opportunity to participate in the development of the document or to point out problems that had not been considered so far. In order to sufficiently include the everyday life experiences of the residents into the concept, by mid November 1999 a citizens' forum was held and its results were documented and integrated into the concept. The final draft of the integrated operational approach was made public in the context of an exhibition in the local office of the NM team. In March 2000, the results of this discursive process, where as many groups of protagonists as possible were included, were agreed upon by the administration of the district Friedrichshain and confirmed by the district assembly's expert committees.

The NM Boxhagener Platz team works on behalf of the Senate Department of Urban Development and in cooperation with the District Friedrichshain-Kreuzberg. Contractor is the BIS Stadtteil management GmbH. At regular intervals, a Steering Committee meets to coordinate the focal points of the NM work with the Senate Department of Urban Development and the District Friedrichshain-Kreuzberg.

The development strategy for the NM Area Boxhagener Platz focuses on the following domains:

- Neighborhood life, information, and participation
- Family, children and young people, education
- Green spaces
- Local culture
- Local economy

The network *Boxion* for entrepreneurs in the field of cultural economy can be presented as a good case study for the multidimensional networking of protagonists and targets within the project. The aspect of partnership in the approach of the NM Boxhagener Platz, exemplified in the area of local economic development, and the presentation of the strategies, instruments, concepts, and projects is based on the central building blocks:

1. Management of incoming investment
2. Business location management
3. Labor market integration

In areas with large housing companies, a representative of the company has been integrated into the team. In all procedures, the following working and decision-making structures have, with slight variations, established themselves:

- Meetings Tasks: local office, information, advice, and organization of the team
- Small Steering Committee: weekly meetings (if necessary for planning decisions on the team even more often), financial support for biweekly, or monthly projects, preparing decision-making and strategic development
- Large Steering Committee: monthly or bimonthly, with sponsors, strategic decisions at the Mayor's office with representatives of borough departments, the Ministry of Urban Development and eventually other externals
- Public forum: monthly or quarterly information and advice with everybody affected: decisions, institutions, local politicians, press, etc.

These decision-making procedures are embedded in a number of different public events on topics or projects, small working groups, costly workshops, mediation, and planning procedures, exhibitions, co-operation with the media, etc. During the first year, work concentrated mainly on implementing these working and communication structures, the motivation of protagonists in the area, the development and implementation of first (and fast to realize) projects and working out and agreeing on a strategy program for the area within the given timeframe.

Furthermore, all questions of principle concerning the areas or teams are discussed at a monthly meeting of all teams in a *jour fixe* at the Ministry of Urban Development, constituting the Supervisory Committees at the level of the Land Berlin. Representatives of other ministries, providers of labor market programs, labor offices, observers and advisors from universities and accompanying research institutes are present as well.

Finally, a steering group of all ministries involved in the *Socially Integrative City* meet two or three times a year, possibly bringing solutions to conflicts.

5.4 Krakow, Soda Works

5.4.1 History of the Case

This project is an example of the implementation of top-down institutional aspects in the restructuring (conversion) process of the post-industrial area of the former Krakow Soda Works.

Krakow Soda Works, initially called B&W Liban Chemical Products Factory and renamed several times, was a factory producing soda that opened in 1906 in the town Podgórze. The factory, which at the outset was located on the very fringe of the town, was absorbed along with the town Podgórze by the expanding city of Krakow. From the very beginning, the factory was a successful investment: vigorously expanding (from the initial production of 5 tons of raw soda per day, it reached 600 tons per day in the period of its peak production in the 1960s), profitable, and providing jobs for an increasing number of local residents. However in subsequent decades, notwithstanding the clear benefits for the economy, the factory (in the part of the Solvay concerned) began to have an increasingly harmful impact on the environment. The Solvay process used in the factory produced large amounts of waste since the beginning, although it was successively modernized and improved.

5.4.1.1 The Phase When the Problem of Urban Renewal Was Considered

In the 1930s, the factory's management found it necessary to build large settling ponds for waste, which came to be known as 'white seas.' Although they prevented uncontrolled dispersion of waste and made further land reclamation easier, the ponds posed a risk to the surface and ground water for many years, due to insufficient sealing and unfavorable hydro-geological conditions. Waste management was accompanied by planting and reclamation of the devastated areas. In the late 1930s several hectares of wasteland was forested, thus creating a park close to the factory, known today as the popular Solvay Park. There were, however, few similar environmentally oriented efforts.

After World War II, an important undertaking was the establishment of a waste utilization department, but pressures from above to achieve a high production quota put environmental needs in second place, reducing the funds allocated to environmental protection. Due to many years of neglect, the environment was heavily polluted. Following detailed studies that revealed the disastrous condition of the area and due to the intensifying protests of thousands of local residents, a decision of the central government was made to begin the liquidation of the company in October 1989.

5.4.1.2 Phases of the Interventions

The restructuring process of Krakow Soda Works started informally in 1989 when the decision of liquidation was made, and formally in 1990 when the liquidation program was accepted (actualized in 1992 and 1994). After the liquidation of the factory and the reclamation of the area, a commercial center was built together with cultural and leisure facilities and car parks. The main phases of the restructuring process were:

- Liquidation of the main production area – 30 ha
- Liquidation of the environmental part – 140 ha; the adjacent area with settling ponds, the so-called white seas – about 80 ha; Zakrzówek lime quarry – about 60 ha
- The comprehensive development of the reclaimed land and restored buildings

Phase I – In the first stage of liquidation, the buildings' condition was thoroughly examined to classify them as historic buildings (under the supervision of conservation authorities), buildings fit to be reused, and buildings and structures earmarked for demolition. Demolition was carried out from 1993 to 1995 using standard methods partly employing explosives, and concerning 400,000 m³. As it was decided to eliminate the factory's boiler house, which also supplied heat to the neighboring housing estate, the district heating system had to be reconstructed. The housing estate and the remaining industrial facilities earmarked for further use had to be connected to the Municipal District heating system.

This is an example of the comprehensiveness of the liquidator's task; it shows that the undertaking incorporated social aspects, exceeding the liquidator's legal responsibilities.

Phase II – The reclamation of the vast areas of the white seas was one of the most important tasks under the comprehensive plan to liquidate the factory. The process was completed in June 1995. Works included levelling the pond embankments, reshaping and protecting the waste heaps, placing topsoil, and preparing the land for sowing grass. The reclamation also included laying drains to remove water from the waste heaps. This effort reclaimed an area of about 80 ha and made it fit to be adapted for recreation purposes. At the same time, Zakrzówek Quarry was reclaimed to extend the existing recreation area of the Twardowski Cliff Park located near the city center. The park gained new green areas and a lake with clean and clear water.

In contrast to the white seas and Zakrzówek Quarry, whose further use as leisure areas was obvious, the area along Zakopiańska Street (one of the most important transit arteries of the city) directly associated with production was the subject of discussion, and various concepts for its future development were put forward. Parallel to those studies, a Local Spatial Plan was prepared for the areas left after the Krakow Soda Works and approved by the City Council in 1994. In 1993, the President of the Voivodeship (Province) of Małopolska has established the Krakow Regional Development Agency (KRDA) S.A. and entrusted to it the implementation of the liquidation process. The liquidation of the Krakow Soda Works was officially closed on 19 July 1996 (Fig. 5.7).



Fig. 5.7 The Krakow Soda Works area before the rehabilitation

Phase III – In the final phase of its activity (fourth quarter of 1995), the liquidation team was transformed into the Krakow South Investment Zone (KSIZ), an autonomous division of the KRDA S.A., whose primary task was to ensure a smooth transition from the liquidation phase to the phase of comprehensive development of the reclaimed land and restored buildings. In 1996 an international call for bids was announced, which stipulated that the only form of using the land should be through lease, for a period depending on the value of the planned investment.

The opening of the Carrefour Shopping Center took place in October 1998. Its facilities are sited on 17 ha and consist of three main buildings (about 50,000 m²), a system of car parks with 2,000 spaces, a service station, and a reconstructed frontage along Zakopiańska Street. The preserved group of the factory's oldest buildings, a monument of industrial architecture, has been skillfully incorporated in the new shopping center structures; in addition to its commercial functions, it is used as exhibition space presenting the history of the soda manufacturing in Krakow. The adaptation and restoration of these buildings was done by Carrefour Polska and under the supervision of the Provincial Heritage Conservator in Krakow. An additional component of the landscape around the commercial facilities is a historic Burchard compressor, easily seen even from far away, recalling the industrial tradition of the area, an unquestionable attraction in its new setting. The construction of the shopping center also included some components of the whole public works and infrastructure,

such as water supply, sewage and storm drain systems, power lines, and also modernization and reconstruction of the Zakopiańska Street traffic system. These new projects partially improved the smoothness and safety of traffic flow along Zakopiańska Street, part of a national road.

The detailed setting of the interventions can be resumed as follows.

Central government: liquidation of the factory and pre-development activities:

- Demolition of the factory
- Reconstruction of the central heating
- Reclamation of the vast areas of the settling ponds
- Conceptual studies, various concepts and strategies
- Tender
- Management work

Local government:

- Enacting the spatial plans
- Building the public works and infrastructure

Private investors:

- Architectural design with planned facilities and infrastructure
- Hydro-geological work
- Implementation of the project

5.4.1.3 Innovations in the Rehabilitation

The liquidation of the Krakow Soda Works was the first liquidation process on an industrial plant in Poland carried out for environmental reasons. The physical and financial scope of the liquidation was dictated primarily by environmental considerations. Those concerns, and not economic results, were the direct cause of the liquidation procedure, which was different than those employed up to that time and experimental in many ways. The basic difference was that the primary objective was to eliminate the pollution of the area, reclaim the land, redevelop it in full compliance with environmental protection requirements, and provide a useful new project for the city, even if the evolution of the project in the time absorbed other goals.

One difficulty the liquidator faced was the lack of a detailed legal framework pertaining to liquidation of state-owned industrial enterprises. The only thing one could rely on was the common sense and correct identification of the primary objectives. Among these objectives, it was considered important to:

- Prevent the assets' depreciation of the liquidated company addressed for further use
- Maintain the value of the land and buildings during demolition (for example, furnishing buildings with new public works and infrastructure to maintain uninterrupted supplies of utilities)
- Completely reclaim and clean up the area

- Prepare the area for new development, both technically and in terms of marketing

The fact that the conceptual studies, various concepts and strategies of the future development, and the detailed local spatial plan were completed during the factory's liquidation made it possible to select an optimal transformation variant, and contributed to the complete success of this highly complex and unprecedented undertaking. Those works, also taking advantage of international experiences in revitalizing post-industrial areas, indicated that the most favorable solution to managing this area would be to select a strategic investor. The methods of developing the former Krakow Soda Works area combined all the strategic goals of development in Małopolska Voivodship, like labor market expansion, enhancement of living conditions in the former Krakow Soda Works neighborhood, protection of the environment, modernization and expansion of the public works, and infrastructure associated with effective physical planning, and also promotion of Krakow and the region.

The establishment of KRDA S.A. has also created an innovative, unprecedented move in the process of urban renewal with regards to the transfer of the assets of Krakow Soda Works to the newly established company as its founding capital.

5.4.2 Context of the Intervention

The former Krakow Soda Works, at present the Zakopianka Krakow Shopping Center, is located in one of the smallest districts of Krakow: Borek Fałęcki. Until 1990 this district was part of the large industrial district Podgórze that lies to the south, on the right bank of the Vistula River. This area has always had, beside industry, many settlements and villages as well as beautiful landscaped parks and unique nature reserves. In the twentieth century Podgórze was above all the industrial district with many manufacturers, a meeting point of the roads leading to Zakopane (winter capital of Poland), Wieliczka, and the Polish south-east border but with a popular spa as well. The last decade of the twentieth century in Poland was a time of transition and characterized the closing of many factories. This happened in Podgórze district and substantially influenced the Krakow's local government spatial planning policy and urban development. Karol Wojtyła (Pope John Paul II) worked at the Krakow Soda Works (Solvay Plant) from 1940 to 1944.

5.4.3 Public Administration and Local Government Involved in the Intervention

5.4.3.1 Short Profile and Organization

The Małopolska Agency for Regional Development S.A. (MARR S.A.) was established in 1993, as the KRDA S.A., by the Governor of the Małopolska Province and by the Industrial Development Agency S.A. in Warsaw. It carries out activities



Fig. 5.8 The Krakow Soda Works area after the rehabilitation

contributing to the comprehensive development of the Małopolska Province with a view of supporting the restructuring processes of enterprises. MARR S.A. supports local initiatives, provides financial support to enterprises and programmes aimed at regional development, initiates and promotes entrepreneurship, is involved in investments' promotion, and operates for the environmental protection. The statutory objectives of MARR S.A. are fulfilled according to the non-profit rule. The agency maintains close relationships with government and local government authorities as well as national and international institutions.

From 1995 to 1998, the Agency took up an intensive activity connected with the development of Krakow Soda Works (Solvay) as well as post-military areas (Industrial Colony on the Drwina River). In 1999 the Małopolska Province became the main shareholder of the company. The scope of activity was extended, among others, with activities in the field of cooperation with the Province's local government and other local governments as well as participation in global assistance programs for small and medium enterprises (beginning the activity of the Business Consulting Center in 2000). Simultaneously, actions were carried out in the field of intensive investment promotion: based on the existing Business Service Center, the Investor Service Center was established (1999).

In 2001 the Agency changed its name into the Małopolska Agency for Regional Development S.A. and obtained the status of Regional Financing Institution, responsible for promotion, coordination and distribution of budget and EU funds appropriated for supporting the small and medium enterprises' sector in the Province. It extended the scope of investor services, providing them through the Regional Investor Service Center MARR S.A. At that time, new tools for economic development

were created: the Małopolski Credit Guarantee/Surety Fund, established by the MARR S.A. (2001) and a fund providing loans for entrepreneurs (the Małopolski Loan Fund in 2002).

In addition to the functions of the administrator under the land ownership law, the KSIZ has been providing the limited project manager services, ensuring the investor services related to handling of administrative procedures, from helping in the process of site identification to obtaining a Building Permit Decision or the Occupancy Permit. The organizational structure of Agency shows a greater complexity than a simple public institution.⁴

5.4.3.2 Functions of Public Administration Bodies in the Complex Urban Intervention

Competence

The Central government – It is responsible for the decision of beginning the liquidation of the company.

The Krakow Provincial Office – The Governor contracted the liquidation process and created the liquidator. The Department of Regional and Urban Planning Policy of Krakow Province commissioned current reports and conceptual studies for the area. The Regional Heritage Conservator supervised the adaptation and restoration work of preserved group of the factory's oldest buildings, a monument of industrial architecture.

The Municipality of Krakow – The Municipality of Krakow acceded to the local Spatial Plan and the detailed Local Development Plan approved by the City Council in 1994. The Municipality was also responsible for the whole public works and infrastructures.

The Krakow Regional Development Agency S.A (now Małopolska Agency for Regional Development S.A- MARR S.A) – From 1993 the Agency was responsible for the liquidation process, which was officially finished in 1996.

The Krakow-South Investment Zone – A primary task of the KSIZ was to ensure a smooth transition from the liquidation phase to the phase of comprehensive development of the reclaimed land and restored buildings, through an international tender and managerial works.

Urban Planning Tools Used

Different types of urban planning and tools were produced and used for the Krakow Soda Work. They were produced by different institutions (e.g., Municipality, Agency, State/Region) and include Current Status Report; Concept of Transforming Areas Left

⁴The structure of the Agency is composed by: 19 Shareholders, seven Supervisory Boards and two Management Boards.

after the Krakow Soda Works; a Study of Development Strategy for Post-Industrial Areas; a Local Spatial Plan; a Detailed Local Spatial Development Plan.

Funding and Financial Tools Used

The total cost of the investment is estimated at the level of around €74 million, of which around €15 million is the cost of public investment (public works and infrastructure and reconstruction of the Zakopiańska Street traffic system). These components were co-financed by the Strategic Investor and Krakow Municipality. The Strategic Investor built at his own expenses an underpass crossing Zakopiańska Street, access routes incorporating prospective local roads, and a roundabout located on the premises. It also financed the reconstruction of the tramline and terminal in Borek Fafecki and participated in financing the construction of access roads.

The environmental part of the cost of the liquidation amounted to €2.8 million, of which:

- 68.2% was financed by the liquidated company
- 23.3% was financed by the national fund for the environmental protection and water management
- 8.5% was financed by the provincial fund for the environmental protection and water management

The pay back period of the national treasury resources invested in the liquidation and reclamation process (€2.05 million) was estimated at 3 years. Actually, it took 2 years thanks to very profitable lease conditions negotiated by the KRDA S.A.

Managerial Models Adopted

The adopted management model was:

1. The liquidation process of the industrial enterprises and reclamation of the vast areas was managed in its initial phase by a liquidator (the director of the liquidated enterprises), later on by the MARR S.A.;
2. The land management process of the area was managed by the Strategic Investor, selected in the tender mentioned above and the KSIZ as the administrator and co ordinator of the shopping center project;
3. At present the KSIZ, apart from its management function resulting from the legal title to that area, acts as coordinator of the shopping center's investments and implemented its own projects associated with public works and infrastructure, thus enhancing the value of its assets.

Promotion of the Rehabilitation

During the renewal process, information about current issues, including development projects, were continuously supplied to the local press and television. Moreover, the

Strategic Investor (the French company Carrefour) is very well known all over the world, and its proposal project was strongly promoted. The Krakow Carrefour hypermarket has become one of 346 similar hypermarkets operating on three continents.

5.4.4 Private Actors Involved in the Rehabilitation

5.4.4.1 Typology and Specificity of Each Actor

The Area Owners

There is only one land owner: the MARR S.A, of which the Małopolska Province is the main shareholder.

The Builders

A great part of the work involves seven Polish companies, but with a significant role of the project's general contractor of a Polish company, a branch of a great French company.⁵

The Sponsor and the Financier

The liquidation process of the company and the reclamation of land were financed by the National Treasury and the central government. However, the cost of investment was mainly financed by the Strategic Investor and partially co-financed by the Municipality of Krakow (for public works and infrastructures).

The Designers

The architectural and urbanization design of the facilities features (in compliance with the existing Local Spatial Development Plan) was an innovative combination of modern and traditional forms, with several old industrial buildings preserved, thus creating an interesting and unique town planning scheme: a new quality on the

⁵B.E.G. Ingénierie Poland, the Polish Branch of B.E.G. Ingénierie (French Company) acted as the project's general contractor; 2. WODEKO Drilling and Geotechnical Services in Environmental; 3. Engineering s.c., Krakow conducted hydro-geological work; 4. Budostal-1 S.A, Krakow compacted ground by the Menard method; 5. Instal Krakow S.A, ZWSE, Elektromonta -2, Krakow were responsible for public works and infrastructure; 6. BPI Energopol Sp.z.o.o. Krakow was the general contractor for reconstruction of the road system; 7. Hydrotest S.A, Krakow built the underpass; 8. Budostal-1 S.A, Budostal-5 S.A, ZUE Radiotech, Krakow carried out the reconstruction of tram lines.

Krakow landscape. This conception was designed by the private architectonic office L.G. Asymetria Sp.z.o.o in close cooperation with Biprostal Engineering and Consulting Company S.A., a leading design office.

The Project Manager (PM)

The KSIZ is fully responsible for the comprehensive management of the rehabilitation project and its continuity.

The Real Estate Owners

Real estates on the area under consideration do not exist.

5.4.4.2 Phases Where the Actors Take Part in the Rehabilitation

The Province of Małopolska as the representative of the Central government took part in every stage of the process since 1989, making strategic and financial decisions.

The MARR (former Agency) was established in 1993 and carried out the implementation of the liquidation process (Phase I and Phase II).

The KSIZ was responsible for finishing the liquidation process (Phase I and II) and comprehensive development of the reclaimed land (Phase III).

The Municipality of Krakow actively participated in Phase III, being responsible for local developments plans and public works and infrastructure.

The Strategic Investor was also involved in Phase III.

5.4.4.3 The Competition (Tender) as Element for the Selection of Private Actors

In 1996, the contents of the international call for tender were numerous, even if the main criteria for evaluation were:

- The magnitude and type of the planned project
- Compliance with the existing local development plan
- The architectural merits of the planned facilities and infrastructures
- The number of jobs guaranteed
- The project's environmental impact
- Proposed lease terms and conditions
- The project's usefulness to the Krakow urban area and region

The winning proposal came from the French company Carrefour, which acted together with local Polish investors such as Petrosol Industrial-Commercial Enterprise, Trapez-Carbo, Dolomitex, Castorama, Cefic Polska, and BP Poland.

5.4.5 The Framework of Public and Private Intervention and the PPP Model Applied

Taking into consideration the area of intervention and the phases of the restructuring process of Krakow Soda Works, it could be said that Phase I and Phase II belong to the public intervention and Phase III to both public and private intervention. The model of PPP applied in Krakow Soda Works is based on the verified international experience in revitalizing post-industrial areas and concerns only activities in Phase III, e.g. in the phase of comprehensive development of the intervention. The KSIZ acted as the manager (legal title to the area) and coordinator of the shopping center project. The Małopolska Province's majority of shares in the Małopolska Agency for Regional Development S.A. ensured that the agency acts in the local government's interest. The private partner, the Strategic Investor, was selected through the international tender. The preliminary tasks of the Strategic Investor were:

- To assume full control of the land development process
- To ensure that the plans approved were closely coordinated
- To ensure high intensity of investment in order to enhance the value of the area
- To restrict public investment projects in order to minimize risks to the public budget

The investor financed not only new investments, but the adaptation and restoration of the preserved group of the factory's oldest buildings, and co-financed some public works and infrastructure together with the municipality of Krakow. BP Poland financed the reconstruction of the tramline and terminal, and also participated in financing the construction of the access roads. The continuation of the development of the former Krakow Soda Works area produced later the commissioning of a system of multiplex cinemas with 12 cinema halls (about 6,000 m²) which, together with the existing Solvay Cultural Centre and the Exhibition Hall located in the historical buildings, created the area for cultural activities among the purely commercial services offered by the Zakopianka Shopping Centre. From 2000 to 2005, additional commercial and service facilities were built on the still remaining area, like the Trapez-Carbo, BP Polska, PKN ORLEN, Feu Vert, and MAX-FLIZ, which supplemented and enriched the scope and types of services available here.

Krakow Soda Works area has restored the former level of employment. In its period of peak prosperity, the Krakow Soda Works had 1,500 employees; today 40 companies operating there are giving employment to 3,000 people. The method of developing the former Krakow Soda Works integrates more strategies and goals: labor market expansion, protection of the natural environment, modernization and expansion of the public works and infrastructure, more quality of the urban life, and competitiveness. The opening of the Zakopianka Krakow Shopping Center crowned several years of highly complex restructuring process, which has allowed conjugating the long-term objectives of regional policy and development.

5.5 Hamburg, the Commercial Courtyards

5.5.1 *History of the Case*

Old dilapidated vacant factory buildings in Hamburg's inner city quarters that are listed monuments are being renovated and managed through a consortium of public and private partners. These courtyards offer space for the small and medium enterprises from trade and media businesses and other innovative uses at affordable rents. This development originated in 1977 when the HaGG was founded as a municipal organization in order to support the development of commercial spaces formerly vacant. It is today a consortium of public shareholders as well as members from the business and trade community and has a history of efficiently developing commercial projects. The majority of the real estate in the area are assets of the HaGG, especially assets connected with production recovered and may be passed at new producers with new functions and new types of productions. The HaGG gains rental incomes from this activity, being this way economically self-dependent. The role of public partners in the development of the Hamburg commercial courtyards is varied and ranges from start-up or continuing subsidies to joint planning proposals and monument protection guidelines and architectural tasks. Private partners are involved as groups of the space's users such as artist studios, investors that profit from the commercial success of the projects, owners of the property, or marketing partners promoting the courtyards. The PPP models involved cover a range depending on the single project circumstances. Through this differentiated concept of developing commercial constellations, previously vacant building could be saved, restored, and reused to benefit the spatial qualities and historic character of the urban fabric while creating economically viable commercial enterprises that also support and finance socially valuable projects, such as allowing young artists to create sustainable business solutions.

