investor-led urban development

“urban development strategies to cope with conflicting incremental and integral aspects of urban development projects”
Title: Investor-led urban development projects. Urban development strategies to cope with conflicting and integral aspects of urban development projects.

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MSc 3 of the master Real Estate & Housing includes the formulation of a research proposal regarding the graduation project. This report comprises the final research proposal, presented at the P2-presentation on the 17th of June, 2013. This proposal will be used as an outline for the empiric research that is conducted in MSc 4. This research project is part of the urban area development graduation-lab. It can be considered as a follow-up study on the dissertation of Erwin Heurkens concerning Private Sector-led urban development.

The character as a binding element, or connecting layer, between different actors, functions, disciplines, forms of management, society and politics is what makes urban area development interesting to me. Though it is not only the urban development discipline, but also the actuality that attracts my attention. Urban development practice has stagnated in The Netherlands due to the economic conditions and financial crisis in the public sector. In addition, urban area development is also subject to societal changes. Anglo-Saxon values are gradually replacing our values based on the Rhineland model. This affects the power balance between public and private parties and is reflected in public private partnerships. These changes and the actuality force us to reconsider current urban development practice and to come up with new development strategies, partnerships and business models. This research responds on that need.

Although premature, by means of this writing I would like to thank both my graduation supervisors, Erwin Heurkens and Fred Hobma, for the inspiration, constructive feedback and guidance during the past months. My appreciation also goes to fellow students, and in particular Boudewijn Stumpel, who have served as sparring-partners. Perhaps, synergy will result from our overlapping graduation projects.

Carlo Sturm
June, 2013
abstract.

This research to investor-led development is based on the emerged challenges in Dutch urban area development. Due to worsened economic conditions and changing societal values the context of urban development projects is changing. Financing urban development projects is challenging, while public private power balance is shifting more and more towards the private sector. It is argued that the private sector can obtain the role of master developer. Challenges in urban development practice comprise, amongst others, finding new business models, changing public and private roles, focus on operation and management phase of urban areas, the relation to juxtaposed value chains, and orientation on the investor as main actor. Although it is argued private actors could focus more on the value creation of a spatial area, Dutch investors or not interested in lengthy development projects in which public investment is diminished. Inspired by foreign cases of urban developments in which the investor obtained a leading role, this research is oriented on the role of the investor in urban development projects.

Future research showed that high risks and uncertainty due to a volatile demand are main barriers for investors to get involved in urban development projects. Urban development is characterised by both incremental as integral aspects. Investors need to be able to navigate between both; focussing on integral plans when possible, developing incremental when needed. To be able to steer between both aspects an effective urban development strategy is needed. Urban development strategies are embedded in the urban development playing field. Based on Daamen’s (2010) conceptual model, urban development strategies can be examined. In this report the approach of Mintzberg (2007) is used to partition strategies into deliberate and emergent strategies. This will provide useful knowledge concerning the ability to balance both incremental and integral aspects. As urban strategies are based on public private co-operations, different strategies imply different partnership models. Therefore this research elaborated on operational management aspects of urban development projects based on Heurkens’ dissertation to private sector-led urban development (Heurkens 2012).

To investigate how investors can utilize urban development strategies to cope with risks and flexible urban development planning, an in-depth case study research is to be performed. It seems relevant to learn lessons from cases in both the UK and USA as private sector-led development is commonly practiced in those countries. This document comprises the final research proposal. In chapter 1, the research proposal is introduced, including the research relevance, a concise analysis, research questions and research design. Chapter two elaborates on the context of urban development projects in The Netherlands. The main theories concerning investor-led development and urban development strategy, management and organisation, is described in chapter 3. Chapter 4 and 5 elaborate on the research methodology and planning.

KEYWORDS
Investor-led development; urban development strategy; public private partnerships; new reality in Dutch urban development; lessons-drawing; international case study.
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**Summary:**

The document contains sections on various topics related to urban development, specifically focusing on strategies, organisation, management, and the methodologies involved. It also includes sections on case studies and lessons learned. The text appears to be a research proposal or a dissertation in the field of urban development, with a focus on investor-led development.
1 research proposal.

The first chapter of this P2 graduation comprises the research proposal. Firstly the theme of the research is introduced. The relevance of conducting this research is underpinned by scientific and societal relevance, utilisation potential and personal motivation. Based upon a concise analysis and subsequent problem statement, research questions and objectives are formed. Thereafter, main research definitions are clarified and the research field is demarcated. The research design is described based the research methodology and planning. Finally, the organisation is the graduation project is described.

1.1 Theme

Cities will keep growing while other regions of the country have to cope with shrinkage. At the same time there is a major challenge to increase the sustainability of our building environment. Urban development is a playing field characterised by conflicting interests of stakeholders while having to cope with societal challenges and an increasing empowerment of citizens. The current economic crisis reveals the flaws and risks of current planning systems (Urhahn Urban Design 2010). Instead of sitting out the crisis it could be utilized as a catalyst to develop new planning and urban development systems. Urban development and its changing context is the theme of my thesis-research. The research is oriented on new strategies for urban development led by the private sector, and its consequences for public private partnerships.

1.2 Research relevance

1.2.1 Scientific relevance

Next to economic and financial challenges, the field of planning and development in The Netherlands is subject to changing societal values. Although several Dutch banks are nationalized in the last decade, there is still a growing emphasis toward the private sector (Heurkens 2012). Thereby it is argued that capital from the private sector should be utilised better (Hagendijk & Franzen 2012). This suggests a more powerful role in urban development could be obtained by private parties. This research is a follow-up on the dissertation of Erwin Heurkens concerning private sector-led development. By studying urban development strategies in investor-led urban development projects, this research aims to provide both theoretical and practical insights on urban development strategies and the role of the investor in public private partnerships.

1.2.2 Societal relevance

The economic crisis, debt crisis, and financial crisis in the public domain have affected the conditions of urban development practice in recent years, leading to a stagnating development. According to Peek (2012), Praktijkleerstoel Gebiedsontwikkeling (2011b), and many others, these contextual changes are structural, thus waiting on macroeconomic prosperity seems useless. However, the need to align supply to demand on an urban level remains and improvement of our cities is necessary based on the perspective of international competitiveness (Van Rooy 2011). Activities of traditional actors involved in urban development, such as
project developers, are under pressure due to a decreased demand and difficult financing of projects. The emphasis is shifting form short-term real estate development to long-term exploitation and management (Peek 2012). This implies the end-user and investor will become key-actors in urban development. Potentially a more dominant role is reserved for (developing) investors (Bijsterveld & Laverman 2011). Though large investors are not yet willing to bear the high risks inherent to urban development project. Therefore it seems necessary to explore new urban development strategies and public private partnerships by which investors are able to control development risks and are able to manage the volatile demand.

1.2.3 Utilisation potential
The main objective of this research is to explore the ways in which urban development strategies can be applied by investors to deal with uncertainty and a volatile demand. In additions, the consequences of these strategies concerning public private partnerships is researched. The lessons learnt from urban development cases can be utilised by (developing) investors in The Netherlands to set up urban development strategies. The recommendations are also useful for public actors concerning their role in development projects. The findings of this research could be used as an outline for investor-led urban development projects. Conversely, the result could exclude some solutions for the current challenges in urban development practice in The Netherlands.

1.2.4 Personal motivation and objectives
Three years of studying Medicine may perhaps explain my interest in social relations and complex processes. Processes of urban developments are characterised by social relations and its complexity. Thereby it forms a combination of both concrete project management and abstract process management. It is the combination of practices, disciplines, management, social studies and politics is what makes the field of urban area development interesting to me. My personal research objectives are based on knowledge and understanding to gain and competences to develop:

**Knowledge-objectives**
- Knowledge and understanding concerning public and private partnerships
- Knowledge and understanding concerning real estate investment
- Knowledge and understanding concerning public private power balance, and,
- Knowledge and understanding concerning urban development strategies

**Competences**
- Developing strategies
- Academic research
- Analytical skills, and,
- Academic writing in English.
1.3 Problem analysis

The practice of real estate is subject to contextual changes. The economic crisis, debt crisis and financial crisis in the public sector have affected real estate investments and thus urban development projects. Before the economic crisis urban development practice was characterised by its large scale and high ambitions, boosted by a supply-driven market and focussing on realising profits on both land and real estate development (Peek 2011). This practice has proven not to be crisis-proof. The demand has decreased strongly, and subsequently risks on real estate investment have increased. Thereby, public investment capacity is minimized. Due to these effects a lot of urban development projects based on a large scale integral approach are put on a hold, or have even led to the termination of public private partnerships (Hagendijk & Franzen 2012; Peek 2011). The incremental development approach, based on small scale developments related to demand, has been introduced as a response to these changes (Peek 2012).

Due to the credit crunch land positions of project developers are re-valued (Van Joolingen, Kersten & Franzen 2009). Thereby, banks require more private equity on investments as they are pulling back their mayor role in short-term funding of real estate developments. As a result the investment capacity of project developers has decreased (Praktijkleerstoel Gebiedsontwikkeling 2011b; Van Joolingen, Kersten & Franzen 2009). As a response on the changing economic conditions investors are downsizing projects, reducing the amount of new development projects and focussing on stronger phasing of projects. On-going austerities limit the investment capacity of the public sector. Moreover, land development companies suffered major losses on land positions and current urban development projects (Kersten et al. 2011; Praktijkleerstoel Gebiedsontwikkeling 2011a; Van Joolingen, Kersten & Franzen 2009).

Not only economic and financial aspects of urban development practice is subject to change. Using the metaphor of the ‘Anglo Saxon Wind’ Heurkens (2009) our deeply rooted societal values based on the Rhineland model are gradually replaced by the values of the Anglo Saxon model, which implies a shift toward a free market economy. A shift has taken place toward more individual and inequality societal values while the public private power balance has shifted toward the private market (De Jonge 2012; Heurkens 2012). According to De Jonge (2012) future could bring a new shift towards solidarity and equality while the private sector retains its power (see figure 1). These societal changes are reflected in the policy formation of urban planning and affect roles in public private partnerships. Moreover, urban development projects show a continuation toward a more private sector-led development practice (Heurkens 2012; Minister van Binnenlandse Zaken en Koninkrijksrelaties 2012). This implies roles of both public and private parties in urban development processes are likely to change.

![Figure 1 – Value & Power shift in the context of Dutch urban development (De Jonge 2012)](image-url)
The figure above shows the effects of the described changes on the distribution of roles in urban development projects. According to Praktijkleerstoel Gebiedsontwikkeling (2011a, 2011b), Peek (2012), De Graaf (2011), and many others, these changes are structural; there is a ‘new reality’ in Dutch urban development practice. Peek (2012) argues new business models and actors should be introduced to the urban development scene. The emphasis should be on long-term revenues, the end-user, and linkages to juxtaposed value chains, such as the energy sector. This means the focus shifts from ‘hit and run’ in real estate development, towards the exploitation and operation phase of real estate. Investors should be the main actor in development projects, co-investing and initiating projects (Peek 2012). Even though the investment by investors in the Dutch real estate market is still declining, the investor remains a major actor considering their investment capital and their focus on long term profits (Bijsterveld & Laverman 2011; Praktijkleerstoel Gebiedsontwikkeling 2011b).

However, Peek (2012) argues investors are not likely to pick-up a leading role in urban development as they have to meet a specific rate of return and are risk averse. On the contrary, Van Breukelen (in Franzen & De Zeeuw 2009) argues the private sector should be more oriented on the positive value creation on a spatial area. One could say it is unclear if and how investors are able to obtain a larger role in urban development projects in The Netherlands. High risks, partly due to the high level of pre-funding, and needed flexibility in long-term planning due to a volatile demand, are important barriers for investor to get involved in urban development projects (Van Gool et al. 2013; Wolting 2006).

This problem analysis reveals the tensions between the challenges of Dutch urban development practice in its new reality, and the expected role of the investor as panacea. Firstly, the inherent risks of urban development projects conflict with the risk averse character of investors. Secondly, the flexibility needed in long-term planning in not in line with the certainty of the project’s rate of return investors expect. These tensions form the basis of this graduation project. Chapter 2 elaborates on the changing context of urban development projects in The Netherlands.
1.4 Problem statement

Based upon the foregoing problem analysis the following problem statement is formulated:

“If investors are expected to be the main actor in the new reality of urban development practice in The Netherlands, they have to cope with risks inherent to urban development projects, and the flexibility needed in long-term planning due to the volatile demand. Therefore a better insight is needed in how investors can cope with these aspects in order to justify investments in urban development projects, and how they are able to obtain a leading role in urban development projects.”

1.5 Research objective

1.5.1 Research objective

The following research objective is based upon the problem analysis, the elaboration on the context of urban development projects in chapter two, and the problem statement:

“The main research objective is to provide insights in how investors can cope with conflicting incremental and integral aspects of urban development projects in order to justify their investments, thereby closing the investment gap, and obtaining a leading role in Dutch urban developing projects, by performing an international case study to investor-led urban development.”

Urban development strategies to cope with the described short-term and long-term aspects of urban development are explored by drawing lessons from investor-led development projects in the United Kingdom and United States. As the problem analysis also reveals a lack of knowledge in private sector-led development, more detailed investor-led development, the operational side of investor-led development is researched by exploring how urban development strategies are reflected in the management and organisation of the development projects.

1.5.2 Intended end-product

Based upon the research objective, two intended end-products can be indicated:

1) A set of recommendations concerning investor-led urban development strategies to cope with conflicting incremental and integral aspects of urban development projects.

2) A set of recommendations concerning management and organisation of investor-led urban development projects.

This research is focussed on the role of the investor in urban development projects, therefore, the main target audience are Dutch (developing) investors. As the public domain has an important role in urban development and has the ability to steer development by planning instruments and initiatives, this research is also relevant for public actors. Moreover, a shift in roles also includes an changing role for the public actors.
1.6 Research questions

1.6.1 Main research question

Based upon the foregoing problem analysis and problem statement the central research question of this graduation project is formulated:

“How can investors utilize urban development strategies to cope with conflicting incremental and integral aspects of urban development, and how are these strategies reflected in the management and organisation of urban development projects?”

1.6.2 Research sub-questions

The sub-questions are subdivided by the theoretical and empirical research phase. In the theoretical research phase three main aspects are explored: investor-led development, urban development strategy, and management and organisation of urban development projects.

Theories

Investor-led urban development

- What types of real estate investment are distinguished in theory and what are their characteristics?
- Which criteria and strategies regarding investment decision-making by investors are described in literature?
- What is investor-led development?

