

Regional alignment of newly built office space

*An analysis of the effectiveness of hybrid modes of governance
in the Dutch office market*



Master Thesis
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24 April 2015

General information

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Abstract

The vacancy rate in the office market has increased significantly over the past twenty years. As the market has failed to cope with these vacancies, local governments have started to organizing themselves in collaborations. This paper presents a research to analyze this emerging hybrid form of governance in the office market. The research will start with an analysis of literature on hybrids. Then hybrids on the office market shall be analyzed. With insights from both the market as the literature, a design will be proposed for a hybrid in the office market that can deal with the current coordination problems.

KEYWORDS: *Vacancy rate, office market, Plabeka, governance, hybrids, hierarchy, opportunistic behavior, governmental opportunism, collective opportunism, adverse incentive*

WORDS: 27449

Preface

I conducted my research in the form of an internship at APPM Management Consultants. This was the optimal place to study the vacancy rates in the Netherlands. Firstly and most importantly due to the assistance of my two mentors at APPM: Alexander Smal and Hilco van der Wal. Besides giving helpful substantive comments, they pressed me to keep up the pace. They furthermore provided me with the contacts within Plabeka, SRE and Utrecht, which eased the interview process considerable. I want to thank them, and other colleagues at APPM for the opportunity they haven given me to perform my research.

The APPM office is located at an inspiring place, in the heart of the office stock of Haarlemmermeer. I had to walk each day from Hoofddorp station to the office of APPM. During this ten-minute walk I first passed a site of brand new state of the art offices, where even today new offices are being built. Arriving at my destination, I could see at the other side of the office the first vacant building. This, combined with the almost weekly news articles on increasing vacancies, contributed to my continuous feeling that I was doing a meaningful study.

Furthermore, I want to thank my mentors of the TU Delft. Beginning with Bauke Steenhuizen, who helped me in the orientation phase of my research. Erik Louw for his knowledge on the office market and letting me be the first SEPAM student he tutored during the master thesis. Rolf Künneke for chairing my exam committee. And last but not least Daniel Scholten, my first mentor who helped with shaping my research.

At last, my gratitude goes to all the persons who took time to answer my questions and providing me with the necessary data. In order of interviews: Joost Hagens, Bert Uitterhoeve, Sabine ten Brinke, Yolanda Musson, Casper de Canne, Jeroen Blom, Stephanie van Schaik, Tom Lips and Cees Jan Pen.

I hope you enjoy reading my master thesis,

Viktor Stelder

Summary

The Netherlands cope with high office vacancies. The office vacancy has increased to 17 percent in 2014. In Amsterdam, the situation is even more pressing: it has the highest vacancy of all major European cities in 2013 with 21 percent (E. Buitelaar 2014). Vacant offices have multiple negative effects. First, owners have to take losses on their investment. Furthermore, vacant buildings have a negative effect on the attractiveness of their neighborhoods.

One of the reasons for the current vacancy rates is off course the economic crisis. However, even prior to the economic crisis, which started in 2008, the vacancy rates were rising. Hence, the vacancies are not only the consequence of business cycles. There are structural market changes and institutional causes that inflate the vacancies.

The structural market changes have an impact on the demand for office space. After years of an increase in demand, the demand will stay constant or even decline in the future. A declining workforce in the Netherlands and a more dynamic type of working reduces the demand for office space. Companies will need less space per employer in the future, due to the use of flexible work places (Minister Schultz van Haegen 2011, Ossokina 2012).

The institutional causes are the field of focus of this research. In the Dutch office market, the users of an office are often not the owners of that office. The demand of investors for new supply is uncoupled from the demand of the actual tenants. The demand of investors in the office market is inflated due to several causes and is therefore higher than the actual demand of tenants.

Municipalities have facilitated the high demand of investors for new commercial real estate this mechanism created, as active land development by local authorities is common in the Netherlands. For years, municipalities made profit with the acquisition of land and an integrative comprehensive way of planning. In these plans, commercial real estate was a way to finance less profitable parts, and not an objective in itself. This made the supply of real estate less responsive to demand (Needham 1997). Since the crash of the real estate market in 2008, many municipalities now struggle with large losses on their land positions. Due to the integrated nature and size of development projects, development is paralyzed.

As the owner of the offices is in most cases not the user, there is still an incentive to keep developing new offices. New development can be profitable for investors, developers and municipalities. A new office on an attractive location is still able to get a tenant, though the problem is that this tenant will leave an older less attractive office for the new building (E. Buitelaar 2013). This means that the municipality can sell the land positions, developers can build an office and investors have new property, with a tenant. This is a so called *adverse* incentive to the goal of minimizing the vacancy rate.

In order to reduce the vacancy levels, municipalities have to stop facilitating unneeded supply. However, it is not easy for municipalities to coordinate the newly built office supply in the market efficiently. First, municipalities have to *know* demand. As the demand of investors is not based on the actual demand of tenants, the municipalities cannot trust on market mechanisms for an optimal allocation of office space. Furthermore, when municipalities are willing to reduce planned supply based on demand and supply information, they do not have the authority to obligate neighboring municipalities to do the same. There is a great risk of opportunistic behavior of neighboring municipalities to act on their absence (SRE, 2013), as development of office space is an important source of income for municipalities.

Due to this multilateral dependency, the market is inefficient as a coordination mechanism. Thus, a hierarchical intervention of provinces seems a logical approach. There are however several collaborations amongst municipalities and provinces in the office market that try to coordinate the supply. Plabeka is an informal partnership in the Metropolitan Region of Amsterdam where municipalities, provinces and the city region of Amsterdam are cooperating to reduce the vacancies in the region. Plabeka is used as main case in this research to understand why these collaboration emerged and to assess how effective these collaborations are in coordinating the newly built office supply. To validate the findings of Plabeka, the collaboration in the Metropolitan Region of Eindhoven is included in the research. In Utrecht, a hierarchical approach is chosen by the province in order to coordinate the supply. To put the findings on Plabeka in perspective and to search for potential improvements for the collaborations on the office market, the hierarchical approach of Utrecht is included in the research.

The purpose of this research is to clarify in which ways municipalities and provinces can work together in order to better coordinate the supply. The coordination of newly built supply is currently hampered by the adverse incentive for municipalities to facilitate newly built office supply. Thus, it has to be analyzed how the collaborations deal with the effect of the adverse incentive. The product of this research is a design for a collaboration that can adequately cope with the adverse incentive. The research question for this research is:

How can municipalities and provinces collaborate in the office market in order to better coordinate the newly built office space, considering the adverse incentive?

In this research, the current collaborations in the office market are positioned as a specific type of a *hybrid* mode of governance. A hybrid is a governance form that has aspects from both the market as from the hierarchy. The general idea is that a hybrid provides both the ability to compete like firms in a market, and the ability to cooperate, like divisions in a hierarchy. Three types of hybrids can be distinguished, the *Information-based-network* with a low degree of hierarchy, *Third party coordination* with a medium degree of hierarchy and the *Strategic Center* with a high degree of hierarchy. When coordination problems occur in a market, Williamson argues that hybrids are the next best thing before integrated firms (Ménard 2010). This is because hybrids maintain a higher degree of incentives than hierarchies (Williamson 1991). The high degree of incentives can make firms behave more efficiently. However, they can also have incentives to neglect agreements in the contracts for personal gain. Thus, hybrids have problems with stability due to a hazard of opportunistic behavior

The Plabeka partnership and the SRE are positioned as hybrids with third party coordination. Plabeka has been effective to develop information on demand and supply, share knowledge on transformation and land pricing and to create joint reductions of planned supply. The risk of opportunistic behavior in this hybrid is minimal, due to strong relations amongst members, a focus on monitoring the market and a controlling role of the provinces. Perhaps the most important reason why the risk of opportunistic behavior is so low is that despite the efforts of Plabeka, the planned supply is still much higher than the demand of tenants and even higher than that of investors. Therefore, municipalities can facilitate all demand from investors without behaving opportunistic. As the municipalities are still facilitating newly built supply, the attractiveness for private parties to invest in the market is under pressure.

The main factor that hampers Plabeka in coordinating the newly built supply is the adverse incentive in the office market to facilitate newly built supply. As hybrids maintain a degree of incentives, the adverse incentive is also still active in hybrids. The adverse incentive causes the municipalities not to

behave opportunistic *among* each other, but the municipalities behave opportunistic *with* each other; the entire hybrid behaves opportunistic. Hence, instead of problems due to *individual* opportunistic behavior, which is a common problem of hybrids, problems arise due to a *collective* type of opportunism. This type of opportunism is not yet identified in hybrid theory. Therefore, a new collective type of opportunistic shall be added to the hazard of opportunistic behavior. Collective opportunism is in this research defined as '*The conscious behavior of a collaboration as a whole to act according to a common conflicting interest for that collaboration's overarching goal*'. This behavior is also identified in the SRE and is therefore seen as a problem for hybrids on the office market in general.

Hence, in order for municipalities to coordinate the newly built supply, it is important to reduce the effect of the adverse incentive in the form of collective opportunistic behavior. Thus, the cause for the collective opportunistic behavior, the adverse incentive, has to be minimized, or the effect of the adverse incentive, collective opportunistic behavior, has to be minimized.

In order to minimize the adverse incentive in Plabeka, it seems logical to reduce the degree of incentives by implementing a higher degree of hierarchy in the hybrid. A lower degree of incentives leads to less incentives to behave opportunistic according to hybrid theory. However, this is only the case for individual opportunistic behavior. In a hybrid with more hierarchy than Plabeka, the strategic center, different partners still have an adverse incentive to facilitate supply; the partners in the strategic center have still an incentive to behave opportunistic as a collective.

Thus, safeguards are needed to mitigate the hazard of collective opportunistic behavior. Current hybrid theory provides safeguards to mitigate the hazard of opportunistic behavior. However, most of these safeguards are not applicable for collective opportunistic behavior. The only safeguard from hybrid theory that can be used is to increase the sense of urgency for a common problem. This safeguard is promising to reduce the degree of collective opportunism in hybrids on the office market.

This sense of urgency can be increased at the hand of two components: parties should be convinced that there is an issue that has to be solved and parties should be convinced that this issue can only be solved by cooperation. Increasing the sense of urgency of municipalities by convincing them that the vacancy rates have to be reduced is difficult. Most municipalities do know the substantive arguments to lower the planned supply.

There is more potential to increase the sense of urgency of municipalities by convincing the municipalities that the vacancy problems have to be solved by cooperation. Therefore, provinces in the office market have to take a more leading role in the hybrids. In the province of Utrecht, the municipalities showed an increased sense of urgency at the moment the province announced that it was going to intervene hierarchically. Thus, provinces active in hybrids can use the fear of command and control in order to force municipalities to make more far-reaching agreements. If provinces set targets for joint reduction of planned supply for the municipalities and state that they will use their hierarchical power, in the form of implementation plans, to enforce those targets, like is done in Utrecht, the municipalities have an increased sense of urgency to agree upon higher targets for joint reductions of planned supply.

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Chapter 1: Introduction

In this chapter, the research problem is introduced. In the first paragraph, a general introduction to the office vacancy problems in the Netherlands is provided. In the second paragraph, the research problem is defined to regional coordination. The research questions are presented in the third paragraph, followed by the research scope in paragraph 1.4. In the last paragraph the research design is given, including the theoretical context, the research approach, the research methods and the thesis outline.

1.1 Introduction to the office market

It is a strange sight: brand new offices rising close to vacated buildings. The Netherlands cope with high office vacancies. The vacancy rate has increased to 17 percent in 2014 (PBL 2014). In Amsterdam, the situation is even more pressing with the highest vacancy of all major European cities: 21 percent (E. Buitelaar 2014). Nevertheless, while the situation was getting worse and worse, investors, developers and municipalities still found ways to realize new offices. The amount of new construction has already declined, as shown in figure 1.2, but the increasing vacancy rates ask for more far-reaching measures. Especially because of the fact that despite many efforts, the vacancy rates keep increasing.



Figure 1.1: Vacancy rate (E. Buitelaar 2013)

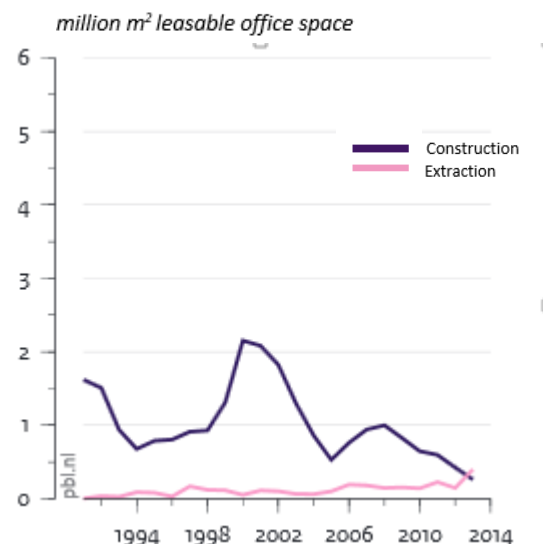


Figure 1.2: Construction and extraction (E. Buitelaar 2013)

Vacant offices have multiple negative effects. First, owners have to take losses on their investment. Furthermore, vacant buildings have a negative effect on the attractiveness of their neighborhoods. The Dutch government formulates it as follows: *'The current vacancies are a waste of capital and space and have negative effects on the (international) business and investment climate due to the decreasing real estate prices and the increasing risks for private parties and therefore public parties'* (Het rijk 2012).

In order to deal with the vacancies, redesigning vacated offices is a hot item. Offices are being transformed into apartments, student housing, hotels and even into factories. In figure 1.2, the extraction of square meter of office space is shown. The amount of offices that are transformed has increased substantially since 2012. However, transformation does not improve the underlying mechanisms of the office market, which causes the vacancies. Transformation and demolition are the

cure of a symptom. In order to really control the vacancy levels, the underlying mechanisms should be identified and fixed. A short overview of these mechanisms shall now be given.

One of the reasons for the current vacancy rates is of course the economic crisis. Due to the collapse of the economy, the demand for office space was under pressure. The honeycomb cycle is a known phenomenon in the real estate sector. This theory suggests that the current vacancy rate could be explained by an overshoot of the supply when the market was already declining. When the economy will grow again, the vacancy will first drop and then the construction will follow to grow to complete the honeycomb cycle (J. Janssen 1994). Figure 1.1 shows that even before the economic crisis, which started in 2008, the vacancy rates were rising. Hence, the vacancies are not only the consequence of business cycles. It would therefore be naive to expect the market to redeem itself in better economic times. There are structural market changes and institutional causes that inflate the vacancies.

The structural market changes have an impact on the demand for office space. After years of an increase in demand, the demand will stay constant or even decline in the future (Ossokina 2012). A declining workforce in the Netherlands and a more dynamic type of working reduces the demand for office space. Companies will need less space per employer in the future, due to the use of flexible work places (Minister Schultz van Haegen 2011, Ossokina 2012). Economic growth will therefore not directly lead to a significant increase of the demand. More financial possibilities could help companies to finance the transfer from a large old office to a new office, which can be significantly smaller due to the flexible type of working. This recent trend thus reduces the amount of office space needed per employee (Personal communication: Lips, 2014)¹.

Besides structural market changes, there are institutional causes for the high vacancies. For these institutional causes, it is important to understand that 'the' office market does not exist. DiPasquale and Wheaton (DiPasquale and Wheaton 1996) argue that it is rather a network of submarkets. They identified three submarkets in their four-quadrant model: The market for real estate space, the real estate property market and the construction market.

The market players that are involved in the office market are all involved in different parts of the office market. Most offices are property of investors and not of the users (E. Buitelaar 2013). The actual users (tenants) rent from the owners (investors) in the market for real estate space. In this market, the height of the rent is determined. The investors buy property from developers in the real estate property market. In this market, the price of offices is established. Based on that price the amount of new property is established in the construction market with developers and municipalities.

Buitelaar et al. (2013) state that the construction market has very loose coupling between the supply of office space and the demand for office space by tenants. This can be explained by the mechanism of the three submarkets. The supply in the construction market is based on the demand of investors, and not on the demand of tenants in the market for real estate space. This indirect link disrupts the alignment between supply and the demand.

The demand of investors is inflated due to several causes. First, the office market is a 'thin' market. This means that in the office market only few transactions take place, because of the size of the property involved. Therefore, valuation is used for the estimation of prizes. These valuations represent the prices 'lagged' and 'smoothed' (E. Buitelaar 2013). This means that market effects are slowly and incomplete translated into prices for investors. Furthermore, the valuations are inflated

¹ Tom Lips is policy advisor Economic Affairs at the Province of North-Holland, personal communication 15 December 2014

by rent incentives (E. Buitelaar 2014). As an increase in price leads to an increase in the demand (E. Buitelaar 2014), the demand of investors is higher than the demand of tenants.

Furthermore, the return on investment is not as important for investors as it might seem. Investors work with an investment portfolio, in which a combination on investments has to secure a stable overall yield on investment. Real estate is often added not only for the yield itself, but also for the a-cyclic nature with other important investments. The commercial real

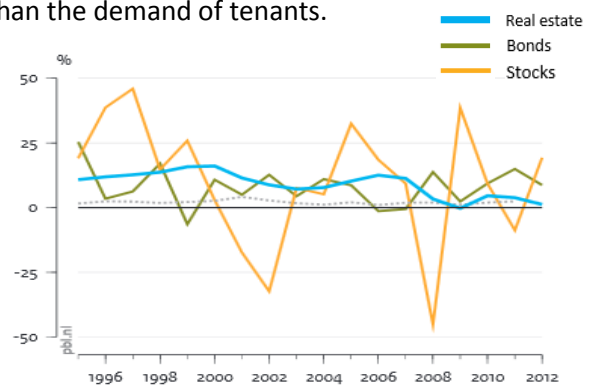


Figure 1.3: Yield on types of investment(E. Buitelaar 2013)

estate market has provided investors high and stable yields in the past twenty years (E. Buitelaar 2013). The blue line in figure 1.3 shows the yield of commercial real estate. This graph also shows that the commercial real estate has another cycle compared to stocks and bonds (in yellow and green). For the entire portfolio of investors, offices therefore are, even when not fully rented, interesting investments. Thus, investors tend to estimate the profits too high or not important enough, which leads to a higher demand for office space of investors than that of tenants.

Municipalities facilitate the high demand for new commercial real estate this mechanism creates, as active land development by local authorities is common in the Netherlands. For years, municipalities made profit with the acquisition of land and an integrative comprehensive planning style. In these plans, commercial real estate was a way to finance less profitable parts, and not an objective in itself. This made the supply of real estate less responsive to demand (Needham 1997). Especially as for the development of new office space few rules and little regional coordination is applied (E. Buitelaar 2013). In contrast: For new retail projects, the consequence of the new retail on the existing retail is considered (E. Buitelaar 2013). With the crash of the real estate market in 2008, many municipalities struggle with large losses on their land positions. Due to the integrated nature and size of development projects, development is paralyzed.

The owner of the office is in most cases not the user. Therefore, there is still an incentive to keep developing new offices. New development can be profitable for investors, developers and municipalities. A new office on an attractive location is still able to get a tenant, as these offices are of high quality, designed for a flexible way of working and environmentally sustainable. This means that the municipality can sell the land positions, developers can build an office and investors have new property, with a tenant. The problem is that the tenant will leave an older less attractive office, for the new building (E. Buitelaar 2013). Municipalities have an *adverse* incentive to the goal of minimizing the vacancy rate. They have a financial incentive to keep facilitating newly built supply, even with high vacancies in the market.

In order to reduce the vacancy levels another view on office development is needed (Janssen-Jansen 2015), with a shift from focus on newly built supply towards a focus on the restructuring of offices in order to create the new supply. Restructuring of the existing stock is only possible on a large scale if the attractiveness to invest in the existing stock is higher than the attractiveness to invest in newly built supply.

1.2 Research problem

The problem owners for this research are municipalities, coping with high vacancies. Municipalities are indirectly harmed by the vacancy rates: It has already been stated that the market is paralyzed. This means that municipalities can currently not execute their plans, which results in increasing pressure to downgrade on land estimations. Furthermore, the investment climate in their municipal borders is directly influenced by high vacancies.

In a well-functioning market, the oversupply of offices would translate via lower prices in a reduction of the newly built supply until the oversupply diminishes. In the office market, the adverse incentive hampers the coordination of newly built supply. In order to reduce the vacancy levels, municipalities have to stop facilitating unneeded supply. However, it is not easy for municipalities to coordinate the newly built office supply in the market efficiently.

