



Steering on feasibility in the context of urban area development

A case study research that explored how public and private actors in collaborative governance steer on feasibility in the context of urban area development

P5

30-06-2023
Isis Sep | 4731093

Urban area development



Rotterdam, 1996



Rotterdam, 2023



An aerial night view of a dense urban skyline, likely New York City, featuring numerous illuminated skyscrapers and a river with a bridge in the background. The text "Urban areas are never finished..." is overlaid in white, preceded by a large white quotation mark.

“
Urban areas are never finished...







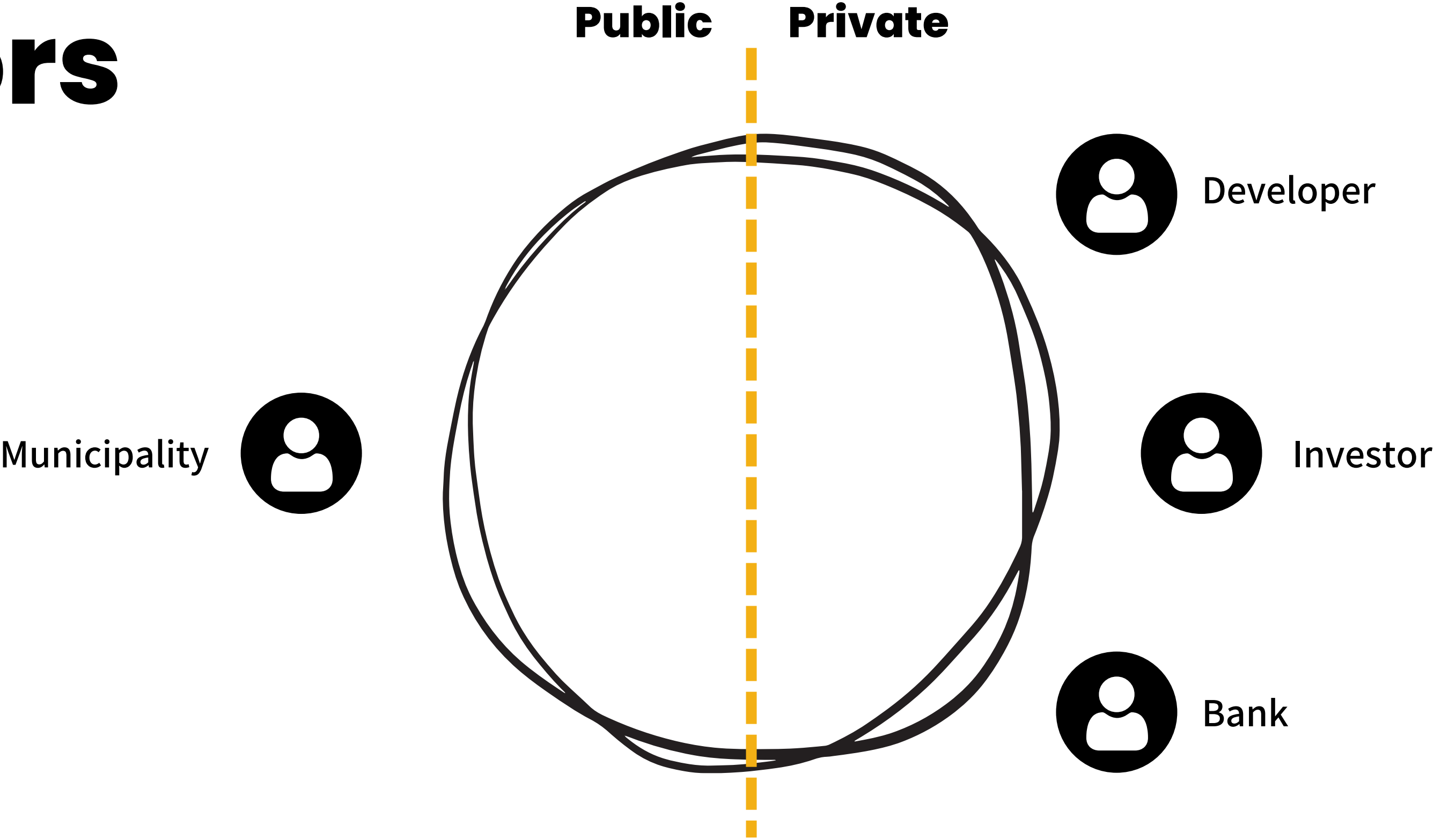




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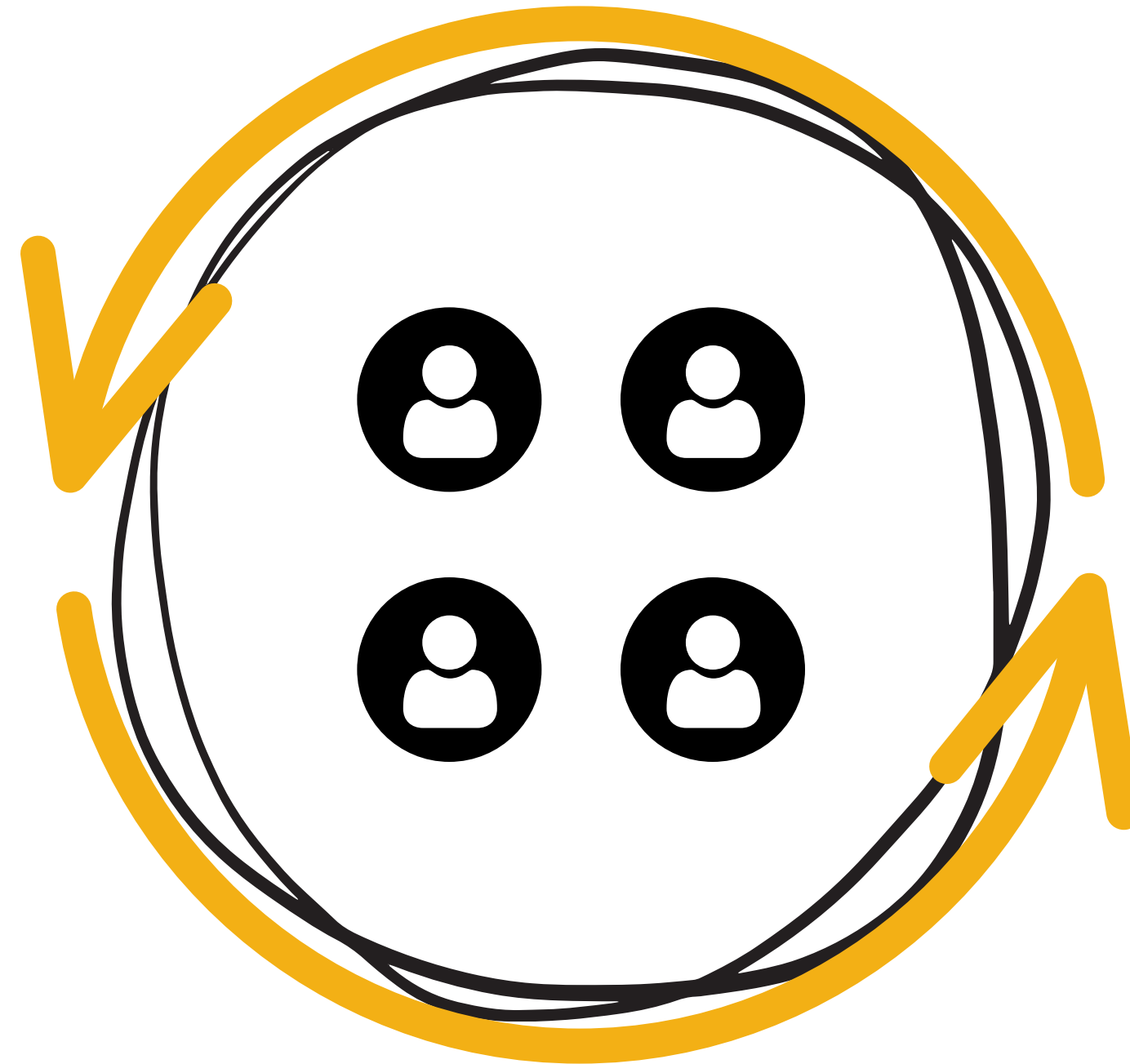
**We need feasible plans to realise
these ambitions.**

Actors



Collaborative governance

**Knowledge-based
collaboration**



**Consensus-oriented
decision-making**

“

How do public and private actors in collaborative governance steer on feasibility in the context of urban area development?