5.5.1.1 **The Phase When the Problem of Urban Renewal Was Considered**

The public funding of the commercial courtyards in Hamburg is connected with the intention to create attractive commercial space close to old locations that offer reasonable rents and common services and infrastructure for several users. Mainly the intention has been to revitalize underused vacant locations and buildings in otherwise densely populated quarters. Commercial uses have a long tradition of being closely connected to the city, especially in the central Gründerzeit quarters, which were abandoned to a large degree shortly after. During the 1920s the main ideas were in favor of separating uses, and industries had been systematically moved to the outskirts of urban areas, leaving the old shells behind vacant, without any plans for reuse (a development that was reinforced especially during the years of reconstruction after the war). Traditionally, the economic development did not recognize the importance of small and medium enterprises and was oriented towards focusing on large outward

oriented projects which would automatically give a benefit to small enterprises. The times were good and intense support of companies in general was not needed.

Only in the late 1970s and 1980s were efforts undertaken in the context of urban renewal to study the areas of inner city old industries more closely. The studies resulted in the recognition of a large need for urban renewal while at the same time realizing the economic and urban potentials that can be found in urban locations of this type. A renaissance of the principle of mixed-use quarters led to the changed conditions of economic development in these areas. Projects started with the aim of a new conception of reuse of vacant industrial buildings. Plans to renovate and recreate commercially viable spaces resulted in the location of new types of businesses in the central areas. And the reuse of old space proved to be economically sound and cost cutting. Systematically, this type of historic industrial architecture (for example, breweries, chemical, or textile factories) or inner city brownfields have been developed into new commercial spaces. From this new perspective on urban regeneration, the concept of *commercial courtyards* was born: one larger company or several smaller united under one roof.

5.5.1.2 Phases of the Interventions

Phase I – In 1976, the City of Hamburg decided to create the Hamburger Gesellschaft zur Gewerbebauförderung (Hamburg Company for the Support of Commercial Development, hereafter HaGG) with the intention to facilitate the relocation of enterprises that were forced out of their space by urban renewal processes. The HaGG was founded in 1977 as a limited company (GmbH). Main contributor was the city-owned Hamburger Gesellschaft für Beteiligungsverwaltung GmbH (hereafter HGV, with 70% of the shares) and the Chambers of commerce and crafts with 15% each. The purpose of the company was the construction and renovation of buildings for commercial use, their operation or transfer and the coordination of all other related businesses such as urban renewal processes. Investments were made for renovations, renewals, demolitions, and soil decontaminations. On the basis of urban regeneration and economic policy objectives, funding principles were defined that had to be revised due to the rising incidents of vacancies in these properties. In 1977, the following objectives were defined:

- Support of small and medium enterprises
- Relief of residential areas of emissions
- Saving of commercial enterprises near their original location
- Creation of long-term sustainable sites

Measures included, for instance, the clearing of inner courtyards from industrial spaces. With public funding, these objectives were met and allowed favorable conditions for enterprises that could use shared infrastructure and services. The publicly funded commercial construction was a core component of urban renewal measures in a commercial context. In 1984, these objectives were explicitly included in the economic policy of the city, including location marketing and promotion of space.

Phase II – In 1990, the shareholder structure of the HaGG was enlarged. The City of Hamburg held 51%, the Chambers 20% each and the STEG (the redevelopment agency described in the next paragraphs) was part of it holding 9%, but withdrew after a few years. Now the shares have changed again and finally the HaGG is 60% city-owned, 20% owned by the Chamber of Crafts, and 20% owned by the Chamber of Commerce. Among its tasks, are the operation of the properties, project development and brownfield development, new construction for the companies, use, and consulting were included.

Phase III – In the continuation of the support of small and medium enterprises, the legislative period starting in 1997 included a growing orientation towards middle-class business. In 1994 the office for economic development established a modernization program to prevent the forcing out of enterprises from problematic quarters. One main component continued to be the support of investments in commercially used spaces and buildings, with the intention to create a varied and consumer-oriented supply of services and goods, employment opportunities close to residents, and a varied business structure which in turn would raise the attractiveness of the areas in question for potential residents and users.

The commercial courtyard is an important building block within this strategy; it focuses on attracting new service providers and innovative businesses and trades. New objectives for the commercial courtyards are defined as the inclusion of mixed-use developments and loft living projects, the increase of human resources through employment programs, and the increased cooperation between small and medium enterprises to improve their market performance.

Phase IV – Building public support is a fundamental ingredient of a partnership approach (Conway & Konvitz, 2000). The coming phase will target an increased communication to create more efficient synergies such as the successful House of Multi Media Producers or the start-up location EGE. An Increased communication and cooperation between several public offices is needed to create the right focus and value of the local spatial relation. The improvement of quality offered is a consideration, especially of the public spaces. Private affordable self-used ownership structures have been targeted, according to the example of owners who were involved in housing projects with beneficial effects, or providing low commercial rents. The support of public sector has been given by:

- Helping to find tenants of an commercial yard that act in the same commercial sector (media, crafts, and trade)
- Supporting the investors (project development companies) to get easier permissions (like building permission) from the municipal administration

5.5.1.3 Innovations in the Rehabilitation

The first relevant innovation in the case is the system of quarter management with consulting functions. Direct consulting experts are installed locally to provide service on location. They give advice to start-up businesses, business enlargements, or relocation

of enterprises to contribute to a higher rate of return of the commercial locations. They help enterprises by:

- Supporting the identification of adequate private or public properties or rental space
- Facilitating commercial authorization procedures
- Giving suggestions about location and financing aspects
- Networking between companies, in order to share knowledge about financing and funding opportunities

The local connection of this consulting for rehabilitation is of central importance to be able to draw on the potential of the location. Innovation becomes apparent when the local actors are adequately represented in plans for the area involving the commercial future, which has a direct impact on the neighborhood. Hamburg has designated a special representative for every district with the role of a liaison between the businesses and the community, which is however clearly overwhelmed, indicating the strong need for such a position. The extension of these managers' powers and actions usually determine the way they are called. In Germany, they can be distinguished by (cf. the case of Berlin Sect. 5.3.3.2 Sub Section "Managerial Model Adopted):

- Quarter manager – responsible for a quarter, lower level
- Borough manager – responsible for a borough, also called neighborhood, which consists of several quarters

Another important innovation in the case is related to the creation of local networks. Local networks and cooperation through specialization and division of work represent a special potential for the businesses involved in the commercial courtyards, indicating economic stability and a positive innovation level, which has a positive influence on future economic development outlook (possibly one of the most detailed analysis of the role of networks for competitiveness is given by Malecki, 2002; see also Arndt et al., 2000). The small-scale local commercial development can be enhanced and profit from these networks and in turn creates itself the conditions for local support networks. Spatial proximity is the prerequisite for an intensified collaboration between enterprises.

In order to stay competitive, businesses need to be able to develop spatially. The commercial courtyards have in the beginning been generally developed without a special focus. The most recent development shows a tendency to develop special 'thematic' commercial spaces. This is a particular way to make use of location potentials and synergy effects. Development of individual businesses can profit from the success of neighboring services and vice versa, and the marketing of the commercial yards as well as the urban area as a whole gets positively reinforced. The commercial courtyards so far created in Hamburg have proven to be very successful platforms especially for smaller crafts and start-up enterprises that on their own might not have had the critical mass. The commercial courtyards have an especially positive role by providing small units to enterprises with a local connection to the neighborhood, a target group that has extreme difficulty finding adequate space on the free market. That is why the combination of private and public funds allows successful results (see also Conway & Konvitz, 2000).

5.5.2 *Context of the Intervention*

The vision defined by the senate of the City of Hamburg at the beginning of the twenty-first century ('Metropolis Hamburg – Growing city') is that sub-urbanization processes should be stopped and turned back, because Hamburg was continuously losing population moving to the suburbs. The migration toward the suburbs and surrounding cities has led to an annual decrease in population of almost 10,000 persons in the 1990s, especially as families move to the surrounding areas. The majority of these migrants are looking for apartment units, especially for self-owned houses in Hamburg, but do not find offers suitable to their wishes and financial possibilities. Buying real estate is the most important reason for moving to the suburbs, although as many as half of the migrants moved to rented homes. Thus a central target of the strategy for the growing city is the increase of inhabitants in Hamburg. With a target-oriented policy, the prognostic trend will be turned back and Hamburg will become a growing region in Germany again. Successful examples of other major cities like Copenhagen show that this objective can be achieved. But also the latest increase in the number of inhabitants of approximately 25,000 people in 2 years contrary to former estimations—especially the influx of young people—shows that Hamburg has potential that has to be used and consequently extended. The future scenario is that people should not only work in Hamburg but also live in the city. Therefore, opportunities have to be created for young middle-class families with children to find attractive and affordable housing in Hamburg (see also Priemus & Dieleman, 2002). The creation of viable qualitative mixed-used neighborhoods drawing on the qualities of the dense historic urban form is a prerequisite for a successful urban development. Commercial courtyards allow the proximity of work and living thus influencing the positive image of urban life.

An investigation of the commercial courtyards carried out in 1997 shows the following results:

- Half of them are located in heterogenic inner-city mixed-used areas (housing, small and medium enterprises, and shops in the basement)
- Only two of the investigated courtyards are used for housing
- The developed courtyard should be linked to a social and technical infrastructure

5.5.3 *Public Administration and Local Government Involved in the Intervention*

5.5.3.1 Short Profile and Organization

The city is administered by the Senate is part of the city's government. In order to ensure that the administration is responsive to citizens' interests, Hamburg is divided into seven districts. The districts are administered by a district authority and local authorities. Simultaneously with elections to the State Parliament, district assemblies are elected as representatives of the citizens. Overall, the Hamburg administration

endeavors to consider itself to be a service institution for the citizens. Services are to be provided locally and decisions are to be made locally. Only in exceptional cases does the Senate intervene in decisions taken by the Districts.

Until 2001, a Department for City Development and Planning existed in Hamburg, which was founded together with the STEG. Since a recent change in the Hamburg government, the Ministry for Construction and Traffic Affairs (BBV) is the responsible expert authority for urban regeneration and city development. BBV instructs the redevelopment representatives and district managers and organizes the coordination with all expert authorities and departments. For the Senate, the BBV develops the basis for the formal stipulation of the redevelopment areas according to the Federal German Book of Building Law (BauGB). BBV furthermore is responsible for allocating public funds and carrying out measures on their effects. Traffic and landscape planning as well as previous city development plans are subordinated to the BBV. A classic division of labor and resort responsibilities exists between the different expert authorities. With the exception of the Hamburg program for social neighborhood development, urban intervention instruments are not orientated to the respective neighborhoods, but to the entire city. This leads to a higher cooperation on expenditure and frequently limits the flexible use of instruments and means.

At the local level, seven District Authorities are the public institutions. The districts vary in size and population from 115,000 to 405,000 inhabitants. The District Authorities determine the binding planning law and the law of authorization, like the urban land-use planning. In all District Authorities, there are redevelopment representatives who coordinate the procedure within the district administration.

In the redevelopment reference group (SAK), the responsible representatives from the BBV, the district administration, and the STEG meet on a regular basis to discuss the procedures with regard to the redevelopment. If necessary, further expert authorities can be invited, such as the Financing Authority. The SAK works like a sort of coordination platform of all different administrative levels, which are involved in the projects, because of public funds, governmental grants and official permissions.

At the district level and at the entire city level, there are political parliaments: seven District Assemblies and the City Parliament (Buergerschaft). At present there are different parties governing these parliaments. Since the entire city level has the sovereignty on financing projects for the city, it has a respective higher potential of power than the districts. The districts decide independently on their budget, which is allocated by the Senate.

The Stadterneuerungs und Stadtentwicklungsgesellschaft mbH (STEG) was founded in 1990 by the City of Hamburg as a regeneration and redevelopment agency and with the role of a district manager. With the foundation of the company, the administration of apartment and commercial units in the Western inner city was transferred into the trustee fund of STEG. More than two thirds of this stock are located in the Karolinenviertel and are being redeveloped and modernized by STEG within the framework of the regeneration procedure. The foundation of STEG and the transfer of city owned real estate into STEG's trustee ownership should contribute to the creation of conditions for an area of specific development supported by the inhabitants and by mobilization of all resources, resort-integrated steering and broad consultation, planning and financial aids. Working concepts and concepts granting use should be

developed, combining aims of urban development, housing, social politics, labor, and neighborhood culture to an integrated approach.

The HaGG was founded as a city-owned company and has become an instrument to execute community economic development and targeted urban development. It specializes in brownfields' redevelopment. Occasionally it acts as a service developer for private investors and sales property too: to attract private investors, to join the project development companies, and to buy shares of the commercial courtyards, founding this way the PPP. The company has been involved in optimizing the concept of the commercial courtyards as a future-oriented strategy through using the resources of the city with high potential.

The Sprinkenhof AG (SpriAG) has a contract with the city of Hamburg holding the lease of the entire stock of real estate assets in all city districts. It employs about 100 people. Its task is to manage and operate all properties that the city purchases from private owners, wants to develop with specific planning objectives, or offers as a trade asset. This includes several of the commercial courtyards in the city of Hamburg. It operates only on real estate and it is not specialized in industry real estates. For this reason, there were some cases where the SpriAG transferred its industry real estates (industry courtyards) to the HaGG.

Table 5.5 shows the different roles of the two companies related to the case.

Table 5.5 The different roles of HaGG and SpriAG in the case

Characteristics	HaGG	Sprinkenhof AG
Structure and shareholders	Public limited company 60% city-owned (HGV), 20% owned by the chamber of crafts 20% owned by the chamber of commerce	Public limited company Owned by the city-owned HGV (like the HaGG). As real estate company of the City of Hamburg, SpriAG has a general lease for the commercial property
Functions and tasks	Redevelopment of brownlands and different types of industry buildings Renovation, renewal, demolitions, soil decontaminations Construction and renovation of buildings for commercial use, their operation or transfer Building of new houses for own portfolio Support of small and medium enterprises Reactivation of commercial brownlands with the help of bundling public subsidies Owner of the properties and rents them to enterprises (mostly crafts and services)	Responsible for the management of municipal commercial property Management of the industry and commercial courtyards
Role in the case of commercial courtyards	Owner	Manager of the whole rehabilitation

5.5.3.2 Functions of Public Administration Bodies in the Complex Urban Intervention

Competence

The HaGG manages about 20 commercial courtyards, eight of which can be found in renovated formerly vacant historical buildings. The main focus of the corporation is the facilitation of reuse of vacant properties in well-fitted locations for uses that are compatible with the adjacent neighborhoods. Their function is also to combine different means of public and private financing for this objective.

Urban Planning Tools Used

In addition to the Federal State Program of Urban Renewal, in 1990 the City of Hamburg launched the Revitalization Program adding in 1994 the program *Additional measures against poverty* as part of the social urban development. All programs contained the objective to support and facilitate craftsmen and local enterprises in order to create employment. Aspects of location quality and the creation of qualitative and affordable commercial spaces were core functions. The concept of the commercial courtyards was integral to this endeavor.

The intensive participation of the inhabitants is an important element and objective of urban regeneration in Hamburg. In the past 10 years, it has clearly shown a change of the mere participation of affected people to the promotion of readiness of cooperation and activation of self-initiative of the local protagonists (Conway & Konvitz, 2000, p. 768; Geddes, 1998). Procedures, instruments, and spaces for participation have progressively widened. Study groups were initiated to cooperate with the arrangement of public green and open spaces. Also, with the recent planning of the music center St. Pauli, a network has been created to include entrepreneurs of the music sector as a target group for this project at the very beginning.

The redevelopment advisory board is the central information, discussion, and participation board within the whole redevelopment procedure. It is basically a participation tool, without any direct decisional power. The Karolinenviertel board has existed since the beginning of the regeneration procedure in 1985. Formally the board is an advisory sub-committee of the District Assembly in Hamburg-Mitte (district parliament). Its authorization is stipulated and the number of persons entitled to vote is limited. The board represents the inhabitants, entrepreneurs, social facilities, political parties, and other groups of the neighborhood. Every month people come together to the public meetings. STEG, since it is owned by the Municipality, writes a report of the meetings. The board directs recommendations to the political city planning committee of the District Assembly Hamburg-Mitte. The decision itself remains with the district and city organs, but most of the time they follow the recommendations of the board.

Funding and Financial Tools Used

Means of the city development funds are being granted for the preparation of redevelopment measures, the execution of regulation and building measures, the reimbursement of the redevelopment representative/area manager, and the realization of the 'social plan.' These federal funds are distributed annually to the states (Länder like Hamburg) by ratio and make up one third of the funds at disposal in the area. Two thirds have to be financed by the states (Länder). The redevelopment of commercial spaces, however, has been financed mainly privately in order to determine the rents independently without any limits. An investment of public funding for newly built commercial areas comes to fruition in the case of replacement of people who are affected by redevelopment, or if low price commercial space is needed for start-ups.

Managerial Models Adopted

The managerial model for the development of the commercial centers was a mixture of the adaptation of real estate business management to maximize the success, and a differentiated involvement of user groups, neighborhood actors, and other interested parties, which required a process management to accommodate very different partners and personalities.

Promotion of the Rehabilitation

Professional promotion of the space offered by the development structure was used to address the specific target groups of the business types targeted for the particular space characteristics and mottos of the complexes (such as media park or health food center). The STEG, the Neighborhood Manager, the HaGG, and other institutions contribute with their tools (quarter newspapers, brochure, workshops, etc.) to promote specific and general initiatives.

5.5.4 Private Actors Involved in the Rehabilitation

5.5.4.1 Typology and Specificity of Each Actor

The following protagonists belong to the private sector and are important in the process of redevelopment of the area. All actors have profitable aims and involvement with the government or the Municipality. Respectively, the most relevant actors in the process were: the owners of apartments and commercial real estate, the small investors (individuals), the local small and medium enterprises and national companies.

The Area Owners

The area owners after the rehabilitation are private sector business start-ups in the neighborhood (generating employment and local purchasing power), retailing (stopping the closure of shops and out-migration of retail facilities), and private sector services. The general understanding of the private sector in the context of neighborhood management and the *Socially integrative city* program includes the following persons and entities: local businessmen, non-personal companies, house owners, real estate developers, and investors. Individual residents should be included in the private sector: not only do they invest as owner-occupiers, but they have an important role to play as consumers in ensuring the success of the private sector. They do not only influence the flourishing of local commercial premises, but they also use services. Residents and consumers set up different kinds of base conditions for private sector involvement, playing the role of clients in different specific fields.

The Builders

The builders were non-relevant at the end of the process. Sometimes HaGG with other project development companies (e.g., VIVO, a consortium of public and private interest groups and BORSELHOF, a development company not existing anymore) operate as general contractors of the renewal.

The Sponsor and the Financier

The main financier of the described case is the public funding, which was intended to create the starting conditions for projects without making them dependent on funding. Public resources create the possibility for private business to establish and continue to exist and prosper independently, after a phase sponsored by a combination of state, federal, and city resources.

The Designers

The designers of the various redevelopment projects are not clearly identified and are not crucial to the process. They are commissioned by the owner/builder and adhere to the principles pointed out in the contract.

The Project Manager (PM)

A redevelopment representative/area manager was appointed (or quarter manager or borough manager, depending on the scale he is responsible for). His tasks are the moderation of different interests, support and stimulation of projects, organization of

participation structures, activation and/or support of local initiatives, working out and continuation of the district development concept, establishment of one area-based office, counselling of investors, public relations, and accompanying projects.

The Real Estate Owners

The real estate owners are private individuals who primarily want to secure their real estate in the long run and improve the value of their estate. By taking advantage of public means, they do not depend on fast profit realization. Small businesses have a more relevant interest in improving the location and its surroundings in order to improve their competitiveness.

5.5.4.2 Phases Where the Actors Take Part in the Rehabilitation

In areas where a program of urban regeneration is being operated, activities such as the development of commercial courtyards are integrated in the defined elements of procedure and its main targets. These are:

- Creating an *integrated regeneration concept* as mean of communication that has an effect on all directions and represents aims, emphasizing actions and strategies based on a temporal and financial background. The concept combines different fields of politics and creates a legal binding basis for the use of public funds as well as a basis of trust for private investors.
- The redevelopment advisory board as an appropriate representation of all inhabitants and groups affected, creating a link to local committees and district assemblies.
- Resort overlapping cooperation and resource gathering, as an element to bring together as many strings of action as possible in Hamburg policy.
- The area-based neighborhood office as an offer of local counselling, mediation and information centre, as well as a meeting point for initiatives and neighborhood groups.
- The Neighborhood Disposal Fund, as an incentive for responsible self-determined action on local level.
- Ongoing reporting as basis for evaluation, steering, and development of the concept.

5.5.4.3 The Competition (Tender) as Element for the Selection of Private Actors

The call for tender represents the most critical aspect of the Hamburg system of intervention (urban renewal, revitalization, etc.). The European regulation on this

issue is very precise and the forms of *in house* provide the creation of PPP companies; the calls for tender/competitions managed by these companies are not completely clear. This is true especially for call for tenders with amounts exceeding the EC threshold.

5.5.5 The Framework of Public and Private Intervention and the PPP Model Applied

The foundation of PPP in the case can be seen focused through the activity of the HaGG. It attracts private investors to join the project development companies and to buy shares of the commercial courtyards. The private sector is involved in the case from several points of view.

1. From the commercial perspective as:

- Decision making/juries
- General participation
- Investment
- Opportunity for development
- Employment
- Creation of new jobs
- Contractors
- Corporate social responsibility
- Link with mainstreaming/aims of regeneration

2. From the not-for-profit perspective as:

- Intermediaries
- Sponsors
- Services on behalf of public sector
- Supporting commercial sector
- Strategic planning
- Employers
- Link with mainstreaming/aims of regeneration

3. From the residents perspective as:

- Owners
- Maintenance
- Consumers (in shops)
- Link with community participation and aims of regeneration

4. From public works and infrastructures as:

- Recovery of existing public and private infrastructures
- Attraction and design of new public works or infrastructure (public and/or private)

5.6 Milan, Bicocca

by Remo Dalla Longa and Veronica Vecchi

5.6.1 History of the Case

The Bicocca project is one of the most important projects of urban transformation carried out in the city of Milan further to the city's implosion of the city. Its importance is due to:

1. Number of actors involved, even if predominant is the role of Pirelli company, owner of the area
2. Value and extension of the investment, higher than the others carried out in Milan
3. Relation between the events of the area's owner (the company Pirelli) and the dynamics of the project

The analysis considers, in particular, the relation among the public sector (Municipality and other institutions) and the private actor (Pirelli).

5.6.1.1 The Phase When the Problem of Urban Renewal Was Considered

Bicocca can be considered an example of the 'by chance' urban transformation, wanted by the owner to cope with its crisis. The area, in fact, was not part of the Plan of Urban Transformation (Documento Direttore) approved by the municipality. Notwithstanding the guidelines of that document, the planned projects remained just ideas and the unplanned Bicocca project was implemented following the Pirelli company's wishes and choices.

The absence of a *governance* role played by the Municipality in this project is at the origin of a predominance of private interests oriented to the maximization of the return on investments.

The renewal of Bicocca area should be contextualized in the framework of the changes occurring in Pirelli (one of the biggest Milanese and Italian companies) as a consequence of the market globalization, and only as a secondary aspect of its enterprise strategy (industrial and financial strategies). Signals of industrial redesign were evident before the 1980s when part of the production moved from Bicocca to the neighborhoods of Milan (Bollate and San Giuliano) and the company sold its central headquarters to the soon-to-be-born regional authority.