Urban development strategy

- What is an urban development strategy, and how is it related to the context of urban development projects?
- How are management and organisation of urban development projects related to the urban development strategy?
- How are roles and leadership in public private co-operations and partnerships described in literature, and how are they related to process and project management activities?

Empiric Research

In-dept case study

- What lessons can be learnt from urban development strategies applied by (developing) investors?
- How is this strategy reflected in the management and organisation of the urban development project, i.e. the public private partnership?
- What factors of success lie behind the urban development projects?
- What differences can be observed between urban development strategies by investors and developing investors?
Findings
  o What lessons can be learnt from urban development strategies in investor-led development projects regarding Dutch investors and urban development projects?
  o What urban development strategies can Dutch investors apply to cope with conflicting incremental and integral aspects of urban development projects?

1.7 Definitions and demarcation

1.7.1 Definitions

In the foregoing some key terms have passed which need to be clarified. This section describes these key research terms based on the performed literature study. Other terms are defined in the literature study in chapter 2 and 3.

Based on De Zeeuw (2007) and Daamen (2010) urban development projects are defined as “projects in which different actors, interests, functions, planning activities and cash flows are integrated for the purpose of the (re)development of an urban area by means of different forms of management, collaboration, partnerships and business models.”

In the context of this research and private sector-led development, investor-led development is defined as “an urban development project in which an investor has a leading role/is directly involved in the management, organisation and financing of the project.”

Daamen (2010) defines the term urban development project strategy as “a strategy that includes all decisions and actions of those that intend to realise the concrete material interventions they involve.” Urban development strategies “can be understood as an on-going dialectic between structures and projects.”

The changing roles of public and private parties in urban development projects are subject to this research. Heurkens (2012) defines a role as “a coherent set of organisational tasks and related management measures carried out by actors involved in urban development projects.”

Two main variables concerning the tension between the challenges of urban development projects and the role of the investor in urban development are distinguished in the problem analysis. Risks are related to uncertainties in the internal and external environment of urban development projects. Wolting (2006) distinguished several risks including organisational, political, legal, societal and financial risks. Section 3.1.4 elaborates on the characteristics and risks of urban development projects. Flexibility in long-term development planning means “the ability to anticipate and respond to changing conditions such as changing market-demand.”
1.7.2 Demarcation

As this graduation project is bounded by time and means it is not possible to explore all aspects of investor-led urban development projects and urban development strategies. Therefore this research focusses on two main actors, two main development approaches and two case studies.

The primary consideration regarding the demarcation of the research subject is based on scope versus depth. Depth is chosen over scope since the objective is to gain in-depth understanding about urban development strategies in investor-led development. As in-depth case study research is time consuming, it limits the number of cases that can be studied. Section 4.3.3 elaborates on this consideration. The main objective of this research is to gain understanding in urban development project strategies which could enable investors to get involved in Dutch urban development practice. Urban development project strategies are formed by all involved actors (Daamen 2010). The research is mainly oriented on the role of the investor in strategy formation, based on the two main tensions described above, i.e. flexibility and risks. Though the role of the public actors are all but ignored as urban development is based on public private collaboration. It is argued developing investors are able to obtain a leading role in urban development as they are able to bring in more private capital (Bijsterveld & Laverman 2011) and outperform non-developing investors by increasing value based on intensive management (Brounen & Eichholtz 2004). However, investors have repelled their development divisions based on the emphasis on ‘core businesses’ (Van Gool et al. 2013). Therefore, a distinction is made between developing investors and non-developing investors to gain insights is the difference in their ability to respond to the challenges in urban development projects. This abstraction demarcates the extent of the research project.

1.8 Research Design

1.8.1 Conceptual research model

The conceptual research model, shown in figure 3, is based on the problem statement and demarcation described above. The model shows the two axis that demarcate the extent of the research project. Vertically a division is made between developing, and non-developing investors. Horizontally incremental and integral aspects of urban development projects are put opposite to each other. The urban development strategies, formed by deliberate and emergent plans, are positioned between the two opposing aspects of the development projects. This illustrates the role of development strategies to navigate between short-term and long-term aspects of urban development.

Figure 3 – Conceptual research model (own ill.)
1.8.2 Research Design

The research design combines the research methods, phases, and question, and is visualised in the block diagram below. In each block the main study-elements are shown resulting in a product visualised in a light-blue box. In the first phase of the research project, P1/P2-period, the research proposal is formed while simultaneously a literature study is conducted. This phase is completed by this definitive research proposal and presentation. The products, research questions and findings provide an input for the empirical part of the research project. During the P3 phase the case study research is conducted. Based on the findings of the case studies analysis a cross-case analysis is performed. Both findings provide an input for the last part of the research; lessons-drawing based on the case study results. Together with the findings from the literature study conclusions and recommendations are drawn upon urban development strategies, and management and organisation of investor-led urban development projects. The last phase of the research is completed with a final graduation report and presentation in January 2014. In chapter 5, planning master 4, an elaboration is made on the planning of the research projects and the intended content of the final graduation report.

Figure 4 – Research Design in Block Diagram
1.8.3 Research methods

Lessons-drawing from foreign best practices is the underlying research strategy. Lessons can provide insight in both what to do, and what not to do (Spaans & Louw 2009). Due to the differences in development and planning culture, and policy, inspiration and learning are considered relevant levels of knowledge transfer (Heurkens 2012). A more elaborate exploration of lessons-drawing is described in chapter 4.

Two main research methodologies are applied in this graduation project: literature review and case study. The literature review is conducted in order to clarify and elaborate on the problem field, and to explore the underlying theories concerning urban development projects, strategies, management and organisation, investor-led development and investment decision making. The sub-research questions are stated in section 1.6.2. Information is gathered by a literature review. In addition, two conferences are attended to grasp the essence of the challenges in urban area development.

The case study research is methodology is applied to provide a deep understanding regarding a social phenomenon. At least two cases are subject to this research. On the one hand, examining multiple cases can deal with the subjective view of a researcher (Flyvbjerg 2006). On the other hand only two cases are selected as conducting in-depth case studies is very time-consuming. The validity of the research is safeguarded by applying triangulation in data gathering. This brings us to the main research techniques to be used in the case study research. Document reviews, Interviews and site visits will provide an in-depth knowledge. To analyse the findings, firstly data is reduced based on the objectives of this research. Thereafter, data is displayed in frameworks, tables and visualisations which are described in the theoretical framework (see chapter 3). Computer-aided programs such as Atlas.ti can be utilized to analyse data from interview transcripts. The last phase of data analysis is drawing conclusions based on the reduced and displayed data. A cross-case analysis is performed to analyse context-dependent and independent variables of both cases.

1.9 Organisation of graduation project

1.9.1 Graduation supervisors TU Delft

Erwin Heurkens is the first supervisor of this research project. He has promoted on private sector-led urban development. Heurkens is an expert in public and private roles and collaboration in urban development projects. The second supervisor is Fred Hobma. Hobma is specialised in legal aspects of real estate development, spatial planning and infrastructure. Moreover he is expert in international comparative planning law.

1.9.2 Graduation Companies

Unfortunately not yet known:

Grontmij: waiting for directional approval.

AT Osborne: (explorative) interview on 21st of June.
context of urban development projects.

Recent developments in the planning and development practice in The Netherlands revealed major spatial challenges that need to be answered (Van Rooy 2009), as described in the problem analysis. This chapter will further elaborate on the subject Urban Area Development and its changing context. It is important to grasp and understand these contextual changes, to proficiently plan and develop urban areas. As has been assumed in the ‘Nota Ruimte’ (2006) by the ‘Ministerie van VROM’, and confirmed by Van Rooy (2009), will proper urban planning lead to: (1) more investments in sustainable spatial quality, (2) extra velocity in realizing joint plans and (3) greater involvement of residents and users in their (living) environment.

2.1 Urban Development Projects

In the field of urban development a lot of different terms are used either meaning the same or something slightly different than another one. The variety and quantity of experts (Daamen, 2010; De Zeeuw, 2007) who have dared to define this term as comprehensive as possible, just illustrates the diversity, submissiveness, multi-functionality and therefore complexity of all integral facets that have to be managed in and around spatial developments.

Van Joolingen et al. (2009) describe urban development, or urban area development, as the (re)development of an area in which functions are mixes, such as above- and underground infrastructures and housing, offices, leisure and parks are combined in one urban development plan. It is an integral process in which public and private actors are involved. De Zeeuw (2007) argues urban area development is ‘the linkage between functions, disciplines, actors, interests and cash flows in order to (re)development an area’. The linkages of the various functions and interests, profits and losses and all different actors in one development plan is what makes urban area development a complex process. Focusing even more on the process Daamen (2010) described urban development as ‘a way of working in which government bodies, private parties, and other actors involved reach an integration of planning activities and spatial investment, eventually resulting in the implementation of the spatial projects.’

The definitions stated above mainly define urban development as a process in which actors, interests, functions, planning aspects and investments are linked together and integrated resulting into an urban plan. However, these terms do not discuss the type of urban area on which the process is applied to. The coming years challenges and opportunities for urban development in The Netherlands will mainly arise within cities at so-called brownfields, or inner-city redevelopment areas (De Zeeuw, 2007; Urhahn Urban Design, 2010). Therefore it is important to clarify what type of urban area is meant in the context of this research. Based on the various definitions mentioned above we came up with a definition that defines the term urban area development in the specific context of this research.
“Urban area development is the process in which different actors, interests, functions, planning activities and cash flows are integrated for the purpose of the (re)development of an urban area by means of different forms of management, collaboration, partnerships and business models.”

2.2 Impact of the economic crisis on projects and actors

Until this day, the recession has global effects on every conceivable social aspect such as the environment, politics, labor, governments, and society. Governments have to deal with budgetary losses, which withhold them to invest in spatial or urban developments. In addition, the recession have elicited structural and spatial challenges on different levels of scale. These challenges have led to a stagnation of the urban area development playing field. Experts and academics face a difficult task to revise the (financial) deficits within this field. In this section the consequences will be discussed.

2.2.1 Economic recession or structural imbalance?

The bankruptcy of Lehman Brothers in the autumn of 2008 preluded a period in which the papers has been filled with economic related news ever since. The credit crush has significantly affected the property market. The keep-on-building culture have come to an end and an imbalance in the markets caused a stagnation of developments. It turns out that structural problems, behind some cyclical components, are the initiator of the real estate crisis (Van Joolingen, Kersten & Franzen 2009).

The real estate crisis in the 80s were a logical accumulation of correlating consequences. The current stagnation in the real estate market appears to have structural imbalances, next to the cyclical components. Van der Krabben (2011) motivates the turning point of time for the planning discipline in his inaugural speech. To rebalance supply and demand it is argued the character of real estate market has to change (Florida 2010). It is even assumed that changes will have an impact on real estate thinking on a global scale. The development culture is under pressure, because currently the demanding parties are more risk-averse and banks apply more stringent loaning conditions for financing land developments, says Heurkens (2012).

Except the fact that budgetary cycles are under pressure and cannot be contrived due to monetary reasons, there is ample reasons to speak of a structural imbalance. The current real estate stock seems sufficient enough, due to overproduction in the last decades. UAD will therefore in particular focus on redeveloping, transforming and rebalancing the current real estate stock. Though this seems almost impossible, when using traditional development strategies and the associated financial constructions (Heurkens, 2012).

2.2.2 Consequences for urban development projects

Before the economic crisis hit the Dutch economy and real estate market the ideal type of urban area development practice was known as Gebiedsontwikkeling 1.0, and characterized by its large scale and highly ambitious projects (Peek 2011). Driven by a supply-driven market, the developments are focused on realizing
profits on both land and real estate development. According to Peek (2011) Gebiedsontwikkeling 1.0 has proven not to be crisis-proof. In the case of short falling sales and decreasing market prices, the scale and its related long development terms and pre-funding will lead to a deviations of the agreements between public and private parties which are not in line with the market. In the worst case this could lead to the termination of public—private partnerships. According to Praktijkleerstoel Gebiedsontwikkeling (2011b) this kind of ‘blue print’ planning, the ‘top-down’ approach, is not suitable anymore as it has led to excessive programming in different segments that could not cope with the drop in demand. Moreover, skepticism in the financial sector does not allow the needed large scale prefunding.

A lot of urban development projects initiated as above described large scale integral developments are put on hold as it is hard to complete funding, while both public and private parties are not better off terminating the agreements (Hagendijk & Franzen 2012). As long term investments are hardly justifiable the focus changed to scaling down developments and facilitation initiatives resulting from current use or allowing temporary exploitation of vacant real estate (Peek 2011). This bottom-up approach, also known as gebiedsontwikkeling 2.0, is mostly applied on stranded large scale integral urban developments, such as the Binckhorst in The Hague.

2.2.3 Consequences sustainable urban area development

The environment plays a more prominent role, which is reflected in the debates concerning climate change. Thereby, global competitiveness is forcing our cities to shift from quantitative to qualitative growth. This trend is better known as ‘Sustainability’. Sustainable development aims to simultaneously improve the ecology, economy and social domain, without eliciting negative effects elsewhere or in the future for new generations (Brundtland & World Commission on Environment and Development 1987). (Elkington 1998) elaborated on this and introduced the people-planet-profit approach (Triple P). The identity of an urban area holds a key position in this approach.

The combination of these various components should be balanced and needs to create a win-win situation. Ideally UAD is by definition a sustainable development. It should be able to deal with complexity, networks, dynamics, positions, opinions and most divers values to facilitate consensus. Providing a joint meaning of space and especially is a socio-cultural task that manifest itself spatially. Urban planning could serve as a catalyst for
social urgencies and policy urgencies, like climate change, mobility, and nature. “The social-policy components must be brought into agreement with the spatial components to achieve sustainable urban area development” (Praktijkleerstoel Gebiedsontwikkeling 2011a). UAD should incorporate the Triple P approach with key characteristics of the term spatial quality: use value, amenities and future value (Lucas 2013). According to De Zeeuw (cited in Praktijkleerstoel Gebiedsontwikkeling 2011a) other key concepts are affordability and feasibility. It are these key concepts that form a substantial bottleneck for the continuation of Dutch urban developments since the economic crisis (Heurkens 2012)

‘We are stuck in the win-lose thinking, based on power and positions instead of on principles’(Praktijkleerstoel Gebiedsontwikkeling 2011a). Responsible governments, market parties prepared to deliver investments, civic society organizations and directly concerned (civic) parties should intensively working together, to synchronize these different interests and produce solving strategies. In order to properly distribute authorities, risks and returns. Thereby creating a win-win situation (Van Rooy 2009). ‘In practice we currently think the opposite way, a way that contradicts the win-win thinking introduced by Elkington (1998). This goes hand in hand with the sectorial, short-term approach, for urban area development. Amongst other reasons, this is caused by the aforementioned financial-economic situation (Agentschap NL & RVOB 2011).