Main RQ

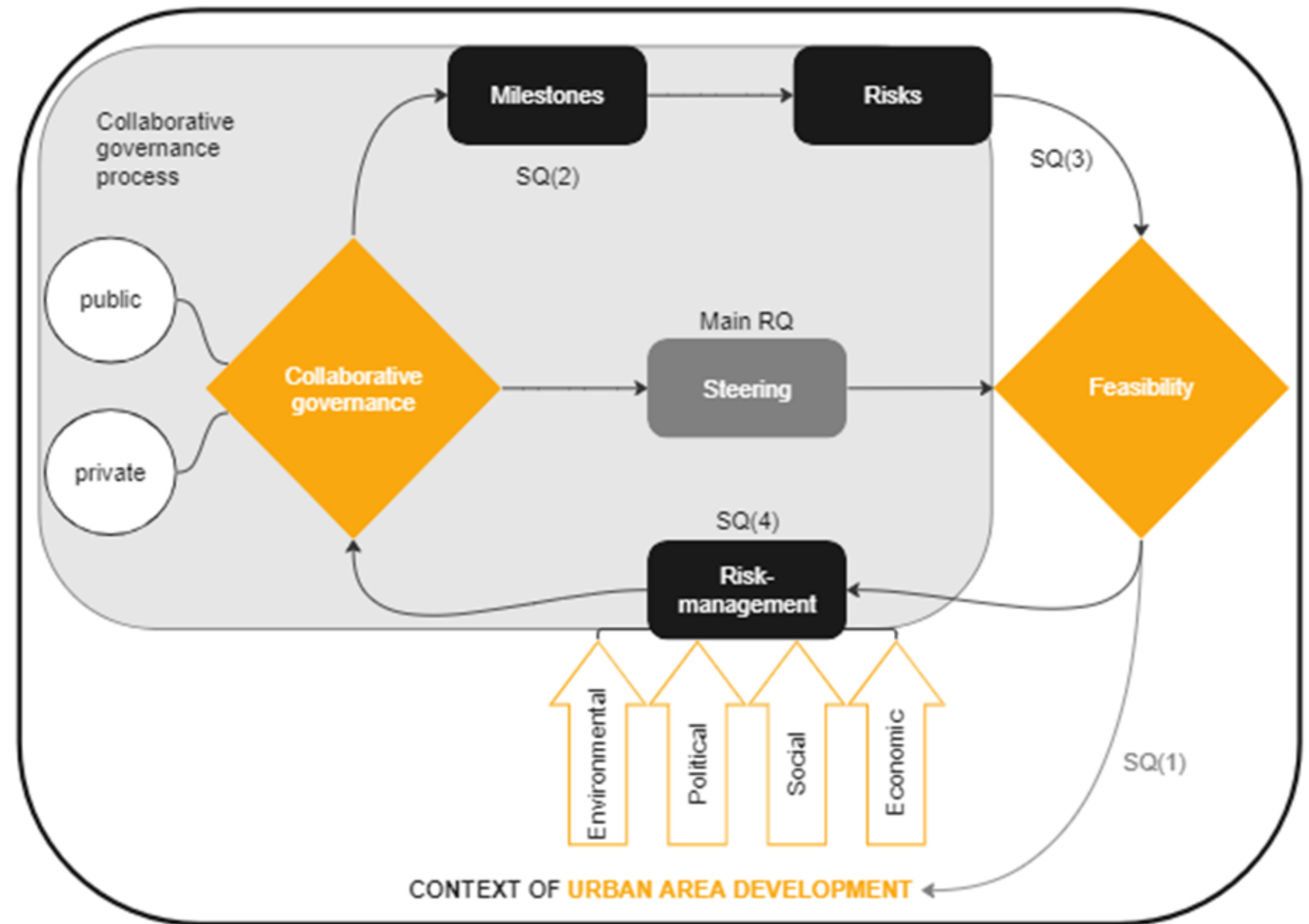
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Understand how public and private actors in collaborative governance assess feasibility in the context of urban area development and steer on successful project outcomes.

Research aim



Conceptual model



Sub questions”

- 1 *What is **feasibility** in the context of urban area development?*
- 2 *What **milestones** in the collaborative governance process of urban area development are important with regards to **risk management**?*
- 3 *What **risks** do substantially **pressure feasibility** of urban area development?*
- 4 *How are these **risks managed** (within collaborative governance agreements)?*

SQL ”

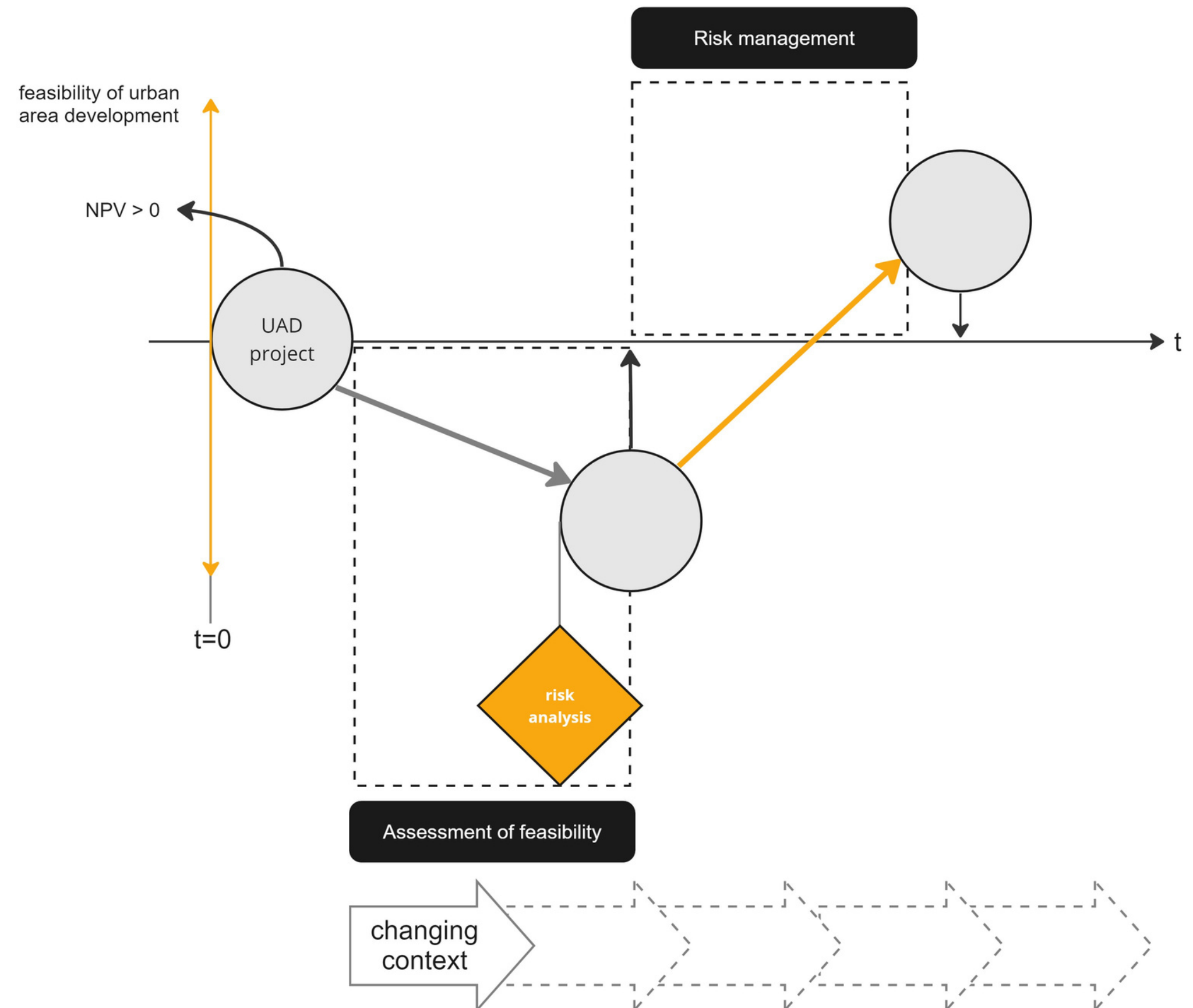
What is feasibility in the context of urban area development?

Assessing feasibility in Collaborative Governance

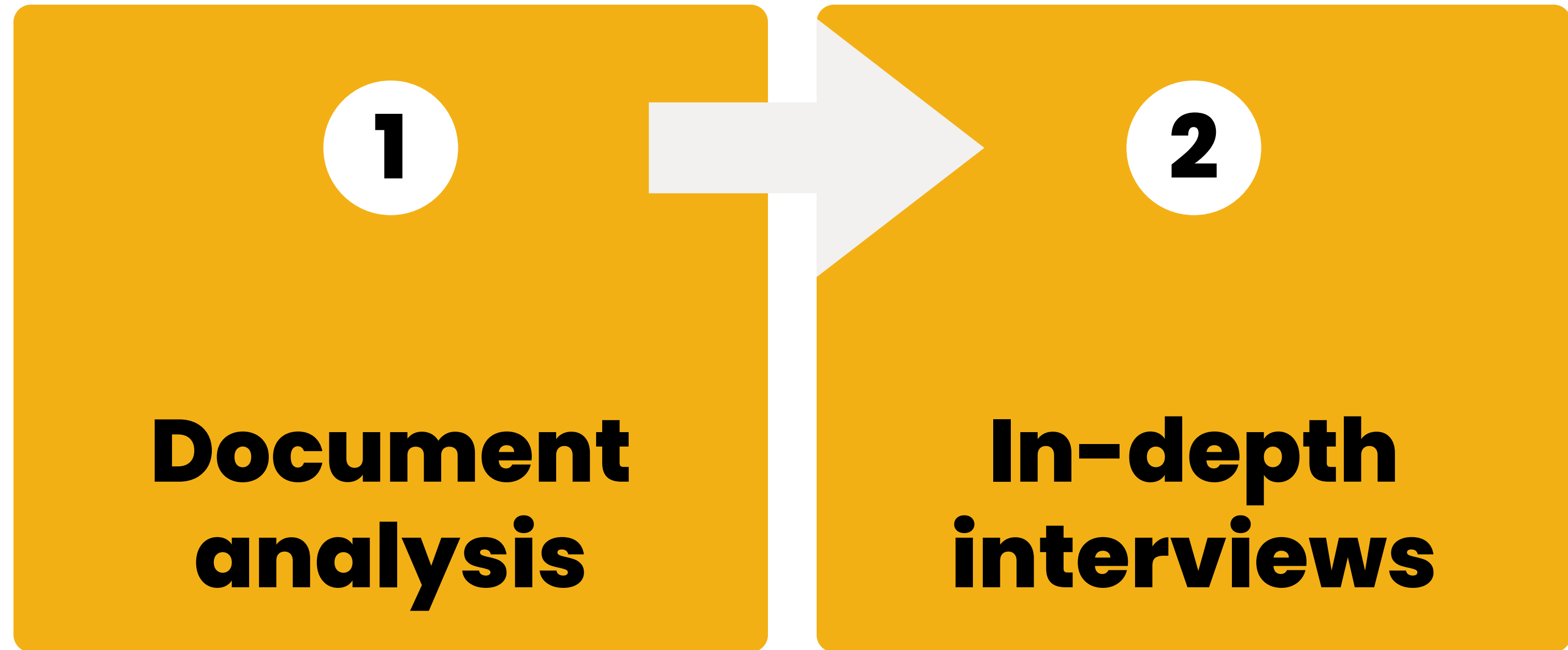
- Importance of risk management in assessing financial feasibility
 - Risk identification
 - Risk analysis: sensitivity analysis, scenario analysis
 - Risk mitigation
- Role of financial models in evaluating feasibility and cash flow analysis
 - $NPV > 0$
- Financing and interest rate and their impact on project feasibility
 - Capital structure of equity and debt

Research framework

- Focus on financial feasibility



Data collection



Data collection

1

Document analysis

- public (municipal) database
 - n=656
 - n=119
- land exploitation reports
 - n=5

