URBAN DEVELOPMENT TRUST
Possibilities & Limitations for Dutch Urban Area Development
Boudewijn Stumpel

“We cannot solve our problems with the same thinking we used when we created.”
- A. Einstein -
Colophon

Urban Development Trusts
Possibilities & Limitations for Dutch Urban Area Development

27th of January 2014

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Preface

The thesis ‘Urban Development Trust’ – Possibilities & Limitations for Dutch Urban Area Development will reflect a mixture of two different interest: business administration and technical (development) sciences. Due to the fact I have fulfilled two different bachelors (Business Administration & Architecture), I preferred to apply these different types of knowledge and skills.

The study Architecture has a broad field of disciplines, resulting in many different interests. During my study these interests have been converged more and more towards the disciplines management & development. Two domains that pretend to have a healthy, almost inseparable, interconnectedness.

A type of development that is discussed more often the recent years and for that reason undergoes a rapid metamorphosis is ‘Urban Area Development’ (UAD). This in-depth debated evolution of the new reality in the UAD-practice illustrates the interconnectedness very well. It is the source for my thesis and thereby the choice of my graduation direction.

The challenges & opportunities in the new reality for urban development projects will be the fundament for this thesis. Urban development projects should be sustainable, because it is ecologically, economically and socially extremely urgent. Therefore, the UAD-practice need to re-thought, restarted and continued once more, because the space of places unites many aspects and interests within our society.

Due to the financial-economic situation, new revenue models could be a solution for (part of) the problem. A promising revenue model – that can adopt various structures – is an Urban Development Trust (in Dutch: Gebiedsfonds). Trusts mechanisms are widely used in the financial markets, also for real estate investments. The ‘Urban Development Trust’ (UDT) will be the main subject of this thesis, since it appears to combine the two interests in many respect.

An UDT is concerned as a promising revenue model, because it has been suggested in many of these in-depth debates. On the contrary, the lack of knowledge and the absence of practice examples makes it hard to regard if it really brings success for Dutch urban development projects. Looking into more detail will provide more knowhow and insight into Urban Development Trust. For instance, how it should work and to what extent it can facilitate the overall business model for sustainable and feasible urban development projects. Perhaps it complies with the new challenges & opportunities in the new reality of the UAD-practice.

Finally, I would like to thank my two supervisors Erwin Heurkens and Fred Hobma and my CBRE graduation company attendant Casper van Grieken. On the basis of their critical but useful assistance and helping me drawing up this thesis. Encompassing the research proposal, research methodologies, theoretical framework, analytical framework, context-dependent conditions, single case study research, learned lessons and the conclusions & recommendations.

Boudewijn Stumpel | 27th of January, 2014
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ENGLISH SUMMARY

Urban Development Trusts Possibilities & limitations for Dutch UAD

Boudewijn Stumpel

Introducing the research question

This research is in line with the chair of Real Estate & Housing concerning the new era of Urban Area Development (UAD). This research can be regarded as a follow-up study on the doctoral thesis of Heurkens (2012). ‘Central to both studies lays the concept of private sector-led urban development projects. Such projects involve project developers taking a leading role and local authorities adopting a facilitating role, in managing the development of an urban area, based on a clear public-private role division. Such approach is quite common in Anglo-Saxon urban development practices, but is less known in Continental European practices. Furthermore, the Dutch UAD-practice finds itself in a new era full of challenges & opportunities. UAD projects are struggling to achieve successes. There has been a search for appropriate solutions. New or alternative approaches, like the Anglo-Saxon development approach, have been discussed rather extensively by many academics & practitioners. Two promising alternatives are the ‘new collaborative arrangements’ and the ‘new revenue models’. Heurkens (2012) researched unfamiliar collaborative and managerial roles of public & private actors in private sector-led projects concerning the Dutch & the UK contexts. This research focuses on new revenue models. One of these promising suggestions and, therefore, central to this research, is the revenue model ‘Urban Development Trust’ (UDT). Nonetheless, remarkably little theoretical & empirical knowledge is available about how UDTs work and what the effects of UDTs are on their overall business model. This research provides an answer to the following research question:

To what extent will the revenue model Urban Development Trusts be able to facilitate the business model for successful urban development projects?

Indication for a new approach to the Dutch urban area development practice

Considering the professional journals over the past few years, we will experience a significant turn in the reviewed issues, which increasingly focus on the urgency of sustainability & feasibility in urban development projects. The current socio-cultural & environmental trends affect society in miscellaneous levels, both mentally and physically. Hence, our living environment. The trends relate to ‘urban growth or congestion’, ‘structural urban stagnation or decline’ and ‘demographic changes’. In addition, the structural issues of ‘climate change’, ‘energy consumption’ and ‘globalization’ require a more sustainable use of spaces. Therefore, it remains of great importance to (re)develop our living environment, which manifest itself in urban areas. Because urban areas accommodate our general social experiences and lifestyles as well as our norms & standards. Besides, high quality spaces will determine the success of our well-being and economy.

Furthermore, the financial-economic situation has changed dramatically over the past few years. Currently it has led to a complication of interests and important development actors experience the financial consequences & risks differently than they did ever before. Initiatives to finance and to develop urban areas remains out of order, due to the long-term investment perspectives and associated uncertainties (Van Rooy, 2011). The market conditions for UAD projects are alarmingly miserable. Together with the socio-cultural & environmental trends, it emphasizes the interconnectedness & complexity of the problem, as well as the urgency to continue urban developments on an area level. A new reality emerged. The current way of thinking does not seem to solve the lack of sustainable & feasible UAD initiatives. Albert Einstein once said:

“We cannot solve our problems with the same thinking we used when we created them.”
Literature review & single case study research using a lesson-drawing method

The research process will be an iterative process and subdivided in phases. Each phase, represented by a different chapter, encompasses its own goals, objectives and results, which are built on the previous phase, leading to an iteration or continuation. Different methodologies will be used to answer the research question systematically & scientifically valid. This research will be a qualitative, in-depth & project-based research. The research will include some theoretical components to explain the technicalities of the UDT, but essentially it is a practice-oriented research. Various methods will be used to collect, analyse & triangulate data, which are ‘desk research’, ‘empirical single (pilot) case study’ and ‘lesson-drawing’ from the case study findings. Multiple data sources will be used and will be collected by the research techniques ‘literature review’, ‘semi-structured interviews’ & ‘site observation’. For the first research phases, particularly the desk research method will be applied. Supported by the technique literature review. In order to provide a semantic clarification of the real estate fund industry (theoretical framework) and an elaboration on success with regard to UAD projects (analytic framework). For the empirical research phases, particularly the case study method will be applied, supported by all 3 techniques. In order to provide in-depth empirical knowledge and to understand the practical implications of an UDT revenue model and its overall business model for an UAD project.

The single case study method will lack representativeness & external validity compared to the cross-case study method. However, this in-depth method makes it often easier to establish the veracity of a causal relationship than in cross-case research, due to its internal validity. Choosing the right case will be crucial when conducting a single case study. In this stage of theory-building the selected case will be used as a pilot case to shed light on a larger class of cases. After all, the Dutch UAD-practice lacks empirical knowledge due to the absence of homogeneous practical examples. Besides, many academics & practitioners speak highly of the UDT, but only one gives a representative example: the Chiswick Park project in London. Therefore, to minimize the chances of misrepresentation and to maximize the access needed to collect the case study evidence, Chiswick Park will be potentially the most relevant case study to the issues and questions of interest. Besides, the force of example can be just as valuable as generalization. It helped many scientist to cut a path towards scientific innovation. Hence the pilot case can be used to determine whether or not the theoretical suggestions about the advantageous of UDTs for successful UAD business models are correct, or it might be more relevant to have some alternative set of explanations. All in all, the empirical results will be valuable lessons for both the theory and practice. The lesson-drawing method will be used to explain these learned lessons and to provide insight into similarities & differences. Also inspirational lessons from the UK practice will be given, taking into account the context-dependent institutional conditions.

Essentially four research steps will be taken to answer the main research question and are fundamental to cross-check theory with practice simultaneously with the preliminary concepts ‘UDT revenue model’ & ‘UAD business model’. Since, a revenue model is part of the business model and their associated principles will affect the remaining parts. So (1) the theoretical findings of the ‘UDT revenue model’ will be presented in a theoretical framework, while (2) the theoretical findings of a successful ‘UAD business model’ are presented in an analytical framework. The canvas model of Osterwalder, et al. (2010) will be used for both frameworks. The empirical findings will be explained in terms of (3) the revenue model and (4) the business model of the Chiswick Park project. Both in accordance with the canvas model to be able to compare these different findings properly (see Summary Figure A)
Changing context Dutch UAD: challenges & opportunities

In addition to the changing socio-cultural, financial-economic & environmental conditions also the changing context in the field of Dutch UAD contributes to the interconnectedness & complexity of the problem. These difficulties lead to the birth of a so-called ‘new reality’. Many practitioners (e.g. Urhahn Urban Design, 2010; Van Rooy, 2009) and academics (e.g. De Zeeuw, 2011; Heurkens, 2012; Van Joolingen, Kersten et al., 2009) argue about the challenges & opportunities in the new reality of the UAD-practice, but they all seem to agree upon one thing: ‘like we are used to develop; it does not work’, like Einstein referred to.

The context is changing, because it has to deal with a structural imbalance caused by the mismatch between supply & demand. UAD should actually focus on redeveloping, transforming, and rebalancing the current stock of estates, like regenerating brownfields. Also the financial distress causes changes, mainly decreasing the feasibility of projects. It is harder than ever to (pre)finance large scale & integral long-term projects, due to the cyclical conditions. In addition, projects lose out on ordinary allowances, like subsidies. Especially sustainable initiatives were dependent on them. At the same time, many important development actors encounter problems and most Public Private Partnerships (PPP) are currently not viable either. Roles are changing in the Dutch UAD context, wherein governments are shifting towards network governance entailing collaborative arrangements between public, private & civic society actors. The public-private power balance shifted towards a more private sector-led market, but a new balance is needed to facilitate the free market forces even more. Suggestions have been made, like attracting new partners to pick up the role of master developer, or alternative investment sources to finance projects to increase the feasibility. Think of pension funds or developing investors who are able to commit capital for the long-term, which is so important in UAD projects. But also traditional actors should join forces to enhance the development perspectives and distribute costs, revenues & risks more evenly. This could be valuable for projects and in line with the need for sustainability, because then projects could be integral, long-term oriented and demand-driven in order to create a win-win-win situation in the interest of the dimensions people-planet-profit (Triple P approach). Other challenges for the ‘new reality’ and changing the context are: increasing rate of specialization and thus fragmentation within sectors and development disciplines; small scale & organic developments instead of an integral approach; more attention needed for the management & operation phase; mismatch between current & future values; too detailed & static plans; win-lose thinking or known as the hit & run approach and finally impassable (sectorial) compartments. In return, these new reality issues will be the source of inspiration for innovation in the Dutch UAD-practice, like the two mentioned alternatives. These could facilitate the changing roles and financing requirements. This thesis focuses on the possibilities & limitations of one alternative: a new revenue model, in this case the ‘Urban Development Trust’. In recent times, the UDT has been promoted by many academics & practitioners (Agentschap NL & RVOB, 2011; De Zeeuw, Franzen et al., 2011; Heurkens, 2012; Peek, 2012; Van Luin, 2012; Van Rooy, 2011; Vos, Holt et al., 2012), because it could be a conducive model to deal with certain challenges & seizing opportunities in the new reality of the Dutch UAD-practice. This research aims to fill the knowledge gap concerning the UDT.

Revenue model Urban Development Trust: characteristics & associated principles

Revenue models are part of a business model. The canvas model of Osterwalder, et al. (2010) is a widely used method to explain the concept business model. They distinguish 4 ‘areas of business’, subdivided into 9 ‘building blocks’, which show the logic of how a company or project intends to accomplish its scope & intentions. The ‘areas of business’ and the underlying ‘building blocks’ are correlated and influence each other. The revenue model is one of these 4 ‘areas of business’ and determines the financial viability of business models. The finances are organized by the building blocks ‘cost structure’ & ‘revenue streams’. The ‘offer’ is the second ‘area of business’, containing the building block ‘value proposition’ and is the answer to customer
problems or needs. The ‘Customer’ area, consist of ‘customer segments’, ‘relationships’ & ‘channels’ and lastly, the ‘infrastructure’ area, consist of ‘key resources’, ‘key activities’ & ‘key partnerships’.

The UDT is a revenue model, because fundamentally ‘trusts’ are vehicles that pool assets and manages these assets. A way to organize the finances from a collective point of view, mostly for investment purposes.

Urban Development Trust is a term used to describe a revenue model where multiple stakeholders (state, market, civic society) will pool their resources, sharing interests and facilitate a short- & long-term finance, to be able to achieve a common and paramount objective to integrally develop, operate and manage an urban area (own definition).

Trusts are intermediaries, if you invest through trusts you invest in the ‘knowledge & expertise’ of someone else: the fund originators and operators. More often the term ‘fund’ is used, but they differ fiscally. Funds are mostly organized as companies having a ‘board of directors’, while trusts are mostly organized as non-profit organizations having a ‘board of trustees’. However, both terms are becoming all-purpose words, despite the significant differences and the many variations that are possible for both terms. To give a first impression, the vehicles could be ‘listed’ or ‘non-listed’ vehicles, having a ‘core’, ‘value-added’ or ‘opportunist’ strategy. Fundamentally, there are 3 types of structures, ‘open-ended’, ‘closed-ended’ & ‘unit investment trust’ vehicles, mainly differing in their issue-redeemption mechanism, which is made up of the ‘variability in the number of shares’ & the ‘corresponding trading mechanism’. A lot of confusion is caused by the term ‘Unit Trust’, because UTs are able to mix the characteristics of both the open-ended & closed-ended types. Besides, as explained, UTs are non-profit organizations and registered under the ‘trust deed’. See Summary Table A.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Open-ended</th>
<th>Close-ended</th>
<th>Unit Investment Trust (UIT)</th>
<th>Unit Trust (UT)</th>
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<td>Variability in the number of shares</td>
<td>Unlimited</td>
<td>Fixed</td>
<td>Fixed</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Trading mechanism</td>
<td>Daily at NAV</td>
<td>Open market sale</td>
<td>Hybrid</td>
<td>Daily at NAV or Open market sale</td>
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<tr>
<td>On-going management</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Board of Trustees</td>
</tr>
<tr>
<td>Lifespan</td>
<td>Infinite</td>
<td>Finite</td>
<td>Finite</td>
<td>Infinite</td>
</tr>
</tbody>
</table>

Summary Table A: Comparison of Pooled Investment Vehicles

For various reasons fund vehicles are increasingly used for real estate purposes. There are numerous methods to create funds and there are plenty of possibilities to satisfy the requirements of investors. The spectrum of possibilities can be distinguished by structural characteristics, the amount of liquidity & costs and the benefits & drawbacks of these vehicles. Some main forms are the ‘commingled funds’, ‘joint ventures’, ‘club deals’, ‘separate accounts’ and ‘fund of funds’. The collective name of these vehicles is Pooled Property Vehicles (PPV). Similar to the tax related differences as described above, PPVs can have different legal structures. In the UK the most common are the ‘Limited Partnerships’ (LPs) & the ‘Property Unit Trusts’ (PUT). LPs have one partner with unlimited liability and are usually finite structures. LPs do not need a formal registration per se, only a LOI. PUTs are similar to UTs and are a separate legal entity, formally registered under the trust deed. The unit holders are beneficiaries and have limited liability. The PUT types differ in the degree of authorization (management & marketability), are open- or closed-ended, exempt or non-exempt for tax treatment, are balanced or specialised (diversification) and are for onshore or also offshore investors.

The PPVs contain different roles & responsibilities to achieve the intended objectives known as the fund governance of PPVs, involving a set of relationships between the investors, managers (service providers) and non-executive officers. Investors will have some considerations and encounter some barriers before they invest.
Investors prefer to invest in PPVs with ‘like-minded’ fund managers & co-investors, which means an alignment of interests, having the same investment philosophy not only at the outset but also throughout its lifespan. The degree of control & involvement is another key consideration. The management of PPVs can be subdivided into fund, investment, asset & property management. Initially the fund manager will be appointed by the lead investors. The fund manager runs the operations of the fund and is expected to act in the best interest of the investors. Typically the fund manager is responsible for the other management functions as well. However, one might want to delegate and outsource these other functions. The non-executive officers have supervisory roles & responsibilities to monitor & control the (day-to-day) management activities. Different forms exist and they vary significantly, sometimes as service providers.

Also in the Netherlands PPVs are used for real estate investments at object, project & area level. The structures have different investment intentions which are ‘profit’ & ‘non-profit’ oriented. Profit oriented vehicles at project & area level differ from non-listed/open-ended to listed/closed-ended structures sharing characteristics of ‘bank loans’ and ‘REITs’ respectively. Non-profit oriented vehicles at project & area level differ from non-listed/open-ended to non-listed/closed-ended structures comparable to UTs and UDTs. Sinking funds resemble the research subject UDT, because their shareholders pursue a collective objective and finance the vehicle once to achieve a final result, indicating a finite lifespan. Two important differences between the area level PPVs and the UDTs are: (1) either the vehicle invests in a single project, which finds itself in the operating phase of its development life-cycle, or (2) the vehicle invests in several projects rather than the vehicle is set up for a single project. In addition, private actors will, in most vehicles, administer the fund governance activities. Finally, UDTs should not be misunderstood with the Urban Development Funds (UDF). UDFs are business models to contribute to sustainable UAD projects, similar to the second reason.

To summarize the findings of the literature review and to complete the first step of research, a theoretical framework will be given (Summary Figure B). Based on the literature, this framework will provide insight into the extent to which the UDT is able to facilitate or limit the creation & operation of its overall business model. The associated principles of the UDT will be enumerated in the remaining blocks, to understand the possibilities & limitations for each block. Thus, the effects that the UDT has on the functionality of its overall business model. The highlighted elements imply to correspond with some important new reality opportunities & challenges.

Summary Figure B: Theoretical Framework with the associated principles of the ‘Urban Development Trust’ in relation to its overall business model.
Successful UAD is a subjective manner, because everyone will have an different perspective in determining success. There is no ‘one size fits all’ criterion for success, and success is not an unambiguous concept. It is important to elaborate on the subjective manner ‘successful business model for UAD projects’, wherein the new reality will be the point of departure dominated by the key concepts sustainability & feasibility. The fundamental idea behind the new approach is that each urban area should use its own business model. In other words, the starting point in UAD projects should be the entire development life-cycle of an urban area, taking into account the current & future use. The relevant stakeholders should fit in their own business model.

These interrelated key concepts are reviewed by 4 key sources of literature and will be used to drawn up the analytical framework. The first source (Puylaert & Werksm, 2011) is about merging interests, create identity, connect ambitions & realities to improve the sustainability, and the urgency to redeem future value now to increase the feasibility. The second source (Agentschap NL & RVOB, 2011) raises the necessity of sustainability in UAD projects. It provides an optimal roadmap to find a revenue model suitable for an integral & long-term oriented finance of projects. The third source consist of two cohere books. The first book (Van Rooy, 2011) explores new revenue models to distribute authorities, risks & returns. The second book (Van Luin, 2012) builds on the creation of new value chains. The fourth source (Peek, 2012) aspires to implement the ‘new approach’ for UAD. Therefore this publication provides recommendations to implement new revenue models & new collaborative arrangements, and gives assistance in reformulating the development matter by focussing on the operation phase and an integral mind-set. These publications do not only contain a comprehensive point of view in this field of tension, but provides serviceable directives towards feasible and/or sustainable projects as well. This thesis used the 4 key documents to determine the ‘themes for success’, which are composed of several underlying ‘incentives for success’. These will be used to define the business model for success. Each building block of the canvas contains different incentives and explains how they will correlate with the overall business model. The presence of these incentives does not ensure success, but the implementation of these incentives will increase the chance of success. The highlighted elements appear to correspond with the associated principles of the theoretical framework (see Summary Figure C).
During the analysis and the allocation of incentives to a building block, two important discoveries have been made. First, the ‘art of connecting’ which is equivalent to the ‘infrastructure’ ‘area of business’. These blocks and their incentives for success concern the significance of joining up the different interests, processes and resources to be able to bring about & implement the value propositions: generation of values. The second discovery is the ‘art of distributing’ which is equivalent to the ‘customer’ area and concern the significance of mobilizing the value propositions or the generated values. The customer segments are all involved actors. Hence, urban areas should satisfy all involved needs both for current and future use. Therefore all-round values should be created. However in the end, principally all the stakeholders will act alone. It is crucial to detach & distribute these all-round values, to give each stakeholder the awareness of having received an either quantifiable or unquantifiable benefit (soft values).

**Institutional & contextual principles UAD practices: NL & UK**

The differences between institutional & contextual principles of the UK & the Dutch UAD practices should be understood, before lessons & conclusions can be drawn by comparing theoretical & empirical knowledge. Since, Chiswick Park is located in the UK and will entail contextual preconditions and comparison limitations. Due to the value & power shift, PPP models become more common for realizing urban projects in the Netherlands (NL). However, there are some important difference between the UK & the NL with regard to public-private collaborations. Most importantly, in the UK local authorities are not allowed to take risks and will only formally participate in PPPs. They will not play an active role in the development process only enabling & encouraging developments. Private parties take the lead. The UK planning system has administrative discretion in planning decisions. This judgment instrument facilitates the decision-making process by interpreting the public interests in a flexible way. But, it also constitutes market uncertainty about planning support & enforcement. There is no such thing as a binding land use plan, only indicative plans and are used as a basis for negotiations resulting in binding development rules. Often, this results in a pro-active attitude of both private and civic institutions in buying or protecting land for development, thereby securing their interests. Nevertheless, local authorities have ‘statutory powers’ to be able to exert sufficient influence on developments for the public interest. Mostly, applied to achieve acceptable developments in planning terms. For example, the development agreements & Section 106 agreements.

**Chiswick Park case study**

Peek (2012) prescribed Chiswick Park to be the prime example to learn lessons from. Nevertheless, a quick-scan has been carried out to determine the suitability of this pilot case in relation to this thesis. First, by using some important UDT characteristics. Followed by considering the level of success. Chiswick park turned out to be a multiple award winning project, both domestically & internationally. The case study has been conducted through case document review, site observation & several interviews. Interviews have been arranged with Stanhope (developer), Blackstone (owner), CBRE (consultant fund structuring) & Enjoy-Work (estate manager). The interview with Blackstone is not approved for inclusion, nor to use by source.

The former bus work site Chiswick Park has been redeveloped into an urban office park, located in London. The outline planning permission was granted for redeveloping a brownfield in (7) phases into an office park-like development containing office space, support facilities, car parks, landscaping, roadway works and improvements to public transport facilities. In collaboration with the design team, Stanhope realized solid, high-quality & flexible developments, being able to adapt to end-user needs as well as to provide a well-serviced design. The area has been integrated with the building designs, and acts as a model work environment including facilities to enhance the work-life balance of the end-users and supporting the concept of sustainability. Furthermore, the concept addresses the issues water collection & recycling as well as waste, energy efficiency, health programmes and improving the accessibility. But also less obvious issues, such as social sustainability programs for both the community & the occupiers. Onsite amenities have been provided to
achieve a mixed-use accommodation. The key to success was the creation of a low-rise business park that engendered a sense of community and integrated with the local context. Buildings are developed in a highly distinctive way, yet buildable and within the commercial constraints by using standardised & timeless elements. Chiswick Park is a full-service project to distinguish themselves from other attractive working environments. A whole set of services were designed to help the end-users enjoy, in this case, work, and is a fundamental factor for success. The outcome is evident, they created a new life-style.

This business model has been made possible by making use of a PUT revenue model. The landowner Kvaerner offered the area to Schroder Exempt PUT. In concert with Aberdeen (property advisor) and Stanhope they decided to act as a consortium to buy the area. However, more capital was needed, they discussed the matter to create a trust. The consortium agreed terms to create a PUT on acquisition. Schroder Exempt PUT, as lead investor, formed a ‘club of investors’. On acquisition, ChisPUT was put into operation, the capital was raised and the consortium was transferred into ChisPUT, as well as the area was injected. Schroder Property Managers, was appointed as the fund manager to create and operate ChisPUT. The lead investor conducted the ‘board of trustees’ assembling process, but in an iterative way. In consultation with the consortium members and the initial club of investors, they appointed RBS as the only trustee, to manage the contractual relationships on acquisition. After acquisition, RBS will monitor-control the relationships in the best interests of the unit holders. On acquisition, the fund manager contracted the consortium members Aberdeen and Stanhope as service providers. While RBS contracted Schroder Exempt PUT as an unit holder. Stanhope became the agent for the trust, contracting sub-service providers, like the architect. The fund manager contracted Enjoy-Work, when it was incorporated as separate company. Basically, all arrangements have been approved by the fund manager, which in turn is controlled by RBS. See Figure 32 for visualisation ChisPUT structure & (contractual) relationships on acquisition. ChisPUT is an indirect non-listed PPV, carrying out an opportunistic strategy, and has been structured as an unauthorized, closed-ended, tax-exempt, specialist and off-shore Jersey PUT. Originally the life of the trust would expire in 2009, but all the units have been sold successfully to the Blackstone Group at the start of 2011, while the developments would take at least until 2014. The somewhat new structure of ChisPUT will not be discussed for the purpose of this thesis. Thereby, Chiswick Park has been sold for the second time during the writing of this thesis. CIC agreed terms with Blackstone in early January 2014.

**Learned lessons**

In the end, the empirical knowledge obtained by case study research makes it possible to understand the differences between two context-specific UAD-practices and to parallel the knowledge about UAD business models & UDT revenue models. To start with, to deliver these kind of projects successfully it is fundamental to have long-term support & enforcement of local authorities. So far the project did not experience any limitations of the negotiable indicative plans. From a legal point of view, a public-private relationship was needed to get planning permissions. Local authorities used the development agreement & Section 106 (s106) agreement to safeguard public interests & to achieve acceptable development in planning terms. It has become clear that tax considerations are important to consider, since ChisPUT (Jersey PUT) is a context-specific vehicle. Therefore, this structures cannot be transferred to the Dutch context directly.

The ‘areas of business’ will be used to explain the learned lessons with respect to the building blocks and its content. First, the ‘offer’. What we can learn is that the ‘value propositions’ will determine whether or not the UAD project pursues an integral & demand-driven approach in a common win-win-win minded way in terms of different interests. ChisPUT collected investors who believed in this, in order to improve the sustainability & feasibility but more importantly to realize better returns for themselves. This gives rise to an important difference, because unit holders have to share the vision. Nevertheless, instead of having a vision in the best interest of the urban area they will develop the area in their own best interest (return). The people & planet aspects seem to have a submissive character and are rather demand-drivers. However, the case study demonstrated the added value for setting high standards to realize social & spatial qualities to improve current & future values. The UDT
could facilitate these propositions to increase the opportunities for success. Since, UDTs could support the implementation of an entire development life-cycle and having an unified estate management to be able to deliver and maintain these pre-conceived standards from start to end. See Summary Table B.

