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## Private investment in public urban space

### Dutch real estate developer and investor motivations and conditions

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# private investment in urban public space

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London

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# ERS







# 1. Introduction

# Background - Trends

## Social added value

- The transformation of public space from a two-dimensional amenity for infrastructure and recreation into a commodity that contributes to a.o. health, sustainability, resilience and curb growth in inequality (Carmona, et.al., 2019).

## Economic added value

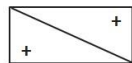
- The transformation of public space from an amenity into a commodity that represents economic added value. By facilitating people to meet, enhanced agglomeration force and contributing to an increase in property values (De Groot, et.al., 2010).

## Neoliberalism

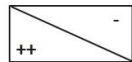
- Expanding private sector-led urban development practices (Heurkens, 2012) explained by continuous austerity era of government retrenchments.
-

# Background - Prisoner's dilemma

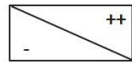
| collaboration |     | public |    |
|---------------|-----|--------|----|
|               |     | yes    | no |
| private       | yes | +      | ++ |
|               | no  | ++     | 0  |



Private parties and the Municipality collaborate and make joint additional investments.  
Increased quality effects as well as positive financial effect for both the Municipality and private parties.



Additional investment by the Municipality. No additional investments made by private parties.  
The Municipality as well as private parties profit from increased quality. Financially disproportional advantage for private parties.



Private parties make additional investments, the Municipality doesn't.  
Private parties as well as the Municipality profit from increased quality. Financially disproportional advantage for the Municipality.



No additional investments by the Municipality as well as private parties.  
No increase in quality and no extra positive financial effect. Traditional standoff.

**What are the decisive terms and conditions for developers and investors to voluntarily make additional investments in public space?**