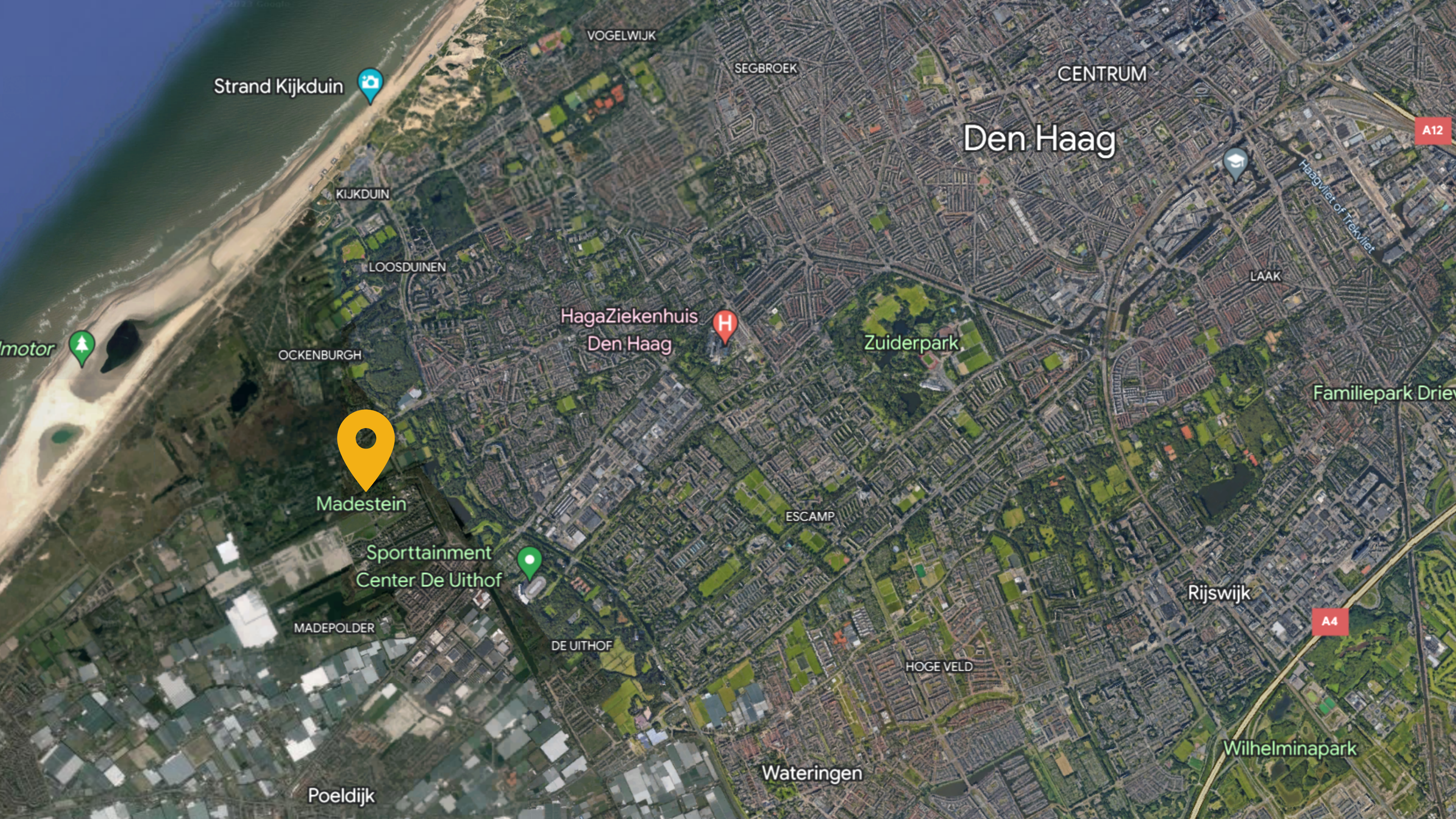
2

In-depth interviews

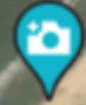
- respondent group n=9
 - municipality (n=2)
 - market parties (n=3)
 - bank (n=1)
 - consultants (n=3)

Case: Vroondaal





Strand Kijkduin



KIJKDUIN

LOOSDUINEN

OCKENBURGH

Madestein

Sporttainment
Center De Uithof

MADEPOLDER

DE UITHOF

Poeldijk

VOGELWIJK

SEGBROEK

CENTRUM

Den Haag

HagaZiekenhuis
Den Haag



Zuiderpark

ES CAMP

HOGE VELD

Wateringen

LA AK

Haagvliet of Trekviert

A12

Familiepark Driev

Rijswijk

A4

Wilhelminapark

Vroondaal

Characteristics

- Main goal is a strong and balanced residential environment in The Hague
- Project timeline: 2000 until ca. 2032
- Collaborative governance process: 2008 until ca. 2027



Noord I
Vroondaal Hofstedepark

Noord II
Vroondaal Westmadepark

Zuid II
Vroondaal Vroonvaart

Zuid I
Vroondaal Zuid

Madepolderweg



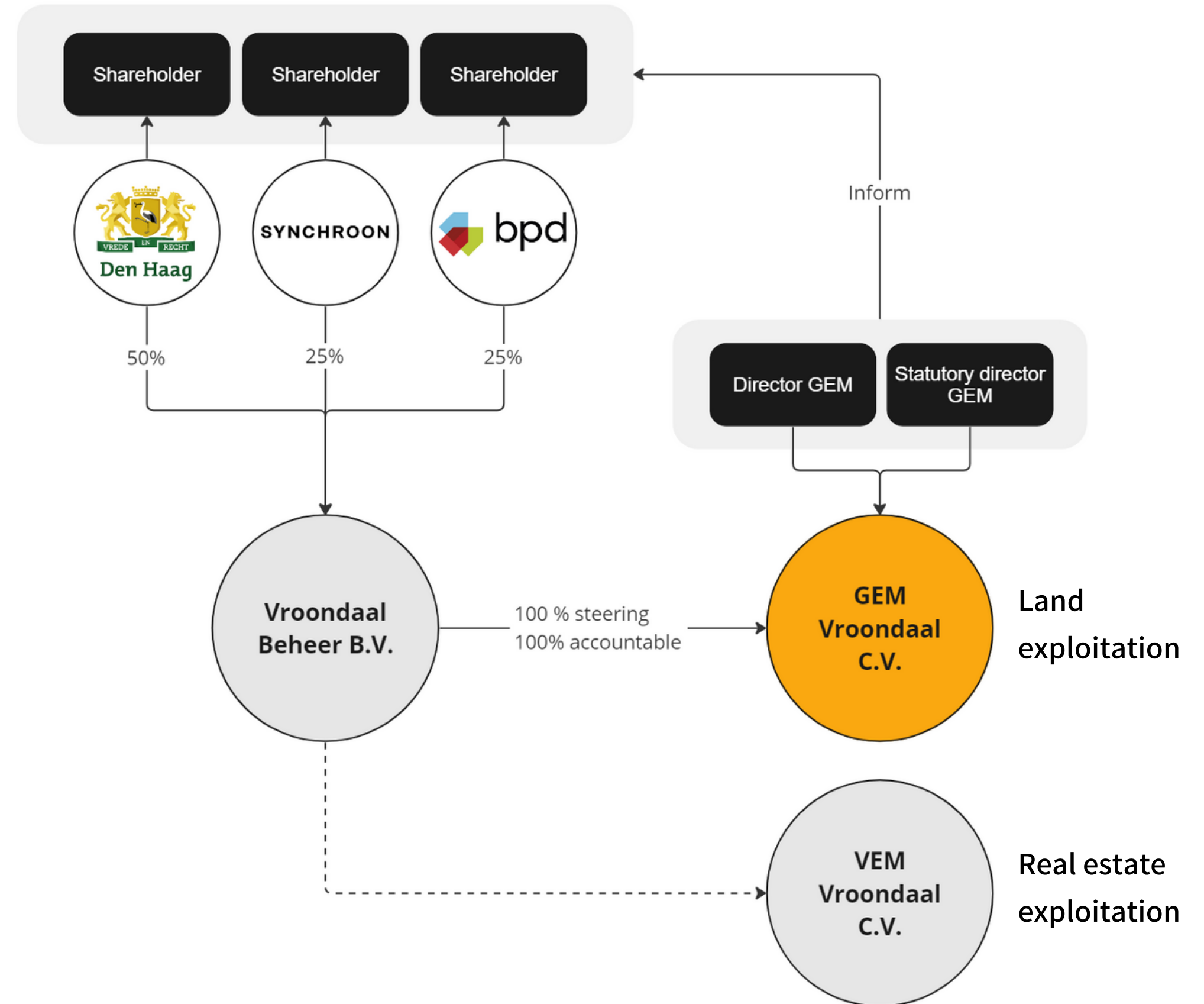
SQ2”

What milestones in the collaborative governance proccess of urban area development are important with regards to risk management?

Governance structure

Characteristics

- Joint-venture with project company GEM Vroondaal
- Municipality of The Hague 50% & market parties 50%: BPD and Synchroon