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value Propositions</strong></td>
<td><strong>Mind-sets</strong></td>
</tr>
<tr>
<td>• Common objective</td>
<td>• No common ‘paramount’ objective, because the investors are the point of departure in the business model instead of the urban area</td>
</tr>
<tr>
<td>• Spatial quality</td>
<td>• Unanimous point of view instead of the harmonious win-win-win situation</td>
</tr>
<tr>
<td>• Integral approach</td>
<td>• Submissive character sustainability in respect to feasibility &amp; profitability</td>
</tr>
<tr>
<td>• Demand-driven approach</td>
<td></td>
</tr>
<tr>
<td>• Current &amp; future values</td>
<td></td>
</tr>
<tr>
<td>• Soft &amp; hard qualities</td>
<td></td>
</tr>
</tbody>
</table>

Summary Table B: The offer area of business: similarities & differences between theory & practice.

Secondly the area ‘infrastructure’. In terms of ‘key partnerships’, UDTs allow you to compose different forms of collaboration. Principally these consist of investors & the originator. The state & civic society can be investors too. Investors have mutual interests and they share ownership, risks, costs, etc. The state will probably not take interest in an UDT, because it may lead to ‘conflicts of interests’. After all, as an investor they have to pursue two ambivalent interests (public & private) at the same time. Civic Society representatives will most likely not take interest in an UDT, due to the many involved risks. Besides, private parties will in all probability not invest with these actors either because it will be difficult to align interests to create a common investment philosophy. In terms of ‘key resources’, it can be concluded that the UDT offers optimal conditions to connect resources. Essentially PPVs pool resources, typically capital & knowledge. UDTs enable the unit holders to get hands on a larger sum of money and, therefore, finance the UAD projects easier. In terms of ‘key activities’, it can be concluded that UDTs allow business models to roll through development phases (vertical chain integration) and could facilitate the short- & long-term perspectives, because it can have an infinite or finite lifespan. UDTs can be structured in various ways. For instance, having capital introduced at different times to be able to split developments (organic growth), without losing any integral development objectives out of sight. It will be difficult to implement horizontal chain integration, because UDTs tend to invite tenders for other (sub)service providers when they are needed. See Summary Table C.

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Partnerships</strong></td>
<td><strong>Key Partnerships</strong></td>
</tr>
<tr>
<td>• Aligning different interests</td>
<td>• Only ‘market’ partners involved, instead of the ‘state, market &amp; civic society’</td>
</tr>
<tr>
<td><strong>Key Resources</strong></td>
<td><strong>Key Resources</strong></td>
</tr>
<tr>
<td>• Connect different types of resources</td>
<td>• Integrate ‘flows’ with ‘real estate &amp; use’</td>
</tr>
<tr>
<td><strong>Key Activities</strong></td>
<td><strong>Key Activities</strong></td>
</tr>
<tr>
<td>• Vertical chain integration</td>
<td>• Horizontal chain integration</td>
</tr>
<tr>
<td>• Split developments (organic but within an integral plan)</td>
<td></td>
</tr>
<tr>
<td>• Short-term &amp; long-term perspectives</td>
<td></td>
</tr>
</tbody>
</table>

Summary Table C: The infrastructure area of business: similarities & differences between theory & practice.

Thirdly the area ‘customer’. ‘Channels’ are the intermediary between the offer and the end-users. It concerns distributing authorities. The level of authorities in UDTs allow consultation with different type of end-users, but the degree of hierarchy determines that submissive roles & responsibilities will be organized by the fund manager, who works formally on behalf of the unit holders. ‘Customer relationships’ are not particularly facilitated by UDTs, because the relationships are settled by means of arrangements either formal or informal and, therefore, the reaction to the somewhat predetermined channel structure of UDTs. ‘Customer segments’ have a causal link with the value propositions, which have been explained. See Summary Table D.
<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer Segments (end-users)</strong></td>
<td><strong>Customer Segments (end-users)</strong></td>
</tr>
<tr>
<td>• All stakeholders</td>
<td>• Submissive character of the ‘state’ &amp; civic society’ actors (indirect end-users)</td>
</tr>
<tr>
<td><strong>Channels (levels of authority)</strong></td>
<td><strong>Channels (levels of authority)</strong></td>
</tr>
<tr>
<td>• Participation</td>
<td>• On behalf of the unit holders:</td>
</tr>
<tr>
<td>• Involvement</td>
<td>- Roles &amp; responsibilities</td>
</tr>
<tr>
<td>• Iterations</td>
<td>- Power</td>
</tr>
<tr>
<td>• Secure vision &amp; concept</td>
<td>- Control</td>
</tr>
<tr>
<td></td>
<td>- Coordination of disciplines</td>
</tr>
<tr>
<td><strong>Customer Relationships</strong></td>
<td><strong>Customer Relationships</strong></td>
</tr>
<tr>
<td>• Action (channels) = reaction (relationships)</td>
<td>• Action (channels) = reaction (relationships)</td>
</tr>
<tr>
<td></td>
<td>• An UDT does not facilitate the given incentives for success in this building block in particular</td>
</tr>
</tbody>
</table>

Summary Table D: The customer area of business: similarities & differences between theory & practice.

Finally, the ‘revenue model’ itself, consisting of ‘cost structure’ & ‘revenue streams’. What we can learn is that UDTs are appropriate revenue models to collect or distribute costs & revenues through the vehicle and in a proportional equal way. Also the risks & uncertainties can be divided more equitable among the unit holders. If needed, reinvestments can be organized well by UDTs. These characteristics correspond to the incentives for success. However, UDTs are not cost-efficient, rather expensive to run. The UDTs may reduce costs in terms of operation (economies of scope) or for transactions, but these do not outweigh the fee expenses, like the management and performance fees. See Summary Table E.

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost Structure</strong></td>
<td><strong>Cost Structure</strong></td>
</tr>
<tr>
<td>• Proportionally equal collecting &amp; distributing the costs among the unit holders</td>
<td>• Proportionally equal collecting &amp; distributing the costs among all stakeholders</td>
</tr>
<tr>
<td>• Cost carries</td>
<td>• Cost-efficient (UDTs are expensive revenue models due to its fees-based structure)</td>
</tr>
<tr>
<td>• Reinvestments or refinance (possible to replenish the UDT for new developments or setback)</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue Streams</strong></td>
<td><strong>Revenue Streams</strong></td>
</tr>
<tr>
<td>• Proportionally equal collecting &amp; distributing the revenues among the unit holders</td>
<td>• Proportionally equal collecting &amp; distributing the revenues among all stakeholders</td>
</tr>
<tr>
<td>• Soft values (quantify benefits through e.g. service charges)</td>
<td></td>
</tr>
</tbody>
</table>

Summary Table E: The ‘revenue model’ area of business: similarities & differences between theory & practice.

*Inspiration from the UK*

A private development partner, in an UDT, provides good possibilities to create long-term commitment, to align the interests between the developer & the investors, and to control & deliver good development standards. In addition, keeping the overall & long-term estate management in single hands has proven to be a successful approach. The UDT is an useable revenue model to facilitate this approach, without taking away the possibility to sell assets separately. It was also inspiring to learn that the varying ways to structure UDTs will depend on several considerations, like the overall business model, preference for capital or tax treatment and the interests of investors. Finally, keep in mind that planning instruments, like the section 106 agreement, should help the local authorities to safeguard the interests of public & civic society actors, to achieve acceptable UAD-projects in terms of different interests and without having to participate in an UDT.
General conclusions

All in all, the UDTs are appropriate revenue models to facilitate the business model for a successful UAD project, provided that disparate stakeholders (state, market, civic society) will pool their resources, sharing interests and facilitate a short- & long-term finance, to be able to achieve a common and paramount objective to integrally develop, operate and manage an urban area.

Nevertheless this would not be realistic, since investors of PPVs aim to co-invest with ‘like-minded’ investors, especially with regards to large, long-term, mixed-use, specialised and opportunistic UAD projects, carrying around many uncertainties. Therefore, investors seek more control & involvement to secure the alignment of interests. Especially with the fund manager, because he is responsible for the fund strategy and decision-making activities with regard to the investment and thus the development philosophy. So like-mindedness is key for PPVs, not only at the outset of the vehicles but also throughout its lifespan. For that reason, the likelihood is rather low to collect three types of investors which are intrinsically different. Furthermore, it will be difficult to find a competent fund management company that is able to represent their interests, because it are all profit-oriented organisations. Even so, the state has planning instruments available to represent and to safeguard public and, to a lesser extent, civic interests by negotiating with private parties.

Apart from the answer to the main research question, the overall conclusion of this thesis is: the value propositions of the business model will determine whether or not the UAD is an integral, demand-driven and win-win-win minded project to realize social & spatial qualities, to improve current & future values and finally, to deliver sustainable & feasible developments. If the value propositions are in line with this new approach then, indeed, the chances for success will increase. The associated revenue model, in this case the UDT, will only be a tool to implement these value propositions. Revenue models can facilitate or interfere these propositions. In other words, do not start by choosing an UDT, for instance, because some academics & practitioners believe and suggest that the UDT is a suitable solution for UAD projects, in order to make them feasible. No, on the contrary, it is the other way around. First, determine the current & future needs of the end-users. Secondly, define the value propositions in line with those current & future needs. Finally, find an appropriate revenue model that offers the most possibilities and the fewest limitations on the overall business model and thus, to implement and to maintain the value propositions as good as possible. Indeed, as explained, UDTs are convenient revenue models, offering appropriate possibilities and tolerable limitations. Not only to acquire different sources of capital to finance large, long-term, mixed-use and opportunistic projects, but UDTs can facilitate other incentives for success for UAD as well. To summarize, the different ways in which UDTs can be structured allows initiators to find an almost tailor-made vehicle that fits their context specific UAD project. The possibilities & limitations are:

- UDTs provide investors mutual interest (share costs, revenues, risks, uncertainties, setbacks etc.);
- UDTs allow you to collect & pool larger amounts of capital;
- UDTs allow you to unite different types of stakeholder (e.g. investor, developer & asset manager);
- UDTs allow you to introduce capital at different times, scheduled or when needed (refinance);
- UDTs are operated & managed by the fund manager, but on behalf of the unit holders;
- UDTs allow investors to develop & manage the whole assets base under one umbrella and throughout its entire development life-cycle;
- UDTs allow investors to sell assets separately without losing the management of the estate;
- UDTs may have trading mechanisms to secure the consistency (mutual interest & replace unit holder);
- UDTs may have trading mechanisms to provide investors some degree of flexibility (liquidity);
- UDTs can have infinite or finite lifespans facilitating either long-term & short-term objectives;
- UDTs are more likely to succeed with like-minded investors;
- UDT termination date brings continuity at risk (when common objectives not have been reached yet);
- UDT investors lose control by sharing interest (share in ownership, more units = more control)
NEDERLANDSE SAMENVATTING

Gebiedsfondsen: de mogelijkheden & beperkingen voor Nederlandse gebiedsontwikkeling

Boudewijn Stumpel

Introductie onderzoeksvraag


In hoeverre is het verdienmodel ‘gebiedsfonds’ in staat het succesvolle business model voor GO-projecten te faciliteren?

Indicaties voor een nieuwe aanpak voor de Nederlandse gebiedsontwikkelingspraktijk


Daarbij is de financieel-economische situatie drastisch veranderd in de afgelopen jaren. Dit heeft geleid tot een verstrengeling van belangen en belangrijke GO-partijen ervaren de financiële gevolgen en risico’s anders dan ooit. Initiatieven om GO projecten te financieren blijven buiten de orde door de langtermijn investeringsperspectieven en bijbehorende onzekerheden. De marktomstandigheden zijn alarmerend ellendig momenteel. Samen met de sociaal-culturele en ecologische trends benadrukt dit de ‘onderlinge verbondenheid en complexiteit’ van de GO problematiek namelijk: het ‘stagnatie probleem’. Het accentueert tevens de urgentie om ontwikkelingen op gebiedsniveau te consolideren. De huidige gedachtengang lijkt niet meer te werken voor de Nederlandse GO-praktijk, waardoor duurzame en haalbare initiatieven uitblijven. Albert Einstein zei ooit:

“We cannot solve our problems with the same thinking we used when we created them.”
Er is nieuwe realiteit ontstaan die vraagt om nieuwe aanpakken en deze kunnen beschouwd worden als nieuwe business models, die dus duurzaam en haalbaar dienen te zijn om GO-projecten voort te zetten. Harmonieuze GO-initiatieven zijn essentieel voor de toekomst van onze steden. Het gebiedsfonds zou een bruikbaar nieuw verdienmodel zijn om deze wens in vervulling te brengen, en om die reden de hemel in geprezen te worden door zowel academici als professionals (Agentschap NL & RVOB, 2011; De Zeeuw, et al., 2011; Heurkens, 2012; Peek, 2012; Van Luin, 2012; Van Rooy, 2011; Vos, et al., 2012). Het gebiedsfonds zou een gunstig model kunnen zijn om met de uitdagingen en kansen van de nieuwe realiteit om te gaan. Dit onderzoek streft er naar om deze vermoedens om te vormen tot bruikbare uitspraken en daarmee de kenniskloof te vernauwen.

**Literatuur en single-case study onderzoek met behulp van de lessentrekken methode.**

Het onderzoeksproces is opgebouwd uit diverse fasen maar verloopt iteratief. Elke fase wordt vertegenwoordigd door een ander hoofdstuk en omvat zijn eigen doelstellingen en deelresultaten, voortbouwend op de vorige fase. Verschillende methodieken zijn gebruikt om de onderzoeksvraag systematisch en wetenschappelijk geldig te beantwoorden. Dit onderzoek is een kwalitatief, diepgaand en projectmatig onderzoek. Verschillende theoretische componenten zijn gebruikt om de functionaliteiten van het gebiedsfonds uit te leggen, maar in wezen is het een praktijkgericht onderzoek. De methodes ‘bureauonderzoek’, ‘empirische (pij) single-case study’ zijn gebruikt om data te verzamelen en te analyseren. Ook de ‘lessentrekken’ methode is gebruikt, die voortborduurt op de casestudy bevindingen. Verschillende methodes zijn belangrijk om data te trianguleren. Dat betekent dat bevindingen onderling onderzoek toegestaan kunnen worden, waardoor de validiteit van de resultaten toeneemt. Om die reden worden er ook verschillende typen bronnen gebruikt door middel van verschillende onderzoekstechnieken, namelijk ‘documenten onderzoek’, ‘semigestructureerde interviews’ en een ‘observatie’.

Ten opzichte van een ‘cross-case study’ zal de single-case study methode minder ‘representatief’ zijn en de ‘externe validiteit’ laat ook te wensen over. Echter vanwege zijn ‘interne validiteit’, maakt deze meer diepgaande methode het vaak gemakkelijker om de juistheid van een causaal verband te vervaardigen. Het is wel van cruciaal belang om de juiste ‘case’ te selecteren. Er zijn daarom verschillende redeneringen omschreven, maar in deze fase van theorievorming dient de geselecteerde case als ‘pijlo case’ te fungeren, om licht te werpen op een collectie cases die geschikt zouden kunnen zijn voor dit te onderzoeks onderwerp. Momenteelt ontbreekt het immers nog aan homogene praktijkvoorbeelden in de Nederlandse GO-praktijk. Ondanks dat het gebiedsfonds vaak beschreven wordt, geeft alleen Peek (2012) een bruikbaar voorbeeld namelijk het Chiswick Park project in Londen. Yin (2009) legt uit dat in dergelijke gevallen de meest besproken case de kansen voor representativiteit en informatie verschaffing zullen toeneemen. Daarom zal Chiswick Park potentieel gezien het meeste kennis opleveren. Daarnaast kan de kracht van een pilot case net zo waardevol zijn als de uitkomsten van een generalisatieproces omdat een pilot een pad in de richting van wetenschappelijke innovatie kan vrijmaken. Deze pilot dient dan ook de theoretische suggesties inzake de aangeprezen voordelen van het gebiedsfonds te valideren, of wellicht is het nodig om een aantal alternatieve verklaringen aan te wenden. Al met al zullen de empirische bevindingen dus waardevol zijn voor zowel wetenschappelijke, als praktische doeleinden. De lessentrekken methode is een bevorderlijke methode om de geleerde lessen toe te lichten en inzicht te geven in de overeenkomsten en verschillen tussen theorie en praktijk in termen van verdienmodellen en business modellen. Een verdienmodel is namelijk een onderdeel van het business model. Omkansenbaar beïnvloeden de bijbehorende principes van het gebiedsfonds de overige onderdelen van het business model. Voordat er lessen of conclusies getrokken kunnen worden dienen de volgende vier stappen gezet te worden: (1) de theoretische bevindingen van het gebiedsfonds worden gepresenteerd in een theoretisch raamwerk, terwijl (2) de bevindingen van het succesvol

Veranderende context Nederlandse gebiedsontwikkeling: uitdagingen en kansen

Naast de veranderende sociaal-culturele, financieel-economische en ecologische omstandigheden dragen ook de veranderingen in de Nederlandse GO-praktijk bij aan de complexiteit van het stagnatie probleem. Door deze moeilijkheden is er een nieuwe realiteit ontstaan. Vele professionals (e.g. Urahman Urban Design, 2010; Van Rooy, 2009) en academici (e.g. De Zeeuw, 2011; Heurkens, 2012; Van Joolingen, et al., 2009) twisten over de uitdagingen en kansen die zich voordoen in deze nieuwe realiteit, maar over een ding lijken ze het allemaal eens te zijn: de huidige manier van gebiedsontwikkeling werkt niet meer, zoals Einstein beoogde.

De context verandert, onder andere doordat er een structurele onbalans bestaat tussen vraag en aanbod van vastgoed. GO zou zich moeten richten op de huidige voorraad, zoals het herontwikkelen van brownfields. Ook de financiële tegenspoed zorgt voor vele veranderingen, waardoor met name de haalbaarheid van projecten ondermijnd wordt. Door conjuncturele omstandigheden is het moeilijker dan ooit om grote, lange termijn- en integrale GO projecten te financieren. Daarbij verliezen vele projecten conventionele toeslagen, zoals, subsidies waardoor duurzame projecten het zwaar te verduren hebben. Tegelijkertijd zitten verschillende belangrijke ontwikkelpartijen in de put. De rollen veranderen net zo hard mee, zoals de traditionele rolverdeling tussen publieke en private partijen. De balans is afgelopen jaren verschoven naar een meer privaat-gestuurde markt, maar een verdere verschuiving zou geen overbodige luxe zijn om het oplossen van de vrijmarkten帮 een helpende hand toe te steken. Verschillende suggesties zijn gedaan, zoals het aantrekken van nieuwe partners, of het aanboren van nieuwe investeringsbronnen zodat de haalbaarheid toeneemt. Denk bijvoorbeeld aan de pensioenfondsen die in staat zijn om voor lange termijn vermogen te committeren. Daarnaast dienen ook traditionele partijen hun krachten te bundelen om de GO-perspectieven te verbeteren en de kosten, opbrengsten en risico’s gelijkmate en te verspreiden. Zo zijn partijen in staat om een integraal, vraag-gestuurde kracht op te bouwen en langdurig georiënteerd concept te ontwikkelen om zodoende een win-win-situatie te creëren in het belang van de dimensies ‘people-planet-profit’ (3P benadering). Daarom kan dit waardevol zijn en tevens in lijn met de duurzaamheidsbehoeften. Andere uitdagingen die kenmerkend voor de nieuwe realiteit zijn: toenemende mate van specialisatie en dus fragmentatie binnen sectoren en disciplines; kleinschalige en organische ontwikkelingen in plaats van integrale; meer aandacht nodig voor de beheer- en exploitatiefase; discrepantie tussen huidige en toekomstige waarden; te gedetailleerde en statische plannen en het win-lose denken (hit & run approach). Daar staat tegenover dat ze tevens een bron van inspiratie vormen voor de broodnodige innovatie in de Nederlandse GO-praktijk. Met name de financieringsbehoeften en veranderende rollen zijn beeldbepalend voor de contextuele hervormingen. Om die reden worden de alternatieve verdienenmodellen en nieuwe samenwerkingsverbanden toegejuicht, zodat deze ontwikkelingen gefaciliteerd kunnen worden. In relatie tot de uitdagingen en kansen die zich voordoen in de nieuwe realiteit, richt dit onderzoek zich op de mogelijkheden en beperkingen van nieuwe verdienenmodellen, in dit geval het gebiedsfonds.

Gebiedsfonds verdienenmodel: karakteristieken en bijbehorende principes

Een verdienenmodel is een onderdeel van het business model. Het canvas model van Osterwalder, et al. (2010) is een veelgebruikte werkwijze om dit concept uit te leggen. Ze splitsen het business model op in 4 domeinen of 9 bouwblokken die tezamen de logica van het concept extraheren, namelijk welke onderdelen er nodig zijn en hoe die ingezet worden om de beoogde scope en intenties van een project waar te maken. De onderdelen correleren en beïnvloeden elkaar. Het domein verdienenmodel bepaalt de financiële haalbaarheid van het business model en bestaat uit de blokken ‘kostenstructuur en ‘inkomenststromen’. Het tweede domein fungeert


<table>
<thead>
<tr>
<th>Karakteristieken</th>
<th>Open-ended</th>
<th>Close-ended</th>
<th>Unit Investment Trust (UIT)</th>
<th>Unit Trust (UT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variatie in het aantal aandelen</td>
<td>Onbeperkt</td>
<td>Beperkt</td>
<td>Beperkt</td>
<td>Onbeperkt</td>
</tr>
<tr>
<td>Verhandel mechanisme</td>
<td>Dagelijks voor NAV</td>
<td>Open markt verkoop</td>
<td>Hybride</td>
<td>Dagelijks voor NAV of Open markt verkoop</td>
</tr>
<tr>
<td>Dagelijks beheer</td>
<td>Ja</td>
<td>Ja</td>
<td>Nee</td>
<td>Ja</td>
</tr>
<tr>
<td>Raad van Bestuur</td>
<td>Ja</td>
<td>Ja</td>
<td>Nee</td>
<td>Raad van Toezicht</td>
</tr>
<tr>
<td>Looptijd</td>
<td>Oneindig</td>
<td>Eindig</td>
<td>Eindig</td>
<td>Oneindig</td>
</tr>
</tbody>
</table>

Samenvatting Tabel A: Vergelijking fondsstructuren


Bij het in gebruik stellen van een fonds zijn verschillende rollen en verantwoordelijkheden toe te bedelen om de beoogde doelstellingen te realiseren. Dit wordt ‘fund governance’ genoemd, waarin het geheel van betrekkingen tussen de investeerders, managers [dienstverleners] en ‘non-executive officers’ wordt behelst. Investeerders hebben een aantal overwegingen en ondervinden obstakels voordat ze investeren. Ze beleggen
over het algemeen alleen in een (gebiedsfonds met ‘gelijkgestemde’ fondsbeheerders en mede-investeerders, oftewel een gelijkstelling van interesses. Deze ‘investeringsfilosofie’ dient niet alleen gelijk te zijn bij het begin maar ook gedurende de gehele looptijd van het fonds. De tweede kernoverweging die ze hebben is de mate van controle en betrokkenheid. Het beheer kan onderverdeeld worden in fonds-, beleggings-, vermogens- en vastgoedbeheer. Aanvankelijk zal de fondsbeheerder aangesteld worden door de ‘lead investor’. De fondsbeheerder exploiteert het fonds in het beste belang van de beleggers en is normaaliter ook verantwoordelijk voor de overige functies. De fondsbeheerder is bevoegd om deze functies uit te besteden en te delegeren. De non-executive officers hebben toezichthoudende rollen en verantwoordelijkheden om de dagelijkse beheeractiviteiten te monitoren en te controleren. Er zijn verschillende typen toezichthouders en soms fungeren ze als additionele dienstverleners.

Ook in Nederland worden fondsen gebruikt voor vastgoed beleggingsdoeleinden, zowel op object- als gebiedsniveau. De structuren hebben verschillende investeringsintenties; hoofdzakelijk gezien met of zonder winstoogmerk. Een amortisatiefonds lijkt het meest op een gebiedsfonds, omdat de aandeelhouders eenmalig het fonds financieren om een collectief einddoel te realiseren, duidend op een project. Twee belangrijke verschillen tussen het gebiedsfonds en de fondsen op gebiedsniveau zijn: (1) het fonds investeert in één project die zich al in de beheerfase bevindt, (2) ofwel het fonds investeert in meerder projecten. Daarnaast worden de meeste fund governance activiteiten uitgevoerd door private partijen. Ten slotte verschilt het gebiedsfonds zich van JESSICA initiatieven, ook gebiedsfondsen genoemd (in English: Urban Development Funds). Dit gebiedsfonds kan worden beschouwd als een business model die meerdere projecten financieel ondersteunt om de haalbaarheid van initiatieven – met name duurzame projecten – te verbeteren (zie 2de reden).

Gebaseerd op de bevindingen van het bureauonderzoek zal het theoretische kader inzicht geven in de mate waarop het gebiedsfonds in staat is het algehele business model te faciliteren dan wel te limiteren. De bijbehorende principes van het gebiedsfonds zijn in het kader uiteengezet. Het schept een beeld van de mogelijkheden en beperkingen die het gebiedsfonds biedt, ten opzicht van elke afzonderlijk bouwblok. In het kader zijn verschillende principes gmarked, omdat ze corresponderen met een aantal belangrijke kansen en uitdagingen die zich voordoen in de nieuwe realiteit. Zie Samenvatting Figuur B.

Samenvatting Figuur B: Theoretisch kader met de bijbehorende principes van het gebiedsfonds in relatie tot het algehele business model
Het business model voor gebiedsontwikkeling: prikkels voor succes

Succesvolle GO is een subjectieve aangelegenheid, omdat iedereen een andere perspectief zal hebben bij het bepalen van succes. Er is geen ‘one size fits all’ criterium om succes af te bakenen, het is niet een eenduidig begrip. Daarom is het belangrijk om ‘het succesvolle business model’ voor een GO-project nader toe te lichten en de gekozen opvatting te motiveren. De nieuwe realiteit brengt onontkoombare standpunten voor succes voort. De vraagstukken omtrent het gebrek aan duurzame en haalbare GO-projecten voeren de boventoon en vormen daarmee de basis voor succes in dit onderzoek. Het fundamentele idee achter de nieuwe aanpak voor GO is dat ieder gebied zijn eigen business model gebruikt. Het gebied, inclusief alle procesfasen van de GO-cyclus, staan centraal en fungeren als het alomvattende vertrekpunt voor GO-projecten, rekening houdend met het huidige en het toekomstige gebruik. De partijen die betrokken zijn bij ontwikkelingen dienen hun eigen business model hierop aan te passen, ongeacht in welke procesfase het project zicht op dat moment bevindt.