In the 1980s, Pirelli's risky activities increased on the international markets until two failed attempts to buy Good Year and Continental, whose cost was estimated around €155 million. As a consequence, Pirelli accelerated its severe reorganization planning, which produced an inflow of capital of around €568 million. Among the ideas, one was to substitute old productive functions with new ones, mainly based

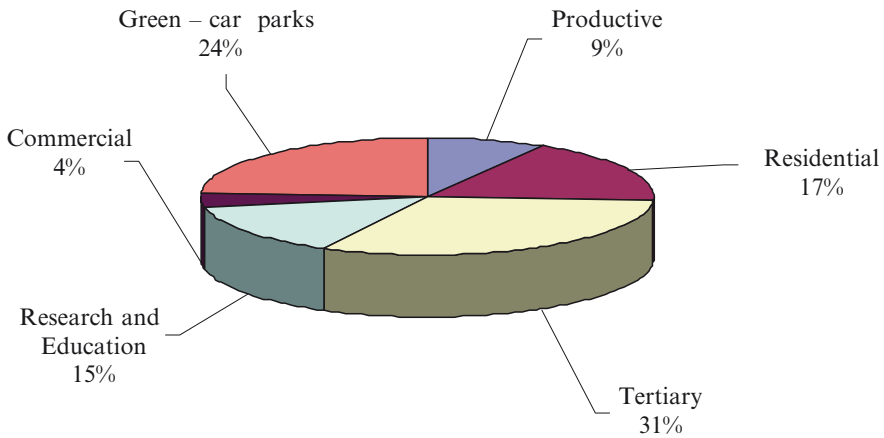


Fig. 5.9 Distribution percentages of the different functions on the basis of the gross floor area

on high-tech, which was considered the strategic element to tackle the renaissance of Pirelli and to foster the economic development of the area.

That was just the incipit of a project, which changed characteristics several times up to 2000.

The size of Bicocca project is around 100 ha and the investments made were more than €2 billion. Different functions have been settled, as shown in Fig. 5.9, which outlines their distribution on the basis of the gross floor area.

5.6.1.2 Phases of the Interventions

The history of Bicocca transformation can be read in some relevant phases, strictly related to the events that interested the Pirelli Company during the development period of the project.

Phase I – The first phase of the project started when the idea of renewal was conceived around the topic of high-tech during one of the most serious crises of Pirelli. This phase is characterized by the first macro agreement with the main public institution to carry out the intervention. The Municipality and the other institutions totally supported the private operator and its development idea with researches and administrative activities.

This was the period when several private actors were attracted by the opportunity to develop a high-tech pole in North Italy and to enter in the new real estate market of Milan, which would have been borne by such a huge investment.

Phase II – The second phase started in the late 1990s and was characterized by the definitive abandonment of the Technocity idea and the settlement of the new Bicocca University and the public Arcimboldi Theatre. The project changed rapidly in configuration and was characterized by a mix of functions with a predominance of those related to consumption (houses, commercial units, theater, and multiplex).

This period was also characterized by an intense marketing activity in order to sell residential and commercial units.

Phase III – The third phase of the project started in 2004 under a different perspective. If the beginning the project was governed by the aim of a maximization of the return from investment (the development was driven by the demand of the real estate market), during this phase the developer decided to redesign an area that, notwithstanding the huge investment, seemed to be dead and with little vitality. Traditional marketing strategy was replaced by a territorial marketing, aimed at attracting creative persons and developing a cultural district, trying to replicate the success of other international projects such as Canary Wharf (London) and Potsdamer Platz (Berlin).

5.6.1.3 Innovations in the Rehabilitation

The main innovative characteristic of this project is the birth, within its framework, of a new economic actor of urban transformations: the real estate developer. On many occasions, the declarations of the top manager of Pirelli Real Estate (RE) were that “complex urban interventions as Bicocca are highly connected with PPPs.” These are declarations; the truth on the Bicocca project can be different.

Before the 1990s and at the beginning of this century, the actors of the real estate market were builders and financiers with their focus on the building phase. There was also a kind of separation between demand and supply of new estate developments. With complex urban interventions, some things have changed. In Italy, Bicocca was one of the first interventions, of this type. Pirelli, with Milano Centrale, became in the 1990s the first real estate operator able to implement a whole complex urban investment, from the very beginning, the phase of assessment and planning, through the phases of acquisition, development (as general contractor, coordinator of investments and the creation of special purpose entity (SPE), also called vehicle (SPV) to the phases of promotion and selling. Negotiating with the public administration is also new.

The second important innovation, though linked with the previous one, is the role that the marketing and promotion function assumed, which has been able to stimulate different targets of demands (accordingly to the features of the project, more linked to high-tech production in the first phase and to consumption in the second). The marketing strategy was based on the creation of the expectation in citizens and private investors (necessary to increase the merchandising) on the analysis of the demand and on the capacity to shape back the supply.

5.6.2 Context of the Intervention

The intervention originated initially from the crisis, then from the redesign and development connected with globalization. In other words, the crisis was linked to the increased competitiveness on more globalized markets. It was characterized by



Fig. 5.10 The Bicocca area after the renewal

the need to close some productive units, to reduce work places, to find out different functions to substitute old production in order to re-launch economic development, and to tackle unemployment. Another need was the orientation to the maximization of profit through the asset valuation to increase inflows.

5.6.3 Public Administration and Local Government Involved in the Intervention

This is a project where the role of public administration is quite limited but articulated. The main relationship between public and private has assumed many times a traditional top-down perspective. The level of negotiation between the two parts was high on main investments, notwithstanding the huge dimension of the project and its potential impact on the real estate market of Milan and the urban structure of the north side of the city.

Behind the administrative action there was varied political support for the project, in a period characterized by a sharp political instability with several alternations in the City Council. The presence or absence of the political support can also be justified by the wish to obtain or move away from the support of the ‘strong powers’ of the city, of which the Pirelli family was part.

5.6.3.1 Short Profile and Organization

The case of Bicocca sees the intervention of several public subjects. The most important role is the one of the Municipality. It is the enterprise who decides the three phases where different public administrations enter into the process: the phase linked to job and employment, the phase linked to Technocity and the high-tech production, and the phase of the Bicocca area intended as a *container* where to put different realizations not linked to the first two phases.

In the relation with the Municipality, the traditional instruments of regulation of the urban settlement typical of the local action are abandoned: we are facing new forms of implosion, and not urbanization. Moreover, we are in front of a *pro-active* private subject who does not stop at dismissing its productive activities, but rather proposes new profits and business from the use of the area. A relevant role is played by different components of the public sector. The political component has an important role in weaving the relationship between public and private, taking advantage of reliable subjects external to the local administration. Pirelli itself seems to favor this situation over the administrative action, which is more bureaucratic and static, linked to the use of consolidated and non-flexible instruments. Formally, within the Bicocca case, several organizational units of the municipality intervene, as several public administrations like the Region, the Province, the University and the Teatro La Scala Foundation. Every public organizational unit strictly intervenes in different phases and with different roles in the process.

It is mainly the political component that operates as a 'sticky' of the different public organizations involved in the Bicocca project. This cannot be the deprivation of the important role of the administrative component in public subjects (basically the municipality), but it is a sign of change with strong implications on urban models, new forms of public and private partnerships and the crisis of the traditional instruments of city regulation.

5.6.3.2 Functions of Public Administration Bodies in the Complex Urban Intervention

Competence

The case of Bicocca is characterized by the assembly of various components incorporating different interests and strategies, thus requiring different competences from the public administration.

The involvement of the Region, the Province, and the Municipality has occurred mainly in the first phase where the employment problem was prevailing. In 1985, Pirelli communicated the closure of Bicocca Pneumatici with the loss of 2,400 employees and the displacement into the hinterland of Turin. The Region and the Province intervened, also at the Unions' requests: (a) as guarantors; (b) partially through social security cushions (absorbing the neo-unemployed people); (c) with the re-qualification of the personnel through training; (d) through orientations to let the production stay within the territory (Bollate, municipality in the hinterland of Milan).

The Region (1986) together with Pirelli promoted studies the productive replacement: innovation technology and high-tech, the city-region and globalization, etc. It is the period of Technocity with the willingness of Pirelli to create an 'integrated poly-functional center' which, the Region declared, could be ready by 1989. At the same time, the willingness was to create a promotion company together with other multinational companies.⁶

This phase came quickly to an end and the third phase started, in which the main actor in the relationship with Pirelli is the municipality of Milan. From this moment the PPP forms in the urban intervention described in the case are visible.

The organizational structures of the Municipality mainly involved in the realization of Bicocca are: (a) town planning and the implementation of the Urban General Plan (UGP); (b) decentralization and authorizations; (c) the technical component. They form the group of directions composed of 73 sectors and 345 organizational positions with 20,000 employees. A high fragmentation is evident, incompatible with the direction of the Bicocca case. This explains the overlapping of different intervention plans, thus the impossibility to re-conduct the action within the municipal organizational units alone.

Urban Planning Tools Used

The main tools at the basis of the negotiation between the municipality of Milan and Pirelli are, partially, town planning instruments. In the evolution of the adoption and in the contents, it is possible to read the changes of the strategy, especially from Pirelli. Technically, the tools used are the following:

- (a) A variant to the UGP, which generally requires long a time frame since it is arranged by the Town Planning Direction (1986), approved by the district (1987), by the Municipal Council (1988) and by the Region (1989). It contains the destinations of use, the indexes of edificability, the green spaces, and services. Everything is in terms of constraints. It is exactly the change of strategy from Pirelli that creates tensions within the governing coalitions, evident in a strong adhesion for Technocity and a weak one, even conflicting, for Bicocca as the container for different interventions, different strategies, and business.
- (b) The PIO (Plan for the Operative Arrangement, which defines the structural and functional requirements of the project and the PPA (Pluriannual Plan for the Implementation, which defines the timeframe of the intervention and the ambit of intervention of the public and the private sectors, make the variant applicable, since they determine times and costs of the intervention. The PIO and the PPA are approved by the Municipality in 1989.
- (c) The Zoning Plans (PDL) elaborated and requested from Pirelli and approved (and partially modified) from the municipality. The PDL are important instruments for the effectiveness of the intervention.

⁶Philips, IBM, Bayer and others.

It is interesting to notice how Pirelli uses an integrated communication in the phase of pushing and arrangement of the variant to the UGP⁷ while, once the variant has been obtained and enters the phase of assembly through the PDL, all this passes to single operative tactics through the involvement of public administrations in search for a location. This is especially valid for the settlement of the University (more than 20 ha), which has been addressed to the Bicocca area due to the opposition of a mixed municipal company (SOGEMI, where the private minority formed by the representatives of retailers opposed to the transfer of areas and buildings in a central part of the city), finding in this way new alliances between the public sector and Pirelli. The same is true for La Scala Theatre, and also for the failed attempt to settle there an important health research structure (Besta).

This leads to a new form of negotiation between Pirelli and the Municipality. The most delicate confrontation is around the PDL.

Funding and Financial Tools Used

The funds attracted from the initiative have been esteemed from Pirelli at €2.1 billion and an other €600 million when all the 100 ha are completed. So far 80 ha have been constructed, 13 are still incomplete, and the remaining hectares are green spaces.

Economic and financial plans have been elaborated (but also due diligence, leasing scenarios linked to some estate funds, risk management instruments, etc.), although some of them have not been considered as important due to the continuous change of times and strategies. A higher importance assumed more empirical data on single typologies of intervention and cash flows linked to the expected costs and profitability per square meter. The negotiations with the public subject are performed on the basis of empirical tools with elements of flexibility. The operative elements are thus determined by expected costs and revenues, verified marketability, evaluations of time, availability of resources, and cash flows. In extreme synthesis, the negotiation with the Municipality is centered on the fact of accepting requests for public use of some parts of the area in exchange for higher indexes of edificability or destinations of use favorable to Pirelli.

The public funds directly flowing to the area due to several negotiations concern:

- (a) The new University building (€250 million);
- (b) The new buildings of some public bodies (INPDAP, CNR).⁸

To these have to be added indirect public funds resulting from the payment of urbanization charges from Pirelli, which are definitely to be considered public funds:

⁷“Technocity”: 1986–1987; International competition between urban contexts: 1986; Creation of ad hoc estate funds: 1986; Creation of business promotion: 1985; International competition for the planning of the new settlement: 1985; Integrated polyfunctional center: 1985.

⁸INPDAP is a welfare institution for the public administration’s personnel; CNR is the National Centre of Research.

- (a) The assignment/cession of sport facilities (5 ha)
- (b) The hangar of industrial archaeology used as a modern art museum (1.5 ha)
- (c) Public green spaces (a park)
- (d) Transports

A different treatment concerns the realization of the Arcimboldi Theatre (€14 million from the Municipality and €17 million from Pirelli).⁹ In a different form, a kindergarten and a school also have to be realized when the settlement is concluded.

Managerial Models Adopted

The direction of the Bicocca case is mainly led by Pirelli. This does not mean that the public administration did not have its role in negotiating the action with counterproposals and, in some cases, in balancing the private action with specific public interests.

The Bicocca project has been the first big case in Milan of this entity and specificity. Other more recent cases follow, in which the actors have refined their strategies, forms of negotiation, tools and management. However, some basic elements of Bicocca can also be found in other big interventions of planning of implosions that recently the city of Milan had to face.

The strategic network and the integrated action between public institutions has broken up, after a first phase that can be defined positive, especially after the abandonment of the Technocity strategy from Pirelli. A prepared, coordinated, and implemented strategy from the public administrations involved has been nonexistent.

The choices from the public administration on one side and from Pirelli on the other have conflicted greatly on strategies that were not commonly shared. There have also been different appeals on adopted choices, proper associations and components of the same decisional part. There have been favorable judgements from national juridical bodies (lack of application of some operative procedures, tools, standards, selection criteria, etc.) as well as European organs, as the judgement of the EU Court of Justice (C-399/98, 12 July 2001).

It is interesting to underline how this confirms that the case of Pirelli has been something like a genesis, something new: the crisis of traditional tools and rules which have to be applied but the results inadequate on one side, the lack of something able to substitute these tools and rules on the other side. That is why a strong contradiction arises between new needs and actions and the actual rules and tools.

The adopted management has been an interconnection between a plurality of public and private actors within the different phases of the process. Particularly interesting is the interconnection between the public and the private designer (see Subsection, "The Designer in Sect. 5.6.4.1"). This is due in part to the rapid change of strategy from the private actor.

⁹This PPP intervention has been treated in a judgement of the European Court of Justice (C-399/98, 12 July 2001).

Promotion of the Rehabilitation

The promotion of the intervention has been highly sponsored by Pirelli for several reasons: to attract capital, to perform marketing of the corporate Pirelli, to give legitimacy to the newborn real estate company, and to favor the new partnership with the public administration. The Municipality too, on many occasions, has proudly promoted the Milanese concreteness in *redesigning effectively* the city's functions.

5.6.4 Private Actors Involved in the Rehabilitation

The story of Bicocca is related to its owner that transformed itself in order to exploit all the economic opportunities coming from the development of the project. The implementation of the project followed progressively the corporate transformation inside the Pirelli group.

During the planning and urban approvals' phase, the owner of the area was Società Progetto Bicocca (a company of the Pirelli group). Afterwards, with the PDL, small and middle special purpose vehicles or entities (Ltd) were created to implement the project. There was not a precise strategy, but rather all arose with the implementation of the project. While other companies were in the process of being created, the area remained to Milano Centrale Immobiliare, the real estate holding of Pirelli, in charge of the coordination of the whole project.

Milano Centrale Immobiliare was born at the beginning of the 1990s from the consolidation of Vitruvio (stock company) and IACI; in 2001 it was transformed into Pirelli Real Estate after the acquisition of UNIM in 1999–2000, the most important real estate company listed in the Italian stock exchange. Milano Centrale was 100% controlled by Pirelli & Co., the financial company of the Pirelli Group. Milano Centrale Immobiliare in the 1990s was not comparable to other international real estate companies (e.g., British or American ones). In 1992, Milano Centrale Immobiliare signed an agreement with Knight Frank, a leading company in the global real estate market, and in 1997 with Morgan Stanley Real Estate Funds in order to learn how to value its real estate assets, especially in the tertiary market.

An important marketing strategy was developed by Pirelli in 1991 around the concept of Technocity towards economic and cultural elites. After the change of the main contents of the project in 1995, Milano Centrale became responsible for the marketing strategy, which was carried out through supply and demand studies. Milano Centrale launched several advertizing campaigns, based on the concept 'Bicocca: a core in the outskirt' and carried out previously through the creation of the necessary anticipation to catch the attention of people and companies. Different advertising tools were then used to promote both residential units and tertiary, first mainly through a direct marketing and then through billboards all around the area. Promotional campaigns had an interesting impact on the housing sales: the average index of absorption of new flats in Milan was in that period around 40%; in the first year of campaign, Bicocca reached a level of absorption of 64%.

That trend can be explained by a good relation between the price and the quality of the buildings, as well as the fact that the Milanese real estate market was, and still is, speculative. The advertising campaign based on imagination, future, and attendance strengthened that speculative mood in the purchasers' behavior. When the impact of advertising decreased, the absorption index in the Bicocca area was levelled off too.

The choice to have a flexible project, which mainly influenced the selection of projects, has been an important condition for Pirelli to guarantee an overall answer to a changing demand during the years. It is important to underline that an integrated strategic plan of the area lacked the definition of a set of developing ideas to outline the project, which also could have occurred through the stakeholders' participation. Only in this way is an urban transformation able to influence and determine the competitive advantage of a city. The Bicocca project, instead, especially after the abandonment of the Technocity idea, was defined to tackle the demand of private investors.

On the basis of research conducted by the Association Bicocca è, the judgment of citizens about Bicocca is different: some of them think that it is an empty area, without social and cultural events and unattractive (according to them, Bicocca is a dead area in the evening and on the weekends); others instead think it is quiet and not congested.

Bicocca è is an association founded by Pirelli Real Estate and Bicocca University (thanks to the support of the Deputy Dean of the University) in order to revitalize the area through the creation of a cultural district, which should be linked to the cultural district of the North Milan promoted by Milano Metropoli, the development agency based in the neighboring Municipality Sesto San Giovanni. In order to define the social and cultural activities to settle in the area, Bicocca è with the support of two consultancies carried out several interviews with the inhabitants (old families of former Pirelli workers who live close with the new project's area and young ones, who bought their flats recently developed by Pirelli in the area) and to those who live Bicocca every day for study or work reasons. The Municipality of Milan was involved in the promotion and development of single events and it has not taken part in this action of territorial marketing developed by Bicocca è.

5.6.4.1 Typology and Specificity of Each Actor

The Area Owners

The whole area has one sole owner: Pirelli. In a further move (1997–1998), the company acquired another part from Ansaldo (24 ha, an industrial area dismissed from a steel industry nearby), increasing the whole Bicocca area from 75 ha (80 if we consider also the green spaces) to almost 100 ha. This led to the denomination of 'Grande Bicocca' ('Big Bicocca'). The ownership of the area and the implementation of strategies are important for the specificity of all the intervention in Bicocca. The presence of an active company, one of the biggest of Italy and thus able to collect high capital, and the willingness to rapidly reconvert the area, are fundamental elements.

In the initial phases, there is not any clear strategy on how to use this asset. This is demonstrated by the changes in the strategies of the second half of the 1980s and partly by the relationship with the public administration of those years. Further, the ownership of the area becomes an important field to experiment the naissance of the biggest real estate company in Italy: the Pirelli Real Estate (RE). Before Bicocca, nothing significant existed in this field.¹⁰ In the early 1990s (1991/1992) there was a real estate intervention from Pirelli through the consolidation of Centrale Milano with the task to manage the intervention in Bicocca. All this coincides with the assembly of the 'container' Bicocca and the phase of the post-approval of the municipal urban variant and the PDL, proposed by the company and then approved by the Municipality.

In 6 years, Milano Centrale (stock company) increased its value by 16 times (from €15 million in 1994 to €250 million in 2000; the employees grew from 120 in 1994 to 520 in 2000). In 2001, the Pirelli RE stock company was constituted, unifying all the real estate functions of Pirelli and stimulating the willingness to make international acquisitions (in Germany and Poland).¹¹

The Builders

Builders are not influential since big companies are not involved; rather there is an interconnection between small and medium enterprises. Since 1993, there were almost 400 enterprises in the construction sector involved within Bicocca. This is due partly to the particular organization of the operation in this intervention, where the center of the attention is not the builder, but the real estate developer. Before Bicocca, in some smaller interventions, the relationship was between owner and builder. The subjects realized the intervention could be the same actor, or the second subject could replace the first one; the operation could be small or big, thus with a variable importance for the builder. An important crux of the matter was the financing (credit) and the cash flow linked also to the state of the works and the interconnection with the purchaser and the payment forms connected to the state of the works. The builder, anyway, had a central part in this process.

With Bicocca, a new form for the implementation arises, where the owner and the developer of the intervention are the same subject from the beginning. A new organization is determined, which looks at the financier, the investor, the public administration, the builder, the designer, the owner, and the promoter (in the short term) as elements of the realization. The builder (company) loses its central role and becomes a declining subject in the new process. An open matter remains, which is the livability of what has been realized, which has some implications with

¹⁰ At the end of the 1980s, two small real estate companies existed within Pirelli, resulting from a previous merger (Pirelli-Caboto). Pirelli also controlled a small stock company (Milano Centrale), but it was insignificant compared to the big international companies (i.e., Morgan Stanley).

¹¹ Baubecon Immobilien GmbH, Deutschland GmbH in Germany and Pekao in Poland.

the marketing and the final commercializing of the operations, business, and assets of the Bicocca area.

The Sponsor and the Financier

The sponsor of the intervention is mainly Pirelli, with its strong interests in those areas; within some strategies the public administration's interests and action also intervene. In some cases, the public administration signs agreements with Pirelli (contracts) for the settlement of a relevant health research center (Besta), then the public subjects decide to settle somewhere else. To avoid paying a high penalty to Pirelli, the Municipality, pressed by the Besta and the Region, decides to extend the area destined to housing estate to Pirelli's advantage thus negotiating some alternatives. The local public administration became a sponsor of this choice in the quarter.

Pirelli adopts two basic models of intervention and financing (Figs. 5.11 and 5.12): one refers to the housing, the other to the tertiary.

The first model is proper to the realization of housing and commercial units. Pirelli negotiates and obtains the approval of a PDL from the public administration. It sells the part of the area included in the PDL to an *ad hoc* company (CSE-Special Purpose Entity (Ltd) where Pirelli holds the minority of shares (e.g., 26% of the project called 'Progetto Bicocca La Piazza (Ltd)'¹²). Pirelli gives capital to this company, which gets resources also from the sale of the part of land owned by the other partner, who in turn has to finance the company for the majority. A relevant part of the investment is financed through subsidized credit. Finally for Pirelli there

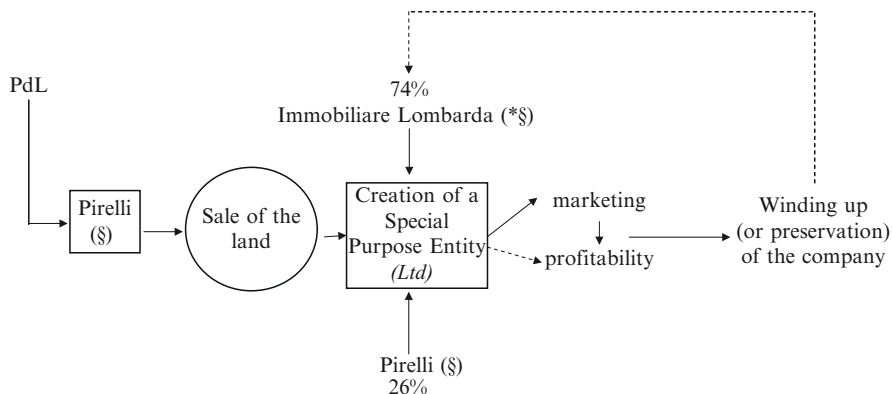


Fig. 5.11 The model adopted by Pirelli for the residential sector (*stock company)

¹² They are 5 ha: about 3 of them destined to private residential units, 1 to commercial units, and 1 to residences for students. To make a comparison, Stuttgart was about 8 ha, the majority (74%) held by another property company outside the Pirelli group (a real estate developer controlled by an insurance group).

a ‘sale of future good’ thus with a direct financing (leasing). The project is realized by Gregotti and partners, and the SPE acts as general contractor in the construction of the building. After the testing, the building is rented by the real estate fund to Pirelli with a contract of 9 + 9 years. Pirelli RE is in charge of the facility management of the building.¹³

The Designers

For several reasons, the designer has had a very important role in the realization of Bicocca. The international call launched by Pirelli in 1985 and then refined in 1988 served also to attract foreign capital. The guarantee of a famous architect is perceived as a synonym of quality and value of the investment and thus of attraction of capitals (real estate funds). The designer has been asked to operate with great flexibility and a strong relationship with the Municipality (see Sect. 5.6.4.1). The term *urban renaissance* is linked to the instrumental use of the designer too (big international architects involved in urban renewal interventions has never happened before), linked in an instrumental way to the marketing, the attraction of capital, and the marketability.