In order to come up with a proper sustainable (win-win) urban development, projects should be integral and long-term oriented. Many parties are involved, the process is complex and the risks are obscure. Earlier, large scale integral project have been made viable and stimulated to start up with help from fiscal instruments and subsidies. These where needed to cover the uncertainties and accompanied risks and eventual to fix a budget deal. ‘In practice it seems that a lot of initiatives need these subsidy nudges in order to move forward.’ (Agentschap NL & RVOB 2011) There are grants to municipal, provincial, national and European level. Currently many of these subsidies have been cut down and even totally disappeared. ‘The time of departmental funding or checking in budgets with certain expected values increases in the future (policy documents), in advance, is over. Land development projects have to be able to help themselves now’ (Praktijkleerstoel Gebiedsontwikkeling 2011a).

2.2.4 Consequences for the involved actors

Project developers

Van Joolingen et al. (2009) argues the first actor affected by the economic crisis is the project developer. Due to declined sales unsold dwellings are accumulating. Subsequently banks stop pre-funding projects causing the production to stop. In general the sales are decreased enormously forcing the project developers to make cuts in their personnel. Project developers suffer another financial problem. Traditionally project developers own substantial amounts of land positions. Due to the credit crunch these land positions are re-valued resulting in a decrease of the project developers’ investment capacity (Praktijkleerstoel Gebiedsontwikkeling, 2011b; Van Joolingen, et al., 2009).
According to Putman (2010) the economic crisis will change the role of the traditional project developer. The hit and run approach in which major profits are made within the real estate development upon project delivery will disappear forcing project developers to reconsider their business. ‘Chain integration’ with for instance contractors could be the solution for the project developers. According to Praktijkleerstoel Gebiedsontwikkeling (2011b) market players with a healthy solvency ratio or a financially robust parent company have a good chance to continue their business.

**Contractors**

Contractors, or builders, were not affected by the economic crisis until they finished their existing stock of projects (Van Joolingen, et al., 2009). But the number of orders diminished rapidly. As a result contractors are affected severely by the economic crisis, resulting in high losses and many redundancies. On the long term there should be chances for the contractors by integration of the production chain (Van Joolingen, et al., 2009).

**Investors**

The first effects of the economic crisis on commercial real estate were considered as a market correction (Van Joolingen, et al., 2009). Investors have seen an increasing amount of investment offers, while their cautious risk analyses has led to increased initial yields. According to Van Joolingen et al. (2009) investors react on the economic crisis by downsizing projects, the reducing the amount new development projects and focusing on stronger phasing of the projects. Investors are not willing to pre-fund projects including lengthy preparation and development terms. To reduce risks investors could collaborate instead of compete with other investors.

Praktijkleerstoel Gebiedsontwikkeling (2011b) argues the investment capacity of public and private parties has decreased. Although the total capital of all Dutch investors is extensive, only a small part is invested in real estate. Due to ALM-assessments (Asset Liability Management assessment) Dutch pension funds were forced to repel real estate projects. Though there are first signs of renewed interest in real estate investments. Listed investors are also repelling existing projects while less new projects are attracted due to changed market conditions. Due to structural vacancy the office-market is not interesting for investors while the retail-market appears to be too small. The housing market could be interesting for investors although this market is dependent of the changes in the housing policy (Praktijkleerstoel Gebiedsontwikkeling, 2011b). Even though the investments by investors in the Dutch real estate market is still declining the investor remains a major actor considering their investment capital and their focus on long term profits.

**Housing Associations**

Although the sale of their rental-stock is stagnating housing associations are affected less by the economic crisis (Van Joolingen, et al., 2009). However their investment capacity is limited due to policy changes. Many housing associations are unable to develop new dwellings due to the increased solvency requirements. Another limiting factor is the increasing costs for management and maintenance of the obsolete housing stock (Van Joolingen, et al., 2009). Some housing associations have focused on the development of owner-occupied
dwellings and other types of real estate. Like project developers they suffered losses on unsold dwellings and revaluated land positions (Praktijkleerstoel Gebiedsontwikkeling, 2011b). As a result many housing associations are unable to fulfill their role in urban regeneration.

**Banks**

The financial banks are traditionally a mayor actor in the (pre)funding of urban developments. Both project developers and investors need loans, or fund, from banks to secure their real estate investment and development. Due to for instance the increased requirements for their risk reserves banks are retrieving loans on a large scale (Van Joolingen, et al., 2009). Banks have pulled back their mayor funding role which not only affects home buyers but also investors, developers and municipalities. According to Franzen and De Zeeuw (2009) banks will permanently require initiators to bring in more equity capital.

**Government**

On-going austerities limits municipalities in investing in and subsidizing urban development projects. Land development companies are making losses on land positions and current urban developments (Praktijkleerstoel Gebiedsontwikkeling, 2011a; Van Joolingen, et al., 2009). As a result municipal investments in urban area developments are limited. Van der Krabben (in Bayer, 2011) argues the losses on the devaluation of land positions could prelude the end of the active land policy, as the incorporated risks hardly legitimate to bear as governmental body. Thereby he argues municipalities can still control urban development while leaving land development to private parties, ‘as this happens everywhere else in the world’. According to Franzen and De Zeeuw (2009) experience problems in their land policy. Some municipalities choose to facilitate urban developments by allowing more influence of private parties while others fall back on the traditional active land policy.

In general, the solvency of governments have been put to the test, due to the increased losses and financial risks. For that reason the possibilities to use subsidy resources are declining and even disappearing. Earlier concluded could be said that these subsidies are (made) necessary for inner-city UAD-projects and that they take a significant financial position in budgets. Meanwhile, the authorities are also risk-averse and do not automatically fill the gap in any budgets with subsidies any more (Praktijkleerstoel Gebiedsontwikkeling 2011b). Likewise, other financiers and banks are currently to scant to provide some loans or credit.

**2.2.5 Consequences for the involved actors**

The economic crisis not only affected most actors in urban development individually, also public private partnerships are affected. Before the economic crisis the joint-venture model proved to be a successful
collaboration model (Franzen & De Zeeuw 2009). This so called full dressed joint-venture requires substantial investment of equity capital by involved parties. This kind of PPP, characterizing for gebiedsontwikkeling 1.0, has proven to be unfeasible due to the diminished investment opportunities of the involved parties. Flexibility should be included in the agreements (Franzen & De Zeeuw 2009).

There is a call for renewed collaboration forms and a more direct involvement of civic parties for sustainable developments as well (Praktijkleerstoel Gebiedsontwikkeling 2011a). The search for the right form of collaboration for sustainable initiatives appears not be within a short reach yet. A lot of different interests need to be promoted in such complex assignments. An important question that needs to be answered is who takes the lead in these complex processes. ‘There remains a need for ‘old’ arrangements, but in a new lease of life like a facilitating government. Thereby, will sustainable initiatives still be confronted with existing financial arrangements causing barriers.’ (Agentschap NL & RVOB 2011) The concession-model and new partnerships like Bouwclaim Nieuwe Stijl, joint-venture light and the alliance model should be considered in new urban developments.

2.2.6 Consequences for the involved actors

There will always be a challenge to align supply to demand on an urban level (Praktijkleerstoel Gebiedsontwikkeling 2011a). Thereby the international competitive position of The Netherlands demands strong cities and distinctive qualities (Van Rooy, 2011). However the reality has changed as development should focus on the existing stock and its related challenging locations, lengthy development terms, long (legal) procedures and high direct costs of land development. In other words: a new challenge arises in a new reality (Praktijkleerstoel Gebiedsontwikkeling 2011a).

The field of urban area development characterizes itself by the increasing rate of specialization within disciplines and certain sectors. The division of specialisms will lead to fragmentation and in turn to a long-term process. This contradicts with the former UAD-ideal, because it prescribes integration instead of separation. Sectoral-thinking needs to be broke through by means of processes. Synergy needs to be obtained by way of having dialogs with relevant disciplines, sectors and interests to come up with the best quality and cost/benefit solution (Praktijkleerstoel Gebiedsontwikkeling 2011b).

Van Joolingen et al. (2009) outlines a future for urban area development in The Netherlands. They expect private parties to downsize their commitments which means development projects will become both smaller and more phased. This will put the former practiced integral approach under even more pressure.

As described in the previous sections urban development thinking changes gradually due the changing contextual conditions. Learning form these changes is important, because we can go for the ideal durability. This is a different way of explaining sustainability, because it outlines the importance to sustain over time: the prospect of developments. A major shift in the durability exploration is described by Peek (2011). He says the changes in urban development by distinguishing a third practice; gebiedsontwikkeling 3.0. He argues urban
development practice should be widened to juxtaposed value chains such as energy, while moving the focus to the management and exploitation phase. This includes new forms of cooperation and new mechanisms, but also new correlated rules for urban developments. The same goes for calculating and distributing the exploitation.

Hagendijk and Franzen (2012) endorse the need for a larger and more risk-bearing role of private parties as they argue private money should be better utilized instead of waiting on the public actors to invest. This means that the investment conditions should be improved to foster investments by institutional investors and pension funds. While De Graaf (2011) adds to the discussion that most likely hit and run will disappear as usual development practice. The table below shows the change in mind shift from gebiedsontwikkeling 1.0 to gebiedsontwikkeling 3.0.

<table>
<thead>
<tr>
<th>Urban development &amp; Collaboration</th>
<th>Focus</th>
<th>Roles</th>
<th>Added value</th>
<th>Private partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>Development</td>
<td>Project developer: active</td>
<td>Economies of scale</td>
<td>Real Estate developers</td>
</tr>
<tr>
<td>2.0</td>
<td>Current use</td>
<td>Manager/operator: facilitating</td>
<td>Vertical chain integration</td>
<td>Current real estate owners and users</td>
</tr>
<tr>
<td>3.0</td>
<td>Future use and (energy) flows</td>
<td>Investor: initiating and co-investing</td>
<td>Combination of real estate and (energy) flows (horizontal chain integration)</td>
<td>Future real estate owners and users, new actors</td>
</tr>
</tbody>
</table>

Table 1 – Collaboration scheme of the three urban development approaches (Peek 2012)

According to Peek (Peek 2012) the focus in the urban development process should be on the investor as the challenge is to balance the costs of made investments, the current value and the expected future returns. Both horizontal and vertical ‘chain integration’ should increase efficiency (Peek 2012). Horizontal chain integration means the linkages to the affiliated sectors such as energy. Vertical chain integration means the elimination of high single gains on for instance real estate development as the future owner or users are involved in an early stage of the development. It also means reducing the sales risks by making better investment decisions.

According to Praktijkleerstoel Gebiedsontwikkeling (2011b) development plans are too detailed and static in an early phase of the urban development process. By allowing more flexibility in the urban plan it should be easier to anticipate on changing market developments and private investment initiatives. Furthermore they argue: priorities on development plans should be balanced on a regional and local level. To reach an optimal urban quality there should be more room for a creative design process including substantive participation of all stakeholders (Franzen & De Zeeuw 2009; Praktijkleerstoel Gebiedsontwikkeling 2011b). Similar to Peek (2011) Praktijkleerstoel Gebiedsontwikkeling (2011b) and Heurkens (2012) argue the focus should be on the management and operation phase, while in their opinion private parties should pick up the role of master developer or general contractor.
This new proposed way of developing urban areas calls for a new approaches as well. The government will play a different role, as explained the current land policy is scrutinized until today. ‘Presently, also the users and owners are up to act now, but first the sectors and policy fields needed to be decompartmentalised. Homogeneous networks hold the compartments impassable. The fear for loosing influence does contributes. A win-win situation should be created to decompartmentalise and to collaborate wherever possible (seek for interfaces). Intersectoral partnerships and intergral urban area exploitations are becoming the norm’ (Van Rooy 2009). In order to facilitate these flows and to capture the generated additional value, new business models and partners are needed.

**New business models**

As described above most parties are hesitant to prefund urban development plans. Financing of urban developments should be approached in a creative way to be able to balance the business model, as the traditional business models have proven to be unsustainable in many cases. A balanced land development should be replaced by a balanced urban area exploitation which focuses on the long term returns (De Graaf 2011). As subsidy flows are depleted Praktijkkleerstoel Gebiedsontwikkeling (2011b) argues investment flows could be combined in an ‘Urban Development Trust’

Heurkens (2012) sums up some promising alternative financing instruments including Tax Increment Financing (TIF), Lottery funding, Crowd Sourcing and Funding, Urban Development Trusts, Business Improvement Districts (BIDs) and Urban Re-parceling. These financing methods can be categorized by its investment source. TIF is a fiscal incentive provided by the government in which future tax gains are used as upfront investment in urban development projects based on the expected future increase of value (Heurkens, 2012). Lottery funding and crowd sourcing/funding are based on investment by civic society. In the report ‘Closing the Investment Gap in Europe’s Cities’ Clark and Huxley (2009) mention lottery funds could be used to finance urban development projects. A more direct public participation is incorporated in crowding sourcing and funding. (Heurkens, 2012). Urban development trusts, BIDs and urban re-parceling are considered as private investment source and are frequently mentioned in the current debate on the new reality in urban development (Heurkens, 2012; Peek, 2012; Praktijkkleerstoel Gebiedsontwikkeling, 2011b; Van Rooy, 2011). The concept of the urban development trust comprises the collection of investments from more different sources. Urban re-parcelling is a principle aimed at aligning existing owned property and parcels with development plans (Peek, 2012).

Furthermore Peek (2011) puts forth the exploitation of utility services by introducing Energy Service Company’s (ESCo’s) and Multi Utilities Service Company’s (MUSCo’s). By incorporating ESCo’s or MUSCo’s in the urban development the use and production of utilities are linked, resulting in economies of scale and taxation advantages on the long term. Van Rooy (2011) also mentions land-lease, green shares, urban farming, temporary usage and more.
New Partners

A new reality means another way of thinking and according to De Graaf (2011) it should mean the introduction of new parties. According to De Graaf (2011) and Peek (2012) new actors from the energy sector are eager to get involved in the challenges of urban area development. Amongst these progressive companies are Siemens, Eneco, IBM and AVR Van Gansewinkel. Siemens is associated to urban development in the field of mobility and energy concepts. Eneco is involved in sustainable energy generation to reduce the CO₂-emissions of the built environment. Interesting is the involvement in urban development from ICT-related companies as IBM. Incorporating their knowledge on transportation, education and security in ‘The Smarter Cities Challenge’ IBM is advising over 100 cities on challenges related to urban development (Siupsinskas & Cormier 2012). Another sector likely to get more involved is (AVR Van Gansewinkel) waste disposal (De Graaf 2011). However, as those parties invest a lot in Research and Development they have to recover those costs. This is one of the reasons why it is not so likely to expect energy companies to directly invest in urban development plans. There are some examples in the USA and Canada in which energy companies are developing based on trust between involved actors (De Graaf 2011).