**Institutionele en contextuele principes GO-praktijken: Nederland en Engeland**

Voordat theoretische en empirische kennis vergeleken kan worden, dienen eerst de institutionele en contextuele principes van twee verschillende GO-praktijken begrepen te worden. De casestudy, gelegen in de UK, brengt contextuele randvoorwaarden en vergelijk-beperkingen met zich mee, zoals een aantal belangrijke verschillen tussen publiek-private samenwerkingen (PPS). Meest toonaangewende is dat de lokale overheden uit de UK geen risico’s mogen nemen om die reden alleen formeel participeren in een PPS. Ze zullen geen actieve rol spelen in het ontwikkelingsproces en ontwikkelingen alleen mogelijk maken en aanmoedigen. Private partijen nemen het voortouw. Het ruimtelijke ordeningssysteem heeft meer beoordelingsvrijheid, waardoor de beslissingsmogelijkheden voor het publiek belang flexibeler voorgegeven kunnen worden. Het systeem zorgt tevens voor veel onzekerheden. De UK gebruikt geen bindend bestemmingsplan, maar een indicatief plan die de basis vormt voor de onderhandelingen. Vaak resulteert dit in bepaalde ontwikkelregels. De vrijheid en veranderlijkheid van het systeem geeft de private partijen de mogelijkheid om grond proactief in te kopen om zo hun eigen (ontwikkel)belangen veilig te stellen en de grond van ongewenste ontwikkelingen te behandelen. Desalniettemin hebben de lokale overheden voldoende ‘wettelijke bevoegdheden’ om invloed uit te oefenen op ontwikkelingen, bijvoorbeeld voor het publieke belang. Deze instrumenten worden meestal toegepast om aanvaardbare ontwikkelingen te realiseren (e.g. Development Agreement of Section 106 Agreement).

**Chiswick Park case study**

Chiswick Park is aangeklaard in de publicatie van Peek (2012), en zou het voornaamste voorbeeld zijn voor een succesvolle gebiedsontwikkeling middels het verdienmodel gebiedsfonds. Toch is er een quick-scan uitgevoerd om de geschiktheid van deze case te bepalen met betrekking tot dit onderzoek. Eerst met behulp van aantal belangrijke gebiedsfondsenmerken uit de literatuur gevolgd door het overwegen van de mate van succes. De case bleek een meervoudig bekroond project te zijn, zowel in eigen land als internationaal. Chiswick Park bleek dus een geschikte pilot case te zijn. De volgende partijen zijn geïnterviewd: Stanhope (ontwikkelaar), Blackstone (toenmalig eigenaar), CBRE (consultant fondsstructurering) en Enjoy-Work (gebiedsbeheerder). Het interview met Blackstone is echter niet goedgekeurd om in dit onderzoek te gebruiken.

Het voormalige brownfield is herontwikkelt in (7) fasen tot een kantoorpark-achtige GO. Het programma bestond uit kantoorruimten, ondersteunende faciliteiten, parkeer-, groen- en openbaar vervoer voorzieningen en aanvullende infrastructuuruele utiliteiten. In samenwerking met het ontwerpteam heeft Stanhope een solide, hoge kwaliteit en tevens flexibele ontwikkeling vervaardigd, zodat het gebied zich kan aanpassen aan de behoeften van de eindgebruikers en het ontwerp weinig onderhoud behoeft. Daarbij is zijn het ontwerp integraal ontwikkeld, waardoor de gebouwen aaneensluiten met het gebied. Het gebied is een prettige werkomgeving omringd door faciliteiten om een optimale balans te vinden tussen werk en leven. Deze benadering ondersteunt het duurzaamheidsconcept. Bovendien wordt het concept verder uitgewerkt met oplossingen voor het watergebruik (opvang en recyclen), afvalmanagement, energie-efficiëntie, gezondheidsprogramma’s en het verbeteren van de bereikbaarheid. Maar ook minder voor-de-hand-liggende
onderwerpen zijn uitgewerkt, zoals sociale programma’s voor zowel de gemeenschap als de eigenaargebruiker. Er zijn ook gebiedsvoorzieningen ingevoerd om een gemengd gebied te realiseren. De sleutel tot het succes was de oprichting van een laagbouw CBD die een gevoel van gemeenschap heeft voortgebracht en ook geïntegreerd is met de lokale context. Gebouwen worden ontwikkeld in een zeer onderscheidende manier, maar toch op een bebouwbare manier en binnen de commerciële randvoorwaarden door gebruik te maken van tijdloze, maar gestandaardiseerde elementen. Chiswick Park is ontwikkeld als een full-service project om zich daadwerkelijk te onderscheiden van andere aantrekkelijke werkomgevingen. Een hele reeks van innovatieve en extra diensten zijn ontworpen om de eindgebruikers te laten genieten van het gebied en met name het werk. Het project heeft geen nieuwe werkomgeving gecreëerd maar een nieuwe levensstijl. Het resultaat is duidelijk en verschillende prikkels voor succes corresponderen met het business model voor het Chiswick Park project.

Dit business model is mede mogelijk gemaakt door het verdienenmodel PUT. Hieronder kort een beschrijving hoe het verdienenmodel tot stand is gekomen en hoe de PUT functioneert. De voormalige landeigenaar Kvaerner heeft het gebied aangeboden aan Schroder Exempt PUT. In overleg met Aberdeen (asset manager) en Stanhope besloten ze samen om als een consortium op te treden en om het gebied te kopen. Echter was er meer kapitaal nodig, om die reden is het oprichten van een fonds ter sprake gekomen. Het consortium kwam overeen om een PUT op te zetten bij aankoop. Voor de deal zou Schroder Exempt PUT als lead investor een ‘club van investeerders’ vormen. Bij aankoop is bijna simultaan het verdienenmodel ChisPUT in werking gesteld. Het kapitaal werd verzameld en het consortium werd overgebracht in ChisPUT; net als het aangekochte gebied. Schroders Property Managers, werd aangesteld als de fondsbeheerder om ChisPUT op te zetten en te beheren. De lead investor heeft het selectieproces van bestuurders (non-executive officers) geleid, maar de benoeming is een iteratiefproces. In overleg met de leden van het consortium en de initiële investeerders hebben ze RBS benoemd als enige bestuurder (trustee) van het fonds. Bij aankoop is RBS formeel aangesteld en heeft de voorafgaande afspraken tussen investeerders en dienstverleners contractueel vastgelegd. Terwijl de fondsbeheerder juist de consortiumleden Aberdeen en Stanhope heeft gecontracteerd. Zij zijn dienstverleners terwijl Schroder Exempt PUT een investeerder is. In principe worden alle dienstverlenende regelingen goedgekeurd door de fondsbeheerder, die op haar beurt wordt gecontroleerd door RBS. Na de aankoop dient RBS de het gebiedsfonds te monitoren volgens het best mogelijke belang van de unit holders. Zie Figuur 32 in deze scriptie voor een visualisatie van de ChisPUT structuur en de (contractuele) relaties bij aankoop.

ChisPUT is een indirect niet-beursgenoteerd fonds en verricht een opportunistische strategie. ChisPUT is gestructureerd als een onbevoegd, closed-ended, vrijgesteld, specialistisch en offshore Jersey PUT. Oorspronkelijk zou de looptijd van het fonds eind 2009 verlopen, maar alle fonds units zijn met succes verkocht aan de Blackstone Group aan het begin van 2011. Terwijl de ontwikkelingen nog bezig zijn, namelijk tot en met 2014. De enigszins nieuwe structuur van ChisPUT wordt verder niet toegelicht. Daarbij, is ChisPUT begin 2014 voor de tweede keer verkocht. In 3 jaar tijd heeft dat geresulteerd in een waarde stijging van £480m naar £780m.

**Geleerde lessen**

Na het empirische onderzoek is het mogelijk om theorie met praktijk te vergelijken op het niveau van verdienenmodellen en business modellen inzake twee verschillende GO-praktijken. Allereerst, voor dergelijke GO-projecten is het van fundamenteel belang dat de lokale overheid het initiatief voor een lange termijn support. Zover bekend heeft het Chiswick Park project geen beperkingen ondervonden van het ruimtelijke ordenssysteem. Vanuit een juridisch oogpunt was er wel een publiek-private relatie nodig om bouwvergunningen te verkrijgen. De lokale overheden hebben de Development en Section 106 Agreement gebruikt om de publieke belangen te beschermen en te behartigen. Ondanks dat er geen sprake was van een samenwerking, kunnen overheden toch nog op deze manier invloed uitoefenen op GO. Het is daarbij duidelijk geworden hoe belangrijk de fiscale overwegingen zijn voor fondsen, ChisPUT (Jersey PUT) is namelijk een context-specifieke structuur kan dus niet blind overgedragen worden aan de Nederlandse GO-praktijk.


### Overeenkomsten en verschillen tussen theorie en praktijk voor het domein aanbod

<table>
<thead>
<tr>
<th>Overeenkomsten</th>
<th>Verschillen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Waardev Proposities</strong></td>
<td><strong>Denkwijze</strong></td>
</tr>
<tr>
<td>Gemeenschappelijk doel</td>
<td>Geen primair gemeenschappelijk doel, omdat de investeerders centraal staan in het business model i.p.v. het gebied en alle procesfasen van de GO.</td>
</tr>
<tr>
<td>Ruimtelijke kwaliteit</td>
<td>Eenzijdige oogpunt i.p.v. een harmonieus win-win-win georiënteerd denkbeeld.</td>
</tr>
<tr>
<td>Integrale benadering</td>
<td>Onderdanige karakter van duurzaamheid t.o.v. de haalbaarheid en winstgevendheid.</td>
</tr>
<tr>
<td>Vraag gestuurde benadering</td>
<td>Zachte en harde kwaliteiten</td>
</tr>
<tr>
<td>Huidige en toekomstige waarden</td>
<td></td>
</tr>
<tr>
<td>Zachte en harde kwaliteiten</td>
<td></td>
</tr>
</tbody>
</table>

Samenvatting Tabel B: Overeenkomsten en verschillen tussen theorie en praktijk voor het domein aanbod.
Samenvatting Tabel C: Overeenkomsten en verschillen tussen theorie en praktijk voor het domein

Ten derde het domein is de ‘klant’. ‘Kanalen’ zijn een intermediair die waarde proposities over de eindgebruikers te verspreiden. Voor GO betekent dit het mobiliseren van gezag, omdat bij elke ontwikkelingsproces diverse rollen en verantwoordelijkheden gepaard gaan. *Fund governance* is een evidente structuur om de taken hiërarchisch te verdelen. De uitvoerende of beherende partijen zijn onder te verdelen in verschillende niveaus waarin ook de eindgebruikers betrokken kunnen worden. Deze mate van hiërarchie bepaalt tevens het onderdanige karakter van niet-investeerders. Ondanks dat verschillende types eindgebruikers hun stem mogen laten horen en de mogelijkheid hebben hun belangen te behartigen, zullen ze ten alle tijden aangebleven en werken ze in het belang van de fondsbeheerder, die op zijn beurt onder toezicht van de non-executive officer staat. Het bouwblok ‘klanten relaties’ wordt niet in het speciaal gefaciliteerd door het gebiedsfonds. Er zijn namelijk een tal van manieren om relaties te regelen zowel op formeel als informeel gebied. De ‘relaties’ zijn eigenlijk een reactie op het bouwblok ‘kanalen’, omdat bijvoorbeeld voor het delegeren van functies afspraken gepaard gaan die formeel vastgelegd kunnen worden of op basis van vertrouwen. De klantensegmenten hebben juist een causaal verband met de waarde proposities, die al zijn toegelicht. Zie Samenvatting Tabel D.

Samenvatting Tabel D: Overeenkomsten en verschillen tussen theorie en praktijk voor het domein klant.

Ten slotte het verdienmodel zelf, die bestaat uit de bouwblokken ‘kostenstructuur’ en ‘inkomstenstromen’. Een gebiedsfonds is een geschikte verdienmodel om de kosten en inkomsten proportioneel gelijkwaardig te verzamelen en te mobiliseren. Ook de risico’s en opbrengsten kunnen eerlijker worden verdeeld onder de unit holders. Indien nodig kan het fonds ook herinvesteringen faciliteren. De gebiedsfonds karakteristieken corresponderen daarom met de aangegeven analytische prikkels voor succes. Een gebiedsfonds is zeker niet kosten-efficiënt, maar juist een relatief duur verdienmodel om te gebruiken. De kosten kunnen inderdaad verlaagd worden door het gebied op een efficiëntere manier te ontwikkelen en te beheren. Ook kan er bezuinigd worden op de transactiekosten van verschillende procesfasen, maar deze besparingen wegen niet op
tegen de vergoedingen die verschillende typen beheerders van het fonds ontvangen (management en performance fees).

<table>
<thead>
<tr>
<th>Overeenkomsten</th>
<th>Verschillen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kostenstructuur</strong></td>
<td><strong>Kostenstructuur</strong></td>
</tr>
<tr>
<td>Verhoudingsgewijs gelijke verzameling en verdeling van kosten over de investeerders</td>
<td>Verhoudingsgewijs gelijke verzameling en verdeling van kosten over alle stakeholders</td>
</tr>
<tr>
<td>Kostendragers</td>
<td>Kosten-efficiënt (gebiedsfonds is een duur verdienmodel vanwege de vergoedingen voor het beheer)</td>
</tr>
<tr>
<td>Herinvesteren of -financieren (moelijk wordt het fonds aangevuld voor ontwikkelingen of tegenslagen)</td>
<td></td>
</tr>
<tr>
<td><strong>Inkomstenstromen</strong></td>
<td><strong>Inkomstenstromen</strong></td>
</tr>
<tr>
<td>Verhoudingsgewijs gelijke verzameling en verdeling van inkomsten over de investeerders</td>
<td>Verhoudingsgewijs gelijke verzameling en verdeling van inkomsten over alle stakeholders</td>
</tr>
<tr>
<td>Zachte waarden (kwantificeerbare baten)</td>
<td></td>
</tr>
</tbody>
</table>

Samenvatting Tabel E: Overeenkomsten en verschillen tussen theorie en praktijk voor het domein

**Inspiratie uit Engeland**

De Engelse pilot case heeft ook interessante inspiratie lessen opgeleverd voor Nederlandse GO, zoals het betrekken van private partijen, bijvoorbeeld een ontwikkelpartner, die zich voor lange termijn kunnen committeren aan een project. Dit biedt doelmatige kansen aan om de belangen van investeerders en ontwikkelaars beter op elkaar af te stemmen. Daarnaast is het succesvol gebleken dat het algehele beheer van een gebied wordt georganiseerd middels een homogene beleid. Het gebiedsfonds biedt mogelijkheden aan om deze GO-aanpak te faciliteren, zonder dat het verder beperkingen oplevert om bepaalde activiteiten, zoals gebouwen, afzonderlijk te verkoopen. Het was ook inspirerend om te leren dat het gebiedsfonds op diverse manieren gestructureerd zou kunnen worden. Het zal afhangen van verschillende overwegingen. Met name het algehele business model bepaalt welke type kapitaal aangetrokken dient te worden of juist welke fiscale structuur het meest gunstig is voor een bepaald type investeerder. Tot slot dienen we in gedachten te houden dat ruimtelijke ordeningsinstrumenten lokale overheden kunnen helpen om de publieke belangen te beschermen en te behartigen, zonder daarvoor te hoeven te participeren in een gebiedsfonds als investeerder.

**Conclusies**

Op voorwaarde dat verschillende typen investeerders (overheden, marktpartijen en maatschappelijke partijen) hun middelen zullen bundelen en alle belangen zullen delen om een korte- en lange termijn financiering te faciliteren met als primair gemeenschappelijk doel het integraal ontwikkelen en beheren van een gebied, dan kan worden geconcludeerd dat het gebiedsfonds een geschikt verdienmodel is voor het succesvolle business model van een GO-project.

Tegelijkertijd kan geconcludeerd worden dat dit niet realistisch zal zijn, omdat fondsinvesteerders ernaar streven om alleen met gelijkgestemde investeerders in zee te gaan, zeker als het om dergelijke risicovolle GO-projecten gaat, met lange looptijden en veel onzekerheden. Investeerders zijn op zoek naar controle en betrokkenheid om de uitlijning van belangen veilig te stellen. Zo ook met de fondsbeheerder, omdat deze partij verantwoordelijk is voor de strategie en de besluitvorming met betrekking tot de investeringen en dus de ontwikkelfilosofie. Gelijkgestemdheid is een randvoorwaarde voor dergelijke fondstype, niet alleen bij het opzetten maar ook gedurende de gehele levensduur van dit verdienmodel. Om die reden is de kans vrij nihil om een gebiedsfonds op te zetten waarin drie intrinsiek verschillende typen investeerders worden ondergebracht. Daarbij zal het nog ingewikkelder zijn om een geschikte fondsbeheerder te vinden die deze belangen op de best mogelijke manier behartigt, omdat zover bekend alle fondsbeheerbedrijven winstgerichte organisaties zijn. De voordelen van het gebiedsfonds kunnen toch bruikbaar zijn voor de Nederlandse GO, omdat publieke belangen vooraf onderhandeld kunnen worden met het gebiedsfonds door gebruik te maken van ruimtelijke ordeningsinstrumenten. In dat geval dienen de overheden ook de belangen van maatschappelijke partijen te beschermen.
Afgezien van het antwoord op de onderzoeksvraag, luidt de algemene conclusie van dit onderzoek als volgt: de waarde proposities van een business model bepalen of een GO een integraal, vraag gestuurd en win-win-win georiënteerd project is. Deze proposities zijn tevens nodig om sociale en ruimtelijke kwaliteiten te realiseren, de huidige en toekomstige waarden van een gebied te verbeteren en tot slot duurzame en haalbare projecten te leveren. Als de waarde proposities in lijn liggen met deze nieuwe gewenste benadering voor GO, dan kunnen de kansen voor succes inderdaad toenemen. Het bijbehorende verdienmodel, in dit geval een gebiedsfonds, is slechts een instrument om deze waarde proposities te kunnen implementeren. Het gekozen verdienmodel kan deze proposities faciliteren of belemmeren. Met andere woorden, het moet niet de bedoeling zijn dat men een gebiedsfonds selecteert als verdienmodel, omdat bijvoorbeeld in Londen is gebleken dat het gebiedsfonds enorm succesvol is geweest voor een GO project, of omdat sommige academici en professionals geloven en suggereren dat het gebiedsfonds een geschikte oplossing kan zijn om GO-projecten duurzamer en haalbaarder te maken. Nee, integendeel. Bepaal eerst de huidige en toekomstige behoeften van de eindgebruikers in een gebied. Ten tweede, bepaal de waarde proposities en harmoniseer die zo goed mogelijk met de huidige en toekomstige behoeften. Ga dan op zoek naar een geschikt verdienmodel die de meeste mogelijkheden en de minste beperkingen geeft met betrekking tot het uitvoeren en handhaven van uw waarde proposities en daarnaast het best aansluit op het algemene business model. Ten opzichte van de succes verhogende aanpak voor GO biedt het gebiedsfonds passende mogelijkheden en een aanvaardbare beperking. Niet alleen omdat het fonds eenvoudiger diverse middelen van partijen kan verwerven en beheren om een lange termijn, gemengd en opportunistiche gebiedsontwikkeling te financieren. Maar het is ook gebleken dat het gebiedsfonds andere onderdelen van het business model, en de daarbij behorende prikkels voor succes kan faciliteren. Al met al, de talloze manieren waarop fondsen gestructureerd kunnen worden biedt initiatiefnemers de gelegenheid om een bijna op maat gemaakte structuur te kiezen die het best bij een context-specifiek gebiedsontwikkelingsproject past. De mogelijkheden en beperkingen van het gebiedsfonds staan hieronder verder opgesomd. Een gebiedsfonds:

- geeft beleggers wederzijdse belangen (delen van kosten, opbrengsten, risico’s, tegenslagen, etc.);
- kan grotere hoeveelheden kapitaal verzamelen en beheren;
- kan verschillende type stakeholders te verenigen (e.g. investeerder, ontwikkelaar en asset manager);
- kan kapitaal introduceren op verschillende momenten, gepland of wanneer nodig (herfinanciering);
- wordt geëxploiteerd en beheerd door een fondsbeheerder, maar in het belang van de investeerders;
- biedt beleggers de mogelijkheid om onder een homogeen beleid het algehele gebied te ontwikkelen en te beheren van begin tot en met het einde van de ontwikkelingscyclus;
- biedt beleggers de mogelijkheid om fondsactiva afzonderlijk te verkopen zonder daarmee de controle over het algehele beheer van het gebied te verliezen;
- biedt beleggers de mogelijkheid om fondsactiva afzonderlijk te verkopen zonder daarmee de controle over het algehele beheer van het gebied te verliezen;
- kan een verhandel mechanisme gebruiken om de consistentie te waarborgen (wederzijds belang en vervangende aandeelhouder);
- kan een verhandel mechanisme gebruiken om de consistentie te waarborgen (wederzijds belang en vervangende aandeelhouder);
- kan een eindige of oneindige looptijd hebben
- kan korte- en lange termijn doelstellingen faciliteren
- heeft meer kans of slagen met gelijkgestemde investeerders
- met eindige looptijd kan de continuïteit van een business model in gevaar brengen (e.g. als gemeenschappelijke doelstellingen nog niet bereikt zijn; de ontwikkelingen zijn nog niet afgerond)
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INTRODUCTION


Meanwhile, a lot of issues have enforced us to re-think and to re-shape our society, environment and economy, since the financial distress begun in 2008. Except the way of developing urban areas, as result that many plans have been shelved and projects have been brought to a grinding halt.

After all these years, the UAD-practice has entered the world of uncertainties, mainly due to the socio-economic changes. The UAD-practice finds itself in a ‘new reality’ full of challenges & opportunities, wherein the lack of sustainable & feasible initiatives appear to be the main issue. Question marks have been placed over traditional revenue models, like the building rights model, without depriving the most important governmental non-financial interests and objectives.

New revenue models have been suggested to finance urban development projects, in order to make the projects feasible once again, both for the short- & long-term perspective. Like the promising Urban Development Trust. However, there is surprisingly little documentation about this new revenue model, not even mentioning the lack of practice examples. Little research have been conducted on how this revenue model actually works and to what extent it can facilitate successful business models for developing urban areas, and contribute to the sustainability urgencies. This thesis aims to close this scientific knowledge gap.

The report is subdivided into 10 chapters. The research design will be outlined in Chapter 1. This chapter will contain the research motives for the chosen subject, the problem definition, problem statement, research objective, research question and sub-questions. The research methodology will be explained in Chapter 2, including research process, research strategy, research forms, research methods, research techniques and the research design. Chapter 3 will describe the changing context of the Dutch UAD-practice and the relationship with the dissertation of (Heurkens, 2012): the point of departure. The theoretical framework will be defined in Chapter 4 to position the research. Revealing and explaining the characteristics of pooled property revenue models and how these interact with the overall business model. In Chapter 5 the analytical framework will be given to demarcate the incentives for success for UAD projects by analysing and paralleling new approach theories. Chapter 6 will demarcate the context-dependent institutional conditions of the Dutch & the UK UAD-practices. The case study research will be discussed in Chapter 7. After which, the levels of inspiration and the learned lessons will be explained in Chapter 8. The conclusions and recommendations will be defined in Chapter 9. Finally, the reflection on this research and a rapprochement for practice in the form of a personal advice will be given in Chapter 10.

Enjoy reading!
CHAPTER 1 RESEARCH PROPOSAL

This chapter will contain the research motives of the chosen subject, the problem definition, problem statement, research objective, research question and sub-questions.

Section 1.1 Research Topic

The research topic relates to a new and frequently raised revenue model: the Urban Development Trusts (UDT). This relatively unfamiliar model has not been put into practice for Dutch UAD projects yet. In the Netherlands we do apply trusts vehicles, but these are principally used for the operating phase. Trusts can be seen as a flexible device to gather resources from different sources, usually in a form of capital or other resources such as property. Probably the input will be used for common purposes. Besides, the vehicles can have flexible lifespans. Therefore, could an UDT organize an UAD project over its total life-cycle. The UDT could combine the short-term finance of a projects with a long-term investment perspective.

Section 1.2 Research Motives

In this section the reason for chosen this research topic will be given as well as the relationship with the chair of Urban Area Development within the Department of Real Estate & Housing at the Faculty of Architecture at the Delft University of Technology. ‘The chair of UAD characterizes itself by complex management assignments. In addition, the research in this school is marked by an integrative perspective with a strong practice-orientation’ (Heurkens, 2012).

§ 1.2.1 Topical Interest

Earlier I suspected that the confrontation with the UAD-practice was increased as a result of choosing the master department Real Estate & Housing (RE&H). However, considering the professional journals over the past few years, we will experience a significant turn in the reviewed issues, which increasingly focus on the urgency of sustainability & feasibility in urban development projects. Almost any form of real estate development on project and area level have been stagnated. In particular, the UAD jargon in its pure ‘avant la letter’ form (were integral areas of substantial sizes all of a sudden arose) will soon only be found back in theoretical books’ (Drogendijk, 2012). Important urban development actors experience the financial consequences and the risks differently than they did ever before. As a result, many plans shelved. This stagnation will have consequences on many different levels of scale, but can be described by the socio-economic effects it has on the whole Dutch society (Van Rooy, 2011). The current financial-economic situation have led to a complication of interests, such as risk spreading, duration and return requirements. From the financial point of view these can be summarized as ‘cash flow oriented’, and thus abstractly envelops the ‘Business Administration’ interest.

According to the master department RE&H, the discipline technical (development)sciences are experiencing various alterations that affect the developments on project and area levels as well. The ever-changing socio-cultural trends affect society in miscellaneous levels, both mentally and physically. The challenges related to ‘urban growth or congestion’ and ‘structural urban stagnation or decline’, are tangible physical transformation trends on area level, which are each other’s counterpart (Kolivas & DGR Policy, 2007). In addition, the structural issues of climate change, energy consumption and globalization require a more sustainable use of space (Puylaert & Werksma, 2011). Demand for, investments in, and developments in the field of sustainability will therefore inevitably stay away. Along with this extensive demographic changes such as aging, will ultimately result in unforeseen social-cultural and economic consequences. These trends, in relation to the market conditions, emphasizes the interconnectedness and complexity of the problem, as well as the urgency to continue urban developments on area level. Altogether, covering the second interest.
Currently, our traditional revenue models used for UAD lack adaptability and offer an insufficient perspective to adequately deal with socio-economic challenges. Initiatives to finance and develop urban areas remains out of order, due to the long-term investment perspective and associated risks. This makes projects financially unattractive and unfeasible subsequently. Therefore, new revenue models have been suggested.