The Project Manager (PM)

The area of Bicocca is subdivided into projects/PDL. Each of them has a Special Purpose Entity (there are more than 10 SPEs¹⁴) with the objective to intervene in the peculiarities of the single intervention. Every vehicle society is ruled by parasocial agreements (minimum of 5 years) ruling the governance within the Pirelli group, especially when the participation of Pirelli in the SPEs is a minority (e.g., Progetto Bicoccala La Piazza – Ltd). Every SPE manages more or less 50,000 m² of realized buildings. After the completion of the project, the SPE can be dissolved. Some organizational units intervene in a matrix form (Fig. 5.13). Particularly relevant is the Project Management Organizational Unit with the task of uniforming the single SPEs interventions, especially concerning:

- Administrative procedures, time planning, and costs evaluations
- Relationship with the public administration
- Coordination of the architectural and engineering planning and entrustments

¹³ The three blocks of buildings mentioned above (Siemens, Pirelli, Deutsche Bank) are multilevel buildings (high towers) with a surface of 24,000 m² the first one, 19,000 m² the second, and 8,000 m² the Deutsche Bank together covering 5.1 ha.

¹⁴ The name of some of these SPEs of Pirelli is Progetto: Esplanade; La Piazza; Alfa; Lambda (charged of the Siemens building and Pirelli headquarter); il Centro (charged of Deutsche Bank building); la Grande Bicocca multisale, etc.

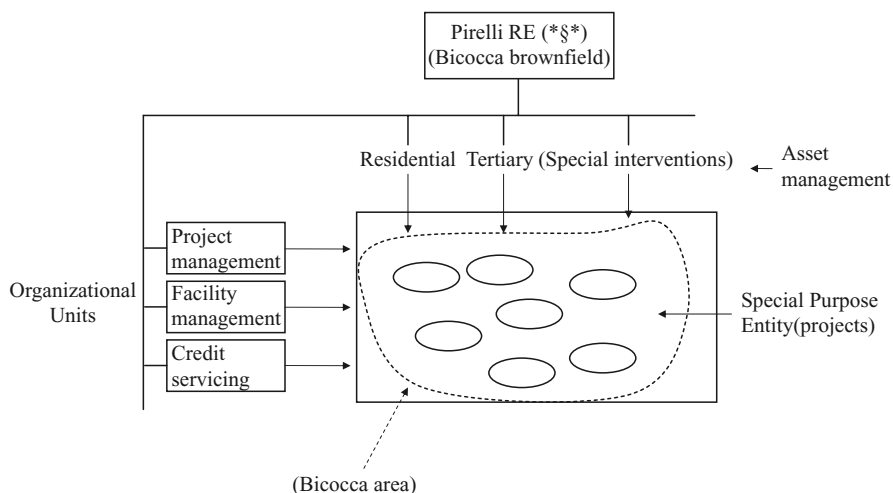


Fig. 5.13 Organizational units of Pirelli RE

- Buildings' construction, that means selection and entrustment of builders, coordination of winners and suppliers
- Direction of works and supervision of the building yards

Besides the internal personnel, 36 external experts have been involved too (experts of Project Management).

The other organizational units in a matrix form are the Facility Management Organizational Unit, intervening in the functioning and recovering of the buildings after the testing, even when Pirelli is not the owner, and for public structures such as the University. The Credit Service Organizational Unit is in charge, among other functions, of the predisposition of the due diligence, credit, and cash flow. Within Pirelli RE, there are staff units also in charge of contracts, personnel mobility, marketing, etc.

Within the 'special interventions' there are public works too, such as the improvement of transports and the Arcimboldi Theatre where, as mentioned, Pirelli acted as a sponsor.

The Real Estate Owners

Within Bicocca there are different properties: private (houses), real estates (tertiary), a little (always less) share of ownership of Pirelli, and public settlements.

5.6.4.2 Phases Where the Actors Take Part in the Rehabilitation

The assembly of the intervention is not linear and it is determined by interconnections bringing to its final result. The winner of the international call (Studio Gregotti) was nominated in 1988 after the appointment of the new municipal administration and before the approval of the variant to the UGP (1988) and of the implementation plans

(PIO and PPA, 1989). At the same time as the designer's appointment, the purchaser (Pirelli) indicated to the designer to adopt *flexibility* and a strong relation with the town planning tools of the Municipality, which in that phase are in progress. In this way, a sort of *partnership* is determined, even if indirectly, between the designer and who is in charge of the plans' predisposition within the public administration. Gregotti is an important and affirmed Milanese architect with a high international prestige and was politically in line with the newly elected municipal administration (1988). The Municipality had to face the adoption of new tools, the changes in the strategy from Pirelli, an internal fragmented administrative structure, and tools which were not adapted to the new needs. The administration itself makes use of external experts. Within this scenario, an informal PPP is determined; it has to be understood how the interests of the one and the other get out from the partnership. Nonetheless, this phase of elaboration is disseminated of conflicts (inside the public administration, between the public administration and associations, etc.) linked to the re-design of the procedural rules and forms. Throughout the Bicocca process, the political part guiding the city often changed political color and orientation, even if the town planning instruments were approved with a left-wing government.¹⁵

In the phase of assembly (1990s), the confrontation was between several elements: the general project, re-adapted to the change of strategies; the single interventions within the PDL where the detailed projects take place (definitive and executive) on the single building; the creation of the SPEs with different shares and thus different interests to conciliate; the purchaser (that will use the building: Pirelli, Siemes, Deutsche Bank) who has to be able to put its needs into the project; the designer, who not always corresponds to the subject who predisposed the general plan, and the same can be said for the director of works; and the small and medium enterprises, which are often an interconnection of sub-contracts or special interconnections or professions.¹⁶ In the building yard, usually there is the designer, but often with weak authority. There is a relevant settlement of public structures, which requires a particular set of operative procedures. To all these aspects, we must add the change in the strategies, the financial crisis of Pirelli and the naissance and experimentation on the ground of a newborn property company never tested (Pirelli RE).

The final result of the process is partly dependent on the assembly: often different businesses occur within a sole container. According to someone, 15 years are necessary to evaluate the intervention of Bicocca. It must be given to people and the area the

¹⁵ During those years the political color of the administration changes, thus the interests too (centre-left coalition 1985-end of 1987; left and green coalition 1988–1992; independent-technical coalition after the bribesville scandals 1992–1993; the North League party 1993–1997; right coalition from 1997 to date).

¹⁶ Within Bicocca there are a few interventions, quite marginal, from Italian medium or big enterprises (among the first 50 enterprises in Italy): CMG and Castelli. The latter has been absorbed further by another enterprise (Impregilo). Gregotti underlines how the quality in the execution of works from Italian enterprises was declining: "the interconnections of builder companies and other issues has often led to the entrustment of the execution of some buildings to very mediocre enterprises."

time to amalgamate, consume and 'live.' Initiatives like Bicocca è (see Sect. 5.1.4) are important for the livability and for the functions and business of the area, and they are symptoms of a perceived lack. A University like Bicocca cannot attract researchers and globalization effects without an area able to attract creativity (Florida, 2002, 2005a) and produce creativity itself. The assembly demonstrates how it could not take charge of this. Concerning this, the PPP has been lacking for sure.

5.6.4.3 The Competition (Tender) as Element for the Selection of Private Actors

Even in the realization of important public works, Pirelli adopts processes that are not so different from the ones used in the assembly of other private interventions. On this aspect, there are important synergies with relevant parts of the central administration, besides the local one.

The University represents an important settlement within Bicocca¹⁷ (Fig. 5.14). Pirelli creates a Special Purpose Entity (Progetto Bicocca Università – Ltd), while the design, the construction, and the facility management are carried out by Pirelli itself. The buildings (six so far, but they are expanding) in the phase of realization are sold to three social security institutions (ENASARCO, INAIL, INPDAP) which in turn rent the buildings with all the facilities and classrooms to the University. After 2 years (2001), the University became operative, and a program was prepared from the Ministry for University and Research for the progressive purchase of the University's buildings from the social security institutions.¹⁸

We are facing a particular form of leasing, not allowed from the Italian and European regulation of that period. The correct procedure should have been the following:

- (a) The identification of the area where to settle the University;
- (b) Purchase of the area at a market price not extremely high (with the expropriation of the area as a penalty)
- (c) Call for the design launched from the public administration; call for the realization of the first seven University buildings
- (d) Totally public financing of the realization

Within the process, Pirelli would have certainly been excluded due to the fact that it does not have either the design characteristics or the builder characteristics. In

¹⁷ It has been calculated that more than 35% of the area is occupied by functions linked to the University with 25,000 students.

¹⁸ In 2001, the financial charge for the renting contracts was €20 million, paid from the Ministry of the University to the social security institutions. That year the Bicocca University was allowed to perform a first application plan for a loan of €250 million, for the progressive purchase of buildings from the social security institutions, paid entirely from the Ministry.

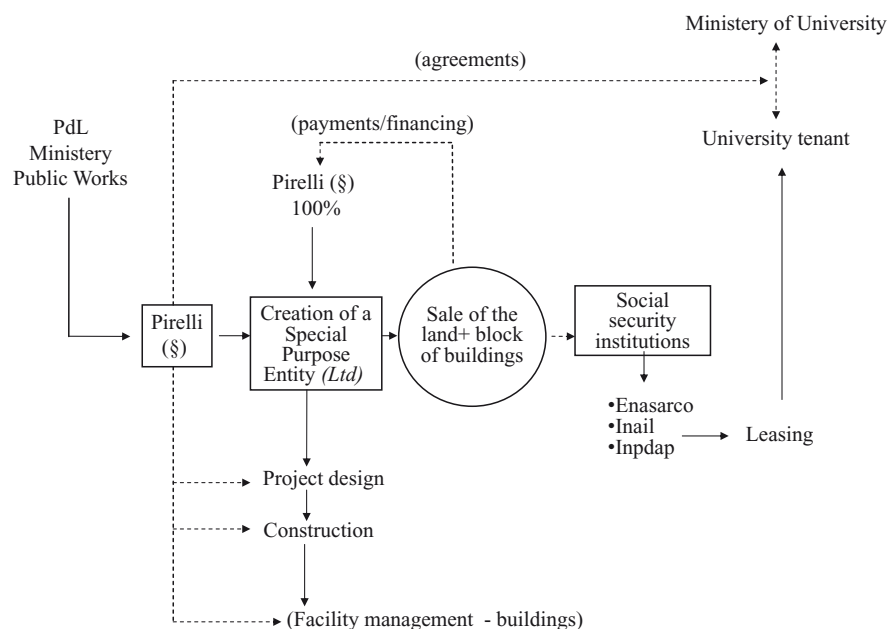


Fig. 5.14 Progetto Bicocca Università – Ltd

its anomaly, the operation appears transparent enough, as the partnership from public (State and Municipality) and private (Pirelli) is well defined.¹⁹

For the Arcimboldi Theatre (2,500 seats; Fig. 5.15), Pirelli intervenes with a major financemnt (30 billions of old liras, around €15.5 million), and the Municipality too, with a slightly minor financemnt (25 billion of old liras, around €13 million). In this case too, we are in front of a partnership with some procedural anomalies. In the conventions between Pirelli and the Municipality, besides the

¹⁹ At the central level (Ministry), there is a preferential axis between university and enterprise (see the Annex at the end of the case). In 1992, the University of Milan was allowed to build new poles within the Milanese urban area. The same year the financial law obliged the social security institutions to use at least 20% of their annual funds for the purchase of buildings addressed to Universities, to put at the disposal of the University once realized. In 1993 the University of Milan signed an agreement (“protocollo di intesa”) with “Progetto Bicocca Università Ltd” for the search of social security institutions in order to purchase the project of realization of the buildings. The State Decree D.L. 509/1994 makes the social security institutions from public to private entities (some problem could have been arisen in the case of Bicocca in the procedure of purchase if the institutions had remained public). The University found in 1993 a more central and cheaper area for its settlement, especially because it was not significantly helped by the State in absorbing the costs of Bioocca, more onerous in terms of rent (annually 7% of the building’s value, as well as on the further purchase). The more central area was better served with transports. In that area a strong opposition of the retailers arose (they are a strong lobbying group – see subsection, “Urban Planning Tools Used” in Sect. 5.1.3.2). The new Mayor (Formentini) agreed with this position. One of the three social security institution’s purchaser of the buildings in Bicocca (ENASARCO) is the retailers’ social security institutions.

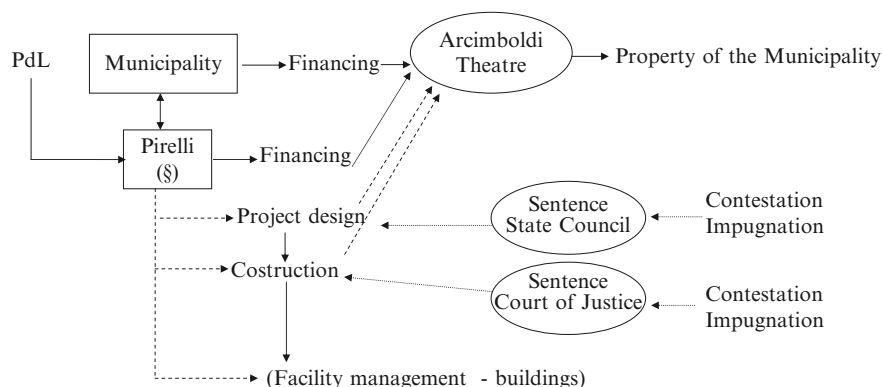


Fig. 5.15 The Arcimboldi Theatre Project

realization of the theater as a reduction of urbanization charges, there is an intervention made for free of the huge maintenance of La Scala Theatre, organizationally linked to the Arcimboldi. Pirelli coordinates its design and construction without any SPE. The Arcimboldi theatre is a work that, once completed, will enter into the estate of the Municipality of Milan. It is managed by the Project Management Organizational Unit of Pirelli RE and economically and financially registered as a voice of deficit, making the Compound Annual Growth Rate (CAGR) diminish. Without a direct intervention from Pirelli RE, the company should have been trusted totally to the Municipality, transferring to it the resources for the realization of the theatre (urbanization charges).

The correct procedure following the national rules should have been the following:

- Arrangement of the area and the financing—totally or partially—from Pirelli, according to the PDL
- Call for the design of the theatre arranged from the Municipality
- Call for the realization of the theatre within the timeframe defined from the Municipality

The procedure has been contested from the Order of Architect of Milan, which was asking for the call for the design. Pirelli defends itself affirming that the design was totally for free. A territorial juridical body (TAR) states Pirelli is wrong while the State Council states the opposite (2003). Another appeal against Pirelli concerns the missing call for the construction of the theater: in this case too, the competition would not have been won by Pirelli since it missed the builder requirements. The EU Court of Justice states, with an important judgement (judgement 2001 C-399/98) Pirelli is wrong.

- Other primary urbanization charges have been managed by Pirelli RE in the same form: construction of streets, sidewalks, green spaces, a tram railway of €18 million with the connection of two existing underground stations passing from Bicocca. In this case too Pirelli had a relevant role in the choice of the infrastructure to be realized. Once completed (2003), the infrastructure has been transferred to the municipal transports entity which becomes the owner.

5.6.5 *The Framework of Public and Private Intervention and the PPP Model Applied*

In the case of Bicocca, there are different ambits where different forms of PPP can be verified. This happens through:

- (a) The main public settlements within the area and the deviation from standard procedures
- (b) A negotiation between public and private on elements of compensation of the private use of the spaces (i.e., negotiation on the green spaces, on public and collective services, on the inclusion of functions and settlements linked to social disadvantaged people, etc.)
- (c) Monetary and financial counterparts linked to the previous points
- (d) Partnership in the management of the existing estate

Nonetheless, in the case of Bicocca, there is no intense form of PPP (Fig. 5.16).

Concerning (a), several considerations have been reported in Sect. 5.6.4.3. Concerning (b), Pirelli has always has an active role in the choice of which public and collective service to include (e.g., University, Theatre, Hangar of modern art) and of which public infrastructure to sponsor (Theatre and tram railway). Only recently (2007–2008) through agreements with the Municipality, they have also been considered a part from residential units on the free market (4.7 ha) subsidized housing (4.5 ettari), social housing (0.5 ha), housing addressed to university students (0.7 ettari), and other small leisure and social services at the quarter level. We refer to the last free areas of Big Bicocca. The point (c) has not been as relevant or a strong element of negotiation, assured by the strong profitability of Pirelli RE in Bicocca. The point (d) shows the management of Pirelli RE within the public estate in Bicocca through its facility management.

The index of edificability of Bicocca now is high (1.2 m²; quantity of surface for every square meter of ground), which is a symptom of a very intensive use of the ground (and of profitability for the company).

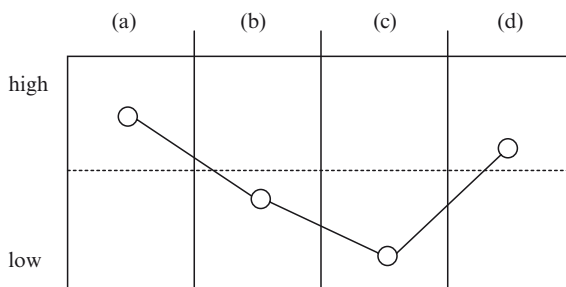


Fig. 5.16 Level of PPP on the basis of the typologies observed in Bicocca

Annex to the Case of Bicocca: Description of the Intervention (References and Chronology)

A PPP is a form of institutionalized cooperation between the government and one or more private operators in a project (Van Boxmeer & Van Beckhoven, 2005). The cooperation is characterized by the distribution of decision rights, costs, and risks. In literature urban partnerships are described with the following terms: synergy, transformation, budget enlargement and capacity enlargement (Bailey, Barker, & Macdonald, 1995; Hastings, 1996; Mackintosh, 1992). Synergy is realized when the private sector reaches higher profit and simultaneously the public is able to reach higher social value/return. It is properly known as 'resources synergy' (Hastings), but there is also the possibility to have 'policy synergies', when the results of cooperation are new policies or solutions (Hastings). Partnerships also bring transformation in the behavior or perspectives of actors. A transformation can occur when the private sector 'shakes up' the public to be more efficient or to adopt a more entrepreneurial way of working (Van Boxmeer & Van Beckhoven, 2005). Transformation can be the achievement of social goals in private regeneration projects, oriented to short-term profits. Hastings talks about an unidirectional transformation when there is an unbalanced power relation and the transformation could be unequal and conflictive. Mutual transformations are characterized by a more balanced relationship and a greater openness to change. Partnerships are characterized by a budget enlargement; generally this is the aim of cooperation: the impact of a coordinated public-private budget should be higher than the one produced by a fragmented one. These arguments are at the basis of the capacity of enlargement which characterized partnerships.

The concept of partnership in urban regeneration started to interest political actors and practitioners in the 1990s (Bailey et al., 1995), especially in the United Kingdom, where the New Public Management introduced a new managerial approach to public administration action. Only in recent years have partnerships in urban transformation been spreading in Italy, though project finance ventures, public-private urban transformation companies, and other forms of more or less formal agreements. It has to be stated that notwithstanding their increasing importance to tackle local development and to share resource and objectives, public authorities still lack the necessary skills and competences to set the partnership's framework, to negotiate with the private operators, and to orient the urban transformation towards the achievement of economic and social goals.

Intervention Description

The economic crisis became progressively serious after the failure of the cooperation agreement with Dunlop (1981), which was followed by an agreement with unions to move part of the production to Southern Italy and by the substitution of traditional manufacturer activities with tertiary ones. That agreement was suddenly abandoned by Pirelli because of the wishes to sell the old plants to be transformed according to the former agreement with unions. A second agreement with unions

followed, to which the Municipality, the Lombardy Region, and the Province also participated, whose contents were:

1. Closure of one of Bicocca plants for the production of pneumatics (2,400 workers)
2. Partial transfer of production near Turin (Settimo Torinese)
3. Opening of a new high-tech plant in Milan outskirts (600 workers)
4. Launch of a training program for some of the redundant workers (500) to be employed in a new National Technological Center to be developed in the Bicocca area

An Agreement Protocol was then signed in 1985 between Pirelli, the Province, the Municipality and the Lombardy Region to launch the project of complete transformation of the Bicocca area. The aim of the protocol was to support employment and economic development in Milan, the technological innovation, the empowerment of the environment quality, and the development of tertiary activities by the Pirelli Company. The employment problem was rapidly solved with the identification of an area to localize the production (in the outskirts of Milan, Bollate), which was to be opened in 1989. After the signature of the protocol, Pirelli quickly started the search for partners to develop its project Technocity. Former agreements were signed with Olivetti, Philips, IBM, Bayer, Sip, Enel, and other research institutions such as Cnr, Enea, and Cestec. A total of 44 out of 71 ha had to be used for high-tech and research. In general, it can be said that Pirelli invested several resources in building up a strong consensus and resonance around the project.

In 1985, an international call for projects and ideas was launched in order to find the best project for the development of Technocity; at the very beginning of 1986, a short list of three architects was defined. The international tender was also used to empower the international image of Pirelli involved in such a wide urban transformation project. This strategy was aimed at supporting the entrance of Pirelli in the real estate sector. From this marketing strategy and from the wishes to have a high flexible project to adapt to the opportunities of the future the aim of Pirelli in the transformation of Bicocca can be readily understood: to increase its profits in order to solve its economic and financial crisis and to enter the highly profitable market of real estate at the international level.

Enthusiasm can also be seen in the other actors involved: the Municipality rapidly prepared the necessary administrative acts to make the usage of the area possible for tertiary and technological activities; the Region commissioned a research about the potentiality of the North Milan area in high-tech productions. Camagni & Gibelli, 1986²⁰ It is important to notice how the 'flexibility' required by Pirelli also remained a significant element in the administrative acts prepared by the Municipality. The project also starts to interest other subjects, the just born real estate funds and the real estate companies. A new alliance between BNL (a bank), INA (an assurance company), and Gabetti (real estate operator) was done in order to finance big projects of urban transformation like Bicocca. Seven building companies created 'Milano Sviluppo' in order to become the main partner of the Municipality to implement the urban transformation project foreseen in the Documento Direttore (Master Plan). Assolombarda (the regional association of

²⁰ IRER e Società Industrie Pirelli, Milan.

industrial and tertiary enterprises) and the Polytechnic of Milan decided, respectively, to transfer their headquarters and to open a Center for enterprise and innovation in Bicocca area.

In 1987, the variant to the UGP arrived to the City Council for approval and Pirelli asked the three shortlisted architects to maintain such flexibility in their projects to pass the second step of the tender. Pirelli goes on with its marketing strategy and consensus creation and it created a scientific committee coordinated by Mr. Colombo (president of one of the most important Italian Research Institutes, Enea), with the aim to develop a 20-year scenario concerning the technological and scientific research to help the definition of the activities to be settled in the Technological Pole.²¹ The promotion of the project also reached the general public thanks to some special television programs and documentaries.

After consultations, in June 1988 the City Council approved the variants to the UGP, which also required the approval of the Region to become operative. In the meantime some settlement of functions were done in the buildings just refurbished: they allowed a rapid launch of the Technocity project with concrete actions. The strong support to Technocity went on thanks also to the opening of Cefriel (training, upgrading and research center on electronic engineering), supported by public and private actors,²² foreseen by the union agreement dated 1985. In the same year, the second part of the tender was closed and the assignment to Studio Gregotti was announced.

In 1989, the Region approved the variant to the UGP, just 4 years after the signature of the protocol, but a lot was changed from that date. The support of the Municipality was progressively reduced, because of some internal tensions about environmental questions, which would also have assumed an increasing importance in the Bicocca project, related to the approval of further acts necessary for the implementation of the project (executive plans and PdL).

