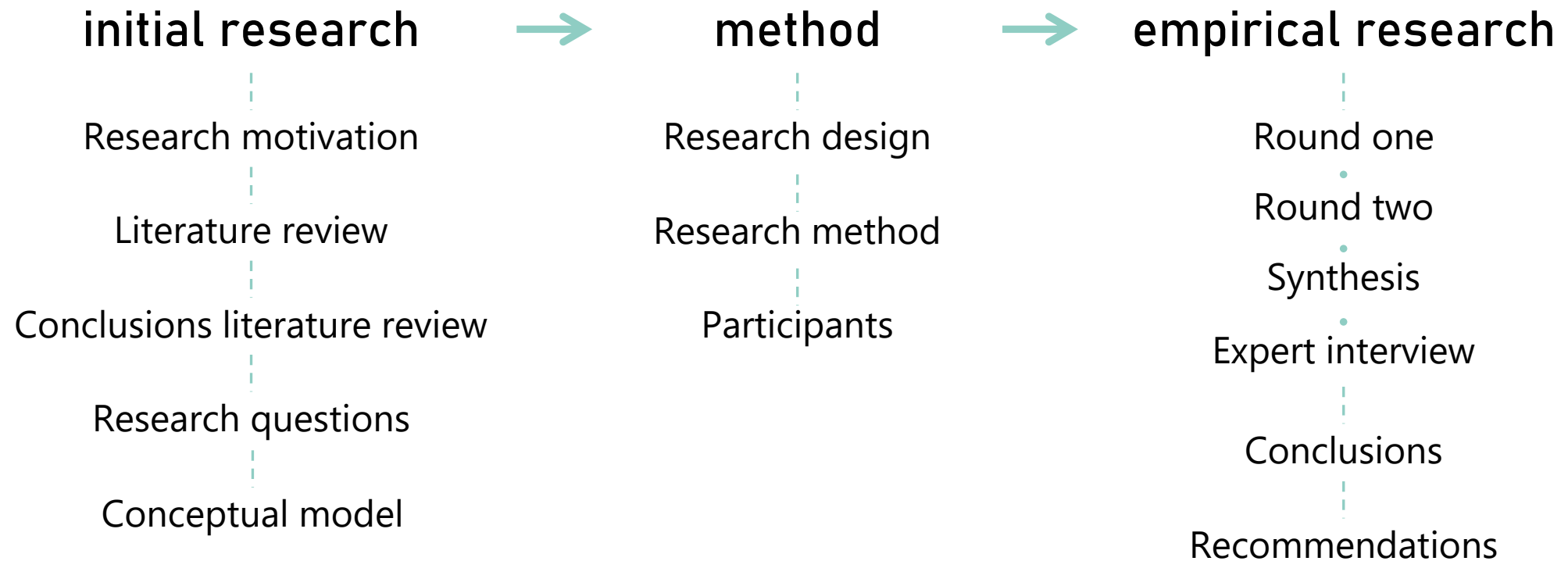


An aerial photograph of a city waterfront, likely Rotterdam, showing a large-scale urban redevelopment project. The foreground and middle ground are dominated by a 3D architectural rendering of modern, multi-story apartment buildings with varied heights and facades, some featuring balconies. These buildings are situated along a curved waterfront promenade. In the background, the existing city skyline is visible across a body of water, with various industrial and commercial buildings. The sky is clear and blue.

Stimulating urban redevelopments through value capturing

Jeroen de Koning
P5 presentation
August 2020

overview



An aerial photograph of a city, likely London, showing a mix of modern and older buildings, green spaces, and a major railway line. The image is used as a background for a presentation slide. The text is overlaid on the left side of the image.

I. Initial research

- Research motivation
- Urban redevelopment
- Barriers to development
- Value capturing
- Conclusions literature review
- Research questions
- Conceptual model

research motivation

Woningnood: 'Elf keer modaal nodig voor nieuwbouwwoning'

Belefsingen

MAKELAARSVERENIGING WAARSCHUWT: NU ECHT EEN WONINGCRISIS

NVM bezorgd om dalend aanbod op huizenmarkt: 'Dit is woningnood'

Er was al te weinig aanbod

Antoinette Hertenberg

Het tekort aan woningen was programma Radar Extra bel

De huizenprijs (per vierkante meter) is opgelopen tot een niveau dat in 2008 nog niet was bereikt. Dit kan tot problemen leiden voor de huishoudens die nu op zoek zijn naar een woning.

Woningnood is in de Randstad het grootst

OPINIE | Kamerlid Henk Nijboer (PvdA) en zes partijgenoten verwijten het kabinet (Opinie 12-11) dat het zich te veel richt op de Randstad. Toch liggen daar wel de meest nijpende problemen, stellen zes D66-wethouders.

Housing shortage

Nieuws

De onrendabele top

Blijft de onrendabele top binnenstedelijk ontwikkelen hinderen?

De rendabele onrendabele top

Door Finance Ideas Academy Gepubliceerd 1 juli 2012 In Sturing op vastgoed & financiën

Van oudsher wordt bij investeren in onrendabele top. Daarbij wordt geacht met de stichtingswaarderingsgrondslagen van de corporatie.

De wondere wereld van onrendabele toppen

Laat Rijk meebetalen aan onrendabele top bij nieuwbouw

Door Frank ten Have

10 jan 2019 - Bij nieuwbouw van woningen bestaat binnenstedelijk een financieel tekort per woning: de zogeheten onrendabele top. Bovendien kunnen gemeenten bij nieuwbouw er ook financieel structureel op achteruitgaan, terwijl het Rijk macro-economisch flinke financiële voordelen heeft van bouwinvesteringen. Tijd voor beter bij de vijf?

Het bouwen van sociale huurwoningen is geen rendabele activiteit. Tot begin jaren negentig van het vorige millennium had Rijk een verantwoordelijkheid voor de 'volledige dekking' en betaalde het bouwen van huurwoningen via bouwsubsidies de rekening. Het bestrijden van de woningnood was voor de regering een politieke prioriteit. Tot 1990 groeide de bouw van sociale huurwoningen sterk. Daarna daalde de bouw van sociale huurwoningen sterk. Het Rijk wilde onder deze financiële motieven uit, omwille van de maatschappelijke en economische voordelen van de bouw van sociale huurwoningen. Het Rijk wilde de bouw van sociale huurwoningen stimuleren. In het kader daarvan werden de bouwsubsidies.

HET ONREDBELE

Indicatie van de stijging van 'het onrendabel' van Amsterdamse corporatiewoningen, gebaseerd op publieke uitgaven

Unprofitable top margin

research motivation



Housing shortage

Financial deficits



Urban areas

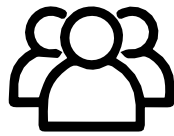
drivers of urban housing demand

- Urbanization, demographics, household preferences
- **Greenfield** expansion versus **transformation** debate
- Policy preference

Benefits of urban redevelopment:



Environmental



Social



Economic



unprofitable top margin

In urban redevelopments:

- +- 80% of municipalities have public deficits
- €13.000 - €28.500 per dwelling

Call for alternative financing methods
Value capturing often named



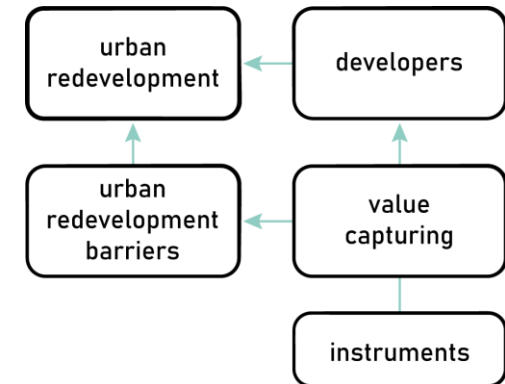
literature review

main research question:

how can value capturing instruments stimulate urban redevelopment and how does this influence the decision-making of real estate developers?

initial research questions

- *How can urban redevelopment be stimulated?*
- *What is value capturing?*
- *Which value capturing instruments can be found in literature?*