One promising revenue model that have been upheld recently is the ‘Urban Development Trust’ (UDT). The UDT could be a conducive model to deal with several challenges and seizing opportunities in the new reality of the UAD-practice (Agentschap NL & RVOB, 2011; De Zeeuw, et al., 2011; Peek, 2012; Van Rooy, 2011; Vos, et al., 2012). According to them, UDTs could have a structure wherein the whole value chain of UAD can be accommodated. Actors, like the end-user, could take a share of interest in the trust. For each deposit the shareholder will have certain rights, like using the property and administer it. But to compensate the shareholders financially it can turn in potential increase in values (Peek, 2012). Trusts have serviceable principles to pool capital, possibly from different types of investors (state, market & civic society), and therefore it may represent and safeguard multilateral interests. However, there is surprisingly little documentation about this new revenue model, not even mentioning the lack of practice examples. Besides, little scientific analysis has been done. Questions need to be answered, like what are the contextual conditions for the UDT or does it facilitate business models for sustainable & feasible initiatives?

This research will therefore generate scientific knowledge that goes beyond defining the UDT. Exploring and explaining theories and practice will deliver useful information, inspiration and instructive lessons. It will provide more insight into the technicalities of the UDT and to what extent it can facilitate the new approaches as suggested for the new reality of the UAD-practice. This research can be regarded as relevant both scientifically and socially. Furthermore, the research is in line with the chair of Real Estate & Housing concerning the new era of Urban Area Development. At last, this thesis can be regarded as a follow-up study with reference to the dissertation of Heurkens (2012).

### Section 1.3 Definitions

This section will provide the elaboration of important definitions that will be used in this thesis. Different definitions are formulated in the literature. The interpretation of these definitions will be the operational definition and will be adhered during the research.

#### § 1.3.1 Urban Area Development

First definition, Urban Area Development, will be defined more precisely in Section 3.1, because the definition used in this thesis has been compiled from various sources in collaboration with Carlo Sturm.

**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 revenue models.

#### § 1.3.2 Sustainable development

Sustainable development is the second definition and is an old term. A common and widely quoted definition comes from the UN-report ‘Our Common Future’ by the Brundtland and World Commission on Environment and Development (1987). In this definition is both ‘here & now’ as important as ‘elsewhere & later’.

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland & World Commission on Environment and Development, 1987: 37).
§ 1.3.3 Win-win solution

John Elkington (1998) elaborated on the idea ‘sustainable development’ as presented in the report ‘Our Common Future’ and introduced the Triple P approach, which consist of the aspects: People-Planet-Profit. These aspects cover the social urgencies in development. People represents the social-cultural urgencies, Planet the ecological urgencies, and Profit the economical urgencies. Sometimes the term Prosperity has been used instead of Profit. Also Elkington endorses the key idea behind sustainable development, which is ‘the art of connecting’. He explains that a win-win-win situation is created when the aspects People-Planet-Profit are combined in a harmonious manner. For this thesis following definition will be used:

“A win-win solution seeks mutual benefit and aligns all stakeholders to satisfaction with the result that the stakeholders genuinely want to put effort in this. It means cooperation instead of rivalry and struggle. It is a belief in the 3th way. It is not your approach, nor mine, it is a better, surpassing approach” (Covey, 2005: 185; ; cited in: Puylaert & Werksma, 2011: 44).

§ 1.3.4 Sustainable urban development

The term ‘sustainable urban development’ will be further elaborate on the idea of the aforementioned definitions. It will be discussed in Section 3.4. In urban development projects we need to take social urgencies and spatial urgencies into account. The social urgencies have been explained above. The spatial urgencies relate to the physical issues concerning ‘here & now’ and ‘elsewhere & later’. Hooimeijer, Kroon et al. (2001) defines these aspects as: user value, experiential value & future value (see Section 3.4 ). In this thesis the following definition will be adhered:

‘Urban developments will be sustainable if the social component and the spatial component reinforce each other – optimal win-win development between people-planet-profit and user-experiential-future value’ – and spatial quality will be the result’ (Puylaert & Werksma, 2011: 5).

§ 1.3.5 Business model

‘The term business model evolved into a buzzword that was not used consistently or precisely in either practice or academia. Although the first definitions of business models emerged at the end of the 90s, the terms business model, business idea, business concept, revenue model, or economic model were frequently used as synonyms’ (Wirtz, 2011). The term business model will be discussed in Section 4.2, for instance how it relates to UAD. This thesis will use the common definition of Osterwalder, et al. (2010):

“A business model describes the rationale of how an organization creates, delivers, and captures value” (Osterwalder, et al., 2010: 14).

§ 1.3.6 Revenue model

The term revenue model is often confused with business model (see § 1.3.5 ). In turn, the term revenue model relates to business model, due to the fact a revenue model forms a part of the above defined business model. In Section 4.2 the 4 main areas of business will be explained, including the revenue model. Osterwalder, et al. (2010) does not give a straightforward definition for the term revenue model, but appointed the 4th area of business as ‘financial viability’. The finances within a business model or known as the financial structure. Osterwalder, et al. (2010) also explains that the finances consist of the building blocks ‘cost structure’ & ‘revenue streams’, further elaborated in Section 4.3. This thesis will stay in line with this way of thinking and merge the two different definitions into one, in order to define the term revenue model 1:

1 note: revenue models have to be interpreted as structures to organize earnings, not to organize income. After all, costs should be subtracted from ‘revenues’ to create profit.
'A revenue model makes explicit all the capital sources, which have been used to finance & operate a business model, and fundamentally systematizes all the different forms of revenue which have been generated by a business model' (own definition based on: Osterwalder, et al., 2010).

§ 1.3.7 Urban Development Trust

Also the terms ‘trust’ and ‘fund’ evolved into buzzwords. But unlike the term business model, these terms do refer to the financial structure that trusts or fund represents. However, this type of structure has many forms which makes it difficult to understand and define. The literature does not have an unambiguous or comprehensive definition of Urban Development Trusts. The UDT is comparable to Property Unit Trusts, since the case study of this thesis – Chiswick Park – is structured like this. On the basis of an extensive literature review (see 0) and with regard to the descriptions given by Agentschap NL and RVOB (2011), De Zeeuw, et al. (2011), Peek (2012), Van Rooy (2009), Vos, et al. (2012) the following definition has been made up:

Urban Development Trust is a term used to describe a revenue model where disparate stakeholders (state, market, civic society) will pool their resources, sharing interests and facilitate short- & long-term finance, to be able to achieve a common and paramount objective to integrally develop, operate and manage an urban area. (own definition)

Section 1.4 Problem Definition

The Netherlands is a nation with a rich history in practicing UAD and can be considered as pretty unique. For a long period of time the Dutch government did have an extensive involvement in defining, implementing and controlling spatial planning tasks. Over the past few decades the Dutch society and its urban planning changed towards a more market-related orientation. Resulting in a shift from government to governance. UAD became a reflection of this societal change, resulting in new forms of cooperation and ways of financing urban development projects. ‘For the first time, the new partnerships were able to ‘join up’ different interests of actors in UAD projects. These partnerships are known as Public-Private Partnerships (PPP) and were introduced in the 80s’ (Heurkens, 2012). Several PPP models came into existence to involve private investments as well. They all strongly differ. Its employability depends on the conditional urban development characteristics, the scope, involved actors and the economic climate.

The past few decades the PPP models have been used increasingly within a fast changing social (spatial planning) environment. However, it appears that the socio-economic success for initiating, organizing and realizing UAD projects – in accordance with familiar systematics – no longer seem to be profitable and thus feasible. It seems that the current business models used for UAD projects, no longer meet the changing interests and (co)relations in a public, private & civic way (Heurkens, 2012). Besides, our institutional systems will no longer be in line with our changing social concepts en socio-cultural attitudes (Masselink, 2012).

At the same time the global dynamics were almost certainly not as extensive as they are now and are leading for the metamorphoses that are visible on many scales, both physically and mentally (Van Rooy, 2009). Since the autumn of 2008, the context have been changed in any conceivable form of development and manifests itself broadly (financial, economic, political, environmental and social) (Bosman & Engbers, 2012). These global influences, in spatial and socio-economic terms, contribute to the fact that urban planning concept finds itself in a time of crisis (Koerts & Van der Laan, 2013).

Many practitioners (e.g. Van de Hoef & Witsen, 2010; Van Rooy, 2009) and academics (e.g. Daamen, 2010; Heurkens, 2012; Van der Krabben, 2011) argue about the challenges & opportunities in the new reality of the UAD-practice, but they all seem to agree upon one thing: ‘like we are used to develop; it does not work’. This way of supply-driven developments should make place for a more comprehensive, multilateral quality and sustainable approach. Which will be more and more complex, due to the combination of changing social issues and complex laws and regulations.
‘At the same time it is necessary to look for complexity to come up with proper sustainable urban developments’, said Klijn, business administrator and public-social researcher at Erasmus University (cited in: Geldof & Berends, 2009). On the other hand, it is clear that the complexity interferes with the decisiveness. Thereby development projects will take much longer. The complexity, with all the risks such as the timescale & payback period, leads to financially unattractive and currently even to unfeasible UAD projects. This scares off investors. Professor Real Estate Management TU Delft, Hans de Jonge said the following about this: “UAD represents an enormous challenge: the financial jumping-pole of private parties will usually not be long enough to jump over the wide ditch of the long-term commitment to inner-city UAD” (Franzen & de Zeeuw, 2009).

Previously, many of these UAD projects have been made viable and stimulated to start up with help from fiscal instruments and subsidies, especially sustainable projects that provide an integral solution for the longer-term. It is inevitable to keep urban developments in motion. In this case the sustainable developments, that unite many aspects and interest within our society and is ecologically, economically and socially extremely urgent. The fact that these financial incentives are disappearing, even more unfeasible urban development plans occur. In fact, the spatial-economic dynamics will mark the UAD-practice even more than before the recession.

The collaborative arrangements and financing methods for UAD projects have been put into question, due to these socio-economic changes. The vast majority of issues is the lack of sustainable and feasible urban development initiatives. At the same time the funding problem plays an important underlying role. Essentially, this reasoning will be the main problem definition of this thesis. There is much doubt about the current way of financing UAD projects. For that reason several new revenue models have been suggested. Hopefully, in order to solve the sustainability & feasibility issues, but we cannot get any grip on these new suggestions, due to the lack of information on aspects like functioning, applicability, restrictions and possible consequences. The effort to explore one of these new revenue models, the Urban Development Trust, is therefore indisputable relevant.

**Section 1.5 Problem Statement**

Many expect that financing problems could be solved by introducing innovative revenue models, both for short- & long-term perspectives. These assumptions characterize the main problem statement of this research:

The scarcity of scientific knowledge and practice examples, makes it questionable whether or not the Urban Development Trusts a convenient revenue model is to cope with the challenges & opportunities that arise in the new reality.

**Section 1.6 Research Objective**

The lack of successful urban development initiatives is a matter of concern, because urban areas have a respectable understanding in reflecting social urgencies, policy urgencies & spatial qualities. The objective of this research builds upon the disputed reasons for the stagnation of urban development projects caused by the lack of sustainable and feasible project initiatives. If projects want to be continued this is important to know in order to understand what the point of interests are for the UAD-practice. Concerning the problem statement above this study will focus on the obscurities of Urban Development Trusts and tries to unravel all indefinable points of interest. In other words, the main research objective is:

Providing a better understanding of the Urban Development Trust and its ability to facilitate the business model for successful urban development projects.

**Section 1.7 Research Questions**

This section will be subdivided into the main research question and sub-research questions with respect to the research topic ‘Urban Development Trust’.
§ 1.7.1 Main Research Question

This thesis is marked by the principle that we can learn from the school of Urban Area Development, by analysing and synthesizing information into (scientific) knowledge, with the help of theoretical and methodological concepts, like lesson-drawing and case study research. This point of view will be taken in order to formulate the main research question.

To what extent will the revenue model Urban Development Trusts be able to facilitate the business model for successful urban development projects?

§ 1.7.2 Sub-Research Questions

The sub-research questions will be used to structure the thesis and will give some guidance to the different research parts. In addition, these questions will help to demarcate and answer the main research question. First, the research methodologies need to be determined, in order to carry out this thesis research effectively, therefore answering the following question:

I. Which research methodologies need to be applied to conduct the thesis research appropriately?

Secondly, the changing context of the UAD-practice need to be explained, as well as the relationship with the dissertation of Heurkens (2012) to describe the point of departure for this research: the context.

II. How did urban development projects become deadlocked and what suggestions have been put forward by professionals?

This chapter will give ground to investigate the promising revenue model UDT. First, the business model terminology will be discussed, using leading literature of Osterwalder, et al. (2010). They elaborate on the business model approach and the different involved areas of business, like the revenue model. Their conceptual method will provide insight into the differences. Therefore, the point of departure of the literature study, explaining different fund revenue models for the real estate industry. The review will be backed by practice examples. Finally, to position and complete the theoretical research, the following question will be answered:

III. What are the characteristics of the real estate trust revenue models and how do these interact with the overall business models?

Now it is important to find an appropriate way to gradually integrate the obtained knowledge by answering the previous sub-research questions. First it is important to elaborate on and to define the subjective manner ‘successful’. Also the interpretation of these success elements have to be motivated. This will be done by analysing leading literature. After which an analytical framework will be set up using the question below. In order to pinpoint the different drivers for success. These drivers for success will also be reconciled with business model principles, since a development project can be regarded as a business model.

IV. Which elements can be apportioned to achieve successful Urban Area Development?

It will be necessary to answer the next question, before the single case study will be conducted to learn lessons. The context-dependent institutional limitations should be mapped to be able to understand under which (pre)conditions the project has been fulfilled, since the case Chiswick Park is located in the UK. Only then valid comparisons can be made to draw valid lessons and, finally, drawn up the conclusions.

V. What are the key contextual characteristics and organizational aspects of Dutch/UK urban development projects?

The previous questions will be answered in a theoretical way. To answer the main research question also the practice research will be necessary, in order to get inspired and draw lessons. Case study research will be a
suitable method to fill the empirical knowledge gap with implicit information. The case study research will help to grasp the potential value and possibilities of the trust revenue model for the Dutch UAD-practice. Gathering qualitative information will help to answer the following question:

VI. To what extent did the revenue model facilitate the business model of the Chiswick Park project, as compared to the incentives for success for urban development projects?

Eventually these sub-research questions will help to demarcate the relationship between the revenue model UDT and the practice of UAD. The final sub-research question will help to structure and formulate the learned lessons & the levels of inspiration.

VII. What can we learn from Urban Development Trusts if we compare theory and practice based on the incentives for success for Urban Area Development?
CHAPTER 2  RESEARCH METHODOLOGIES

Defining the research methodologies into more detail will be useful to answer the main research question effectively and in a scientific valuable way. At the same time, to give readers notice of why this research has been done in a particular way. This chapter will contain the research process, research strategy, research methods, research techniques and research design to answer the first sub-research question: Which research methodologies need to be applied to conduct the thesis research appropriately?

Section 2.1 Research Process

Proper research process will produce novel knowledge or provide deeper understanding of an issue. This research is focusing on the imaginable contribution of a new promising revenue model: the UDT. This model is considerably unfamiliar, and has to deal with a huge gap of (scientific) knowledge as well as the absence of practice examples. These obscurities and difficulties emphasize the importance of proper methodological guidelines to enable an appropriate (empirical) research with regard to this undefined revenue model.

Overall Research Process

Figure 1: Linear chain of events with iterations (own figure).

A sound research process is important to provide a solid fundament for locating information to perform an effective research. Basically, a thesis research applies a linear process, meaning the process is a consecutive ordered course of events. Like the chapters in this thesis have a chronological composition: from start to end. Nevertheless, an adequate research process is a way of working that continuously reflects upon the discovered information, learned knowledge and formulated results. If necessary adjust the report. This is better known as an iterative process (Figure 1). It means that information collection, analysis & synthesis proceed in tandem, repeatedly referring and interacting back to each other (Bryman, 2008).

Section 2.2 Research Strategy

In this section the research strategy will be explained. A research strategy is a logical, organized plan for gathering information, to guide decision-making and process the collected data. In order to draw up a comprehensive and coherent strategy, some choices were key to demarcate this research. Typically, choices can be made between each other’s opposites, like: theory versus practice, quantitative versus qualitative research, broad versus in-depth research and project-based versus process-based

Theory vs. Practice

‘Theory-oriented research is a way of doing scientific research by solving a problem by means of formulating a theory. Practice-oriented research aims to contribute in solving a problem applied in practice’ (Swanborn, 1997). Verschuren and Doorewaard (2007) mention the difference between desk and empirical research, that correlates with theory and practice-oriented research respectively. ‘Desk research means literally the researcher will not leave his desk and delivers results by systematically study scientific literature and other documents to answer the research questions. While empirical research focuses on analysing & understanding practical experiences.’ This research will encompass both approaches. First, a lot of literature should be reviewed in order
to position the research by elaborating on the changing context and relationship with the dissertation of Heurkens (2012). To be able to clarify the urgency of sustainability & feasibility in the business models for the UAD-practice. Secondly, the difference between business models & revenue models will be discussed to grasp the relationship between UAD business models & the UDT revenue models. Thirdly, significant characteristics about the fund industry will be demarcated. Comprehensive desk research need to be carried out to explore what kind of trust structures are being used for urban development projects and briefly describe how these trust structures function. Whereupon the novelty of the ‘Urban Development Trusts’ revenue model can be explained, to confirm the scientific relevancy and to understand what information is needed to fill the knowledge gap as far as possible. Finally, the subjective subject successful will be interpreted and motivated, in order to define the incentives for success of new business models for sustainable & feasible urban development projects.

After drafting a semantic clarification, the practice-oriented research will be employed to explore how this revenue model is used in practice to learn lessons from and to obtain inspiration for the Dutch UAD-practice. Besides, the practice-oriented research will help to understand to what extent the UDT will be able to facilitate the business model for the urban development project.

量化 vs. 定性

A research must also make a choice between quantitative and qualitative research. In quantitative research the results will be made explicit in numbers, charts and graphs mostly obtained by calculations. In qualitative research most of the information is obtained by sensorial perception, bringing on verbal and contemplative results (Swanborn, 1997). It could be possible to offer quantitative results. For example, by means of presenting asset allocation results of pension funds. However, these results will only be used supportively, because this research has a contemplative nature. The final results are based on understanding the practical experiences and the physical working method. Thus, this analysis will have qualitative character.

宽泛 vs. 深度

Broad versus in-depth research differs from the fact to what extent information will be explored. Broad-oriented research is a comprehensive approach, covering a certain domain, that will give an opportunity to generalize results. While the in-depth approach is more small-scale oriented and focuses on a particular phenomenon, delivering results that hardly establish generalized knowledge (Verschuren & Doorewaard, 2007). The field of tension between this specific revenue model and the sustainability & feasibility issues in business models for urban development projects is key in this research. This thesis will be conducted through in-depth research, to provide a better understanding of the UDT and its ability to facilitate the new approaches for UAD. The results will not be generalizable, but will be more in-depth, detailed, complex and stronger underpinned with less uncertainties (Verschuren & Doorewaard, 2007). In-depth analysis will deliver useful semantics. Besides, with regard to the practice-oriented research it will generate new findings. These lessons & recommendations can stimulate further investigations and theory building (Flyvbjerg, 2006).

项目 vs. 过程

Project versus process differs in many respects and at the same time they have similarities. The characteristics of urban development projects & processes will interact and overlap each other in the field of UAD, like the resources it has or uses. But the differences will be important to understand, in order to motivate the point of departure applied for the purpose of this thesis. ‘In general, projects can be characterised by its goal-oriented approach. The endeavour to undertake available inputs into output. Having an unique and single or temporary nature, since the start-point & the end-result are the boundaries of a project spectrum’ (Heurkens, 2012)

‘Processes can be characterized by the management of complexity within a group of interrelated stakeholders carrying out a sequence of a series of plural events. Like the land development, property development, and area operation & management. It is the actual on-going treatment of converting inputs into outputs. It are the activities that are required to achieve the end-result’ (Franzen, Hobma et al., 2011)

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Principally, this thesis will be marked by a project-based approach, rather than a process-based approach. Since the subject of this thesis concerns a revenue model. A revenue model is an important part of its overall business model, which in turn corresponds with the project-based line of thought. The endeavour to have a beginning and an end undertaken to achieve a common goal, which is the development of an urban area. Also the involved stakeholders will be discussed. Not “how” they should perform the activities, but only explaining “what” kind of activities are involved in the business model.

**Section 2.3 Research Forms**

The research process takes three forms that are being used for determining, discovering, interpreting, and devising facts; resulting in ‘new knowledge’. The process methods, used for the discovery process, can be subdivided into three main forms of study: exploratory, descriptive and explanatory. These forms help to classified the purpose of the research (Gray, 2010).

**Exploratory research**

As the name suggest these type of studies seek to explore what is happening and to ask questions about it. It helps to identify and defining the current situation and the accompanied problems or questions. In this case using the dissertation of Heurkens (2012) as point of departure for this research. Also secondary research will be useful to gain familiarity with the changing context and a problem that has not been clearly defined yet. Exploring the available information will provide significant insight into a situation and how big the knowledge gap really is. Exploratory research, in this case, often relies on methods like reviewing literature and/or data, talking to experts in the field and conducting interviews. When we do not know enough about a phenomenon this research form is particularly useful, it may even help to decide whether it is worth to extend the research and, therefore, building theory (Gray, 2010).

**Descriptive research**

If the research area is relatively new and you want to present a complete description of a phenomenon within its context (show how things are related to each other), mostly a descriptive research purpose will be appropriate (Gray, 2010). To draw a picture of a phenomenon “what” questions will be addressed with respect to conditions in a situation. This form of study does not determine cause and effect relation – they cannot explain why an event has occurred – but it may help identify the appropriate causal link to be analysed (Yin, 2009). The methods involved range from literature reviewing & survey to case studies.

**Explanatory research**

The form is more based upon causal studies, to explain a phenomenon. This will be done by stipulating a presumed set of causal links about it, or ‘how’ or ‘why’ something happened (Yin, 2009). The study sets out to account for the descriptive information. This distinction between descriptive and explanatory research applies equally to both quantitative and qualitative research (Gray, 2010). The most existing explanatory studies have occurred in narrative form. The better ones have reflected some theoretically significant propositions, which could lead to recommendations for future actions and even lead to major contributions to theory building (Yin, 2009). Explanation building will likely be the result of a series of iterations, having a recursive nature.

The form of study of this thesis will be explanatory, because the research area of sustainable & feasible UAD have been explored and described in various ways and there is enough descriptive information available. In addition, there is also a lot of disparate knowledge available about the fund industry and its implications for real estate investment objectives like urban development projects in particular. It only needs to be gathered, combined, structured and replenished as much as possible in order to gain more familiarity with the event (UDT in UAD). Eventually, this research aims to explain the two explanatory questions: how do UDTs work & why are UDTs very (in)sufficient to facilitate and implement successful UAD projects? It will acquire more and new insights to give useful recommendations and will contribute to formulate theories of this event.
Due to the research process – which is iterative – and the research strategies, various methods are used to collect and analyse data. Research methods applied in this thesis are desk research, case study research & lesson-drawing (resulting from the case study findings).

**Section 2.4 Case Study Method**

The ‘case study’ research method is a practical method to execute explanatory research, in order to understand and explain the relationship between the revenue model UDT and a sustainable & feasible business model for UAD projects. ‘Case study methodology is mainly used to collect, analyse, compare and draw lessons from research data and is a form of qualitative research. Especially used in academic field of urban planning and management, to examine contemporary real-life situations and provide the basis for the application of ideas’ (Heurkens, 2012). According to Fidel (1984) it enables us to create an understanding of complex issues and investigating a specific phenomenon when:

- A large variety of factors and relationships are included;
- No basic laws exist to determine which factors and relationships are important;
- When the factors and relationships can be directly observed;

A case study is expected to capture the complexity of a case by executing a detailed contextual analysis of the selected and limited number of conditions and their relationships. The ‘case’ is the object of study, and case study research emphasize different features. Stake (1995: cited in Johansson, 2003) uses a more inclusive definition that a case study is defined by interest in individual cases, not by the methods of inquiry used. While Yin (2003) does place more emphasis on the method en techniques that constitute a case study’ (Johansson, 2003). I will use Yin’s more practical definition, specific to time and space:

“A case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2003: p.13).

Case studies have a special meaning in the practice-oriented UAD field of research. The ability to act within the UAD profession is based on the knowledge of a repertoire of these cases. So in this case study research will help to explore, understand and clarify the UDT used for UAD projects in a sustainable & feasible way.

‘Groat and Wang (2002) show the relationship between different research strategies. They show a major feature of the case study methodology in the field of architecture, namely the possibility to combine different strategies and accompanied techniques within the case study method.’ This is important to be able to triangulate data. ‘Which means that you use more than one method, technique or source of data to be able to cross-check findings, through which the validity of research results increases’ (Heurkens, 2012).

But how should you structure the obtained data, in order to prevent drowning in information? The required triangulation process is therefore structured. Also the type of case study research should be demarcated. Like Heurkens (2012) did in his dissertation, three crucial methodological choices have been made between: ‘scope versus depth’, ‘single case versus cross-case study’ and between the levels of ‘lesson-drawing’.

**Scope vs. Depth**

In Section 2.2 it has been put forth that the aim of this thesis is to conduct an in-depth research to be able to answer the research questions. The issue between scope & depth typifies itself by the number of cases. This research does not aim to draw general conclusions, but to gain more in-depth knowledge and drawing specific lessons on a variety of variables, its relations and in its context. Like Daamen (2010), this thesis is not about building a theory from the ground up, but rather about synthesizing the components of several existing theories into a more specific explanatory model. A new step in a theory-building process aimed to stimulate further research (generating hypotheses) is just as valuable as generalization. This is only one way by which people gain and accumulate knowledge. “The force of example” is underestimated, and has helped many scientist to cut a
path towards scientific innovation (Flyvbjerg, 2006). In addition, more discoveries have arisen – in this stage of theory-building – from intense observation than comparing cases in their totality. For these reasons, this research will conduct a single, in-depth case study. A decision prior to data collection, to identify and delimiting the case and its context.

**Single Case vs. Cross-Case Study**

The considerations for case study research design are mostly pretty straightforward. These trade-offs derive from basic research goals. In general, these characteristics are each other opposites (see Table 1).

<table>
<thead>
<tr>
<th>Considerations</th>
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<td><strong>Research goals</strong></td>
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<td>III. Causal insight</td>
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<td>V. Population of cases</td>
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<td>VII. Useful variation</td>
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<td>VIII. Data availability</td>
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<td><strong>Additional factors</strong></td>
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<td>IX. Causal complexity</td>
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<td>X. State of the field</td>
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Table 1: Single case study and cross-case considerations (Gerring, 2007).