In 1991 an agreement between Pirelli and the University of Milan was signed to settle the faculty of environmental sciences in the Bicocca area. In the meantime the approval of the necessary acts for the implementation of the project were delayed because part of the City Council denounced the failure to respect the rules for the calculation of green portions. The year 1991 was also characterized by a strong failure of the Continental operation of Pirelli. That caused a loss of around €346 million and the necessity to approve a new reorganization plan; the Bicocca project seemed to be again a means to solve the crisis, as happened some years before.

In 1992 Pirelli foresaw the need to open Bicocca to new real estate partners, though maintaining the coordination of the project.²³ In the same year, the long

²¹ Mr. Colombo was Minister of High Education under Ciampi Government in 1993–1994 and he fostered the financial autonomy of Public Universities and the redefinition of the relationship among enterprises and universities to support the transfer of research results (Protocollo di Intesa Confindustria – Conferenza dei Rettori, 1983).

²² Sponsored by Region, Municipality, Polytechnic of Milan and Milan University, Assolombarda, Honeywell, Bull Italia, Ibm, Pirelli, Italtel, and Telettra.

²³ After the failure of Continental, Pirelli approved a restructuring plan of the traditional production (cables and pneumatics); the selling of the division of diversified products; the debt restructuring (€750 million) and the entry of Marco Tronchetti Provera at the guidance of the Company.

administrative approval was at the basis of the fear that some enterprises could decide not to localize in Bicocca; at the end of 1991, an agreement was signed between Pirelli and the Deputy Mayor of the city to allocate more space to residential units, reducing research and tertiary. The City Council changed after a political crisis and the new Mayor promised to accelerate the Bicocca project. The approval of the implementation acts that foresaw an increased percentage of residential followed the request of a higher number of car parks and social housing.

In 1993, Pirelli approved an increase of equity for €57 million to finance the Bicocca project. This is a clear signal of the increased attention paid by Pirelli to real estate. During that year the University of Milan also signed an agreement to find investors to finance the settlement of part of academic activities in the Bicocca area (5 ha). This project, after several political facts, has been supported by the new Municipal Committee driven by Mayor Formentini. The decision was opposed by those who considered the political decision a 'fraud,' because the development costs in Bicocca were high and its settlement would have increased the value of a private investment. Those who supported this position believed that the Municipality decision would have guaranteed the support of 'strong powers of the city' to the new City Council. The investment of the University had to be financed by some social security institutions (Inail, Enasarco and Inpdap) following a rule (Financial law for 1993) that allowed social security institutions to finance the new University investments through a leasing system. The City Council proceeded rapidly to the approval of the formal acts necessary to make the investment for the new University possible in order to prevent investors from abandoning the project. In 1994, a first part of the investment for the new University was finished and the idea of developing the technological pole seemed to be definitely abandoned, in the marketing strategy too. The University became, then, one of the main function of the area, followed by tertiary (headquarters of national and international companies), residential, commercial and public services. The strategy adopted for this phase of development was to find the owners and users before the construction activities, made possible thanks to the flexibility given to architect and to administrative acts. In 1994, Milano Centrale decided to sell some assets to find the necessary resources for the Bicocca project and to raise its equity again.

In 1996, Pirelli and La Scala Theatre took an agreement to build a new auditorium with 2,300 seats in Bicocca. The project will permit to move the artistic production in Bicocca during the refurbishment of La Scala. The project foresaw also the creation of a new car park (for 1,500 cars) and the empowerment of the tram line, which links the subway to the area. The time planning was tight, 2 years to build the auditorium to make possible the refurbishment of La Scala by 2001. The Municipality approved the project; this decision was very greatly criticised because of the expense of the investment (La Scala should have found a cheaper alternative location) and for having directly appointed Studio Gregotti for the design. This decision was appealed to the Administrative Court. In the same year, thanks to the Financial Law for 1997, the University of Milan created a separate University for 35,000/40,000 students to be settled in the buildings of the Bicocca project. In 1996, Milano Centrale took part in an

international conference in Cannes where the Bicocca project was shown as one of the biggest projects in Europe.

In 1997, as the approval of the theatre project was on stand by, the new Mayor Albertini decided to separate the refurbishment of La Scala from the theatre in Bicocca, where just an auditorium would have been developed (the Arcimboldi Theatre, at a lower cost than the one previously foreseen). The project approved by the Municipality foresaw a theatre with 2,500 seats and a cost of €28 million, partly (€13 million) covered by Milano Centrale and partly by the Municipality. The approval of the Arcimboldi Theatre underlines again the different perspective assumed by Bicocca: no more a Technocity project but an 'outskirt's core.' In the meantime, Deutsche Bank decided to build its Italian headquarters in Bicocca; it represents the second big investor settled in Bicocca after Siemens. At the end of the year, Pirelli announced the purchase of the Ansaldo area, an area of around 25 ha. The area would have allowed the extension of Bicocca towards the north; Pirelli started to use the name Big Bicocca in its communication strategy.

The Current Image of Bicocca

After the acquisition of the Ansaldo area, the Big Bicocca project assumed an area of around 100 ha. It is now characterized by the following main functions:

- Milan University (Departments of Mathematics, Social Sciences, Statistic Science, Sociology, Law, Psychology and others), designed in 1999 by Gregotti, the main architect of Pirelli.
- Research Institutes (CNR, Neurological Center Besta, Pirelli, AEM and others) built since 1993.
- Arcimboldi Theatre, built in 2001 on the basis of a Gregotti project.
- Private enterprise headquarters such as Siemens (1997), Deutsche Bank (2003), Reuters, Compaq, Johnson & Johnson, Hachette Rusconi, and Pirelli developed around the old cooling tower of the old plants.
- Residential buildings.
- Multiplex cinema and commercial mall (Bicocca Village).
- Public services and parking spaces (3.6 ha underground and 0.8 ha along the streets).
- Green spaces.
- Hangar Bicocca (1.5 ha), a huge old factory plant owned by Ansaldo. It has hosted events of contemporary art since October 2004 and it is also a training center on arts and creativity.

Another important project was scheduled to be opened by the end of 2007/08: 'Bicocca 16,' born on the basis of a reuse project of a former Ansaldo building next to the Hangar. Bicocca 16 has an area of 1.8 ha and it is formed by 60 lofts with variable dimensions (between 160 and 600 m²) to be used for laboratories, offices, factories, and atelier. A new campaign has been just launched based on the concept of creativity and strictly linked to the soon to be born cultural district.

5.7 Turin, Spina 3

by Remo Dalla Longa and Elisa Ricciuti

5.7.1 History of the Case

The area called Spina 3 well represents the metaphor of the development that the city of Turin has undergone in recent decades. The interventions carried out in this area clearly show all the elements that characterize the change of the city's productive functions, linked to the creation of new subjects both public and private, mutually relating and influencing to reach a common objective. Spina 3 is definitely the major rehabilitation that the city of Turin has undergone at this time within a central place of the city.

5.7.1.1 The Phase When the Problem of Urban Renewal Was Considered

The intervention in Spina 3 had the aim of redesigning the city of Turin. Among all the Italian cities, Turin has always been defined as the 'city manufacturer.' The automotive factory modelled the shape of the city (it can be compared to Detroit, site of Ford, Chrysler, and General Motors), influencing its functions and image forward in time. This was mainly due to the presence of FIAT, the major Italian automotive industry, main actor of the development of the city.

Up to the 1970s, FIAT pressed to transform the city with its industrial property and the Municipality had to stop, regulate, and govern this pressure. This scenario changed very slowly. In the late 1970s and 1980s, the economy of the industrial city entered a severe crisis and the passage to a service-based economy started to take shape. All the major industrial actors of the city slowed down their production and started to reduce their plants. Turin endured the loss of thousands of inhabitants and many industrial sites were finally closed down, leaving vacant spaces. This determined a new role for the Municipality: from controller of the industries' development to *pro-active actor* to allow a new economic development of Turin. It is exactly the decline of the city which promoted a push factor for the renaissance. Some 'urban boxes' called Spine (literally 'backbones,' for their particular disposition within the city's boundaries) have been developed in order to settle new social and economic functions.

5.7.1.2 Phases of the Interventions

The whole process began in the 1970s and it has been developed in the last 15 years. It represents the concept of *implosion*, where old traditional industrial functions collapse leaving empty spaces in the central area of the city.

Phase I – The main actor in the first phase is the industry FIAT, still growing and looking for new areas of expansion within the city, not for production activities but for its office district. The intervention of the municipality of Turin is basically linked to the use of urban planning tools. During these years, first signals of a crisis and revision of traditional organizational models weakly appear, exactly those symptoms that will lead to an abrupt stop of the industry's growth, and consequently of its need of urban areas. They are the years where there is the passage from the 'traditional factory' to the 'integrated factory' and for the FIAT group from the 'polarization' (1960s) to the 'functional breakdown' (1970s and early 1980s (Conti-Enrietti, 1995). FIAT influenced all the city production if we consider the economic activity induced by the car industry as mechanical, metallurgy, iron and steel industry. This has a high impact with the location, with the layout and the use of the land.

Phase II – In the early 1980s, the crisis of FIAT becomes evident. The public administration itself seems completely unprepared to face this new situation. The public sector perceives the need to radically change its way of action and think of new tools and procedures to be set up. Therefore, it seems unavoidable to pass from a regulative role to a new function where the city recognizes the need to fill urban spaces left empty after the collapse of old industrial production's functions. The first attempts to change the urban shape of the city come in 1985. In the new urban planning (Urban General Plan – UGP) started in the mid 1980s it is possible to find this 'suffering'.²⁴

Phase III – In the early 1990s, the public administration with its new role had to face phenomena that were completely unknown for Turin. Astonishment and confusion prevailed. The Municipality was in the process of understanding that it was forced to find new tools to negotiate with the private actors, but at the same time did not seem ready to make it. The struggling actions to find a new role were mainly due to the importance of the project for the renaissance of the city from the economic and social crisis caused by the closure of the old productive functions.

Phase IV – The City signed the first Programme Agreement with the Piedmont Region and the Italian Ministry of Public Works concerning the rehabilitation of Spina 3. Moreover, European structural funds were applied and used to fill the urban areas after the collapse of the industrial functions. It seems that a first strategy of intervention is going to be more and more defined within four areas of renewal called Spine: Spina 1, Spina 2, Spina 3, Spina 4. The agreement between relevant institutions on Turin is connected with the drama of Turin situation, not possible for other Italian cities.

Phase V – The intervention within Spina 3 starts. The main characteristic is the continuous change in the interventions, symptom of a weak strategy, as well as a lack of tools and a strong public role in the relationship with the private actor. Spina 3 is perceived as a particular important intervention, where the image of the city itself is at risk. From mono-productive functions, the city will change to consumption,

²⁴In 1980, a first preliminary design of the new Regulatory Plan had been approved under Mayor Novelli, but the project was abandoned due to tensions between different subjects involved.

service-based and some examples of high-tech sectors, for a renewed image of the city. Spina 3 will be able to transform the real image of the city, and to show that the public administration is able to give the city its new role. Alternatively, the risk is to lose control over urban dynamics and be overtaken by private interests. The complexity of the intervention is due to its aim of reusing spaces properly according to the city's needs, guaranteeing the financial feasibility in order to attract private capitals and speeding up all the projects to capture public financial resources.

5.7.1.3 Innovations in the Rehabilitation

The main innovation in this rehabilitation process concerns the role that the public administration has been forced to give to itself. It had to face with private actors who needed to rehabilitate their assets (central areas' real estates). In this context, it was predominantly the search for subjects who could properly fulfil this task (real estates operators, construction companies, new public and private organizations). New companies had been created in this context, some of them still operating in Spina 3. They will constitute exactly the form of PPP characterizing Spina 3.

As a consequence of this process, the public administration perceived the need to develop new strategies, languages, tools for negotiation with private actors on completely new themes, but still highly important and risky—to get the renewal of central areas, or to lose the game and the opportunity of a re-conversion to new innovative productive functions.

5.7.2 Context of the Intervention

Turin has a quite small municipal area (13,000 ha with less than 900,000 inhabitants: the whole metropolitan area counts around 1,700,000 inhabitants) while the interventions on the abandoned areas of the Municipality pertain to 850–1,000 ha, where Spina 3 absorbs more than 100 ha.

Spina 3 represents, at this time, around 70% of all re-qualification programs in Turin.

The 1998 Program Agreement allocated around €25 million of public funds to the refurbishment, reclamation, demolition and other urbanization works concerning public destination areas, which private owners will submit to the Municipality due to the Conventions signed in order to fulfill the objectives of the UGP.

The inhabitants of Spina will be about 10,200, with 65 ha destined to public services (including a large park), and the total edificability is around 58.5 ha. The agreements between the Municipality and private operators destine around 60% to housing regulated by the market price, 30% to subsidized housing and 10% to public housing building.

Spina 3 comprises all the areas which once hosted the most important industrial plants of the city, like FIAT, Michelin, CimiMontubi, Savigliano, and Paracchi, all connected more or less with the FIAT industry economy.

The strengths of the area are recognized in:

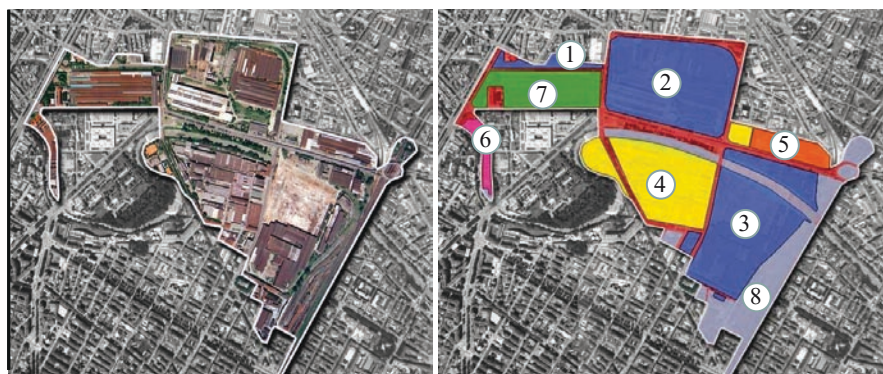
- Excellent conditions of accessibility related to public transport development projects
- Large dimension
- Not excessively fragmented land ownership
- Environmental potential (the presence of a river axis)

The weaknesses are:

- The poor conditions of the soils due to previous production activities, especially in the areas where steelworks were based
- The need for a significant creation of infrastructures
- Heavy transformability conditions in an uncertain real estate market situation
- Very dense urban context, lacking in services and green areas
- Present status of environmental potential: the waterway (the river Dora) is partially covered over by the old production needs

The private actors involved in this rehabilitation were (Fig. 5.17):

1. *Valdellatorre* – The total surface of the area is 2.9 ha, of which 1.75 was for residential and 2.1 for public services in 1999. CimiMontubi signed a Convention with the municipality of Turin to give it the disposition for the areas destined for public use. Since the beginning, CimiMontubi has found private operators interested to participate in the rehabilitation, basically among small local enterprises and construction companies.
2. *Vitali* – Its area is 24.7 ha, of which 14.8 is property of CimiMontubi and 2.5 property of the Municipality; 17.2 ha are destined to public services (park included). Moreover, in the northern area of Vitali (called Vitali North), there has been a shift of property from the former owner (CimiMontubi) to Immobiliare Europea in order



1. Valdellatorre; 2 Vitali; 3. Valdocco; 4. Michelin; 5. Savigliano-Snos;
6. Paracchi; 7. Fiat-Ingest; 8. Railways

Fig. 5.17 The state of the art – Spina 3

to build a media village for the Winter Olympic Games (then reconverted into residential units addressed to university students). From the old functions (iron and steel works of Finsider – IRI Group), the Vitali area has now a mixed-use shape. It comprises residential units (8.5 ha), a shopping center (1.5 ha), offices (6.2 ha), a technological park (Vitali Park – 8.1 ha) and a parking area.

3. *Valdocco* – It has been subdivided in four sub-districts where different interventions take place autonomously. Apart from CimiMontubi's building rights, according to the Convention with the Municipality (14/07/99), the district hosts 3 ha in the old area pertaining once to Teksid (steelwork) destined from the Municipality to the Environment Park, a scientific and technological park implemented with the help of European funds. The total area of Valdocco is 23.7 ha, of which 14.2 is property of CimiMontubi and 3 of the Municipality (ex-Teksid destined to Environment Park). 20 ha of the whole area are intended for public services (park included).

Environment Park, built in 3 ha, has laboratories and offices for start-ups in the high-tech sector, bio-architectural technologies, and green roofs. The project started in 1996 with the municipality of Turin, the Regional Development Agency Finpiemonte, the province of Turin and the European Union (ERDF; European Regional Development Fund, objective 2). The total investment is around €35 million, of which 24.5 (70%) from the ERDF.

4. *Michelin* – The Michelin property is the central part of Spina 3, together with a smaller part in the North. The new functions designed inside the area, all connected with consumption, are: a shopping center, a multiplex cinema, restaurants, residential units, and a park area. Cooperatives, special purpose entities (Sviluppo Dora), and private builders operated in the area.
5. *Savigliano* – Savigliano district became property of the newborn SNOS in 2001, which still operates in the area. Savigliano was still working in 1998 (when the new Urban General Plan was approved), which is why the owner remained partially out from the first round of negotiations with the Municipality on the official plan proposal. The total cost of the re-conversion is around €90 million, partially funded by the European Union (ERDF). The total surface of the area is 3.7 ha, subdivided in spaces for residential units (lofts), offices for new enterprises in six new building units, commercial activities, tertiary and parking areas.
6. *Paracchi*²⁵ – In 1998, the owners commissioned the design to renew their ancient factory. The original project foresaw offices, residential units, and a hotel. In 2002 a new convention with the Municipality was signed, changing the destinations of the area and in particular designating a larger share for services, craft, and commerce. The southern part of the area was bought by two operators who started to negotiate autonomously with the Municipality for the development of the area. The total area is 3 ha.

²⁵ Paracchi closed down its production in 1982.

7. *FIAT–Ingest*²⁶ – The ex-FIAT district is located on the south of the Valdellatorre district, between Paracchi and Vitali areas. From the old functions (steel industries), 400 residential units are in the process of being completed. The total area is 8.7 ha.
8. *National Railways* – There is an area belonging to the National Railways, which are interested in burying part of the railway (railway link) and use that area for other settlements.

Compared to the original morphologies, productions, and proprieties, Cimimontubi holds more areas. Cimimontubi is a company of the Fintecna group, which in turn is totally controlled by the State (Ministry of Finance). The real estate of Cimimontubi originates from dismissed industrial areas, especially iron and steel works. In Turin, it holds almost 100 ha, half of which is in Spina 3.²⁷

For each area, some SPEs have been created to manage operatively the interventions, within these SPEs there are several actors including the areas' owners. Michelin created a company (SAMI) with the sole aim of selling the land at disposal. Michelin was then replaced by a network of cooperatives for large-scale retail trade and building firms for the construction of residential units.

5.7.3 Public Administration and Local Government Involved in the Intervention

Spina 3 is a result of the action of the public administration, especially the Municipality. It is extremely probable that this intervention would not have taken place without this public action. In this action, we can read the particular situation Turin has undergone at this time.

Without a rapid reintegration of some parts of the city and without a new idea of the city (different from the one which was literally 'collapsing' due to the revision of the productive and industrial model), a decomposition of the city would have been created, and a deep crisis, also an identity crisis. From the beginning there was a strong and aware integration between the Municipality, the State, the National Railways, the Region, the European Community, the Province, the Chamber of Commerce, private and industrial associations, Universities (Polytechnic of Turin). The Mayor himself from the early 1990s until 2001 came from the Polytechnic (it was the Chancellor). The previous Mayor came from the working productive culture: they were both aware of the risk of epochal transformation the city was facing.

²⁶Ingest is a company part of the FIAT group operating in the facility management sector (it represents 1% of the FIAT yearly turnover). It is in charge of the facility management services for the whole FIAT group, totally controlled (100%) by 'Investimenti e Gestioni', which itself is totally controlled (100%) by Business Solutions which finally is directly and totally controlled by FIAT (quoted company). In 2007 Ingest was bought (100% of the shares) from Pirelli RE.

²⁷Cimimontubi has the propriety of other areas in Milan, near Bicocca (30 ha) and in Naples (Bagnoli). Fintecna was created with the aim of leading Italian public enterprises to be privatized.

They are the years of permanent negotiating tables and public and private working groups on the city's problems. A 'participative' procedure has been created for the predisposition of the first Strategic Plan of a big Italian city. A first strong Program Agreement between public subjects was created (Public-Public Partnership) through the creation of integrated public funds. The Region itself, not always of the same political color as the Municipality, refines its own companies, the sole example in Italy, in order to intervene in the redesign of the city of Turin especially in Spina 3 (SNOS and SINATEC, controlled companies from Finpiemonte). The integrated way of operating between strengths and subjects of different natures leads to the candidature of Turin for the Winter Olympic Games in 2006 and its obtaining as a completion of this created network. Spina 3 becomes an important settlement for the Games (buildings, offices and dwellings are put at disposal) and gets from the deadline 2006 a strong impulse to consolidate or complete some interventions.

In November 1996, the first start-up of Spina 3 is the Environment Park. All the elements of the public intervention are evident in it, as well as the procedural difference with the Bicocca case of Milan.

The Environment Park foresees the realization there of an enormous buried park, symbol of the start-up of the intervention. There is a convention between the Municipality and Cimimontubi to get the 7-ha area for free, in exchange the Municipality leaves to Cimimontubi the indexes of edificability, which could also have uses within other parts of its territory. For the realization and management of the Environment Park, a mixed public-private company, for the majority public, is created with some subjects involved in the urban renewal of Turin (the Municipality,

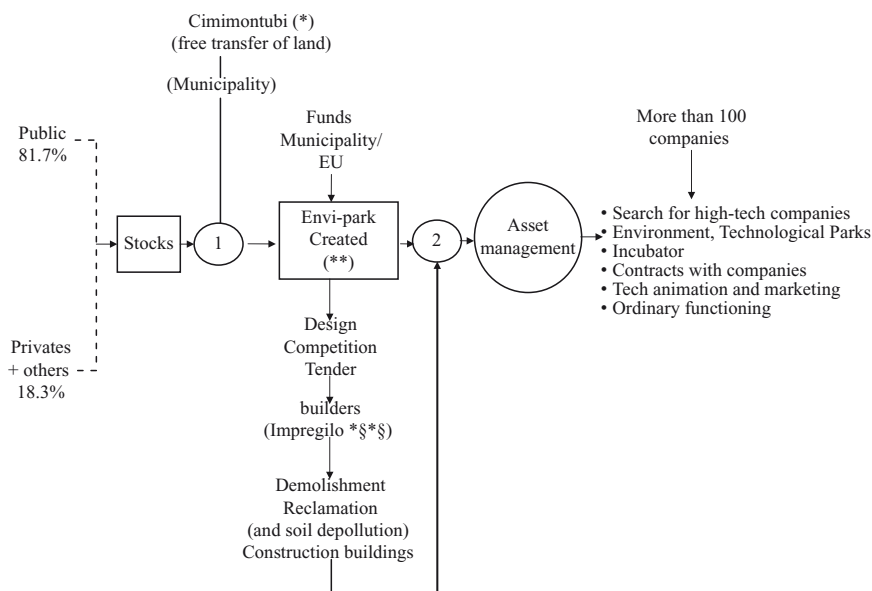


Fig. 5.18 The building process of the Environment Park intervention

the Province, four municipal companies, AEM, the Region through Finpiemonte, the University, the Chamber of Commerce, the Industrial Union of Turin²⁸).

Once the company is created, the Municipality transfers the area for free to the Envipark (public–private company) after having obtained it in turn for free from Cimimontubi. Funds for the reclamation and realization of building infrastructures of the Environment Park amount to 70% from a European Fund (€25 million); for the rest, they are public funds. A call for tender is issued (competitive contract) since it is within a public procurement procedure, for the definitive and executive planning, reclamation of the areas, and realization of buildings. Impregilo, the most important Italian construction company based in Turin, wins the competition. Once the testing is made, the estate is managed by the Envipark which among its tasks attracts high-tech enterprises (especially if linked to the environmental issues) operates as an incubator for high-tech production, and defines the renting contracts with the enterprises.