The search for new parties in urban area development does not only focus on energy related companies. Hagendijk and Franzen (2012) suggest the urban area development could be saved by pension funds or large health insurance companies through the huge capital they possess. Van Joolingen et al. (2009) also points out the possibility of pension funds to contribute to urban development in the long term. Though more insight is needed in the conditions of project funding by large institutions. According to Nicole Maarsen (Bijsterveld & Laverman 2011) developing investors could obtain a bigger role in urban area development by the contribution of equity capital. In her opinion the roles will change within the real estate market, resulting in a smaller role for traditional real estate actors. The traditional project developer lacks the long term commitment to the project.

De Jonge (2012) argues large corporations have played a major role in city making, providing labor and very often housing and facilities for their workers. They were rooted in social networks. Due to globalization corporations became footloose. Cities had to compete too, but the new idea-driven creative economy will probably change the competitive behavior. As companies are in need for highly-educated creative professionals, who preferably live in a high-quality urban area, the interests of companies will get more aligned with the interest of the city. Therefore companies could obtain a bigger role in the urban development of our cities. In the introduction speech at the yearly urban development congress (2013) De Jonge points out the possibility for private companies to obtain a bigger role in urban development. He mentions the example of South Korea where corporations alike Samsung are directly involved in urban development. There are also examples of corporation-led development closer to home, like the development of Stand-East in London by the Inter-IKEA group.
2.3 Changing roles in urban development

The urban planning and development practice in the Netherlands is characterized by a dominant government. Since the beginning of the 20th century urban developments were strictly controlled by the State and local authorities. Although all and sundry might suppose, Dutch planning has not always been orchestrated by the government. The development of the canals in Amsterdam is characterized by the freedom to develop the plots and considered as completely private business (De Jonge 2012; Urhahn Urban Design 2010). This section elaborates on the changing roles in Dutch urban development as a result of political trends/policy shifts.

As described by Heurkens (2009), the Rhineland model, a macroeconomic model of capitalism which is based on a regulated market economy controlled by the government, traditionally applicable to The Netherlands, is substantially influenced by the characteristics from the contrasting Anglo Saxon model. Heurkens (2009) argues the Anglo Saxon values are gradually replacing values of the Rhineland model.

The division of roles between government and market have shifted decently, with the emergence of legally organizing town and country planning in the 60s through a ‘Nota’ (Van Rooy 2009). De Zeeuw (De Zeeuw 2007) outlines three developments, from a broader context of changes in the Western European society. (1) changing government control, (2) specialization and fragmentation, and (3) forward integration of market parties. The shift towards a free market economy was first observed in the 1980s when government retrenchments and privatizations occurred in the Dutch economy.

According to De Jonge (cited in Heurkens 2012), a fundamental shift has taken place regarding societal values and the public-private power balance in The Netherlands. A shift has taken place towards more individual and inequality societal values while public-private power balance has shifted towards the private market. In the context of urban development this shift means an increased focus on the private sector. ‘From this concluded, it can be said that the public-private relationships, regarding UAD, changes with the alterations in social norms and values (Heurkens 2012). The freedom in developing powers for infrastructure, demographic growth correlated with land developments and privately-owned initiatives were decisive factors for ending earlier recessions, and thus pertinent in the Dutch history (Van Rooy 2009). For that reason more freedom should be given and could be a suitable solution throughout this history perspective. Thus a new balance in the public-private relationships is needed to facilitate the free market forces. In the article ‘The Entrepreneurial City’ De Jonge (2012) argues the future could bring a new shift towards solidarity and equality while the private sector retains its power.
Heurkens (2012) recognizes this development, arising from changing social needs and political-economic circumstances in the Dutch urban governance field. These societal changes are reflected in the policy formation of urban planning. According to Heurkens (2009) government leadership in spatial planning policy has largely disappeared, thereby the emphasis of spatial planning policy changed from ‘restrictive planning’ towards ‘interactive planning’. This is embedded in the National Spatial Planning Act (Ministerie van Volkshuisvesting Ruimtelijke Ordening en Milieubeheer 2006) as a shift from ‘government’ towards ‘network governance’. Network governance entails the ‘collaboration between public actors, societal organizations, citizens and companies’ (Heurkens 2009). In his doctoral thesis ‘Private Sector-led Urban Development Projects’ Heurkens (2012) describes changed requirements on the roles of public and private parties in urban development projects after 2010 due to the economic crisis. He argues a facilitating role of the government is needed to allow civic and private initiatives and investment in incremental urban developments, as urban planning governance is undergoing another shift towards ‘coalition’ or ‘invitation planning’ (Heurkens 2012). Even though the credit crunch has forced Dutch government to nationalize banks like SNS Reaal, ABN Amro and ING, Heurkens (2012) argues recent urban development projects show a continuation towards a more private-led development. Figure 5 shows the Dutch urban governance shifts described by Heurkens.

To conclude, ‘within sustainable (demand-driven) urban area development end-users should be involved. End-users should feel highly committed to the developments, better known as ‘mental ownership’ among users of relevant buildings and areas. This will only work if the other parties – who have more power – will take a step back and facilitate decision-making, instead of taking this over or force users to make certain decisions.’ (Bosman & Engbers 2012) Currently, end-users do think they are mentally owner of an area, but they are still skeptical about the sustainable urban area initiatives. The feeling of being deceived dominates, causing extra resistance for cooperation. Also from the financial perspective ‘mental ownership’ is important. For instance, investors will be committed for a longer period of time with their projects.’ (Agentschap NL & RVOB 2011) Moreover, allowing civic parties to participate could be a promising way to attract new resources. Lex Hoogduin, direction member DNB, argues that the funding gap could be closed by civic savings. Currently we have more than 1.200 billion, which is mostly accommodated in and controlled by
pension- and insurance funds. Urban development projects need to become more attractive for this huge amounts of money.’ (Raatgever 2012) ‘But also the saving accounts are being increasingly stacked the recent years: to 328 billion.’ (DNB.nl 2013) Also according to Peek (2013) we should look if we can bring together more and smaller amounts of money to close funding gaps. He explains, we will therefore need to cooperate more, maybe even with individuals (referring to this civic capital).

2.4 Challenges in urban development projects

In order to balance urban development financing the orientation of UAD should shift from a land development to urban area exploitation. Thus the focus should be on long term revenues of an urban area. Moreover, the focus should be on new business models including new actors like energy related companies and private corporations. Urban development practice could be widened to juxtaposed value chains such as energy, while moving the focus to the management and exploitation phase. Urban plans should allow more flexibility to be able to anticipate on changing market developments and private investment initiatives. Market players with a healthy solvency ratio or financially robust parent-company are expected to be able the continue their business. Regarding their potential investment capital and their focus on long term profits the investor remains a major actor in urban development. Collaboration instead of competition between investors can lead to a reduced risk. And finally, private parties are expected to pick up the role of master developer.

The enumeration above shows the major challenges of the so-called ‘new reality’ of urban development in The Netherlands. These issues form a source of inspiration for innovative research to be conducted. Two major issues are the development of new business models, and the role of investors in urban development practice. The next section elaborates on the alignment of the graduation projects of both Boudewijn Stumpel and Carlo Sturm, and positions them in this emerged field of research.
2.5 Coherence graduation projects of Stumpel and Sturm

Both research project can be considered a follow-up study on the dissertation of Erwin Heurkens (2012) concerning private sector-led urban development. Boudewijn Stumpel focusses on the urban development fund as a new business model. Stumpel aims to examine this business model on applicability and feasibility regarding the context of Dutch urban development practice. The graduation project of Carlo Sturm is oriented on how investors can obtain a leading role in urban development projects by means of urban development strategies. Next to exploring development strategies to cope with short- and long-term aspects of UDP, it is focussed on management and organisation, and public private partnerships in investor-led urban development projects. Both research themes overlap in their focus on private sector-led development and the utilization of private sector capital for the purpose of urban developments. The figure below positions both research projects on the levels of urban development projects.

![Figure 6 – Coherence, ‘yin yang’ Stumpel & Sturm (own ill.)](image)

Although the research projects are conducted separately, the results can be used jointly to provide a comprehensive and holistic overview of the possibilities for investors to engage in urban development projects via urban development funds. Thereby providing recommendations for public and private roles and partnerships.
theories and concepts.

As described in chapter 2, the main focus of this research is on the investors as panacea for the stagnation of Dutch urban development and how urban development strategies can be utilized to make that possible. In this third chapter theories and concepts regarding investor-led urban development are explored. The first part of this theoretical framework comprises the theories concerning real estate investors and their role in urban development projects. The second part elaborates on urban development strategies, management and organisation.

3.1 Investor-led Urban Development

Investors are expected to get more involved in urban development projects. The problem analysis showed some tensions between characteristics of urban development projects and the investor’s investment criteria. First we have to define what types of real estate investment are defined and what their characteristics are. Shortly, the track-record of the investor in Dutch urban development is explored. Thereafter, real estate investment decision-making and strategies are described. After describing the characteristics of urban development projects, including relevant incremental and integral aspects, the definition of investor-led urban development is formulated.

3.1.1 Investment in Real Estate

This section introduces the theory of investment in real estate and urban development, thereby distinguishing different types of real estate investment and their characteristics. Firstly a classification of real estate investment is given. Thereafter the investment process is described. And lastly the connection between project development and investment is explored.

Van Gool et al. (2013, pp. 25-41) argue a distinction should be made between investment in real estate, investing and developing. The differences between real estate investment, investing and development. Investment can be described as investment of capital in the ‘equity certificates’ of real estate in order to increase their capital value. When the objective of investment is about the real estate object as means of productions rather than increasing capital value, the term investing is more appropriate. In contrast, the term development should be used when the emphasis is on the value creation by development and sale of a real estate object by a project development, rather than on the exploitation of the object. Thus, in terms of investment, the emphasis is on real estate as an investment asset (Van Gool et al., 2013).

Classification of real estate investments

Concerning investment in real estate a distinction is made between ‘direct’ real estate, and ‘indirect’ real estate. Direct real estate implies the investment in ‘bricks and mortar’ (Van Gool et al. 2013). In other words, the investor is the owner of the real estate object, or owner of a majority of the object related equity
certificates and thus has a say in the management of the real estate. Investment in direct real estate incorporates all kinds of real estate, such as land, dwellings, offices and retail. Instead, indirect real estate is related to investments in which the owner has a minority share of the equity certificates and is entitled to the revenues of the object, although the investor does not have a say in the management of the real estate (Van Gool et al. 2013). Alike direct real estate, there are various types of indirect real estate. But, investment in indirect real estate always incorporates investment vehicles (Geltner 2007). These investment vehicles trade and manage a real estate portfolio to gain revenue for the shareholders, the investors. Furthermore, these companies can be involved in the development of real estate.

As indirect real estate involves the trade of real estate objectives, two trade markets can be distinguished; public and private markets. Public markets concern investment in real estate on stock market (Van Gool et al. 2013). Investment in real estate on public markets is considered the most accessible form of indirect real estate, as investors can easily trade their shares. On the contrary, private markets implies the trade and investment of real estate in a ‘private atmosphere’, outside the stock market. Activities of real estate funds on private markets vary from conservative, low risk, to progressive and high risks (van Gool et al. 2013). Examples of real estate funds active on the private market are CBRE Global Investors, and Bouwfonds REIM. Publicly traded real estate is characterised by a high risk return profile and is highly correlated to the stock market, while private market real estate is characterised by its inaccessibility to a large group of investors due to the required expertise and a high investment threshold (Roosen 2004).

The combination of both dichotomies, direct and indirect, public and private, leads to three types of real estate investment. The figure below shows the relation between the above described terms. Using the term ‘public investment’ could lead to confusion as governmental bodies are often referred to as public actors. Therefore we use the following three categories of real estate investment: Direct, Private Indirect and Publicly Traded.

**Characteristics of real estate investments.**

Van Gool et al. (2013) describe the characteristics of both direct and indirect real estate investments. Direct real estate is considered both a capital asset as a means of production, thus an investor not always acts on a capital market. Direct real estate is illiquid though it has a long lifespan. It is characterised by high unit rates and transaction costs, a long production term and complex regulations. Van Gool et al. (2013) set out pros and cons of investment in direct real estate, shown in the table below.

<table>
<thead>
<tr>
<th>Advantages direct real estate investment</th>
<th>Disadvantages direct real estate investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio diversification</td>
<td>Knowledge and management intensive investment</td>
</tr>
<tr>
<td>Steady revenues</td>
<td>High charge on capital</td>
</tr>
<tr>
<td>Attractive yields and risk ratio</td>
<td>Lack of transparency</td>
</tr>
<tr>
<td>Provides reasonable protection to inflation</td>
<td>Illiquid</td>
</tr>
<tr>
<td>Intensive management leads to higher returns</td>
<td>Performance is hard to measure</td>
</tr>
<tr>
<td>Special opportunities on real estate markets</td>
<td></td>
</tr>
<tr>
<td>Tax benefits</td>
<td></td>
</tr>
</tbody>
</table>

*Table 2 – Advantages & disadvantages of Direct Real estate investment (Van Gool et al. 2013)*
Additional portfolio diversification is argued as one of the important advantages of direct investment in real estate (Van Gool et al. 2013). The portfolio diversification of direct real estate is based on the limited or even negative correlation between the rate of return on real estate compared to other forms of financial assets such as stocks and bonds. Thus, by acquiring direct real estate the total risk of the portfolio can be reduced, or returns increased (Van Gool et al. 2013, p. 124). Brounen and Eichholtz (2004) even argue that acquiring direct real estate by development more profitable than acquirement via property trade markets. Furthermore, direct real estate investment incorporates a relatively high protection to inflation. This so-called in inflation-hedge is the result of indexation of rental contracts and the increase of construction costs that normally exceeds the inflation. Thereby, due to scarcity it is assumed land prices will keep increasing (Van Gool et al. 2013). Though direct investment in real estate requires knowledge and extensive management. Subsequently direct real estate requires a larger acquisition and management department compared to investment in stocks and bonds (Van Gool et al. 2013).

Van Gool et al. (2013) also explores the pros and cons of indirect real estate investments, which are shown in table 3.