As the demand of investors is not the same as the actual demand of tenants, the municipalities cannot trust on market mechanisms for an optimal allocation of office space. Furthermore, when municipalities are willing to reduce their planned supply based on demand and supply information, they do not have the authority to obligate neighboring municipalities to do the same. There is a great risk of opportunistic behavior of neighboring municipalities to act on their absence (SRE, 2013) due to the adverse incentive to facilitate newly built office space.

Due to this multilateral dependency and the adverse incentive, the market is inefficient as a coordination mechanism. Thus, a hierarchical intervention of provinces seems a logical approach. There are however several collaborations amongst municipalities and provinces in the office market that try to coordinate the supply. In the Metropolitan Region of Amsterdam municipalities and provinces and the city region of Amsterdam are cooperating to reduce the vacancies in a partnership called *Plabeka*. *Plabeka* stands for Platform Business Estates and Office locations (*Dutch: Plaform Bedrijventerreinen en Kantoorlocaties*)(Plabeka, 2011). Also in the Metropolitan Region of Eindhoven, the province of South-Brabant and several municipalities are collaborating in order to coordinate the supply. Thus, the hypothesis of this research is:

Collaboration between municipalities and provinces can lead to better coordination of the supply in the office market

The municipalities in the MRA started to collaborate through *Plabeka* in 2005. Other collaborations, like in the Metropolitan Area of Eindhoven are only starting to emerge. However, no research has been done yet on how effective such collaborations are in the office market and what types of collaboration are preferable. The research problem is:

It is unclear how municipalities and provinces should collaborate in order to better coordinate the distribution of the supply in the office market

1.3 Research goal and research questions

The purpose of this research is to clarify in which ways municipalities and provinces can work together in order to better coordinate the supply. The coordination of newly built supply is currently hampered by the adverse incentive for municipalities to facilitate newly built office supply. Thus, it has to be analyzed how the collaborations deal with the effect of the adverse incentive. The product of this research is a design for a collaboration that can adequately cope with the adverse incentive. The research question for this research is:

How can municipalities and provinces collaborate in the office market in order to better coordinate the newly built office space, considering the adverse incentive?

The main research question is subdivided in five sub questions. In the research questions, the notion of *hybrids* is used. This will be elaborated upon in the research design. The research questions are:

- 1 *What theory can help understand the current collaborations on the office market and what alternative collaboration forms are suitable for the coordination problems in the office market?*
- 2 *What are the current developments in coordination in the Dutch office market?*
- 3 *What is the effect of the adverse incentive on the behavior of municipalities and provinces in the office market?*
- 4 *How effective is Plabeka as a hybrid mode of governance in coordinating the supply of newly built office space?*
- 5 *How can the effect of the adverse incentive be minimized in hybrids in the office market?*

1.4 Scope

The research is focused on the collaboration between public bodies in the office market: municipalities and provinces. Plabeka is used as main case in this research to understand why these collaborations emerged and to assess how effective these collaborations are in coordinating the newly built office supply. Plabeka is chosen as the main case for collaborations on the office market as Plabeka is the partnership in the most important office region in the Netherlands, it is the oldest collaboration on office space coordination and the lessons learnt in Plabeka were used as the cornerstone for a national covenant on office vacancies. To validate the findings of Plabeka, the collaboration in the Metropolitan Region of Eindhoven is included in the research.

By limiting the research to collaborations on the office market, potential improvements of other coordination mechanisms are overlooked. As the free market has failed to coordinate the supply, as is explained in the introduction, approaches based on the free market will be left out of the scope of this research. However, a hierarchical approach could provide better coordination on newly built supply. Hence, also the hierarchical approach to improve the coordination in the office market is included in the research. Therefore, the hierarchical approach of the province of Utrecht is selected.

Besides collaboration between public bodies, collaboration between public and private parties might be effective in order to reduce the newly built supply and increase the transformation and restructuring of old offices. This research shall however not focus on collaboration between municipalities and private parties, for instance in public-private partnerships, but on the collaboration between municipalities and provinces in order to set the frame in which public and private parties can interact. This does not mean that private parties are not important in the office market; without investments of the private parties in the existing stock, the vacancy levels shall not decline. However, if the public bodies are able to implement a uniform policy, they might be able to channel the investments of private parties in the direction of the existing stock, so that old offices can be restructured.

1.5 Research Design

The research design contains the theoretical context, the research approach, the research methods and the thesis outline. It describes the theoretical foundation of the research, the steps that will be taken in order to answer the research question and the methods that are used. In the thesis outline an overview of the thesis shall be given.

1.5.1 Theoretical context

In this research, the current collaborations in the office market are positioned as a *hybrid* mode of governance. A hybrid is a governance form that has aspects from both the market and the hierarchy. In a hybrid, firms are both competing and cooperating to achieve common goals. For this research, the definitions of collaborations and hybrids can be interpreted in the same way. The notion of hybrid modes of governance shall be elaborated upon in the theoretical context.

Hybrid theory shall be used to improve the collaborations on the office market, by looking for the optimal type of hybrid for the market specifics. Municipalities have an adverse incentive that stimulates them to facilitate new office space. The notion of adverse incentive shall also be defined in the theoretical context. The key for the design is to organize interactions in such a manner that the effect of this adverse incentive, expected in the form of opportunistic behavior, is minimized. Hybrid theory shall be used to find safeguards to mitigate the effect of the adverse incentive.

1.5.2 Research approach

The research is structured according to five steps. Each step correlates to a research question. The five research steps shall now concisely be described:

Step 1

The aim of the first step is to set the theoretical context. In order to understand the emergence collaborations like Plabeka and the SRE, hybrid theory is used. A hybrid is a mode of governance. Thus, hybrids are first positioned between the other modes of governance: market and hierarchy. This is done by explaining the specific differences of these modes of governance. Then the characteristics of the hybrid itself are discussed. When the characteristics are clear, it is possible to distinguish different types of hybrids.

As public bodies need private investments in the existing stock in order to reduce the vacancy rates, a theoretical foundation to increase private investments shall be provided. The first step concludes with a scorecard that can be used to assess the functioning of Plabeka as a hybrid on the office market.

Step 2

The aim of the second step is to describe the current coordination mechanisms in the Dutch office market. As the modes of governance have to comply with the rules and regulations on spatial planning, first these rules and regulations are described. This is done by making use of the roles and responsibilities of the different levels of governance in the Netherlands.

The second part of this step is to describe current coordination mechanisms in the Netherlands. Therefore, the three cases are introduced. For each of the cases is described what strategies they provide in other to reduce the vacancy levels. To conclude the second step, Plabeka, SRE and Utrecht are positioned as specific modes of governance.

Step 3

In the third step, it is analyzed what effect the adverse incentive has on the behavior municipalities and provinces in hybrids and hierarchies. Therefore, first the adverse incentive in the office market is explained more in-depth. Then, the difference of potential for the adverse incentive in hybrids and hierarchies is explained. It is expected that the municipalities and provinces might be behaving opportunistic due to the adverse incentive. Therefore it is also assessed what safeguards the different modes of governance have implemented to mitigate the hazard of opportunistic behavior.

When it is clear what potential the adverse incentive has and what safeguards are implemented, the actual behavior of municipalities and provinces due to the adverse incentive shall be described.

Step 4

In the fourth step, the Plabeka collaboration is assessed as a hybrid on the office market with usage of the scorecard of effective governance as constructed in the theoretical context.

Step 5

The aim of the last step is to design a collaboration that could better coordinate the office supply. First, an attempt is done to improve Plabeka. Therefore, the weaker parts of Plabeka, as identified in the fourth step, shall be improved. These improvements are focused on reducing the effect of the adverse incentive. Furthermore, general recommendations for collaborations on the office market are provided.

1.5.3 Research methods

In order to collect the qualitative data for this research, two research methods are used: The literature review and semi-structured interviews. These methods are now explained.

Literature review

A literature review is performed to get sufficient background information and more feeling with the theory used. In order to explore different modes of governance, studies of Oliver E. Williamson shall be used. Claude Ménard has done extensive research on hybrids. The work of Pablo T. Spiller is used to look for the effect of governmental behavior on private investments. Their work shall be combined in order to construct the scorecard for effective governance.

For information on spatial planning in the Netherlands, much information can be found in the documentation of different government institutions. Furthermore, the Dutch research institute PBL has published an institutional analysis of the office (and retail) market. For the case study itself, Plabeka has a digital database with a wide variety of policy documents.

Semi-structured interviews

Interviews are a suitable way to collect qualitative data. There are three main types of interviews: structured interviews, semi-structured interviews and open interviews (DiCicco-Bloom and Crabtree 2006). Semi-structured interviews are organized around a set of open-ended questions. From the dialogue between interviewer and interviewee(s) other questions can emerge as well (DiCicco-Bloom and Crabtree 2006).

In this research, semi-structured interviews are used for the collection of data on coordination on the office market. The interviewees are selected based on their role in one of the coordination mechanisms (Plabeka, SRE and Utrecht). For a complete view on Plabeka, interviews are taken with representatives of all different roles in the partnership: Multiple municipalities with and without a substantial office stock, the province of North-Holland, and a private subsidiary body. The interview approach and an overview of the conclusions from the interviews can be found in the appendix.

1.5.3 Thesis Outline

To sum up all the different steps that are described previously, they are combined with the research method and questions in the thesis outline below.

Step	Chapter	Research question	Research method
Step 1	Chapter 2: Theoretical Context	<i>What theory can help understand current collaborations on the office market and what alternative collaboration forms are suitable for the coordination problems in the office market?</i>	Literature review
Step 2	Chapter 3: Coordination mechanisms on the office market	<i>What are the current developments in coordination in the Dutch office market?</i>	Literature review & Interviews
Step 3	Chapter 4: The effect of the adverse incentive on the office market	<i>What is the effect of the adverse incentive on the behavior of municipalities and provinces in the office market?</i>	Literature review & Interviews
Step 4	Chapter 5: The effectiveness of modes of governance on the office market	<i>How effective is Plabeka as a hybrid mode of governance in coordinating the supply of newly built office space?</i>	Desk Research
Step 5	Chapter 6: Designing a hybrid for the office market	<i>How can the effect of the adverse incentive be minimized in hybrids in the office market?</i>	Desk Research
	Conclusions, recommendations and reflection		

Figure 1.4: Thesis Outline

Chapter 2: Theoretical context

This research focuses on collaborations between municipalities and provinces on the office market. In this chapter, it is first discussed what theory can help us understand these emerging collaborations. Then it is researched what tools this theory provides to deal with the effect of the adverse incentive. As the collaborations on the office market are a collaboration of public bodies, additional theory is used in order to assess the collaboration as a governmental body in relation to private parties. The research question of this chapter is:

What theory can help understand current collaborations on the office market and what alternative collaboration forms are suitable for the coordination problems in the office market?

The main concept of this theoretical context is that of hybrid modes of governance. Before elaborating in depth on hybrids, the meaning of governance shall be explained from a new institutional economic perspective, which will result in an explanation of the main archetypes of governance. In the second paragraph, the characteristics of the hybrid itself are discussed. Aspects that are mentioned are value creation, the instability of hybrids due to opportunistic behavior and potential safeguards to mitigate the hazard of opportunistic behavior. When it is clear what the characteristics of hybrids are, it is possible to distinguish different types of hybrids. In the third paragraph the relation of the hybrid as a governmental body with the market is discussed, with attention to the hazard of governmental opportunism. The chapter concludes with a scorecard that can be used to assess the effectiveness of hybrids on the office market.

2.1 Governance from a new institutional economics perspective.

In this paragraph, the concept of governance is elaborated upon from a new institutional economic perspective. In the first section, new institutional economics is shortly introduced. In the second section, transaction cost theory is used to elaborate on governance. In third section, it is explained how the three archetypes of governance differ from each other. In the last section the adverse incentive is defined.

2.1.1 New institutional economics

New institutional economics contains two main parts. The first part deals with the institutional environment, which focuses on the rules of the game. The second part deals with institutional governance, which focuses on playing the game (Williamson 1998).

The institutional environment provides the rule of the game in which economic activity is organized. The polity, judiciary and bureaucracy are all part of the institutional environment (Williamson 1998). In other words, the institutional environment prescribes what the formal rules and regulations are to which the mode of governance should comply.

Within the institutional environment, governance refers to the organization of economic activity. There are three main modes of governance: the market, the hierarchy and, subject of this research, the hybrid mode of governance.

2.1.2 Transaction Cost Theory

Various theories are used to explain the existence of these hybrid modes of governance: Agency theory, relational contracts, resource based view and the transaction costs theory (Ménard 2010, Ménard 2013). According to Ménard, Williamson's explanation of hybrids with use of the transaction costs theory seems most suitable (Ménard 2013). In this research, the transaction cost theory shall be used as a basis for understanding hybrid modes of governance.

Transaction cost theory is one of the main theories used by new institutional economists. It implies that the transaction is the basic unit of analysis and insists that organization form matters. According to transaction cost theory, any problem is a contracting issue (Williamson 1985).

Viewed from the transaction cost theory, governance is the way transactions are organized. The williamsonian hypothesis about efficient governance was initially focused on the classical trade-off between make or buy (Williamson 1975): The distribution of goods is done either by the free market or by hierarchical integration. This hypothesis was extended with 'hybrid' arrangements, which are '*long term contractual relations that preserve autonomy but provide added transaction-specific safeguards*' (Ménard 2013).

For transaction costs, the objective is not merely to resolve conflict in progress but also to recognize potential conflict in advance and devise governance structures that forestall or attenuate it; ex post support institutions of contracts matter (Williamson 1985). Based on those potential conflicts, different types of contracting and therefore different types of governance can be useful. As Williamson states: '*Organize transactions so as to economize on bounded rationality while simultaneously safeguarding them against the hazards of opportunism*' (Williamson 2010).

For instance in a market with low asset specificity, there is no need to include safeguards in contracts. If one party does not want to buy your apples, you can sell them to someone else: the free market is an appropriate governance form. If there is high asset specificity, safeguards might be needed. If you breed special blue apples for a particular client and he does not want to continue the contract, you are left with worthless investments in blue apples. Vertical integration might be appropriate here.

Transaction costs are economized by assigning transactions to governance structures in a discriminating way. Transaction costs are hard to quantify. It is the difference between rather than the absolute magnitude of transaction costs that matters (Williamson 1985).

2.1.3 Different types of governance

The three main archetypes of governance are shown in figure 2.1: The hierarchy, the hybrid and the market. In this paragraph, the differences of these modes of governance shall be described.

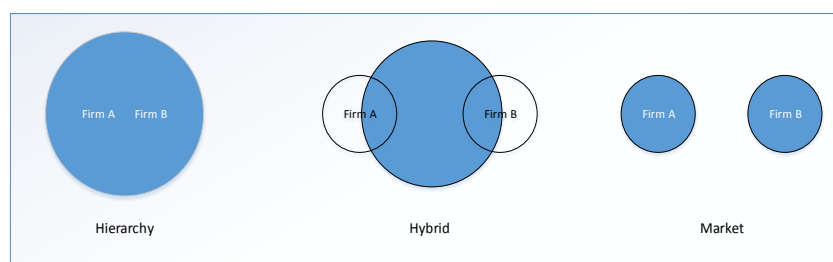


Figure 2.1: Different types of governance

In the free market, prices and services are based on supply and demand; there is no intervention of the government. The market is based on *competition*. Different firms in the market compete with each other on price and quality.

If the free market does not function properly due to market failure or externalities, a government can intervene to coordinate the allocation of goods and services. In a hierarchy, all transactions occur within the same entity: *cooperation*. In a hierarchy, different firms are combined and become divisions under the same hierarchy.

The last generic group of governance is the hybrid. A hybrid is a form of governance between market and state and has both aspects from the market as from the state. The term that is used for hybrids is *coopetition*. Some part of the firm becomes part of the new entity, while another part stays an autonomous firm, which is able to compete with the other firm.

Each of these generic groups differ in their ability to adapt, their degree of incentives and administrative controls and they are all supported by a different type of contract law (Williamson 1991, Ménard 2010). Each of these characteristics for modes of governance shall shortly be described.

Performance attributes

Williamson acknowledges that economic problems always solely arise in consequence of change (Williamson 1991). He distinguishes two types of change. One in which individuals are able to make the right decisions. Williamson refers to this adaptability as adaptability A, where A stands for autonomy. The other type of change is characterized by a bilateral or multilateral dependency, where the adaptability can only be achieved by cooperation. This adaptability is referred to by Williamson as adaptability C, where the C stands for cooperation. Markets are strong in autonomous adaptability, while hierarchies are strong in adaptability through cooperation (Williamson 1991).

Instruments

In markets, individuals are able to adapt autonomously, appropriating individual streams of net receipts. They therefore have strong incentives to reduce costs and adapt efficiently. In hierarchies, it is difficult to appropriate gains and losses, as due to bilateral interdependencies different divisions can claim they are causally responsible for gains of other divisions. Moreover, headquarters can use accounting systems to effect strategic redistribution. The consequence is that hierarchies have less incentives to reduce costs and adapt efficiently. Hence, added bureaucratic costs are involved due to its increased administrative control (Williamson 1991). On the other hand, this provides hierarchies with the ability to adapt through cooperation.

Contract law

The different types of performance attributes and instruments make that the different types of governance have need of different types of contract law. In the free market, where there is no long-term bilateral dependency, classical contract law is used. Classical contract law is interpreted in a very legalistic way. Neoclassical contract law and excuse doctrine is used when parties remain autonomous but are yet bilaterally dependent in a nontrivial way. This type of contract law is used for hybrids. Forbearance law characterizes the contracts in hierarchies.

Attributes of hybrids

In table 2.1, the scores of the different modes of governance on these attributes are shown. The hybrid mode of governance distinguishes, because it scores moderate on all attributes, whereas the market and the hierarchy score strong on some attributes, but lack others.

Distinguishing Attributes of Market, Hybrid, and Hierarchy Governance Structures*			
Attributes	Governance structure		
	Market	Hybrid	Hierarchy
Instruments			
Incentive intensity	++	+	0
Administrative controls	0	+	++
Performance attributes			
Adaptation (A)	++	+	0
Adaptation (C)	0	+	++
Contract law	++	+	0

* ++ = strong; + = semi-strong; 0 = weak.

Table 2.1: Attributes of different governance forms (Williamson 1991)

2.1.4 The adverse incentive

In economic literature, the notion adverse incentive is used to explain perverse behavior. Arrow uses it to explain the incentive for people with insurance to behave more careless (Arrow 1962). Thus, devices to improve the efficiency the allocation of risk bearing may decrease its technical efficiency (Arrow 1962). The adverse incentive as identified in this research is not a result of policy to improve the allocation of goods of services. In the current office market, the adverse incentive reduces the ability to allocate office space efficiently. Hence, the adverse incentive is defined as *'an incentive that creates behavior which reduces the ability to allocate goods or services efficiently'*.

In a hybrid, with a degree of autonomy of different firms and therefore a degree of incentives for these firms, there is also a degree of the adverse incentive. Hence, besides normal incentives to neglect agreements, an adverse incentive provides an additional incentive to behave opportunistic. A hybrid uses excuse doctrine in its contract law to reduce the hazard of opportunistic behavior caused by such an adverse incentive.

A hierarchy deals with the effect of an adverse incentive in a different matter. Instead of minimizing the effect of the adverse incentive on the behavior of different firms, the adverse incentive itself is minimized. In a hierarchy is no, or a very low, degree of incentives and therefore no, or a very small, adverse incentive. Thus, the hybrid builds in safeguards to mitigate the effect of the adverse incentive on the behavior of its partners; the hierarchy reduces the adverse incentive itself.

2.2 Hybrid modes of organization

Ménard (2010) states that it must be asked why arrangements exist that deliberately avoid relying primarily on prices to coordinate activity without going as far as integration, in the hope of outperforming markets as well as hierarchies. In this paragraph, it is discussed what the added value of hybrid modes of governance is. The main notion is that hybrids proliferate because advantages of coordination and cooperation overcome gains associated with market competition, while remaining autonomous provides more flexibility and better incentives than an integrated structure can offer (Ménard 2010). However, hybrids have problems with stability, life expectancy and opportunistic behavior, due to tension between cooperation and competition. The problems with stability of hybrids are discussed in paragraph 2.2.2. Hybrid theory also provides safeguards to mitigate the hazard of opportunistic behavior. These safeguards are presented in paragraph 2.2.3. In the last

section, a distinction is made between different types of hybrids. First, the added value of hybrids is discussed.