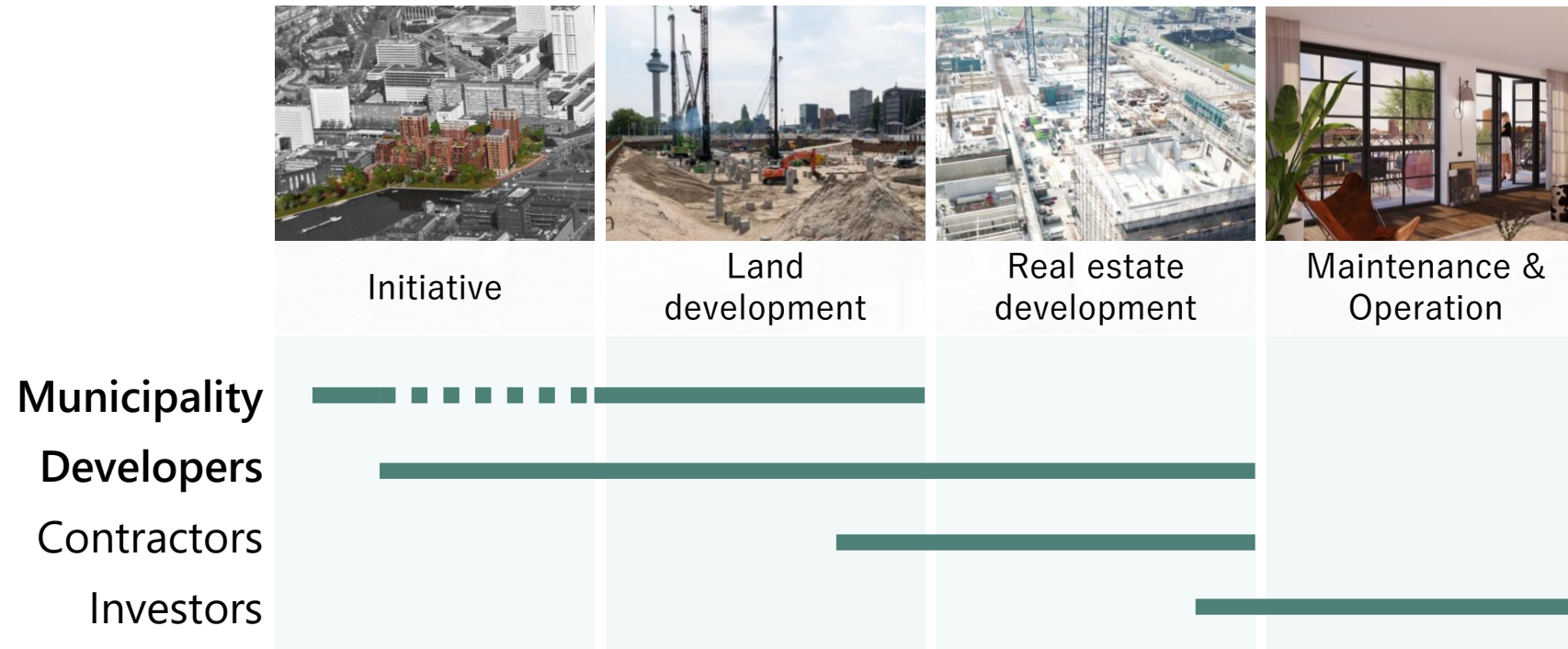


An aerial photograph of a city waterfront. On the left, a large white cruise ship is docked at a pier. The water is calm with a few small boats. The shoreline is densely packed with buildings, including large industrial-style structures with flat roofs and smaller residential buildings. A large plume of white smoke or steam rises from one of the industrial buildings. The background shows a dense urban landscape with many more buildings and green spaces.

urban redevelopment

how can value capturing instruments stimulate urban redevelopment and how does this influence the decision-making of real estate developers?

urban redevelopment process

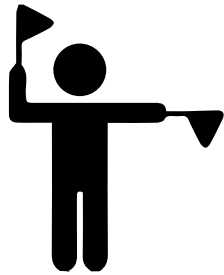


stakeholder: municipality



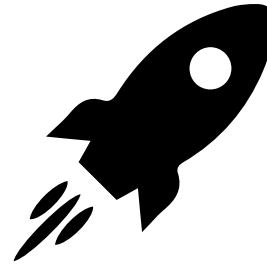
Capacity building

Facilitate markets



Market shaping

Making markets



Stimulating

Lubricate markets



Regulating

Constrain markets

passive policy

active policy



stakeholder: developers

- Investing developer
- Contractor developer
- Funded developer
- Independent developer

Different **goals**

Different **approach**



financial barriers

- High initial investments
- High complexity
- Value jump is harder to achieve

The barriers cause financial deficits

Limited financial power public sector

- Changed public support
- Problems with traditional cost recovery

Reasons for public deficits (Holt *et al.*, 2018)

1. Public space
2. Plan costs
3. Area infrastructure
4. Main infrastructure
5. Demolition/sanitation
6. Land acquisition
7. Underground infrastructure
8. In place barriers

investments in public space

Public space: parks, green, open space, infrastructure and community services

Characteristics of public space:

- Non-excludable
 - Positive externalities
- Rival (degradation)

Public sector is **traditionally** responsible for providing public space



recovering public costs

Public sector is required to **recover** the costs of public space (WRO)

1. Cost recovery under public law
= forces developers to contribute

2. Private law agreements
= anterior or posterior agreements

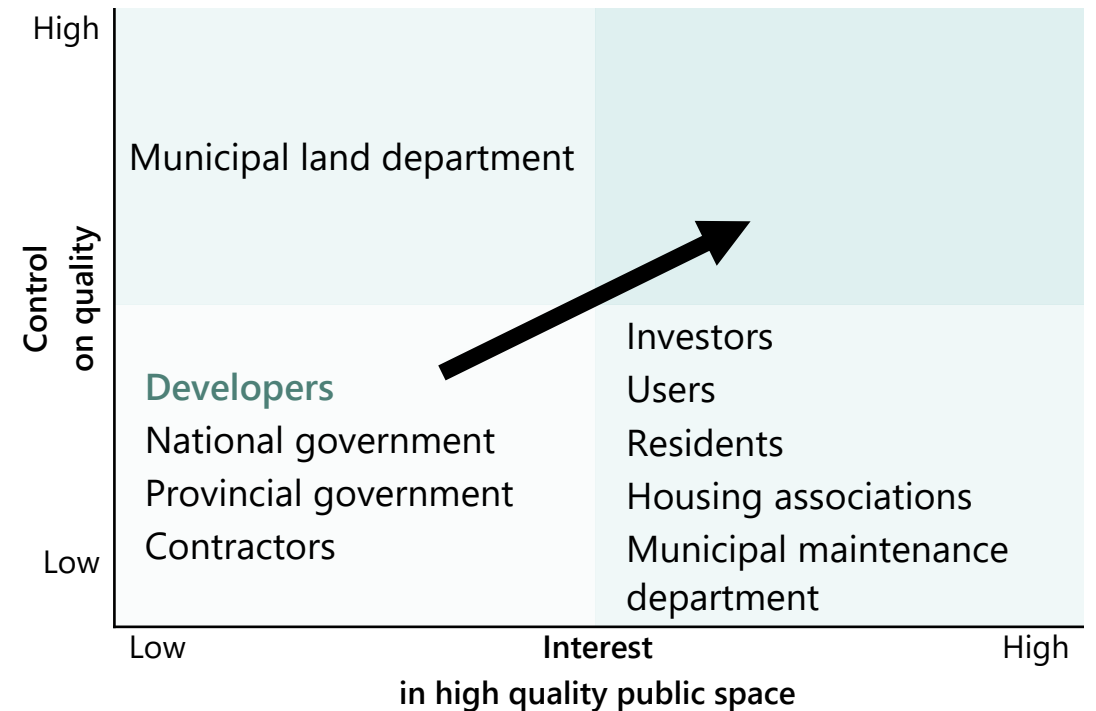
3. Selling prepared land
= tenders

Preference: **Anterior agreement** (95% of cases)

trend private involvement

- Public role is changing
- Developers already more involved
- More recognition of public space in end-value

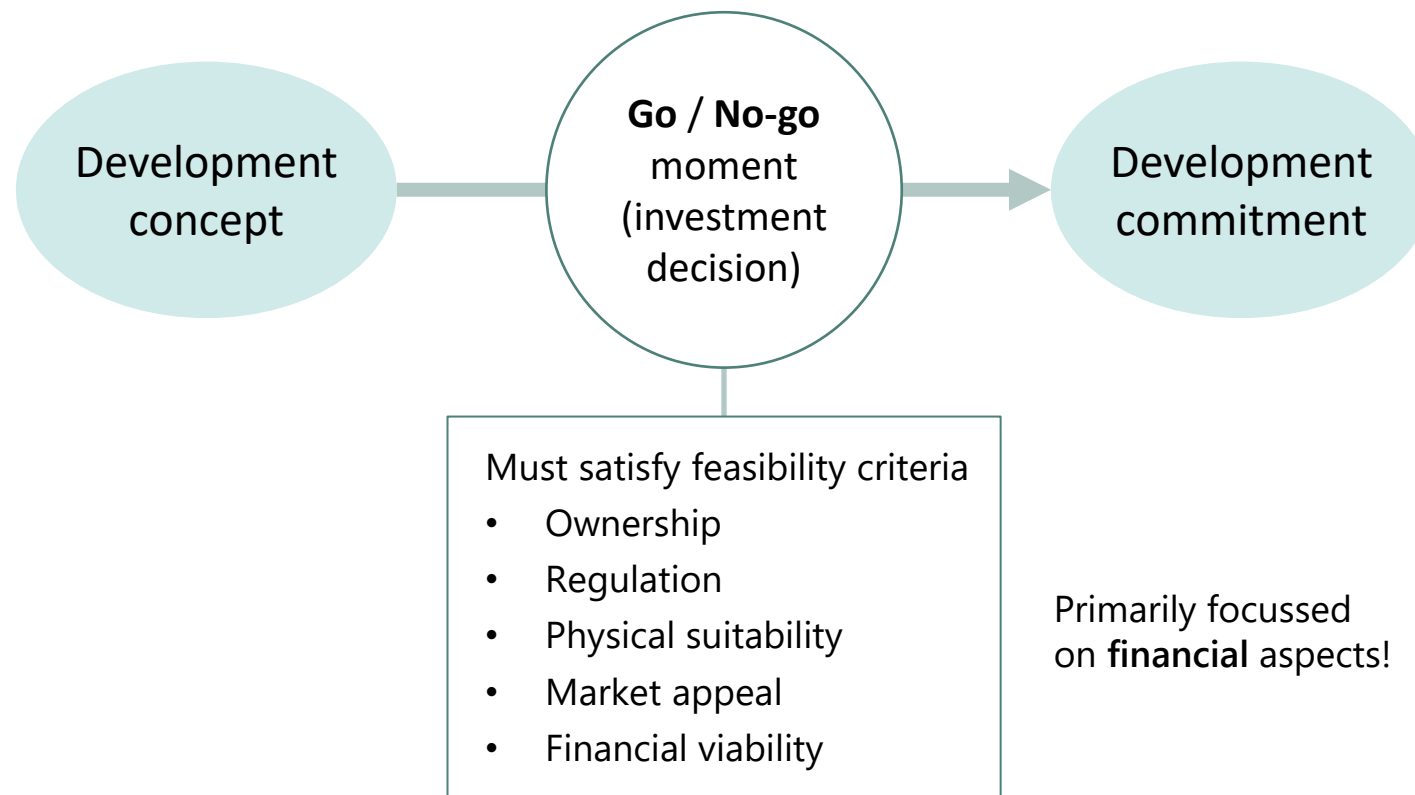
“Structural trend that private sector is recognizing the relation between public value and private results” (Heurkens, 2020)