<table>
<thead>
<tr>
<th>Advantages indirect real estate investment</th>
<th>Disadvantages indirect real estate investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>No expertise on local market needed</td>
<td>Little influence on management and policy</td>
</tr>
<tr>
<td>Possible to invest in small shares</td>
<td>Less ‘feeling’ with real estate market</td>
</tr>
<tr>
<td>No property transfer taxes</td>
<td>Higher risks due to debt capital</td>
</tr>
<tr>
<td>Higher liquidity</td>
<td>Higher risks on public markets</td>
</tr>
<tr>
<td>Economies of scale</td>
<td></td>
</tr>
<tr>
<td>Less emotional value</td>
<td></td>
</tr>
<tr>
<td>Chances on higher rate of return</td>
<td></td>
</tr>
<tr>
<td>Leverage effect</td>
<td></td>
</tr>
<tr>
<td>Easier to benchmark investments</td>
<td></td>
</tr>
</tbody>
</table>

Table 3 – Advantages and disadvantages of indirect real estate investment (Van Gool et al. 2013).

The following figure relates the advantages of direct and indirect real estate to the three defined investment categories.

![Figure 7 – Advantages of direct, private, indirect and publicly traded real estate (Van Gool et al. 2013).](image-url)
**Investment process**

The process of investment in direct real estate differs from the typical real estate development cycle. As described by Van Gool et al. (Van Gool et al. 2013, p. 148; Wolting 2006) the investment cycle starts by the acquisition or development of a real estate object. Core business of the investor, the exploitation of real estate, starts after the acquisition and incorporates the management and operation of the real estate in their portfolio. Some investors outsource activities related to the exploitation phase, such as maintenance. When the economical or technical lifespan of a real estate object has ended, the investor has to decide whether to redevelop or sell the object. After renovation or redevelopment a new exploitation phase starts.

**Actors in real estate investment & development**

As mentioned investors can acquire real estate by development instead of purchase. Van Gool et al. (2013, p. 124) describe six main groups of actors involved in project development:

- Constructors
- Investors and investing developers
- Financial institutions
- Housing associations
- Affiliated specialist project developers
- ‘Pure’ project developers

In the scope of this research housing associations, financial institutions and investors and investing developers could be considered interesting actors. Though, financial institutions are mainly focussed on the short term owner-occupied housing market, as the end-user is considered a potential client (Van Gool et al. 2013). Housing associations can be seen as developers affiliated to investors in some way, though these associations deal with different regulations and markets (Van Gool et al. 2013).

**Developing investors and investing developers**

Van Gool et al. (2013, p. 124) distinguishes investors and investing developers as a type of project developer. This type of project developer includes both institutional investors and wealthy individuals. Based on a desired diversification of their portfolio institutional investors may decide to develop and invest in direct real estate. Institutional investors are mainly interested in long term cash flows, therefore most of their developing activities incorporate retail malls, the higher segments of the rented housing sector and offices. Most of the developing activities of institutional investors are performed by a subsidiary company (Van Gool et al. 2013). In comparison the investing developer retain the developed objects after realisation to be able to benefit from expected increase of value after a certain time. Often these cases regard conceptual projects or urban developments. As investing developers are committed to a project for a longer term, they are able to redeem the benefits of intensive property management as this often results in a higher quality and thus a higher value (Van Gool et al. 2013).
Development, Investment or both?

Until the 1980s the corporate emphasis was on combining as much activities as possible in one company. The theory of this corporate diversification is based on the combination of activities that show fundamental differences to spread the risk of all the activities of the company (Brounen & Eichholtz 2004). Though emphasis shifted towards the ‘core business strategy’. This strategy implies a company should focus on their profitable core business instead of wasting money on unprofitable secondary businesses (Brounen & Eichholtz 2004). In the domain of real estate many investors repelled their project development divisions. According to Brounen & Eichholtz (2004) the development of real estate enables the investor to choose the best locations, consequently the investor has more control on the composition of its portfolio. As development and investment are based on two different economic cycles, the combination these activities leads to diversification benefits (Brounen & Eichholtz 2004). They continue that the developing investor can even take advantage of fiscal benefits as development activities are tax deductible. On the contrary, Brounen & Eichholtz (2004) argue that the divergent character of both activities require different management activities. Another disadvantage is the increase of risk due to project development (Brounen & Eichholtz 2004). Based on their research Brounen & Eichholtz (2004) argue that the performance of developing investors is significantly higher compared to investors, even though development incorporates higher risks. Therefore they argue there is a synergy between developing and investing. Portfolio diversification is further described in section 3.1.4 based on portfolio theory.

3.1.2 Historical perspective of investors in Dutch urban development

The above sections described investor-led development and the how investors make decisions in real estate investments. As this research is focuses on the possibility for the investor to obtain a leading role in urban development, we argue they do not poses that role now. Therefore it is relevant to explore the history, or track-record, of the investors’ role in urban development in The Netherlands.

In Vastgoed als beleggingscategorie (ENG: Real Estate as investmentclass) Bol (2003) provides an outline on real estate investment in The Netherlands based on the changing investment rationale. The first Dutch pension funds emerged around 1890, focussing on developing houses for the employees of its related company based on the ‘bricks and mortar’ investment rationale. After World War II the trend to invest in commercial real estate blew over from the United States, as a unique form of ‘private equity’ (Bol 2003). In the seventies scarcity on the real estate market raised the interest in foreign real estate markets. Thereby investors started to expand their activities in the domain of real estate by investing in land, and participation in early stages of the development process (Bol 2003; Brounen & Eichholtz 2004). This trend has been described in section 3.2.1 as corporate diversification.

At the end of the 1980s, the investment rationale changed from economic to financial as real estate was increasingly valued based on financial merits (Bol 2003). This change was triggered by the emergence of Asset Liability Management (see section 3.1.4) and the need for risk and performance measurement of real estate.
Based on these trends investors started to change their business model focussing on their core-business (Bol 2003). Hence, most pension funds considered investment as their core business instead of development. As a result most development divisions were repelled.

The new millennium entailed the revaluation of real estate as investment class, induced by an increased level of professionalisation in the real estate sector (Bol 2003). Nowadays real estate is considered a profitable long term development, still characterised as ‘private equity’ investment, its high initial yield and high end value. Therefore, real estate is still seen as a good diversification compared to other investment classes. Furthermore, the professionalisation resulted in more transparency of cash flows thereby changing the emphasis of investment towards the cash flow rationale.

Nonetheless, the financial crisis, debt crisis and some cases of fraud in real estate led to the current rethinking of the real estate domain. Van Gool et al. (2013, p. 163) mapped recent development and experiences regarding investment in real estate. For instance foreign direct real estate showed too risk full, while financing proved to be hard to acquire. Thereby the trend to increase the sustainability of the portfolio has proven to be difficult (Van Gool et al. 2013, p. 164).

Some figures
The described trends are reflected in the figures of investments by Dutch pension funds and insurance companies. Since the 1980s the invested capital in real estate by pension funds has increased rapidly from about 10 billion euros to 90 billion euros in 2010. Remarkably the invested capital in real estate of insurance companies has only increased by about 10 billion to less than 20 billion in total. The relative asset allocation of pension funds shows that the investment percentage in real estate fluctuates close to 10%. At the same time, the percentage invested in real estate by insurance, relative to their total investments, dropped from about 12% in 1980, to less than 5% in 2010.

![Figure 8 – Real Estate investments (Van Gool et al. 2013)](image-url)
Interesting to see is the growing importance of indirect real estate for pension funds. The stats clearly show that direct investment in real estate across the border has lost interest. Remarkably pension funds stopped building up their investments in direct real estate in 2005. According to Van Gool et al. (2013, p. 163) the shift from direct to indirect real estate seems to slow down. In recent years the larger pension funds have been increasing their influence on their real estate investments.

3.1.3 Real Estate investment decision-making and strategy

The above distinguished different forms and characteristics of real estate investment, defined the term investor-led urban development that is subject to this research, and explored the history of the investors' role in urban development. But how does an investor decide whether to invest in a development project or not? This section describes decision-making and strategy of investors by investment criteria, portfolio management and investment strategy.

**Investment criteria**

The investment of capital is based on certain goals that differ per type of investor. To describe the differences in investment goals, Van Gool et al. (2013) distinguishes two main groups; institutional investors and private investors. The main task of institutional investors, such as pension funds, insurance companies and investment vehicles, is the management of capital of participants in order to provide dividends on the long term. Private investors mostly invest based on other objectives, such as generating income or the value (Van Gool et al. 2013). Investment criteria are based on the investment goals. Van Gool et al. (2013, p. 149) describe the following investment criteria:

- required return on investment
- investment term
- intended liquidity of investment
- risk-level of the investment
- use of debt capital
- matching investment to liabilities

**Risk Return ratio**

One of the most important considerations in terms of investments is whether to take higher risks in order to obtain higher returns, or incorporate lower risks and corresponding lower returns. Based on the investment style index of Morningstar, Roosen (2004) describes three investment styles applicable to real estate investment; core, value-add and opportunistic. Basically these styles concern three different risk return profiles that investors consider. In the table below the characteristics of the investment styles are shown. Although these characteristics concern investment on an object level, the provide an inside in the different risk return ratios investors apply.
Table 4 – Criteria of investment styles based on Roosen (2004), Bruggema (2011) and Van Gool et al. (2013, p. 428)

Portfolio management

Based on the risk and return of single investments, investors manage the total risk and return of their investment portfolio. The perspective of portfolio management can provide an insight in how different types of developers cope with the management of risk and returns. Van Gool et al. (2013, p. 74) described risk-spreading by investors based on the modern portfolio theory. This theory is based on Markowitz’ concept of synergy by diversification. This theory shows that the combination of investments based on a diversification of different risk profiles leads to a higher risk return ratio compared to individual investments (Van Gool et al. 2013). Thus, diversification of the investment portfolio results in synergy, while the total risk of the portfolio is muted. (Brounen & Eichholtz 2004; Van Gool et al. 2013). Based on the size and risk of separate investments and the correlation between the investments in the portfolio the expected risk and return can be calculated.

Asset Liability Management

As mentioned in the previous section concerning the history of investment in The Netherlands, asset liability management (ALM) has gained importance for institutional investors as pension funds and insurance companies. ALM-studies compare the risk of the investment portfolio to the all business operations of the investor. The study includes the weight of investments, or assets, on the total balance sheet and related to the investors liabilities (Van Gool et al. 2013). Hence, pension funds and insurance companies have huge liabilities to their participants, thus matching assets to liabilities is considered extremely important.

New investment strategy

Van Gool et al. (2013) argue that the impact of the financial crisis, the debt crisis and cases of fraud in the real estate sector forced some investors to develop a new ‘investment’ business model. For instance, large pension funds like ABP, tend to increase their investment in direct real estate, via joint ventures to obtain more control rather than investing in indirect real estate and make the business model more tailor-made. (Van Gool et al. 2013). Based on the size and risk of separate investments and the correlation between the investments in the portfolio the expected risk and return can be calculated.

Table 5 – Towards a new business model (Van Gool et al. 2013)
estate via investment funds (Van Gool et al. 2013, p. 163). Though, the current investment in direct real estate by Dutch institutional investors through for instance development, is quite inconvenient as many have repelled the needed management and development divisions. Due to the economic crisis the emphasis is on ‘core’ instead of value-add or opportunistic to reduce risks (Van Gool et al. 2013, p. 164). Table 3.?? shows the differences between the old and new business model.

### 3.1.4 Characteristics of urban (re)development projects

The emphasis in urban development is on the redevelopment of urban areas. Therefore this research focusses on redevelopment of urban areas, rather than greenfield development. Compared to greenfield development projects, brownfield development is considered more complex and incorporates various hurdles to take for both public and private actors. This section explores the characteristics of redevelopment projects and describes the hurdles public and private parties will face.

**Characteristics of urban (re)development projects**

Friso de Zeeuw (2007) distinguishes three types of urban development projects; inner-city area developments, city expansion developments and transformations form rural to urban areas. The different kind of projects incorporate different characteristics. The main focus of this research is on inner-city area developments. According to Daamen (2005) complexity of (re)development of urban areas has increased over time. Financial, spatial and organisational aspects form a complex process of attunement. Urban development projects are characterised by their long duration and high risks. Thereby, the land development of inner-city urban projects commonly show a financing gap (Bruil et al. 2004). In most cases, public actors have a shortage of resources land and capital (Daamen 2005). Differences in risk perception between public and private parties are a main source of tension in urban development projects (Daamen 2005).

Wolting (2006, p. 37) describes the differences in phases of urban area development distinguished by public and private parties. Market parties consider four phases; initiative, feasibility, realisation and exploitation/management. Public actors divide the feasibility phase into a definition, design and preparation phase. Based on these differences some tensions arise in urban development project. Public actors require a go/no go decision in the early stage of the feasibility phase, whereas private actors generally try to postpone the go/no go decision as long as possible (Wolting 2006).

Managing risks is an important aspect of urban development projects. Both the development and public private partnerships are subject to various uncertainties. Wolting (2006, p. 97) distinguishes various types of risks related to urban development projects. Overarching ‘internal’ and ‘external’ risks comprise organisation and collaboration risks, and political, legal and societal risks, while financial risks include macroeconomic effects on rent and investments (Wolting 2006, p. 98). Most relevant internal risks are trust and commitment of the involved actors. In the context of this research political risks alike timing of elections are amongst the most relevant external risks. Within urban development projects Wolting (2006) distinguishes spatial-technical, plan
development, land development, sale and exploitation risks. Considering the current economic conditions, sale and land development risks are high. In public private partnerships risks are distributed between involved actors.

As described in the problem analysis and in chapter 2, worsened macroeconomic conditions have had their impact on urban development projects. According to Franzen & De Zeeuw (2009), Praktijkleerstoel Gebiedsontwikkeling (2011b), Peek (2012) and others, these changes will affect the urban development projects. As described in section 2.2.6, Peek (2012) has translated the changed conditions and practice of urban development projects into three types urban development; Gebiedsontwikkeling 1.0, 2.0 and 3.0. Gebiedsontwikkeling 1.0 is characterised by its integral approach and focus on development. The impact of the economic and financial crisis on urban development projects is reflected in the second ‘practice’, 2.0, which incorporates a small scale investment and development based current use and demand, and is best describe as an incremental development approach. This approach is mainly applied on integral urban development projects that have come to a halt (Franzen & De Zeeuw 2009; Peek 2012). The third practice is introduced by Peek (2012) as a future model for urban development projects, and focusses on juxtaposed value chains, the end-user and investor.

**Incremental and integral aspects of urban development projects**

The above described urban development practices incorporate two opposing approaches; incremental and integral development approach. PBL and Urhahn Urban Design (2012) compared both approaches displayed in the figure below.