Initially, this research aimed to answer the research questions by conducting a cross-case study to compare different UDTs in different contexts. However, the first iteration was a fact as soon as it was found out that the lack of knowledge was even bigger than expected. The gap even began to grow after exploring the fund terminology for the UAD-practice. Words like fund and trust are an all-purpose word and are being overused just by merging it with other terms. Therefore, a lot of literature needed to be reviewed in order to understand the range of trusts applied in UAD and how these trusts are being operated differently. Eventually, to grasp which trust type (Gebiedsfonds) was meant in the literature. Flyvbjerg (2006) explained that the choice of method should clearly depend on the problem under study and its circumstances. Due to the lack of comprehensible knowledge the problem under study is even bigger than expected. ‘This suggests that the researcher first needs to develop preliminary concepts (theories) at the outset of a single case study. One purpose served by such concepts, is to place the case in an appropriate research literature. So the learned lessons will more likely advance knowledge & understanding of a given topic’ (Yin, 2009). ‘Subsequently, the second purpose of in-depth study of a single case is to shed light on a larger class of cases. This will make it easier to choose follow-up cases and to understand their significance’ (Gerring, 2007), because the trust terminology & accompanied examples are substantially diverse. The case study circumstances are extremely heterogeneous as well. Shown in Table 1, it would be advisable to choose a single case study method.

Some will dispute the research methodology that consist of explanatory research in combination with a single in-depth case study. ‘It would be a single-shot affair – an example of a larger phenomenon. Which conflicts with the explanatory principles to explain how & why events happened based on cause-effect relationships. Causality is almost always grounded in cross-case evidence’ (Gerring, 2007). ‘But in-depth research may be a perfectly appropriate way to estimate causal effects within that unit (mechanisms), and therefore become the initial basis for causal inferences’ (Yin, 2009). ‘The corresponding virtue of single case study research is its internal validity: it suffers problems of representativeness but often it is easier to establish the veracity of a causal relationship than in cross-case research’ (Gerring, 2007).
Choosing the right case will be crucial when conducting a single case study. Yin (2009) mentions 5 rationales (critical, extreme, typical, revelatory & longitudinal), while Gerring (2007) describes 6 selection techniques (typical, extreme, deviant, influential, crucial & pathway) for choosing the right case for single case study research. Both explain that non-random case selection should be well-considered and is about representativeness (typicality) and/or variation (causal leverage). There are exceptions on these general rules and this thesis does apply another rationale for selecting its case. The selected case study Chiswick Park will be used as a pilot case that probably is the first of a multiple-case study. The theories and reasoning about new revenue models, further on discussed, indicate that no UDT examples exist in the Dutch context. The Dutch UAD-practice applies several trust structures, but the literature does not refer to these trusts and intends to aim at something different. Only Peek (2012) gives an example. Besides, a pilot case will shed light on a larger class of cases using similar UDTs for the same purpose as referred in the literature. ‘But, as Yin (2009) explained, to minimize the chances of misrepresentation and to maximize the access needed to collect the case study evidence, Chiswick Park will be potentially the most relevant case study to the issues and questions of interest.’

Still the vulnerability of the single case design exist, which will mean that the selected case may later turn out to be not the case it was thought to be. For that reason, it can be said that this pilot case has similar characteristics compared to the critical case. The idea of a pilot case is, perforce, a highly deductive assignment. ‘Gerring (2007) explains this means that the research relies heavily on contextual evidence and deductive logic to reconstruct causality within a single case. Much depends on the quality of the theory under investigation. One should have confidence in the validity of the theoretical framework and it should be graspable, law-like in their precision and consistent as well.’ The pilot case can therefore be used to determine whether or not the theoretical suggestions about the advantageous of UDTs for UAD projects are correct, or it might be more relevant to have some alternative set of explanations (Yin, 2009). If it turns out to be totally incorrect, the single case study can certainly be of value as well. ‘Simply because disconfirmation is a way of generalizing a scientific proposition. If it is not valid it must be either revised or rejected, better known as falsification’ (Flyvbjerg, 2006). But, as will be expected, the pilot case will represent a significant contribution to knowledge, theory building and even help to refocus future investigations, like critical cases do (Yin, 2009).

Lesson-drawing

‘Heurkens (2012) points out the importance of determining the level of policy transfer in spatial planning, due to the fact that the extend of projects and accompanied circumstances are country (institutional) specific, and cannot be transferred blindfold. Nevertheless, many authors conducted cross-national comparative urban studies and acknowledge the importance: it provides insight into differences and similarities.’

‘Comparison limitations should be taken into account, like context-dependent institutional conditions. But for the selected case study, this research will particularly focus on practical lesson-drawing, meaning to reveal context-independent project (model) oriented roles and (financing) mechanisms’ (Heurkens, 2012).

Also the level of lesson-drawing needs to be defined beforehand. ‘Like Heurkens (2012) this research will follow the three levels of lesson-drawing provided by Janssen-Jansen, Spaans et al. (2008)’:

I. Inspiration: collecting and valuating data and information on innovative experiences and practices;

II. Learning: from practice implies adaptation of the information collected and evaluated in the previous phase. Include retrieving underlying mechanisms, and recognizing transfer obstacles and differences in the form of context-dependent conditions;

III. Transplantation: the knowledge transfer is complete and an innovative practice has been adopted by the ‘learning’ country, often adapted to local circumstances;

This research will focus on the lesson-drawing levels of ‘inspiration’ & ‘learning’. It is important to explore the revenue model to get inspired by the UK practice. Lessons will be learned when the functionality of the UDTs will be unravalled. The underlying mechanisms of this revenue model, in relation to the overall business model, will be better understood, as well as the original founding intentions. All in comparison to the incentives for success
for UAD projects, as enumerated in the analytical framework. Eventually, to be able to transfer the learned lessons of a successfully applied revenue model & business model in the UK to the Dutch UAD-practice.

According to Janssen-Jansen, et al. (2008), the likelihood to reach the third level of lesson-drawing is very low. Therefore this research will not focus on transplanting knowledge, but will take the context-dependent institutional conditions into account and will outline these related differences. However, still belonging to the second level of lesson-drawing.

**Section 2.5 Research Techniques**

Research Techniques are used to collect information in a qualitative field of study or field of observation. The techniques used in this research should help to keep track of what you have examined, observed and how to report it. It must be both valid and precise. This is done by the triangulation element: applying multiple data sources. Such as Heurkens (2012), this thesis will apply this techniques to collect data:

I. Literature & document review (examining)
II. Semi-structured interviews (asking)
III. Site observation (watching)

**Literature review**

The first data source in the research process will be literature & document review. ‘A literature review provides a meaningful context of your project within the universe of already existing research. It will justify the research in a theoretical way and show where the research fits into the existing body of knowledge. In this case it will be used to expose the lack of knowledge. The review will describe, summarize and evaluate the available literature’ (Yin, 2009). In this thesis the literature review will go beyond the search for information. Ambiguities will be clarified through academic & practitioner literature, but also planning briefs, digital databases & hard copies. Verifying from articles to books to digital web sources. First, to grasp UAD context and the changing socio-economic conditions, inter alia using the dissertation of Heurkens (2012). Secondly, all-embracing fund industry information will be acquired to understand the trust revenue models for real estate purposes. It will also include the identification and articulation of the relationship with its overall business model. These findings will be presented in a theoretical framework. Finally, the leading literature for new approaches will be reviewed and analysed to explain successful business models for UAD, presented in an analytical framework.

**Semi-structured interviews**

The second data source is the interview. Mostly interviews are considered to be a qualitative form of data requirement. It actually depends on the form of interview. We can distinguish 3 main forms: the open interviews, semi-structured interviews and structured interviews.

For the single case study research a semi-structure method will be used. The structure of this method is openly designed to allow for focused, conversational, two-way communication. The semi-structured interview could be used both to give and receive information. Only the outline of questions will be formulated in advance, no detailed questions at all. ‘The interview will start with some general questions or topics. Whereupon some relevant topics are initially identified and the possible relationship between these topics and issues becomes the basis for more specific questions. These could be roughly prepared beforehand, but the majority will be created during the interview. The interview should be guided by a framework of general topics & expected relationships, to stay flexible and to probe for details or discuss issues more in-depth’ (D'Arcy Davis-Case, 1990).

**Site observation**

Finally, the last data collection technique will be the observational technique. Principally, we can distinguish two different ways of observing: direct observation and participant observation. ‘The direct method is a way of naturalistic observation, while the participant method is more controlled (laboratory observation). Both are a way
of systematically observe, record, describe, analyse and interpret people’s behaviour, but in participant method the researcher participates to some degree in the activities of people being observed’ (Yin, 2009). These general rules for observation are very time consuming. Therefore, for the purpose of this research, the site observation technique will be used to support the empirical results by obtaining a physical understanding of the project. It enables researchers to relate to initial intentions of the project, as discussed in the interviews or encouraged in the documentation. There is some subjectivity involved in this method, due to the fact that the project will be judged by the researcher. ‘Nevertheless, when opinions on the project are obtained by means of visiting the site, a more balanced understanding of the physical, social, and economic characteristics will be provided, as Heurkens (2012) describes.’

Section 2.6 Research Design

The earlier mentioned research process is an iterative system: looking for the desired result by repeating steps of analysis and contemplation when more information is available. Principally these iterations have some sort of departure point, meaning each research step has a consecutive order better known as phases. These can be seen as linear structured stepping stones needed to be taken in order to reach the final intended result. Each phases, represented by a different chapter, encompasses its own goals, objectives and results, which build on the previous phase, leading to an iteration or continuation. Assisted by predetermined strategies, frameworks, models, methods and techniques. The visual representation of this structure can been displayed in a schematic overview. (Figure 2). The research design can also be regarded as the visual representation of the reader’s guide.

![Figure 2: Research Design](image-url)
Section 2.7 Conceptual Model

The aforementioned methodologies are key to amplify the approximation of this research. It will enrich both the reader and the researcher by clarifying the products of scientific inquiry as well as the process itself. The different methodologies are needed to systematically and scientifically accomplish the research objective by logically adopting various steps. Essentially these will be required to obtain four key findings:

I. Theoretical findings of the UDT revenue model, presented in a theoretical framework;
II. Theoretical findings of a successful UAD business model, presented in an analytical framework;
III. Empirical findings of the Chiswick Park PUT revenue model, in accordance with the canvas model;
IV. Empirical findings of the Chiswick Park business model, in accordance with the canvas model;

The business model canvas of Osterwalder, et al. (2010) will be used for both frameworks (Figure 3). First, the UDT findings have been acquired through extensive literature review regarding Pooled Property Vehicles (PPV). The key principles of the UDT revenue model could be determined after the key characteristics of the most important PPVs have been matched. Furthermore, the key characteristics of the UDT revenue model will undoubtedly have an impact on the business model of the project in question. Provided that the UDT will be used for Dutch UAD projects. In other words, the associated principles of the UDT will affect the overall business model resulting in possibilities & limitations. These principles have been enumerated in the remaining building blocks of the canvas. The canvas model has been used for the UDT revenue model to demarcate and organize the findings from the literature review in relation to the other building blocks.

In turn, the key principles of the business model for successful Dutch UAD projects have been demarcated and organized in an analytical framework, also a canvas model. The key principles are not associated to one particular revenue model, but actually belong to the building block in which they appear. These principles will explain the incentives for success according to the 4 key sources of literature. These incentives have been acquired through an extensive literature study, but in this case regarding success in Dutch UAD-practice.

This thesis will make a distinction between the concepts business model & revenue model as well as between theory & practice to answer the main research question. Having two theoretical canvasses as preliminary concepts makes it possible to compare them with each other. From a theoretical point of view, this will be fundamental to bind the UDT concept with the UAD-practice, and to determine to what extent the associated principles of the revenue model ‘may’ facilitate or interfere the new business model concept. When the single case study has been conducted also theory & practice can be compared. On the basis of these different findings, it can be verified and explained to what extent the UDT concept ‘can’ facilitate the implementation of a
successful business model, in accordance with the new reality. Besides, the cross-checking will be appropriate to triangulate data and to increase the validity of the findings to drawn lessons from (Figure 4).

To conclude, the critical evaluation of these learned lessons will result in the final conclusions and recommendations of this study. In other words, answering the main research question. Actually, these various research steps illustrate how the concepts business model & revenue model will be determined and analysed for the purpose of this research. As well as the mutual relationships between theory & practice. Actually, the conceptual model is the visual representation of these various research steps towards the final conclusions. See Figure 5 for the conceptual model. The model can also be regarded as a kind of research demarcation.

Figure 5: Conceptual Model
CHAPTER 3 CONTEXT DUTCH URBAN AREA DEVELOPMENT

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 these socio-economic changes, to proficiently plan and develop urban areas. The dissertation of Heurkens (2012) discussed these issues in detail. To form the point of departure for this research the following research question will be answered: How did urban development projects become deadlocked and what suggestions have been put forward by professionals?

Section 3.1 Urban Development Projects

In the field of UAD a lot of different terms are used either meaning the same or something slightly different. The variety and quantity of experts 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 (Daamen, 2010; De Zeeuw, 2007).

Van Joolingen, et al. (2009) describe urban development, or UAD, 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 UAD 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 UAD a complex process. Focusing even more on the process Daamen (2010) described UAD 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 UAD 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 UAD 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 (Strum & Stumpel) came up with a definition that defines the term UAD 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 revenue models.

Section 3.2 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, labour, 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 in the UAD playing field.

Note: Also fellow student Carlo Sturm was inspired by these new reality issues and the dissertation of Heurkens (2012). He choose to focus on new collaborative arrangements, in his case the role of investors. While this thesis focuses on new revenue models, the UDT. Obviously, both researches have the same context. Therefore and in consultation with Fred Hobma & Erwin Heurkens, it was decided to write this chapter together, to be able to provide a comprehensive overview on the contextual changes in the Dutch UAD-practice.
Experts and academics face a difficult task to revise the (sustainable & financial) deficits within this field. In this section the consequences will be discussed.

§ 3.2.1 Economic recession or structural imbalance?

The bankruptcy of Lehman Brothers in the autumn of 2008 preluded a period in which papers have been filled with economic related news ever since. The credit crunch has significantly affected the real estate market. The ‘keep-on-building culture’ have come to an end. The imbalance in the markets led to a stagnation of developments judged as a real estate crisis. While the real estate crisis in the 80s was caused by 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 Joolingen, et al., 2009). Van der Krabben (2011) motivates and validates this turning point for the planning discipline as well.

According to Florida (2010) the character of the real estate market has to be changed to rebalance supply and demand. It is even assumed that changes will influence the development culture on a global scale. ‘The development culture is under pressure, because currently the end-users are more risk-averse to move and banks apply more stringent loaning conditions to finance urban developments’, says Heurkens (2012).

Despite 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 associated financing instruments (Heurkens, 2012).

§ 3.2.2 The consequences for urban development projects

Before the economic crisis hit the Dutch economy and real estate market, the ideal type of UAD-practice was known as Gebiedsontwikkeling 1.0, and characterized by its large scale and highly ambitious projects (Peek, 2011). Thanks to a supply-driven market, the developments were focusing on realizing profits both on land & real estate developments. 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 in relation to the scale, the prefunding and long-term development prospect, it will lead to 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 De Zeeuw, et al. (2011) this kind of ‘blue print planning, known as the ‘top-down’ approach, is not suitable anymore. It has led to excessive programming in different segments that cannot cope with the drop in demand. Moreover, scepticism in the financial sector does not allow projects to obtain the necessary large scale prefunding making them unfeasible.

A lot of large scale integral urban development initiatives, as described above, are put on hold. 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 emphasis changed to scale down developments and the facilitation of initiatives, focusing on current use or allowing the temporary operation of vacant real estate (Peek, 2011). This ‘bottom-up’ approach, also known as Gebiedsontwikkeling 2.0, is mostly applied on stranded large scale integral initiatives, such as the Binckhorst in The Hague.
§ 3.2.3 The consequences for the involved actors

The economic crisis has affected different actors involved in the urban development process.

Project Developers

Van Joolingen, et al. (2009) argues that the first actor affected by the economic crisis is the project developer. Due to declined sales unsold dwellings are accumulating. Subsequently banks stop prefunding projects causing the production to stop. In general, the sales are decreasing enormously forcing the project developers to make cuts in their staffing. Project developers suffer another financial problem. Traditionally project developers own substantial amounts of land positions. Due to the credit crunch these land positions are revaluated resulting in a decrease of the project developers’ investment capacity (De Zeeuw, et al., 2011; 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 contractors for instance, could be the solution for the project developers. According to De Zeeuw, et al. (2011) 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, contractors need to change as well through production chain integration (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, they reducing the amount new development projects and focusing on stronger phasing of the projects. Investors are not willing to prefund projects including long-term perspectives. To reduce risks investors could collaborate instead of compete with other investors.

De Zeeuw, et al. (2011) argues the investment capacity of public & 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 Asset Liability Management (ALM) assessments 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. Besides, the office-market is not interesting due to the structural vacancy, while the retail-market appears to be too small. The housing market could be interesting, although this market highly correlates with the changes in the housing policy (De Zeeuw, et al., 2011). 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 revenue streams.
**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 & 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 & revaluated land positions (De Zeeuw, et al., 2011). As a result, many are unable to fulfill their role in urban regeneration.

**Banks**

The financial banks are traditionally a major actor in the (pre)funding of urban development projects. Both project developers and investors need (debt) financing from banks to secure their real estate investment and making the development feasible. For instance, due to 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 major funding role which affects investors, developers and municipalities, but also home buyers. According to Franzen and de Zeeuw (2009) banks will permanently require initiators to bring in more equity capital.

**Government**

On-going austerities limits municipalities to invest in and subsidize urban development projects. Land development companies are making losses on land positions & current developments (Puylaert & Werksma, 2011; Van Joolingen, et al., 2009). As a result, municipal investments in UAD initiatives are limited. Van der Krabben (cited in: Bayer, 2011) argues the losses on the devaluation of land positions could preclude the end of the active land policy, because the incorporated risks are hard to bear legitimate 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’. Also Franzen and de Zeeuw (2009) experience problems in the 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.

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**ACTIVE & PASSIVE LAND POLICY**

**Active land policy** means the government acts as a market party buying land for development and use or sale. Next to the purchase of land, government can also acquire land through pre-emption rights and expropriation. In contrast, the **passive land policy** means that the government only regulates, or facilitates, the land development market, leaving the purchase and exploitation to the private sector (Korthals Altes, 2008; Ministerie van VROM & Ministerie van Financiën, 2001).

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. Subsidies are (made) necessary for inner-city UAD projects, especially for sustainable projects. Previously, subsidies took a significant financial position in budgets of sustainable projects. Meanwhile, the authorities are also risk-averse and do not automatically fill the gap in any budgets with subsidies anymore (De Zeeuw, 2011). Likewise, other financiers like banks are currently to scant to provide some loans or credit.

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**§ 3.2.4 The consequences for Public Private Partnerships**

The economic crisis not only affected most actors in urban development individually, also Public Private Partnerships (PPP) 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 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 (Puylaert & Werksma, 2011). The search for the right form of collaboration for sustainable initiatives appears not to 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). New partnership collaborative arrangements for UAD projects should be considered, like ‘Bouwclaim Nieuwe Stijl’, ‘joint-venture light’ and ‘the alliance model’.

Section 3.3 The New Reality in Urban Development

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

The field of UAD characterizes itself by the increasing rate of specialization within sectors and disciplines. The division of specialisms will lead to fragmentation. This contradicts with the former UAD-ideal, because it prescribes integration instead of separation. Sectorial-thinking needs to be broke through. 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 (De Zeeuw, 2007).

Van Joolingen, et al. (2009) outlines a future for UAD 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 the UAD-practice changes gradually due the changing contextual conditions. Learning form these changes is important, because we can go for the ideal durability: the prospect of developments. This is a different way of explaining sustainability, because it outlines the importance to sustain over time. 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 the UAD-practice should be widened to juxtapose value chains such as energy, while the emphasis is shifted towards the management & operating phase. This includes new forms of cooperation and new revenue models, but also new correlated rules for urban developments. The same goes for calculating and distributing the operations. Similar to Peek (2011), De Zeeuw, et al. (2011), Agentschap NL and RVOB (2011) and Heurkens (2012) argue the focus should be on the management & operating phase.

Hagendijk and Franzen (2012) endorse the need for a larger and more risk-bearing role of private parties. 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 the hit and run approach will disappear as development practice. Table 2 shows the change in mind-set, shifting from Gebiedsontwikkeling 1.0 to 3.0.
Urban Area Development & collaboration

<table>
<thead>
<tr>
<th>Approach</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 flows</td>
<td>Investor: initiating and co-investing</td>
<td>Combination of real estate and flows (horizontal chain integration)</td>
<td>Future real estate owners and users, new actors</td>
</tr>
</tbody>
</table>

Table 2: Collaboration scheme of the 3 urban development approaches (or business model) (Peek, 2012)

According to 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. For instance, on real estate developments if the end-users are involved in an early stage of the development. It also means reducing the sales risks by making better investment decisions.

According to De Zeeuw, et al. (2011) 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 that the priorities on development plans should be balanced on a regional and local level. There should be more room for a creative design process, including some degree of participation of different stakeholders, to achieve an optimal urban area quality (De Zeeuw, et al., 2011; Franzen & de Zeeuw, 2009).

‘The new reality is an operation based on continuity and generation of value over the long term. The value of real estate is associated with a flexible and sustainable design and long-term management. It opens up prospects for new clients as well’ (Agentschap NL & RVOB, 2011). The new reality for UAD calls for new approaches. The government will play a different role, as explained the current land policy is scrutinized until today. ‘Presently, also the end-users 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 losing influence when making them more heterogeneous does contributes. A win-win situation should be created. Stakeholders should seek for common interfaces. Intersectoral partnerships and integral urban area operations are becoming the norm’ (Van Rooy, 2011). In order to facilitate these flows and to capture the generated additional value, new revenue models and new partners are needed.

New revenue models

As described above most parties are hesitant to prefund urban development projects. The financial matters of projects should be approached in a more balanced and creative way, as the traditional revenue models have proven to be unfeasible in many cases. UAD should focus on long-term commitment and returns with the help of a more balanced urban area operation (De Graaf, 2011). As subsidy flows are depleted De Zeeuw, et al. (2011) argues investment flows could be better combined in alternative revenue models, like the ‘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 (UDTs), Business Improvement Districts (BIDs) and Urban Re-parcelling. These new revenue models can be categorized by its finance approach. 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 crowd sourcing and funding (Heurkens, 2012). UDTs, BIDs and Urban Re-parcelling are revenue models allowing projects to be financed in alternative ways, through the commitment of private capital and are frequently mentioned in the current debate on the new reality in urban development (De Zeeuw, et al., 2011; Heurkens, 2012; Peek, 2012; Van Rooy, 2011). The UDT concept even allows to collect different types of capital. The Urban Re-parcelling concept aims to align existing owned properties & parcels with development plans (Peek, 2012).

Furthermore Peek (2012) puts forth the exploitation of utility services by introducing Energy Service Company’s (ESCO’s) and Multi Utilities Service Company’s (MUSCo’s). The use and production of utilities are linked through the incorporation of ESCo’s or MUSCo’s in the urban development projects. 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 partners. According to De Graaf (2011) and Peek (2012) new actors from the energy sector are eager to get involved in the UAD challenges. 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 the waste disposal sector, like AVR Van Gansewinkel (De Graaf, 2011). However, as those parties invest a lot in R&D 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 UAD projects. There are some examples in the USA and Canada in which energy companies are developing, based on trust between the involved actors (De Graaf, 2011).

The search for new parties in UAD does not only focus on energy related companies. Hagendijk and Franzen (2012) suggest that the UAD-practice could be saved by pension funds or large health insurance companies through the huge capital they possess. Van Joolingen, et al. (2009) also indicates 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 UAD 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 labour 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 behaviour. As companies are in need for highly-educated creative professionals – who preferably live in a high-quality urban areas – the interests of companies will get more aligned with the interest of the cities. Hence, companies could be involved in developing our cities. In the introduction speech at the yearly urban development congress De Jonge (2013) 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 UAD. There are also examples of corporation-led development closer to home, like the development of Stand-East in London by the Inter-IKEA group.
Section 3.4 Sustainable Urban Area Development

The environment plays a more prominent role as reflected in the debates about climate change. Thereby, global competitiveness is forcing our cities to shift from quantitative to qualitative growth. This trend is better known as ‘sustainable’ development, and 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). As response to the Brundtland-rapport ‘Our common future’ from 1987, urban planning gradually became an integral-approach, early explained as Gebiedsontwikkeling 1.0. Elkington (1998) further elaborated on this topic and introduced the people-planet-profit approach (Triple P). He clearly pointed out the social components and the Triple P approach became a leading benchmark in the Netherlands for sustainable urban development.

Hooimeijer, et al. (2001) positively responded and argues that spaces need to be multifunctional to give expression to these social interests. What the Triple-P approach means for sustainability, does ‘user value’, ‘experiential value’, and ‘future value’ means for spatial quality. Hooimeijer, et al. (2001) demonstrates that social interests change over time and spatial components are more universal and only become meaningful if they are connected with the social part. Their conceptual matrix – connecting these components – need to serve as a new benchmark for the positioning of different views for sustainable urban development.

Ideally UAD is by definition a sustainable development. It should be able to deal with complexity, networks, dynamics, positions, opinions and other contradicting values to facilitate consensus. Provide a joint meaning of space is a socio-cultural task that manifest itself physically. Urban planning could serve as a catalyst for social, policy and spatial urgencies, like climate change, mobility, and nature. “The social-policy components must be brought into agreement with the spatial components to achieve a sustainable urban development” (Puylaert & Werksma, 2011). Also Lucas (2013) argues UAD should incorporate the Triple P approach with key characteristics for spatial quality: use value, experiential value and future value. According to De Zeeuw (cited in: Puylaert & Werksma, 2011) other key concepts are affordability and feasibility. Since the economic crisis, these key concepts form a substantial bottleneck for the continuation of Dutch UAD projects (Heurkens, 2012).

Puylaert and Werksma (2011) acknowledge the point of departure introduced by Hooimeijer, et al. (2001), and amplifies this concept by introducing 4 principles. Not to provide a new ‘blue print’ manual, but as a developing compass guiding towards sustainable urban developments. They aim to find the optimal balance between the following 4 principles:

I. Merge interests: among different actors, trying to conduct a comprehensive win-win situation;
II. Create identity: linking qualities to increase user value, experiential value & future value;
III. Connect dream & reality: linking the development phases initiative, feasibility, development & operating phase with regard to the short-term & long-term perspective: current & future use;
IV. Redeem future value now: linking cash flows and convert values into present return by translating future values into costs, revenues and risk assessments.

These principles will help the actors to implement a sustainable development process and it will function as checklist as well. During the urban development program these principles could be assessed in order to determine if intentions are sustainable. This assessment allows plans to be adjusted according to these key principles in a more equivalent way. Important to understand, the principles are not assigned to a specific actor but will transcend the self-interested perspectives of actors during the whole project life-cycle. A win-win situation should be created among the social & spatial components.