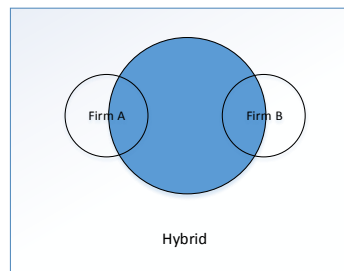


Figure 2.2: The hybrid

2.2.1 The added value of hybrids

In the previous paragraph, it is explained that hybrids have both a high degree of incentives and administrative controls, which provides them with the ability to adapt autonomously and to adapt through cooperation. This section elaborates upon the notion of adaptation through cooperation and which strategies can be used in a hybrid to provide the adaptability through cooperation.

Value creation

When coordination problems occur in a market, which is currently happening in the office market, Williamson argues that hybrids are the next best thing besides integrated firms (Ménard 2010). The general idea is that a hybrid provides the ability to adapt both autonomously as through cooperation. Hybrids are created for a variety of reasons, relating to the inability of one of the partners to solve an important problem (Borys and Jemison 1989). Value creation is a notion used by Borys and Jemison to refer to *'the process by which the capabilities of the partners are combined so that the competitive advantage of either the hybrid or one or more partners is improved.'* Hybrids create value in a way that each partner individually could not (Borys and Jemison 1989). In Williamson's definition: Hybrids provide the ability to adapt through cooperation in order to deal with multilateral dependency (Williamson 1991).

A hierarchy also provides the adaptability to deal with multilateral dependency. However, vertical integration is thought of as a governance form of last resort. This is because hybrids maintain a higher degree of incentives than hierarchies (Williamson 1991). These incentives are three dimensional 1) each partner remains residual claimant on payoffs provided by its own assets; 2) each partner can claim a share of the rent generated by jointly used assets; 3) all partners may cash rents from activities unrelated to the arrangement, thanks to spillover effects of their joint reputation (Ménard 2010). Parties accept mutual dependence because they expect increased ex-post surplus, which improves ex ante incentives to join and invest.

The autonomy of the different partners provide the first dimension of incentives. Partners have incentives to reduce cost and work efficiency as it increases the payoffs provided from their own assets. As they have autonomy, they can also better adapt to minor market changes (Ménard 2010).

The payoffs from shared assets can provide difficulties in hybrid modes of governance. In many hybrids payoffs of type 2 and 3 are not or only partially contractible. Going hybrid might then be an efficient solution when costs of integration would be too high while contributions from interdependent assets are difficult to assess (Ménard 2010). Thus, choosing a mode of organization is a trade-off between costs of ownership and costs of contracting (Hansmann 2011).

Inadequate allocation of rents could challenge the comparative advantages of hybrids with partners: a) scaling back investments, b) adapting less, or c) forgoing activities that raise hazardous measurement problems. This explains why hybrids are often considered suboptimal (Ménard 2010). On the other hand, total integration might be too costly (Ménard 2010). Using a hybrid governance form instead of a hierarchy can therefore be more feasible.

Strategies to provide the ability to adapt through cooperation

The added value of hybrids can exist in the size of the hybrid, the complementary of different partners or in learning effects. When investments exceed the capacity of working solo, joint assets might generate economics of scale or scope. Mutual dependency becomes strategically valuable if it secures the supply of existing resources, allows access to new resources or facilitates diversification. When markets cannot adequately bundle tacit knowledge and capabilities, a hybrid can provide the platform for learning effects (Ménard 2010).

To be part of a hybrid means that potential partners have to give up some of their authority to the hybrid. Autonomous parties will give up authority only if it is clear they have a problem and that going hybrid is the way to solve that problem. Uniting around a common goal is only the beginning; the hybrid must also find a way to achieve that goal (Borys and Jemison 1989). Therefore, at the one hand, the sense of urgency for the problem has to be strong and at the other hand, it has to be clear in which way the hybrid could contribute to solve that problem. Thus, partners need to have clear incentives to be part of a hybrid. Due to the diverse nature of hybrids, Ménard provides a wide range of possible strategies that can provide incentives to be part of a hybrid. In general, these strategies provide arguments for organizations to let go of a part of its autonomy for the shared benefit of all participants. Such strategies can be, amongst others, developing joint strategies, sharing knowledge, sharing assets and implementing common standards (Ménard 2010).

2.2.2 Instability of hybrids

The strength of hybrids, combining both aspects of markets and hierarchies, is at the same time its weakness. The high degree of incentives can make firms behave more efficiently. However, they can also have incentives to neglect agreements in the contracts for personal gain. Partners weigh up the need to commit versus the risk of capture (Ménard 2010). Because of the high degree of incentives there is a continuous risk of strategic behavior among partners, which results in problems with the stability of hybrids (Ménard 2010). Many hybrids have therefore a short life expectancy (Borys and Jemison 1989). In order to create a stable form of governance, the risk of opportunistic behavior has to be recognized and mitigated. This is particularly important for hybrids on the office market, as they have a strong adverse incentive to facilitate newly built office space.

2.2.3 Safeguards to deal with opportunistic behavior

A large part of the early research on hybrids focused on this instability and searched for ways to maintain orderly relations amongst competitive firms (Borys and Jemison 1989). For stability mechanisms, researchers look outside the hybrid because hybrids often lack common history. Due to the risk of partner opportunism and the fact that hybrids are created with short life expectancies, a more robust characterization is required (Borys and Jemison 1989).

Ménard has provided a set of safeguards in order to deal with strategic behavior among partners in order to create stable hybrids: Hybrids should (i) find the right partners, (ii) reduce tension among parties, (iii) constrain the risk of opportunistic strategies and (iv) implement procedures for arbitrating conflicts (Ménard 2010).

The first step to mitigate the hazard of opportunistic behavior is to *find the right partners*. With reliable partners, the risk of opportunistic behavior among these partners is lower. In order to find the right partners, not only the boundary of the hybrid and its environment is important, but also the relation of each partner with the hybrid (Borys and Jemison 1989). To find reliable partners, the behavior of potential partners in past cooperation is important. Further, one can look at indirect ties through third parties and the role of potential partners in pre-existing alliances (Gulati and Gargiulo 1999).

Then, the tension between these partners has to be reduced. Informal ties are important: trust and reputation build on recurrent transactions among partners, familiarity amongst partners with the same background, information about past agreements with third parties and institutional roots (Ménard 2010).

The third step is to constrain the risk of opportunistic strategies. Straightening ties with the chosen partners helps in reducing the likeliness of opportunistic behavior of these partners (Ménard 2010). A very important aspect is to make sure all parties have shared goals and common expectations (Ménard 2010). Collaboration amongst sovereign organizations means that different goals must be reconciled and molded into a common goal (Borys and Jemison 1989). A common goal is especially important to hybrids as it provides institutionalized direction that acts as a legitimating mechanism both between as within the partner organizations (Borys and Jemison 1989).

The short life expectancy of hybrids tells us that common goals are not only needed ex ante, but also during the entire lifespan of the hybrids. The authority of a hybrid is based on consent rather than command. This means that partners continuously need to understand the benefits of the hybrid for this specific problem: the commitment of partners to the common goals is a process. De Bruijn and Ten Heuvelhof (2010) argue that in order to achieve commitment to a process, a sense of urgency has to be created. This sense of urgency should include two components: parties should be convinced that there is an issue that has to be solved and parties should be convinced that this issue can only be solved by cooperation (De Bruijn and Ten Heuvelhof 2010). As soon as the partners lose their sense of urgency, the risk of opportunistic behavior among partners will increase.

As partners *weigh up the risk of capture versus the need to commit* (Ménard 2010), partners need to be monitored. Monitoring partners provides the ability to capture free riders. The last step is to implement procedures for arbitrating conflicts. When free riders are caught, they should be condemned. Checking free riders exceeds the capacity of contracts and favors implementing specific control mechanisms, and ultimately a governing body (Ménard 2010). Therefore, procedures for arbitrating conflicts should be implemented.

2.2.4 Types of Hybrids

Hybrids exist in many forms and can be distinguished in various ways. In this research, the three main archetypes of hybrids as provided by Ménard are used. Each of these archetypes has a different degree of hierarchy. Moving from spot markets to hierarchies, these archetypes are *Information-based-networks*, *Third party coordination* and *Strategic center*. The type of hybrid that is preferable is dependent on various factors. The type of hybrids are shown in figure 2.3.

Shared information is a hybrid focused on the distribution of information. In this hybrid, much of the authority is still assigned to the different firms; it is closest to the market. Due to the more informal nature of such a hybrid, the entry boundaries for firms to join the hybrid are only little. This hybrid is useful when the multilateral dependency is not too high. The main problem is that if the risk of strategic behavior is severe, this type of hybrid

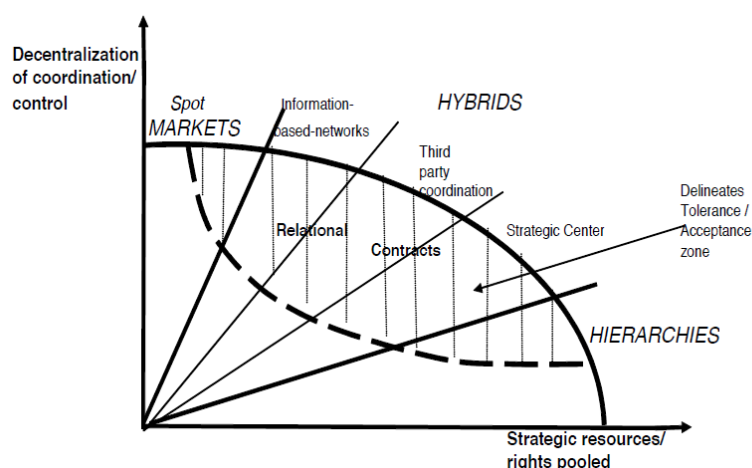


Figure 2.3: Types of hybrids (Ménard 2010)

does not provide suitable control mechanisms. In order to mitigate the

hazard of strategic behavior, a hybrid with more hierarchy can be preferred. A third party can be used to control the different members. The hybrid with the highest degree of hierarchy is the strategic center. *Strategic centers can be understood as a shorthand expression for institutional entities under which transactions are initiated, negotiated, monitored, adopted, enforced and terminated* (Ménard 2010). The strategic center is more suitable if the multilateral dependency is higher.

2.3 A hybrid as a public body

The hybrid on the office market that is subject of this research, is not just a collaboration of different firms, it is a collaboration of multiple public bodies. These public bodies can coordinate the supply, but they do not have enough resources to invest in existing stock: there is need for private investments. In order to attract investments in the existing stock, the public bodies should create an environment in which it is attractive for private parties to invest. This does mean that the government should not use instruments to achieve short-term gains at the cost of investment of private parties. Governmental opportunism should be avoided in order to attract private investments.

Governmental opportunism consist of the ability of governments to change the rules of the game with the use of governmental powers to extract the quasi rents of investors. The existence of sunk investments due to asset specificity makes governmental opportunism a fundamental hazard. Asset specificity exists of the degree to which an asset can be redeployed to alternative use or alternative users without sacrifice of product value (Williamson 1989). If specific assets are at stake, safeguards are needed for the investments (Spiller 2013).

As a result of governmental opportunism, the trust of investors in that particular government diminishes. This leads to lower investments of private parties in the market and therefore to lower quality of the services (Spiller 2013). On the contrary, if the public bodies behave in such a manner that investments in the market are more attractive, they are able to increase the quality of the services.

Safeguards against governmental opportunism can increase the trust of private investors, which leads to higher investments in the market. Such safeguards against governmental opportunism might hamper the mobility of the government. If governments are not able to change the rules of the game due to safeguards in place, it comes down to persuade the private parties of the urgency regarding the problem to achieve a common goal.

2.4 Scorecard for effective governance

In this paragraph, the findings of the theoretical context are combined in order to create a scorecard to assess Plabeka as a hybrid mode of governance in the office market. The scorecard consists of four criteria: adaptability through cooperation, autonomous adaptability, individual opportunistic behavior and governmental opportunistic behavior. The first two criteria are adopted from Williamson (1991). He identified the two types of adaptabilities as performance attributes for modes of governance. At the one hand autonomous adaptability, which enables firms to adapt rapidly to small market changes, and at the other hand adaptability through cooperation.

The hazards for the functioning of hybrids are related to the stability of the hybrid. As in hybrids different firms remain a degree of autonomy, they have incentives to behave opportunistic. As individual opportunistic behavior is such an important hazard for the functioning of hybrids it is included in the scorecard. The degree of individual opportunistic behavior has a direct effect on the ability of the firms the adapt through cooperation. Thus, the score on the criteria of individual opportunistic behavior is at the same time input for the score on the ability to adapt through cooperation.

The last criteria is governmental opportunism. As private investments in the existing stock are needed, it is important the degree of governmental opportunism is minimized. Therefore, governmental opportunism is included in the scorecard. This criteria is also related to the ability to adapt through cooperation. If the hybrid is better in adapting through cooperation, it is better in aligning the supply to the demand. Thus, less (opportunistic) supply is created. Governmental opportunism is included as an extra criteria in order to show the importance of the effect of governmental policy on the investments of private parties. The scorecard is shown in table 2.2.

Scorecard for effective governance of Plabeka	
Criteria	Scores
Autonomous adaptation	
Adaptation through cooperation	
Individual opportunism	
Governmental opportunism	

Table 2.2: Scorecard for effective governance

The potential scores for the scorecard are shown below. They vary from (0) to (++). (0) stands for an absence of that criteria. With (–) a low degree of that criteria is detected. (+) stands for a moderate degree present of that particular criteria. If a score of (++) is present, it means that Plabeka has a high degree of that criteria. These scores are given on a range provided by all modes of governance. Thus, for autonomous adaptation, (++) would be the score for the free market and (0) the score for the hierarchy.

Scores:

0	–	+	++
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(++) Does not mean directly that this score is preferred. For the criteria on opportunistic behavior, a low score is preferred, as opportunistic behavior is undesired behavior. In order to show if a high or a low score is desired, next to the score a color label shall be provided. Red stands for undesired, green stands for desired. Thus, if Plabeka would score (0) on individual opportunistic behavior, this would be ranked with a dark green score.

Preference:



2.4.1 Autonomous adaptation

Autonomous adaptation is included to assess the ability of municipalities to adapt to minor market changes. With more autonomy, municipalities have more incentives to adapt efficiently to small market changes. Thus, a higher degree of autonomous adaptation is preferred over a lower degree of autonomous adaptation.

Markets are characterized with a high degree of autonomy and firms in markets are therefore good in autonomous adaptation. Divisions in hierarchies mostly lack incentives to adapt efficiently to small market changes.

Thus, the degree autonomy in the hybrid mode of governance is determinant for the ability to adapt autonomously. A hybrid with a low degree of hierarchy, like the information-based-network, scores therefore in theory better on autonomous adaptation than a hybrid with a high degree of hierarchy, like the strategic center.

2.4.2 Adaptation through cooperation

The ability to adapt through cooperation is the main added value of hybrids in relation to markets. Thus, a higher ability to adapt through cooperation is desired. The ability of the mode of governance to adapt through cooperation shall be determined by looking what strategies are used to provide the ability to adapt through cooperation and how well these strategies are executed. These strategies can be, amongst others, as identified by Ménard, developing joint strategies, sharing knowledge, sharing assets and implementing common standards (Ménard 2010).

A hybrid like the information-based-network is mainly focused on information sharing. Thus, such a hybrid provides fewer strategies than a hybrid with a higher degree of hierarchy, like the strategic center. Therefore, a hybrid with more hierarchy provides therefore in theory a higher ability to adapt through cooperation.

2.4.3 Individual opportunistic behavior

Hybrids have problems with opportunistic behavior because the firms have still a degree of autonomy. At the one hand, this provides them with the incentives to adapt efficiently to small market changes, as explained in paragraph 2.4.1, but this provides them also with incentives to neglect agreements in the contracts for personal gain. Thus, a hybrid with a higher degree of autonomy and therefore a higher degree of incentives has more risk of opportunistic behavior.

The adverse incentive is expected to have an important impact on the degree of individual opportunistic behavior, as this is an incentive to behave in an opposite direction than the incentives to cooperate. A higher degree of incentives means directly also more potential for the adverse incentive.

Even with incentives to behave opportunistic, the actual degree of opportunistic behavior can still be low, if sufficient safeguards are implemented to mitigate the hazard of opportunistic behavior. According to Ménard, hybrids should (i) find the right partners, (ii) reduce tension among parties, (iii) constrain the risk of opportunistic strategies and (iv) implement procedures for arbitrating conflicts in order to mitigate the hazard of opportunistic behavior (Ménard 2010).

Thus, for the degree of individual opportunistic behavior is has to be assessed what the degree of autonomy is of the firms and therefore what the degree of incentives is to behave opportunistic and what safeguards are implemented to mitigate the hazard of individual opportunistic behavior.

The degree of individual opportunistic behavior in hybrids influences their ability to adapt through cooperation. Thus, a low degree of individual opportunistic behavior is preferred.

2.4.4 Governmental opportunism

The hybrid in this research is a partnership of public bodies. Thus, it also functions as a governmental body in relation to private parties. Governmental opportunism consist of the ability of governments to change the rules of the game with the use of governmental powers to extract the quasi rents of investors. The existence of sunk investments due to asset specificity makes governmental opportunism a fundamental hazard. Hence, to assess the degree of governmental opportunism, it is assessed what the degree of asset specificity is and to what degree the hybrid extract the quasi rents of investors.

The degree of governmental opportunism is related to the ability to adapt of municipalities. The better the municipalities are in adapting to the new reality, the lower the degree of governmental opportunism. This criteria, is included to show the effect of the ability to adapt of municipalities on private investments in the market. As more private investments are needed in the existing stock, a low degree of governmental opportunism is desired.

Chapter 3: Coordination in the office market

In this chapter, current developments in coordination in the office market are described. In the introduction is explained that for this research three cases are analyzed: Plabeka, SRE and Utrecht in order to describe the current developments. The research question central in this chapter is:

What are the current developments in coordination in the Dutch office market?

The modes of governance have to comply with the laws and regulations in place. Thus, to understand the modes of governance, the formal rules have to be understood. The formal rules shall be described in paragraph 3.1 at the hand of the roles of the three levels of government in the Netherlands: the National government, the provinces and the municipalities. In paragraph 3.2 the three cases, Plabeka, SRE and Utrecht are described. In the third paragraph, the different cases are positioned as specific types of governance.

3.1 Formal rules in the office market

The mode of governance should fit within existing laws and regulations: the institutional environment. For spatial planning the Law Spatial Planning (Dutch: Wet ruimtelijke ordening, Wro) provides the legal basis. The Wro shall be explained by describing the roles and responsibilities of the different levels of government in the Netherlands: The National government, the province and the municipality.

3.1.1 The National Government

The National government has no role in spatial policy (Rijksoverheid 2015). The National government does not test provincial and municipal plans on inconsistency with national interest. In 2011, the national government initiated a national covenant on office vacancy: Action program Office Vacancy. With this covenant, the Dutch government wanted to improve the regional coordination, the cooperation and the knowledge in the office market (Minister Schultz van Haegan 2012). This covenant was mainly based on the experience of Plabeka. However, there is no actual spatial policy on a national level.

In legislation, the national government does have an important role. In 2012, the 'ladder sustainable urbanization' was introduced. It dictates that municipalities should consider the regional demand and existing stock before they approve new urban development. The ladder has its legal basis in the Decree spatial planning (Dutch: Besluit ruimtelijke ordening, Bro). For the office market this means that if there is no regional demand, or if vacant offices exist that could be used to absorb the demand, no new development is permitted. However, in 72% of the cases the ladder is not used to substantiate zoning plans (Buitelaar 2014). If nobody objects about absence of the ladder in the substantiation of the zoning plans, the municipalities can just leave it out of the substantiation.

The ladder for sustainable urbanization is shown in figure 3.1. It contains of three steps. Firstly, it should be determined if there is a regional demand. Then it should be checked whether this demand can be absorbed by using the existing stock. Only if there is a regional demand and this demand cannot be absorbed by the current stock, new development can be permitted. This should be done at a multimodal accessible location.