![Figure 9 – Characteristics of integral and incremental urban development (PBL & Urhahn Urban Design 2012)](image-url)
The integral urban development approach is characterised by its project managerial approach including a detailed development plan for a large scale development. Large private actors are involved in the development of the urban area. Local governments involved in an active and risk-bearing role (PBL & Urhahn Urban Design 2012; Peek 2012). The incremental development approach is based on small scale, gradual developments based on market demand, instead of supply. The focus is on managing the development process. Subsequently there is no exact development term, or period. The blueprint development plan is replaced by a strategic, and flexible, plan that is able to anticipate on changes in market demand or societal challenges (PBL & Urhahn Urban Design 2012; Peek 2012). In this approach local governments have a role as facilitator of the urban development.

Most urban plans are densely arranged, and too detailed, in an early stage of development. According to the Praktijkleerstoel Gebiedsontwikkeling (2011b) priority setting on both a regional and local level should be combined with flexibility to be able to anticipate on changing market conditions and private initiatives. Van Jooldingen et al. (2009) argues the emphasis should be on the development of integral areas, combining different functions to develop a sustainable urban environment; long term vision is needed though risks should be minimised. To do so, a flexible and phased design and realisation is needed. If private actors are to obtain the role of ‘master developer’, integral programming, financial engineering and risk management are considered key principles, included in a more free development process (Praktijkleerstoel Gebiedsontwikkeling 2011b). This process incorporates the major tension between need for certainty and flexibility. Hence, flexibility means the ability to anticipate on changing conditions thus incorporates a uncertainty and risk.

As mentioned in chapter 2, the new reality in Dutch urban development does not mean the end of the integral development approach, however this approach requires high pre-funding and is characterised by high risks. The outlined future of urban development in The Netherlands shows aspects that can be related to both the incremental and the integral development approach. Thereby, it is impossible to strictly classify urban development projects as each development, each location, has unique characteristics and other actors are involved. Thus, urban development projects include both incremental and integral aspects, which have to be balanced based on the projects’ environment.

3.1.5 Investor-led urban development

In this research the emphasis is on the investor as leading actor of urban development projects. But what is actually meant with investor-led development? This section elaborates on the one of the key terms in this research.

Changing role of the investor in urban development projects

The current, traditional, role of the investor in urban development projects is the private actor that buys real estate objects after realisation for the purpose of long term revenues. Most investors are not interested in
development of real estate due to the higher risks (Bruil et al. 2004). New challenges force us to rethink the process of urban development and develop new business models. As mentioned investors could obtain a more important role in development of urban areas (see section 1.3). According to Peek (2012) the emphasis in the new reality of urban development will be on the investor. Nicole Maarsen (in Bijsterveld & Laverman 2011) expects developing investors can obtain a bigger role in urban development in The Netherlands, while Brounen & Eichholtz (2004) argue developing investors perform significantly better than investors. According to Van Gool et al. (2013) there is a growing interest of investors in the performance of their real estate, resulting in a growing influence and focus on local markets.

**Investor-led urban development**

Based on the challenges in urban development in The Netherlands, this research focusses on how investors can obtain a more dominant role in development projects. Based on the theories regarding investors, described above, the term investor-led development implies urban development projects in which an investor is directly involved in the development of an spatial area. This means the involved investors should have a say in all phases of the development process and, logically, has a large share in the investments in the area. It does not matter if the investor acquires real estate by developing by itself or via a partnership with a project developer. Though the investor is involved in the management an organisation of the urban development project.

Based on the theory described in this chapter we use the following definition of investor-led urban development in this research:

> “An urban development in which an investor has a leading role/is directly involved in the management, organisation and financing of the project.”

**3.1.6 Conclusions**

This paragraph elaborated on the investor in urban development projects. It showed that direct real estate investment requires intensive management and higher risks. Though it is argued the performance of developing investors is significantly better. Mainly institutional investors have been retreating from direct real estate investment. On the contrary, Van Gool et al. (2013) argue this trend is changing as investors are getting more oriented on local markets and managing their real estate. Therefore it is likely that the emphasis on direct real estate will grow. Risk management is an important aspect of investment decision-making of developers. This has to be aligned to the risks in urban development projects.

It is argued the future of urban development will incorporate both incremental and integral aspects. Risk management and the ability to respond on changing market demands (i.e. flexibility) are considered important aspects of UDPs. Based on the characteristics of the different types of investors described in this paragraph, developing investors seem to be able to control both aspects as they are directly involved in development and therefore can increase the quality of the real estate.
3.2 **Strategy, Organisation and Management of Urban Development Projects**

This research is oriented on urban development strategies by which investors could obtain a more dominant role in urban development projects. Therefore it is important to develop a framework comprising management perspectives, strategy formation and management and organisation of urban projects. Based on this framework urban development strategies and their implications on public private roles in urban development projects can be examined. This paragraph is based on the following research question:

*Which theories, perspectives and aspects are distinguished in literature regarding roles and collaboration between public and private parties in the urban development process, and which factors regarding the result and success of urban re-development projects are described?*

3.2.1 **Urban development process: management perspectives**

To structure the way we study specific phenomena of urban development processes we have to define perspectives concerning management theories to which this research is subject. By doing so this section positions the graduation research in management theory.

**Governance perspective**

Due to societal changes, including the rise of the *network society*, the practice of city planning and urban development is facing new challenges and have to reinvent themselves in order to be competitive on a global scale (Wigmans 2011). Adding up the increased complexity of urban development processes and greater emphasis on private parties we can explain why Governments lost their role as manager of strategic processes in the city. As such *government* is replaced by *governance*. From the perspective of governance organisation and decision making in urban development processes is not limited to a single actor. Governance comprises the alignment of diverse visions, interest and opinions of various actors into a collaborative whole (Wigmans 2011). As this research aims to explore the way how investor-led development could be implemented as strategy for urban development projects in The Netherlands, this research focuses on the operational part of *governance* (Franzen et al. 2011). In the context of urban development projects *governance* means “the capacity to organize collective action towards specific goals” (Heurkens 2012).

**Network perspective**

The process of urban development can be seen as the collaboration between public and private actors. Both actors have an interest in the development of an urban site, though collaboration is required for the realisation of the urban project. These kind of co-operations between public and private actors imply interdependence between the involved parties and the increase of participants. According to Klijn and Teisman (2003) these conditions create the problem of co-operation which can be studied based on the theory of network governance. Due to the level of complexity that is inherent to urban development projects, Van Bortel et al. (2007) argue urban projects can only succeed if a number of actors collaborate. Thus, according to De Bruijn et al. (2002), urban development projects are best described as a network, as it is characterised by the
interdependence of the involved actors, though differences between these actors indicate pluriformity, while actors are able to join and leave turning the project into a dynamic and unpredictable process. These aspects have a major impact on the way urban development projects are managed.

Process and project management

As mentioned above, traditional project management has proven to be a less capable approach to bring urban development projects to a successful end. As such, the management of urban development should focus on the broader perspective of the process rather than the project (Franzen 2011). Adding up characteristics of a network society, urban development projects require a process management approach. De Bruijn et al. (2002) argues process management is about managing interests of the involved actors in problems that are characterized by ambiguity and the absence of a clear solution. In contrast, project management in based on achieving a specific goal. Nevertheless it is argues urban development comprises both project and process management aspects (Franzen et al. 2011). There is an on-going debate about whether urban development is seen as a project or process. This research is not aimed at clarifying this view on urban development. In our view, in respect to what is mentioned above, urban development projects comprise both process and project management activities (Daamen 2010; Heurkens 2012)

3.2.2 Strategy

According to Mintzberg (2007, p. 1) strategies can be defined as “a series of decisions which determines behaviour over time”. In this sense, strategies are formed by behaviour of actors. This research in focussed on the coping of actors with the flexible and uncertain aspects of urban development projects. Thus we expect investors to form a strategy over time while facing these uncertainties. Based on the perspective of strategy formation Daamen (2010) defines an Urban Development Project Strategy as:

“A strategy includes all decisions and actions of those that intend to realise the concrete material interventions they involve, and can be understood as an on-going dialectic between structures and projects.”

Positioning Strategy in the context of Urban Development Projects

Daamen (2010, p. 25) describes strategies as a practices, placing it between projects and structures. Projects are defined as “the concrete material intervention” while structures include a set of “certain rules which are perceived to portray continuity in time and space”. In his dissertation ‘Strategy as Force: towards effective strategies for urban development projects’, Daamen (2010) analyses the case of Rotterdam City Ports based on three main research questions which are integrated in his conceptual framework shown below.
The left column of this framework includes the orientation of actors involved in the ‘arena’ of the urban development project and the subsequent challenges. The UDP strategy is placed between the situation and interactions between the involved actors. The column on the right-hand side represents the reflection on whether actors orientations are reflected in actual actions thereby providing an insight in the urban development force (Daamen 2010, p. 11). Although this research is mainly focussed on a single actor, this conceptual framework is still of great value for the analysis of the urban development strategy, as urban development is about the collaboration between various actors. But regarding this research the analytical model developed by Daamen includes two main shortcomings; the incorporation of variables such as market demand that affect the urban development strategy and forms of public-private co-operations. Although ‘challenges’ are incorporated in Daamen’s model, the focus is on generative challenges.

The above is due to the differences between the focus of the research. In our view, Daamen’s research is mainly focussed on the ‘thought behind the thought’, or ‘all small decisions and actions that eventually form a strategy’ (see: Daamen 2010, pp. 1-15). This research is focussed on strategy as a business and collaboration model. In regard to Daamen’s approach one could say this research is more focussed on the operational side of urban development strategies. Therefore, we do hold on to the main research questions that divide Daamen’s research into a predictive and a descriptive part. Instead, the conceptual framework is used as a solely descriptive model to analyse what has led to development of a strategy and how effective the strategy is. To clarify the emphasis of this research, a few adjustments are made to Daamen’s conceptual framework. To stress the importance of the effect on public-private co-operation, UDP interaction is replaced by UDP co-operation. Co-operation includes the interaction between actors and resources, reflected in the power-balance and public-private partnership model. Also UD force is replaced by UD success to avoid confusions about the scope of that aspect, as our main objective is to analyse the effectiveness and success of the applied urban development project strategy. These adjustments are incorporates in the figure above.
Understanding strategy formation

As mentioned strategies are formed by decision-making by actors over a specific period. Mintzberg (2007) describes the process of strategy formation by four forms of strategy: strategy as pattern, as plan, as perspective, and as position. The first two forms of strategies are related to the strategy process, while strategy as perspective and as position are related to the content of the strategy (Mintzberg 2007).

Strategy as a plan is how most people perceive the term strategy. Henry Mintzberg (Mintzberg 2007) quotes an English dictionary that defines strategy as: “A plan designed to achieve a particular long-term aim”. This definition contradicts to the definition of strategy at the top of this paragraph, which is based on theory of Herbert Simon (in Mintzberg 2007) which entails the formation of strategy by a series of decisions. Based on this theory Mintzberg defines the second form of strategy: “strategy as a consistent pattern in a stream of decisions”. According to Mintzberg (2007) a distinction can be made between deliberate and emergent strategies. As strategic plans are intended, he describes this form as deliberate. Whereas plans as patterns are emergent. Regarding to the content of a strategy, Mintzberg (2007) argues strategies can be defined as a perspective, i.e. the broad view, and as a position, i.e. a concrete plan or tangible position. Figure 8 shows an imagination of the discussed four strategies.

Based on the four forms of strategy, Henry Mintzberg (2007) indicates four processes of strategy formation: planning, visioning, venturing and learning. Strategic planning is best described as deliberate plans about tangible positions. Mintzberg (2007) relates deliberate plans concerning the broad perspective to strategic envisioning. The process of strategic venturing incorporates emerging patterns that are manifested as tangible positions. Emergent patterns that are focussed on a broad perspective are described by Mintzberg (2007) as strategic learning. Daamen (2010, p. 29) describes these processes of strategy formation in the perspective of spatial strategy-making. These aspects are shown in the table 6.
As described strategies can include both deliberate plans as emergent patterns. Thereby a strategy can be focused on a tangible position or on the broad perspective. As argued by Henry Mintzberg a strategy incorporates all these aspects. Nevertheless, different urban development project strategies will show a different balance between the four strategy processes. This is based on the influence of the dynamic of the external environment (Daamen 2010, p. 33). For instance, highly dynamic external environments are more related to emergent patterns. Therefore, the conceptual model (table 5), as described by Daamen (2010, p. 30), is considered an appropriate analytical framework to identify the strategy behind the urban development cases that are subject to this research.

**Urban Development Force**

Daamen (2010) further emphasises on the force of urban development strategy based on interaction. Interaction includes the decisions, actions and events related to the urban development project. According to Daamen (2010, p. 31) decision-making can be described as “commitment to actors”. As mentioned above, decisions and actions affect the realisation of an urban development project. These decisions and actions are motivated by an intent of an actor. Based on Giddens (1984), Daamen (2010, p. 32) defines the difference between what actors do and what they intend; “intentions are “the goals behind decisions and actions”. The realisation of urban development projects is subject to external decisions and actions which Daamen (2010, p. 32) describes as events.

The relationship between behaviour of actors, including decision-making and action, and the context of the urban development projects is often referred to as power (Daamen 2010, p. 33). Daamen (2010, p. 34) places this force, or power, to influence an urban development, between rules and resources. According to Giddens (in Daamen 2010, p. 264) our behaviour is based on what is possible, i.e. resources, and what is allowed, i.e. rules, it is the power of an actor to achieve an object based on rules and resources. Thus, in the case of urban development projects, in which actors interact together, strategic power means “shaping relationships through which projects are realised”, which implies a continuous alignment of urban development resources.
and rules (Daamen 2010, p. 35). Daamen (2010, p. 35) defines urban development force as “the capacity to affect the realisation of an urban development project”.

3.2.3 Steering urban development projects: roles and leadership

Urban development force is, as described above, related to the interaction between various actors in an urban development project. By means of resources and rules, actors can affect the realisation of a project. These decisions and actions are related to how actors are able to steer urban development projects. This section elaborates on the operational side of this urban development force, and how this steering is related to roles and leaderships in urban development projects.

From the perspective of governance it is not a matter of course that leadership and management of urban development projects is a solely task of public actors. Based on the network theory all involved actors, public and private, are able to influence the dynamic development process. Focussing on the operational part of public private collaboration, we have to define how actors can influence the urban development process, what management means, and what is meant by public and private roles and leadership in the context of urban development projects.

Steering

Based on the systems theory Heurkens (Heurkens 2012) describes operational management as steering. In other words, steering comprises all forms of directive influence on a ‘system’. Managing or steering urban development projects includes dealing with uncertainty, unpredictability and ambiguity. Moreover, to urban projects have to deal with changing conditions and goals and location-depended contexts. He further elaborates steering a project is about achieving objectives with people, steering a course, and problem solving and designing solutions.