Noord I
Vroondaal Hofstedepark

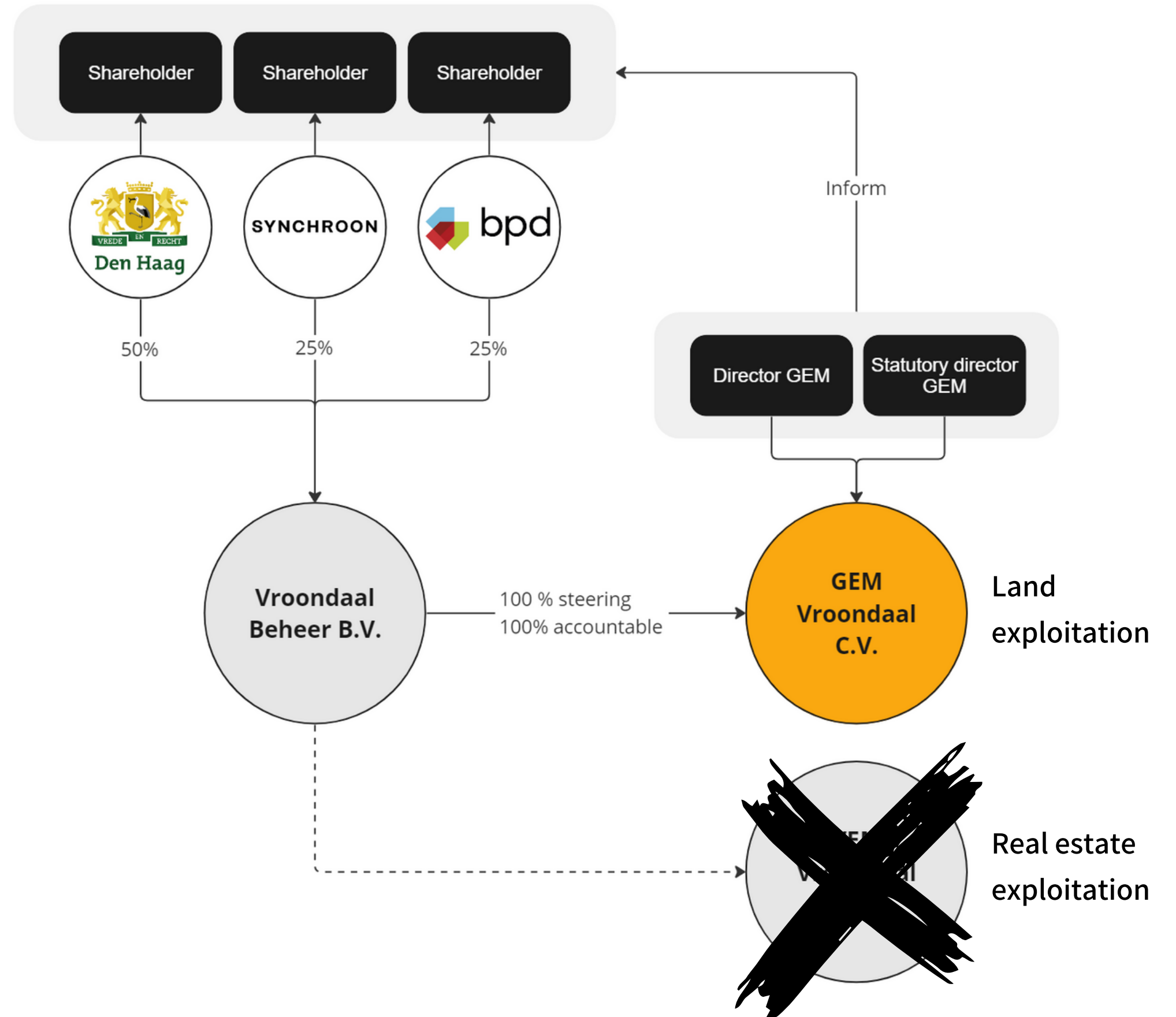




Zuid I
Vroondaal Zuid



Governance structure





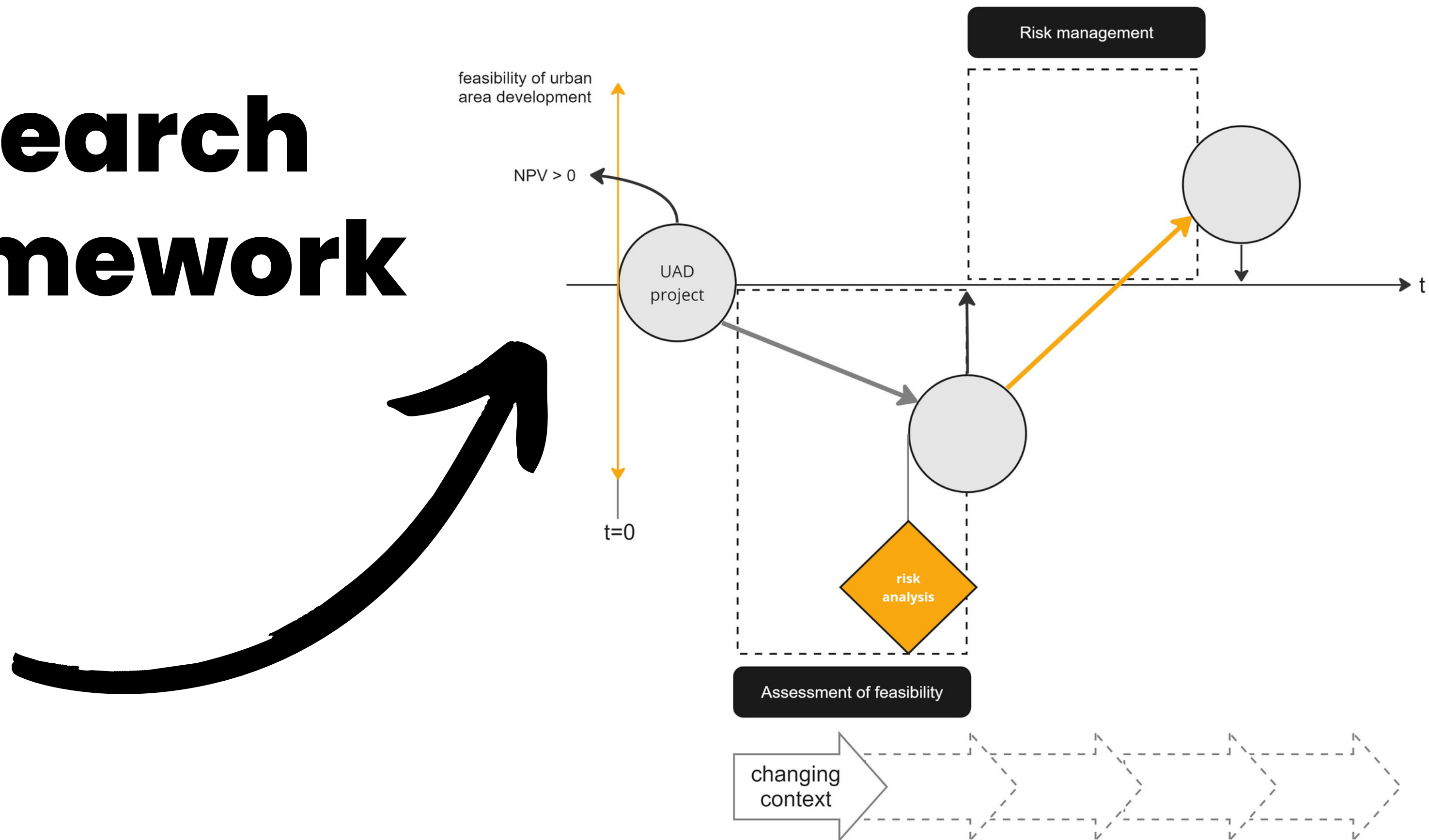
SQ2

What milestones in the collaborative governance proccess of urban area development are important with regards to risk management?

Public documents &
In-depth interviews

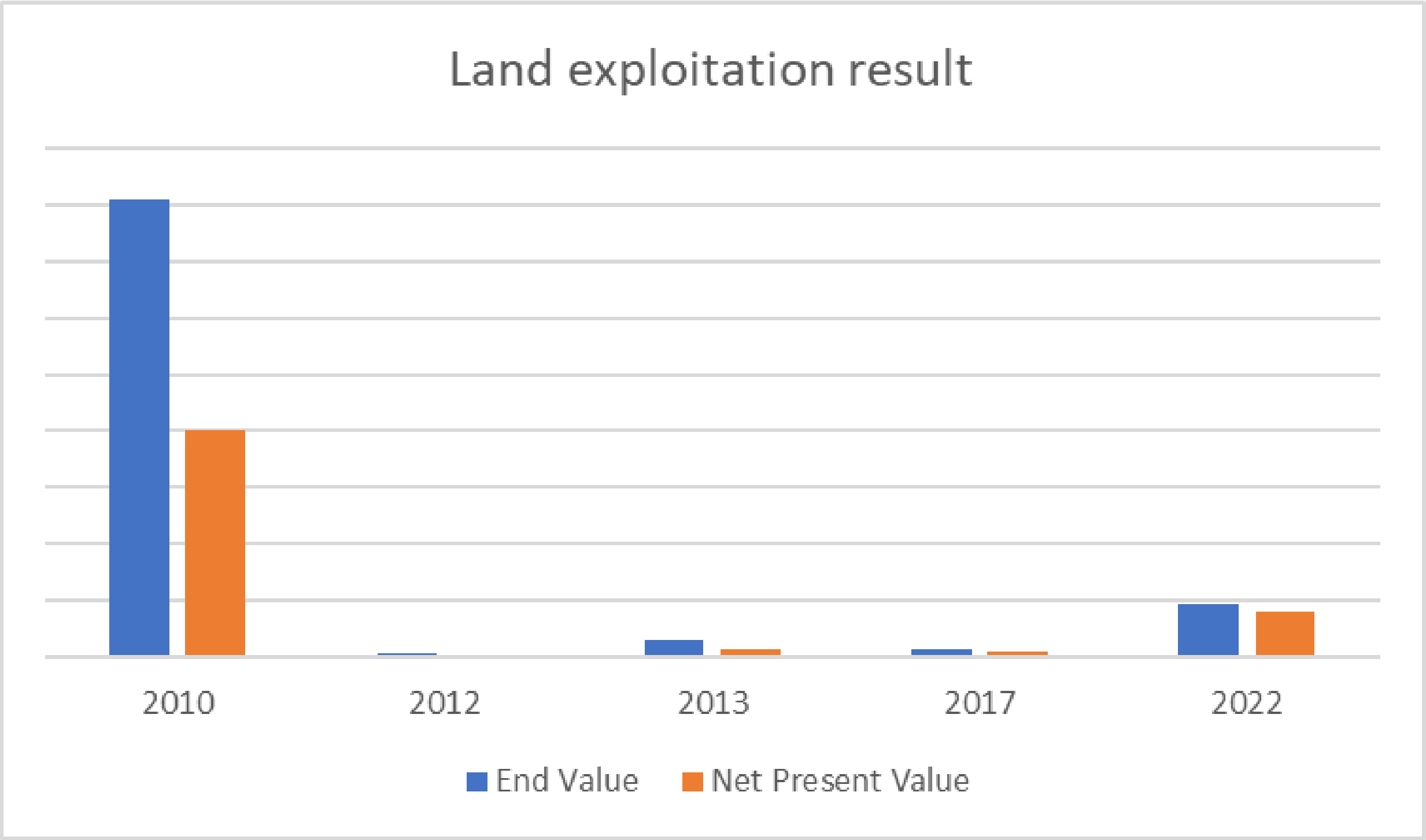
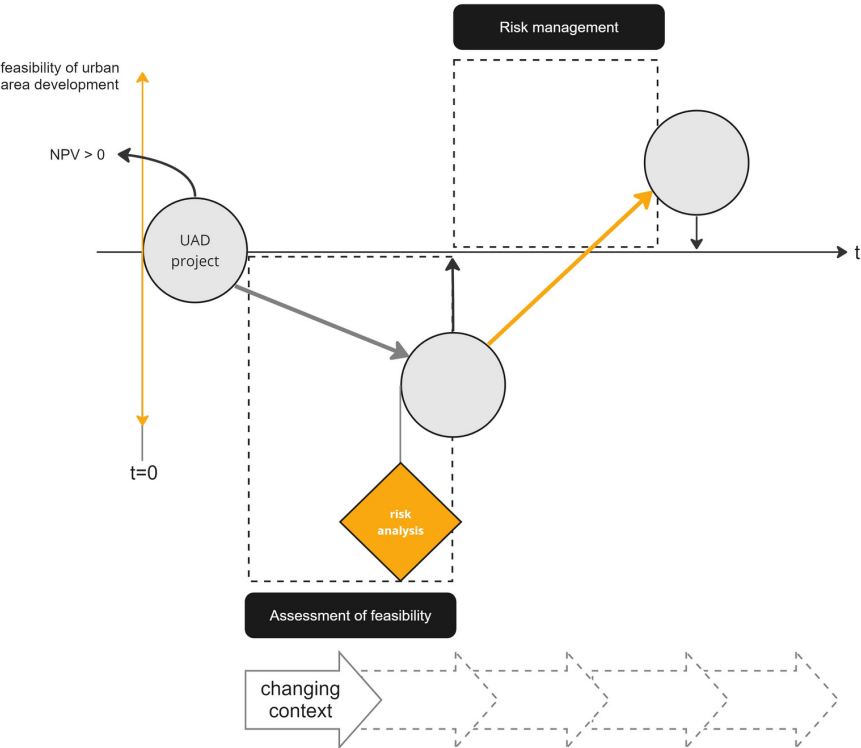
- 1 2010: Est. joint-venture with project company
- 2 2011: 'Vroondaal Revisited' and land exploitation
- 3 2012: Correction on profit-taking
- 4 2013: Post-crisis land sale en r.e. development
- 5 2014: Approval of new land-use plan
- 6 2018: Acceleration of land development
- 7 2018: Termination of VEM Vroondaal
- 8 2022: (Dis)agreement on revised land price