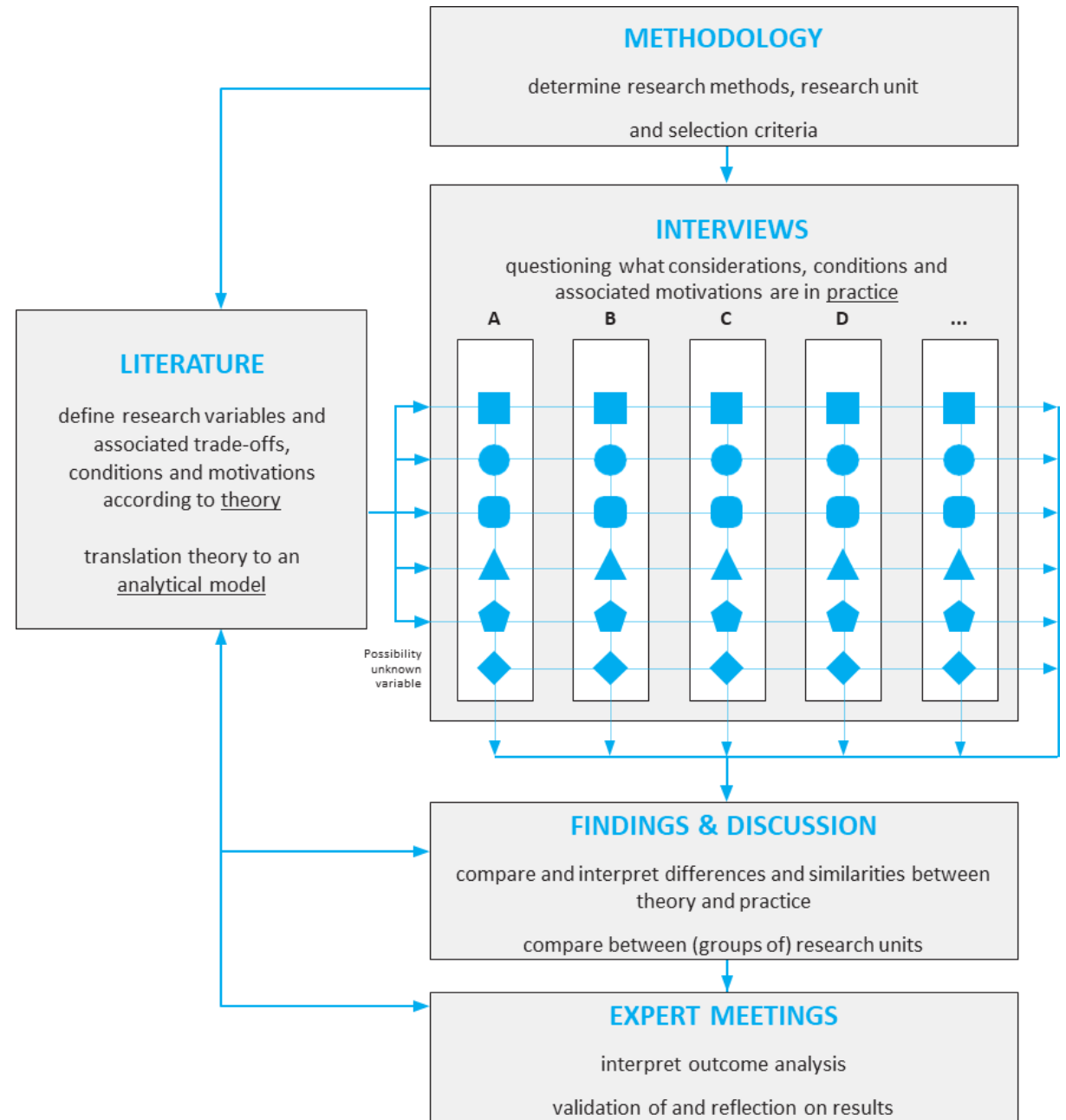
RESEARCH QUESTION





## 2. Methodology

# Visualization of methodological research design