developer decision-making

Literature is thin

Different for every developer



Two strategies to stimulate *financial feasibility*

1. Optimizing business case

- Increasing revenue
- Decreasing costs

2. Widening business case

- Recognizing other values

investments in public space



value created from investments in public space

Characteristics

- Accessibility
- Economic performance
- Employment
- Urban quality
- Awareness
- Character
- Attractiveness
- Recreational value
- Green
- Sustainability



Value

- Exchange value
- Use value
- Social value
- Environmental value
- Image value
- Cultural value



Developer benefit

Focused on **financial** aspects (exchange value)

- Concept added value
- Financial added value
- Procedural added value
- Contextual added value

Direct vs indirect benefits

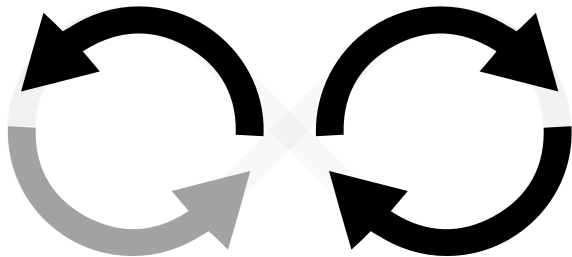


value capturing

How can value capturing instruments stimulate urban redevelopment and how does this influence the decision-making of real estate developers?

value capturing

Value capturing is a term that is used for **instruments** that, at a certain point in **time** or timespan, claim (a share of) the **value increments** from **private actors**, created by **investments in non-excludable public amenities**, and send it back to the **actor/activity** that caused that value increase, therefore making it **equitable**.



instruments

Governmental action

- Betterment tax = tax on added value
- Value increment contributions = tax mechanisms used to stimulate development

Voluntary contributions

- Joint development mechanisms = cooperation between public and private sector

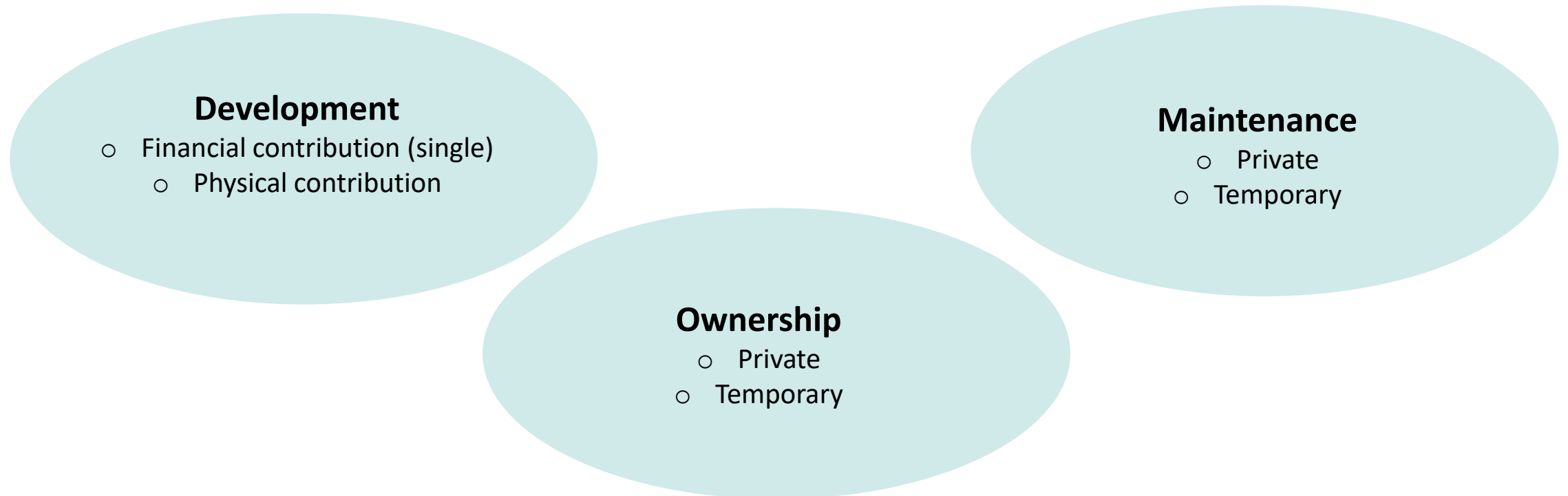
instruments

		Contributor <i>Landowner</i> <i>options: Developer</i>	Targeted benefit	Coordination <i>Taxing authority</i> <i>Negotiation</i> <i>Partnership</i>	Timing <i>Before</i> <i>After</i>	Space <i>On-site</i> <i>Off-site</i> <i>Entire area</i>	Cost <i>Upfront (capital)</i> <i>Ongoing (operating)</i>	Ownership <i>Public</i> <i>Private</i>
Betterment Tax	Impact fees	Both	Property value growth Development value	Taxing authority	After	Off-site	Upfront	Public
	Land value Taxation	Landowner	Land value growth	Taxing authority	Before & After	Entire area	Upfront & ongoing	Public
	Special Assessment Districts	Landowner	assessed special benefits	Taxing authority	Before	Off-site	Upfront	Public
Value increment contributions	Tax Increment Financing	Landowner	Property value growth	Taxing authority	Before	Off-site	Upfront	Public
Joint development mechanisms	Joint development	Developer	Development privileges	Partnership	Before & After	On-site & off-site	Upfront & ongoing	Both
	Developers' contributions	Developer	Development value growth	Negotiation	Before	On-site & off-site	Upfront or ongoing	Both
	Benefit sharing	Developer	Development value growth	Negotiation	Before & After	On-site & off-site	Upfront	Public
	development rights	Developer	Development opportunities	Negotiation	After	On-site	Upfront & ongoing	Public
	Air rights	Developer	Development opportunities	Negotiation	After	On-site	Upfront	Public
	Public asset cooperation	Developer	Development value growth	Partnership	Before & After	On-site	Upfront & ongoing	Both
	Negotiated exactions	Developer	Development value growth	Negotiation	Before	On-site	Upfront	Both