After the Environment Park, other mixed public–private companies were created: SINATEC and SNOS, managed by the Region/Finpiemonte with the majority of capital. SINATEC (public–private company) has been created in 1992, while the

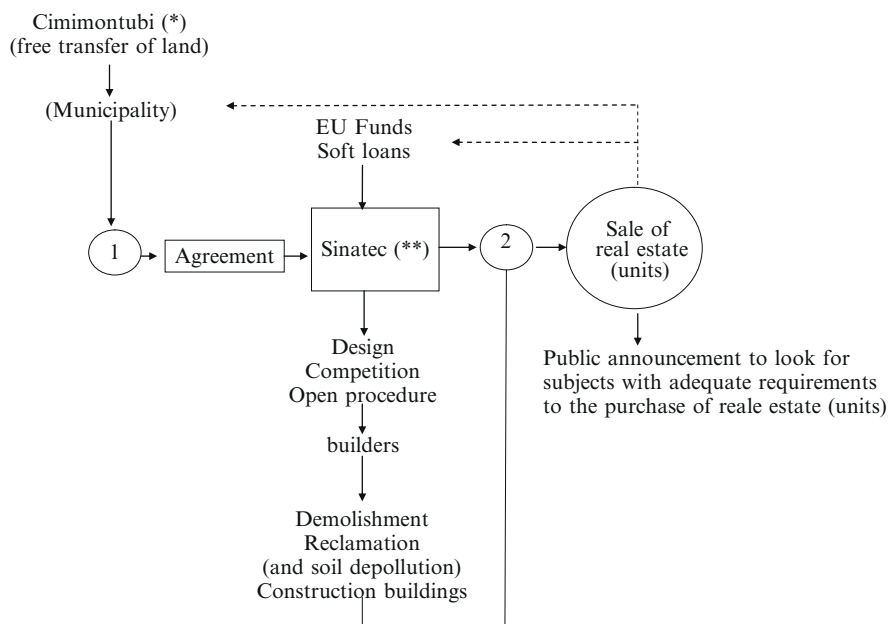


Fig. 5.19 The building process of SINATEC intervention

²⁸ The municipality of Turin with its companies (AAM, AMIAT, AEM, SMAT) 41.7%; the Region with Finpiemonte 28.8%; the Chamber of commerce 13.7%, the Province 11%, and minority shares for other partners.

intervention in Vitali Park starts in 2003.²⁹ It is a realization of blocks of buildings in a limited area, less than 1 ha (almost one quarter of the area of Environment Park). More or less the same criteria of the Environment Park have been used for another area, given in exchange for the possibility to transfer the indexes of edifiability to another part of Spina 3, Vitali North. A successive Convention is signed between the Municipality and SINATEC to transfer the area almost for free. SINATEC accesses European/Regional funds at free interest and depreciation rate (DOCUP, Fund for industrial areas in decline). The funds cover 30% of the intervention, while for the remaining 70% SINATEC takes out a loan. There is no call for the design, which is done by entrusting external experts. Rather, an open call for tender is issued for the realization of the building blocks (€26 million). Once the realization is finished, the units are sold through a public tender looking for subjects with proper requirements for the purchase.

The financing, construction and sale are separate economic and financial flows. The sale follows the realization, and it is not contemporary to the latter as happens for some construction investments. The sale is on low levels of the market with a one-quarter reduction compared to the realization costs. This is mainly due to the European financing, which allows settling production spaces for less than around 20% of the realization costs. The revenues of the sale are used on one side to pay off the debt, on the other side they are used to pay the Municipality back (for a share of around one seventh) for the transfer of the area (around 14% of every square meter sold to subjects selected on the basis of proper characteristics).

The SNOS was created in 2002 and is quite different from the previous companies/initiatives (Fig. 5.20). The area and the historical buildings (which remained productively active until the 1980s) were purchased by FIAT railways in 1970. The area counts about 2 ha and it is formed by a historical industrial archaeology building, called 'sleeve' for the relevant length and relative width (located on 0.4 ha with several floors for a total surface of 9,000 m²). Six four-storied houses with functions destined to production have been built as a 'comb,' for a surface of 27,000 m².

On its constitution, the SNOS has a 51% capital coming from Finpiemonte and 49% from a building firm of Turin (Rosso). Thus the area is acquired directly by SNOS without any intermediation from the Municipality, as happened instead for the former two areas (Environment Park and Vitali Park). In this case European funds are used too. A further difference, not irrelevant, is that the building firm (Rosso SpA³⁰) performs the realization of the historical storied house, in a form that appears questionable. This would have been possible only if Finpiemonte had issued a call for the search of a partner in order to create a company (SNOS) and on the

²⁹ SINATEC is controlled by Finpiemonte, the Piedmont Region holds the absolute majority of shares; some private credit institutions participate in the company too. SINATEC has 91% of the shares of Finpiemonte and the presence of some private associations (CNA e API). The main functions of SINATEC are the realization of industrial areas and furniture for production activities and services. SINATEC has intervened in more than 10 areas for the settlement of economic activities in the Turin area on a total area of 40 ha.

³⁰ Rosso is the 32^o building firm in Italy, with a turnover of €167 million in 2007.

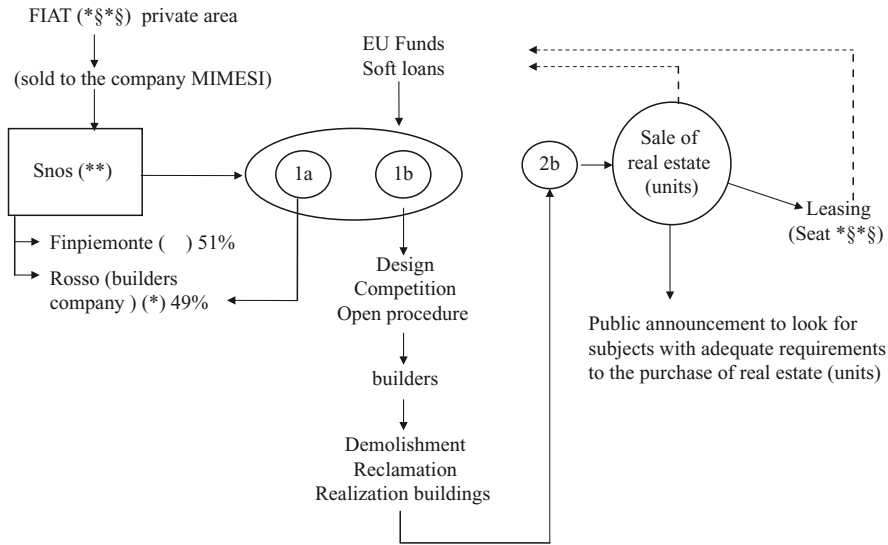


Fig. 5.20 The building process of SNOS intervention

basis of a project already drafted ex-ante for the restructuring and reconversion of the building called sleeve. But this did not happen. Rather, the new six buildings were realized with a criterion already mentioned for SINATEC/Vitali Park. A further difference and anomaly concerns the procedure already indicated for SINATEC, which means a non-completion and realization of the works and a public announcement for the search for proper subjects, but for SNOS the procedure has been interrupted. That means, in the buildings' realization phase there is an agreement with a medium-large Italian company (Seat Pagine Gialle) for the purchase, through leasing, of a large part of the space put at disposal for production activities.

Thus 26,600 m² (of 30,000 available) were sold to Seat Pagine Gialle for a total cost of €75 million payable in 15 years. There is an agreement between Seat Pagine Gialle and the bank (Intesa Leasing). The new procedure has brought substantial and unexpected variants to the project too, to make the entrepreneurial needs of Seat Pagine Gialle compatible with the purchase.

5.7.3.1 Short Profile and Organization

The description of the intervention must be seen above all as a synergistic development of a Public Partnership (PP). Since Turin was betting its image of avant-garde, service-based, innovative, and modern city, it was clear from the beginning to the public administration that it would not have been possible to face this situation alone. Therefore, joint confrontation and negotiation tables were created, on the basis of the

common perception that Spina 3 would be able to attract a huge amount of public resources from different actors (local, regional, national and supranational).

5.7.3.2 Functions of Public Administration Bodies in the Complex Urban Intervention

Competence

The Central Government The Central Government has the role to establish the general policies of the sector. The State, together with local administrations, carries out sectorial interventions (e.g. transport inside the Public Works or complex urban programs). The main Ministry involved in the Spina 3 intervention is the Ministry of Public Works. Its competences in the case are:

- To sign agreements and financing on railways transports (railways stations and the railway link's burial)
- To finance complex urban renewals (within the framework of the PRiU, Programme for Urban Re-qualification)

The ministerial funds for Spina 3 were used for public area pre-urbanizations and for underground services.

The Municipality of Turin Prime responsibility of the Municipality refers to the development of urban planning tools, which are no more proper to face its new role. New tools should shift from a *regulative* approach to a *negotiation* one, focusing on Plans-Programmes (Piani-Programmi) and particular variants. The role of the Municipality is also to negotiate functions within specific pre-determined spaces (disposition of volumes, destinations, and inclusions). The third main competence of the Municipality is the financing of public works within the city's area (state of roads, network services, and green spaces). This particular competence can be shifted to the private actor, when transformed into urbanization charges.

The peculiarity of Spina 3 concerns the mix of new tasks and competences linked to the issue of negotiation of complex urban interventions, which require new skills and knowledge, like assets' evaluation, integration with urban planning tools, the capacity of building the intervention up and investments' evaluation. The lack of this kind of competence seems at the basis of the continuous change of strategies in the planning and design of Spina 3.

The Province of Turin Since the major competence in local rehabilitation intervention attains to the Municipality, the Province played a marginal role compared to the city and the Region. Basically, it coordinated the activities pertained to the areas devoted to green spaces, environment protection, and related supplies.

The Piedmont Region and Finpiemonte The Region's responsibilities refer basically to the partial financing of production experimental activities (i.e., Environment Park and incubators). The Region operates through Finpiemonte the

regional development agency in charge of getting funds and implementing interventions and projects on the ground.

Finpiemonte is a mixed public-private company (or better public limited company) owned for the majority (94%) by the Region. Since its foundation in 1977, it pursues social-economic objectives, following social and economic criteria rather than profit-oriented or speculative ones. In the 1980s, Finpiemonte operated basically with public institutions. It is only in the 1990s that it started to change its shape and way of intervention: the partnerships with private subjects reared up and it suddenly became the major operator within the territory. Finpiemonte (recently subdivided in two branches, with one dedicated only to the control of participated companies) has now a massive competence and recognition from the territory as a financial agency operating for the public interest. Once the input for the intervention is given (from a public institution or a private subject), Finpiemonte verifies the suitability and feasibility of the project, while signing agreements with public and private partners to implement the intervention. After that, the newborn partnership establishes special public-private companies (like SNOS and SINATEC in our case), in order to verify more accurately the feasibility of the project and manage autonomously the whole intervention.

The National Railways The National Railways company was involved in Spina 3 intervention due to its property of the Porta Susa station as well as the burial of the railway link cutting the whole Spina project. For what they were concerned with they signed the first agreement with the Municipality in March 1991, even before the approval of the new Regulatory Plan.

Urban Planning Tools Used

In the context of the whole Spina intervention, several urban planning tools were used, particularly PRiU (Programmes for Urban Re-qualification) and PRUSST (Programmes of urban re-qualification and sustainable development of the territory).

The PRiU for Spina 3 plans the realization of important urban works and infrastructures:

- The creation of a park of 45 ha (the Dora Park)
- The realization of all the infrastructures needed to avoid interference with the traffic (i.e. tunnels)
- The renewal of part of the big avenue which cuts Spina 3 in two parts
- The reclamation and renewal of other roads close to Spina 3, to allow an easier accessibility
- The creation of underpasses and parking areas
- The realization of public infrastructures for culture and leisure (schools, playgrounds, etc.)
- The final estimate 2009 had considered a total of €580 million of investments for the private, and an aggregate of €140 million for all the public subjects (National Railways, Region, Municipality, Province etc.)

Funding and Financial Tools Used

The resources foresaw for Spina 3 at the beginning of the process (1988 Programme Agreement) were:

- Private resources: €445 million
- Public resources: €114 million

Data available on half of process show that the total amount of public resources used is around €132 million, with €30 million of private resources for public interventions, for a total of €162 million. For what involves the public works already realized and completed, they represent the 60% of the estimates, for €100 million.

The final estimate for 2009 had considered €580 million of total investments for the private. and €140 million for all the public subjects (Nationals Railways. Region, Municipality, Province, etc.)

Managerial Models Adopted

There is not a managerial model clearly defined and adopted for the intervention in Spina 3, which happens frequently in complex urban intervention. The Bicocca case shows a more evident managerial model in the area. It originated in more points from a strategy of Pirelli. In Spina 3, it is rather possible to find an interaction between several subjects continuously bargaining, changing properties, changing managing roles, planners, and decision-makers. The negotiation goes on within the private context and between private and public subjects. The organizational model adopted can be summarized as follows:

- (a) The activation of Agreement Protocols (before 1998). Within their framework, for example, the Environment Park was developed
- (b) The formalization of the Program Agreement as the last step to define the PRIU (1998), even if in the previous years there has been a prosper of agreements and improvements between the parts on how to 'assemble' the intervention in Spina 3
- (c) The assignment of the Winter Olympic Games to Turin (1999)
- (d) The revision of the agreements (2001), still going on: in 2003 there was a second important revision of the agreements
- (e) The massive presentation of projects and zoning proposals from the enterprises (2003)

All this is not sufficient to comprehend the adopted model, which is not linear anyway if it is not compared to the ongoing change of the areas' owners and the constitution of traditional companies for the realization (i.e., Paracchi and Ingest: letter 'a' in Fig. 5.21) and to the creation of SPEs for the realization of the interventions (letter 'b'). Within the latter, there is the world of cooperatives (i.e., commercial and residential units), which is itself (even if not always) a Special Purpose Entity. Once the SPEs are defined, there is the predisposition of projects and zoning plans

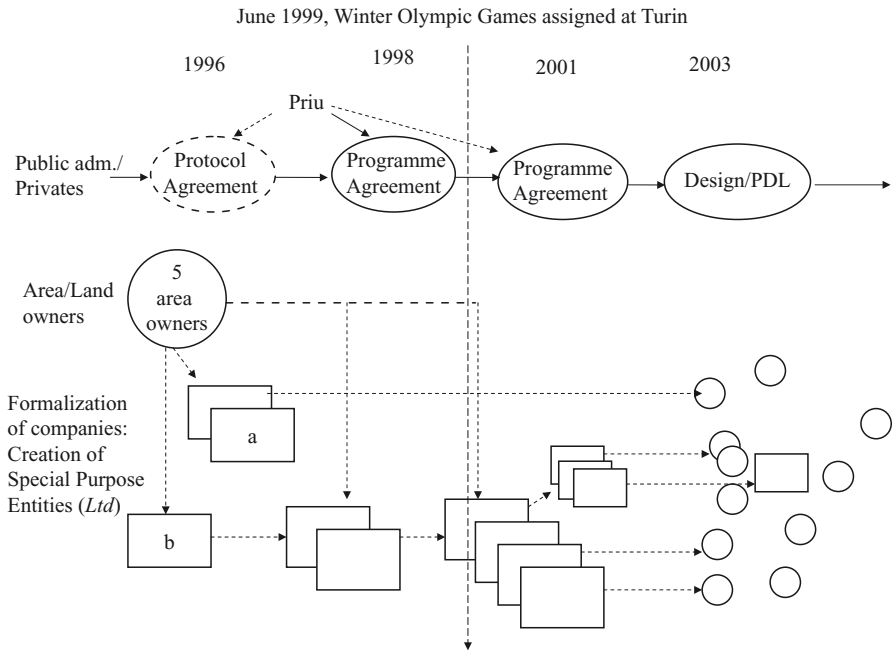


Fig. 5.21 The evolution process of the whole Spina 3 intervention

(PDL) presented to the public administration for the approval (the Municipality, but also in this specific case the Region). In some cases (i.e., Vitali North) the SPEs are integrated after having obtained the PDL (i.e., Cinque Cerchi – Ltd). The single projects and the PDL are referred to single buildings or buildings' blocks.

It is in this scenario that the administration defines its model of intervention. In the phase of the Agreement Protocol the example is Cimimontubi, where it is asked to transfer to the Municipality an area from 8.5 to 14 ha (the settlement of the Environment Park covers 3 ha). The indexes of edificability of Cimimontubi are taken away from that area, as already said, and transferred to other areas (within Spina 3) owned by Cimimontubi. This means to leave unaltered the settlement cubature, with buildings higher and more concentrated. In the Agreement Protocol there is also written that the investment made by the Envipark will make the costs of the areas increase for the benefit of Cimimontubi, and this will be a further element of negotiation and future compensation in favor of the local public initiative. Thus all is protracted to a further phase of future negotiation.

A further example is the settlement of the media villages for the 2006 Winter Olympic Games (2,500 beds) within Spina 3. The original idea was to build the villages in a different place through a project financing, afterwards it has been decided to settle them within the Vitali and Michelin North areas. By 2005 at least one property company has been created (Immobiliare Europea); thus the negotiation

goes on with this company, as with some cooperatives and other single enterprises for the Michelin North area. All this concerns single buildings and single cooperatives or enterprises part of the SPE and intervening also within the remaining areas of Cimimontubi. The negotiation between the Municipality and the single enterprises concerns:

- (1) Public contributions not over the 20% of the construction cost (national funds) but highly negotiable in favor of the Municipality
- (2) Indexes of edificability
- (3) Destinations of use and morphology of the buildings
- (4) Urbanization charges
- (5) Purchase of residential units by the Municipality at a lower price than the market ones

The negotiation changes, as well as the Program Agreements, according to the state of the evolution of the assembly within Spina 3: 'macro' with Envi-park, 'micro' with the media villages.

As a macro synthesis, the Municipality starts a negotiation with the areas' owners concerning the settlements in Spina 3 of:

- (1) High-tech and new innovative forms of production (Environment Park in Valdocco-Cimimontubi; SINATEC in Vitali Park). The objective is to substitute the heavy production with new forms of production and propose itself as a pole of attraction with rent/sale prices lower than the market ones
- (2) The acquisitions of areas for free, and partly as a charge reduction, to be destined to a park (Valdocco; Vitali-Cimimontubi; Michelin South)
- (3) The creation of a 'Spina museum' (Michelin South)
- (4) The obtaining of a building destined to public use (Paracchi)
- (5) FIAT establishes a strict relationship with the collective use of a part of the area where the new diocese of Turin is located

At the micro level, the negotiation concerns the destinations of use too, the share of residential units for rent (especially thanks to the cooperatives' action) and for sale at lower prices than the market's one for social housing. It is not direct construction as happened few years before by the ATC,³¹ but it is purchase at 'social' prices.

Promotion of the Rehabilitation

The interventions of urban regeneration realized in Turin in the last years are one of the leading pillars of the program of renaissance of Turin's image. Spina 3 has been promoted focusing on the issue of high technology and development. A part from the public administrations which promoted the interventions through an *ad hoc* communication to citizens' and private operators (basically the Municipality and the Region, especially through Finpiemonte), two subjects were involved in the process of

³¹ ATC is the public enterprise for the realization and management of social housing.

promotion and communication: Agenzia Torino 2006 and Torino Internazionale, an association participated by 118 private and public institutions for the promotion of the renaissance of the city due to the opportunities offered by the new Strategic Plan.

The major complaints of citizens and inhabitants of the area pertain to the scarcity of public services (and even the absence sometimes, as in the case of schools and kindergartens). That is why in 2006 a new initiative was proposed, to set up a local committee, with the aim of informing citizens and promoting all the ongoing and foreseen interventions and projects within Spina 3.

The image and the marketing of these areas become important factors for the consensus, for the attraction of purchasers and consequently for the times of realization and completion. For residential units especially, but also for production services, the valid principle is that the more purchases are present in the area, the more this brings positive influence: on the financial cash flow of the intervention, on the completion of the commercial activities and social services and on a minor discomfort of the area. Public subjects, linked to the Winter Olympic Games too, take charge of this function in a relevant way. The fragmentation of subjects and private interests would not have allowed this promotion and marketing function to perform effectively.

On this aspect, there is also a relevant difference with Bicocca, Milan (cfr. Bicocca marketing strategy).

5.7.4 Private Actors Involved in the Rehabilitation

The huge number of actors intervening within the area of Spina 3 is the core of the urban framework of Turin. The thesis is that it has been a lack of a clear strategy from the public administration, or at least from the Municipality (we saw the important role that Finpiemonte played in different areas of Spina 3). In some areas, the area owners were the engines of redevelopment (like CimiMontubi), maintaining their property while at the same time looking for operators who could implement construction activities in the area.

The hypothesis is that there was a significant turn-over of subjects and properties.

5.7.4.1 Typology and Specificity of Each Actor³²

The Area Owners

As already mentioned in part, the area owners are basically four, but can be extended to five if we consider the 3.7 ha of Savigliano. They have different

³²The articulation of actors involved in the intervention is shown in Fig. 5.27.

profiles. The two main actors are Cimimontubi (50% of the total area of Spina 3) and Michelin (18%).

Michelin is collapsing and not so interested in managing the intervention; thus there is the sale of the area to small and medium construction enterprises (cooperatives and others) and to shopping center and multiplex developers (i.e. the Novacoop, which is a cooperative too). The Sviluppo Dora Ltd is created with the participation of the new area owners for some interventions. The remaining owners absorb a share a little more than the 15%, of which more than half (8.4%) is owned by FIAT, which operates through Ingest RE in a slight way with the traditional construction of residential units as the maximum goal. There is a slight participation to the negotiation with the public component and thus to forms of involvement in PPPs. The remaining percentage of the area concerns transport infrastructures, municipal works, and public domain.

Therefore, it is in the two major areas (Cimimontubi and Michelin) that the relevant negotiation strategy between public and private actors takes place. A third area has to be added: Savigliano, 3.7 ha. In the ex-FIAT area, a diocese has been realized, with a church and religious offices, including a congress center owned by the Church. The negotiation with FIAT concerns the public use of the area and the cession to the Municipality of other Church domain in exchange for this settlement.

Among the area owners, there is not a unique strategy of intervention as in the case of a unique owner (i.e., for Bicocca in Milan), but an articulation of actions and strategies. An integrated action is recognizable for the two major areas and in part for Savigliano, due especially to the enterprises which are owners or which operate in these areas. Where there is a 'direction,' this is due mainly to the Municipality and the Region through Finpiemonte.

The area owners seem one of the most important actors in defining the strategy of intervention. They are the subjects who allow the strategy of intervention to be built up. At the beginning of the intervention, the subdivision of properties within the boundaries of Spina 3 is as shown in Tables 5.6.

Table 5.6 The initial ownership structure on the area

Owner	Total hectares	%
CimiMontubi	51	49
Sviluppo Dora	18.2	17.5
Ingest	8.7	8.3
Paracchi	3	2.9
Savigliano	3.7	3.6
Municipality	19.5	18.7
Total	104.1	100

The Builders

The building firms, unlike the case of Bicocca, become owners of the areas. Different typologies of enterprises are recognizable, according to the different areas. The two main typologies coincide with the two major areas, ex-Michelin and Cimimontubi. In the former, the operating subjects are cooperatives that purchased the area since the beginning; in the latter instead there is first a definition of lots, and then some SPEs are created, which purchase the area and realize the intervention.

The cooperatives (non-profit) intervene in a more traditional way: they purchase the area (Michelin) together with private building firms and intervene in social housing; they produce dwellings which are in part rented to the old cooperative partners and in part sold at favorable prices (generally lower than the market price). We refer here to subsidized housing. The cooperatives which purchase the Michelin area are Novacoop for the 40% (shopping centers and multiplex), Di Vittorio, and San Pancrazio, which form a consortium. Di Vittorio is the biggest building cooperative in Italy (6,000 partners); they are both very active in the realization of social housing in the province of Turin. They have building yards open in many Municipalities in Turin's hinterland (19 building yards Di Vittorio and 14 San Pancrazio).