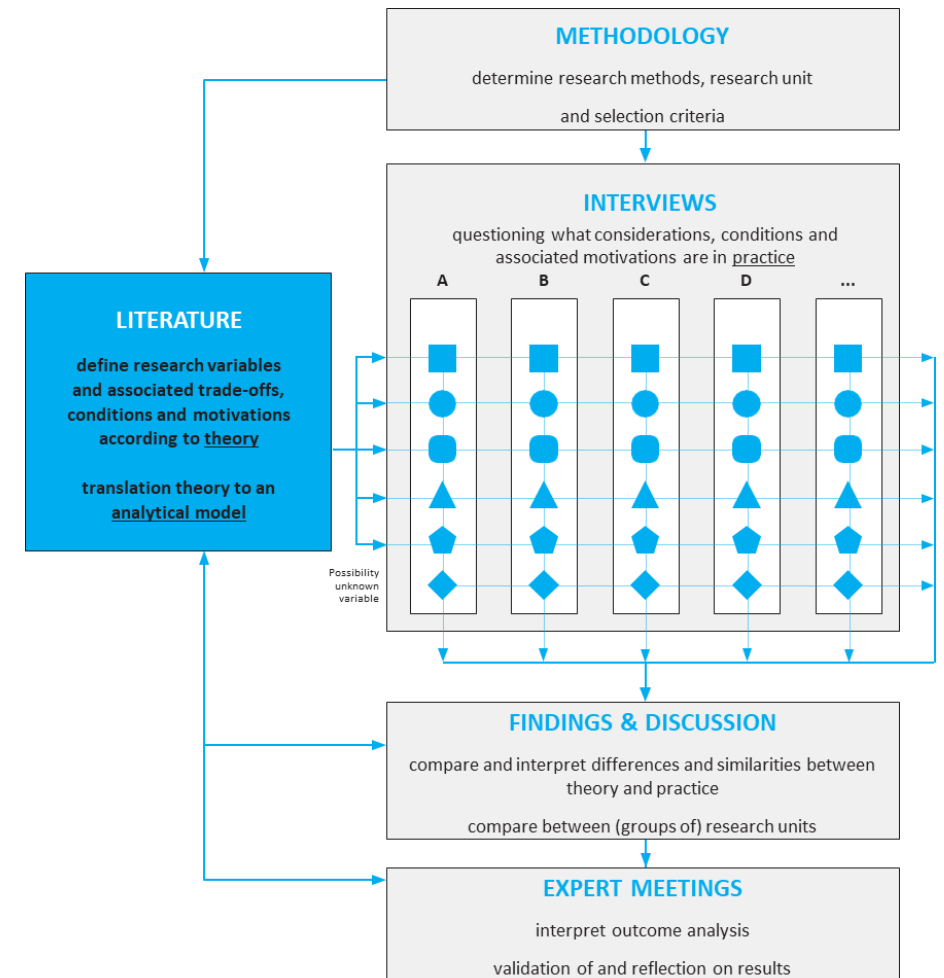




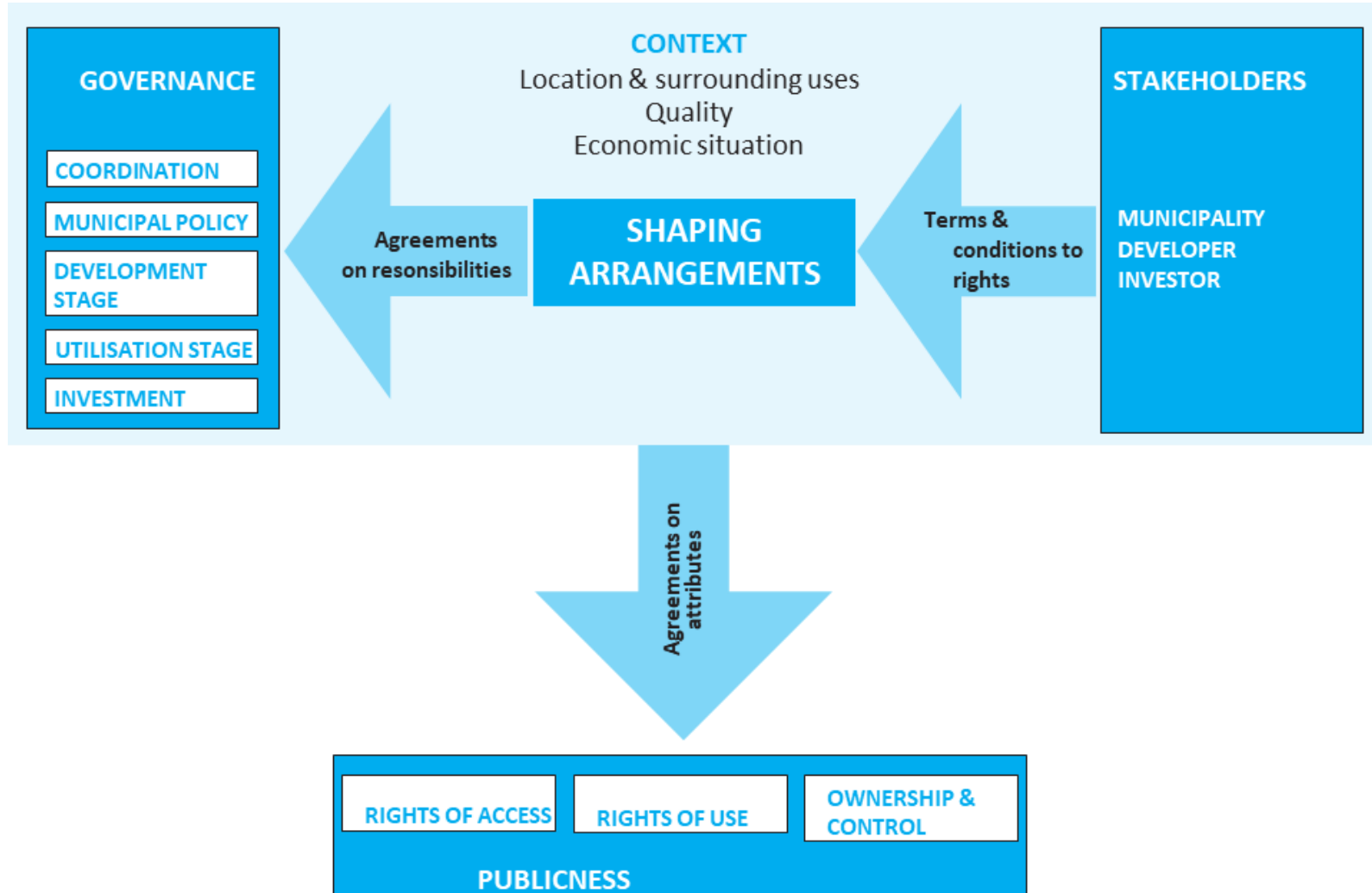
# What are relevant topics according to the theory?