Research framework



NPV

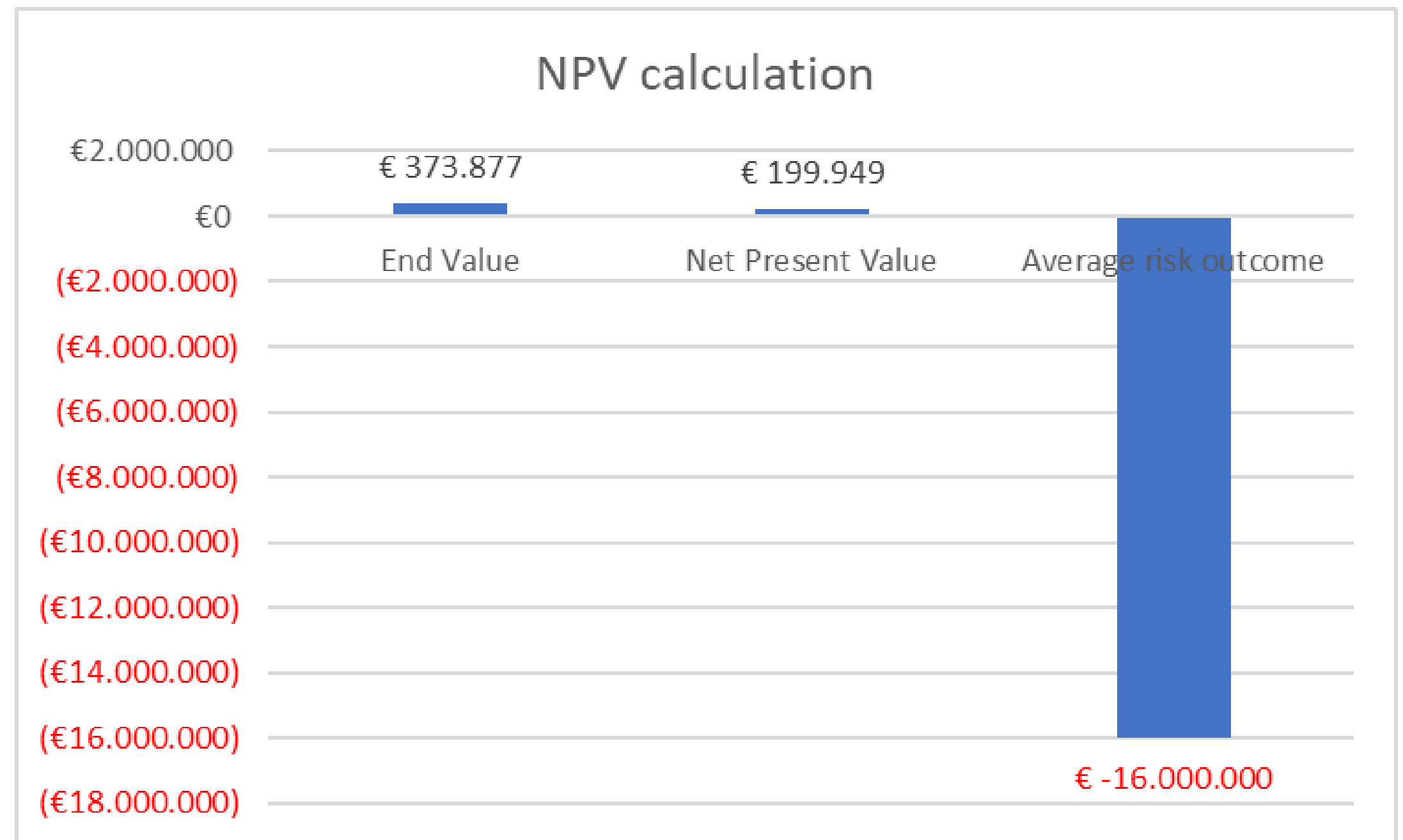
Land exploitation result



2012

Risk analysis

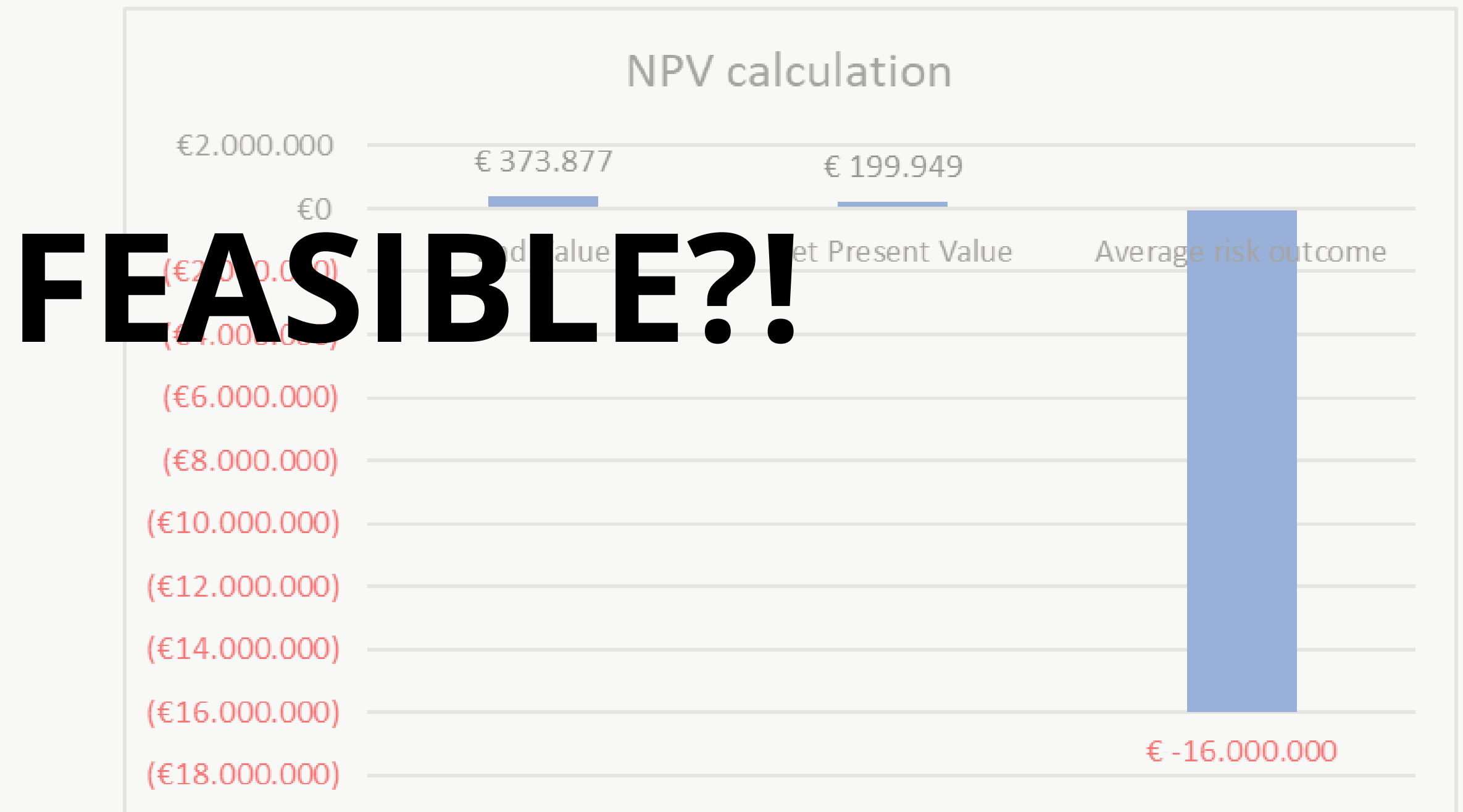
- Sensitivity analysis indicated that there was a **90% chance on a negative outcome**
- NPV was €0.2 mln. but a negative NPV of - €16 mln. was much more likely
- To cover the risks with 90% certainty, a risk reserve of €28 mln. should be incorporated