‘But we are stuck in the win-lose thinking, based on power and positions instead of on principles’ (Puylaert & Werksma, 2011). This goes hand in hand with the sectorial, short-term approach, for urban area development. Many parties are involved, the process is complex and the risks are obscure. Amongst other reasons, this is caused by the aforementioned financial-economic situation. In the meantime, not only the developments are important but also the operation of urban areas’ (Agentschap NL & RVOB, 2011).
Earlier, large scale integral projects have been stimulated to start up and made viable with the help of fiscal instruments and subsidies. These where needed to cover the uncertainties and associated risks. In fact used to fix budget deficits. ‘In practice a lot of initiatives seem to need these subsidy nudges 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.

‘Van Rooy (2011) argues that different actors should intensively work together, to synchronize these different interests. He introduces innovative revenue models, in order to properly distribute authorities, risks and returns. Thereby creating a win-win situation.’ Van Luin (2012) builds on with sustainability in UAD as objective and as result. To accomplish a sustainable project one should make use of a three-step approach:

I. Generate mental ownership: form a coalition of mental owners between different opinions;
II. Design a shared point of view: among the coalition of mental owners. Design such area panorama of additional win-win values is no easy task, because values are contradictory.
III. Realization of urban area investments: the coalition of mental owners express their commitment in concrete investments, like money, time and manpower. Affinity starts initiatives, producing area investments and interrelated services & activities.

‘The key idea of producing (new) value chains is that these three-steps should not follow up one another, but these steps must take place simultaneously. People and places will make the difference, and urban developments are absolutely human work’ (Van Luin, 2012).

Also in subsection Section 3.3 the juxtaposing of new value chains have been mentioned. ‘Peek (2012) summarises that ‘Gebiedsontwikkeling Nieuwe Stijl’ is a holistic approach and combines the elements ‘real estate’, ‘flows’ and ‘use’: the management and operation of land and real estate and the utilities in the broadest sense of the word (the flows).’ This line of thought corresponds with both publications of Agentschap NL and RVOB (2011) and NLBW (Van Luin, 2012; Van Rooy, 2011). Covering topics like the involvement of end-user (demand-driven), generation of (new) values through an integral long-term approach and focus on the operation phase and do so in a sustainable way.

Section 3.5 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.

MACROECONOMIC MODELS OF CAPITALISM

The Anglo Saxon model is based on a free market economy. The role of the state is limited in the control and legislation regarding market mechanisms. The Anglo Saxon model is seen in countries like the USA, UK, Canada and Australia. In contrast, the Rhineland model is based on a regulated market economy in which the State is allowed to control market mechanisms and has an active and powerful role. This so-called social market economy is applicable to The NL and most other Western European countries (Heurkens, 2009 & 2012).

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 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). 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 (Figure 6).

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, in fact the emphasis has changed from ‘restrictive planning’ towards ‘interactive planning’. This is embedded in the National Spatial Planning Act (Ministerie van VROM, 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 the dissertation ‘Private Sector-led Urban Development Projects’ Heurkens (2012) describes changed requirements on the roles of public and private parties in UAD projects after 2010 due to the economic crisis. He argues a facilitating role of the government is needed to allow civic and private initiatives or investments in incremental urban developments, as urban planning governance is undergoing another shift towards ‘coalition’ or ‘invitation planning’. Even though the credit crunch has forced Dutch government to nationalize banks like SNS Reaal, ABN Amro and ING, he argues recent urban development projects show a continuation towards a more private-led development.’ Figure 7 shows the Dutch urban governance shifts described by Heurkens.

In addition, end-users should be involved (demand-driven) to feel highly committed to the developments, better known as ‘mental ownership’. 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). ‘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). For that reason more freedom should be given and a new balance in the public-private relationships is needed to facilitate the free market forces. Moreover, Lex Hoogduin, direction member DNB, argues that the funding gap could be closed by civic capital. 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). ‘Peek (2013) argues that the UAD-practice should collect more and smaller amounts of money to fill funding gaps. He explains how valuable it can be to cooperate, maybe even with individuals; referring to the civic capital.

Section 3.6 Synopsis Dutch UAD Challenges

The previous sections explain the major challenges in the Dutch UAD context and the reasons for the stagnation of urban development projects. These difficulties lead to the birth of a so-called ‘new reality’ of urban development in The Netherlands. New approaches or business models for UAD have been put forward to be able to comply with the new reality challenges & opportunities as summarized below.

**Challenges & Opportunities**

- **Structural imbalance**: UAD should focus on redeveloping, transforming and rebalancing the current real estate stock, as well as the regeneration of brownfields & inner-city areas;
- **Cyclical conditions**: UAD initiatives are unfeasible. Due to the financial distress, it is difficult to (pre)fund large scale integral projects;
- **Crisis at different development actors**: to enhance investment capacities and distribute risks more even UAD actors should collaborate, for instance focus on chain integration capabilities;
- **Budget imbalance**: budgets of UAD projects lose ordinary allowances like subsidies, Especially sustainable initiatives were dependent on them, making projects less feasible;
- **PPPs setbacks**: currently, most PPP turn out to be unfeasible. There is a call for renewed collaborative arrangements, and more direct involvement of civic parties for sustainable developments as well;
- **Challenges in the ‘New Reality’**: mismatch supply & demand; increasing rate of specialization within sectors and disciplines; small scale & incremental developments; attention to the management & operating phase; change in mind-sets, mismatch current & future value; too detailed & static plans; win-lose thinking & impassable (sectorial) compartments;
- **New revenue models**: allowing projects to be financed in alternative ways to increase the project feasibility. For instance, through the commitment of private capital together with a more balanced and long-term finance approach. Innovative ways to distribute costs, revenues & risks more evenly;
- **New partners**: attracting new partners to pick up the role of master developer or attract alternative investment sources to finance projects to increase the project feasibility. New partners, like pension funds, developing investors or companies are promising actors for UAD by the contribution of long-term commitment and equity capital. Therefore, new collaborative arrangements will be useful;
- **Sustainability**: projects should be integral, long-term and end-user oriented, focus on values and the generation of values and create a win-win situation between social & spatial challenges for future developments. Other key concepts are affordability & feasibility;
- **Changing roles**: in the UAD-practice wherein governments are shifting towards network governances entailing collaborative arrangements between public, private & civic society actors. The public-private power balance has shifted towards the private market, but a new balance is needed to facilitate the free market forces even more. Like attracting civic capital through mental ownership;
CHAPTER 4 THEORETICAL FRAMEWORK: UDT REVENUE MODEL

In this chapter the theoretical findings of the UDT will be presented in the theoretical framework. To grasp the fund industry, and in particular the trust revenue models for the real estate industry, different Pooled Property Vehicles (PPV) will be explained. The PPVs have different characteristics and it will be necessary to understand the technicalities of these vehicles both on object, project & area level. First, the preliminary concepts business model & revenue model will be discussed to understand the differences. It will be an useful point of departure for the literature review to answer the question: What are the characteristics of the real estate trust revenue models and how do these interact with the overall business models?

Section 4.1 New business models

The relevancy, motives, the changing context into a new reality and the associated challenges & opportunities have been discussed in the previous chapters. The new approaches for urban (re)development projects should be sustainable and feasible to be set in motion. Sound UAD projects are essential for the future of cities. Urban areas accommodate our society’s common experiences and lifestyles as well as our norms & standards. Besides, high quality spaces will determine the success of our well-being and economy (Wigmans, 2011). It is not just about the spatial developments, but also about the alignment of social components like political, economic, ecological and socio-cultural aspects.

From a historical perspective the solution for creativity and innovation – usually needed for such diffuse issues – is taking away the boundaries for market forces (Van Rooy, 2009). For example, we already see a shift in the relationship between public and private powers, towards a more liberal privately-oriented partnership. It is unclear why this shift is not accompanied by new business models for UAD. The current way of working does not seem to solve the lack of sustainable & feasible UAD initiatives. Albert Einstein once said:

“We cannot solve our problems with the same thinking we used when we created them.”

Actually, the new approaches for the new reality can be regarded as new business models. An issue of the new approaches are the new revenue models, listed by various practitioners and academics, like Van Rooy (2011). Most offer alternative ways to increase the feasibility of projects. It could be helpful to create new attractive financial conditions, which are arranged through revenue models.

Section 4.2 Business Model

In this section the difference between the business model concept & the revenue model concept will be explained. In order to understand and position the new suggested revenue models. First, business models should not be misunderstood with the common term business case which compromises viability aspects:

‘A business case includes the agreements between the various parties in order to arrange the urban area development, the financial operating plan and the collaboration between parties during the development phases’ (Van der Cammen, 2006: cited in Schouten, 2013: 8).

The business model concept is more dynamic and compromises the bigger picture. Not only to establish a balanced budget for parties to agree terms, but also the business model intentions & the scope need to be successful. ‘The last decade several practitioners and academics have wrote a lot on this concept, and the design and development of business models have been come increasingly important’ (Wirtz, 2011). But the work of Osterwalder, et al. (2010) – involving the contributions of 470 members – will be used to explain this concept. They define the business model term as follows:

“A business model describes the rationale of how an organization creates, delivers, and captures value.” (Osterwalder, et al., 2010: 14)
To make this definition useful for the UAD-practice we should see an urban development project from an organizational point of view. According to Osterwalder, et al. (2010) the business model basically is made up of 4 main areas of business, in turn, these can be subdivided into 9 basic building blocks which show the logic of how a company intends to accomplish its scope & intentions, like generating profit (Figure 8).

Schouten (2013), a graduate student at the Amsterdam School of Real Estate, mentored by G-J Peek, extensively researched the transition of UAD business models. His objective was to provide sufficient guidance on how to use new business models for urban development projects by aligning and elaborating on the aforementioned building blocks of Osterwalder, et al. (2010). He carried out an in-depth study to understand the different areas of business and building blocks, and how these relate to the Dutch UAD-practice. All in order to develop the new business model for Gebiedsontwikkeling 3.0, as suggested by Peek (2012). Besides, he explained the difference between a business model and revenue model as well. Therefore this thesis will use the fundamental ideas and findings of Schouten (2013) as point of departure to explain the relationship between UAD business model and UDT revenue model. First, a short elaboration on the different areas of business and their underlying building blocks will be given.

§ 4.2.1 Offer

The first area of business will be key in every business model. It consists of only one building block, which is the ‘Value Proposition’. ‘According to Osterwalder, et al. (2010) it describes the bundles of services & products that create value for a specific customer segment.’ This means for the UAD projects that the value proposition is what distinguishes the project from others through a distinct mix of elements responding to the customer needs. Values may be quantitative (e.g. rents, accessibility) or qualitative (e.g. design, experiences).

Traditionally an UAD consist of different phases. In general, each phase will be executed through different stakeholders. Practically, this means that every development phase and each involved stakeholder are currently using their own business model with their own value propositions. As a result that essentially every transaction – before the final transaction with the end-user – will be completed by a value proposition that is not aimed to create value for the end-user. The traditional system of the Dutch UAD-practice could be defined as three successive and interdependent business models (land development, property development & area operation). In this system the business model for UAD projects will be the sum of these three models.

But the new approach or the new business model for Gebiedsontwikkeling 3.0 will need a totally new perspective to propose value. ‘Schouten (2013) thinks that the value proposition should target the end-users during the whole development life-cycle. In other words, the bundles of qualities, services & products an urban area applies to create value for the end-user. If each urban area has its own business model for the entire development life-cycle, wherein all involved stakeholders will synchronize their own business models with this urban area model, probably a win-win situation will be created.’
4.2.2 Customer

The second area of business consists of three building blocks which determines how services & products will be launched, how customers will be reached and how one should communicate with customers. To do so the building block ‘Customer Segments’ should be determined first (Osterwalder, et al., 2010)

The customer segments represent which customers the business model tries to serve, and in this case it means what type of users will utilize the urban area (e.g. owner, tenants & employees). Next, the ‘Customer Relationships’ explain the different types of relationships the project establishes with the specific customer segments (e.g. sale & lease). This block will depend on the value proposition. In this case the end-user should be involved during the whole life-cycle to understand their demand, meaning the first signs of relationship should be established during the exploration or initiative phase. The final customer building block describes how the project communicates with and reaches its targeted end-users to deliver the value proposition, better known as the ‘Channels’. It could be that these channels will be outsourced, for instance using agents.

4.2.3 Infrastructure

The third area of business consist of three building blocks as well. The infrastructure determines the manner in which projects are able to define, generate, preserve & improve value. In other words, what does an urban area needs and how should it be organized. Eventually to deliver the value proposition to the desired customer segments.

Osterwalder, et al. (2010) describes three building blocks. The ‘Key Resources’ are the most important resources an project need to develop & operate an urban area (e.g. land, property, flows and financing). The ‘Key Activities’ are the most important activities an project contains to convert key resources into the value proposition (e.g. design, construction & management). The ‘Key Partnerships’ describes the network of partners and stakeholders that make the business model work (e.g. municipality, developer & investor).

Conclusions

- New approaches for the new reality can be regarded as new business models;
- Business models consist of 4 business areas or 9 basic building blocks that show the logic of how a company intends to accomplish its scope & intentions;
- Revenue models is one of the four areas of business and thereby a part of the business model;
- The offer should target the end-users during the whole development life-cycle;
- When talking about business models in this thesis, the concept will be: The main business model in UAD-projects will be the urban area itself & its entire development life-cycle. The value proposition of the urban area, for current & future end-users, will be point of departure (Gebiedsontwikkeling 3.0)

Section 4.3 Revenue Model

This section will elaborate on the forth area of business, the financial viability, as explained in the previous section. The financial aspects that a project includes are incorporated in the final area of business. Osterwalder, et al. (2010) distinguishes two building blocks to organize the finances. The ‘Cost Structure’ describes all costs incurred to operate a business model (e.g. to create & deliver value) and the ‘Revenue Streams’ which represents the cash a project generates from each customer segment (e.g. sales revenue, rental income, capital growth).

4.3.1 Cost structure

All building blocks need to be operated in some way. This will incur costs. These blocks need to be defined precisely, not only to have a competent model, but to calculate the costs relatively easily. Osterwalder, et al. (2010) distinguishes two broad classes of cost structures.
The cost-driven structure focuses on minimizing costs wherever possible. Focus on short-term & single transactions by using a low price value proposition to attract the customer. Our current approach for developing urban areas looks quite similar to this. Different development phases provoke different stakeholders to use the so called hit and run approach (Putman, 2010).

The second class is a value-driven structure and focuses on value creation. Costs are just a side issue. A premium value propositions will be established with a high degree of personalized services for the end-user. The value proposition will be maintained while using the offered products and services. The new approach looks more similar to this cost structure.

In addition, Osterwalder, et al. (2010) mentions some characteristics to keep in mind. Fixed costs, variable costs, ‘economies of scale’ and ‘economies of scope’. The last two are important to bear in mind, because considerable advantages can be obtained. Like collective procurement of energy or merging development phases respectively.

§ 4.3.2 Revenue streams

‘According to Osterwalder, et al. (2010) if the customers comprise the heart of a business model, the revenue streams will be its arteries. More revenue streams will be generated from each customer segment, if one knows for what value they are truly willing to pay. Also different pricing mechanisms relate to the streams, and can make a big difference in terms of revenues generated. The two main types are fixed & dynamic pricing, like fixed or market dependent rents. Broadly speaking, he explains a business model can involve two different types of revenue streams.’

The transaction revenues, resulting from one-time customer payments. Again comparable to our current approach. While the new approach looks more similar to the recurring revenues type, resulting from on-going payments to either deliver a value proposition to customers or provide post-purchase customer support (e.g. managing & operating the area). Also maintaining and improving the value proposition can unleash revenue streams as result of capital growth.

Again, Osterwalder, et al. (2010) mentions some ways to generate revenue streams. Some interesting are:

- **Asset sale**: revenues are derived from selling assets like ownership rights to a physical product;
- **Usage fee**: The more a service is used, the more the customer pays;
- **Subscription fees**: selling a continuous access to a service;
- **Lending/Renting/Leasing**: granting someone the exclusive right to use an asset for a fixed period;
- **Brokerage fees**: fees for deriving intermediation services performed on behalf of 2 or more parties;

**Conclusions**

- The financial viability becomes determined by the revenue model which consist of the building blocks ‘cost structure’ & ‘revenue streams’;
- Value-driven structure, economies of scale & economies of scope are important cost structure characteristics for the new approach;
- Recurring revenues are an important revenue stream type for the new approach;

**Section 4.4 Business model vs. Revenue model**

The term revenue model is often confused with business model (see § 1.3.5 ). A major misunderstanding, since the revenue model only will represent ‘how’ returns have been established and collected using a particular financial structure. For instance, costs must be subtracted from revenues in order to create earnings. More entities will illustrate the revenue model, like return on investment, net present value or yields. The revenue model entities are sufficient measures to determine the financial viability. That is why these finances, or known as the financial structures, are not a business model but will form an important part of it:
A revenue model makes explicit all the capital sources, which have been used to finance & operate a business model, and fundamentally systematizes all the different forms of revenue which have been generated by a business model (own definition based on: Osterwalder, et al., 2010).

‘As we can see a revenue model consists of two building blocks: cost structure and revenue streams. At the same time, the block revenue streams (e.g. rental income) seem to correlate directly with the block customer relationships (e.g. lease). Notwithstanding it, all building blocks do correlate with each other, some more than others’ (Osterwalder, et al., 2010). But it is important to understand how the areas of business and the underlying building blocks do influences each other if a certain decision and choices will be made. It causes a logically chain of events. Based on Schouten (2013), some examples will be given to explain the importance and eventually the differences between the new suggested business model Gebiedsontwikkeling 3.0 and the new promising revenue model Urban Development Trust.

The value proposition shifts from a supply-driven approach towards a demand-driven approach, as a result that the customer relationships become more intimate due to co-creation for example. Providing services and amenities or creating mental ownership will bring new revenue streams.

The customer segments stay practically the same. It is important to know which type of end-users will use the area. A precondition to create a better relationships will be a project with a long-term perspective of value creation. This will affect the blocks resources & partnerships. For example, flows should be integrated with other resources like real estate and land. The capital commitment should be spread over a longer period of time, while stakeholders should collaborate more intensively to seek for a win-win situation. Therefore new partnerships should be established in an early stage.

In general, the key activities will represent the complete development cycle, but new key activities will be added. For example, innovative site wide services. In turn, the cost structure will look different in order to structure & facilitate the new approach and therefore new partnerships. In addition, the extended cooperation with a long-term perspective will generate new (collectable) values as well as focusing on the operating phase.

Synopsis link new business model & new revenue models

The increased sense of correlations between different building blocks, helps to understand that new revenue models are suggested to implement the new approach. The new approach is an innovative point of view for UAD, in other words a new business model for success. The previously named academics and practitioners all refer to the new approach, but illustrate different viewpoints. As Peek (2012) explains new revenue models, like the Urban Development Trust, should help to establish and structure financial relationships in order to implement new approaches. Other important viewpoints are ‘The art of merging’ (Pvlaerta & Werksma, 2011), ‘Capitalizing sustainability in UAD’ (Agentschap NL & RVOB, 2011), ‘New value chains and concepts of value’ (Van Luin, 2012; Van Rooy, 2011), and ‘Operate integrated: embedding real estate, flows & use’ (Peek, 2012), which will be discussed in CHAPTER 5.

Conclusions

- A revenue model addresses the financial structures that are used to generate and organize value circulations, while the business model will describe all aspects that affect the creation of these values
- All areas of business and their underlying building blocks correlate and influence each other;

Section 4.5 Why Urban Development Trusts?

A very promising revenue model that could address the challenges & opportunities in the new reality is: the Urban Development Trust (UDT). Recently, the UDT has been suggested by many practitioners and academics (Agentschap NL & RVOB, 2011; De Zeeuw, et al., 2011; Heurkens, 2012; Peek, 2012; Van Luin, 2012; Van Rooy, 2011; Vos, et al., 2012)
Urban Development Trust is a term used to describe a revenue model where disparate stakeholders (state, market, civic society) will pool their resources, sharing interests and facilitate short- & long-term finance, to be able to achieve a common and paramount objective to integrally develop, operate and manage an urban area. (own definition)  

As explained in CHAPTER 3 one important reason projects have become deadlocked is the lack of funding resources. The building block key resources, involve aspects like funding, risks & uncertainties. Therefore, ideal conditions should be created to attract new or other capital resources. These conditions are designed and facilitated by the revenue model. This contributes to the motive UDTs are a promising revenue model, because it provides an accessible financial structure to be able to attract resources like capital. ‘UDTs could combine a short-term finance of UAD projects with a long-term investment perspective’ (Heurkens, 2012).

UDTs are therefore in some way a financing mechanisms, because it creates conditions that allows the new approach to raise alternative resources. ‘The revenue model offers various conditions and opportunities to collect and combine different resources from divers investors, and to facilitate the arrangement of new forms of public-private-civic partnerships’ (Agentschap NL & RVOB, 2011). With UDTs it is also possible to fairly connect & distribute different interests, risks and returns to create a win-win situation. ‘Above all, trusts can easily be used to plan and manage the whole value chain from land development to area operation, and the value creation that occurs over a longer period of time’ (De Zeeuw, et al., 2011).

Conclusions

- UDTs are promising revenue models according to different practitioners & academics, because UDTs could provide accessible financial structures to:
  - attract different resources from different investor types;
  - offer short- & long-term investment perspectives;
  - connect & distribute interests, returns & risks reasonably;
  - facilitate new collaborative arrangements;
- UDTs are somewhat different, but for the purpose of this thesis, the UDTs can best be compared to the Property Unit Trust (PUT);

Section 4.6 Investment considerations

Very briefly, it is worth to go back to the basics to understand the behaviour of investors. All-embracing one could say people do invest because:

- Money will depreciate over time, better known as inflation;
- To get return from your money in an alternative way;
- Assets are purchased to generate income;
- Looking for the personal best risk-return ratio;

Everyone who likes to take the risk to create future wealth will invest, but which parties are actually interested in investing rather than saving:

- Institution (e.g. pension funds or insurance companies);
- Public entities (sovereign wealth funds or SWF);
- Private parties (family offices, wealthy individuals);

Voluminous investors, like pension funds, need to diversify their investments to have a multi-asset portfolio. This is better known as Assets Under Management (AUM). The AUM consist of fixed income investments (e.g.

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Note. while reading this chapter many different types of trusts and funds will pop up. It will be difficult to understand what type is similar to the UDT. As explained in 0, the Dutch UAD-practice already uses PPVs. Obviously UDTs are somewhat different. For the purpose of this thesis, UDTs can best be compared with the Property Unit Trusts (PUT), since the case study of this thesis – Chiswick Park – used a PUT type as revenue model.
bonds), shares and alternatives (inter alia real estate). How the investments are distributed in a common AUM of a Dutch pension fund is shown in Figure 9.

Real estate investments are being rated as indispensable, due to the fact they, in general, do not correlate as much as the other investments do (Ibbotson & Siegel, 1984; Roberts, 2002). In addition, real estate is an attractive investment for the following reasons from most to less important (INREV, 2013a):

- Diversification (sufficient size of a relevant market);
- Regular rental income;
- Inflation hedge;
- Long-term capital growth if value increases;
- General market understanding of value / price;
- Measureable risk-return ratio & performance;

### Section 4.7 Real estate investment vehicles

There are several ways to invest in real estate. This will always be done directly or indirectly.

#### Direct investment vehicles

Direct investments in real estate will simply refer to purchase a physical property possessing it as a whole or some appropriated parts. More capital and time is needed during the purchase process compared to equity or bonds. As landlord you also will have additional responsibilities for property management, which will require specific and specialist knowledge. Direct investments demand (pro)active involvement. Theretofore, the indirect market is a good alternative.

#### Indirect investment vehicles

Indirect investments refer to the purchase of a product that invests in real estate for you. Practically you invest not only in real estate, but also in the expertise and skills of other people managing the investment product. Hence, investors will consider two general dimensions when they ponder to invest in property: knowledge & expertise and delegation of management. Obviously, this will be at the expense of the investors’ control & involvement. But by holding property assets indirectly one will be able to benefit from more variable use of leverage, and, therefore, have the possibility to achieve higher returns (Trimailova, 2008). There are various ways to invest indirectly in property, but these can be subdivided into listed & non-listed vehicles.

#### Listed vehicles

Listed vehicles are traded on a publicly given stock exchange. These are accessible to all type of interested investors, but lack the advantage of low correlation with the general market (Roberts, 2002). The main reason one likes to invest in listed vehicles is because the trading mechanism provides benefits for higher liquidity. However, the value of shares is highly influenced by the interplay of supply and demand. The amount of shares will stay the same (unless new issuing occurs). Trading within the vehicle by transferring the vendors stake to another investor is known as secondary trading (INREV, 2012). Sometimes open market is used, this system has less barriers close to free trade. Consequently, prices will move and provide a discount or premium to the actual Net Asset Value (NAV) of the purchased properties by the vehicle (Trimailova, 2008). Like the Real Estate Investment Trusts or better known as REITs (see § 4.13.1 ).
**Non-listed vehicles**

Non-listed vehicles are a financial mechanism that are closed for the general public and are sold only through the (more privately) over-the-counter market. Therefore, these vehicles are largely heterogeneous (INREV, 2008). They are characterized by the higher degree of illiquidity, lack of transparency and are only suitable for investor with extended investment horizons of 5 to 10 years (Trimailova, 2008). The value of shares, in comparison to listed vehicles, equals the NAV and highly depends on valuations. If investors decide to sell their share they will need to accept substantial discount to the NAV, since market forces are less operative at the over-the-counter market (see Figure 11).

§ 4.7.1 Strategic characteristics

Real estate investment vehicles can invest in properties which differ in sector and life-cycle phase of the development, pursuing a certain risk-return ratio and degree of leverage (Trimailova, 2008). Also according to INREV (2008) the amount of return the vehicle is pursuing and the level of leverage they take, mainly determines the investment strategy of a real estate investment vehicle. The former is more important than the latter criteria. The risk-return or target return is usually based on the Internal Rate of Return (IRR) ratio and the degree of leverage is a Loan-To-Value (LTV) ratio. INREV (2008) distinguishes 3 types of investment strategies. All the vehicles will fall in the spectrum from core, value-added to opportunistic funds (Table 3 & Figure 12).

**Core vehicles** will invest in real estate assets that will provide stable income returns, which takes a larger part of the total return (INREV, 2008). This low risk-return investment strategy, is expected to invest into properties that are fully let, multi-tenant occupation, have longer duration of rental income, and may have a better return depending on the successful conclusion of the review. The LTV ratio is usually low (Trimailova, 2008).