This research builds on the research of, in particular:

- Carmona (2021)
- De Magalhães (2010+2014)
- De Magalhães, C. & S. Freire Trigo (2017)
- De Magalhães, C. & M. Carmona, M. (2009)
- Leclercq, E. (2018)
- Leclercq, E., D. Pojani & E. van Bueren (2020)

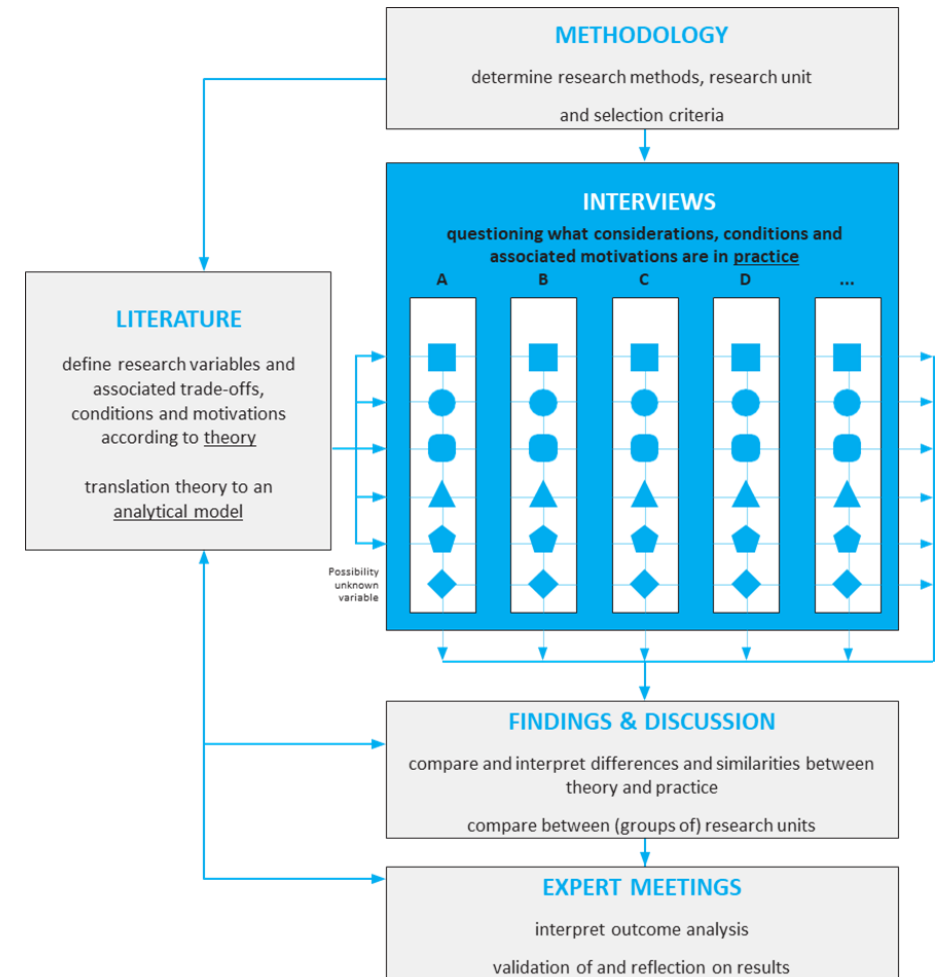


# Analytical framework



# What are the experiences in practice?

- Total 18 interviews (May-June 2022)
- Focus on 'diversity' of company profiles
- Developers: 6
- Developing investors: 4
- Investors: 4
- Employees of the municipality of Amsterdam: 4





# What are the experiences in practice?

- Angle towards developers and investors

What considerations do they make prior to the decision to do additional investments in public space and what are their conditions and motivations in doing so?