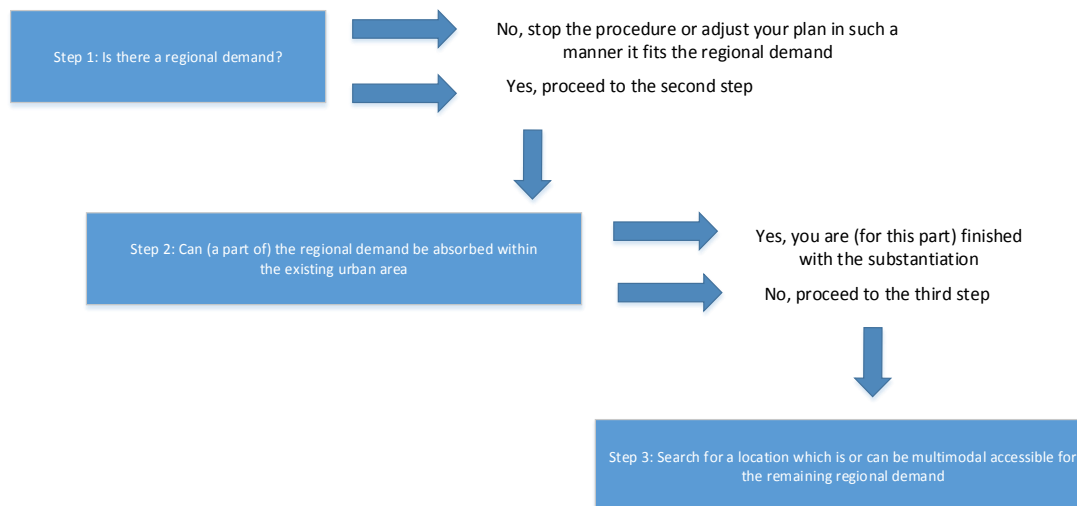


Figure 3.1: Ladder sustainable urbanization, translated (Milieu 2013)

However, this tool is only applicable for new development plans in new zoning plans. Thus, the ladder cannot be used to reduce the planned supply; it can be used to prevent municipalities to increase the planned supply in the future. As a decrease of the planned supply is needed, this tool is only limited useful.

3.1.2 The province

The province has a role on the regional level, as a regional director. They have to increase the complementarity of various regions and cities (Rekenkamer 2015). In order to do so they make structural concepts. New municipal zoning plans are examined based on the structural concept by the province. If zoning plans are in conflict with the region interest, provinces can formally intervene (Utrecht 2015). Furthermore, provinces can use implementation plans (*Dutch: inpassingsplannen*). Implementation plans are on the same level as municipal zoning plans, but are made by the province. This enables the province to actively participate in regional planning. However, implementation plans are not used very often.

3.1.3 Municipalities

In Dutch spatial planning municipalities are responsible for the zoning plans. Zoning plans are the tool of the municipality to prescribe where and how much of which function can be developed. Every ten years, zoning plans have to be renewed. Although provinces have the same authority in the form of implementation plans, there is not tradition of provincial intervention.

Furthermore, municipalities play a role in active land development. With the purchase of land positions and sale of building land, they have made considerable profits in the years prior to the crisis. Currently many municipalities have strategic land positions.

3.2 Modes of Governance in the Office Market

Two different modes of governance on the office market are discussed in this research. The main subject of this research, the hybrid, and in addition the hierarchy. In this paragraph it is explained why these types of governance emerged and what the main contributions of the modes of governance are in order to reduce the vacancy rates.

The main case of this research, the collaboration of Plabeka shall be introduced first. The collaboration in region of Eindhoven the SRE is used to validate the findings of Plabeka, it is

introduced in paragraph 3.2.2. The intervention of the province of Utrecht is used as an example of a hierarchy in the office market. The hierarchical approach of Utrecht is introduced in paragraph 3.2.3.

3.2.1 Plabeka

In the beginning of this century, the need for a good supply of business estates in the Amsterdam region came to the attention of the municipalities of Amsterdam and Haarlemmermeer and the Metropolitan Region Amsterdam. They had a feeling that regional coordination of business estates would lead to a better investment climate (Personal communication: Hagens², 2014). As civil servants of these municipalities met regularly in other regional consultative bodies, they had the network to form this new partnership. Besides business estates, Plabeka also took office space in their portfolio (Personal communication: Hagens, 2014; Personal communication: Ten Brinke³, 2014). The main goal of Plabeka is to create a competitive investment climate. Plabeka has to deal with the problems on the commercial real estate market in order to structurally belong to the top-5 of Global Business Gateways (Dijk 2011). For this research, only the office part of Plabeka is analyzed.

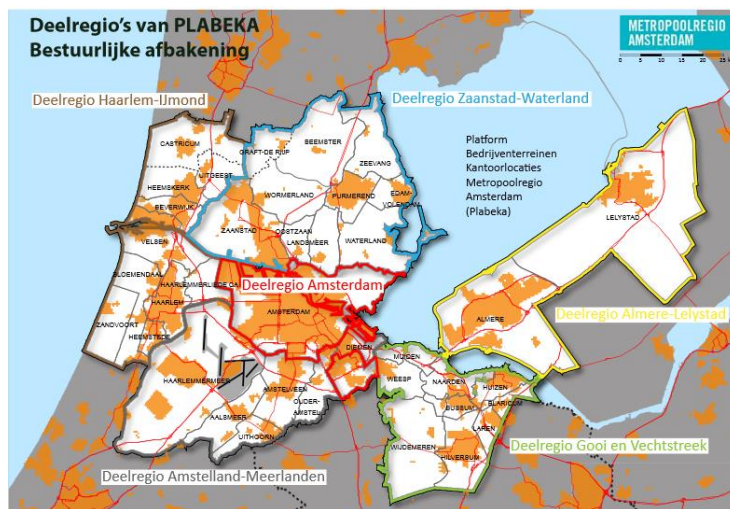


Figure 3.2: Map Plabeka (Plabeka, 2011)

Development of information

The vacancy levels were substantial in 2005 with 10 percent, though not yet alarming. Most municipalities expected the next economic boost to reduce the vacancy levels. This honeycomb cycle was the conventional phenomenon in the real estate market (Personal communication: Ten Brinke, 2014). In order to be able to have substantive discussions, the public bodies decided to develop a demand estimation (Personal communication: Bert Uitterhoeve⁴, 2014). This was the first strategy to counteract the vacancy rates: the development of information. Since such a demand estimation is very costly, joint resources made the step to invest in a demand estimation much easier. As Plabeka has ordered these demand estimations, the municipalities have had some influence on the outcomes. Plabeka has chosen to use the high scenario 'Global Gateway Scenario' (Plabeka 2011) as a basis for further negotiations.

² Joost Hagens is partner at BUITEN Consultancy, personal communication, 2 September 2014

³ Sabine ten Brinke is strategic consultant at Development Company Municipality Amsterdam, personal communication, 9 October 2014

⁴ Bert Uitterhoeve is director spatial development at municipality of Haarlemmermeer, personal communication, 11 September 2014

Only after the first demand estimation in 2006, the enormous difference between the demand for offices in the region and the planned capacity became clear⁵ (Personal communication: Hagens, 2014). Even after the first demand estimation, it took some time for the municipalities of Plabeka to acknowledge that the vacancy problems were not just an entrepreneurial risk for the office owners, but a societal problem in which the municipalities also had a role (Personal Communication: Ten Brinke, 2014).

Positions of partners

Currently 36 municipalities, the Provinces of North-Holland and Flevoland and the City region Amsterdam are part of Plabeka. The municipalities are subdivided in six sub regions: Amsterdam, Zaanstad-Waterland, Haarlem-IJmond, Amstel-Meerlanden, Gooi en Vechtstreek and Almere-Lelystad (Plabeka 2011). For each of these sub regions the biggest municipality provides a representative for the consultative body of Plabeka. These municipalities have to discuss the progress in Plabeka with the municipalities in their sub region (Personal communication: Yolanda Musson⁶, 2014). Not all municipalities are involved in the discussion on office locations. Many of the smaller municipalities have very little supply, and are more involved in the business estates. The municipalities that are mostly concerned with office locations are logically the pioneers Amsterdam and Haarlemmermeer, and furthermore Almere, Haarlem and Hilversum (Personal communication: Yolanda Musson, 2014; Personal communication: Ten Brinke, 2014).

The metropolitan region has an office stock of almost 14 million square meters, with a vacancy rate of 20 percent in 2014 (B.V. 2014). Of this office stock, 54% is located in and around Amsterdam (Plabeka 2014). This is a much larger share than the other important players on the office market in the region have. Amstel-Meerlanden has a share of 20%, but Meerlanden alone, of which Haarlemmermeer is the largest shareholder, has only 11% of the stock. The city Almere has 5 % of the office stock vacant. As Amsterdam was the largest player, it was for the surrounding municipalities important that the chairman of Plabeka was not an administrator from Amsterdam. With Arthur van Dijk, an administrator from Haarlemmermeer, the smaller municipalities had the reassurance that Plabeka was a collaboration of municipalities, and not an extension of the municipality of Amsterdam.

Besides differences in size of the stock, there are differences in the land positions of public bodies. In Haarlemmermeer, much land is owned by private parties. In Amsterdam, the municipality has many strategic land positions (Personal communication: Ten Brinke, 2014). The provinces have no land positions or planned supply. Their role is to include the plans of Plabeka in their structural vision in order to control the municipalities.

Joint reductions of planned capacity

Even when the magnitude of the problem was clear and a sense of urgency for the problem was created, municipalities were still not able to lower the supply individually. In Amsterdam, the alderman was willing to reduce the planned office supply in order to do something against the office vacancies. Even with 54% of the office stock located in Amsterdam, the alderman needed reassurance that neighboring municipalities would do the same (Personal communication: Ten Brinke, 2014). This was important, because if the other municipalities, with 46% of the stock, would

⁵ I found two stories on the origin of Plabeka. The other version is that the office vacancy was already alarming in 2005 and was therefore the trigger to start Plabeka. Still, the magnitude of the problem became only clear after the first demand estimation in 2006.

⁶ Yolanda Musson is process manager at Plabeka, Personal Communication, 9 October 2014

not have joined, the risk that those municipalities would behave opportunistic was severe. This indicates a multilateral dependency of municipalities, even for Amsterdam. Plabeka provided the reassurance for the alderman of Amsterdam by a second strategy: developing joint strategies to reduce the planned supply.

In February 2007 during the 6th North Wing conference, the members agreed upon the Deployment Strategy Plabeka 2007-2030. The most important decision was to cancel 3,5 million m² oversupply of office space (Plabeka 2014). However, despite the efforts of Plabeka, the vacancy rates in the area increased. In 2009, it was therefore decided to update the Deployment Strategy. For this update, Plabeka consulted investors, developers, real estate agents and users. They established an administrative advisory committee to examine the new Deployment Strategy (Plabeka 2014) and ordered the development of a new demand estimation. This demand estimation was, like the first, based on the Global Gateway scenario.

The Deployment Strategy Plabeka 2010-2040 was set in June 2011 during the third PRES-conference (Plabeka 2014). PRES stands for the Platform Regional-Economic Structure (Dutch: *Platform Regionaal-Economische Structuur*). The PRES is the administrative consultative body of the MRA for regional-economic policy (Plabeka 2011). Overall, the Deployment Strategy 2010-2040 resulted in a decrease of the planned supply by 1.9 million square meter. Furthermore, the intention was put to decrease the planned supply even more within a year, to work more closely with market parties, to focus more on existing office locations, to be more critical on the functions that should be developed in which part of the region and to introduce a progressive regional alignment procedure (Dijk 2011).

These joint strategies have proven to be very useful in reducing the planned capacity. It has led to a decrease of the planned supply by 5.4 million square meters in the Plabeka region. Most of those plans were so called 'soft' plans. Soft plans are plans which were not yet included in a zoning plan (Plabeka 2011). These plans were easier to remove because they were not yet budgeted in the estimate of land development. Hard plans are plans for which a prevailing zoning plan is present. For municipalities these plans were more difficult to scratch as they were budgeted in the estimate of land development.

Soft plans are not part of the deployment strategy. The conversion of soft plans into hard plans needs regional alignment. This is achieved by using the '*Soft-Hard Procedure*'. Via this procedure, it is checked by the directors committee of the Platform Regional-economic Structure, along with the use of the advice committee work locations MRA if municipalities may transform soft plans into hard plans. For plans lower than 10.000 square meter municipalities do not need permission, they only need to inform the DO PRES (Plabeka 2011). With this procedure the municipal autonomy is respected, while the regional interest is safeguarded (Plabeka 2011).

Monitoring the progress

In the annual monitor the actual market developments are monitored. In figure 3.3 is shown that the actual expansion demand of tenants (in orange) is negative from 2009. The dark blue shows the expected demand of tenants in the global gateway scenario that is used for the demand estimations. This shows that from 2009 until 2014, the demand turned out to be one million square meters lower than expected. The light blue bars show that even if a low economic scenario would have been used for the demand estimations, the actual demand of tenants would turned out be half a million square meters lower than the estimated demand of tenants (Plabeka 2014). The monitor shows that it was far too optimistic to use the global gateway scenario. Moreover, the actual market developments fall outside the range of all the scenarios of the second demand estimation. The fact that the lowest scenario is still far more optimistic than the actual developments might indicate that the transition to

the new flexible type of working goes increasingly fast. Considerable growth of the market demand seems something of the past.

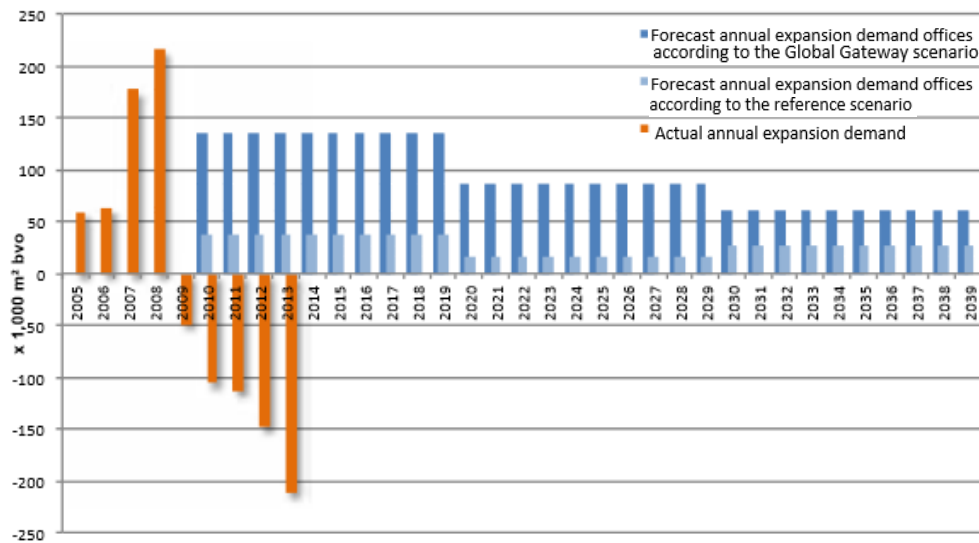


Figure 3.3: Actual and estimated demand development (Plabeka 2014)

Thus, the targets of Plabeka were not sufficient in order to lower the planned supply. Despite the fact that the planned capacity is still too high, there are no indications that new strategies to decrease the planned capacity will be drawn up. Some municipalities in the Plabeka partnership, like Amsterdam and Almere, are willing to reduce more planned supply (Personal communication: Ten Brinke, personal communication: Musson, 2014). The province of North-Holland is in favor for a further decrease of the planned supply. Other municipalities, like Haarlemmermeer (Personal communication: Bert Uitterhoeve, 2014), state that they have done enough already. This attitude can partly be described to the land positions the different municipalities have. In Amsterdam, the municipality has many land positions. In Haarlemmermeer, there are many private parties with strategic land positions. If the Haarlemmermeer would reduce planned supply that is designated to land which is owned by private parties, it risks planning damage claims. The notion of planning damage claims is explained in appendix A. If more planned supply is reduced in the metropolitan region Amsterdam, this is on a municipal initiative: there will be no Plabeka initiative to reduce more planned supply in the coming years.

Sharing knowledge

The third strategy used by Plabeka is the sharing of knowledge. In Amsterdam knowledge is shared on the transformation and restructuring of old offices by using an *Office pilot* (Dutch: Kantorenloods). Attempts are now undertaken to use the knowledge from Amsterdam in other municipalities (Personal Communication: Ten Brinke, 2014). At the same time there are attempts to use knowledge from the business branch of Plabeka, where a taskforce has done much work on transformation and restructuring of old business estates, for the office branch (Personal communication: De Canne, 2014). The sharing of knowledge on transformation should lead to an increase in transformation and restructuring of vacated offices.

In Plabeka, information is furthermore shared regarding the way land prices are calculated. In Plabeka, between municipalities is still competed with use of the prices of land. All municipalities have the common understanding that this competition is not desirable. However, agreements on

land pricing is a big step for municipalities. At this moment, solely information is shared on the pricing mechanisms (Personal communication: Musson, 2014).

Sharing of assets

There were some early consultations for a regional land development company. Such a regional land development company could be useful to improve the coordination. However, for the moment this is for the municipalities a too far-reaching development (Yolanda Musson, 2014). For such a regional land development company they should let go of a considerable part of their autonomy.

In the region, there are two active regional development companies. The SADC for the Schiphol area (SADC 2014) and a development company for the North Sea canal (Personal Communication: Lips, 2014). This suggests that a regional development company is a feasible alternative. However, due to negative experiences with these development companies, i.e. the development company for the North Sea canal is bankrupt, the province of North-Holland is not eager to start another regional company (Personal Communication: Lips, 2014). Moreover, due to very different financial circumstances of the municipal development companies it will be almost impossible to equalize the financial positions in order to create a regional development company (Personal Communication: Lips, 2014).

Furthermore, Plabeka has done considerable efforts to create an office fund to finance the transformation and restructuring of vacant offices. Municipalities were willing to put resources in this fund. Despite considerable efforts of the municipalities, this fund was not realized due to a lack of interest of private parties (Personal Communication: Uitterhoeve, Personal Communication: Ten Brinke, 2014).

Private investments

This shows that it is hard to persuade some of the owners of vacant offices to invest in existing stock. Some of the owners are large international investors, with huge investment portfolios (E. Buitelaar 2013). When some of their offices are vacant, they have the time and the resources to wait for better times, as long as their overall yield of their investment portfolio is positive (Personal Communication: De Canne, 2014). However, with ongoing high vacancies, even these investors are starting to sell their vacant property for low prices. Other investors are now buying up B-locations for low prices, they restructure the old offices in order to sell them again. In the first half of 2014, 1.2 billion euros was invested in the Dutch office market, of which 70% is located in Amsterdam (CBRE 2014). This is precisely the development that is needed, to reduce the vacancy levels in the office market. However, the interest in B-locations has only emerged after the moment that all A-locations were off the market (Verheij 2014). Plabeka has reduced the planned capacity significantly over the years. This has increased the trust of private parties in the market for existing stock (Personal Communication: Ten Brinke, 2014).

3.2.2 SRE

In the metropolitan area of Eindhoven, the approach is similar to that of Plabeka. In the SRE, municipalities and the province are organized in a collaboration. In the SRE there is, like in Plabeka, a focus on reducing the planned capacity and increasing transformation and restructuring. Possibilities for sharing of assets are not yet verifiable. The partnership is only in progress for two years and there have been no attempts so far for the sharing of assets.

Position of Partners

The SRE is the partnership of public bodies in the metropolitan area of Eindhoven. The 21 municipalities in the South-East of the province of Brabant that are part of the SRE have a long history of working together. The region has 733.000 inhabitants and a size of almost 1500 km² (SRE 2014). In BrabantStad, the five biggest cities of North-Brabant (the B5), Eindhoven, Helmond, 's Hertogenbosch, Tilburg and Breda, are united together accompanied by the province of North-Brabant (BrabantStad, 2014). For the problems with high vacancy rates in the office market, the B5 cities Eindhoven and Helmond initiated the partnership together with the Province of North-Brabant and the SRE (SRE 2013).

The sense of urgency in the SRE is not as strong as in Plabeka. At the one hand there is the belief within the SRE that the current vacancy problems can only be solved by cooperating. However, in the SRE not all municipalities are convinced that the current vacancies are of a structural nature. Some believe the new economic prosperity will solve the vacancy problems (Personal communication: Pen, 2015). Furthermore, many municipalities have weak financial positions which makes it difficult to reduce the planned supply.

Joint Strategies

The City Region Eindhoven is one the five most important office regions of the Netherlands. The office vacancies has increased up to 14 percent in this region. Eindhoven and Helmond have therefore tuned their policy in the past years on this new reality in the government documents 'Het Helmondse kantorenbeleid' and 'Kantorenstrategie Eindhoven 2012-2020'. Both these policies focus on decreasing new construction and demolishing, renovating and transformation of old office locations.

As the office market has no boundaries at municipality borders, Eindhoven and Helmond desired region alignment of policy (SRE 2013). Here, the same mutual dependency is shown as identified between the municipalities of Plabeka, which explains the need for joint strategies.