Some cooperatives also intervene for social housing in the southern area of Cimimontubi (Valdocco). This demonstrates a strategy of interconnection between the different areas, thus the properties.

Impresa Rosso is involved in many interventions: in Savigliano district due to the presence of SNOS (owned at 49%), in Vitali North together with Immobiliare Europea and in Vitali district, the intervention managed by SINATEC.

The ex-Paracchi district sees the presence of De.Ga. as builder of residential units, the same De.Ga. participated in the consortium of Immobiliare Europea.

The Sponsor and the Financier

The sponsors of the intervention are: the mix of the area owners (i.e. Cimimontubi and cooperatives), some of them organized in SPEs, the Municipality and regional agencies.

Concerning for what concerns Cimimontubi, the typology is the following one: the southern area (Valdocco) is transferred not only to the public administrations for the realization of Environment Park, but also to cooperatives (San Pancrazio and Di Vittorio) for the realization of social housing. This is done through specific program agreements. The negotiation concerns the potential indexes of edificability for Cimimontubi for the northern area, where Cimimontubi is the owner and where the realization and financing models pertain to the following typology (Fig. 5.22).

Cimimontubi gets (under approval) three PDL (11.4 ha of gross floor area); it creates a Special Purpose Entity (Cinque Cerchi – Ltd) and transfers the ownership of the building area to it. Contemporarily, Cimimontubi activates a competitive/award procedure in order to involve some building firms (five) as co-partners in the

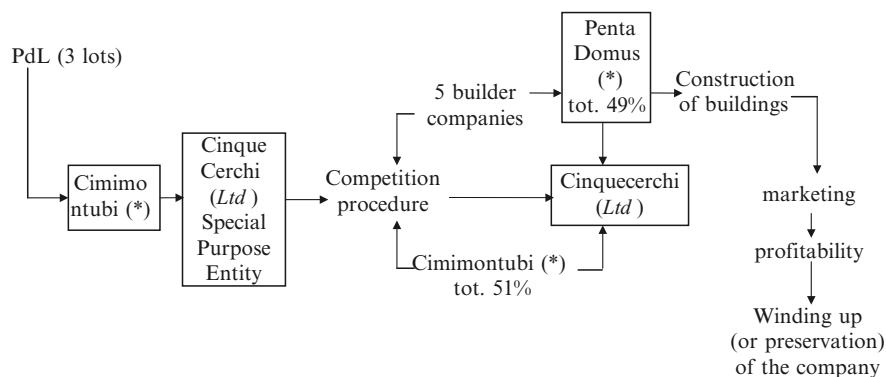


Fig. 5.22 The building process of the northern area of Cimimontubi – three lots with one PdL

SPE. Once chosen as the five firms constitute a company (Penta Domus) with a participation equal to the 49% of Cinque Cerchi (Ltd). Cimimontubi, which owns the 51%, which commits itself to decrease up to 50% after 3 years and delegates to the five firms all the construction phase as well as the design, which is uniform and coordinated for the three blocks. Within the company, Cimimontubi assumes quite a ‘passive’ role, unlike the one of Pirelli RE in Bicocca. The action is partly implemented in a proactive form from the building firms, asked to participate in the new company exactly for their operative function.

For the three lots, the total costs are foreseen to be €235 million, financed for 64% through a loan. The cooperatives and two private companies operate especially in the Michelin area. This is a typology of intervention located in the Michelin North area and used from the Municipality and the Region in support of the 2006 Winter Olympic Games. It concerns the realization of nine buildings, among which are three towers (3.6 ha of gross floor area). The Municipality gives building realization concessions (PdL) to four area owners (two cooperatives and two private building firms). There is a ‘weak’ coordination left totally to Valdocco, which is not owner but has the task, not completely structured, of integrating buildings and lots. There is a separation of projects concerning the design and marketing, even if informally some designers are linked to each other, especially those who operate on the cooperatives’ commission.

The Agency for the Winter Olympic Games intervenes with a public financemnt (€10,155 for each of the 1,464 beds) in order to favor the rapid construction of residential units to host the journalists for the Olympic event. The objective is the realization of single ‘hotel bed-sit.’ Once the sporting event is finished, every enterprise has to reconvert the internal spaces and proceed to the social rent or sale of the apartments ‘redesigned’ according to their new function.

The Olympic Agency financing in favor of the creation of bed-sits for journalists pertains also an area owned by Cimimontubi located in the Vitali area (3 ha of gross floor area). All seems in accordance with Fig. 5.23, with the difference that the financing per bed-sit is lower (1,380) and the financing for almost €14 million

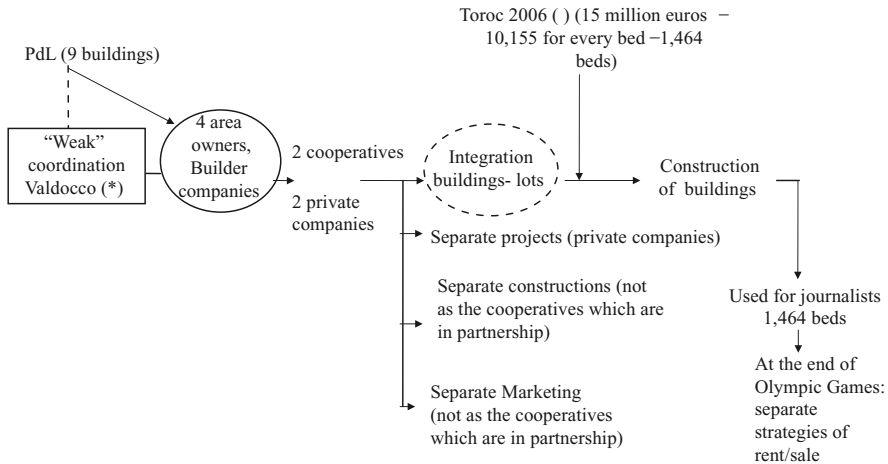


Fig. 5.23 The building process of intervention of the northern Michelin area

concerns the property company Immobiliare Europea and not the single area owners and builders as it was for the Michelin North area.

Besides the example of the support for the Olympic Games, the difference in the way of operating of the cooperatives and private firms owners of the areas (ex-Michelin area) and Cimimontubi (Vitali area) is in the creation of SPEs, with a management formula which is anyway different from the one observed in Bicocca with Pirelli RE.

The total funding for Spina 3 was around €800 million. As already underlined, the area owners were basically the sponsors of the interventions. The mix of public and private resources is really surprising. Notably several funds were also public, as we can say for Environment Park (European Structural Funds) and for the intervention carried out by SNOS and SINATEC, which are actually public-private companies since the majority is owned by Finpiemonte.

The Designers

The designers are not relevant at all in the process. The high number of 'directors' makes everyone chooses its own designer. This is a peculiar element of the case of Spina 3 compared with Bicocca, where the choice has been different if not even opposite, as it is derived from a different organization. So far more than 10 designers have intervened within Spina 3 where a unique instrument of coordination is lacking (e.g., design offices or separate working groups that do not communicate between them, everyone working within the single companies operating in the area). In some cases (i.e., Paracchi) single projects come to modify some indications of the Urban General Plan and the destinations of use. All this is the result of a lack of direction and of the fragmentation. The most famous project intervention is the one of Isola and Gabetti with an international prestige, present also in some interventions of Bicocca (Milan). This intervention is located in Valdocco South, an area of intervention for the cooperatives.

The Project Manager (PM)

In 2000, the public administration announced an international call to find a project manager of the intervention. The winner was the French architect Jean-Pierre Buffi, in charge of the whole project management and design, the coordination of the private and public projects implemented in the whole territory of the Spine (all four together). After 7 years, it is evident that the original project has been almost completely abandoned, and it is impossible to find a homogeneous and consistent urban design. The task of coordination and homogeneity assigned to Buffi vanished from the decisions of the different subjects.

If we look at the whole area and a general project manager action, this appears weak and not comparable with what happened within Bicocca (Milan), where a strong action of Pirelli is recognizable in all the operations. Thus, in the case of Milan, the project management is demanded by the real estate management of this company, even if we are in front of an 'enlarged' and innovative project management.

Concerning Spina 3, some project management forms are recognizable if the area is divided into sub-areas not coinciding with ownership areas, but with influenced ones. They can be classified in the following types (Figs. 5.24 and 5.25).

- (a) Area where the public creates companies with a majority share (a, b, and c in Fig. 5.24), that means: (a) Environment park; (b) Vitali park (SINATEC); (c) SNOS. The project manager action changes since the variables considered

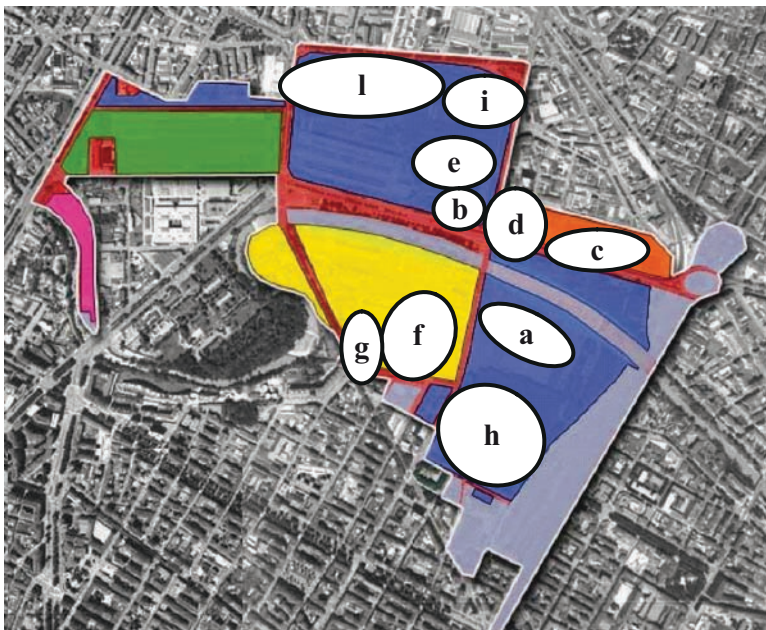


Fig. 5.24 Different types of building processes within Spina 3

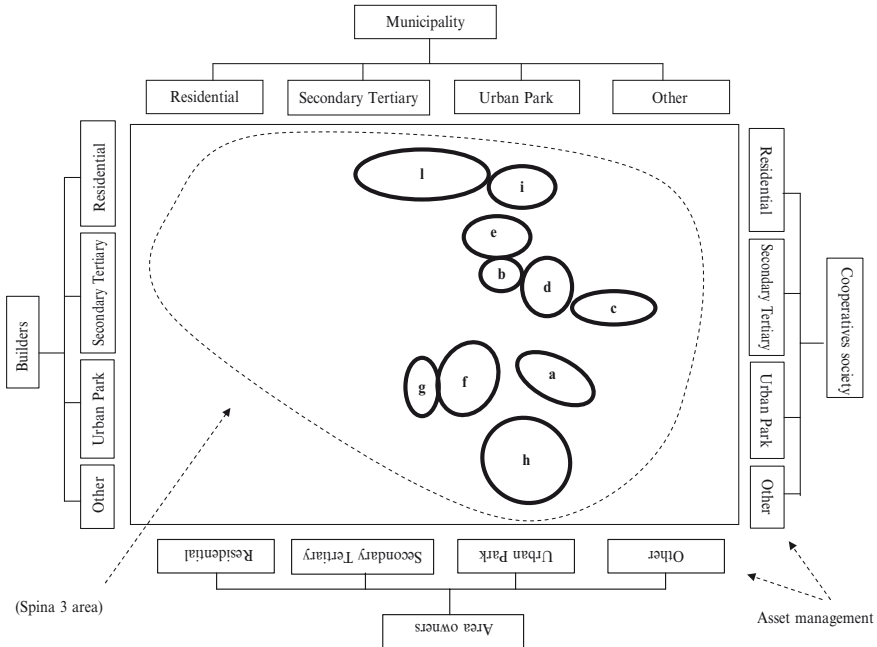


Fig. 5.25 Different types of building processes within Spina 3 connected with the macro tasks of four different subjects

change (areas' ownership or purchase; Municipality as promoter of the intervention, or Finpiemonte through its controlled companies). We refer especially to the new production and high-tech functions.

- (b) The two areas for the bed-sits for the Olympic Games have been realized (d and e). The public action has been experimented in two formulas: one (d) with the prevalence of single owners mainly cooperatives (Michelin North); the other (e) with companies operating within a SPE (Vitali area). There are public funds, there is a deadline to respect and there is a higher presence of project management elements, guided also by a public subject's action.
- (c) Area where the cooperatives operate passing over the ownership of the area (g, f, h) and where the social housing prevails. There is a strong network between these subjects and in some cases a support from the Municipality.
- (d) Vitali area, only partially completed, where the indexes of edificability of the Valdocco area have been transferred (e, i, and l). Private firms within SPEs operate there, with some analogy with the SPEs operating in Bicocca (Milan). The project management is the 'weakened' sum of what we find in each SPE for the pertaining lots.

Much deeper research on the project manager/management could be possible if the WPs (Work Packages) are identified as crossings of the action of the main subjects

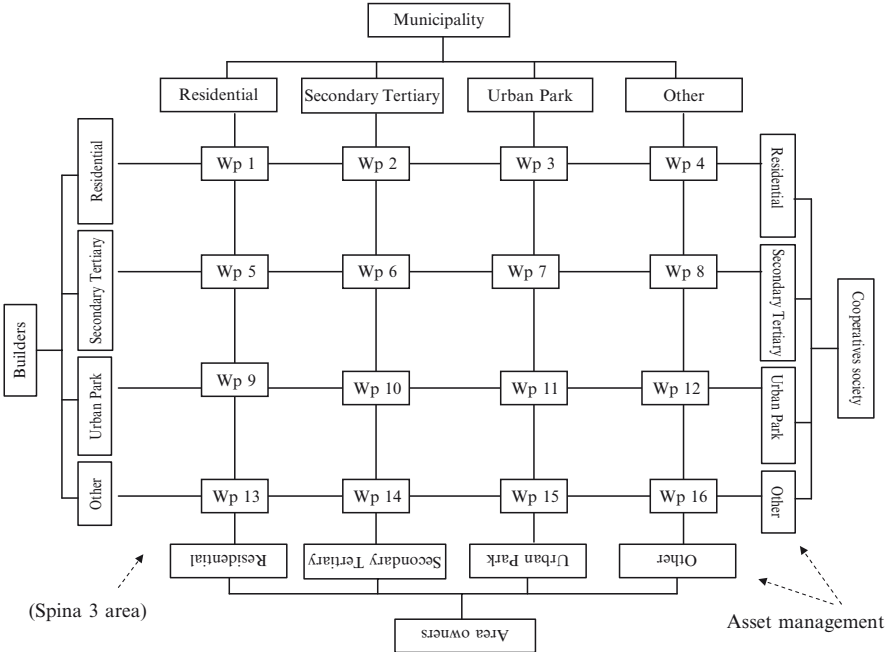


Fig. 5.26 Macro Working Packages developed from Fig. 5.25

relating to the asset management. The description of every WP could be useful first to analyze and then to re-design in detail the different micro-forms of PPP that once totalled up determine the total PPP emerging from the ‘framework’ Spina 3 (Fig. 5.26). This language for the identification and the perfectioning of the project manager/management could be itself a new tool consistent with the tools/instruments of CoUrbIT (see Sect. 3.3.4).

The Real Estate Owners

In some cases, the real estate owners correspond to the area owners (e.g., for some part of the cooperatives’ buildings). In many areas, even if not in all, the majority of the buildings devoted to residential and commercial uses were sold, so that individuals and enterprises who bought their dwellings are now the real estate owners. There is, also, a part of buildings for tenants. Moreover, some structures remain public (i.e., some parts of buildings built for the Olympic Games and bought afterwards from the Municipality), or structures with public and private operators (Environment Park).

5.7.4.2 Phases Where the Actors Take Part in the Rehabilitation

At the very beginning of the process, private operators seemed very sceptical about the times of realization, especially concerning the lack of public sources of the Municipality. So far (2008), some of the foreseen interventions have been developed in Spina 3.

The first intervention is represented by the Environment Park, completed in 2001, where someone may say that there are first signals of obsolescence. In 2003 the Municipality ratified the decision of where to place some public assets. In 2004, the preliminary project of the Dora Park was approved. During this process, the different variants to the Urban General Plan (in 2001 and 2003) have continuously changed the shares between different destinations.

After a first phase of lack of interest in dismissed areas, in the last 10–15 years both public and private operators started to consider Spina 3 area as a very high-potential one, able to collect resources for investments in local development. What emerges quite clearly is that the private operators (but also the public one that develops new forms of public-partnership) drove the whole process of reconstruction, even within the framework of the new city's Plan. Some authors³³ use the 1991 Agreement between the National Railways and the Municipality as an example of this 'privatistic vision' of the rehabilitation of Spina 3, since it was signed years before the approval of the GRP, witnessing the scarce consistency with the public function with the protection and pursuit of the public interest which should have resulted in the Plan, but Spina 3 is a framework that develops its potentiality by progressing; this evolution has increased after 1991. In the area, a continuous network and relationship between public and private interests takes place, creating new complex scenarios of the relationship between public and private organizations.

Another issue is the problem of the destinations of use, which has been at the center of the process of negotiation for the Regulatory Plan since the beginning, but it also constituted the focus of the bargaining process between private operators and the public administration. It has already emerged that the Municipality has been put under a lot of pressure from private building firms to raise the shares for residential units rather than for tertiary in Spina 3.

Moreover, the project prepared by the Municipality was based on the quest for a new trade-off between building, transformation costs and improved urban quality life. Parallel to the formulation of the Plan (1995), research was conducted to assess the geo-morphological and deterioration conditions of the soil and the building and infrastructural conditions. The new condition of equilibrium, unlike the one proposed by the Master Plan, corresponded to less dense building requiring lower infrastructural costs, reducing the need to build underground services (such as parking areas) and allowing the construction of surface level services better suited for the

³³Cittàbella, free association of architects of the province of Turin for the protection of the urban and architectural quality.

undertaken actions and for the township. The building cost reduction was about 30%. This reduction became the point of convergence in the agreements between public and private sectors to set up new objectives and commitments, favorable to the transformation for both parts.

5.7.4.3 The Competition (Tender) as Element for the Selection of Private Actors

Unlike Bicocca (Milan), there are no important public assets realized or in progress within Spina 3 (as for example the University or the Arcimboldi Theatre for Bicocca). Among the objectives 'in progress,' there is a big public park that is partly a deduction of charges and free transfers of areas. No competitions for the choice of the private subject are foreseen, but there is a direct transfer from the private to the public who will contribute in a further phase to the executive and detail design of the park.

A different matter is what concerns mixed public-private companies for the realization of spaces destined to production and high-tech, where the lack of a call for the entrustment of the areas from the Municipality to the companies, or the realization of works from a private actor which participates as stockholder in a mixed private-public company without a call for the entrustment of works to this company is the result of an illegitimate procedure. Other procedures (project variants and assignment of production spaces before the publication and verification of announcements for their assignment) can also be considered illegitimate.

We are in front of the unequivocal phenomenon of the necessity of activating PPPs, to pursue effectiveness, without proper tools to activate these new forms (cf. Sect. 3.3.3).

5.7.5 *The Framework of Public and Private Intervention and The PPP Model Applied*

If different ways of public-private relationship can be found in urban management issues, certainly the case of Spina 3 represents a relationship expressed through the creation of companies. The thesis is that the form through which this relationship has been manifested is the creation of newborn companies addressed to the primary aim of the area's development.

In Spina 3 there is a strong prevalence of the private actor (see Fig. 5.27). There are other public and private actors important for their role in the process, even if they did not participate in the constitution of any company, but they were owners of the sites (FIAT, Michelin, and Paracchi) or they were powerful actors in the negotiation process with the public administration or other actors (e.g., the National Railways and the Church).

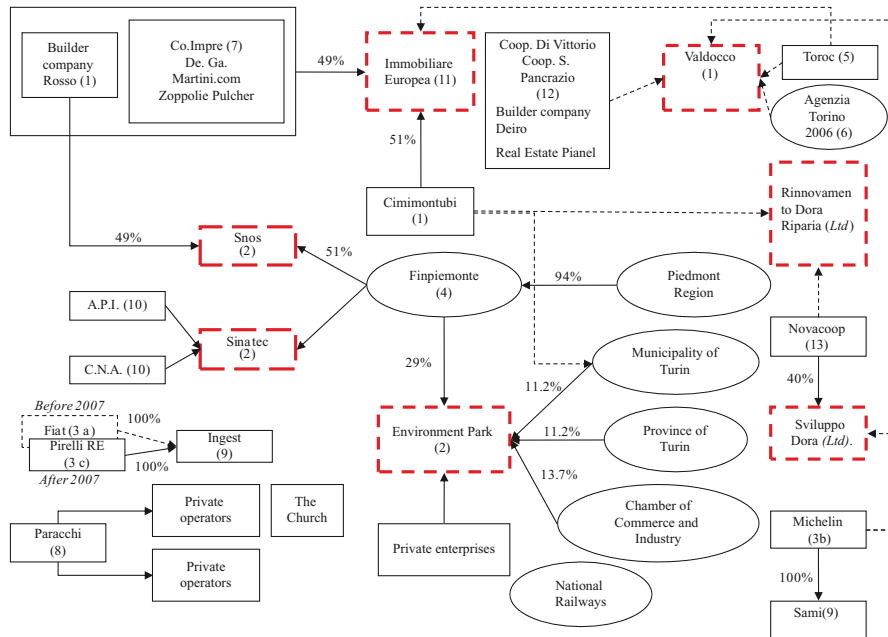


Fig. 5.27 Companies network that operate inside spina 3

- (1) = (*) Stock company
- (2) = (**) Public-private company, Public majority
- (3a) = (§) Stock company, Quoted company and Controlling company
- (3b) = (*§) Stock company, Quoted company and Property company
- (3c) = (*§*) Stock company, Quoted company and Controlling company
- (4) = (■) Public limited company (local finance institution: Piemont Region)
- (5) = (●) Private foundation with included public interests
- (6) = (Δ) Public Agency
- (7) = Limited partnership
- (8) = (▲) Wholly – owned company
- (9) = (◆) Owned company
- (10) = (♣) Private institutions (National Association: small business and craftsman)
- (11) = (⌘) Property company
- (12) = (▣) Cooperatives housing association
- (13) = (△) Cooperative store, consumer and marketing

The simbology (*, **, § etc.) is reported in some Figures (From Fig. 5.11 to Fig. 5.27), it explains the tipology of the company.

In Europe the comparison among terminology and company structure isn't very easy. There are national company laws and different structures of the companies, especially for small company or special purpose company (Oplustil & Teichmann, 2004; van Gerven & Strom, 2006). The principal European jurisdictions sometimes select identical legal strategies to address a given corporate law problem, and sometimes make divergent choices (Kraakmann, Hansmann, Hertig., 2004)

All the rehabilitation resulted in a situation that is still in the process of being completed, while at the same time the first complaints and critics have started to arise, unavoidable for an intervention of such huge dimension as Spina 3. The richness of subjects/contractors with different specialized profiles itself can be seen as an element which made the rehabilitation of the area so slow and complex. From the Municipality side, one of the major critics of the Spina 3 intervention is that the original agreement resulted in something very different to the PRIU project. The different variants change not only the mix of functions, but also the formal settlement of the area, sometimes even changing the priorities of the original project (like the use of some technological innovations which were firstly foreseen and then abandoned).³⁴ This happened for example with the construction of the media villages, where new priorities (short-term and image-oriented like the Olympic Games) influenced longer term objectives and the whole design of a urban intervention, thus creating very long delay and difficult negotiations between the actors involved in the operative phase.