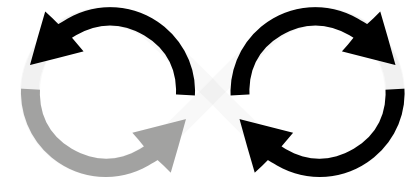
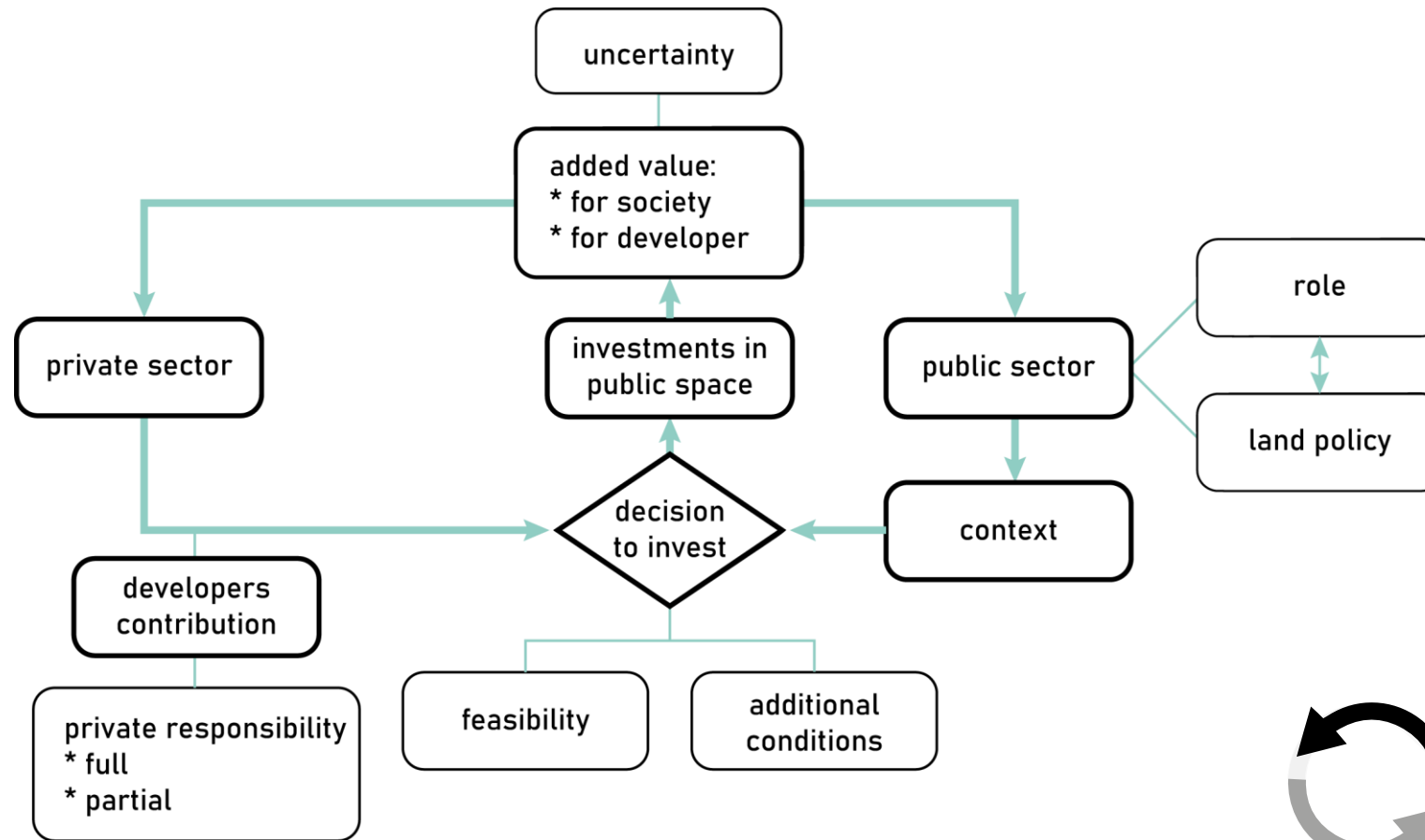
developers' contribution

In the developers' contribution model, developers **voluntarily** contribute to public investments because they **benefit** from the improved quality (Offermans & van de Velde, 2004).

- Full or partial private responsibility in: development, ownership and/or maintenance



conceptual model



research questions

Empirical research question

How can the developer's contribution stimulate urban redevelopment and how does this influence the decision-making of real estate developers?

Sub-questions

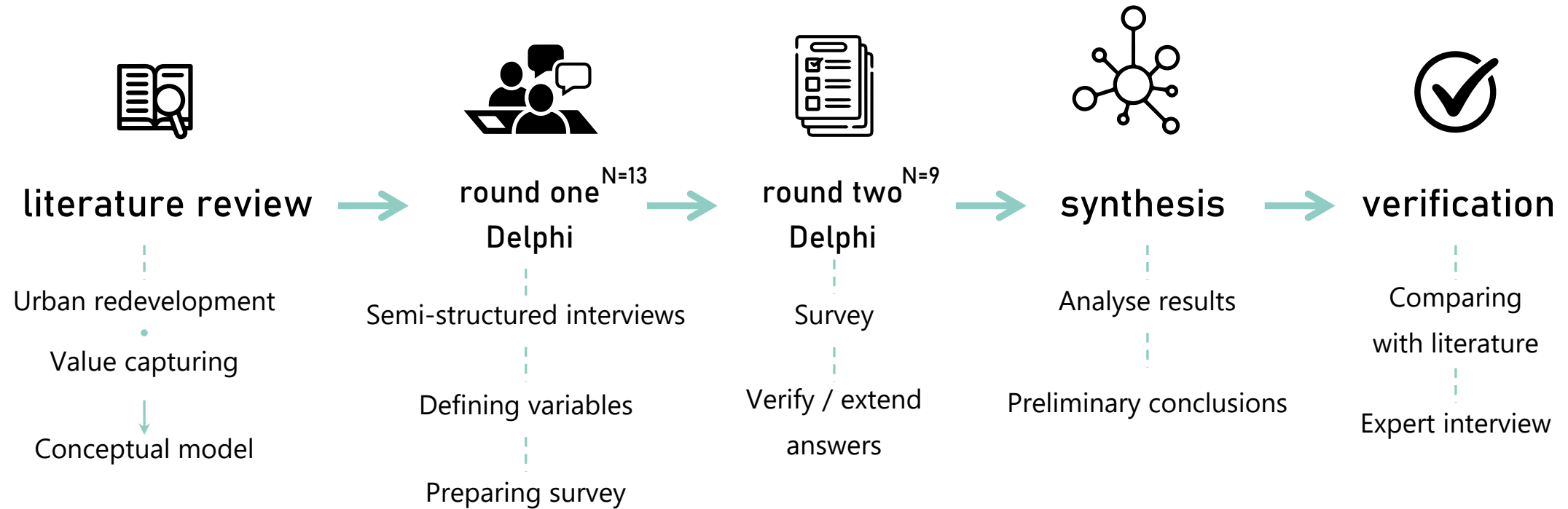
- What does the developers' contribution look like in practice?
- Why would a developer choose to do a developers' contribution?
- Under what conditions is a developer willing to do a developers contribution?
- What public role is necessary to increase the willingness to commit to a developers' contribution?

An aerial photograph of a city, likely Amsterdam, showing a dense urban landscape with a river, a canal, and a large modern building with a glass facade. The text "II. Method" is overlaid on the left side of the image.

II. Method

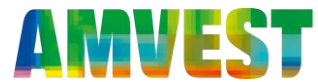
- Research design
- Method
- Panel members & expert interviews

research design



interviewees

Delphi panel

The logo for AMVEST, featuring the word "AMVEST" in a bold, sans-serif font. Each letter is a different color: A (blue), M (green), V (yellow), E (orange), S (red), T (purple).The logo for bpd, featuring a stylized geometric icon composed of three overlapping squares in blue, red, and green, followed by the lowercase letters "bpd" in a bold, sans-serif font.The logo for Bouwinvest, featuring a row of colorful squares in blue, red, green, and yellow, followed by the word "Bouwinvest" in a bold, sans-serif font.The logo for KON DOR WES SELS VASTGOED, featuring the words "KON", "DOR", "WES", and "SELS" stacked vertically in a bold, sans-serif font, with "VASTGOED" in a smaller font below them.The logo for lingotto, featuring the word "lingotto" in a white, lowercase, sans-serif font inside a red rounded rectangle.The logo for Local, featuring the word "Local" in a black, sans-serif font inside a pink circle.The logo for MOLSBERGEN DEVELOPMENT, featuring a large, stylized "M" inside a circle, with the words "MOLSBERGEN" and "DEVELOPMENT" below it.The logo for MRP DEVELOPMENT, featuring the letters "MRP" in a large, bold, sans-serif font, with "DEVELOPMENT" in a smaller font below it.The logo for sens real estate, featuring the word "sens" in a stylized, lowercase, sans-serif font, with "real estate" in a smaller font below it.The logo for SYNCHROON ontwikkelaars, featuring the word "SYNCHROON" in a bold, sans-serif font, with "ontwikkelaars" in a smaller font below it.The logo for VANWONEN, featuring a stylized "V" made of two overlapping shapes, followed by the word "VANWONEN" in a bold, sans-serif font.The logo for VORM, featuring the word "VORM" in a bold, sans-serif font.

Expert interviews

The logo for TU Delft, featuring a stylized flame icon above the letters "TU Delft" in a bold, sans-serif font.