The collaboration has divided the area in four parts for industrial areas. Three of the four sub regions have a similar small local office market. Ninety percent of the office stock is located in the last sub region: the city region. This region contains the municipalities Helmond, Eindhoven, Son en Breugel, Oirschot, Best, Veldhoven, Geldrop-Mierlo, Waalre en Neunen. The collaboration has made general agreements for the entire SRE-region and additional rules for the city region (SRE 2013).

For new offices in the city region, the SRE chooses for potentially most attractive locations based on market technical assessment. Therefore, a clear distinction is made between different types of locations in the region. Land positions of municipalities and agreements between municipalities and developers are also taken into account, but the market potential is leading. Based on such assessments, half of the planned supply is cancelled or delayed until after 2020. Furthermore, all municipalities have to facilitate the market if initiatives are presented to transform or renovate old offices.

In the SRE, the planned construction as identified in 2013 consisted of 540.000 square meters. In their first round of reducing planned capacity, the municipalities of the SRE have removed mostly soft plans. As in Plabeka, this has resulted in a considerable decrease of the planned supply. The planned construction is now reduced to 253.000 square meters until 2020. The demand estimation of the SRE was based on a less optimistic scenario than the demand estimation that was used by Plabeka. However, due to the market developments even the demand estimation of the SRE has

been too optimistic (Personal communication: Pen⁷, 2015). The planned supply still exceeds the expected demand of 55.000 square meters abundantly.

3.2.3 The hierarchical approach of the Province of Utrecht

In Utrecht, a hierarchical approach is applied. The hierarchical approach of Utrecht is not a true hierarchical integration. The goal of the province is to level the playing field, after which the relation between the municipalities and the province is restored to the relation as it was before the intervention (Personal communication: Blom, 2014). In February 2014 the province announced to intervene and to force municipalities to reduce their planned supply (Utrecht 2014). This was a reaction on a lack of decisiveness of the collaboration of municipalities in Utrecht; the province of Utrecht only decided to intervene hierarchically after it became clear that the approach of the municipalities was not sufficient.

Positions of partners

In Utrecht, municipalities were organized in the Government region Utrecht (Dutch: *Bestuur regio Utrecht, BRU*). This collaboration was based on the Law joint arrangements (Dutch: *Wet gemeenschappelijke regelingen, Wgr*) (Personal communication: Blom⁸, 2014). As the WGR+ regions are abolished by the government from 1 January 2015 (Rijksoverheid 2013), the BRU divided in the BRU for regional public transport and the U10 (Utrecht 10) (Personal communication: Blom, 2014). The U10 has with Woerden one municipality more than the BRU. The other municipalities are: Bunnik, De Bilt, Houten, IJsselstein, Nieuwegein, Stichtse Vecht, Utrecht (City), Vianen and Zeist (Mierlo 2014).

Development of information

Together with these municipalities, the province of Utrecht instructed the STEC-group to make a demand and supply estimation for the region. In contrast to Plabeka, a more conservative scenario was used. Still, the demand and supply estimation made clear that the planned supply was almost twice as high as the expected demand of tenants. In order to reduce their planned supply, the U10 agreed upon a covenant which stated that each municipality would reduce their planned supply in their zoning plans based on the estimation of the STEC-group from 2012 when it is time to renew their zoning plans (Personal communication: Blom, 2014).

Imposed reductions of planned capacity

However, the province of Utrecht did not think the strategy of the U10 was sufficient. The province found the efforts of U10 not adequately enough for three reasons. First, zoning plans have to be renewed every 10 years. This would mean that it could take considerable time before the all the plans are updated. Furthermore, the adjusting of functions in a zoning plan has to be substantiated. The U10 would use the demand estimation from 2012 for this argumentation. However, the data from this demand estimation would be outdated before the municipalities could use it. The covenant was not legally binding and as the approach suggested was not feasible in the eyes of the province, the province decided to intervene, as they felt responsible for the regional cohesion (Personal communication: Blom, 2014).

For the province of Utrecht, to act based on authority is a major change from the existing spatial planning tradition, in which municipalities have the responsibility to make zoning plans. Other provinces, like the province of North-Holland, are reluctant to use implementation plans, as they feel

⁷ Cees Jan Pen works at the research institute Platform 31, personal communication, 13 January 2015

⁸ Jeroen Blom is urban planner for the Province of Utrecht, within the team strategic spatial planning.

they are taking over the responsibility of the municipalities (Personal communication: Lips, 2014). Provinces do not have (much) experience in making implementation plans, and if they are making them, the specific knowledge of the municipalities on parcel level is not utilized.

An interesting development of the hierarchical approach is that after the province announced to intervene hierarchically, the municipalities suddenly showed a sense of urgency and asked for time to reduce the planned supply themselves. Thus, the hierarchical approach of Utrecht did increase the sense of urgency of municipalities for the vacancy problems.

Planning damage

By forcing the municipalities to change their zoning plans, the province risks to have to pay planning damage, which was also identified as a problem in the MRA. In order to build in a safeguard against planning damage claims, the province uses foreseeability. With the making of a (thematic) structural concept the foreseeability period is started. After a foreseeability time of 1.5 year, the province will start with the implementation plans (Personal communication: Blom, 2014). An elaborate explanation on the legal basis of planning damage claims and the use of foreseeability is provided in appendix A.

Sharing of knowledge

The province of Utrecht also has an approach on the transformation and restructuring of existing property (Personal communication: Van Schaik⁹, 2014). This approach does not differ much from the efforts of the *office pilot* in Plabeka (Personal Communication: Van Schaik, 2014).

3.3 Positioning Plabeka, SRE and Utrecht as modes of governance

The municipalities in the MRA and the MRE have transferred some of their autonomy to the collaboration of Plabeka and SRE, which enables them to develop joint strategies: the development of information, the joint reductions of planned supply and the sharing of knowledge. The sharing of assets has not yet succeeded. However, the collaborations have no full control over the municipalities. The municipalities are still autonomous bodies, which can make their own decisions within the rules of the collaboration. Therefore, as already mentioned in the introduction, the collaborations are viewed as hybrid modes of governance. In the theoretical context, three types of hybrid modes of governance were distinguished: *the information based network*, *third party coordination* and *the strategic center*. Plabeka and SRE shall now be positioned as a specific type of hybrid.

The most important contributions of Plabeka according to all interviewees were the creation of information, the sharing of knowledge and joint reductions of the planned supply. At the same time, the sharing of assets has not yet been successful. The absence of sharing of assets shifts Plabeka to a hybrid with little hierarchy. Furthermore, Plabeka is developed on an informal basis. The hybrid is not based on any laws. Thus, the agreements in Plabeka are not legally binding; Plabeka only has informal tools to control municipalities. All these factors tell us that Plabeka is a partnership with a small degree of hierarchy: an *Information-based-network*.

However, the agreements made within Plabeka are included in the structural concepts of the provinces. While the partnership itself might thus be informal and the agreements are initially informal, the agreements are made formal by the provinces. The province can be viewed as a third body that makes sure that the municipalities uphold the agreements of Plabeka. Therefore, the

⁹ Stephanie van Schaik is coordinator projects Living and urban development, personal communication, 2 December 2014

hybrid is positioned in the middle between market and hierarchy as the interactions are informal, but the agreements are made formal by a third body: *Third party coordination*.

In the SRE the same characteristics can be identified as in Plabeka. The hybrid is not based on a law, and the emphasis lays with the development and sharing of information and joint reductions of the planned supply, while the sharing of assets has not yet succeeded. Furthermore, the province of North-Brabant has also a controlling role in the hybrid. Thus, SRE is positioned as the same type of hybrid as Plabeka: *Third party coordination*.

In Utrecht, the same strategies are used as in Plabeka and the SRE. Information is developed, knowledge is shared, and the planned supply is reduced. The main difference is that where in Plabeka and the SRE, the municipalities agreed upon joint reductions of planned supply, Utrecht imposes the reductions of planned supply on the municipalities with use of implementation plans. Thus, the province of Utrecht uses its hierarchical on the municipalities. However, the hierarchical approach of Utrecht is not a full hierarchical integration. The province uses their implementation plans to level the playing field, after which they will withdraw from active spatial planning. Furthermore, the municipalities stay autonomous firms, during the hierarchical intervention. Thus, they can resist against the plans of the province.

In the figure 3.4, the approaches of Plabeka, SRE and Utrecht are positioned as specific modes of governance.

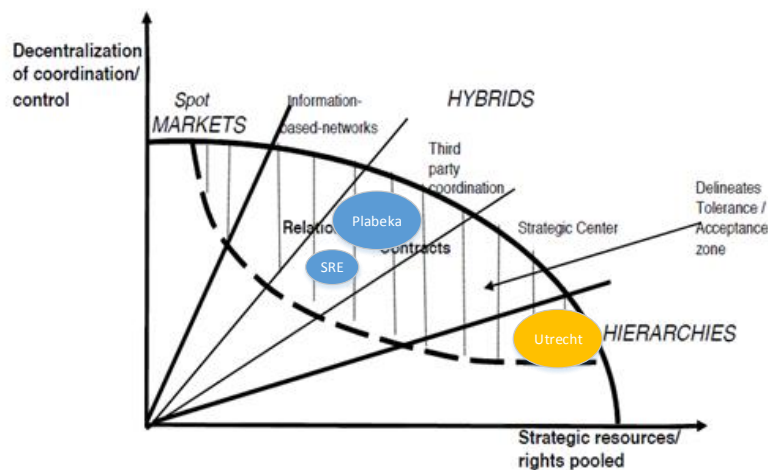


Figure 3.4: Plabeka, SRE and Utrecht positioned as modes of governance

Chapter 4: The effect of the adverse incentive on the office market

In the introduction is explained that municipalities in the office market have an adverse incentive to facilitate newly built office supply. In this chapter is elaborated upon what this adverse incentive is how the different modes of governance cope with this adverse incentive. The research question for this chapter is:

What is the effect of the adverse incentive on the behavior of municipalities and provinces on the office market?

In the first paragraph shall be explained what the adverse incentive in the office market is and what effect it has in hybrids and in hierarchies. In the second paragraph is discussed what safeguards the modes of governance have to mitigate the effect of the adverse incentive. In the third paragraph, the actual behavior due to the adverse incentive is described. As this behavior is difficult to explain with current hybrid theory, a new type of *collective* opportunistic behavior is introduced in the fourth paragraph. In the last paragraph, collective opportunism is included in the scorecard for effective governance.

4.1 The adverse incentives in the office market

In general, hybrids provide more incentives for their partners than hierarchies do for their divisions. This implies that the adverse incentive has more effect in hybrids than in hierarchies. In this paragraph is discussed what differences exist in the way the adverse incentive has effect in hybrids and in the hierarchical approach of Utrecht.

4.1.1 The adverse incentive

In order to understand the effect of the adverse incentive, first the adverse incentive has to be truly understood. In the introduction, the adverse incentive was shortly introduced, in this paragraph the adverse incentive shall be explained more in depth.

Municipalities in the Netherlands have acquired considerable land positions in times of economic prosperity. Municipalities have purchased agricultural land for low prices and then changed the function of that land in the zoning plan into functions with a higher land value, among which offices. Then municipalities budgeted the new value of these land positions in their land development estimations. Thus, the development of offices on land property of municipalities with an office function in the zoning plan does not lead to extra income, as that income is already budgeted in the land estimations. If the planned supply is reduced, this means that municipalities have to write off on their land positions. As the municipalities have acted more and more as market players with enormous land positions, the blocking of development plans has huge financial consequences. Thus, municipalities have a financial incentive to facilitate the development of new offices on land that is their property. Especially as the vacant offices in their municipalities are not their property, thus municipalities feel no financial consequence of those vacant offices. The financial incentive to facilitate newly built supply is adverse to the goal of reducing the vacancy rates, thus it is an adverse incentive.

Provinces have no land positions. This means that they also do not have budgeted planned office supply in land estimations. Therefore, they have no direct financial incentive to facilitate newly built supply. Thus, provinces have no direct adverse incentive.

4.1.2 The adverse incentive in hybrids

A hybrid provides a high degree of incentives for the partners. In the theoretical framework, three levels of incentives were presented: i) Each firm remains residual claimant on payoffs provided by its

own assets, ii) Each partner can claim a share of the rent generated by jointly used assets and iii) All partners may cash rents from activities unrelated to the arrangement, thanks to spillover effects of their joint reputation.

As the municipalities remain residual claimant on payoffs provided by its own assets, they remain subject of the adverse incentive: the payoffs from land positions are still for the land owning municipality. Thus, they still have an adverse incentive to facilitate newly built office space.

At the same time, the municipalities can claim a share of the rent generated by jointly used assets. The joint efforts of Plabeka and the SRE have resulted in a reduction of the planned supply of in the region and an increase in transformation and restructuring of old offices. Thus, the municipalities can claim a share of these joint efforts. However, the payoffs from a lower planned supply and more transformation and restructuring are hard to quantify. Especially as, despite the efforts of Plabeka, the vacancies in the region are still increasing. Thus, the incentives to reduce the vacancy rates are less obvious.

The two different incentives can be attributed to two different roles the municipality has in the office market. Their first role, as a government, is to make sure the market functions properly: the market master. The second role, as a private party, is to skim some of the profits to use for societal purposes: the market player. The trade-off between the two incentives are determinative for the performance of the hybrid. With a strong sense of urgency for the vacancy problems, the incentive for municipalities to act as a strict market master is stronger. With a lower sense of urgency for the vacancy problems, the incentive to reduce the planned supply decreases relative to the adverse incentive to behave as an opportunistic market player. The challenge is therefore to maintain the sense of urgency (Personal Communication: De Canne, 2014).

4.1.3 The adverse incentive in a hierarchy

A hierarchy provides no or a low degree of incentives. This should mean that the effect of the adverse incentive is only minimal in the hierarchical approach of the province of Utrecht. However, this is only partly true. The province of Utrecht has no adverse incentive to facilitate newly built supply, as they have no land positions and are therefore not financially involved.

However, the hierarchical approach of Utrecht is not a full hierarchical integration. The province uses implementation plans in order to level the planned supply to the expected demand of tenants. The municipalities remain their autonomy during this process. Therefore, they have still an incentive to facilitate newly built supply. It can therefore be expected that in the hierarchical approach of Utrecht the municipalities use their autonomy to resist to the plans of the province.

4.2 Safeguards against opportunistic behavior

The presence of the adverse incentive, both in hybrids as in hierarchies, might result in problems with individual opportunistic behavior of municipalities. Despite the agreements of Plabeka and the SRE, or the actions of the province of Utrecht, municipalities might try to facilitate more newly built supply than is allowed. In this paragraph it is discussed what safeguards are used by Plabeka, the SRE and Utrecht to mitigate the hazard of individual opportunistic behavior

4.2.1 Safeguards implemented in Plabeka

According to Ménard, hybrids can safeguard themselves against opportunistic behavior by *finding the right partners, reducing tension among parties, constraining the risk of opportunistic strategies* and by *implementing procedures for arbitrating conflicts* (Ménard 2010). In this paragraph, it is discussed if Plabeka makes use of these types of safeguards.

The right partners

With reliable partners, the risk that those partners behave opportunistic is lower. To find reliable partners, the behavior of potential partners in past cooperation is important. Furthermore can be looked at indirect ties through third parties and the role of potential partners in pre-existing alliances (Gulati and Gargiulo 1999).

The partners in Plabeka are all municipalities, who know each other from collaborations on other topics. The municipalities involved in policy on office space are limited. With Amsterdam, Haarlemmermeer, Almere, Haarlem and Hilversum the partners are manageable. They also all have the same background, namely that they are all municipalities. This indicates that these partners can be expected to have the same incentives and are therefore dependent on each other.

Reducing the tension among parties

Then, the tension between these partners has to be reduced. Informal ties are important: trust and reputation build on recurrent transactions among partners, familiarity amongst partners with the same background, information about past agreements with third parties and institutional roots (Ménard 2010).

The members of Plabeka have increased their mutual trust substantially in the past 10 years. Prior to the formation of Plabeka, the municipalities characterized their relations with distrust. Now, with years of cooperation between the representatives, the members trust each other (Personal Communication: Ten Brinke, 2014; Personal Communication: Musson, 2014).

Constraining the risk of opportunistic behavior

A very important aspect is to make sure all parties have shared goals and common expectations (Ménard 2010) and have a sense of urgency to achieve the shared goals. This sense of urgency should include two components: parties should be convinced that there is an issue that has to be solved and parties should be convinced that this issue can only be solved by cooperation (De Bruijn and Ten Heuvelhof 2010).

The sense of urgency in Plabeka is an issue. The municipalities of Plabeka have done considerable efforts to reduce the planned capacity. This has resulted in considerable impairments in land estimations and therefore to deteriorated financial positions. The resources of the municipalities are even more under pressure because municipalities are at the time confronted with enormous challenges due to the current decentralization in the Netherlands (Personal Communication: De Canne, 2014).

These developments could lead to losing the sense of urgency with a direct consequence for the stability of the hybrid. Moreover, due to the failure of the regional office fund, the attitude of the municipalities towards the societal nature of the vacancy problems has changed. As the private parties did not want to cooperate, the municipalities felt as if they were fixing their problems.

Civil servants responsible for Plabeka are part of it for a long term. However, they have to 'sell' their plans to the administrators and eventually to the city council. As political posts are up for elections every four years, a change in administrators and municipal councilors can lead immediately to a change in support for Plabeka. The most recent change of administrators went very smoothly; the last policy documents raced through the city councils (Personal Communication: Musson, 2014). However, a change of city council can have an enormous impact on the sense of urgency of that municipality.

Furthermore, the managerial leader of Plabeka, Arthur van Dijk, who has proven to be suitable for the job, has left Plabeka (Personal Communication: Musson, 2014, Personal Communication: Lips, 2014). On a moment where the focus of the municipalities lingers and the sense of urgency weakens, a strong leader could be useful in order to persuade the municipalities to maintain a sense of urgency.

As partners *weigh up the risk of capture versus the need to commit* (Ménard 2010), partners need to be monitored. Monitoring partners provides the ability to capture free riders. Plabeka has no difficulties with monitoring the partners, as monitoring the demand and supply is one of its core competences. In Plabeka, the monitor is made annually. This implies that it is almost impossible for partners to develop outside the boundaries, without being caught.

Furthermore, new zoning plans of municipalities have to be approved by the province. As the provinces have the plans of Plabeka included in their structural vision, and since they will stick to the structural vision, municipalities are unable to adjust their zoning plans outside the boundaries set by Plabeka (Personal Communication: Lips, 2014).

Implementing procedures for arbitrating conflict

When free riders are caught, they should be condemned. Checking free-riders exceeds the capacity of contracts and favors implementing specific control mechanisms, and ultimately a governing body (Ménard 2010). Therefore, procedures for arbitrating conflicts should be implemented. However, Plabeka has no procedures for arbitrating conflicts in place.

4.2.2 Safeguards against opportunistic behavior in SRE

The SRE faces the same challenges as Plabeka and makes in in large parts use of the same safeguards as Plabeka. These shall now be shortly be discussed.

In the region of Eindhoven the same type of partners can be identified as in Plabeka. In South-Brabant is a long tradition of collaboration by municipalities, which eased the development of the collaboration for the office market. The initial relations between municipalities can therefore be considered to be more positive than the initial relations in Plabeka.

The sense of urgency is, like in Plabeka, also an issue in the SRE. Not all municipalities are convinced of the structural nature of the vacancies and many municipalities in the region have very weak financial positions. However, due to monitoring and a controlling role of the province, it will be difficult for municipalities to behave opportunistic. If free riders are caught, no procedures for arbitrating conflict are in place.

4.2.3 Safeguards against opportunistic behavior in Utrecht

In Utrecht, the safeguards that are included in the process are focused on the prevention of planning damage claims. Utrecht uses a foreseeability time before they will make use of implementation plans to reduce the planned supply. With the use of foreseeability, it seems like the province of Utrecht is sufficiently safeguarded against planning damage claims.

However, this does not exclude all potential opportunistic behavior of municipalities. In fact, the use of foreseeability provides the municipalities with a window of opportunity to behave opportunistic. As the planned supply will be reduced 1.5 year after the province has announced that they will reduce the planned supply, municipalities have still time to act.

In this 1.5 year, municipalities can put extra effort in the realization of the planned supply, before that planned supply is reduced. Thus, the safeguard against planning damage claims is in fact also an incentive for municipalities to facilitate newly built supply.

4.3 The effect of the adverse incentive

In this paragraph, the actual effect of the adverse incentive on the behavior of the partners in Plabeka and SRE and in Utrecht is discussed.