As described by Heurkens (2012) management of urban development projects, specifically collaborations between public and private actors, is closely related to the management approach of steering a project. Furthermore Heurkens (2012) states that there does not exist a single universal best practice of management, as appropriate management is dependent on circumstances. He elaborates appropriate management is more related to practice than theory. Although this perspective supports the exploration of management practices in case studies to generate a public private management approach, it is also important to consider circumstances while translating management strategies from one case to another.

Roles in urban development projects

As described above, managing urban development projects is about the organisation and roles of different public and private actors in order to collaborate and realise a common goal. Thereby this research is oriented on how the investor can obtain a leading role in an urban development project. But what is meant by role, and what does leadership mean in the context of urban development?
Heurkens (2012, p. 57) describes a role as: “A coherent set of organisational tasks and related management measures carried out by actors involved in urban development projects.” This research focusses on the role of the investor in urban development projects. As described above, the process of urban development includes different disciplines and actors. Moreover, urban development practice is characterised by collaboration between private and public parties. In this case, the role of the investor is explored, though this role is interdependent to public actors (Klijn & Teisman 2003). As an urban development project can be described as a dialogue between public and private parties, this study also examines the role of the public parties involved in the conducted case studies.

This interdependence between public and private parties is also reflected in the definition of leadership in urban development projects. Heurkens (2012) argues urban development concerns collaboration between public and private parties and therefore both parties have a role in managing the project. Moreover, not one party, public nor private, is capable of realising an urban development project on its own. Based on this perspective Heurkens (2012) describes the relativeness of both leading and facilitating roles in urban projects.

**Leading** comprises providing a main direction for the project by an actor. **Leadership is expressed performing certain tasks.** On the contrary, the facilitating role is about complementing these certain tasks (Heurkens 2012). Heurkens (2012, p. 58) links the definition of leadership in urban development projects to the above described **management perspective** resulting: “Actively steering an urban development process into a preferred situation.”

### 3.2.4 Organisation and management of urban development projects

Above, urban development strategy, roles and leadership are described. This research is oriented on exploring by means of what strategy it is likely for investors to get involved in urban development projects in The Netherlands. As explained the focus is therefore more on the investor as actor. The aim is to provide a complete overview of investor-led development strategies for Dutch investors. As investor-led development implies other roles for public and private parties, it seems important to research the effects of these strategies on management and organisation of development projects. This section elaborates on these subjects including public private partnerships and management activities.

**Characteristics of public private co-operation & partnerships**

As mentioned there is a growing emphasis on public private partnerships in urban development (see Franzen et al. 2011). The growing importance of the private sector forces public and private actors to co-operate. According to Heurkens (2012) there is a number of causes that explains the growing emphasis on public private co-operation:

- Financial crisis in the public sector
- Increased mobility of capital
- Increased complexity of government tasks
- Dominance of neoliberal ideas and reliance on market mechanisms and incentives
As a result private sources of funding are needed, while the increased complicity requires involvement of private actors. Basically to be able to realise their own goals the public sector seeks co-operation with private parties. This trend is reflected in the emergence of public private collaboration models. For more than three decades, countries are exploring the possibilities of public private partnerships and promoting its use. Klijn and Teisman (2003) describe public private partnerships (PPPs) as “the co-operation between public and private actors with a durable character in which actors develop mutual products and/or services and in which risks, costs and benefits are shared”.

Although the public and private domain are forced to co-operate in order to achieve their goals, barriers of conflicts in interest, institutional roles and strategic behaviour have to be overcome. Klijn and Teisman (2003) show how difficult it is to change role conceptions and domain demarcations. Regarding institutional roles and strategic behaviour of actors, Klijn and Teisman (2003) the public domain is characterized by a so-called guardian syndrome, which typically includes values such as avoiding trade and commerce. In contrast, the private domain is dominated by the commercial syndrome. This syndrome includes values as competitiveness, achieving agreements on a voluntary basis and honesty. Klijn and Teisman (2003) argue both types of institutional roles and behaviour are mutually exclusive. One could say initiating a public private partnership is creating a new problem. Klijn and Teisman (2003) compared the relations between core business, values, strategies and its consequences for Public Private Partnerships between the public and private domain. These relations and subsequent tensions are shown the table below.

<table>
<thead>
<tr>
<th>Core business</th>
<th>Public actors</th>
<th>Private actors</th>
<th>Tension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core business</td>
<td>Objectives: public objectives</td>
<td>Objectives: realising profits</td>
<td>Different problem definitions: political risks in expectations versus market risks in annual figures</td>
</tr>
<tr>
<td>Continuity: political conditions</td>
<td>Continuity: financial conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Values</td>
<td>Loyalty</td>
<td>Competitive</td>
<td>Government reluctant in process versus private party reluctant with knowledge</td>
</tr>
<tr>
<td>Devoted to a public cause</td>
<td>Devoted to consumer preferences</td>
<td>Government reluctant in result versus private parties reluctant with their own effort</td>
<td></td>
</tr>
<tr>
<td>Controlled by politics</td>
<td>Controlled by shareholders, based on results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emphasis on risk avoidance and preventing expectations</td>
<td>Emphasis on market opportunities and risk, and innovations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategies</td>
<td>Search for ways to guarantee substantive influence</td>
<td>Search for certainties to produce and/or obtain a contract</td>
<td>Confrontation leads to a mutual locking-up of agreements, and thus to tried and tested types of co-operation (contracts)</td>
</tr>
<tr>
<td>Minimising expectations and insecurity of implementation costs</td>
<td>Minimising political risks and organisational costs as a consequence of public ‘viscosity’</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consequences for PPP</td>
<td>Emphasis on a limitation of risks and on agreements that lead to agreed procedures and public sector dominance</td>
<td>Emphasis on certainty of market share and profit, which leads to an expectant attitude and limited investments until the moment when the contract is acquired</td>
<td>The creation of added value through cross-border interaction is not realized</td>
</tr>
</tbody>
</table>

Table 7 – Relation and tensions in Public Private Partnerships (Klijn & Teisman 2003)
Different models of public private partnerships are applied in urban development practice. Five ideal types of cooperation models are commonly used in Dutch urban development practice: Public Realisation, PPP Building Rights, PPP Joint Ventures, PPP Concessions, and Private Realisation (Heurkens 2012, p. 148). Each model implies a different role for public and private actors. The table below shows the roles of public and private parties per development process stage within these five PPP models.

<table>
<thead>
<tr>
<th>Development stage</th>
<th>Sub-stage</th>
<th>Public Realisation</th>
<th>Building Rights</th>
<th>Joint Venture</th>
<th>Concession</th>
<th>Private Realisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initiative</td>
<td></td>
<td>Public</td>
<td>Public or Private</td>
<td>Public or Private</td>
<td>Public</td>
<td>Public or Private</td>
</tr>
<tr>
<td>Plan &amp; Feasibility</td>
<td>Vision and program</td>
<td>Public</td>
<td>Public &amp; Private</td>
<td>Public &amp; Private</td>
<td>Public &amp; Private</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td>Design plan</td>
<td>Public</td>
<td>Public &amp; Private</td>
<td>Public &amp; Private</td>
<td>Private</td>
<td>Private</td>
</tr>
<tr>
<td>Realisation</td>
<td>Land development</td>
<td>Public</td>
<td>Public</td>
<td>Public &amp; Private</td>
<td>Private</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td>Real Estate</td>
<td>Public</td>
<td>Private</td>
<td>Together or Private</td>
<td>Private</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td>Development</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
</tr>
<tr>
<td>Management/</td>
<td>Maintenance public</td>
<td>Public</td>
<td>Public or Private</td>
<td>Public or Private</td>
<td>Public or Private</td>
<td>Private</td>
</tr>
<tr>
<td>Operation</td>
<td>space</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land use policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Public or Private</td>
</tr>
</tbody>
</table>

Table 8 – Public & Private roles in Dutch PPP models (Heurkens 2012; Kenniscentrum PPS 2006)

**Public private power balance**

International differences regarding public private power balance are reflected PPPs. In countries characterised by a strong public tradition, like The Netherlands, public private partnerships seem to be dominated by the public domain. In contrast, private sector dominates PPPs in countries characterised by private sector dominance (Heurkens 2012). The power balance is related to the role obtained by the government. A dominant private sector implies a more enabling and regulating role for the government. While a strong public dominance relates to a providing role for the public domain. Heurkens (2012, p. 93) relates the role of the government, public private power balance and types of partnerships in the figure below.

![Figure 13 – Public-Private Partnership spectrum (Heurkens 2012)](attachment://image-url)
As we have described in chapter 2, public private partnerships in The Netherlands, like joint-ventures, are hard to set up due to the economic conditions. Based on the changing conditions and the growing emphasis on private money one could expect a more passive role for the government could predominate the future of PPPs in The Netherlands. Thus, if investors are expected to obtain a bigger role in urban development projects it will affect the role the government has to take.

3.2.5 Management activities

The sections above described urban development projects based on management perspectives, strategy, roles and public private power balance. But how are these perspectives translated into actual management activities? This section elaborates on management activities, tools and resources applied in urban development projects.

Project and process management activities

As mentioned in the introduction of this paragraph the emphasis on process management does not exclude project management as relevant approach to urban development projects. Heurkens (2012) endorses the complementary character of project and process management in the process of urban development. Hence, he distinguishes both project and process management activities to be carried out by both public and private actors. Heurkens (2012) relates project management to the object-related activities in the development project. Thus, in terms of project management activities, the urban development project is seen as the object. Urban development projects, or real estate project in general, are often described as cyclical processes consisting of four stages; the initiation, design, realisation and maintenance phase (Wolting 2006). Heurkens (2012) translates these stages to related project management activities performed by both public and private actors, namely; initiating, designing, planning and operating.

Based on Bult-Spiering and Dewulf (2006), Heurkens (2012) relates process management activities in development processes to the sociological aspects negotiation and decision-making as public private cooperation is characterised by trading-off objectives. Thereby, negotiated decisions have to be made regarding the physical development plan. This implies actors can influence what is being built by the process management activities negotiating and decision-making. However, these management activities concern the interaction between the public and private actors, being shareholders in the urban development plan. Another level of interaction has to be considered as urban development is not solely about public and private shareholders. Stakeholders, such as the community, can hamper the development process, therefore communicating is considered as a way public and private actors can influence the process (Heurkens 2012).

Management tools and resources

Next to project and process management activities, Heurkens (2012) identifies both tools and resources by which actors can influence a development project. According to Heurkens (2012) the planning tools shaping,
regulating, stimulating and capacity building can be considered as management tools for urban development projects, as in practice they are "intended to secure or realize spatial policy objectives and interests". Furthermore, Heurkens (2012) elaborates these tools are not at all restricted to the public domain. In other words, these management measures are to be used by both public and private parties.

Regarding the means by which planners help construct markets Adams and Tiesdell (2010) describe the planning tools shaping, regulating and stimulating. From the perspective of spatial planning they described shaping as measures that "set an important context for market actions and transactions" (Adams & Tiesdell 2010). In the context of urban development projects shaping could imply providing the right conditions for collaboration, investment and development of the site. Although applying planning tools as development and regulatory plans are reserved for the public domain, establishing a spatial vision can be provided by private actors. Development control and restrictive covenants are considered regulating measures that restrict market actions and transactions (Adams & Tiesdell 2010). Market stimulation tools can be applied to “lubricate market actions and transactions” (Adams & Tiesdell 2010). In terms of urban development projects ‘development subsidies’ and ‘compulsory purchase’ are considered stimulating measures. Capacity building includes the engagement of actors in order to “identify and develop desirable strategies for market action” (Heurkens 2012).

Heurkens (2012) distinguishes three main types resources that necessary for the realisation of an urban development plan; land, capital and knowledge. The allocation of resources between the involved public and private parties affects the power balance between the actors. Public and private actors can utilize their resources in negotiation in order to influence the urban development process and thus obtain a more powerful and influential position. Subsequently this position can be exploited to influence decision-making. According to Heurkens (2012) this suggests that resources can be considered as management measure.

**Conceptual public-private urban management model**

Based on the above described management activities, tools and resources, Heurkens (2012) developed a conceptual model (figure 14) that embodies the management measures public and private parties can utilize in urban development projects. This conceptual model is used as an analytical model for conducting case studies in this research.

3.2.6 Conclusions

This section elaborated on urban development strategies, management and organisation of urban development projects. Daamen’s (2010) conceptual framework has embedded urban development strategies in its context. Based on Mintzberg’s strategy formation theories, urban development strategies can be described based upon strategic planning, visioning, venturing and learning. Based upon these frameworks, strategies of urban development cases will be analysed in the empiric research phase. As described the urban development strategy will affect the role of involved public and private actors. Therefore it is considered
necessary to study the roles of public and private parties as well. Based on the conceptual model concerning management activities and instruments, public and private roles in the researched cases will be analysed.

3.3 Conclusions

This chapter introduced investor-led development and the characteristics of different types of investors and investment decision-making, compared to the characteristics of urban development projects. In the last paragraph management perspectives of urban development projects are described, including strategies, public private partnerships and management instruments and tools. Based on the frameworks provided we are able to analyse urban development strategies of investor-led urban development projects. Based on these findings we can examine which investors in The Netherlands are possibly able to obtain a more dominant role in urban development projects. In addition we can indicate what roles are required of both public and private parties in public private partnerships.
research methodology.

As explained in chapter one, section 1.8, the project entails a qualitative research. The main perspective is interpretive, as lessons are to be learnt from best practice investor-led development cases in foreign countries. There are several barriers and complications of qualitative research in general, and lesson-drawing specifically. Therefore, this chapter elaborates on the proposed research methods in order to develop a clear methodology framework for conducting the empiric part of the graduation project. To deepen the understanding of the applied research methods is not only valuable for conduction reasons; from the scientific perspective the applied research methods and results should be evaluated on validity and reliability, while gaining experience and understanding in academic research is one of the main objectives of this graduation project. The following research question is to be explored in this section:

*Why is lesson-drawing from foreign best practice cases an appropriate research strategy to explore define for investor-led development in The Netherlands, what are factors of success, how is the case study research positioned and what techniques are used?*

4.1 Lesson-drawing

According to Spaans and Louw (2009) lesson-drawing is mainly used to explore a common problem in various national, regional and local cases by focussing on differences in by focussing policies adopted by governments. The research methodology of lesson-drawing has a practical nature, as cases are researches, and is focussed on a specific issue (Spaans & Louw 2009). Several best practices are selected and analysed on structured way based on a research objective. According to Rose (in Spaans & Louw 2009), lessons drawing is not only about what to do. Lesson-drawing can also imply what not to do.