2012

Risk analysis

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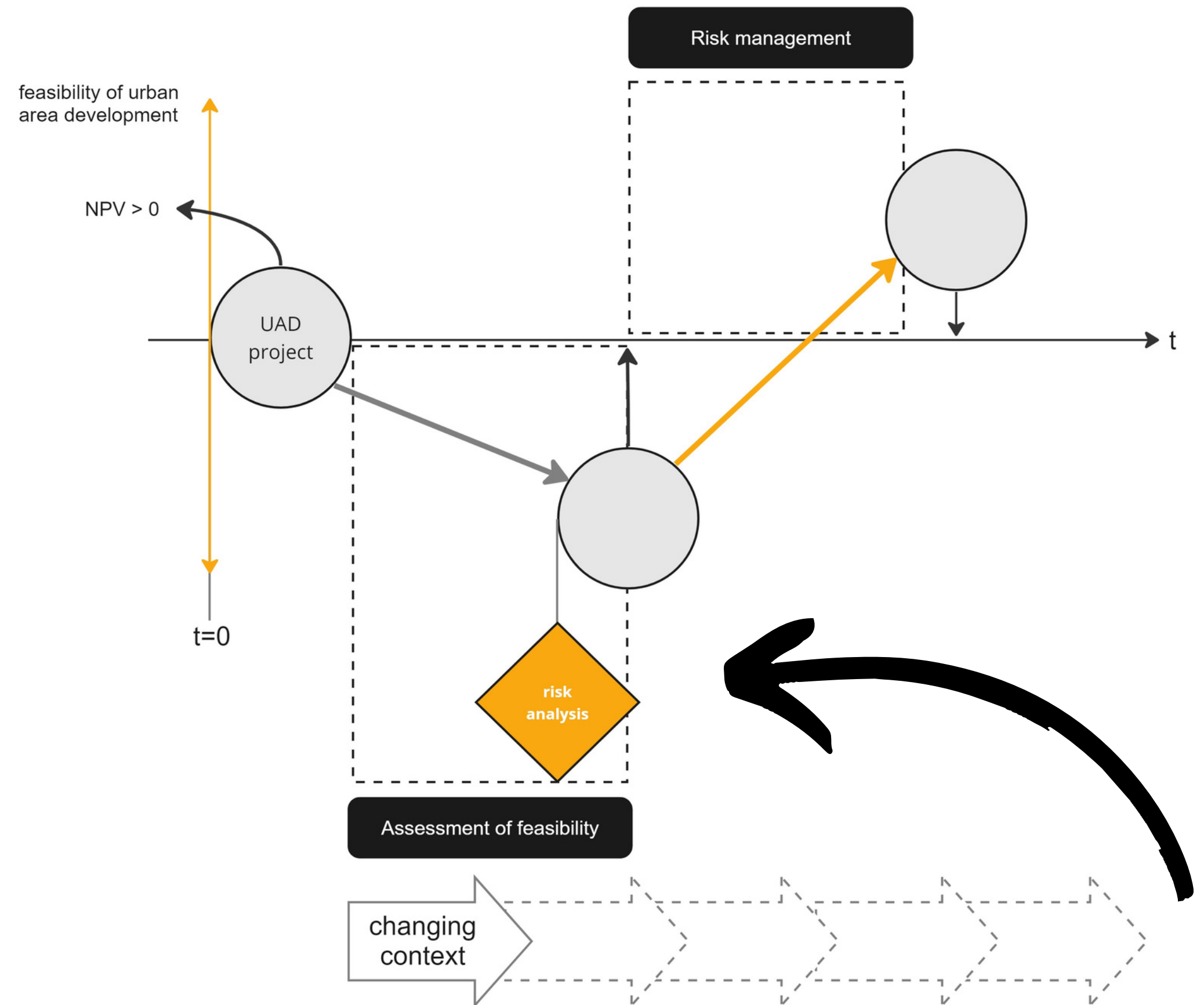


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Empirical findings suggested that...

**Assessing feasibility through financial
modelling is not enough.**

Research framework



SQ3”

What risks do substantially pressure the feasibility of urban area development?

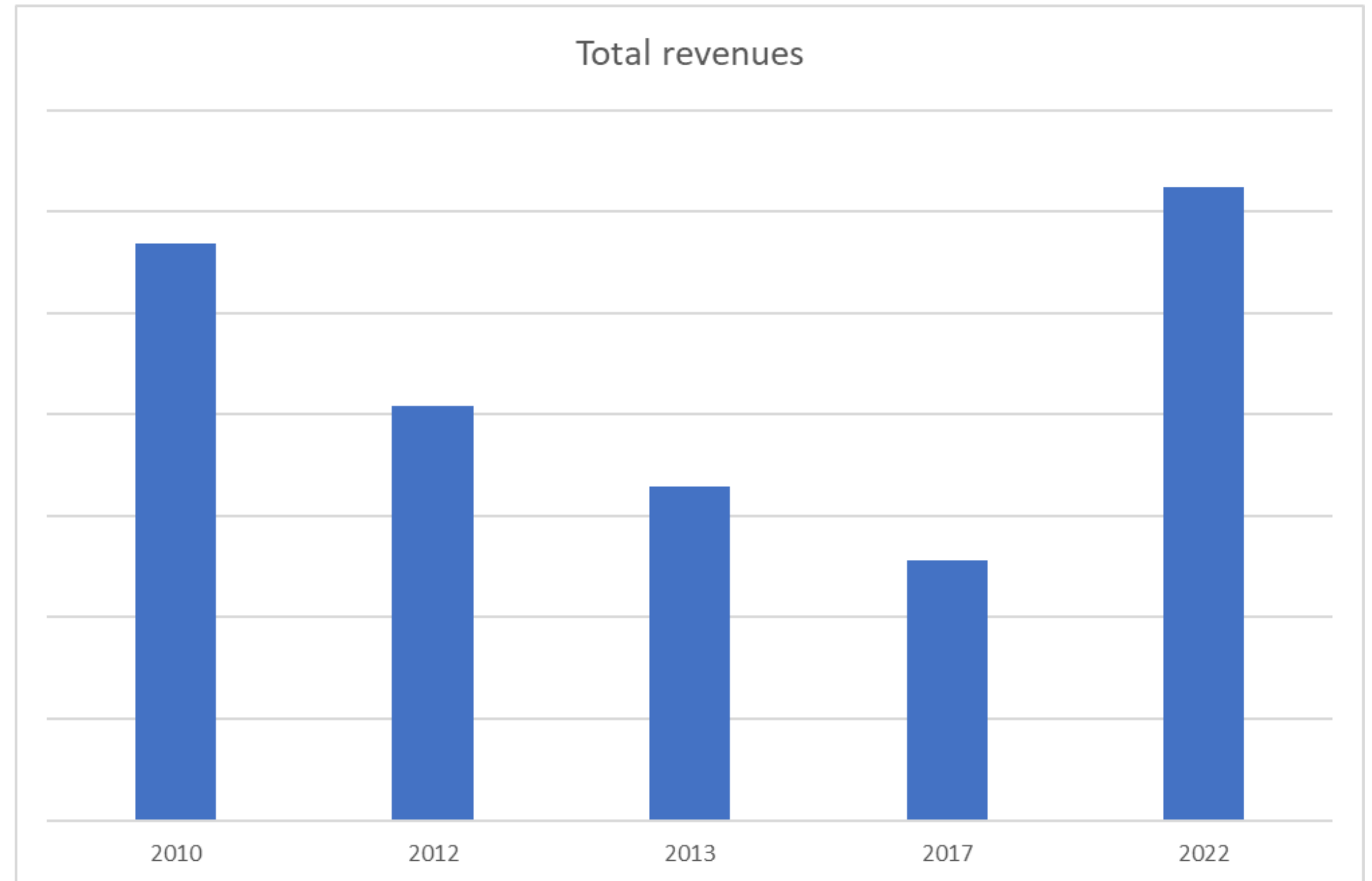
Risks

Pressuring feasibility

| Risk | Description |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenue increase | Potential uncertainty and delay in realizing expected revenues and deviation from anticipated revenue growth percentages in the land exploitation. |
| Cost increase | Potential increase in project costs and their impact on financial feasibility. |
| Cost of land development | Potential increase in costs related to land development activities. |
| Plan development costs | Expenditures associated with the planning and development of the project. |
| Interest rate | Fluctuations in interest rates and because of uncertainty in financing agreements. |
| Land price | Decline in average land prices, affecting the financial aspects of the project. |
| Land sale | Market demand and the ability to achieve expected sales rates. |
| Market decline | Downturns or changes in the real estate market that affect sales and profitability. |