4.3.1 The behavior of municipalities in Plabeka

In the execution of the joint reductions of planned supply in Plabeka, no individual opportunistic behavior was recognized. All municipalities did reduce the planned supply as agreed upon in Plabeka. The mutual trust, the monitoring and especially the controlling role of the provinces made it difficult for municipalities to act opportunistic.

There is however another reason that the risk of opportunistic behavior in Plabeka is so low. Besides the safeguards implemented to prevent opportunistic behavior, the municipalities have no incentive to behave opportunistic among each other because the planned supply is still much larger than the expected demand of tenants and even larger than that of investors. Thus, if private parties want to develop office space, municipalities have all the room within the rules of Plabeka to facilitate that demand. Thus, the municipalities can act on the adverse incentive to facilitate newly built supply, without having to behave opportunistic.

The question rises how it is possible that the planned supply is as high as it is. To answer that question we have to go back to the start of the emergence of Plabeka. The demand and supply estimation of 2006 that was the cornerstone for the first joint reduction of planned supply was based on the Global Gateway scenario, which is a high economic scenario. This seems a very optimistic starting point of the negotiations. The second demand estimation in 2009 was also based on the Global Gateway scenario. Thus, also the second joint reductions of planned supply were based on a high economic scenario. Furthermore, even when the monitor showed that the real developments were even less than the forecast of the lowest scenario of the demand estimation of 2009, no attempts are made to make a third deployment strategy.

Thus, the reductions of the planned supply of the municipalities in Plabeka are knowingly and willingly less than is needed to balance supply and the demand of tenants. The inability of Plabeka to adapt sufficiently is caused by the adverse incentive. At the one hand, municipalities want to reduce the vacancy level in order to increase the attractiveness of their investment climate. However, they are not willing to take (all) the financial consequences that are needed. With a high economic scenario municipalities had less financial burdens. It is a trade-off between adapting to the new reality and financial contributions.

This trade-off is not a hazard in itself. It has provided the opportunity for the municipalities to gradually write-off on the land positions in the past years. This has proven to be successful, as Plabeka has made considerable efforts in reducing the planned supply. However, the absence of a new deployment strategy in the coming years is a hazard for the future of Plabeka. Due to a fading sense of urgency, the incentive for municipalities to behave as a strict market master is attenuated in relation to the adverse incentive to facilitate newly built supply. Therefore, the ambition level of Plabeka in the future will only diminish.

As the planned supply of the municipalities is still higher than the demand of investors, the efforts of Plabeka might have been substantial, it has not led to a significant decrease of newly built supply; all the market demand could be developed. For the future, this is the same: all expected demand fits

within the planned supply and can therefore be developed. Thus, in order to reduce the vacancy levels, the planned supply has to be decreased further.

4.3.2 The behavior of municipalities in the SRE

The behavior of the municipalities of Plabeka is not an incident. In the SRE, the same mechanism can be identified. Due to the mutual trust, but mostly because of the strict control of the province, the municipalities are not expected to behave opportunistic as among each other (Personal communication: Pen, 2015). However, despite the absence of individual opportunistic behavior the planned supply is still much higher than the expected demand of tenants.

The joint reductions of planned supply are also in the SRE based on a too high economic scenario (Personal communication: Pen, 2015). Due to the very weak financial positions of the municipalities it is furthermore uncertain if they are able to set new targets (Personal communication: Pen, 2015). Thus, also in the SRE, the adverse incentive translates in too low targets for the hybrid. Hence, it is assumed that hybrids in general have problems setting adequate targets for joint reductions due to the effect of the adverse incentive.

4.3.3 The behavior of municipalities in Utrecht

As the province of Utrecht has only announced their approach in the fall of 2014, it is yet unclear to how municipalities will behave. It is however possible to describe the expected behavior of the municipalities.

The province of Utrecht only intervened after a lack of action of the municipalities. Thus, the initial sense of urgency of the municipalities was low. The province of Utrecht is not affected by the adverse incentive to facilitate newly built office space. It was therefore able to set higher targets, based on a more conservative demand estimation, for the reductions in the planned supply than Plabeka and the SRE could.

In hierarchies, opportunistic behavior is in general not a real threat. However, as in the hierarchical approach of Utrecht, municipalities in fact still have autonomy; they are still influenced by the adverse incentive to facilitate newly built office supply. The municipalities in Utrecht have a lower sense of urgency than the municipalities in Plabeka but they have to deal with higher reductions of the planned supply than municipalities in Plabeka. This indicates that a degree of resistance to the plans of the province can be expected. This might translate in planning damage claims and legal objections against the plans of the province. Even when the province wins these lawsuits, it is undesirable to fight over it in the courts.

With foreseeability, Utrecht seems to have a strong legal basis to prevent planning damage. However, the foreseeability time provides the municipalities with a window of 1.5 year to develop the planned supply, which is about to be reduced. As the office market is currently very slow, it will be difficult for municipalities to develop all or a large part of the plans that are about to be scratched. Especially as it is difficult to develop just one plot of a larger development plan. It will be very difficult for municipalities to facilitate the development of one office, if the rest of the area will not be developed. Still, the approach of Utrecht might increase the development of newly built office supply in the next 1.5 year. Thus, the expected degree of individual opportunistic behavior is higher in the hierarchical approach of Utrecht than in the hybrid of Plabeka, but ex ante, it looks like the province has incorporated sufficient legal safeguards with the use of foreseeability time.

4.4 Collective opportunism

It was expected that the adverse incentive would increase opportunistic behavior among partners in hybrids on the office market. However, there is no indication of opportunistic behavior among partners in neither Plabeka nor the SRE. Nevertheless, both hybrids have difficulty with setting sufficient targets to coordinate the supply.

Hybrid theory acknowledges that hybrids might be suboptimal if the payoffs from the rents are not or only partially contractible. If the allocation of rents is inadequate it might result in partners adapting less (Ménard 2010). However, the inability of hybrids on the office market to adapt sufficient is not caused by the inadequate allocation of rents of shared assets. It is rather the adverse incentive that makes the municipalities focus on the payoffs from rents from their own assets. This behavior is not recognized in current hybrid theory.

The adverse incentive causes the municipalities not to behave opportunistic *among* each other, but the municipalities behave opportunistic *with* each other; the entire hybrid behaves opportunistic. Hence, instead of problems due to *individual* opportunistic behavior, which is a common problem of hybrids, problems arise due to a *collective* type of opportunism. This type of opportunism is not yet identified in hybrid theory. Therefore, a new collective type of opportunistic shall be added to the hazard of opportunistic behavior. Collective opportunism is defined as *'The conscious behavior of a collaboration as a whole to act according to a common conflicting interest for that collaboration's overarching goal'*.

Collective opportunistic behavior can occur if partners of a collaboration have two conflicting and shared interests. First, they have a shared interest that is the basis for the collaboration; the collaboration is founded to achieve an overarching goal. In case of the office market, this goal is to reduce the vacancy rates. Then, the partners have a second shared interest, conflicting to that collaborations overarching goal. In case of the office market this is the interest to facilitate newly built supply. If all partners in a collaboration have the same conflicting interest to the overarching goal of that collaboration, they can agree upon opportunistic behavior to safeguard that conflicting interest. Collective opportunism is visible for all partners and agreed upon by all partners. This makes it possible to create a common acceptable trade-off between conflicting interests.

The instability that is inherent to hybrids due to individual opportunism is not an issue for collective opportunism, as collective opportunism is visible and agreed upon by all partners. Therefore, collective opportunism might even increase the stability of collaborations. However, as collective opportunism affects the ability of the collaboration to achieve the initial common goal, collective opportunism lowers the ability to adapt through cooperation.

4.5 An extended scorecard for effective governance

In order to assess the effectivity of hybrids on the office market, it is important to acknowledge potential collective opportunistic behavior. The absence of individual opportunistic behavior gives a false positive judgment on the functioning of the hybrid, if the partners of the hybrid in fact behave opportunistic as a collective. Therefore, collective opportunism is included in the scorecard for effective governance as defined in the theoretical context. In table 4.1, the extended scorecard for effective governance is shown. In the next chapter, this extended scorecard for effective governance shall be used to assess the functioning of the Plabeka hybrid.

Scorecard for effective governance of Plabeka	
Criteria	Scores
Autonomous adaptation	
Adaptation through cooperation	
Individual opportunism	
Collective opportunism	
Governmental opportunism	

Table 4.1: Collective opportunism included in the scorecard for effective governance

Chapter 5: The effectiveness of hybrid modes of governance in the office market

In this chapter, Plabeka is assessed as a hybrid in the office market with use of the scorecard for effective governance. The research question for this chapter is:

How effective is Plabeka as a hybrid mode of governance in coordinating the supply of newly built office space?

In the previous chapter, collective opportunism was included in the scorecard. Thus, the scorecard, as shown in table 5.1, contains five criteria: Autonomous adaptation, Adaptation through cooperation, Individual opportunism, Collective opportunism and Governmental opportunism.

Scorecard for effective governance of Plabeka	
Criteria	Scores
Autonomous adaptation	
Adaptation through cooperation	
Individual opportunism	
Collective opportunism	
Governmental opportunism	

Table 5.1: Scorecard for effective governance

For each criteria, it shall be argued what score will be. In the theoretical context was explained that there are four potential scores:

Scores:	0	-	+	++
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A color ranking is given, to show which scores are preferred. Red is undesired and green is desired:

Preference:				
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5.1 Autonomous adaptation

The first criteria that is discussed is autonomous adaptation. Autonomous adaptation is included to assess the ability of municipalities to adapt to minor market changes. With more autonomy, municipalities have more incentives to adapt efficiently to small market changes.

In Plabeka, municipalities are limited by the boundaries set in Plabeka. They cannot expand their supply for office space over the boundaries set by Plabeka. However, municipalities can still expand their planned office supply with small plans. There is an exception for minor office locations: For soft plans lower than 10.000 square meters, municipalities do not have to ask for permission from Plabeka to turn them into hard plans.

Furthermore, municipalities have the autonomy to lower the supply more than is agreed upon in Plabeka; Plabeka does only provide the ceiling. However, it is for municipalities less financial beneficial to lower the planned supply more than the agreements of Plabeka prescribe. Still, the municipalities of Amsterdam and Almere have the intention to lower their planned supply further than is agreed upon in Plabeka

Within the boundaries of Plabeka, municipalities have still autonomy facilitate newly built supply. As the targets of Plabeka are not very ambitious, the municipalities have in fact still much room to facilitate newly built supply.

Thus at the one hand, municipalities have lost their autonomy to expand their planned supply, but at the same time the planned supply is still so high they have a lot of room to facilitate the newly built supply.

Thus, their ability to adapt autonomously is limited in comparison with the free market, which is characterized with a high ability to adapt autonomously. However, their ability to facilitate newly built supply within the boundaries of Plabeka, their ability to expand the supply with minor plans and their ability to lower the supply, makes that the Plabeka hybrid scores moderate (+) on autonomous adaptation. As a high degree of autonomous adaptation is desired, this score is highlighted in light green:

5.2 Adaptation through cooperation

The ability to adapt through cooperation is the main added value of hybrids over markets. In this paragraph is assessed what the ability of Plabeka is to adapt through cooperation. Therefore shall be determined what strategies Plabeka uses to provide the ability to adapt through cooperation and how well these strategies are executed.

Plabeka provided the platform through which municipalities could adapt through cooperation. Therefore, they made use of three strategies: Development of information, joint reductions of planned supply and sharing of knowledge. Sharing of assets is still on the agenda but is not yet been successful.

These strategies have helped to lower the planned supply and to increase the transformation and restructuring of old offices. As no individual opportunistic has been identified, which will be elaborated upon in paragraph 5.3, it looks like the Plabeka hybrid has a high ability to adapt through cooperation.

However, in the previous chapter is explained that a high degree of collective opportunism has been identified. This has affected the hybrid in order to develop reliable information: The demand estimations were based on too high scenarios. Thus, the information that was used for joint reductions of planned supply was not reliable. This has a direct effect on the joint reductions of planned supply. As the demand estimations were too high, the hybrid was not able to adapt sufficiently through cooperation: the planned supply has not been reduced enough. Furthermore, there is currently no new development strategy on the agenda, so no new joint reductions of planned supply can be expected in the near future.

Plabeka made it possible for municipalities to adapt through cooperation, however due to the adverse incentive and collective opportunism the joint reductions of planned supply were only limited. Thus, Plabeka scores better than the free market, which has no ability to adapt through cooperation. However, the problems with setting developing reliable information and therefore making sufficient reductions of the planned supply make that Plabeka scores low (-) on the adaptation through cooperation. As a high degree of adaptation through cooperation is desired, this score is highlighted with orange:

5.3 Individual opportunism

Hybrids have problems with opportunistic behavior because the firms have still a degree of autonomy. This provides them with incentives to neglect agreements in the contracts for personal gain. Due to the presence of the adverse incentive, it was expected that municipalities would behave opportunistic among each other. However, in the Plabeka hybrid no individual opportunistic behavior was detected. This can be explained by two mechanisms.

First, Plabeka has adapted sufficient safeguards to mitigate the hazard of individual opportunistic behavior. The relations of the municipalities are characterized by mutual trust and friendship. Thus, the threshold for municipalities to violate that friendship is high. Furthermore, the municipalities are well monitored in the annual monitor. Hence, it is very hard for municipalities to behave opportunistic without being detected. Furthermore, the provinces have a controlling role. This makes it almost impossible for municipalities to behave opportunistic, as the province will immediately intervene if they try.

The second mechanism that minimizes the hazard of individual opportunistic behavior is the low ambition level. The municipalities have no real incentive to behave opportunistic among each other. The municipalities can facilitate all the demand from the market within the boundaries of Plabeka. Thus, facilitating newly built supply might seem undesired behavior; it is in fact not opportunistic behavior.

The implemented safeguards and the low ambition level have minimized the hazard of opportunistic behavior. Thus, in Plabeka there is currently no, (0), risk of individual opportunistic behavior. As individual opportunistic behavior is undesired, this score is highlighted in green:

5.4 Collective opportunism

In the previous chapter is explained that the adverse incentive in the office market made the municipalities of Plabeka behave opportunistic as a collective. The financial incentive to facilitate newly built supply made the municipalities use too optimistic scenario's and to degree upon too low reductions of the planned supply.

The degree of collective opportunism has also a positive effect. Due to the ability to behave opportunistic as a collective, there was need for the municipalities to behave opportunistic among each other. Thus, collective opportunism has mitigated the hazard of individual opportunistic behavior and increased the stability of Plabeka.

In Plabeka a high degree of collective opportunism is identified as all the demand estimations were based on too high scenario's, the reductions of planned supply were significantly too low and no new reductions of planned supply are on the agenda. Thus Plabeka gets a high score (++) on collective opportunism. This score is highlighted in red, as collective opportunism is undesired. This high score on collective opportunism is the main reasons Plabeka has difficulties in adapting through cooperation.

5.5 Governmental opportunism

In order to assess the degree of governmental opportunism, it is assessed what the degree of asset specificity is and to what degree the hybrid extract the quasi rents of investors.

The assets specificity of the existing stock is high. It is often difficult to get alternative users, as there are newer offices available. Alternative use is often provided as a solution to solve the vacancy problems. It is however difficult to find functions without loss of product value.

In Plabeka, municipalities use their power to facilitate newly built supply, while there is no expansion demand. With the newly built supply tenants are extracted from existing offices. With the tenants, the municipalities extract the rents of private parties who have positions in the existing stock.

Thus, governmental bodies use their power to extract quasi rents of investors, while there is a high degree of asset specificity. However, to speak of governmental opportunism, they have to change to rules of the game. So to what degree is this the case?

The municipalities of Plabeka have reduced their planned supply considerably over the years. This has led to an increase of trust of private parties in the existing stock and subsequently also to more investments in the existing stock (Personal communication: Ten Brinke, 2014). This would indicate that there was no governmental opportunism. However, the municipalities did still facilitate newly built supply.

If the rules of the game are defined as the amount planned office supply in the zoning plans, than facilitating newly built supply which is included in the zoning plans is not governmental opportunism. However, a certain degree of responsibility of the government in order to reduce the vacancy rates can be demanded. Hence, facilitating newly built supply while there is no expansion demand is in this research defined as governmental opportunism.

Thus, regarding the actual development of supply, there was a degree of governmental opportunism. The main reason that not all the planned supply was realized was that the demand from investors was so low. Hence, municipalities are willing to behave opportunistic as a government. As there are no indications more planned supply shall be reduced on a Plabeka level and the planned supply is still much higher than the demand of tenants and of investors, this could lead to an increase of newly built supply when the market demand increases. Thus, municipalities are willing to behave opportunistic, but fail to do so due to the current market conditions.

Thus, at the one hand, Plabeka has lowered the planned supply to a level that is higher than the market demand and at the other hand, still newly built supply is facilitated. Therefore, Plabeka scores moderate (+) on governmental opportunism. As governmental opportunism is undesired, this score is highlighted in orange.

5.6 Scores on criteria for effective governance

For a complete overview on the scores, the entire scorecard is filled in below. In the Plabeka hybrid, the adverse incentive has a negative effect on the ability to adapt through cooperation, which scores low, due to a high degree of collective opportunistic behavior of the partners. This leads to a moderate degree of governmental opportunism. As the municipalities remain a high degree of autonomy due to the low targets of Plabeka, Plabeka scores moderate on autonomous adaptation. Due to sufficient safeguards and the presence of collective opportunism, there is no hazard of individual opportunism.

Scorecard for effective governance of Plabeka	
Criteria	Scores
Autonomous adaptation	+
Adaptation through cooperation	-
Individual opportunism	0
Collective opportunism	++
Governmental opportunism	+

Table 5.2: Scorecard for effective governance with scores

Thus, in order to increase the ability to adapt through cooperation and therefore reduce the degree of governmental opportunism, it is necessary to reduce the degree of collective opportunism in the Plabeka hybrid. This means that or the cause for the collective opportunistic behavior has to be minimized, thus minimizing the adverse incentive, or the effect of the adverse incentive in the form of collective opportunism has to be minimized by implementing safeguards.

If only safeguards are implemented to reduce collective opportunism, it can be that the effect of the adverse incentive will be translated into individual opportunism. Hence, the effect of safeguards to mitigate the hazard of collective opportunism on the degree of individual opportunism has to be taken into account. In the next chapter is argued how the degree of collective opportunism can be minimized.

Chapter 6: Designing a hybrid for the office market

In the previous chapter, the Plabeka hybrid was assessed with use of the scorecard of effective governance. The ability to adapt through cooperation is affected by a high degree of collective opportunism. In this chapter it is discussed how the effect of the adverse incentive, which occurs in the form of collective opportunism, can be minimized in hybrids in order to improve the ability to adapt through cooperation. These insights shall be used to design a hybrid that is better in dealing with the adverse incentive than the current hybrids on the office market. The research question central in this chapter is:

How can the effect of the adverse incentive be minimized in hybrids in the office market?

To reduce the degree of collective opportunism two main approaches can be followed, as mentioned in the previous chapter. At the one hand, the root of the problem can be tackled. If municipalities in the hybrid have no adverse incentive to facilitate newly built office supply, they will have less reason to behave opportunistic, individual or as a collective. This approach is discussed in paragraph 6.1. Another approach is to implement safeguards to mitigate the hazard of collective opportunism. This approach is discussed in paragraph 6.2. The most promising approach shall be used as a basis for the design in paragraph 6.3 for a hybrid that is able to cope with the adverse incentive.

6.1 Increasing the degree of hierarchy

In this paragraph, it is analyzed to what degree the adverse itself can be minimized in Plabeka. In the theoretical context, it has been explained that in a full hierarchical integration there is no degree of incentives. The more hierarchy is implemented in a hybrid, the less room for incentives and therefore the less room for the adverse incentive. Hence, it could be beneficial for the Plabeka hybrid to increase the degree of hierarchy. Two approaches to increase the hierarchy in the Plabeka hybrid are discussed: A strategic center and a regional land development company. Furthermore, the potential of a hierarchical intervention is discussed.

6.1.1 The strategic center

Plabeka is a hybrid with third party coordination. Figure 6.1 shows that increasing the degree of hierarchy of such a hybrid means to create a strategic center. In a hybrid with a strategic center, the hybrid gets more authority over the partners. This way the degree of incentives for municipalities is decreased, which also means less room for the adverse incentive. In hybrid theory this is used as a solution to reduce the degree of individual opportunistic behavior.