Prof.dr. Willem Korthals Altes
Professor Land Development

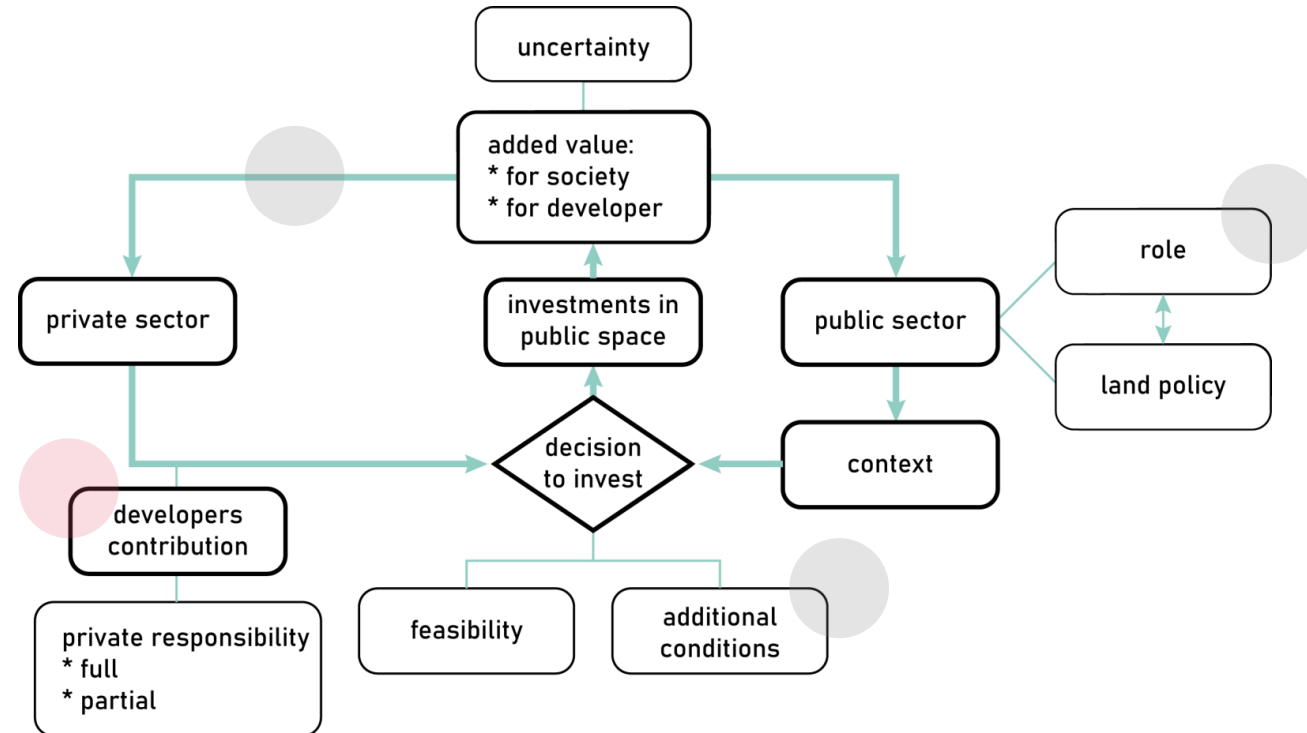
The logo for NEPROM, featuring the word "NEPROM" in a bold, sans-serif font.

Hella Hendriks
Head Chair of Development

III. Empirical research

- Results & synthesis
 - Round one
 - Round two
 - Expert interview
- Conclusion
- Recommendations

developers' contribution in practice



types of contribution

Contributions to:

- Higher spatial quality than regulation
- Parks
- Community services
- Street furniture
- Open space
- Landmarks
- Art
- Infrastructure
 - Parking garage
 - Mobility hub
 - Streets
- Entire land exploitation

Through:

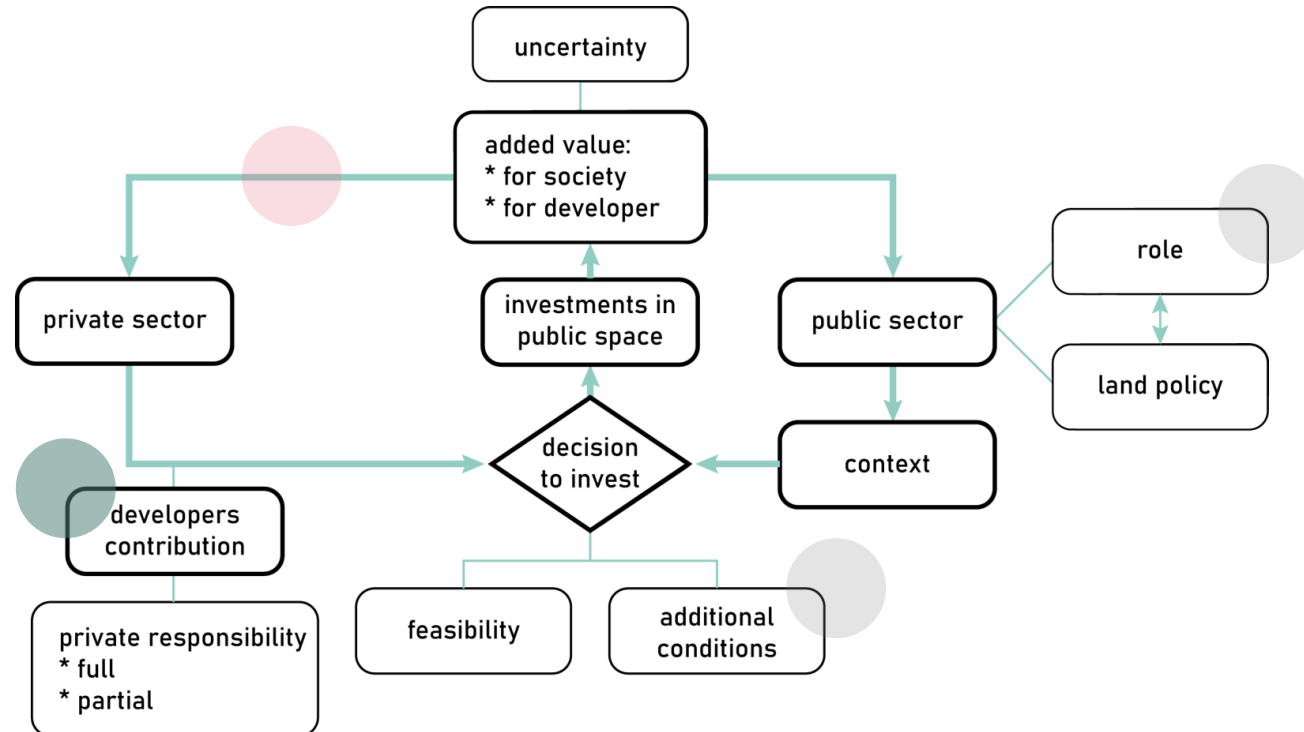
Anterior agreements

Tenders

The **more** responsibility the developer takes, the more he is able to **steer** the outcome, but there are **limitations**

Form of responsibility	Pro	Con
Full responsibility	<ul style="list-style-type: none"> • More control for developer • Better quality • Better maintenance • Better use 	<ul style="list-style-type: none"> • Less control for municipality • Excludability • Not the responsibility of developers
Temporary full responsibility	<ul style="list-style-type: none"> • Temporary control over concept • Temporary private maintenance 	<ul style="list-style-type: none"> • Temporary • Limited freedom
Partial responsibility by development	<ul style="list-style-type: none"> • More control over concept • Better quality 	<ul style="list-style-type: none"> • Municipal maintenance • Limited freedom
Partial responsibility by providing capital	<ul style="list-style-type: none"> • No other resources than financial 	<ul style="list-style-type: none"> • Less control on concept • Municipal maintenance
Partial responsibility by maintenance	<ul style="list-style-type: none"> • Better maintenance • Better use 	<ul style="list-style-type: none"> • Not the responsibility of developers
Partial responsibility through other investment	<ul style="list-style-type: none"> • Lesser burden on business case 	<ul style="list-style-type: none"> • Less impact

added value of contributions



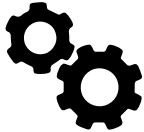
added values



Concept added value



Financial added value



Procedural added value



Contextual added value



Business added value

added values



Concept added value



Financial added value



Procedural added value



Contextual added value



Business added value

- | | R1 | R2 |
|---|-----|------|
| • Control on concept and neighborhood | 31% | 100% |
| • Improved performance of concept | 46% | 100% |
| • Quality not sufficiently guaranteed | 23% | 86% |
| • Quality not sufficient for aimed market | 15% | 86% |

added values



Concept added value



Financial added value



Procedural added value



Contextual added value



Business added value

- **Increased development value**
- Increased chance and speed of sale
- Increased future value growth
- Increased value retention
- Alignment with investor goals

	R1	R2
Increased development value	92%	100%
Increased chance and speed of sale	62%	88%
Increased future value growth	15%	100%
Increased value retention	23%	86%
Alignment with investor goals	23%	86%

added values



Concept added value



Financial added value



Procedural added value



Contextual added value



Business added value

- **Enhanced process with municipality**
- **Leverage at municipality**
- **Enhanced relation with community**