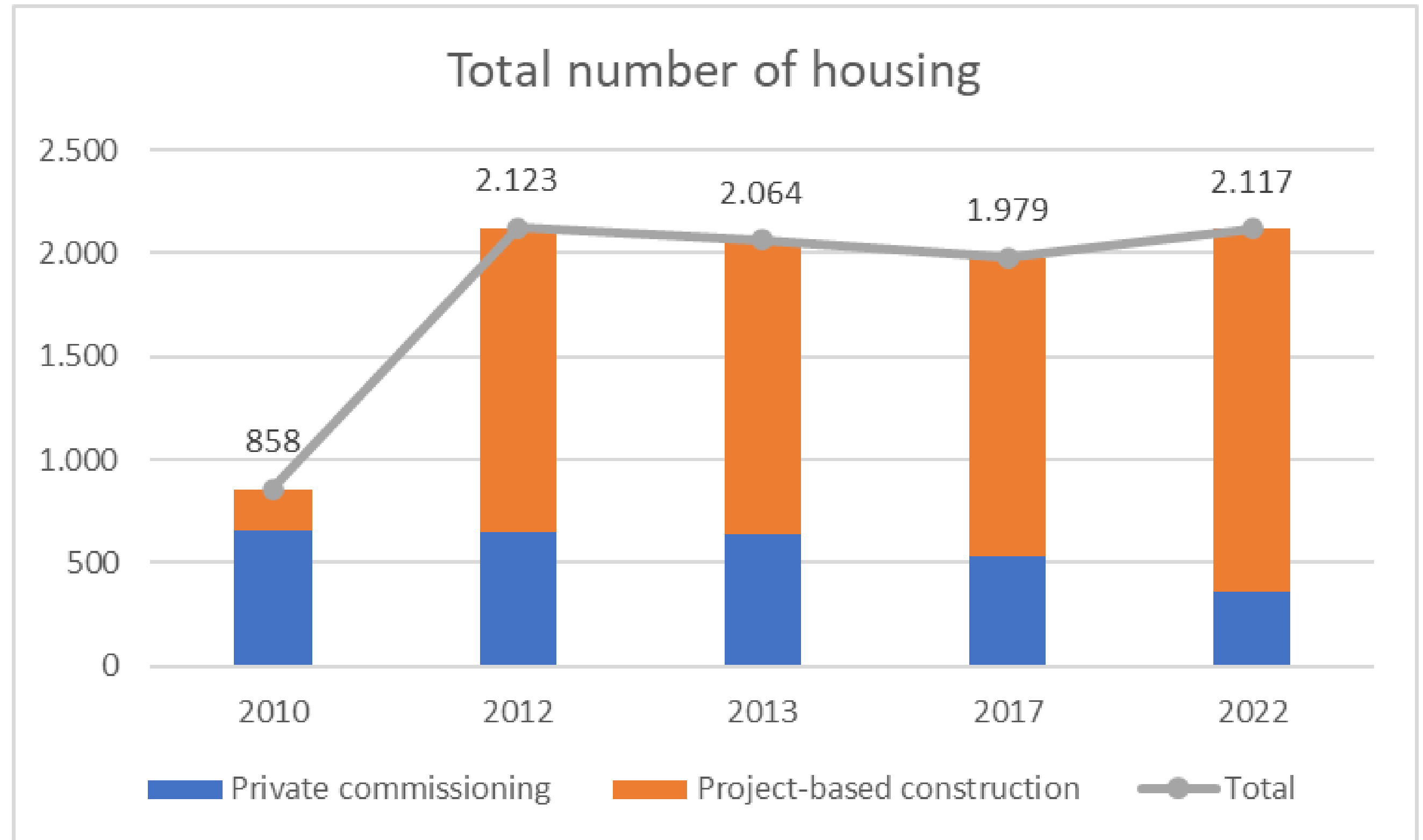
Risks

Revenue increase



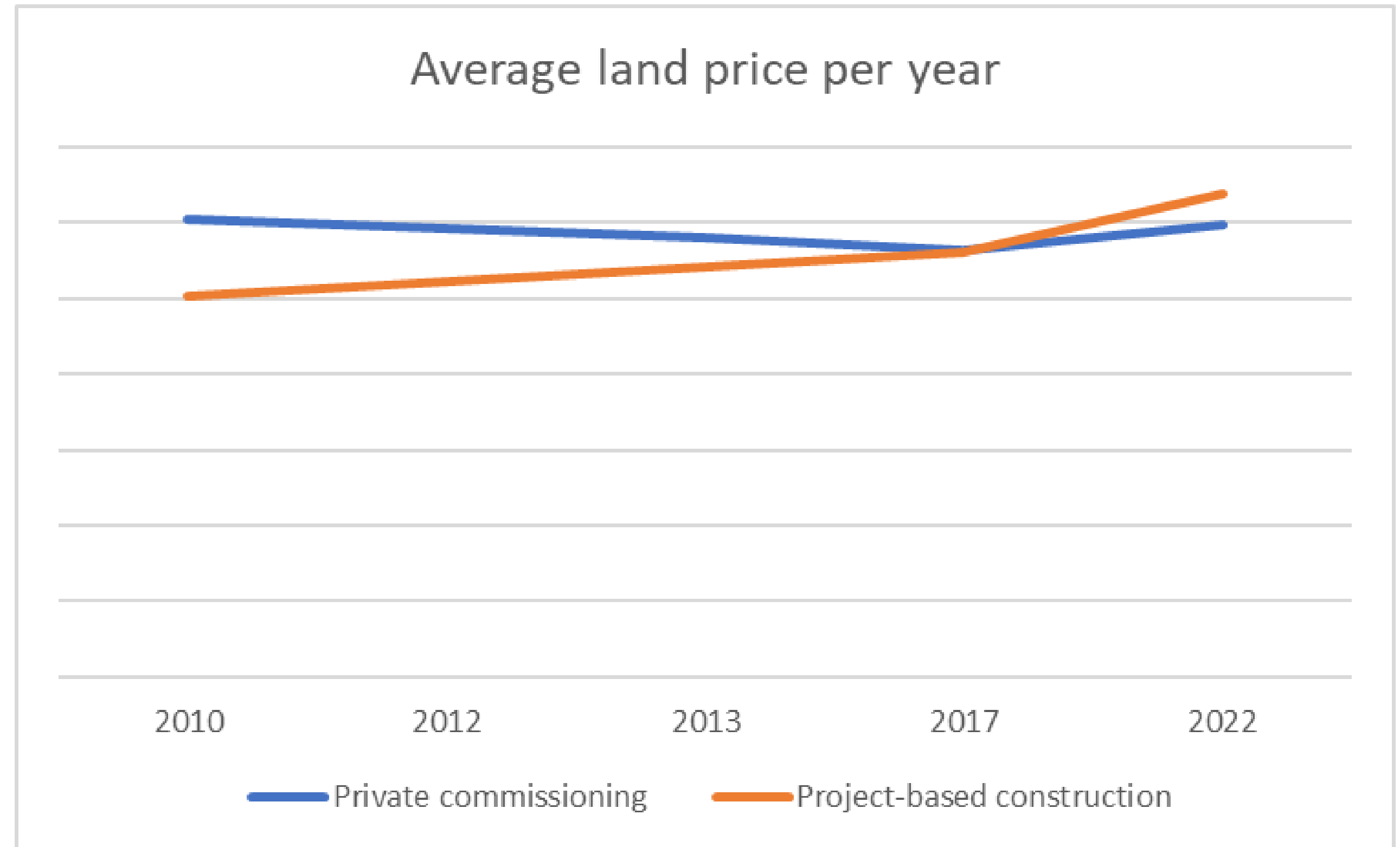
Risks

Land sales rate



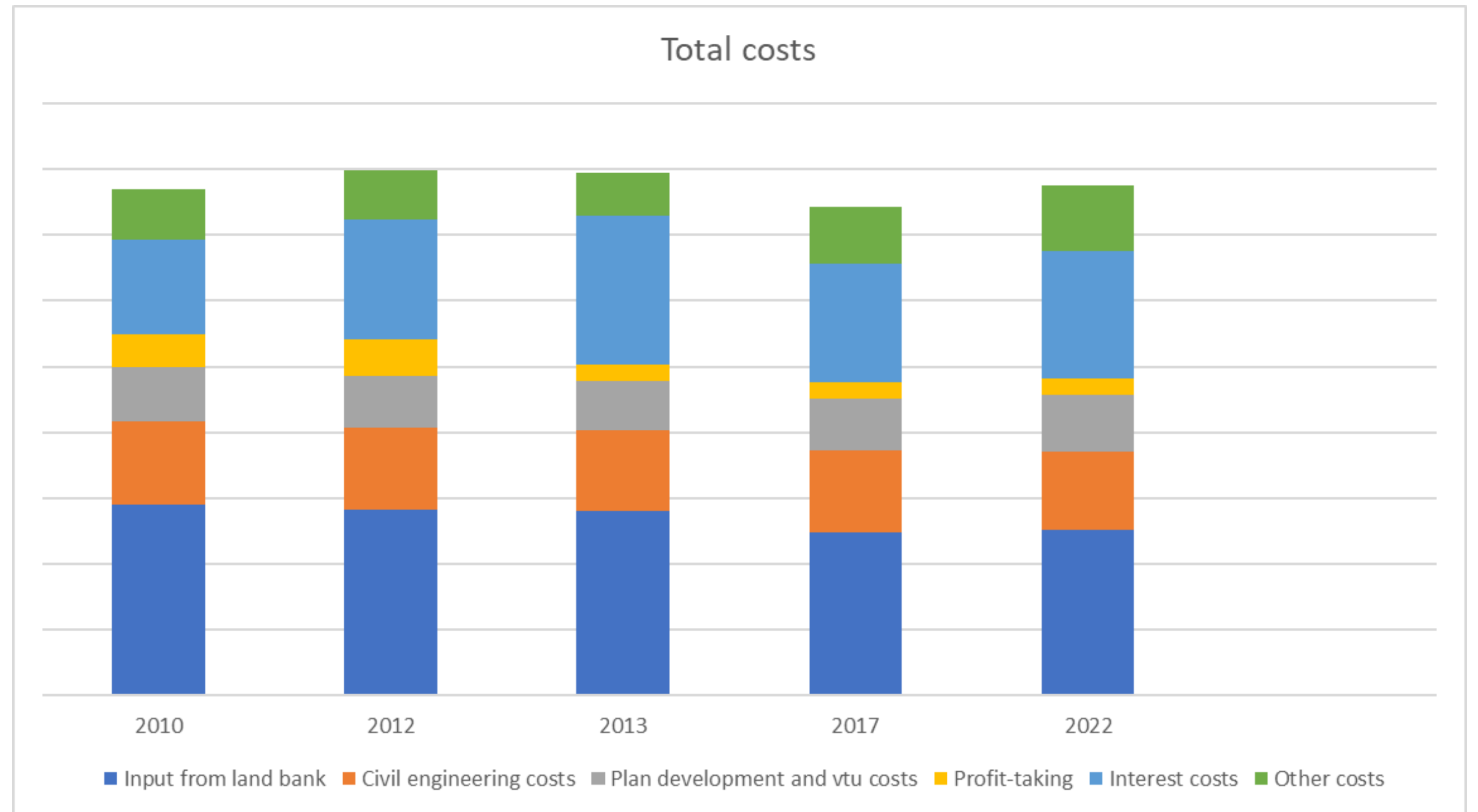
Risks

Land price



Risks

Interest rate &
cost increase





What risks do substantially pressure the feasibility of urban area development?