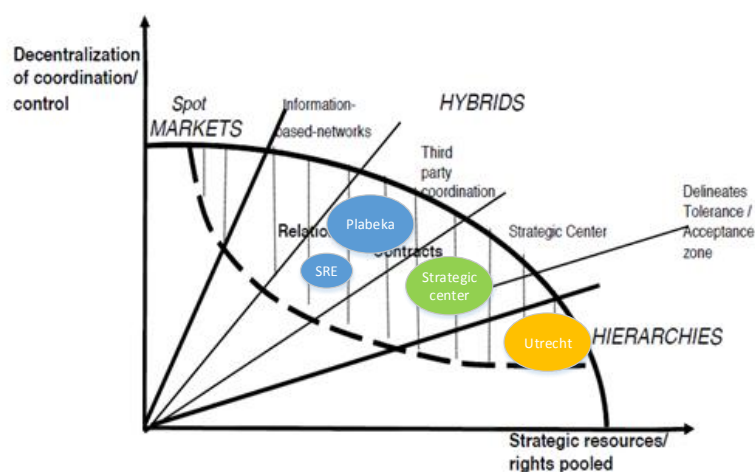


Figure 6.1: Strategic center

The crux is however that in the office market the problem lies not in individual opportunistic behavior but in collective opportunistic behavior. Thus, the question is if the adverse incentive is minimized in such a manner that municipalities will not behave opportunistic as a collective.

The strategic center exists of representatives from the municipalities; they make the decisions on reductions of the planned supply. These representatives have the same adverse incentive to facilitate newly built supply as the municipalities. Thus, the adverse incentive is not minimized; it is at the most transferred from individual municipalities to the strategic center.

As the representatives in the strategic center are still affected by the adverse incentive, they still have an incentive to behave opportunistic as a collective. Thus, the strategic center is not a solution to reduce the effect of the adverse incentive.

Furthermore, in order to create such a strategic center, municipalities should transfer a larger part of their autonomy to the strategic center. Without clear advantages of the strategic center, municipalities will be very reluctant to give up autonomy. Thus, the development of a strategic center will be very difficult, while the benefits are questionable.

6.1.2 A regional land development company

A regional land development company is another way to increase the hierarchy of the Plabeka hybrid. In a regional land development company, all the land positions of the municipalities are combined. With a regional land development company, all new development is coordinated regionally from that regional land development company. Thus, the negative and positive consequences of new development are for the same entity. This could improve the distribution of the new supply, as the competition over new development is reduced.

However, a regional land development company indicates more cooperation on an operational level. This is however not the platform on which the planned supply is reduced; it is platform that executes the plans established in Plabeka. Thus, a regional land development company is not suitable if the planned supply has to be reduced.

Moreover, none of the interviewees expects a regional land development company to be feasible in Plabeka since the financial condition of the municipal development companies is very diverse. The equalization of the different land estimations would therefore be too difficult.

6.1.3 Hierarchical intervention

Another option to increase the degree of hierarchy in Plabeka is in fact leaving the hybrid concept and adopt a hierarchical approach like is done in the province of Utrecht. As the provinces have no adverse incentive to facilitate newly built supply, they have no incentive to behave opportunistic. Thus, the targets to reduce the planned supply of a hierarchical approach will be more ambitious than that of a hybrid.

There are however a number of complications of such an approach. First, many provinces are reluctant to intervene hierarchically. Traditionally the development of zoning plans is a task for the municipalities. With the use of implementation plans, they feel like they are taking of the job of the municipalities. The feasibility of the hierarchical approach is therefore questionable.

The use of implementation plans is not a full hierarchical integration. The municipalities stay autonomous firms. As they are not expected to be committed to more ambitious reductions of their planned supply, they are expected to resist. The approach of Utrecht seems to have built in sufficient safeguards with the use of foreseeability to deal planning damage claims. However, the foreseeability time provides room for municipalities to behave opportunistic. Furthermore, the

approach of Utrecht is only recently initiated. It is therefore not clear yet how successful this approach will be. It is currently not clear in what way individual opportunistic behavior of municipalities will hamper the process of reducing the planned supply by the province.

Furthermore, especially for the Plabeka partnership, hierarchical intervention does mean a severe infringement on current relations. This might lead to even more resistance to hierarchical plans than can be expected in Utrecht. As Plabeka has functioned properly on the sharing of information and in the first years on reducing the planned supply, it would be a gamble to throw that aside in favor of an approach that is not yet proven.

6.2 Safeguards to mitigate the hazard of collective opportunism for Plabeka

In the previous paragraph is discussed how the adverse incentive can be minimized. In this paragraph is searched for safeguards to mitigate the effect of the adverse incentive in the form of collective opportunistic behavior. The safeguards hybrid theory provides in order to reduce opportunistic behavior among partners in hybrids are safeguards to mitigate the hazard of *individual* opportunistic behavior, as the notion of collective opportunism is not yet recognized in hybrid theory. These safeguards fall in large extent short to mitigate the hazard of collective opportunism.

6.2.1 Safeguards as provided in hybrid theory

The safeguards as provided by hybrid theory focus on *finding the right partners, reducing tension among parties, constraining the risk of opportunistic strategies* and *by implementing procedures for arbitrating conflicts* (Ménard 2010). In this paragraph is discussed which of these safeguards are useful in order to mitigate the hazard of collective opportunistic behavior

In the fourth chapter was discussed that Plabeka has the right partners and has properly reduced the tension among those partners. Thus, these safeguards are not adequate to deal with collective opportunism. Furthermore, procedures for arbitrating conflict, which Plabeka lacks, are not suitable to deal with collective opportunistic behavior, as collective opportunism is visible and agreed upon by all partners. Therefore, it is also not possible to constrain the risk of opportunistic strategies by monitoring the partners better, as all partners know what is happening.

However, the safeguards of Ménard might still provide some clues to mitigate the hazard of collective opportunistic behavior. In order to constrain the risk of individual opportunistic behavior it is not only important to monitor the partners, it is also important to have a sense of urgency for a common goal. This sense of urgency is currently not as strong as could be in Plabeka. In paragraph 4.3.1, is explained that the municipalities in Plabeka have deteriorated financial positions and they feel a lack of support from private parties. Furthermore, the director has left. Therefore, the municipalities are more receptive of the adverse incentive. In the SRE, where also a degree of collective opportunistic behavior is identified, the same problems with the sense of urgency are detected. Thus, the sense of urgency could be a key factor in constraining the risk of collective opportunistic behavior.

The feeling that the sense of urgency could be a key factor in constraining the risk of collective opportunistic behavior is enhanced by the cause of the collective opportunistic behavior. In paragraph 4.2.1 is explained that municipalities in a hybrid behave based on a trade-off between incentives to reduce the vacancy rates and the adverse incentive to facilitate newly built office space.

Thus in order to reduce the degree of collective opportunistic behavior, the sense of urgency for the vacancy problems should be increased so that municipalities are less receptive of the adverse incentive. The incentives to reduce the vacancy rates are not as clear as the adverse incentive, as the payoffs from reducing the vacancy rates are hard to quantify. By making the payoffs from reducing

the vacancy rates more comprehensible, municipalities might also be more eager to act upon incentives to reduce the vacancy rates.

Hence, in order to mitigate the hazard of collective opportunistic behavior it is discussed how the sense of urgency for the vacancy problems can be increased and how the payoffs from reducing the vacancy rates can be made comprehensible.

6.2.2 Creating a sense of urgency

A sense of urgency can be increased at the hand of two components: parties should be convinced that there is an issue that has to be solved and parties should be convinced that this issue can only be solved by cooperation (De Bruijn and Ten Heuvelhof 2010).

Importance of the issue to be solved

To convince the municipalities in Plabeka that there is an issue to be solved a new director is needed, since the former director has left. This should be someone who can convince the municipalities to get a commitment to new shared goals. Furthermore, municipalities should be showed that nature of the vacancies is structural and that it is important to reduce the planned supply in order to increase the private investments in the existing stock. It will be difficult to convince the municipalities on substantive grounds, most municipalities know what the problems are.

It would constructive if the benefits of reducing the vacancy rates would be quantifiable. A regional land development company, as discussed in paragraph 6.1.2 could be helpful. It is important that municipalities see the bigger picture. That not facilitating supply in one area leads to more potential for other areas. As the benefits are shared by all, municipalities could be more easily convinced that no newly built office space should be facilitated on their own land positions. However, as discussed before, a regional land development company is currently not feasible for Plabeka.

Importance of cooperation

Thus, it will be difficult to convince all municipalities that the vacancy problems have to be solved. However, there is another manner to increase the sense of urgency: Municipalities should also be convinced that this issue can only be solved by cooperation. Of course, they are already cooperating so it seems like the municipalities understand cooperating is the way to tackle this problem. They are however cooperating on half strength due to the degree of collective opportunism. In order to increase the willingness of municipalities to cooperate with more effort, they need a new incentive.

The hierarchical intervention of the province of Utrecht provides an important insight on behavior of municipalities. The municipalities in Utrecht were initially not motivated to reduce the planned supply sufficiently. However, the moment the province announced its hierarchical approach, the municipalities suddenly were willing to make more far-reaching agreements (Personal communication: Blom, 2014). De Bruijn and Ten Heuvelhof (2010) acknowledge this phenomenon: the fear of command and control may present an incentive to act more cooperatively.

Thus, if the provinces of Plabeka use the fear of command and control, the municipalities will have an incentive to behave more cooperatively. The use of fear of command and control is promising for multiple reasons. First, the provinces do not have to intervene hierarchically immediately. Many provinces are reluctant to use implementation plans, such an approach is therefore more feasible than an actual hierarchical intervention. Secondly, current relations are not thrown aside. Of course, a more forcing role of the provinces will put pressure on the collaboration, but the current relations can be maintained. And lastly, if the fear of command and control turns out to be less effective than

expected the provinces still have the possibility to actually use command and control and intervene hierarchically.

The fear of command and control might not be direct hierarchical integration, it still puts pressure on the relations between the provinces and municipalities. In the MRA region, with Amsterdam as largest player this could provide problems. However, the hierarchical intervention of Utrecht shows that it is possible for the province to overrule a large city, as is done in Utrecht with the city of Utrecht. Furthermore, Amsterdam is one of the players who are willing to reduce more of the planned supply. Almere is also willing to reduce more. Thus, if the provinces state that the municipalities have to reduce their planned supply further, these municipalities could, to some extent, be allies.

Others, like Haarlemmermeer, can be expected to be more reluctant. One of the reasons Haarlemmermeer is more reluctant is that in Haarlemmermeer much land is owned by private parties. Thus, if the municipality would reduce the planned supply, it could lead to planning damage claims. However, the approach of Utrecht shows that planning damage claims can be bypassed with the proper use of foreseeability time.

Thus, with pressure of the province it is plausible that the municipalities will agree upon higher targets for joint reductions of planned supply.

6.3 Reducing the effect of the adverse incentive

Based on the findings in the two previous paragraphs a design shall presented for the Plabeka hybrid in order to better cope with the adverse incentive. In paragraph 6.3.1, the design is constructed and in paragraph 6.3.2, this design is assessed with the scorecard for effective governance. In paragraph 6.3.3 the design of Plabeka is translated for other hybrids in the office market.

6.3.1 A design for Plabeka

In paragraph 6.1 is discussed why an increased degree of hierarchy in a hybrid does not seem adequate to reduce the degree of collective opportunism. Leaving the hybrid in favor of a hierarchical intervention is a far-reaching measure which throws aside current relations. Moreover, many provinces are reluctant to use their hierarchical power, which makes hierarchical intervention in many cases not feasible.

Increasing the sense of urgency of municipalities by making use of fear of command and control seems more promising. It lowers the threshold for provinces to intervene, while at the same time current relations in the hybrids can be maintained. Therefore, the design for the Plabeka hybrid to better deal with the adverse incentive is based on an increased sense of urgency by use of fear of command and control.

In order to create the fear of command and control, the provinces should take a more leading role in the hybrid. It will be their role to create fear among municipalities of command and control. Therefore, they have to set targets for Plabeka to reduce the planned supply. These targets should be based on a new to be made conservative demand estimation. The provinces should state that if the municipalities do not meet those targets they shall intervene with the use of implementation plans, like is done in Utrecht.

If the provinces have to use implementation plans, if the municipalities do not respond to the fear of command and control, they have to create foreseeability in order to be safeguarded against planning damage claims. Therefore, the provinces should set the targets with use of official documentation, like a structural concept in order to create legal foreseeability. This shows at the same time that the

provinces are serious about intervening, and on the other hand, if the municipalities fail to increase the targets, the provinces can immediately intervene after a foreseeability period of 1.5 year. This process is shown in the figure below.



Figure 6.2: Process approach to reduce the degree of collective opportunism in Plabeka

6.3.2 Assessing the design

In order to compare this design with the current Plabeka hybrid again the scorecard for effective governance is used. The new scores shall be explained below. Not all scores are improved. In order to show how the scores change, positive or negative, an extra column is implemented in the scorecard. As the design is based on reducing the degree of collective opportunism, this criteria shall be discussed first. Then, the other criteria shall be discussed from the top down.

Scorecard for effective governance of Plabeka			
Criteria	Current scores	Change	New sores
Autonomous adaptation	+		
Adaptation through cooperation	-		
Individual opportunism	0		
Collective opportunism	++		
Governmental opportunism	+		

Table 6.1: Scorecard for effective governance for new design

Collective opportunism

The design is based on increasing the sense of urgency in order to reduce the degree of collective opportunism. As the provinces will set targets for the municipalities, they are forced to make more far-reaching agreements. Thus, the degree of collective opportunism shall decrease.

However, in the new design the adverse incentive to facilitate newly built supply is still present. Thus, the municipalities of Plabeka are expected to resist against the plans of the provinces and in fact negotiate for lower targets. Thus, there is still room for collective opportunistic behavior. However, this room is only limited, as the province can choose to intervene hierarchically when the municipalities behave too opportunistic. Therefore, the new design scores low (-) on collective opportunism. As collective opportunistic behavior is not desired, the color changes from red to light green.

Autonomous adaptation

If planned supply is in fact reduced, as is the goal of the design, the municipalities have less room to facilitate newly built supply. However, within the limits of the hybrid they still have autonomy to facilitate newly built supply, and they can in fact lower the supply further.

Thus, the new hybrid scores lower on autonomous adaptation than the current Plabeka hybrid, but there is still a degree of autonomous adaptation. The new design scores therefore low (-) on autonomous adaptation. As autonomous adaptation is desired, the color changes from light green to orange.

Adaptation through cooperation

In the new design, municipalities are forced to adapt more through cooperation. With targets from the provinces, the municipalities have to reduce more planned supply. They are therefore adapting more towards the expected demand of tenants.

However, as the municipalities are expected to resist to some degree to the plans of the provinces, with collective or individual opportunistic behavior, the new design will not score high on adaption through cooperation. Still it is better in adapting through cooperation than the current Plabeka hybrid. Hence, the hybrid with fear of command and control scores moderate on adaptation through cooperation (+). As the adapting through cooperation is desired, the color changes from orange to light green.

Individual opportunism

In the current Plabeka hybrid, no individual opportunistic behavior was detected. At the one hand, sufficient safeguards were implemented and at the other hand, the adverse incentive translated into collective opportunistic behavior instead of individual opportunistic behavior. Therefore, the municipalities had no incentives to behave opportunistic as individuals.

If the municipalities are forced to reduce the planned supply further in the new design, the municipalities might have more incentives behave opportunistic as individuals. Hence, extra attention is needed for the safeguards in place against opportunistic behavior. Hereby, it is noted that the mutual trust, the monitoring and a strong controlling role of the provinces is in theory sufficient.

The foreseeability time this approach needs, could provide an incentive for municipalities to facilitate more development in first 1.5 year. However, due to the market conditions and the fact that is difficult to develop just one plot of a development plan this risk is only limited.

Thus, the incentives for individual opportunistic behavior is expected to be higher than in the current hybrid, but current safeguards are adequate to mitigate the increased hazard of individual opportunistic behavior. The degree of individual opportunistic behavior is increased from (0) to (-), to show the increased incentive. As individual opportunistic behavior is undesired the color changes from dark green to light green.

Governmental opportunism

As more planned supply shall be reduced in the new design, the potential for municipalities to facilitate newly built supply lowers. Thus, the degree of governmental opportunism is lower.

However, as the demand of tenants is so low, there is no or very little expansion demand. Thus, almost all new development will extract tenants from existing offices. Hence, even with higher targets still a low (-) degree of governmental opportunism can be expected. As governmental opportunism is undesired, the color changes from orange to light green.

Scores for the new design

The new design scores better on most criteria. The degree of collective opportunism is reduced due to an increased sense of urgency. Therefore the ability to adapt through cooperation increases and will be there less potential for municipalities to behave opportunistic in relation to private parties.

At the other hand, higher targets means that municipalities have less possibilities to adapt autonomously. In addition, as they cannot facilitate all the market demand, as is the case in the

current hybrid, they are expected to have more incentives to behave opportunistic among each other.

Scorecard for effective governance of Plabeka			
Criteria	Current scores	Change	New sores
Autonomous adaptation	+	Negative	-
Adaptation through cooperation	-	Positive	+
Individual opportunism	0	Negative	-
Collective opportunism	++	Positive	-
Governmental opportunism	+	Positive	-

Table 6.2: Scorecard for effective governance for new design with scores

6.3.3 Reducing the effect of the adverse incentive in other hybrids

The SRE case showed that other hybrids have the same problems to set sufficient targets to reduce the planned supply due to the adverse incentive. Thus, in general hybrids on the office market need more pressure from the provinces.

In the MRA the hybrids is mature. Also in the MRE, the collaboration is evolved. This enables to provinces to make use of fear of command and control; The collaborations are able to make fast agreements on joint reductions of planned supply.

However, this might not be the case for other regions. If in a region no evolved collaboration is active in the office market, it might be more effective for provinces, if they are willing, to focus more on hierarchical intervention. Still, as foreseeability time is needed for such intervention, a window of opportunity is provided for collaborations to step up and take their responsibility in reducing the vacancy rate, which would make hierarchical intervention redundant.

Chapter 7: Conclusion and recommendations

In this chapter, the main research question shall be answered. Furthermore recommendations for collaboration on the office market shall be given. The chapter concludes with recommendations for additional research.

7.1 Conclusion

In this paragraph, the conclusion of the research is presented. Therefore, the main research question shall be answered. The research question of this research is:

How can municipalities and provinces collaborate in the office market in order to better coordinate the newly built office space, considering the adverse incentive?

In this research, the current collaborations in the office market are positioned as a specific type of a *hybrid* mode of governance. A hybrid is a governance form that has aspects from both the market as from the hierarchy. The general idea is that a hybrid provides both the ability to compete like firms in a market, and the ability to cooperate, like divisions in a hierarchy. Three types of hybrids can be distinguished, the *Information-based-network* with a low degree of hierarchy, *Third party coordination* with a medium degree of hierarchy and the *Strategic Center* with a high degree of hierarchy. When coordination problems occur in a market, Williamson argues that hybrids are the next best thing before integrated firms (Ménard 2010). This is because hybrids maintain a higher degree of incentives than hierarchies (Williamson 1991). The high degree of incentives can make firms behave more efficiently. However, they can also have incentives to neglect agreements in the contracts for personal gain. Thus, hybrids have problems with stability due to a hazard of opportunistic behavior

The Plabeka partnership is positioned as a hybrid with third party coordination. Plabeka has been effective to develop information on demand and supply, share knowledge on transformation and land pricing and to create joint reductions of planned supply. The risk of opportunistic behavior in this hybrid is minimal, due to strong relations amongst members, a focus on monitoring the market and a controlling role of the provinces. Perhaps the most important reason why the risk of opportunistic behavior is so low is that despite the efforts of Plabeka, the planned supply is still much higher than the demand of tenants and even higher than that of investors. Therefore, municipalities can facilitate all the demand from investors without behaving opportunistic. As the municipalities are still facilitating newly built supply, the attractiveness for private parties to invest in the market is under pressure.

The main factor that hampers Plabeka in coordinating the newly built supply is the adverse incentive in the office market to facilitate newly built supply. As hybrids maintain a degree of incentives, the adverse incentive is also still active in hybrids. The adverse incentive causes the municipalities not to behave opportunistic *among* each other, but the municipalities behave opportunistic *with* each other; the entire hybrid behaves opportunistic. Hence, instead of problems due to *individual* opportunistic behavior, which is a common problem of hybrids, problems arise due to a *collective* type of opportunism. This type of opportunism is not yet identified in hybrid theory. Therefore, a new collective type of opportunistic shall be added to the hazard of opportunistic behavior. Collective opportunism is in this research defined as *'The conscious behavior of a collaboration as a whole to act according to a common conflicting interest for that collaboration's overarching goal'*. This behavior is also identified in the SRE and is therefore seen as a problem for hybrids on the office market in general.