**Value-added vehicles** have medium-to-high IRR ratio’s and LTV ratio’s. The returns are driven by a combination of income and capital return. The risk is borne from the real estate assets that often require some refurbishment or active asset management (INREV, 2008). Or even need redevelopments and suffer from other capital constrains (Trimailova, 2008).

**Opportunistic vehicles** have high IRR ratio’s and LTV ratio’s. Primarily, these returns are driven through capital returns, in return for risky investments that can involve developments without pre-letting or large portfolio acquisitions. In principle, the holding periods are quite short compared to the other two strategies (INREV, 2008). They may also invest in distressed properties or raw lands (Trimailova, 2008). See Figure 12 for overview.

§ 4.7.2 Synopsis real estate investment vehicles

This subsection will enumerate the important conclusions and the key strategy characteristics.

**Conclusions**

- UDTs are indirect investment vehicles. The assets are controlled & operated by someone else;
- Indirect vehicles can be listed or non-listed, which differ in the trading mechanism;
- Investment strategies of investment vehicles mainly differ in IRR ratio’s & LTV ratio’s.
- The development life-cycle correlates with the investment strategies. In general, management & operating projects are core investments, redevelopment projects are value-added investments and developments are opportunistic investments.
Table 3: Strategic characteristics real estate investment vehicles (CBRE, 2013).

![Figure 12: Match investment strategies by Target IRR & LTV (own figure)](image)

**Section 4.8 Fund industry**

In financial markets the terms fund and trust are applied, depending on the type legal structure mostly elected for tax reasons. The fund term is used more often, since they are operated as a separate organization. Funds are pooled investment vehicles that pool capital from the investment audience and controls this investment from a collective point of view. INREV (2008); & Pozen and Hamacher (2011) defines:

“A fund is a term used to describe a structure where at least 3 investors’ capital is pooled together and managed as a single entity with a common investment aim” (INREV, 2008: 45).

“Notice that we say that you invest ‘through’ a fund rather than ‘in’ a fund. Funds are not really an investment itself; it is just an intermediary – a financial intermediary” (Pozen & Hamacher, 2011: 3).

For example, civic parties buy into a fund because in their perception this is more attractive than money on a saving accounts. For most people, this is where their understanding of funds ends. This thesis will mainly use the book of Pozen and Hamacher (2011) to explain the fund industry, the book of Roberts (2002) to obtain insight into alternative real estate investments and the documentation of the European Association for Investors in Non-Listed Real Estate Vehicles (INREV) to elaborate on real estate funds.
'Basically, funds came into existence to offer impecunious investors to get a piece of the market. Also funds were a service to diversify your deposits instantly without spending too much time analysing the news, because funds are a collection of assets (like stocks and bonds). These funds have \textit{board of directors} (if organized as a corporation or partnership) or \textit{board of trustees} (if organized as a trust/non-profit organisation), both conducting oversight and governance activities. They could hire employees to operate the fund. Or, which is more common, all the work, like asset management, will be done by service providers. For example, a registered investment adviser' (Pozen & Hamacher, 2011). Actually, you invest in the knowledge & expertise of someone else: the \textit{fund originators} (the board) and the appointed \textit{service providers}. In return at the expense of your own management control & influence on investment.

In advance, the fund has certain objectives, in order to serve the interests of the relevant investors. Each investor will own a share, which represent a portion of the holdings of the fund. Regulated investment vehicles, sold to the \textit{general public}, are better known in the financial markets as the term ‘\textit{Mutual Fund}’, and allow you to convert your shares into cash at any time (Pozen & Hamacher, 2011). Comparable to the listed real estate vehicles, the financial markets also offer non-listed mutual funds, ‘but mainly the listed versions have become extremely popular over the last 20 years. Other common advantages are: diversification, daily liquidity, access to investment opportunities, and administrative convenience. The common disadvantages are: fees, no control on timing of profits, less predictable income, no customization, incompetent management, and taxes to be paid on each conversion’ (Investopedia, 2009; Pozen & Hamacher, 2011).

In spite of these well-known and obvious investment considerations, the \textit{fund language is interspersed with jargon} that many investors do not understand. It is important to understand this language, full of terms and concepts with respect to funds, to be able to efficiently define and compare the (real estate) funds. In addition, fund structures should be unravelled to obtain deeper understanding of how the fund market operates and how each involved fund actor is interrelated to each other.

\section*{4.8.1 Structural Characteristics}

Fundamentally, there are 3 types of pooled property vehicle structures and broadly speaking they differ in their \textit{issue-redemption mechanism} that practically consist of the variability in the number of shares and the corresponding \textit{trading mechanism}. Some other notable dimensions are the degree of professional (on-going) management, presence of a board & lifespan. Other less important dimensions are, costs to investor, account size minimums, opportunity to customize features and level of regulation.

- Open-ended funds (mutual fund)
- Closed-ended funds
- Unit investment trusts

\begin{itemize}
  \item Open-ended funds
\end{itemize}

Pozen and Hamacher (2011) explain that open-end funds have made it easy for investors to pool their money to buy assets. Each open-end fund is a \textit{separate corporation}. Investors who like to invest in a particular fund do so through buying its shares directly from the fund. ‘INREV (2008) explains that \textit{no formal capital limit} exists in open-ended structures and the \textit{day-to-day trading} takes place through the fund, using an issue-redemption mechanism directly via the management company. Often the trading is subjected to appropriate issue-redemption fees or costs. Open-ended funds can either have a finite or infinite life, but typically they have an \textit{infinite lifespan}.’ This type is also called \textit{mutual fund}, because the returns (e.g. interest, dividends and capital gains) and the expenses (e.g. fees & taxes) are shared by the shareholders.

‘Very important to note is the difference with the \textit{structural pricing} characteristics of listed & non-listed vehicles. Since, the price of shares is not determined by the interplay of supply and demand. If you decide to invest in open-ended vehicles, you are buying a \textit{share in interest} into a collection of assets. Mutual funds have an \textit{unlimited issue-redemption mechanism}, where the amount of shares will increase or decrease depending on
whether capital is added or withdrawn. The share price equals the value of the fund’s assets minus liabilities divided by the number of shares outstanding, therefore directly related to the NAV. For example if a share price is €10,- and someone wants to invest €100,- the fund will issue new shares at the current price. The collection of assets will just grow with 10 shares’ (Pozen & Hamacher, 2011).

‘Open-end funds retain other companies to do all the work rather than hiring employees. The board of directors is responsible to arrange these service providers. The most important service provider is the management company who will manage the fund investments. The managers are fiduciaries that are expected to use their expertise to advance their clients interests’ (Pozen & Hamacher, 2011). ‘Managers have to operate the fund within the constraints of comprehensive (stringent) fund documentation’ (INREV, 2008).

**Closed-ended funds**

Pozen and Hamacher (2011) explains closed-ended funds normally collect capital from investors and issue shares only once, at their initial issuing or the fund incorporation. The shares can be listed for trading on an exchange. However, if investors wish to convert them into cash, they usually must find a buyer on the open market, not to be confused with over-the-counter market. This ability to trade within the funds, leaving the fund size unaffected, is known as secondary trading (INREV, 2012). So the share price is determined by supply-demand drivers and are sold at a discount or premium to NAV, like the non-listed vehicles. Investors like this vehicle, because they can have a pool of assets that normally do not fluctuate in size. The pool of assets will be managed by a service provider in the investors best interests, just like the open-ended structure.

Also according to INREV (2008) closed-ended funds have a formal capital limit. INREV also confirms that most closed-ended funds are non-listed. At the same time they reckon an important difference and clarify the finite lifespan (maybe a good reason INREV uses closed-ended instead of close-end). The term close refers to the fixed number of shares and cause a limited liquidity. Redemption of units at the investors’ choice can only occur at the end of the life of the fund or the vendor could trade his share within the fund. If funds have a life over 10 years, it is typical to see redemption mechanisms of periods greater than 12 months.

**Unit investment trusts**

As Pozen and Hamacher (2011) indicates, the 1940 Act authorized another pooled investment vehicle structure: the Unit Investment Trust (UIT). The UIT differs significantly from the other pooled investment vehicles, since UITs do not employ an party or person who manages the investments. No active management at all, no board of directors or investment advisers either. Instead, when an UIT is incorporated, the originator selects a portfolio of assets that does not change significantly throughout its life.

‘UITs normally have a finite lifespan, determined at the time the trust will be incorporated. UITs have several options to redeem units. Like the open-end fund, investors can cash in their units at NAV in turn of money. But they have also the opportunity to sell their positions on the open market or investors can wait until the trust liquidates its entire portfolio of assets on its termination date’ (Pozen & Hamacher, 2011).

‘Typically, UITs will only issue a fixed number of units at the start and incorporation of the trust, like the closed-ended structure. But as mentioned above the UIT originators will maintain the unlimited (issue)-redemption mechanism, allowing investors to redeem their units at any time. The UIT can be thought of as a hybrid investment vehicle, sharing open & closed-ended characteristics’ (SEC, 2013).

‘Investors appeal UITs are transparent in a way they exactly know which assets they own, because there is no trading in the portfolio of assets. Therefore UITs are very cost-efficient, because the on-going expenses are very low. Despite their virtues many UITs are being liquidated currently and less are being launched last decade, annotates Pozen and Hamacher (2011).
§ 4.8.2 Unit Trusts

A lot of confusion is caused by the term ‘Unit Trust’ (UT), this subsection will explain the key differences which investors have to bear in mind when choosing a vehicle. To start, in the U.K. the term ‘unit trust’ is comparable to the term fund. Fund managers sometimes describe portfolios that are held in an unit trust or in a fund structure even though there is only one dominant investor’ (INREV, 2008).

‘Unlike the UITs, the UTs will be managed actively. UTs will have a board and service providers for the fund managing activities. Actually, UTs have a board of trustees, meaning that the investment vehicle is set up under a ‘trust deed’ and organized as a non-profit organization. Effectively, the investor is the beneficiary under the trust, which allows funds to hold assets and pass profits through’ (Investopedia, 2013). Trust structures tend to be driven out of tax treatment they offer for their investors. ‘UTs are exempt from capital gains tax, but are subject to income tax. Only at the basic rate which is lower than the normal rate. Yet, the sale of units by investors is subject to capital gains tax’ (Reita, 2013).

Originally, UTs are mutual or open-ended funds but differ in their legal structure. Mutual funds are a separate corporation, while UTs are not a corporation but are similar to a charity. Units are created when someone invests and are cancelled when investors divest. The unit-price will not be influenced through the supply-demand drivers. Besides, the unit holders have the rights of the trust assets. Hence, the unlimited issue-redemption mechanism is complex, also because it includes specific risks. For instance, the UT management will need to trade assets at irresponsible speeds if there are large inflows or outflows of capital. This could lead to bank run behaviour. Therefore, UTs encounter different degrees of authorization.

‘Under the UK legislation this resulted in two types of UTs: authorized & unauthorized unit trusts. Authorized UTs are structured as open-ended funds as described above. Comprehensive trust documentation is needed if open-ended UTs are offered to the general public (very few are listed). But they all have predetermined redemption procedures (Lindberg, 2002). These UTs are managed by professional asset managers. For example, if it is an authorized property UTs, the property asset manager will also need to spend time to manage the cash to ensure that liquidity is maintained at all times’ (Reita, 2013).

‘Unauthorized UT structures are intended to provide benefits for tax-exempt investors as well. Unauthorized UTs are not allowed to be traded to the general public, but do mix the characteristics of different structures, to wit, the open-ended ‘variability in the number of shares’ with the closed-ended ‘trading mechanism’. The units will only be made available for institutional investors like pension funds or local authorities. A few are ‘partly authorized’ and can be sold to certain classes of high net worth individuals or professional investors. The issue and redemption of units encounter some degree of deliberation, stipulated in the clauses. Finally, the trustees cannot resident outside the UK’ (Reita, 2013).

§ 4.8.3 Synopsis fund industry

This subsection will enumerate the important conclusions and the key structure characteristics.

Conclusions

- Fund and trusts are pooled investment vehicles and can be regarded as synonyms, but differ in legal structure. Funds are mostly organized as companies having a board of directors, while trusts are mostly organized as non-profit companies having a board of trustees;
- Funds are intermediaries, if you invest through funds you invest in the knowledge & expertise of someone else: the fund originators and the appointed service providers.
- There are 3 types of pooled vehicle structures: open-ended, closed-ended and UITs. They mainly differ in the variability in the number of shares and the associated trading mechanism;
- Unit Trusts are pooled investment vehicles which are set up under the trust deed. The number of units are unlimited. If the UT is authorized then the units can be traded to the general public;
The level of authorization determines how the trading mechanisms of the UTs are structured. Authorized UTs have a trading mechanism comparable to open-ended vehicles, while the unauthorized UTs are comparable to closed-ended or non-listed vehicles; Pooled investment vehicles are structured under the trust deed for certain taxation reasons.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Open-ended</th>
<th>Close-ended</th>
<th>Unit Investment Trust</th>
<th>Unit Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variability in the number of shares</td>
<td>Unlimited</td>
<td>Fixed</td>
<td>Fixed</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Trading mechanism</td>
<td>Daily at NAV</td>
<td>Open market sale</td>
<td>Hybrid</td>
<td>Daily at NAV or Open market sale</td>
</tr>
<tr>
<td>On-going management</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Board of Trustees</td>
</tr>
<tr>
<td>Lifespan</td>
<td>Infinite</td>
<td>Finite</td>
<td>Finite</td>
<td>Infinite</td>
</tr>
</tbody>
</table>

Table 4: Comparison of Pooled Investment Vehicles

**Section 4.9 Introduction to private property market**

In average, the direct real estate assets outperformed bonds & stocks (or equities) since 2000 and before 2008 (Towers Watson, 2013). If one was looking for long-term placement of property in diversified investment portfolios (OPC, 2001). Which was the main reason institutional companies, like pension funds, started to invest in real estate by assembling portfolios. And still, the allocation of assets in alternative investments did increased the recent years (Figure 13).

![Figure 13: Global aggregated asset allocation Pension Funds, from 1995 to 2012 (Towers Watson, 2013).](image)

Smaller investors were not able to invest in direct property and started to invest in indirect property through listed & non-listed companies, also known as Pooled Property Vehicles (PPV) (OPC, 2001). Currently the indirect property market offers a growing menu of products, but Limited Partnerships (LPs) are the most traditional. INREV (2013a) enumerated the most important reasons to invest in indirect real estate vehicles, see Figure 14. Before the crisis, Trimalova (2008) argues that the demand-drivers were: diversification by real estate, inflation hedge and the financing benefits’ and appointed some significant supply-drivers: population growth & economic development (e.g. developing countries), increasing specialist management skill requirements, and the increasing need of efficiency in earning returns.
This thesis will focus on the PPV market. ‘It became clear that the PPV industry is not yet speaking a common language when you read about the diversity of approaches to suit the investors’ requirements’ (INREV, 2012). ‘Also Trimailova (2008) confirms that the academic literature on PPVs is limited.’ Principally, this thesis will use the INREV documentation to understand the definitions and characteristics of various vehicles. Also the OPC report and the book section by Roberts (2002) are consulted, to elaborate on some typical options to provide more insight into the PPV market. First, an explanation of the genesis of the PPV market will be given.

§ 4.9.1 Background PPV market

According to Trimailova (2008), the first PPVs were offered in Switzerland and the UK since the early ‘40s. ‘While the solid fund markets just germinated in the Netherlands, UK and Germany and became established as early as the ‘60s. But the era that we associate with the market today, really started when LPs were introduced in the UK in 1991. Pooling capital and sharing costs as well as the concept of outsourcing to investment managers was now more readily accepted. Due to the Euro the growth of the market continued, as a result more and more investors were looking outside their borders for the first time’ (INREV, 2012). Investors recognized that PPVs could bridge the gap between their ambitions and their expertise increasingly, but the lack of transparency arouse scepticism among some investors. Hereby is INREV incorporated by its industry to improve the transparency. INREV started to create a common language and developed some professional standards, metrics, guidelines and recommendations (INREV, 2008).

Then the credit crunch and the speed of the crisis took the market by surprise. Funds were deleveraged, restructured and in some cases liquidated. Some investors concluded they made poor choices, for example choosing the right fund manager or fellow investors. The lessons they learned were obvious: more control. Unfortunately, the introduction of new and more stringent regulations that hit the financial market were not quite supportive. But the market continued to develop which led to an expansion of products (INREV, 2012).

‘Currently investors demand more specific and professional knowledge & expertise of the fund managers. As a result only a few fund manager (companies) are seen as the very best. Since the financial downturn, we have become familiar with a new phenomenon: ‘conflict of interest’. This phenomenon occurs if the fund manager (company) operates other competitive funds, as a result strategies will contradict’ (INREV, 2013b).

§ 4.9.2 Limited Partnerships

As mentioned above, in the early ‘90s LPs came into existence, which enabled investors to pool their capital and invest in one or more assets together. Comparable to the Dutch Commanditaire Vennootschap (cv), or Vennootschap Onder Firma (vof), LPs have one or more General Partners (GP) & one or more Limited Partners (LP). The former is authorized to act on behalf of the company, while the latter will only participate passively through financial contribution. Besides, at least one partner must have unlimited liability, usually the general
partner. Other partners may be limited. The vehicle is tax transparent, as a result different investors with different tax purposes can invest alongside each other (OPC, 2001).

In comparison to Limited Liability Companies (LLC) the LPs have infinite lifespans, but usually they have an finite structure. These vary between 5 to 10 years. LLCs do not have limits on the number of members, while in order to get around the maximum number of partners, which is 20, successive layers of partnerships can be incorporated in LPs (Lindberg, 2002).

In Limited Liability Partnerships (LLP) the partners cannot be held responsible for other partners’ actions. Both the LLP & LLC structure are a separate legal entity and need to be formally registered. Typically, LPs are an separate legal entity as well, but LPs can be incorporated informally. These LPs will only need a Letter Of Intent (LOI). Usually the LP will be wound up at the end of its lifespan, but in consultation it may be decided to proceed the LPs life. To conclude, the LPs have significant advantages including limited liability, management control, flexibility and tax transparency (OPC, 2001).

§ 4.9.3 Property Unit Trust

As you would expected, Property Unit Trusts (PUTs) are quite similar to the aforementioned UTs. The unit holders are beneficiaries under the trust deed, giving the investors immediate entitlement to any income. Other (structural) characteristics have been discussed in § 4.8.2 for the larger part. Next to the ‘authorized & unauthorized’ UTs, some more PUT types can be distinguished in practice: open-ended versus closed-ended, exempt versus non-exempt, balanced versus specialist and onshore versus offshore.

**Authorised vs. Unauthorized**

The difference between these PUT types is primarily the target audience, authorised PUTs (APUTs) are for the general public or called ‘retail investors’, while unauthorized PUTs (UPUTs) will only be offered to institutional investors (OPC, 2001). UPUTs tend to have professional investors. To meet their needs, mostly the UPUTs will run more flexible investment objectives and restrictions, determined through an iterative process and will be monitored by a board of trustees (Barnes, 2013). Both have tax-exemption mechanisms but they do have interrelated differences, which will be explained later. In practical terms the form of regulation has to do with management & marketability, like limited restrictions of gearing, etc.

**Open-ended vs. Closed-ended**

Like explained in § 4.8.2 UTs have typically an open-ended structure. Some offshore PUTs are closed-ended. If new units are issued by the manager or investors like to redeem their units, respectively the managers will quote an offer-price or bid-price for the units. “The difference between the two – the trading mechanism causing a bid-offer spread – may closely and quite reasonably resemble the round trip dealing costs of buying and selling a property” (OPC, 2001: 3). ‘The units of closed-ended structures are obviously traded on the secondary market, but with limited terms and conditions and with matched bargains sometimes achieved at mid-price. Both buyer and seller will usually be better off using a mid-price’ (Lindberg, 2002).

**Exempt vs. Non-exempt**

‘Almost all PUTs have a tax-exempt mechanisms but vary in tax transparency or the tax treatment. The units of UPUTs are held only by exempt approved or treated as approved investors, like pension funds. In other words, no absolute tax costs. While the APUTs only will offer the exemption from capital gains tax on disposals of investment. Income will be taxable, since retail investors are allowed to buy units, as a result there is an absolute tax cost. Non-exempt APUTs are subject to both capital gains and income tax, but this vehicle will be able to credit these taxes to the investors if certain conditions are met. Usually non-exempt UK-resident institutional or non-resident investors will hold the non-exempt APUT units’ (OPC, 2001).
Balanced vs. Specialist

The difference between balanced and specialist PUTs can be explained by the degree of diversification. The former has a wide mix of property assets both by type and location, while the investment strategy of specialist PUTs are preferred to focus on a particular geographic region or property type. The report of OPC (2001: 4) concludes: “for no particular reason, specialist PUTs are often established offshore”.

Onshore vs. Offshore

The difference may be determined by the admissibility of the investors’ nationalities. ‘Usually onshore PUTs are more inflexible compared to offshore PUTs. As the latter is more tax effective for a greater range of investor, namely for both UK-resident investors & international investors and taxable institutions & tax-exempt institutions. “Offshore PUTs are tax transparent for income - thereby giving a cash flow advantage and preventing possible tax leakages – and are also exempt from capital gains tax at the level of the PUT by virtue of non-residence” (OPC, 2001: 4).

§ 4.9.4 Synopsis introduction to the private property market

This subsection will enumerate the important conclusions of this section.

Conclusions

- The allocation of assets in alternative investments, like real estate, increased the recent years;
- Several demand- & supply-drivers have led to an increasing amount of PPVs. In other words, the indirect real estate market offers a growing menu of products. The most important reasons to invest in PPVs are the access to expert management & specific sectors, and diversification benefits;
- The PVV industry is not yet speaking a common language when you read about different vehicles;
- INREV is incorporated to create a common language, thereby improving the transparency;
- LPs have one partner with unlimited liability, are usually finite structures, have a maximum amount of partners, are flexible and tax transparent. LPs do not need a formal registration per se, only a LOI;
- PUTs are similar to UTs and are a separate legal entity, formally registered under the trust deed. The unit holders are beneficiaries and have limited liability. The PUT types differ in:
  - Authorized vs. Unauthorized (management & marketability);
  - Open-ended vs. Closed-ended (issue-redemption mechanism);
  - Exempt vs. Non-exempt (tax treatment);
  - Balanced vs. Specialist (diversification);
  - Onshore vs. Offshore (nationality investors);

Section 4.10 Fund Creation

Before elaborating on the various parties which play a role in organizing & operating the PPVs, it will be explained how the two main PPVs are being set up. In this case, the term fund creation is applied and this thesis will explain how LPs & PUTs are set up, covering most PPVs (Pozen & Hamacher, 2011).

§ 4.10.1 Create a PPV as Limited Partnership

Non-listed funds are relatively easy to implement compared to listed funds, because there is no troublesome securities registration process involved. Nevertheless, funds are structurally complex and sophisticated investors have severe ‘investor-manager’ relationship preferences, which they would like to secure in contracts. Investors seek ‘like-minded’ fund managers and co-investors. Typically, non-listed funds are separate corporations and legally structured as a LP (sometimes as Private- & Public Limited Company or Ltd. or Plc respectively, in Dutch: bv or nv), which means LPs will be a pass-through company, disregarded for tax purposes and all gains & losses directly attributed to the limited partners (INREV, 2013b).
The incorporation of LPs can be quite complex due to the possible variations in management structures and overlapping layers. To put it simply, it starts with a *lead investor* or *originator*, mostly institutional investors like pension funds, who decide to invest capital into real estate (Section 4.6). Or, currently more topical, the CEO of the institutional company and his team of officers have decide to reduce their stake in its own real estate portfolio. This is done in consultation with its board of directors and, obviously, in line with the shareholders interest, since they elect the board of directors (ASR & CBRE, 2012).

The decision could be to create a fund as LP, formally no board of directors is required only a LOI. But more & more PPVs are being employed as a separate legal entity, which need a board. In the next section it will be explained how boards become assembled. To understand the difference with PUTs, this thesis will pretend that the LPs do not have a board of directors.

The originator of the concept will be the *GP who will act as lead investor*. At last, the GP wants to have as much investing decision-making power as possible, in exchange for its unlimited liability status. Under the FSC regulation the GP has to have an *authorized operator*, responsible for the management of the limited partners, by executing & monitoring the administrative functions (OPC, 2001). The GP will actually be responsible for the fund management, covering the operating activities and act in line with LPs interest (INREV, 2012).

Sometimes referred to as the *fund sponsor*, because they are usually responsible for the creation of the fund. Normally the fund management companies have contracts with more than one fund and will assign their brand name to the fund, creating *fund families* (Pozen & Hamacher, 2011). After the GP has created the LP fund, it will actually need to be filled with pooled capital. To raise capital the GP may occasionally appoint a *promoter*. But in general the originator of the concept will be the promoter.

Besides the fund creation, the fund sponsor executes the management of the fund. A difficult task, since the fund operations inquire some totally different disciplines. Most management companies have the capacity to handle multiple disciplines internally. But for large LP funds, the investors expect to have a fund sponsor that will execute the *fund-, investment-, asset- & property management* (ASR & CBRE, 2012). Therefore, GPs may want to contract an investment manager or asset manager. In turn, one of these managers can appoint a property manager (OPC, 2001).

**Figure 15: Typical LP Structure & Service Provider Relationship (modified figure, based on: OPC, 2001)**

### § 4.10.2 Create a PPV as Property Unit Trust

The creation of PUTs will be comparable to the creation of LPs. Essentially LPs cannot pool as much investors as PUTs. Therefore, PUTs usually require a board. In the meantime also LPs having boards increasingly. Since, boards are intended to be the protectors of shareholders’ interests. Only some critics argue that the boards are populated with individuals willing to comply with the wishes of the management company, due to the fact many large institutional investors have their own fund management affiliate to create the desired PUT or LP fund (Pozen & Hamacher, 2011).
For this reason, there is an important difference between the boards. First the LP will be explained. To ensure interests are aligned, more and more investors require a diverse board of directors who have an equivalent stake in the LP (INREV, 2012). ‘Since the board cannot be seen to make decisions without losing their limited liability status’ (OPC, 2001). As a result large investors will have to make a trade-off between: ‘limited’ versus ‘unlimited liability’ interrelated to ‘less control’ versus ‘more control’ respectively.

Also for PUT – in this case – the boards of trustees, will commonly be staffed by other (potential) lead investors. Assembling the PUT and the board of trustees will be an iterative process (Barnes, 2013). The initial lead investor will assign the starting trustees, or the board of the initial investor will function as interim board of trustees. Actually they create virtual corporations, because the board will manage the relationships with service providers and monitoring their performance under them, in line with the investors’ best interests. The first and most significant contract will be with the fund manager. Almost all fund creators will contract their own subsidiary fund management company (ASR & CBRE, 2012; OPC, 2001).