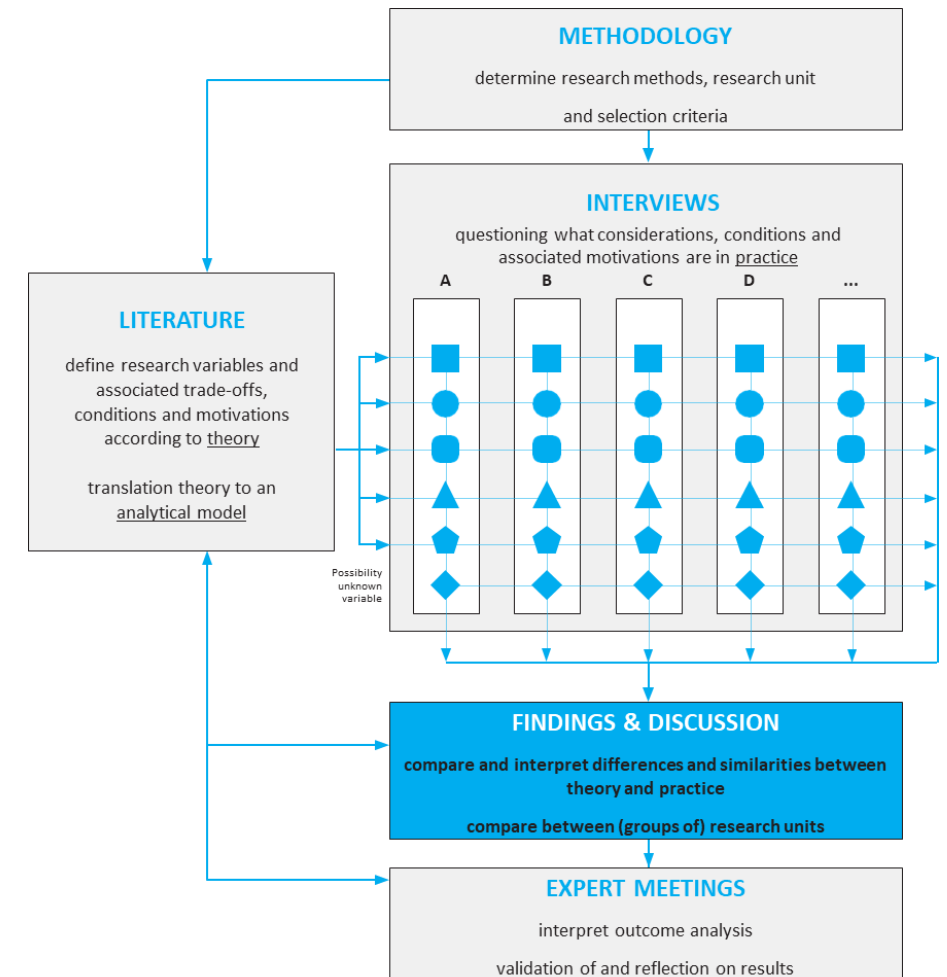
- Angle towards the Municipality

What considerations are involved in facilitating additional private investments in public space and what are their conditions and motivations.

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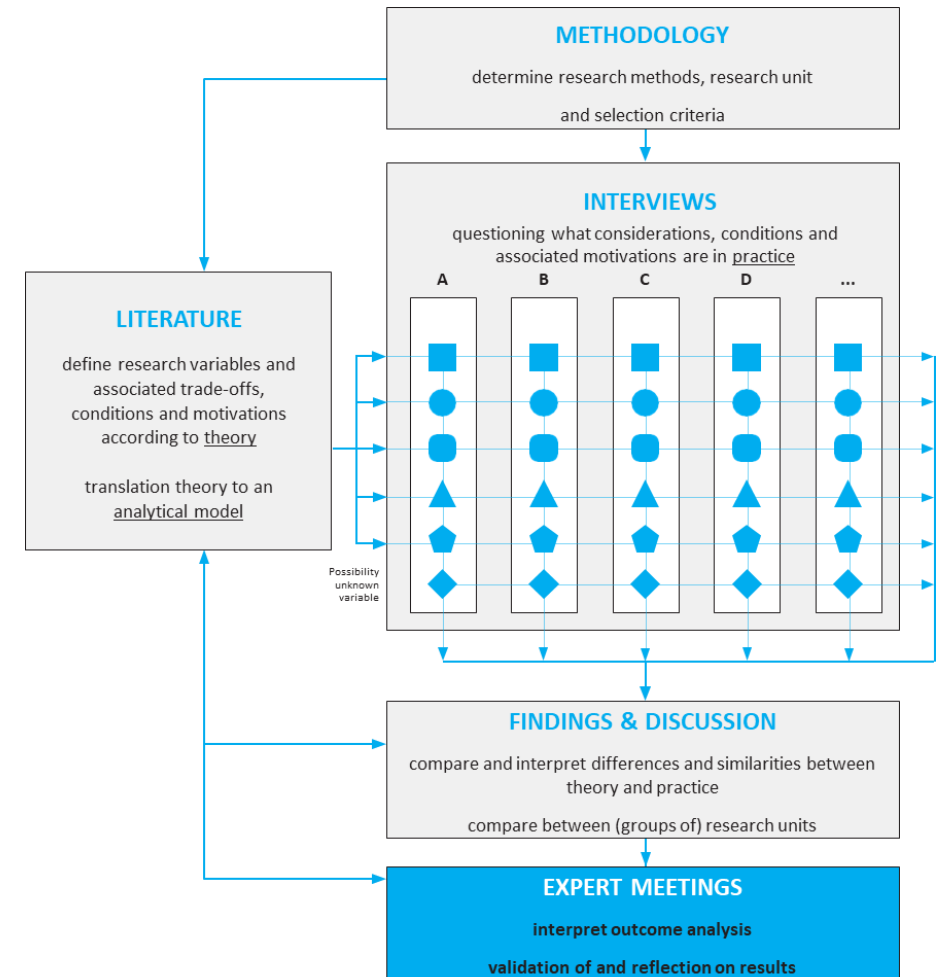
# Findings & discussion