Hence, in order for municipalities to coordinate the newly built supply, it is important to reduce the effect of the adverse incentive in the form of collective opportunistic behavior. Thus, the cause for the collective opportunistic behavior, the adverse incentive, has to be minimized, or the effect of the adverse incentive, collective opportunistic behavior, has to be minimized.

In order to minimize the adverse incentive in Plabeka, it seems logical to reduce the degree of incentives by implementing a higher degree of hierarchy in the hybrid. A lower degree of incentives leads to less incentives to behave opportunistic according to hybrid theory. However, in a hybrid with more hierarchy than Plabeka, the strategic center, different partners still have an adverse incentive to facilitate supply: The partners in the strategic center have still an incentive to behave opportunistic as a collective. A regional land development company would not have the authority to lower the planned supply. Moreover, such a regional land development company is not feasible. A hierarchical intervention, as is currently done in Utrecht, is another option to reduce the adverse incentive. However, this would mean that current relations are thrown aside and provinces are reluctant to use their hierarchical power.

Thus, safeguards are needed to mitigate the hazard of collective opportunistic behavior. Current hybrid theory provides safeguards to mitigate the hazard of opportunistic behavior. However, most of these safeguards are not applicable for collective opportunistic behavior. The only safeguard from hybrid theory that can be used is to increase the sense of urgency for a common problem. This safeguard is promising to reduce the degree of collective opportunism in hybrids on the office market.

7.2 Recommendations for hybrids in the office market

In order to improve the coordination in hybrids on the office market it is suggested that the sense of urgency of the partners of the hybrid is increased. This sense of urgency can be increased with two components: parties should be convinced that there is an issue that has to be solved and parties should be convinced that this issue can only be solved by cooperation.

Increasing the sense of urgency of municipalities by convincing them that the vacancy rates have to be reduced is difficult. Most municipalities do know the substantive arguments to lower the planned supply. It would be beneficial for the sense of urgency to show the positive financial impact to not facilitate newly built development for other areas in the office region. However, a regional land development company, which could help to show that relation, is not feasible.

There is more potential to increase the sense of urgency of municipalities by convincing the municipalities that the vacancy problems have to be solved by cooperation. Therefore, provinces in the office market have to take a more leading role in the hybrids. In the province of Utrecht, the municipalities showed an increased sense of urgency at the moment the province announced that it was going to intervene hierarchically. Thus, provinces active in hybrids can use the fear of command and control in order to force municipalities to make more far-reaching agreements. If provinces set targets for joint reduction of planned supply for the municipalities and state that they will use their hierarchical power, in the form of implementation plans, to enforce those targets, like is done in Utrecht, the municipalities have an increased sense of urgency to agree upon higher targets for joint reductions of planned supply.

The use of implementation plans does need time because of the need of foreseeability. Therefore, the targets provinces set should be done with official documentation in order to create foreseeability. If the municipalities fail to act, the provinces can intervene immediately; the foreseeability is already created. The process is shown in the figure below.



Figure 7.1: Process approach

7.3 Recommendations for additional research

In this paragraph, a number of recommendations for additional research are provided. In paragraph 8.1, recommendations for research in hybrid theory are provided:

- In the design, the fear of command and control was used. In order to create this fear, an approach like the approach of Utrecht is recommended. To create this fear, it is not necessary that the approach of Utrecht is successful. However, if the municipalities do not sufficiently react on the fear of command of control, implementation plans should be used. When that time comes, the provinces of North-Holland and Flevoland should learn from the experience in Utrecht. Furthermore, for other regions were provinces consider in using hierarchical integration, much can be learned from research to the approach in Utrecht. Thus, it is recommended that research is done to the effectiveness of the hierarchical approach of Utrecht.
- Planning damage claims are one of the reasons Haarlemmermeer has more difficulty in reducing the planned supply. The foreseeability approach of Utrecht seems to be adequate to deal with planning damage claims. This is however not yet proven. Therefore, additional research to case law of planning damage claims can be useful.
- A regional development company in the MRA was not feasible. However, multiple experts in the MRA and the MRE state the potential benefits of such a company. This potential is recognized in the research. More research could help in order to find ways to make such a regional land development a feasible alternative.
- The office fund, as initiated by Plabeka was also not feasible. However, the idea of the office fund, to couple new development with the existing vacant stock could help to increase the transformation and restructuring of old offices. A part of the profits of new office space, could be used in the financing for transformation and restructuring of old office spaces. Thus, more research could be done in ways profits of newly built supply and the transformation of the existing stock could be coupled.
- The type of interviewees are limited to public bodies and subsidiary bodies. To make the assumption that less planned supply leads to more private investments in the existing stock sufficient theoretical arguments are provided and these arguments were substantiated with the experience of municipalities. However, it is unclear what the exact relation is between the development of newly built supply and investments in the existing stock. This could be researched in a follow-up research.
- Municipalities are competing on many more subject than just office supply. It could be helpful to research for which of this subjects it could be beneficial to collaborate. Business estates are already included in Plabeka and the SRE. Furthermore, the competition amongst municipalities in the creation of functions as hotels and retail could be critically reviewed.

Chapter 8: Reflection

In this chapter, I will reflect on my research process. Firstly, I shall discuss the applicability of hybrid theory on the research problem. Then, I will review the used methodology, followed by a reflection on the recommendations. In the last part a personal reflection of is provided.

8.1 Reflection on theory

The focus of this research was to understand and improve collaboration in the office market with use of hybrid theory. Hybrid theory was sufficient to explain why collaborations emerged in the office market. However, it was more difficult to explain the difficulties the hybrids had to perform and moreover, to find solutions for these problems.

The adverse incentive in the office market does not lead to individual opportunistic behavior in hybrids; it leads to collective opportunistic behavior. This type of problem was not recognized in hybrid theory. Furthermore, the safeguards as provided to mitigate the hazard of individual opportunistic behavior were in large extent not applicable for collective opportunistic behavior.

Thus, before the problems could be understood, first hybrid theory had to be extended with a definition of collective opportunism. With use of the concept of collective opportunism it was possible to describe the problems the hybrids in the office market have.

The solutions this research provides to deal with collective opportunistic behavior are only limited. As no theoretical concepts were available. The use of fear of command and control in order to increase the sense of urgency I propose might be effective in the office market as municipalities are expected to protect their autonomy. Such an approach is however only feasible if there is a third body that has the tools intervene hierarchical when necessary. This approach therefore only feasible in hybrids of public bodies, wherein a higher public body can overrule.

Additional research could provide insight if collective opportunism is present in hybrid modes of governance in other sectors. If in fact collective opportunism is a hazard more hybrids are subject to, more research is needed to find more general safeguards against this type of opportunistic behavior.

8.2 Reflection on methodology

For this research, three case studies are performed with the use of semi structured interviews. The conclusions are therefore limited by both the amount of cases and of type of interviewees.

In the Netherlands there are more approaches than the hybrids and hierarchies I have discussed. In South-Holland for instance, the province relies more on market mechanisms. In the province of Overijssel, the provinces helps municipalities with financial support. Still, I believe the cases I have selected provide a good basis to base my recommendations on.

Firstly, the need for regional coordination, in the regions I have researched is clear. If in South-Holland they succeed without such regional coordination it is admirable, but I do not believe it to be feasible in most regions due to multilateral dependency. Furthermore, the financial help of the province of Overijssel is not feasible for other regions, as many province do not feel obligated to give financial support. As municipalities kept the financial benefits in more prosperous times, provinces feel they should also take the losses. An approach based on financial support of the provinces is therefore not feasible in most regions. However, if provinces want to do so, it could help the in the struggle against the vacancy rates.

8.3 Reflection on recommendations

This research started with municipalities coping with high vacancies as problem owner. While many municipalities in the Metropolitan Region Amsterdam have done considerable efforts to reduce the vacancy levels, they are not able to make the office market sustainable by themselves. The adverse incentive municipalities possess to facilitate newly built office space can be suppressed by efforts of the provinces. Thus, the main recommendation is not for the initial problem owner.

For coordination in the office market two main approaches can be chosen: a hierarchy or a hybrid with pressure from the third body. The choice between a hierarchy and the hybrid I propose is a difficult one. Both have pros and cons, and the effectiveness of both is not yet proven. However, the potential of a hybrid is larger than that of a hierarchy; if the right ambition level is reached, the hybrid has more commitment of municipalities and can use the specific knowledge and experience of municipalities.

Furthermore, as a hierarchical approach needs to include a foreseeability time, there is room to give the hybrids a second chance. If the targets are not met in the coming years, a hierarchical intervention is still possible.

The probability that hybrids can reach a certain ambition level is subject of discussion due to the omnipresence of the adverse incentive. However, numerous municipalities really want to create a healthy market. A hybrid would only be suitable if in the initial starting point the municipalities already have a sense of urgency. If municipalities state that they do not see the societal or structural aspect of the vacancy problem, attempts to create a hybrid within considerable time will be fruitless.

This does however not mean that the hierarchy provides a foolproof alternative. Some provinces are reluctant to use the implementation plans. In order for the hierarchical approach to be feasible, the sense of urgency of provinces themselves also has to be clear. Furthermore, the effectiveness of the hierarchical approach is also not proven as municipalities are still subject to the adverse incentive.

In order to truly take out the adverse incentive on the long term, a more structural change is necessary. Municipalities have two different roles on the office market. They are both market player and market master. Thus, they have to control their own functioning on the market. If municipalities do not obtain new land positions in the future, the adverse incentive to facilitate newly built office supply will fade.

However, this also implies that municipalities cannot skim off some profits of office development. These profits are currently used to finance less profitable functions in development projects. It is possible for municipalities to force private parties to reserve some of their profits of commercial real estate for less profitable parts of a development plan. However, with this mechanism, municipalities will still have an indirect adverse incentive to facilitate newly built office space. Hence, it might be more beneficial for the society if the adverse incentive is condoned, but the governance is compiled so that it is able to cope with the effect of the adverse incentive.

8.4 Personal reflection

A master thesis is the perfect moment for a student to transform in an expert on a specific topic. I can therefore state with almost certainty that I am the one person in the world that knows the most on the applicability of hybrids in the office market, and in particular of the applicability of hybrid theory on the Plabeka collaboration. However, it might be as important, or even more important, for a student during the process of the research for the master thesis to become an expert in his own personal weaknesses and strengths in performing research. I can therefore state with complete

certainty that I am the one person in the world that knows the most on my own strengths and weaknesses for performing a research in applying hybrid theory in the office market.

As I have been using hybrid theory for the last eleven months, or to be more accurate, the last ten months as I started with a different theory, I will do the assessment of my own functioning during this research with hybrid theory as well.

It is important to use the right type of hybrid. In my case, this would be the right type of theory. The initial theory that I would use for the assessment of cooperation on the office market was the theory on common pool resources. I tried therefore to frame the office market in such a way that the theory would fit. While the more logical approach would be to change the theory, so that it would fit the problems in the office market. A more critical view on the chosen theory would have prevented the first month of delay.

The incentive intensity provides municipalities the incentive to act, opportunistic or not. For myself I learned that incentives are key to perform. The student syndrome that explains the increasing curve of productiveness towards deadlines is very applicable for my own functioning. The incentives deadlines provided are the logic tool to perform. For my progress, it would therefore have been beneficial if I had planned my mid-term earlier. This is also the reason that I, while my first mentor suggested to postpone my first green-light meeting, have kept myself to the deadline. Despite getting no approval to graduate, I did managed to set a large step in the progress of my research.

Furthermore, I also learned that interactions with experts in the market by using interviews can give an important boost to productivity. Where I saw the interviews at the beginning of this research as a necessity to get data, I learned during my research that these interviews were furthermore a tool the increase the productivity. As I did not all interviews at the early phase of my research, this in fact helped me keeping my moral during the research.

For my next research or assignment, I will therefore look more critical to the fitness of the approach to the problem at hand, set more strict deadlines for myself and try to divide interaction moments amongst the period of the research.

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Appendix A: Planning damage and foreseeability

Planning damage claims are a safeguard for private parties against governmental opportunism. Planning damage law is based on article 6.1 Wro. With this article, owners of land with a designated function in zoning plans are safeguarded for changes in those zoning plans. According to article 6.1 Wro a government that changes a function is responsible for the difference in potential gains of the old function with the new function (Lee 2014). Therefore, if the designated function of an area of land is changed from office space to agricultural land, the owner of the land can submit a planning damage claim to the government responsible for that change. The height of the planning damage allowance is the maximum difference in implementation of the old function and the new function.

There are some exceptions for the obligation of reimbursement. This is the case if the damage 1) is partly or in total insured by other means (article 6.1 Wro), 2) belongs to the normal social risk (article 6.2 Wro) or 3) if the damage is foreseeable (Lee 2014). The third exception is used by the province of Utrecht in order to avoid planning damage claims of municipalities and private parties.

Foreseeability means that if the owner of land could have known that the function of his property would change, the government is not responsible for losses of potential gains. There is a difference in active and passive risk acceptance. Active risk acceptance means that on the moment of purchase in legal documents the change of function is announced. Passive risk acceptance means that a stakeholder does not use the possibilities in the plans, while he or she due to knowable indications knows, or could know, that the develop- or use options for the property in the future can be restricted with expected measures (Lee 2014). In order to use the passive risk acceptance argument, three conditions have to be met 1) there are sufficient indications the regime will be changed in negative sense, 2) there has been a certain period for the owner, after the indications become public, in which he could realize the original function and 3) the owner has not done sufficient effort to realize the function (Lee 2014).

Hence, to avoid planning damage claims governments should create foreseeability, with a notion in public documents like nota's, visions etc. that zoning plans are going to be changed. The time owners should get according to jurisprudence to develop office space is less than a year (Bregman 2012). In order to be safe, even for complex cases, the legal experts of the province of Utrecht have recommended a foreseeability time of 1,5 year (Personal Communication: Blom, 2014).

Appendix B: Interview Approach

In this appendix the interview approach is described. Three groups of experts have been interviewed: Experts from Plabeka, SRE and Utrecht. As the main focus was set on Plabeka, the most interviews have been done with Plabeka-members.

Plabeka

For Plabeka, experts from Bureau Buiten, Haarlemmermeer, Amsterdam, Zaanstad, Plabeka and the Province of Utrecht were approached. Bureau Buiten has helped Plabeka in the early years, and is now responsible for the annual monitor. This interview was taken to get a general feeling with Plabeka and to search for other potential interviewees. Haarlemmermeer and Amsterdam were the initiators of the Plabeka partnership and have the biggest share of the office stock of North-Holland. Therefore, both these municipalities were approached. Zaanstad does not have a considerable office stock, its main focus is on business estates. In order to get a feeling of what members of Plabeka with no important interest with office policy thought of the (office) partnership. Furthermore to get knowledge on the functioning of Plabeka itself, without strategic behavior belonging to different positions in Plabeka, a process manager of Plabeka is interviewed. Last, a representative of a province was interviewed, as it has another role in the partnership.

- Joost Hagens is one of the founders and owners of Bureau Buiten, his field of expertise is urban regional development.
- Bert Uitterhoeve is the director in Haarlemmermeer of the spatial sector, spatial planning, traffic and sustainability
- Sabine ten Brinke works as strategic advisor at the development company of Amsterdam.
- Casper de Canne is senior policy advisor Economic Affairs for the municipality of Zaanstad. His interest lays with business estates, office locations and retail.
- Yolanda Musson is process manager for Plabeka. She works for Plabeka via the municipality of Almere, but she does not represent Almere in Plabeka.
- Tom Lips is policy advisor Economic Affairs at the Province of North-Holland.

Province of Utrecht

For the province of Utrecht, Stephanie van Schaik was approached. As her area of expertise was mainly on the transformation of offices, Jeroen Blom was proposed for the interview. Jeroen Blom is urban planner for the Province of Utrecht, within the team strategic spatial planning.

SRE

For information on the SRE, Cees Jan Pen was contacted. Cees Jan Pen works at the research institute Platform 31. He was in the past involved with Plabeka, now he helps the SRE with independent advice.

Appendix C: Interview frame

The interview frame that was used was for all interviews about the same. In this appendix this frame is presented. Thereby is noted that none of the interviews

Introduction

- Personal introduction
- Goal of the interview

Introducing questions

- Who are you?
- What was your function in *Plabeka/SRE/Utrecht*
- How would you describe *Plabeka/SRE/Utrecht* in the current situation?

Foundation

Plabeka exists of 36 municipalities, the MRA and two provinces; how did it all start?

- What was the incentive of the *relevant body* to join
- What was the incentive of others to join?
- Which municipalities are more/less involved?
- Did all municipalities share the same sense of urgency at the beginning?

Functioning (PLABEKA)

- What are the main competences of Plabeka?
- How do consultations take place?
 - o How is negotiated on reducing planned supply?
 - o Who take part?
- How severe were the financial consequences for the municipalities?
- Why was chosen for the global gateway scenario?
- Which information is shared amongst members?
- Are costs and benefits being equalized?
 - o How
 - o Potential of regional land development company?
- The monitor states that all municipalities behave according to the agreements of Plabeka
 - o Why? (no chances? Afraid of relation with other municipalities, etc.)
 - o If the market gets better, will everyone stay in line?
 - o Are there safeguards in place?
- The planned construction is still higher than the expected demand
 - o What is the main reason?
 - o Is a new round of reducing nearby?

Relation to covenant

- How does Plabeka relate to the national office covenant

Concluding

- The vacancy rates keep increasing, do you see *Plabeka/SRE/Utrecht* as a success?
- What are the fail/success factors?
- (How) would you improve Plabeka?

Appendix D: Interview Results

Much information is gained by the use of interviews. In order to keep the findings organized, the main conclusion of the interviews of Plabeka are shown in a table. The findings on SRE and Utrecht are shortly described.

Plabeka Findings

In the table below, the main findings of the Plabeka-interviews are shown:

	Core competence	Possibilities for equalization	Opportunistic behavior?	Global gateway	More reducing in the future?	Other comments
Joost Hagens	Create information/joint strategies / Monitor	Regional land development company would be useful		First demand estimation in better economic times. Slowly take the pain.	Glass if half full, more is needed	4th layer of government would be ideal. City regions stop to exist.
Bert Uitterhoeve	Create information/joint strategies	Office fund was a main goal, did not succeed	Mutual trust and friendship/province controls	First demand estimation in better economic times	We have done enough. Focus on existing stock.	We gave market opportunity to join, but it is their problem in the end
Sabine ten Brinke	Create information/joint strategies	Office fund was a main goal, did not succeed	Mutual trust and friendship, but informal ties	Is too high, but gave opportunity to join: step by step	Amsterdam will reduce when it is time to renew zoning plans. Land own property. Haarlemmermeer: planning damage claims	More centralization would be useful, but municipalities will not give up their autonomy
Yolanda Musson	Create information/joint strategies	Office fund was a main goal, did not succeed. Regional land development company is on the agenda	Mutual trust and friendship/province controls	Is too high, but gave opportunity to join	Amsterdam Almere will reduce more. Haarlemmermeer will not. No Plabeka plans.	To create sense of urgency: land pricing and development company on the agenda
Casper de Canne	Create information/joint strategies		Only informal ties	-	-	Due to decentralization focus on different areas
Tom Lips	Create information/joint strategies	Regional land development company is not feasible	Province controls	-	Province will act stricter if needed	Reluctant to use implementation plans

Utrecht Findings

For the province of Utrecht Jeroen Blom was interviewed. Stephanie van Schaik gave some background information per email. The main conclusions are:

- Two main approaches: one on transformation, one on reducing the planned capacity
- Transformation approach is comparable with Plabeka
- The province intervened, after a lack of action of the municipalities.
- The demand and supply estimation that is used is not based on scenarios: it is more conservative.
- The municipalities got the benefits in better times; they will have to take the losses. The provincial financial experts say that the municipalities have the financial room to take those losses: the office part is much smaller than the housing part.
- Resistance of the municipalities is expected, but the approach with foreseeability time is strong. It will prevent planning damage payments.
- Each case is different, a Plabeka approach seems usable, but our municipalities did not take action.
- The regional alignment is the responsibility of the province.
- Private investments are only expected if new supply is not facilitated.

SRE Findings

For the SRE, Cees Jan lips was interviewed. The main conclusions of this interview are:

- In the SRE real cooperation started only in 2012.
- Comparable with Plabeka but in the early years
- Now the soft plans are taken out,
- The planned supply is still much too high.
- Many municipalities are financially very weak, and the sense of urgency is not very strong.
- Questionable if municipalities succeed in reducing planned capacity
- Private investments are only expected if new supply is not facilitated.
- Regional land development company would be very useful.