R1	R2
23%	100%
23%	89%
15%	100%

added values



Concept added value



Financial added value



Procedural added value



Contextual added value



Business added value

	R1	R2
• Enhanced area positioning	54%	100%
• Improved integration with neighborhood	54%	100%
• Societal responsibility	38%	100%
• Contribution to city	31%	100%
• <i>Sustainability</i>	8%	100%

added values



Concept added value



Financial added value



Procedural added value



Contextual added value

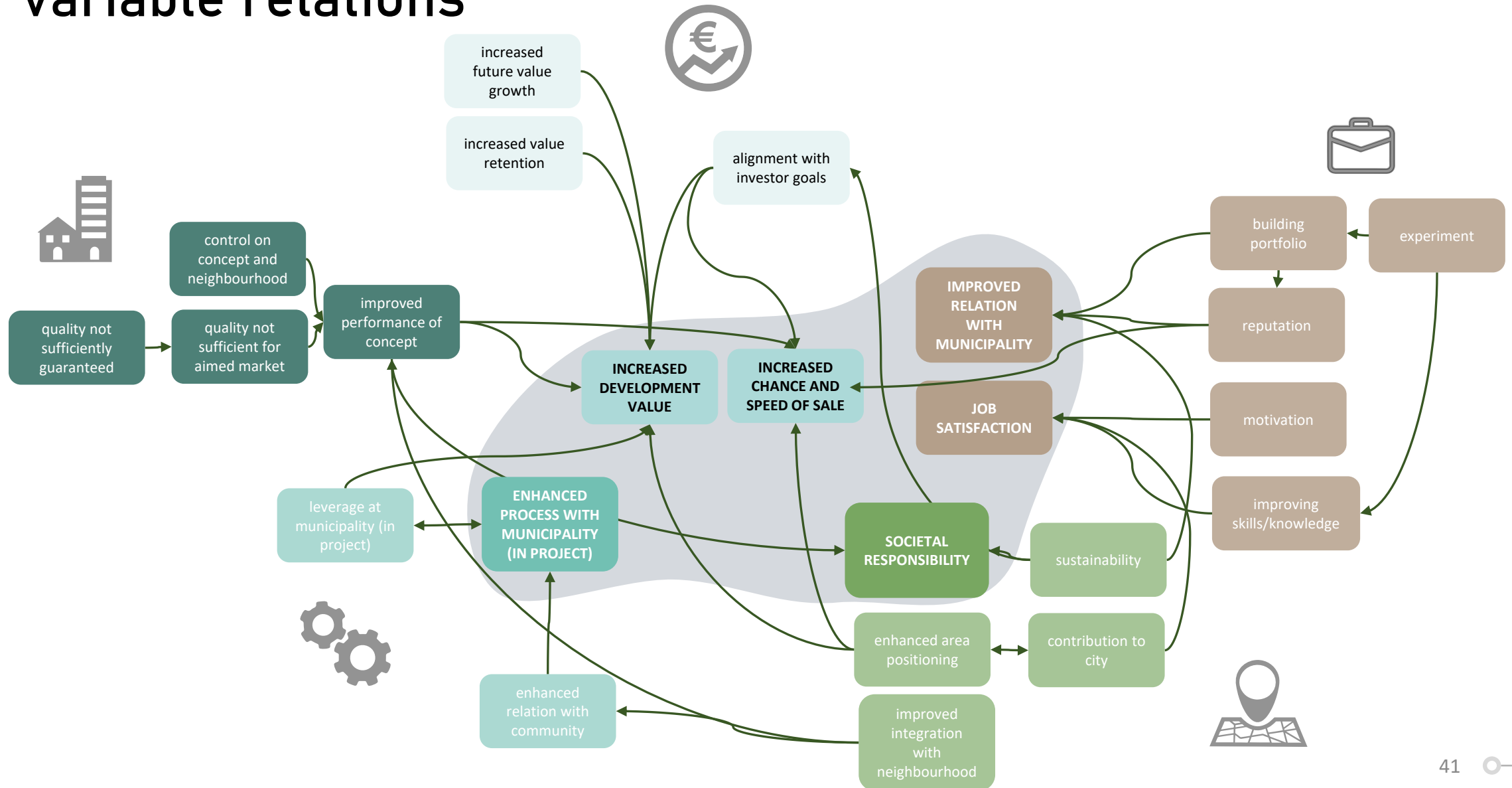


Business added value

- **Improved relation with municipality**
- **Reputation**
- **Motivation**
- Building portfolio
- *Job satisfaction*
- *Improving skills/knowledge*
- *Experiment*

R1	R2
62%	100%
38%	88%
54%	100%
31%	83%
8%	80%
8%	86%
8%	86%

variable relations



outcome

Four outcomes

- **Saleability**

Better price and saleability of the development

- **Process**

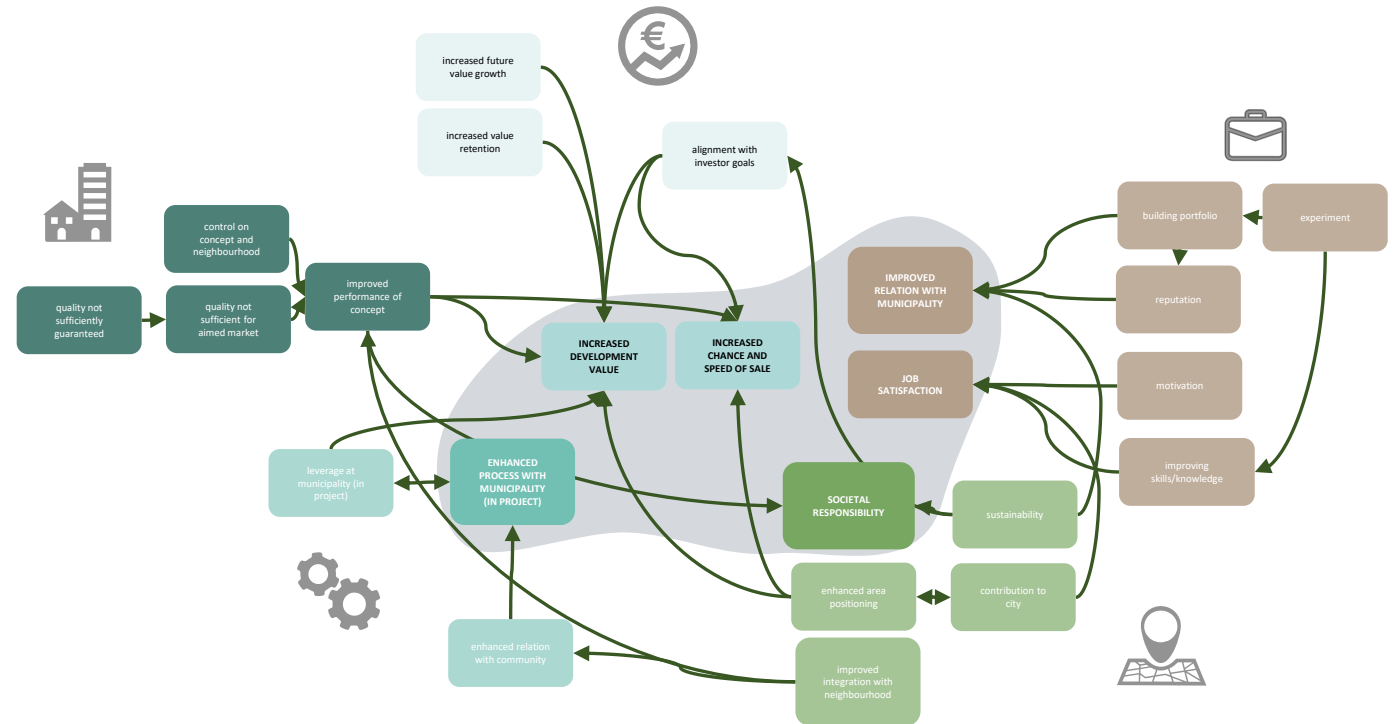
Enhanced process with municipality and community, leading to less delays