Janssen-Jansen et al. (Janssen-Jansen, Spaans & Van Der Veen 2008, p. 8) discuss to what extent lessons can be transferred from one case to the other. Three levels of transferring knowledge from one country to another are distinguished: inspiration, learning and transplantation. Inspiration is described as a way to collect and valuate information from innovative practices. When learning form practices the collected information is adapted. The most intensive level of transferring knowledge is transplantation, in which the innovative practice is adopted by the receiving country. In transplantation, planning practices can be adjusted to local circumstances (Janssen-Jansen, Spaans & Van Der Veen 2008). In the table below Heurkens (2012, p. 124) provides an overview of the levels of lessons-drawing and likeliness of a successful transfer. As this research is focussed on transferring experiences and lessons between countries with a different planning system, inspiration and learning are relative levels of lesson-drawing.
Table 9 – Levels of Lesson-drawing & likelihood of transfer (Heurkens 2012)

<table>
<thead>
<tr>
<th>Levels of lesson-drawing</th>
<th>Definition</th>
<th>Transfer within one country</th>
<th>Transfer between countries with similar system</th>
<th>Transfer between countries with different system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspiration</td>
<td>Collecting &amp; Evaluating data &amp; information on innovative experiences and practices</td>
<td>LESS LIKELY</td>
<td>LIKELY</td>
<td>VERY LIKELY</td>
</tr>
<tr>
<td>Learning</td>
<td>Adopting the information collected &amp; evaluated in the inspiration phase, including retrieving underlying ideas &amp; recognizing obstacles &amp; differences</td>
<td>LIKELY</td>
<td>VERY LIKELY</td>
<td>LIKELY</td>
</tr>
<tr>
<td>Transplanting</td>
<td>Looking at specific conditions under which the transfer of policy, instruments or other elements to another context is possible</td>
<td>VERY LIKELY</td>
<td>LIKELY</td>
<td>LESS LIKELY</td>
</tr>
</tbody>
</table>

Why lesson drawing?

This research aims to explore ways in which investor-led development is practiced in urban redevelopment projects in foreign countries and which of these approaches could be a solution for the challenges in Dutch planning and development practice. As mentioned the selected research strategy is to draw lessons from best practice cases in both the United States as the United Kingdom. In the next section tries to explain and support the relevance of this strategy regarding the main research objectives.

According to Rose (in Spaans & Louw 2009) every country encounters problems of which they think they are unique. He argues it would be abnormal if an encountered problem would be unique. No problem or issue is unique, and therefore learning lessons from the way other countries have coped with a similar problem can be valuable. Moreover, due to the growing globalisation and the improved forms of communication Spaans and Louw (2009) argue it is more common to look for solutions across the border than in the past. In this case, the research is about the planning and development process in which public and private actors work together. As the private actors act in the same planning and development system, lesson-drawing is also relevant for these actors (Spaans & Louw 2009).

As explained in the problem analysis in section 1.3, Dutch planning and development practice is subject to structural changes due to the economic crisis and the changes in public and private roles. The emphasis is more and more on private sector-led development as the government cannot fulfil its dominant role. Although it is impossible to forecast whether the new challenge in urban development will result in more private sector-led, and especially investor-led development, it sure is one of the possible solutions to the changed conditions. As emphasis on private money, a less dominant role of local government and an growing emphasis on Anglo-Saxon and Neo-Liberal values (see section 2.3) are amongst these changed conditions, it seems relevant to draw lessons from investor-led urban development cases in countries in which these conditions are already present.
Whereas investment by private actors for societal purposes, inherent to urban redevelopment projects, seems non-negotiable in The Netherlands, societal goals are fulfilled in private sector-led developments in other countries (Adair et al. 2000). This proofs that the problems Dutch planning and development practice is facing are not unique. Therewithal the institutional, social, economic and cultural values are changing in The Netherlands. It is even argued that the Dutch and English planning system are moving towards each other (Spaans & Louw 2009). These arguments support the relevance of lesson-drawing from investor-led development cases in both the United States, as the United Kingdom. Furthermore, influenced by the economic conditions, the openness and willingness to innovation and change management are characterizing the current Zeitgeist, and even seem to have penetrated into public institutions. This is shown in both governmental statements (Minister van Binnenlandse Zaken en Koninkrijkrelaties 2012) and innovative urban projects (see Pius-haven Tilburg). This supports the active stance from the recipient actors which is required for successful lesson-drawing (Spaans & Louw 2009).

4.2 Factors of Success

We have defined the main research strategy subject to this project, lesson-drawing. As described in the research proposal, one of the main aspects in conducting case studies in this research is exploring factors of success. The empiric research question includes; what factors of success lie behind the urban development strategy and public private partnerships? This section explores the theory regarding factors of success in urban development.

Successful urban development projects

Hobma (2011) distinguishes two main aspects in how to measure success. In terms of the process, success is considered based on the teamwork and collaboration between involved actors. On the other hand success can be considered as product-related, which regards the urban development as end-product. Both aspects of success are not inseparable. So to say, a public private partnership can be a success based on how actors worked together, while the key goals of the involved actors are not realised in the urban development. In this research both process and product related factors of success explored, though emphasis is on process-related success factors as it is tried to develop a framework for public private collaboration in investor-led development.

In addition Hobma (2011) argues we have to consider on who’s judgement success of a project is defined. It is likely various actors will define the project’s success in different ways. Do we consider the judgement of success by the shareholders, like the investors or developers, or do we consider the opinion of stakeholders, such as the inhabitants of the redeveloped urban area? As this research is focussed on the collaboration between public and private actors, will mainly consider judgement of shareholders of an urban development project.
Factors of success

Although the previous section describes the perspective of how success is considered in this research, we could still list endless success and failure factors regarding the cases subject to this research. Thus, a further defining of ‘factors of success’ is needed. According to Hobma (2011) it seems appropriate to distinguish different levels of success to be able make an analytical classification. Hobma (2011) defines context variables, veto criteria or necessary conditions and critical success factors as levels of success factors.

The first level is based on the context variables. Considering urban development projects these so called exogenous factors include the economic and political climate, cultural background, demographics and changes in legislation and regulations. The context variables have an influence on the success of an urban development project, though these factors cannot be influenced by the actors. Hobma (2011) describes veto criteria as ‘necessary but not sufficient for success’. Not considering veto criteria can result in undermining necessary goals of involved actors and consequently might threaten or even end a collaboration between parties. Hobma (2011) discusses a number of necessary criteria including project scope, economic feasibility, timely acquisition of land and realistic cost estimates. Veto criteria can be driven by a single actor or all actors involved in a partnership. In contrast to context variables these criteria can be modified. The third and last level of success factors incorporates the critical success factors. According to Hobma (2011) these factors of success have a major impact on whether a project is successful but despite their impact they are difficult to be dealt with. The critical success factors discussed by Hobma (2011) include trust and openness between actors, leadership, reduction of complexity, (brand) image of the redevelopment site, proactive policy makers and process-competent designers.

4.3 Case Study: methodology, techniques & selection

4.3.1 Methodology

As understanding complex issues, such as strategies in urban development projects as proposed in this research plan, is the main aim, qualitative research is most applicable. Qualitative research focusses on the ‘meaning of action’, and refers to ‘essences of people, objects or situations’ (Heurkens 2012, p. 119) which are represented in urban development projects. To collect and analyse data, and to draw lessons thereupon, case study methodology is used. Yin (2003, p. 13) defines case study research as “an empirical inquiry that investigates a contemporary phenomenon within its real life contexts, especially when the boundaries between phenomenon and context are not clearly evident”.

Based on the network theory, urban development projects can be observed as a system in which different social relations are present. According to Swanborn (1996) one of the positive considerations to choose for case study methodology is its ability to clarify social relations in a system. Case study research excellent methodology to gather detailed knowledge regarding a social phenomenon. Moreover, this methodology is
mainly deployed on ‘design problems’, such as an urban development strategy. By using conducting case studies, insights and possible solutions concerning experienced issues and problems can be provided and used to develop an optimal strategy (Swanborn 1996).

Case study research has been subject to many critical discussions. Heurkens (2012) points out two main issues; the bias toward verification and the validity of case study research. It is argued that case study research contains a bias toward verification (Flyvbjerg 2006). This bias means case study research show a tendency to confirm the preconceptions of the researcher. According to Flyvbjerg (2006) experience has shown that case study does not contain a greater bias toward verification compared to other research methods, on the contrary it seems to contain a greater bias toward falsification of the researcher’s preconceptions. Though case study research allows more room for the subjective view of a researcher. To deal with this subjectivity, more multiple case studies are conducted. Critics argue that, due to context-dependency, the validity of case study results, i.e. practical knowledge, is less valuable compared to theoretical (context independent) knowledge (Heurkens 2012, p. 120). To deal increase the validity of the research results, triangulation of data gathering is applied. Lewis-Beck et al. (2004, p. 1142) describe triangulation as “the use of more than one method or source of data in the study of a social phenomenon so that findings may be cross-checked”.

4.3.2 Techniques
This section elaborates on the techniques used in the case study methodology regarding this research. First data gathering techniques are described. Thereafter, the way findings are analysed is discussed.

Gathering data
Activities of data collection in qualitative research mainly include examining, asking and watching (Heurkens 2012). These activities are related to three research techniques: document reviews, interviews and site visits. These techniques are used to gather data in this research. Document reviews include relevant project information, such as planning documents and development plans, contracts and agreements between involved actors, and project-related literature. The data is analysed and processed in the case study descriptions. Interviews are conducted to collect more in-depth and detailed information regarding relevant subjects, and to learn about experiences of public and private actors, in order to generate a better understanding of social relations between involved actors. To understand the project’s role, or position, in within its context, the city, site visits are done. According to Heurkens (2012) site visits provide “a more balanced understanding of the physical, social and economic characteristics of the project.”

Analysis
In order to draw lessons from the collected data, the information should be analysed. According to Heurkens (2012) the data should be reduced and organised before conclusions can be drawn. Based on Miles and Hubermann (1994), Heurkens (2012) describes three ‘flows of activity’. At first data should be reduced by selecting, abstracting, focussing, simplifying and transforming data. The reduction of data is based on the
objectives of this research presented in chapter 1. Computer-aided programs such as Atlas.ti can be used to analysis data from interview transcripts. The second activity concerns data display. Data display includes the organisation and compression of collected data. Amongst others, the frameworks presented in chapter 3 will be used to display the information. Based on the reduced and displayed data, conclusions can be drawn (Heurkens 2012).

4.3.3 Case selection

As described a multiple case study is to be performed in this research. This section elaborates on how many and which cases are selected. First scope vs. depth is discussed. Criteria are described whereupon cases are selected. Lastly a selection of cases is made that will be subject to this research.

Scope versus Depth

Comparing of multiple cases more valid conclusions, or lessons, can be drawn for a broader populations. Thereby, this graduation research is bounded by time, which should be considered while deciding how many cases are researched. Rather than drawing general conclusions, this research is focussed on drawing lessons on a variety of variables. The objective is to gain in-depth knowledge concerning urban development strategies in investor-led development. To be able to get a better understanding about these strategies and related public private partnerships, depth is chosen over scope. At least two cases are chosen to be able to perform a cross-case analysis to define whether findings are context-dependent or –independent (Heurkens 2012). Considering time and the orientation on in-depth knowledge two cases chosen to be researched in this graduation project.

Selection criteria

Swanborn (1996) describes several methods to select cases. Based on pragmatic and content-based reasons, a list of selection criteria is developed. Pragmatic considerations are time, money and network. As cases are conducted abroad, having leads and context in my network is considered most important. The content-, or substance-related considerations include information intensity, phase of development, actor variance and emphasis on incremental or integral. The last two criteria are based upon the research objectives. A variance in actors, i.e. developing and non-developing investor, is needed to provide insights in actor-related differences in urban development strategies. A difference in emphasis on either incremental or integral development will provide a broader view on how flexibility and uncertainty are managed. A pre-selection of cases is made based upon the discussed cases during graduation consults and cases discussed during presentations on several urban development conferences.
Case study selection

In the table below four cases are compared on the criteria set above. Based on this comparison South Lake Union, Seattle US, and Strand East, London UK are selected to be analysed in this research. Both cases differ in type of investor and development approach. Liverpool Waters is considered unsuitable since the development is yet in the approval state. Although Frasers Broadway is already in development, this case is not selected due to the small size and the location.

<table>
<thead>
<tr>
<th>Project</th>
<th>Project owner</th>
<th>Type</th>
<th>Location</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Lake Union</td>
<td>Vulcan Real Estate</td>
<td>Developing investor</td>
<td>Seattle, US</td>
<td>24 ha.</td>
</tr>
<tr>
<td>Strand East</td>
<td>Inter Ikea Group</td>
<td>Investor</td>
<td>London, UK</td>
<td>Mixed-use redevelopment 10.4 ha.</td>
</tr>
<tr>
<td>Liverpool Waters</td>
<td>Peel Group</td>
<td>Developing investor</td>
<td>Liverpool, UK</td>
<td>Mixed-use redevelopment 60 ha.</td>
</tr>
<tr>
<td>Frasers Broadway</td>
<td>Frasers Ltd.</td>
<td>Investor</td>
<td>Sydney, AU</td>
<td>Mixed-use redevelopment 3.6 ha.</td>
</tr>
</tbody>
</table>

| Accessible/Affordable | ++/- | + | + | -- |
| Network | ++ | + | + | + |
| Information intensity | ++ | +/- | +/- | + |
| Development phase | realisation | start realisation | approval | realisation |
| Incremental/integral | Incremental | Integral | Incremental/Integral | Integral |
planning master 4.

In the final chapter of this research proposal an outline of the planning ‘master 4’ is given. In this period the largest part of the graduation research is conducted, the empirical research. This section chapter elaborates on the planning of the research design as shown in chapter one. Thereby a preliminary table of content of the final graduation research report is provided. This table of content should clarify the structure of the research.

5.1 Planning

The planning of the graduation project is visualised in the chart below. If approved, the preparation of case studies starts by making contacts and preparing research techniques. From the end of August until the end of September the case studies should be conducted. After conducting the case study research the findings are analysed. During the P3 presentation all data should be processed. The analysis of the findings continues during the P4 phase of the research, in which drawing up lessons and recommendations, and working on the report are the main objectives. From the midst of August until the end of the graduation project an internship at a consultancy or developing investor is preferred.

![Figure 15 – Planning graduation project](image)

5.2 Content final graduation report

In this section a preliminary table of content of the final graduation report is given. The table of content should reflect the intended structure of the research.

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<td>1.4 Problem statement</td>
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