Risks pressuring feasibility

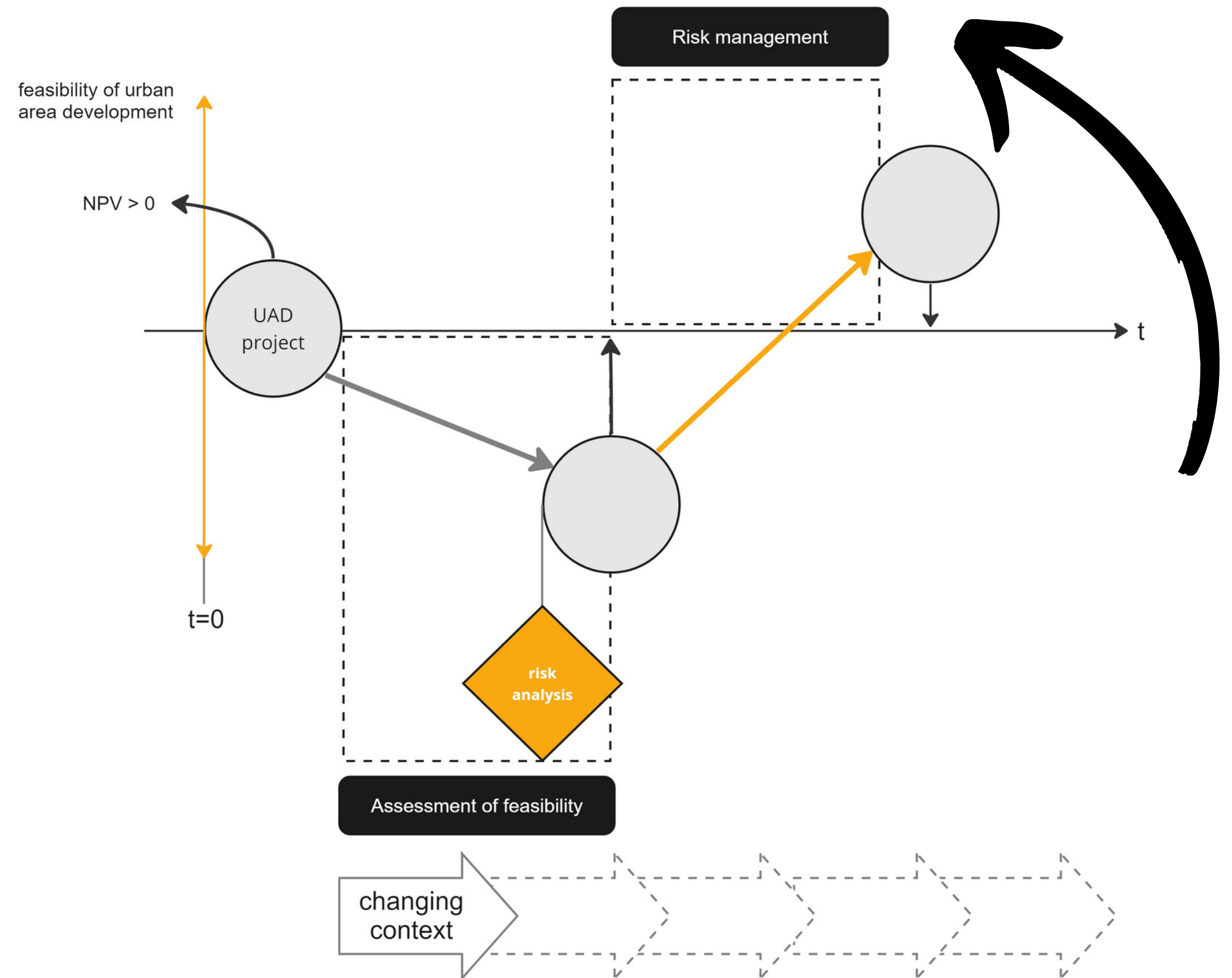
1. Revenue increase
2. Land sales rate
3. Land price
4. Interest rate
5. Cost increase

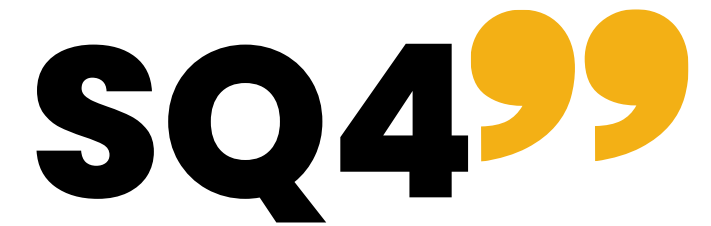
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Empirical findings showed that...

**It is important to constantly monitor the
context of urban area development
to identify risks that impact feasibility.**

Research framework





How are these risks managed (within collaborative governance agreements)?

Risk-management strategies

Are focused on mitigating risks by

- Financial models (e.g. NPV calculation)
- Financing and interest rate
- Land sale rate and real estate development
- Optimizing investments and revenues
- Collaborative governance agreements
- Risk reserves

Risk management

Strategies with a collaborative approach

- Reducing financing limit of GEM Vroondaal
- Attract favourable interest rate via BNG bank (only when municipalities own 50%)
- Acceleration of land sale
 - Reservation agreement without fixed permits or without a 70% sale threshold
 - Renegotiating development rights
- Discuss the market-based nature of land prices and their impact on the land exploitation result
- Provide financial guarantees to maintain a balance between risks and opportunities (utilizing equity capital)
- Leveraging the knowledge and experience of both public and private actors
- Recognizing the interplay between private law (collaboration agreement) and public law (land-use plan, permits, etc.) in project governance

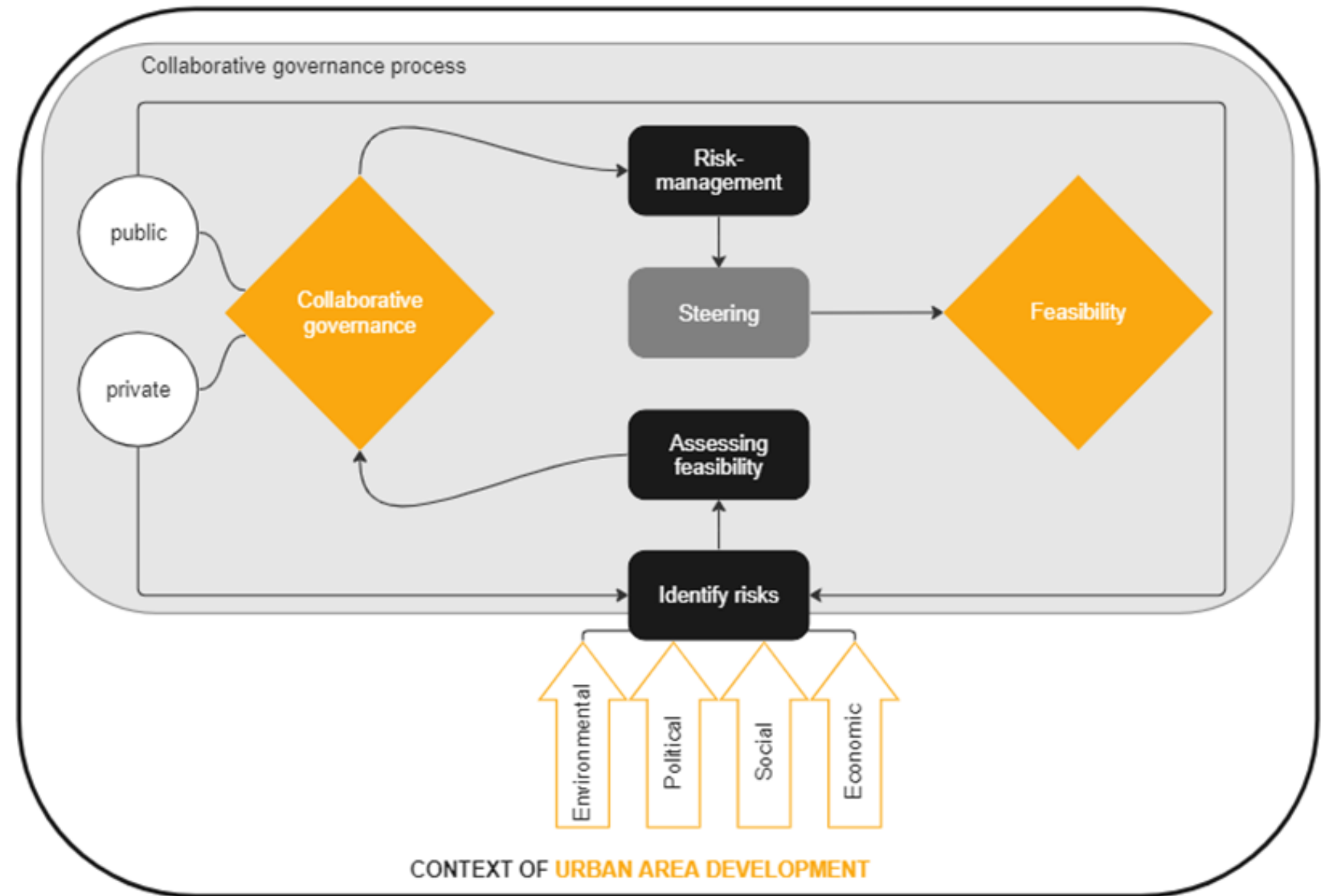
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Effective risk-management strategies showed a collaborative approach.

SQL

What is feasibility in the context of urban area development?

**Assessing feasibility
necessitates a collaborative
governance approach**





Main RQ

How do public and private actors in collaborative governance steer on feasibility in the context of urban area development?

Conclusion

- Actors **assess feasibility in collaborative governance** by **collaboratively identify risks** that substantially pressure successful outcomes of the project.
- Public and private actors in collaborative governance **engage in joint risk-management strategies** to **effectively steer on successful project outcomes**.

Discussion

- The research **exposed challenges and complexities** involved in steering on feasibility.
- Case study revealed that **financial feasibility** is a key component of **decision-making** and a primary consideration in urban area development.
- The results demonstrate that **assessing financial feasibility** in long-term urban area development projects is inherently challenging due to the **uncertainties and risks** associated with such projects.
- The reliance on a fixed land exploitation result or NPV calculation for assessing financial feasibility throughout the project **proved insufficient**, as it did not capture the **potential negative impact** of key **risk factors** such as cost and revenue increases, land prices, and land sale rates.
- The findings highlight the **importance of risk management** related to financing, land sales rate, land price, and cost and revenue increase.
- **Collaborative governance agreements** sometimes involved **increased risk**, but because parties **shared the financial interest** in the joint project company, these conditions **were accepted**.

“

**Is it possible to effectively steer on feasibility
without a collaborative governance approach?**

“It is important that both parties having a comparable level of responsibility.” – Respondent F

Recom. & limitations

- This study is based on a **single case** study which **limits generalisation** of the research findings to other collaborative governance structures in the context of urban area development.
- It would be valuable to research the **assessment of feasibility** and **effectiveness of risk management** in urban area development **without** a collaborative governance approach for comparison.
- The **context** of the case study is **rather simple** regarding housing and amenities.
- Research primarily relies on qualitative data, which provide valuable insights but may be subject to **biases and limited by scope of available information**.
- Additional case studies could have provided a more **comprehensive understanding** of the topic.
- Difficulty of gathering data of long-term processes like urban area development because of '**data loss**' and **confidential nature of data**.
- Other dimensions of collaborative governance like **stakeholder engagement** are not extensively explored.
- **What could not be found? Risk reserves and equity capital**

Reflection



Questions?





About Me

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