- **Future business possibilities**

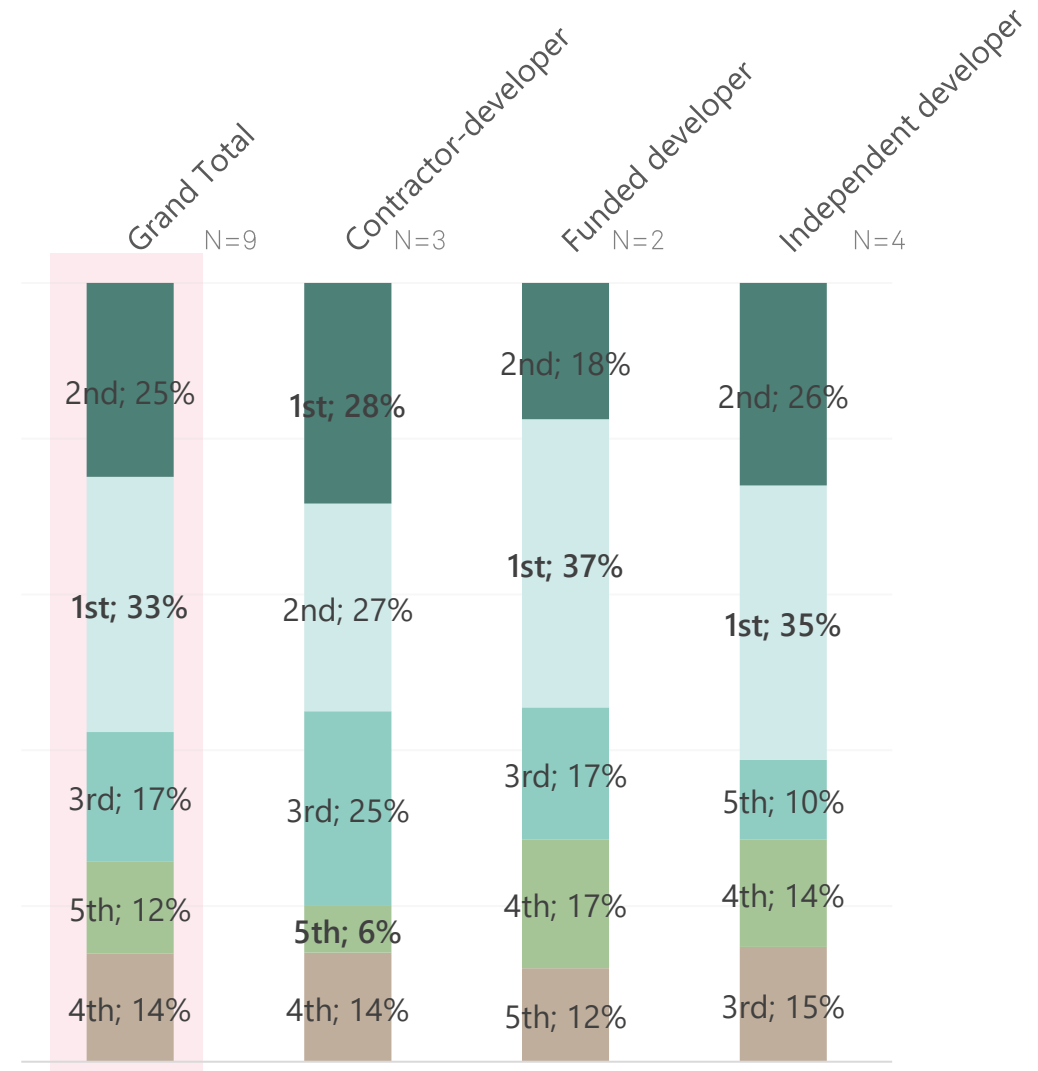
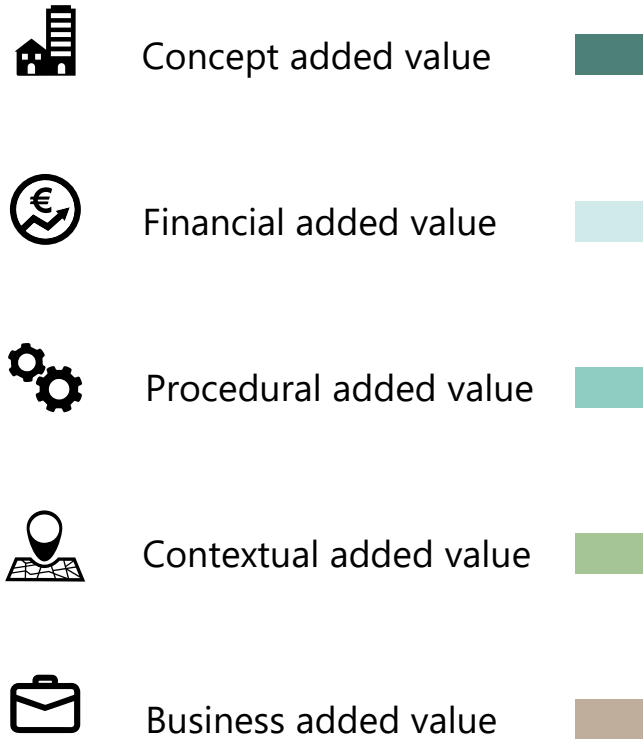
Improved reputation and skillset

- **Societal interest**

Intrinsic motivation & CSR

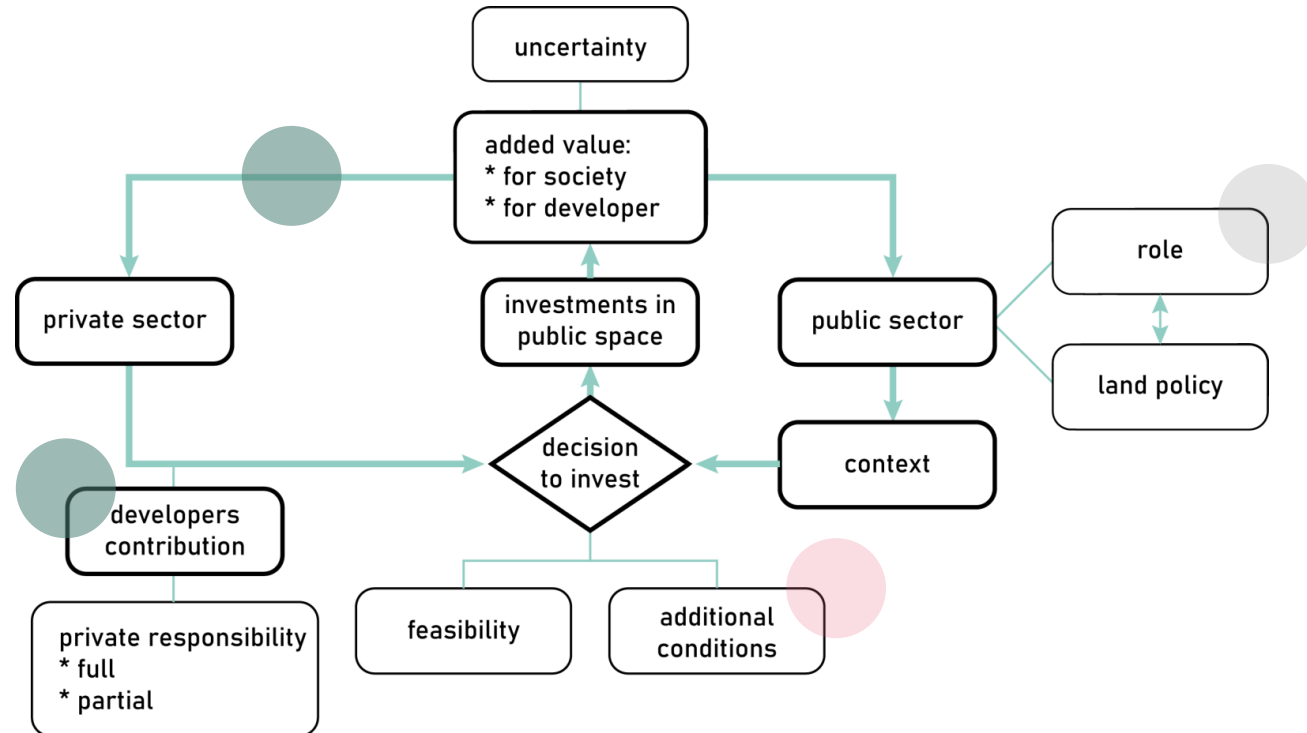


added values



The more **direct** a benefit is received, the more **important** the added value is to developers

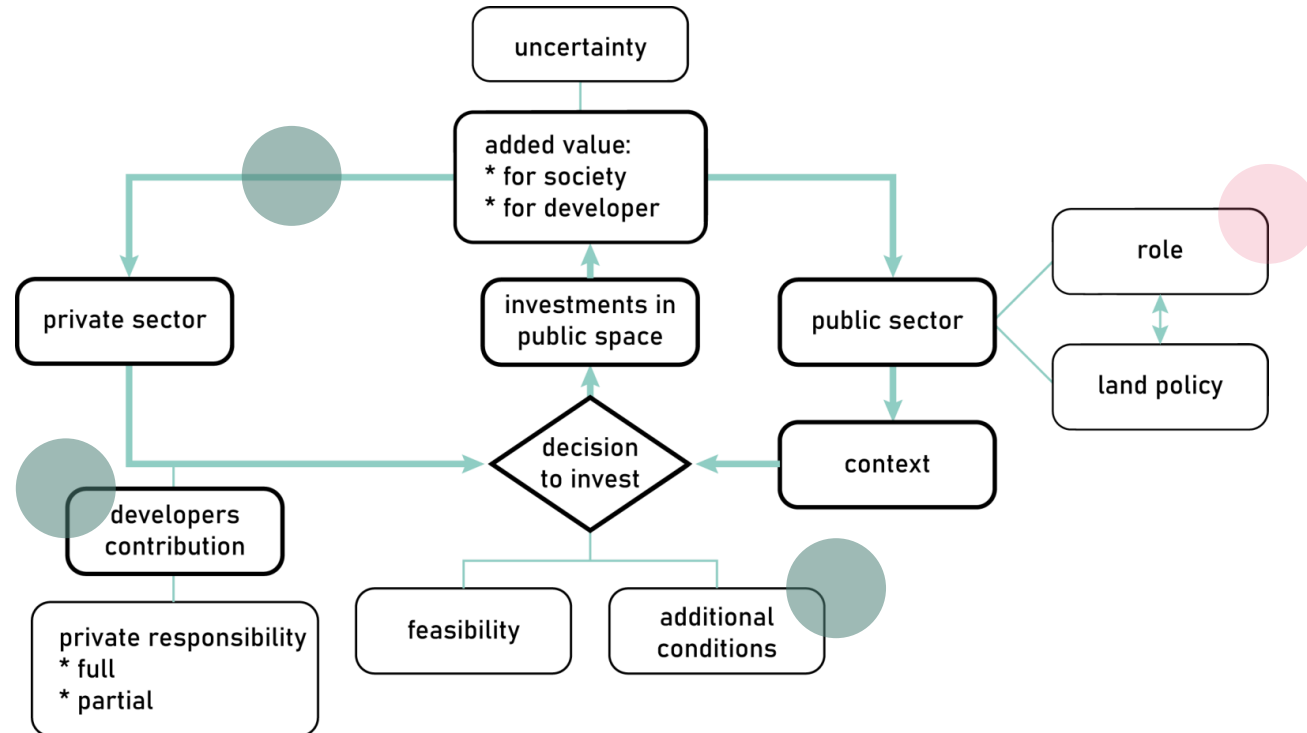
additional conditions



conditions

Condition		Hard/soft	R1	R2
1	Financial feasibility	Hard	31%	89%
2	Tender criteria	Hard	31%	78%
3	Good relation with municipality (dialogue vs discussion)	Hard	15%	78%
4	Area development vs project development	Hard	23%	67%
5	Long-term involvement (after completion)	Soft	23%	22%
6	Direct relation with real estate	Soft	15%	44%
7	Area dominance	Soft	15%	22%

public role



public role

	Role	Associated instruments	Policy
1st	Capacity building	Organizing cooperation, networking, process assistance, trust building	Passive
2nd	Market shaping	Vision documents, policy plans, masterplans	
3rd	Stimulating	Subsidies, tax regulation, expropriation	Active
4th	Regulating	Land use plan, tenders	

implications passive role

- Private effort is necessary
- Using instruments in conjunction

What is necessary:

- Updated planning documents
- Remain in control by regulating
- “big stick” to force developers to act

Conclusion:

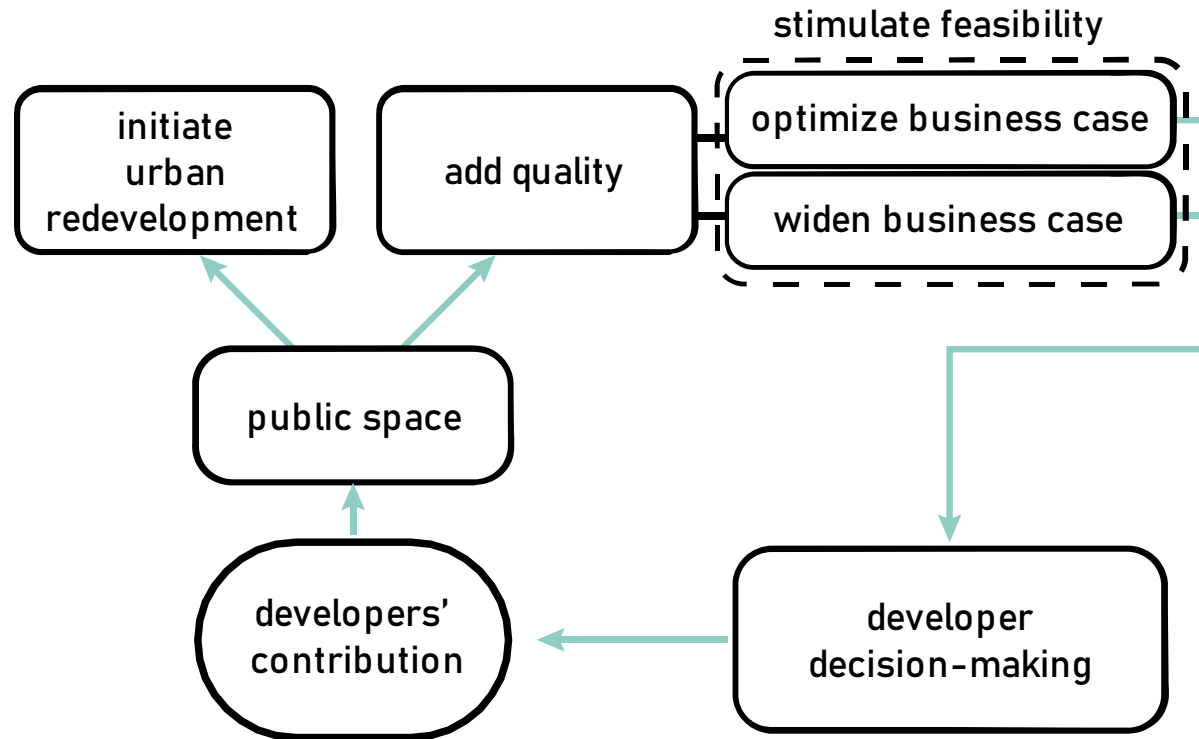
Combination of all roles that allow developers to take initiative, cooperate and develop according to a minimum standard

An aerial photograph of a city waterfront redevelopment project. The image shows a large, modern building complex with a mix of brick and glass facades, situated along a curved riverbank. A prominent glass-walled building is visible in the center. To the right of the main building complex is a large, open, circular area that appears to be a park or a sports field, with some construction equipment and materials visible. The river is wide and calm, with several boats and a bridge in the distance. The city skyline is visible in the background, with various buildings and a bridge spanning the river. The overall scene depicts a significant urban transformation project.

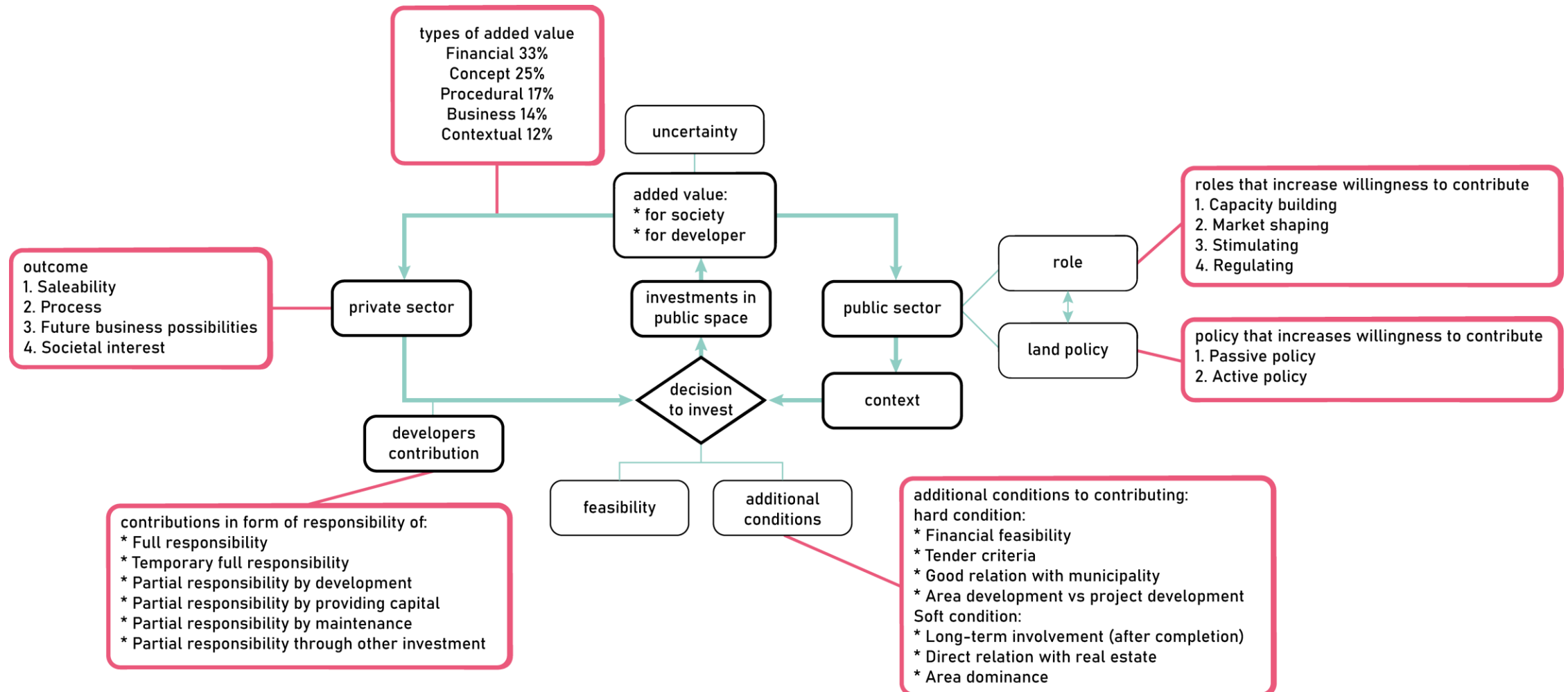
main conclusion

How can the developer's contribution stimulate urban redevelopment and how does this influence the decision-making of real estate developers?

how does developers' contribution stimulate URD? (1/2)



influence on decision-making (2/2)



To conclude

To conclude, a developers' contribution can stimulate urban redevelopment by overcoming one of the financial barriers. By doing so, the developer can add value to society and itself.

recommendations

for enabling private contributions

Understand preferred role	Be aware of benefits	Statistical research to weigh benefits
Allow private initiative	Understand factors of decision-making	Study remaining developer types
Negotiate about excludability	Widen business case	Study valuation of public space
Understand conditions	Stagnation causes degradation	Study other developer characteristics
Less restrictive maintenance		

- Municipalities
- Private sector (developers)
- Housing association
- Further research

An aerial night photograph of a modern urban development, likely a waterfront area. The scene is dominated by numerous multi-story residential or commercial buildings with illuminated windows, creating a warm glow against the dark sky. The buildings are arranged in a dense, organized pattern along a curved waterfront. In the background, a large body of water is visible, with many boats and a distant city skyline illuminated by lights. The overall atmosphere is one of a vibrant, modern city at night.

End

Questions?

Jeroen de Koning
P5 presentation
August 2020