5.8 Budapest, the Millennium Park

5.8.1 History of the Case

The Ganz factory started its activities in Buda in 1844 as a small foundry. In few decades, the factory grew into a well-known company of machine industry. The electrotechnical department of the company was founded in 1878. The crown of the achievements of the highly successful company was the creation of the first transformer in the world in 1885. This era is best known due to various inventions by the Ganz Company such as the electronic meter, or the electric railway engine. Although the factory was rebuilt, under the Hungarian post-war regime the production slowed down and the market became narrow. All this process resulted in a crisis by the end of the 1980s. With the aid of foreign capital, the Ganz Ansaldo Corporation was founded in 1991, with a share of 51% of the Italian company Ansaldo. The company decided to move from the central factory to the country. It remained a large area at the edge of the CBND (central business district) with obsolete functions.

5.8.1.1 The Phase Where the Problem of Urban Renewal Was Considered

The site is located in one of the most important transportation nodes of Budapest, an area of high prestige. In 1995, a Master Plan was prepared that declared for the first time that the old function on that valuable area should be replaced. A search

³⁴ The assessment of complex projects, Piedmont Region, 2004.

for new functions began with the participation of the local government and the municipality of Budapest. Among the ideas were the construction of a diplomatic quarter, a national theater, and the new headquarters of the National Television. In 1998, the government was looking for a site that would have been the center of the millennium celebrations. Finally this site was selected, since its size and location made it ideal for such a large-scale public project. The decision was made in March 1999 to renew the area and turn it into a large cultural center that could be developed in successive stages.

5.8.1.2 Phases of Intervention

Phase I – The first phase of the rehabilitation, the formulation of the concept, started in the summer of 1998 and lasted for over a year. This phase included the survey and discussion of intentions (local government, municipality of Budapest and state government), the determination of the objectives, and the definition of the actual project. A totally state-owned company, the Kistrókus 2000 Ltd., was created to act as the investor and purchased most of the land. The south-western edge of the area is adjacent to Margit Boulevard, where no demolition could take place, thus this part of the land remained the property of the original owners. The Ganz part of the area was then apportioned to Kistrókus 2000 Ltd. The government bought the area from Kistrókus 2000 Ltd. in order to pay Ganz creditors.

Phase II – The second phase was the planning and design phase. It started in October 1999 and included the preparation of regulatory plans, approval plans, as well as several discussions with the relevant authorities in order to obtain the building permits. The fundamental design concept behind the reconstruction of the Ganz factory site was that by applying contemporary space design and quality workmanship to valuable buildings or building sections (or every element worth preserving) the area would have become a worthy environment for an events and exhibitions center. One of the most difficult tasks during this conceptual development phase was the decision on which buildings would have to be demolished and which ones would have been retained, as well as the determination of the space dimensions and transformation that would be the most appealing. As a result of these considerations, two high buildings were demolished, which were the least desirable in terms of revitalization of the neighborhood. Some old buildings have kept their old form; near them new structures and buildings have been designed. The reception hall, the theater, and the huge exhibition areas are all accessible from the outer side of the complex. The theatre building has an open air stage, which becomes a part of the park when it is not in use. Parking services for the visitors are provided by an underground parking lot. The abandoned and desolate industrial landscape has been in this way redesigned.

Phase III – Some of the production halls of the Ganz factory were over 35 meters high and still good quality industrial buildings. The most valuable of these halls were decided to be kept and converted into museums, studios, or exhibition halls, while other more deteriorated and less valuable buildings had to be demol-

ished. The construction phase begun in August 2000, when two 126-meters-long and 37-meters-high buildings plus a chimney were brought down by blasting. Building B was kept and transformed into an exhibition hall. Due to the polluted soil, building D had to be partly demolished; the remaining part serves now as an exhibition hall. Building C is new, erected between B and D and serves as the entry to the park. Building E used to be an assembly hall, now it is accommodating musical and theatrical performances as well as a studio. An underground car park, a lake, a park, and a playground were also constructed.

Phase IV – The first part of this phase (June 2001 to December 2001) included the installation of facilities and furnishing of the halls. In the second part, exhibitions opened and programs started: the intended new functions were in place and the project started to perform as planned.

Phase V – The project was initiated and financed by the government. In 2002, when a new government was elected, a new concept was also introduced for the Millenáris Park. The exhibition in building D was replaced with a different theme, requiring the modification of the building. Building G was meant to be demolished too, but later, recognizing its value, the decision was made to turn it into a reception hall.

5.8.1.3 Innovations in the Rehabilitation

In phase I, the search for new functions for the area resulted in several innovative ideas and solutions. The coordination of several viewpoints, aspects, actors, and interests produced a creative concept. No public park of such size has been constructed in Budapest for a long time and no new museum had been established in recent decades. The result of this project is not only a new cultural center, but also a place of consumption and leisure.

In the planning and design phase, some interesting solutions emerged that facilitated the transition of an industrial area to a cultural center. During construction, new technologies and methods were also applied. The management of the project cannot be considered as innovative. The creation of Millenáris Park was a totally public (state) intervention. PPP elements did not appear. A company was created to buy the land and manage state finances. However, this case is extremely edifying, being an example of a totally government-financed project that — in terms of management and finance — did not suffer from the bureaucratic complications and delays that are usually characteristics of such projects. This aspect can be considered as an innovative element in the history of state-financed rehabilitation projects in Hungary, because so far such projects have always resulted in the complete demolition of existing buildings and streets in order to make room for mass housing estates. The obsolete, out-of-date, and out-of-place function of the area has been replaced by modern functions. The Millenáris Park has not only a local, but also a national, significance, and its reconstruction has been awarded from the Europa Nostra prize.

5.8.2 *Context of the Intervention*

The area where the factory was located has always been a significant node on the Buda side of the capital city. The development of Margit Boulevard took place in the first half of the nineteenth century. This boulevard is part of the ‘small ring’ — a circular system of road, which due to topographic characteristics is not as well defined in Buda as in the Pest side. Moszkva square, situated at the south-western end of Margit Boulevard, is an important traffic junction of several transport nodes (trams, buses, underground). A large shopping complex was constructed very near the park and acts as a new boundary of the area. In order to fully use the area, the demolition of the obsolete building of the Ministry of Economic Affairs and Transport would have been necessary, but this would have been too costly an action. Another shopping structures block was built close to the park’s area. According to a governmental decision (December 2003), the idea arose of developing a cultural centre there. All this made the area extremely valuable, where the introduction of new functions was inevitable. The speculations behind the scenes could only be influenced so far by the Office for the Protection of Cultural Heritage, by placing the three Ganz buildings in the area under temporary protection. Any architectural modification of buildings under such protection requires a permit from the Office. Such restrictions decrease the value of buildings (a similar measure in 1997 secured the Ganz-buildings for the rehabilitation). The playground area in the southern corner is owned privately and plans exist to replace it with residential buildings. This is hardly surprising, considering the hugely increased value of the area.

Being a completely state-financed project, the Millenáris Park has inevitably become the subject of political battles. As an example, we have already noticed that in building D the theme of the original exhibition was changed. “Dreamers of dreams – worldwide known Hungarians” was designed to be a permanent feature, was well-visited, and became extremely popular, attracting visitors not only from Budapest but from the whole country. Despite this, the change of the government in 2002 resulted in a new concept: the theme of the new exhibition was decided to be the ‘Future.’ More in detail, a description of the works, the main volumes and the chaining of interventions are described hereafter.

(1) Buildings that have been fully or partially kept.

- Building B – a retained element that received historic monument designation, and is now the larger exhibition hall. Gross floor area: 6,288 m². Exhibition area: 5,100 m².
- Building D – only partially retained due to soil pollution, now it is the smaller exhibition hall. Gross floor area: 4,184 m². Exhibition area: 2,130 m².
- Building C – a modern entrance constructed between buildings B and D. Gross floor area: 2,173 m².
- Building E – one of the former machine-assembly halls. Since September 2001, a 600-seat theatre operates inside hosting musical, theatrical and/or dance productions. Gross floor area: 6,910 m². Theatre + studio area: 890 m². Outdoor stage area: 460 m².

- Building G – The ‘Reception’, near the Fény street market’s main entrance, provides multi-purpose services and guest-oriented functions; it is at the same time a useful space for various professional and exhibition-related programs. Gross floor area: 2,480 m².
 - New developments:
 - Underground carpark. Gross floor area: 9,500 m².
 - Artificial lake: 3,000 m².
 - Playground.
- 2) Main volumes:
- Total project area: 6.4 ha.
 - Free park area: 3.5 ha.
 - Water surface: 3,000 m².
 - Number of new plants: 390.
 - Demolished gross floor area: 27,210 m².
 - Demolished structures: 22,000 m³.
 - Earthworks: 47,500 m³.
 - Gross floor area of cultural buildings: 12,500 m².
- 3) Chaining of the interventions
- Preparation: 03.1999 – 10.1999
 - Design for approval: 10.1999 – 03.2000



Fig. 5.28 Budapest – The area of the Millenáris Park

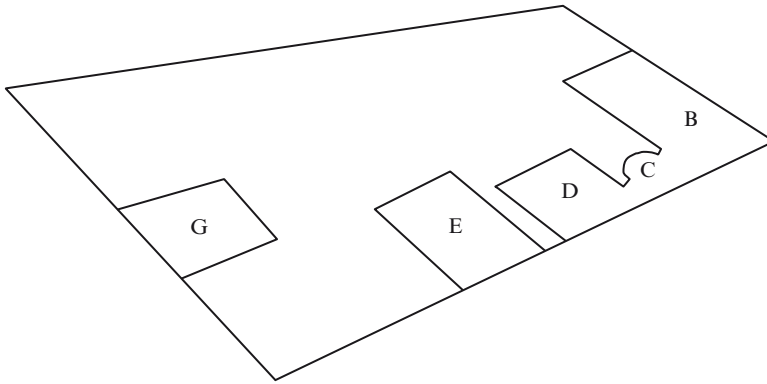


Fig. 5.29 Budapest – The area of the Millenáris Park – Buildings' legend

- Tender design: 02.2000 – 05.2000
- Contracting: 06.2000 – 09.2000
- Detailed design: 06.2000 – 02.2001
- Building G opening: 02.2001
- Park opening: 03.2001
- Theatre opening: 04.2001
- Exhibition opening: 10.2001

The progress of the works followed the plans. The time scale of this project was limited (3 years overall, 2 years for the implementation). Mobilization of work force occurred in overlapping stages. For most of the time, over 500 people worked on the site, the peak being 642 persons. Weekly progress reports have been prepared, detailing the number of staff, machinery, and built-in quantities (earthworks, steel, concrete, etc.). The progress was checked not only against the work program, but was also evaluated on the basis of built-in material quantities.

5.8.3 Public Administration and Local Government Involved in the Intervention

5.8.3.1 Short Profile and Organization

There are two local governments as well as the state government involved in the rehabilitation. The area owners are the state (via the totally state-owned Kisorókus 2000 Ltd.) and the local government of the II district. The local government of the II district has a share in the land, which is an undivided joint property. Hall B was put under protection in 1988 as an industrial monument and thus the relevant authority is the Bureau of Natural Cultural Heritage. This applies to the whole land, as it is registered under one land title registration number. Having a share in the

land, the municipality of the II district cannot be the chief approving authority in matters involving this piece of land, thus the Mayor's office of the neighboring XII district has been assigned to carry out such duties and responsibilities.

5.8.3.2 Functions of Public Administration in the Complex Urban Intervention

Competence

The state government makes decisions about the contents and the financing of the project. The Municipality of Budapest defines the regulatory framework that has to be followed by any project implemented within its territory. The local government of the II district has to submit the designs for approval to the XII district, since a local government is not allowed to give approvals in matters where it is directly involved.

Urban Planning Tools Used³⁵

An Urban Plan for the block of land was used. Since the rehabilitation was to be carried out in a public space, this plan was required to survey land ownership and to define the geometry of the division of the land.

Funding and Financial Tools Used

The Hungarian government is the sole financier of the rehabilitation. The previous industrial operation in the area resulted in the contamination of the land. Consequently, large amounts of work had to be carried out to free the area from pollution, before any development could have commenced. Such activities could only be performed thanks to state funds; private capital was unlikely to be interested. The totally state financing is in line with the purpose of the rehabilitation: the creation of a space. The original budget was around €24 million. But the final balance was around 25% higher. This was because the land was more contaminated than estimated before.

Managerial Models Adopted

The goal of the government was to revitalize the area and create a cultural centre in very little time — only 2 years for the implementation. A standard public procurement

³⁵For the “Framework Regulatory Plan (or Zoning Plan) of Budapest” and for the “District Regulatory Plan and the Local building Regulations” see Subsection “Urban Planning Tools Used” in Sect. point 5.1.3.2 of Budapest Frencvaros case in this book.

procedure would have required about 1 year and a half to be completed. The solution was to create a totally state-owned company (Kisrökus 2000 Ltd.), so that public procurement was not necessary. The time available for the completion of the project was short; Kisrökus 2000 Ltd. could not establish its own professional team to handle all aspects of the project. Instead, contracts were signed with well established firms who were to act as if they had been owned by Kisrökus 2000 Ltd; they had to be available whenever needed. This company, as mentioned above, purchased most of the area from Ganz Ansaldo. Contracts were signed for:

- The design
- The project management (including tendering and project controlling)
- The technical supervision

The management of these companies held weekly cooperation meetings, also attended by the representative of Millenáris Kht, which was a public benefit company responsible for daily operations of the Millenáris park. All decisions were made jointly during these meetings. Invoices were submitted to Kisrökus 2000 Ltd. The technical supervisor had to certify the performance stated in the invoices, then the contractor responsible for project management gave the final approval for the payment on the basis of a comparison between the approved program and the actual progress.

Promotion of the Rehabilitation

The chief of public relations in Millenáris Kht (the Operator) is responsible for the promotion of programs and events organized in the Millenáris Park. The project has been well promoted to the general public since its beginning. Every major step in the project (such as the blasting of two existing buildings) received strong publicity. There were several organizations responsible for the promotion of the rehabilitation. The Prime Minister Office is usually responsible for the promotion of state projects. The National Image Centre, established for the promotion of Hungary in the world, was most directly involved in the promotion of the project. Naturally, given that the site is a cultural, entertainment and relaxation centre, more emphasis has been put on the promotion of programmes and events and less on the rehabilitation itself.

5.8.4 Private Actors Involved in the Rehabilitation

5.8.4.1 Typology and Specificity of Each Actor

The Area Owners

The land is an undivided joint property of various owners, including private and public entities. This means that the various real estate owners are the proprietors of the land, but their share does not have an actual border. The ownership ratio is

defined, but no exact location within the land is assigned to the owners. The streets within and around the land are owned by the Municipality of the II district.

The Builders

The total budget of the works (€28 million) would have been too big for just one builder based on the Hungarian standard of these years; no international call for tender was decided to ensure liquidity, and construction companies were required to have an annual income twice the value of the contracted work (i.e., an annual income of €56 million would have been required for contracting the whole project). In Hungary, the annual income of the tenth biggest builder is below €40 million,³⁶ so this principle would have favored the few giant builders. Thus the project was divided into eight areas (six buildings, public utilities, and landscaping) and separate general contractors were selected for each area.

The Sponsor and the Financier

There was no sponsor for the rehabilitation. All costs were borne by the government of Hungary.

The Designers

The concept was created by CÉH Corporation, a large civil engineering and architectural company who had prepared plans for the revitalization of the area long before the ‘Millennium theme’ has emerged. The regulatory plan for the land was prepared by Mû-Hely Corporation. Architectural design was prepared by CÉH Rt.

The Project Manager (PM)

Originally, CÉH Corporation was the obvious choice for project management. CÉH, however, was the general designer and it would have been unfavorable if the designer acted as the project manager too. That is why a company established by CÉH Corp. became the project manager. The project management structure can be summarized in the following diagram Fig. 5.30:

The Real Estate Owners

Several owners are in the area previously owned by Ganz factory. The area include 5.5 ha, with private buildings too (apartments with different owners).

³⁶ Impregilo, the biggest builder in Italy, has an annual income of €2.5 billion and it is not among the first ten biggest builders in Europe.

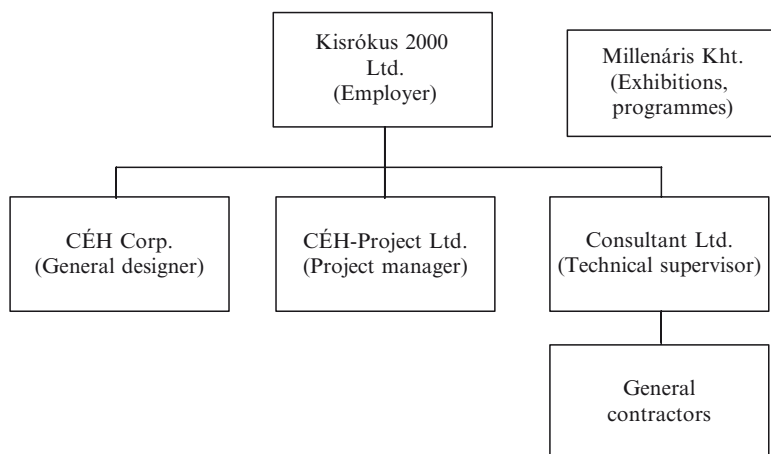


Fig. 5.30 The management structure of the intervention

Table 5.7 The ownership structure of the area

Owner	Total hectares	%
Kistrókus 2000 Ltd. (State-owned)	4.2	77
Apisolato Ltd.	0.6	11
Főmterv Rt.	0.1	3
Sum of private apartments building	0.5	9
Total	5.4	100

5.8.4.2 Phases Where the Actors Take Part in the Rehabilitation

CÉH Corporation was involved in the project since the beginning, first as the designer of the concept. Companies founded by CÉH Corp., like CEH Rt., participated in the architectural design and the project management.

Kistrókus 2000 Ltd. was founded by the state in order to act as the Employer. It entered the rehabilitation in the second phase when land ownership became an important factor for the continuation of the works. Kistrókus 2000 Ltd. acts exactly as an agency of the government; it has its autonomous budget thanks to government's transfers and its own personnel, who are private experts paid by the local government with contracts. It was created specifically for the rehabilitation of the area and the creation of Millenáris park, so that it saw its end with the end of the project. Kistrókus 2000 Ltd. Functions are:

- To get the land
- To appoint other companies for the works (i.e., the CEH Corp.)

Millenáris Kht. is responsible for the operation of the park as well as the organization of various events and cultural programs. These tasks include the promotion of

programs as well. The main involvement of the company in the project started in Phase IV, when exhibitions opened and programs started to take place in Millenáris Park. Millenaris Kht was created to perform tasks that the government and the local government could not perform by themselves. It is totally public and non profit; thus all its profits should be reinvested in the project.

Concerning public actors, the Hungarian government entered the scene when the area was selected to be the site of the Millennium celebrations.

The Municipality of the II district has been naturally a main actor in the development of the site since the beginning, even before the concept of the park has emerged.

5.8.4.3 The Competition (Tender) an Element for the Selection of Private Actors

Different general contractors have been selected for eight different tasks (six buildings, public utilities, and landscaping). The list of Hungarian building contractors includes some 5,000 companies. Based on their annual income, this list was narrowed down to 500 companies. Pre-qualification was carried out on the basis of a 14-page questionnaire. The companies had to identify the building whose construction they would like to bid for. Companies had to identify two buildings, but could only be awarded the construction of one building. Some 80 companies remained in competition (approx. 8–10 for each task). These companies submitted a detailed, itemized offer for the works. Following the submission of the offers, a computerized system checked out the prices and provided warning if any item differed from the usual market prices by more than 10% for materials or by more than 20% for labor expenses. Bidders were informed about such irregularities within 24 h. For each task, two possible contractors have been selected for negotiations, on the basis of their offer. Contracts were signed with the winners 1 month later.

This procedure is definitely uneven, not only for Italy and other European countries, but for Hungary itself. It was decided arbitrarily by the government, with the aim of speeding the works, maintaining control of every aspect, and giving a positive and strong image to citizens and to the whole country (close to entering the EU).

5.8.5 *The Framework of Public and Private Interventions and the PPP Model Applied*

The PPP elements in this project are very weak. The whole scheme has been financed by the state government in order to implement a project for the general public benefit. The only private investment was related to the creation of the restaurant area. The water and gas pipes have been provided by the state and the private investor's responsibility was to provide the rest of the equipment.

Chapter 6

Conclusion

The aim of this book was to introduce a model and to go into depth through the use of case studies. Their importance in the comparison with the model has been explored. The definition of a specific list of contents for the treatment of the case studies (see the section that introduces the cases) had the aim of underlining the identification of some subjects and re-constructing their action. In the case studies method there is the willingness of underlining the passages from functions, urban models, PPPs (an aspect around which are organized the major part of the treatment and considerations), tools and drivers. Globalization and competitiveness of the city are the elements that served as the basis to construct the dynamic of the CoUrbIT model. We are still convinced that the unsolved theme of how the obsolescence of parts of the city happens, especially in what we define implosion, is significantly linked to globalization and neo-competitiveness of the cities in an international context. An open question still remains the relationship between the central city and that part of the city which ramifies from the center of the city to the region, the substitution of obsolescence in terms of balance between production and consumption. All this represents an important question for the future of the city's government. This means evaluating private and public action, the activation of new forms of public-private relationship where the autonomy of every single subject is redesigned, as well as the autonomy so far known of the central government.

All this represents the focus of the book. It is exactly the difference in languages between public and private subjects in interpreting new scenarios, the contradictions of rules in between the old and the new which do not facilitate the creation of PPPs and make part of the steps illegitimate, risking to create a distance between declarations and effective realizations (all this can be named as rhetoric). The rhetoric usually hides a delay between the willingness and the capacity of realization.

The case studies often make evidence of this kind of delay, which is not only of the assembly of complex urban interventions where new forms of PPP would be the 'sticky' element of the intervention, but also of the capacity to identify new tools that cannot be the traditional ones, originating from the old regulative relationship between the state and the market. New subjects have to be identified as leaders able to operate as the new drivers, to intercept and govern new and complex variables unknown so far. Usually the time of government is not coinciding with the times of realization causing 'holes in the roles' interpretation and action. The arena is open

to subjects (developers) who often find limited answers to their needs: there is prevalence in favoring residential consumption rather than other replacements, due to the fact that it is easier and more profitable for the market in the short term. That means a major space is left to those goods with a minor complexity of realization and a major capacity of selling to the market (i.e., residential units).

Interdisciplinarity is an important element in the comprehension of these phenomena in order to find good answers to several open questions. It is doubtful that the *management* component is able to lead to a synthesis of the problems related to finance, production, use of spaces, urban dynamics, sociology, and economy. At the moment, it appears delicate and unsolved what is related to the difficulty to codify a PPP and make it operative. It is a delicate step due to the fact that it is linked with the redefinition of public interest and revision of the state so far known. For the first time what comes to be broken are the 'barriers' of separated interests, even if convergent, of public and private action. All the tools and rules and regulations born on this separation are not useful today, since they do not change to make a public procedure illegitimate, thus becoming themselves an element that stops and makes tough the way to the PPP (e.g. acts of appeal, juridical cases, etc.).

The matter is, if the way proposed in the book is applicable, to think to new tools to govern the new phase we are facing. Those tools should inevitably result from an integrated inter disciplinarity, rather than a sum of different specialized languages. In addition the role of the subjects who understand and transform should be thought in a different way. They cannot anymore be single separated subjects such as the administrator coming from the political or the bureaucratic arena, as well as it cannot be the speculator anymore, or anyone who gains profits in a short-term oriented market (as the builder of residential units).

The time for the realization of complex urban intervention is long, which is also a reason why they do not coincide with the time of the single decision maker: they are time linked to the urban strategy and require the aggregation of several subjects with different roles but an integrated project capacity, focused on the replacements and transformations. This integration must be partly guaranteed through the development of new tools and partly through the identification of new subjects called to take charge of these transformations. A particular role should be foreseen for some public proactive subjects, integrated research centers, trainers, urban centers, tutors with high ethical values, political decision makers, etc. This is not to be meant as a re-proposal of a neo-liberal elite for the PPP development.

The objective is far more ambitious and vast and concerns the redesign of the whole city, the links of those subjects with the economy, and the use of the city, comprehending social inclusion.

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