- The results of the interviews were compared with the results of the literature study.
- Results were then translated into the following classification per subject, which formed the input for the expert panel:
  - Subordinate
  - Of interest
  - Decisive



# Expert Meetings

- Total 4 experts spoken (November 2022)
- Science: 1 (Radboud University Nijmegen)
- Municipality: 1 (City of Rotterdam)
- Architect/Urban Planning/Landscape Design: 1 (works for the municipality, developers as well as investors)
- Research and education and networking institution for developers and investors: 1 (Urban Land Institute)







### 3. Conclusion

# Location and surrounding uses

Location and surrounding uses are decisive whether developers and investors are willing to make additional investments.

- No two locations are the same and investments do not pay off equally everywhere.
  - The project must be able to bear the extra investment costs.
  - There is therefore not the same amount of room for extra investment in every place and for every project.
  - ESG objectives are increasingly weighted in investment decisions.
-

# Scale level

For developers and investors, the scale level at which investments can be made is decisive.

- The municipality reasons from the unity of “city” and strives for uniformity.
    - The municipality wants to generalize as much as possible and thinks of public space in terms of a service and is cost-driven.
  - Developers and investors reason from the unity of “project” and strive for customization.
    - Developers and investors want to realize their own identity and strive for distinction and difference, reasoning from the perspective of quality and revenue potential of public space investments.
-



# Influence and control

Influence and control are decisive for developers and investors in assigning rights, distributing responsibilities and shaping attributes.

→ Control how money is spent

- Ensuring that the own company vision can be realized to sufficient degree.
    - Motivation is customization as much as possible.
  - Emphasis on co-partnership. Looking for right of say.
    - Investors: long-term value development + ESG objectives.
    - Developer: realize own vision + direct (financial) result.
-

# The municipal policy is the biggest challenge

- Uniformity and standardization regulations that hinder coordination at project level impossible and innovation.
  - Additional investments can be legally facilitated in the existing policy, but will not materialize due to uniformity and standardization regulations.
  - Lack of proven contractual framework.
  - Requirements for liability and a grip on third-party responsibilities are showstoppers.
  - Legal (land) ownership is currently the only solution.
-



## 4. Limitations & reflection

# Limitations

- External validity
  - Focus on City of Amsterdam justified?
  - Limited number (n=18) of property developers and investors were interviewed
  - Only Dutch companies were interviewed
  - Excluded parties such as social housing corporations
  - Includes stated as well as revealed preferences



# Reflection

- The Dutch setting differs substantially from the Anglo-Saxon examples.
  - This has an impact on the decisiveness (or lack thereof) with which action is taken and determines the receptiveness to the facilitating role of the municipality.
- Is the assumption of the prisoner's dilemma justified?
  - There is no 'quick fix' or uniform ideal set of arrangements.
  - There is a positive attitude and subjects that the municipality and developers think equally about.
- Voluntary additional private investments are not required everywhere and can be a nice addition to the existing array of arrangements.





# Eye-openers: Context

- Geographical location
    - Demarcation of the municipality of Amsterdam justified in retrospect?
  - Mobility
    - New variable. No consensus among experts. Seen by developers and investors as project transcending. Fits the picture that the municipality is thinking about the scale level of the city.
-



# Eye-openers: Agreement on attributes

- Liability risk
    - It is surprising that liability risk weighs so heavily in the Dutch situation (compared to Anglo-Saxon examples). This can be explained by the relationship “risk versus opportunity”?
  - Access and Use Rights
    - There is always some degree of exclusion. The question is whether there is more exclusion than usual?
-

# Conceptual framework