This gives rise to another important difference. Generally, the originator of a PUT will assign an affiliate fund management company to operate the PUT, but in the first place to create the PUT. The board of trustees will be put together in agreement with other lead investors. For example, each investment company appoints a representative as trustee (Barnes, 2013). Having a mixed board of trustees can be useful to project the investors’ interests more independently. The contract with the fund management company can be terminated more easily, as well as appointing a new manager. ‘This is different from the LP model, because usually the GP cannot be removed. And the GP does contract the service providers, which are often subsidiary companies. This has also to do with liability. The board members of PUTs ‘can’ make decisions without losing their limited liability status’ (Lindberg, 2002).

Since the board is composed in consultation, also the lead investors’ trustee representatives will be assigned to raise capital as promoters. Again, larger PUTs expect to execute different disciplines. As a result some may hire firms to do these jobs. These arrangements with sub-service providers must be approved by the board of trustees. Therefore the board will sometimes decide to skip this detour (Pozen & Hamacher, 2011).

To conclude, the management company is only one of the many services providers that the board of directors or trustees must appoint, contract and supervise. For the purpose of this thesis, it will not be discussed into more detail. These fall into three broad categories (Pozen & Hamacher, 2011):

I. Link with investors (e.g. distributors & agents)
II. Portfolio administration (e.g. custodian & fund accountant)
III. Professional services (e.g. legal counsel & auditor)

![Figure 16: Typical PUT Structure & Service Provider Relationship](modified figure, based on: ASR & CBRE, 2012; Pozen & Hamacher, 2011)
Synopsis fund creation

This subsection will enumerate the important conclusions of this section.

Conclusions

- PPV investors seek like-minded fund managers and co-investors;
- Mostly, the PPV originator will assign affiliated companies (subsidiaries) to create & operate the PPV;
- A fund as LP will be created by a lead investor (originator) and usually will be the GP. The GP will raise capital (promoter) and will be responsible for the fund creation and management (operator);
- LPs cannot pool as much investors as PUTs and have an unlimited partner. The former can have a board of directors and the latter must have a board of trustees;
- A fund as PUT will be created by a fund management company contracted by starting board of trustees who are appointed by the initial lead investor. Usually the entire board of trustees consist of different lead investors, is assembled in consultation and through an iterative process;
- Other (sub)service providers, like are appointed, contracted and supervised by the entire board of trustees or directors for the investors' best interest;

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Limited Partnerships (LPs)</th>
<th>Property Unit Trust (PUTs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability</td>
<td>Unlimited</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Legal entity</td>
<td>Letter of Intent (LOI)</td>
<td>Trust deed (similar to UTs)</td>
</tr>
<tr>
<td>Members</td>
<td>≤ 20</td>
<td>∞</td>
</tr>
<tr>
<td>In charge of governance</td>
<td>General Partner</td>
<td>Board of Trustees</td>
</tr>
<tr>
<td>Lifespan</td>
<td>Finite</td>
<td>Diverse</td>
</tr>
</tbody>
</table>

Table 5: Structural differences between the two main pooled property vehicle.

Section 4.11 Fund governance

As explained in Section 3.5 the urban planning changed towards a more market-related orientation, resulting in a shift from government to network (urban) governance: collaboration between public actors, societal organizations, citizens and companies in new coalitions (Heurkens, 2009). ‘Heurkens (2012) elaborated broadly on this shift by consulting & comparing leading literature. He concludes that urban governance is a crucial contextual aspect for private sector-led urban development projects, wherein three groups of actors should be included: the State, the Market & Civic Society.’

“The urban governance situation is described as a way to understand the relationship between and roles of public, private and civic institutions that influence the project” (Heurkens, 2012: 56).

In general, the corporate governance of PPVs will be discussed including different roles & responsibilities. First, the common definition of corporate governance:

‘Corporate governance refers to the system it directs and controls a key element in business models, it involves a set of relationships between a business model’s management, its board, its shareholders and other stakeholders, and it also provides a structure through which the objectives are set and the rights and responsibilities are distributed’ (based on OECD, 2004: 11).

For the non-listed real estate market, INREV (2013b) defines corporate governance for the vehicles as:

“Corporate governance is the relationship between corporate managers, directors and the providers of equity, people and institutions who save and invest their capital to earn a return. It ensures that the board of directors is accountable for the pursuit of corporate objectives and that the organisation itself conforms to the law and regulations” (INREV, 2013b).
To avoid confusion, this thesis will use the term fund governance. The level of regulation in non-listed vehicles is generally lower than for other investment vehicles, therefore investors require robust fund governance and, again, INREV supported this with guideline documentation. This thesis will explain the different roles and responsibilities of the managers and investors of PPVs. Those who monitor & provide oversight over the activities of the fund, known as non-executive officers (e.g. board of directors), are also part of the fund governance.

INREV (2008) did not mentioned, either described, the role of the civic society in the non-listed vehicles. Which means that there are no examples available, where the required involvement of the civic society is applied in any non-listed vehicle whatsoever. The state, like local authorities, might want to act as (institutional) investors to participate in real estate funds, for example the SWFs.

### § 4.11.1 Investor

The term investor speaks rather for itself and is an actor who takes the initiative to create a fund or allocates resources with the expectation to fulfill their specific objectives. ‘Usually, the IRR will be the main objective for investors. Before investments are made, the main considerations investors employ are: track records, fellow investor characteristics, fund style, targets and local presence’. Evans (2011) provided also some barriers, which are: alignment of interest with fund manager and co-investors, liquidity, (transparency) market information, costs and market conditions.’ INREV (2013a) provides similar obstacles (see Figure 17).

| Alignment of interest with fund manager | 30 |
| Availability of suitable products | 40 |
| Costs associated with non-listed funds | 50 |
| Current market conditions | 60 |
| Liquidity | 70 |
| Alignment of interest with co-investors | 80 |
| Transparency and market information | 90 |
| Availability of debt | 100 |

![Figure 17: Most challenging obstacles for investors when investing in PPVs (INREV, 2013a)](image)

**Like-minded vs. Control & Involvement**

The first two considerations and barriers are the two most decisive trade-offs investors have. The alignment of interests with fund managers and co-investors can be defined as like-mindedness. ‘Like-minded fund managers and co-investors have closely aligned strategies & exit intentions’ (INREV, 2012). In other words having the same investment beliefs and philosophy. Finding funds with like-minded fund managers will be more straightforward than having like-minded co-investors in these relevant funds. Thereby, having like-minded fund managers is rated more important (Figure 17).

Earlier mentioned, the PPV market offers a growing menu of products to suffice different investor needs. The different investment approaches of these vehicles will make it easier for investors to select funds with managers that will match with their overall investment strategy. Besides, most funds are set up by the fund manager and in consultation with the (potential) lead investors. This iterative process is intended to improve the alignment of interests. While the fund manager will more likely succeed in raising the required capital.

Since the crisis many fund investments are vaporized by underperforming assets, without being able to do something. ‘The key lessons investors took away were to seek more control & involvement, to better be able to secure the alignment of interest with the relevant fund managers after investments have been made’ (INREV,
2012). The size and long-term placement of capital commitment determines for the greater part if investors will be the lead investor. As a result to obtain more control and involvement.

This gives rise to the preference for like-minded co-investors. Because the amount of control and involvement could be limited, or at least be not enough to secure the alignment of interest, if other co-investors could obtain a majority to influence the fund strategy and the fund managers’ decision-making activities. This risk occurs in diversified funds with many investors, or in funds with a few large investors. ‘Therefore, investors seek like-minded co-investors for more control & involvement over their investment and to underwrite the manager but also its co-investors. ‘This will obtain the investors comfort that the co-investors are not only sufficient like-minded at the outset but also throughout the lifespan of the PPV’ (INREV, 2012). ‘Less important, characteristics of fellow investors to determine the degree of like-mindedness are: type, size and nationality. For instance, other co-investor types or size may not match calls to reinvest capital or offer the expertise required to solve occurred problems quickly’ (INREV, 2012).

Hence, there are no examples available that a ‘civic society’ representative holds a role as investor in PPV neither does the state. Most likely their investment approaches are not aligned. Investors, like pension funds, will therefore be less inclined to participate in funds with different investor types. ‘The state’ does have the resources available to act as an investor to achieve certain social objectives. However, this may lead to conflicts of interest (double hat problem, § 6.1.2), because then they have to pursue risk-return objectives as well. Furthermore, the state already has good autonomous & regulatory systems to assure certain (social) goals are being achieved.

§ 4.11.2 Non-executive officers

Like explained in the previous chapter, (lead) investors have limited abilities to control and influence the manager’s key (investment) decisions and day-to-day performance. As a results investors will not be eager to invest in any PPV if not some sort of monitor and/or control mechanism is involved. Which mechanisms are involved will depend on the choices made by the originator regarding the fund creation. The originator may position themselves in such oversight role. For instance, the way in which the GP or board or trustees is composed. Other monitoring and/or controlling mechanism forms are a Management Committee, Advisory Boards or Supervisory Committee (INREV, 2008). INREV (2013b) defines these supervisory roles and responsibilities as ‘non-executive officers’, ‘those in charge of governance’.

But it may happen that some activities are outsourced by an individual investor. Investors appointed them to support themselves, like ‘investment consultants’. ‘According to INREV (2013b), the size, the specific roles, the method of appointment and the terms of service can vary significantly.’ Therefore, this research will not go into further detail explaining various oversight roles & responsibilities. These have been discussed for the greater part in the previous section. Such bodies will be constituted for other purposes. For some PPV structures it may not be appropriate to have non-executive officers. ‘Considering the related costs and the potential legal liability attached to non-executive offers, INREV (2008) explains the number of non-executive officers, and whether they are wholly independent or not, will depend on matters such as’:

- Identity & Standing of the manager;
- Size of the fund
- Complexity & location of the investment;
- Number of investors;

§ 4.11.3 Fund management

‘The term manager is often used in documentation and literature explaining PPVs. Usually the authors are referring to the fund manager, whether or not it is has also assumed or delegated other functions, such as those of asset manager or property manager’ (INREV, 2008).
“The fund manager typically acts as the general partner in and runs the operations of the fund and is expected to act in the best interest of the investors” (INREV, 2012: 6).

In a certain sense, the fund managers will not have main considerations since they are not the GP or the board of trustees. But they do have some main challenges. The fund managers will need the ability to: raise capital, provide seed capital, manage debt exposure, achieve target returns, invest capital at planned rate, take to market in time & deal with regulatory issues (Jongen, 2011). As explained, with regard to larger fund concepts, the management will usually be subdivided into different management disciplines.

**Fund manager**

The fund manager controls the fund level structure and undertakes all fund administration activities, in accordance with the investment objectives and strategies as set out in the placing documents. In principal, the fund manager is responsible for all the relationships with and the reporting to the investors of the funds (ASR & CBRE, 2012; INREV, 2008).

**Investment manager**

If the fund contains a separate investment manager, they will be specifically responsible for the acquisition and disposition of assets on behalf of the investors’ interests. Of course, in line with the investment objectives and measures. They will benchmark assets and identify a strategic asset mix with budgeting the risks (ASR & CBRE, 2012). ‘Occasionally, the investment manager will be the promoter and will raise the capital for the fund. As well as for open-ended structures they may act as issuer and redeemer of shares/units. Sometimes the investment manager is accompanied by a hired investment adviser’ (OPC, 2001).

**Asset manager**

The asset manager will provide services to manage the assets on behalf of the fund, including development and refurbishment. Asset managers will deliver strategic input and production of asset level business plans, appoint third party service providers (sometimes the property manager) in consultation with the fund manager and will report to the fund manager (INREV, 2008).

**Property manager**

The property manager will undertake the *day-to-day activities* to operate the fund’s portfolio assets. The property management team consists of an ‘account manager’ and ‘property manager’ both maintaining direct contact with (prospective) tenants, like negotiations. Also responsible for the service charges and the management of the debtor’s ledger. In addition, they will cover services such as the payment of outgoings, the provision of insurances and supervision of staff employed for services. Their technical department will be responsible for the technical condition of the properties, including maintenance and repair (ASR & CBRE, 2012; INREV, 2008). Also the discipline ‘facility management’ could be employed by the property manager, which will be responsible for the user-services of the buildings for example.

§ 4.11.4 **Fiduciary management**

The fiduciary manager are in this case allied to one, often large, institutional investor and holds responsibility over a given account, containing a set of investments. Similar to the fund manager the fiduciary is responsible for operating and administering the set of investments, in accordance with the overall long-term investment objectives and strategies within a defined risk management framework as set out in the management agreement. For example, an institutional investor appoints a fiduciary managers to manage all the stakes in real estate funds on an integrated basis related to the AUM objectives. Compared to fund managers, an investors’ fiduciary both provides *day-to-day investment management & advisory services* (Pelser, 2011; Pozen & Hamacher, 2011).
This subsection will enumerate the important conclusions of this section. Two figures will be shown to visualise the governance and to give an example to illustrate the market in order to provide insight into corporate structures and show how companies & subsidiaries act as investors and managers simultaneously.

Conclusions

- For urban governance three group of actors should be included: State, Market & Civic Society;
- Fund governance deals with the different roles & responsibilities of managers and investors. The non-executive officers are in charge, by monitoring & providing oversight over the activities of the fund;
- Investors will have some considerations and will encounter some barriers before they invest;
- The alignment of interest with, or having like-minded, fund managers & co-investors together with the degree of control & involvement in PPV are the key considerations for investors.
- The investment approaches & exit strategies of the State, the Market & Civic Society are not aligned.
- There are no PPV examples available wherein civic society actors have been involved in the fund governance. The state can act as investor but must avoid conflicts of interest (social vs. profit goals)
- Non-executive officers have a supervisory tasks. Different forms exist and they vary significantly;
- The management of funds can be subdivided into fund, investment, asset & property management;
- The fiduciary manager is allied and engaged by an specific shareholder and is responsible for operating and administering a set of investments of this relevant investor;

Figure 18: Common Roles & Responsibilities in PPVs (own figure)

Figure 19: Example PVV structure and market parties national & international (own figure)
Section 4.12 Other private pooled property vehicles

This section will explain other important PPVs to grasp the private property market. Discussing these pooled investment vehicles into more detail will help to get a better understanding of the PPV selection criteria associated to numerous methods to create funds. The investment & structural characteristics, liquidity & costs and the benefits & drawbacks will be described to capture the complete spectrum of possibilities. After all, to be able to connect the UAD-practice with the fund industry knowledge. This will be needed to present a comprehensive overview for the UDT creation & incorporation.

§ 4.12.1 Commingled funds

The commingled fund has several synonyms like the non-listed property fund, private real estate fund or pooled property fund. The commingled fund is the most common and traditional structure. It is composed of many different variants and, therefore, INREV defines this broad type as:

“A commingled fund is a structure where the capital of at least 3 investors is pooled to undertake a pre-defined strategy of investing into real estate assets” (INREV, 2012: 6).

INREV (2012) states that the minimum amount of investors is not uniform in the industry, and terms are used interchangeably. For example, some define funds with a few investors as club deals. The commingled fund is always externally managed by a fund manager. Typically commingled funds are a LP.

Investment characteristics

In this case the investors are the limited partners and therefore have a share in the ownership and the governance, but are not involved in the day-to-day fund management. The control often equates to the size of capital commitment. The commingled fund have certainly the most extensive amount of variants. ‘Funds can be open- or closed-ended, which will influence the liquidity. It can also have a bearing on the investment if entry and exit costs in real estate are relatively high. For that reason, it can dilute investment returns on short-term holding periods’ (INREV, 2012). The fund variants differ widely to offer a full range of strategies for the investors’ needs. For instance, allowing the investors to diversify (Roberts, 2002). Nevertheless, these investment characteristics are not customized (Trimailova, 2008). For that reason investors seek like-minded fund managers and investors in order to abut to their need for investment customization.

Benefits & Drawbacks

The benefits and drawbacks for investors are comparable to reasons as described at in Section 4.9. After all there are a wide range of commingled variants. Some institutional investors like to use commingled funds in order to place more leveraged investments (Roberts, 2002). Or to circumvent supervisory or regulatory requirements (Trimailova, 2008). In addition, commingled funds allow many investors to pool their capital, and possibly benefiting from economies of scale to the cost of operations or economies of scope to the long-term commitments (INREV, 2012).

Currently, many funds underperformed due to the credit crunch. This has led to many control issues between the investors and fund managers. As a result many large investors are afraid to (re)invest and are descending their capital commitment (INREV, 2012).

Accessibility, investor involvement & transparency

The commingled funds are accessible to a broad range of investors who differ in type, size and nationality. Most funds focus on satisfying ‘lead investors’. Practically, lead investors always have great capital commitment which will result in more investor involvement. For example, limited partners are not involved in the day-to-day management, but then they can exert more pressure in the fund governance (see trade-off § 4.10.2). Still the
fund manager, will be responsible for the strategy & investment decisions, typically as GP. The credit crunch has blurred the hierarchy in the division of labour (INREV, 2012).

‘Since INREV was set up the commingled fund has won in delivering a more transparent vehicle. INREV continuously improves their guidelines to provide consistency and transparency to fund-level topics. Such as fund style, effect of fees & leverage and capital raising to give insight into the nature of the product and its performance’ (INREV, 2008).

**Liquidity & Costs**

Commingled funds do exist as open-ended & closed-ended funds and listed- & non-listed funds. The latter will always stay less liquid (Roberts, 2002). During the financial crisis many open-ended funds had to froze their redemption rights since there was a high demand for redemptions, like a bank run (INREV, 2012).

Fund managers operate the commingled funds, that is why costs are involved, better known as fees. Typically fund managers require a management fee and performance fee. These can be paid during its lifespan or at termination. The GPs and the fund managers use different measures to calculate, assign and approve fees (INREV, 2012). Again the INREV (2008) guidelines are a proficient directive.

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<tr>
<th>§ 4.12.2 Joint ventures &amp; Club deals</th>
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Joint Venture (JV) is a well-known term broadly used in different industries and applied in several ways. Also in the urban area development or real estate investment universe this term pops up for different occasions. In the non-listed market two types can be distinguished: single asset joint venture & joint venture fund. Note, these should not be confused with Public-Private Partnership (PPP) joint ventures (CHAPTER 6).

*Single asset joint ventures* have some indirect investment characteristics, rather this type can be seen as being closer to a direct investment. This structure allows an investor to team up with a fund manager who will take a stake in the assets. The co-investment will provide better alignment. Together they will invest, usually, in a single asset. The fund manager will receive a fee for its operating activities (INREV, 2012).

*Joint venture funds* differ from single asset JVs as there is an agreement involved for JV funds to let one or a small amount of investors work with a fund manager to buy a series of assets. The JV fund cannot be unwounded unless there is a mechanism in the *placing documentation* involved for exiting the shared ownership. JVs mostly have the legal structure of LP, influenced by the stake taken by the fund manager which, in turn, directly relates to the fee structure (less ownership more fee) (INREV, 2012).

The *club deals* are similar to joint venture funds and are being seen as a synonymous. These structures differentiate themselves from the commingled fund by the size and number of investors, their level of control as well as the breadth of the strategy: smaller number of larger investors, co-investing in a ‘like-minded’ way through equal arrangements and having the same level of control. The club deals and JV funds have narrowly (pre)defined strategies compared to the commingled fund. They tend to be closed-ended vehicles offering minimal liquidity. The cost structures are quite similar’ (INREV, 2013b). See Table 6.

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<th>§ 4.12.3 Segregated accounts</th>
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Segregated account, also known as a multi-manager or a separate account, involves a fund manager who operates the capital commitment from one investor (Roberts, 2002). The capital will be allocated directly into assets or to a series of funds within a predefined strategy. Therefore separate accounts exist for investors interested in direct and indirect real estate.

The indirect separate accounts could be seen as a JV fund including only one investor and fund manager. But they can be distinguished by the investors size. Separate account investors are often more wealthy and commit more capital. Besides, separate account can be unwound at any point by the investor, JV funds not. In turn, the direct separate account equals single asset JVs for the same reasons just described. As result that the segregated
accounts and JV structures have a *blurred line between the direct and indirect market* (INREV, 2012). See Figure 20: dotted line.

So only large investors, prepared to commit approximately €50 million or more, are interested in creating a separate account (Roberts, 2002). Most investors have some experience in real estate but wish to expand their exposure without additional resources, like setting up a team to undertake this. Separate accounts allow this expansion without losing much control. The agreement with the fund manager is *tailored* to the investor’s strategy and the manager has to operate within this comprehensive and customized framework. As result the investor has minimal control and involvement after that point on. Also the issue *conflict of interest* is possible if managers hold more accounts (INREV, 2012).

**§ 4.12.4** Fund of Funds

The last PPV discussed in this thesis will be the fund of funds. ‘This vehicle is a collective investment vehicle that uses a strategy of holding a portfolio of *investments in other real estate funds* rather than investing directly in real estate’ (INREV, 2012). Fund of funds investors usually tend to have a smaller asset base and have limited resources (Roberts, 2002). Sometimes large investors like to use this vehicle, because it gives access to best in class strategy of investing in emerging or entrepreneurial fund managers (INREV, 2012).

The majority of funds of funds are closed-ended, sometimes open-ended forms are offered for more liquidity. Obviously, the fund of funds can have strategies to invest in open-ended or closed-ended funds (INREV, 2012). In general, the fund of funds have more certainty in being liquid.

Roberts (2002) describes one of the appreciable advantages of fund of funds. They provide carefree access to certain markets or to high-quality unaffordable funds, maximum diversification and cost effectiveness (economics of scale). The appreciable disadvantages are relying on external partners, the double layer of fees, low probability in like-minded managers or investors, minimum control, and the conflict of interests.

As explained, the menu of PPVs continues to grow in variants, within or similar to the main types as discussed above. For the purpose of thesis, these will not be discussed. But some terms that will pop up more frequently in the non-listed PPV industry are: *co-investments, company investments, debt funds and infrastructure funds.*

**§ 4.12.5** Synopsis other private pooled property vehicles

This subsection will enumerate the important conclusions of this section. To summarize the different management structures of the non-listed real estate market a conclusive scheme and figure have been put together, wherein the key characteristics are clarified and visualized. *Note*, the recap will only keynote the most common features. Exceptions to the rule are explained above.

**Conclusions**

- The spectrum of possibilities in PPVs can be distinguished by investment & structural characteristics, the amount of liquidity & costs and the benefits & drawbacks of these vehicles;
- Commingled fund forms have the most extensive amount of variants but are not customizable;
- JVs & club deals are similar, both commingling a small number of large (institutional) investors, co-investing in a like-minded way through equal arrangements and having the same level of control;
- Separate accounts are an agreement with a fund manager who operates the capital commitment from one investor within a tailor-made and comprehensive investment strategy framework;
- Fund of Funds vehicles are pooled investment vehicles investing in other PPVs offering appreciable advantages and disadvantages in comparison to the other PPVs. For instance being more liquid.
<table>
<thead>
<tr>
<th>Key characteristics</th>
<th>Direct</th>
<th>Segregated Accounts</th>
<th>Joint Ventures</th>
<th>Club Deals</th>
<th>Commingled Funds</th>
<th>Fund of Funds</th>
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<tbody>
<tr>
<td><strong>Control or Involvement</strong></td>
<td>++</td>
<td>+ / -</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Like-minded (co-investors)</strong></td>
<td>++</td>
<td>+ +</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Investor size (accessibility)</strong></td>
<td>≥ € 100m.</td>
<td>≥ € 50m.</td>
<td>€ 50 m – € 100 m</td>
<td>€ 50 m – € 100 m</td>
<td>Small to Large</td>
<td>Small</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td>Low</td>
<td>Medium</td>
<td>Low to Medium</td>
<td>Low</td>
<td>Low</td>
<td>Medium To High</td>
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<tr>
<td><strong>Costs</strong></td>
<td>- -</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>+/-</td>
<td>+ +</td>
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<tr>
<td><strong>Type</strong></td>
<td>-</td>
<td>Depends on investments</td>
<td>Closed-ended</td>
<td>Closed-ended</td>
<td>Open- &amp; closed-end</td>
<td>Closed-ended</td>
</tr>
</tbody>
</table>

Table 6: Comparison of other pooled property vehicle structures (based on: INREV, 2012)

Figure 20: PPV Universe: matching investors competencies against delegation of management (own figure)

Figure 21: Typical number of investors targeted for each vehicle (own figure)
Section 4.13 Dutch Pooled Property Vehicles

The Dutch real estate market already applies fund structures for real estate, project & area investments. In this section the different fund structures will be discussed. Fundamentally these could be hold apart by two main investment objectives: profit & non-profit investment intentions.

4.13.1 Real estate funds

These real estate funds structures have strategies that pay attention to investments on property level.

Profit oriented funds

‘Real Estate Funds’, like the ASR Dutch Prime Retail Fund (DPRF), are mutual funds types used around the world. These belong to the commingled fund type, and could be put into different variants. For instance, the Dutch ASR DPRF is a contractual non-listed mutual (open-ended) fund with an infinite life and core, high quality asset strategy (ASR & CBRE, 2012). The main objective of these fund structures is to create an attractive IRR for the investors by investing in, managing and adding value to the property portfolio.

And then, there are ‘Real Estate Investment Trusts’ (REIT), which can be regarded as a real estate company modelled after mutual funds, allowing them to grow to go public like other listed companies. At the same time, allowing all investors – not just the wealthy one – to invest in portfolios of (large-scale) properties through the purchase of stock. Shareholders earn a share of the income produced by the REIT through dividends or premiums on stock price. REITs are primarily engaged in property investment (generating rental income) rather than in development/resell or other non-property activities (Reita, 2013). In the Netherlands these listed companies (often closed-ended) are better known as FBIs (Fiscale BeleggingsInstelling), like Nieuwe Steen, Corio & Rodamco. There are also non-listed FBIs, due to the lack of information it is hard to elaborate on these types or give examples (Lindberg, 2002). Both are not subject to corporate income tax.

Non-profit oriented funds

Real Estate Funds who do not have profit investment objectives, are trusts like ‘Monumental Trusts’ and have strong similarities with charitable foundations or the earlier mentioned (property) Unit Trust. Contributors invest in these kind of trusts to enable certain initiatives, which would otherwise not be possible. In this case, ‘het

![Figure 22: Participation ability & likelihood of different sized investors related to other PPV (INREV, 2012)](image-url)
Utrechts Monumenten Fonds’ preserves & restores monumental properties. This type can be characterized as an non-listed open-ended trust. Deposits are without obligations and based on personal interest. Therefore, shareholding looks more like a trust-membership relationship. Even so, the trusts do hold properties allowing investors to get a few favours in return when it is convenient. For example, they would like to live or work in a monument. Prospective shareholding will allow investors to be placed on a wait list as candidate. Besides, the rental income can be reinvested (UMF, 2009).

§ 4.13.2 Project & Area level funds

The fund structures as mentioned above focus on object level. In the field of the Dutch UAD-Development practice we are familiar with several fund structures that have strategies to target investments on project & area level. However, there are no examples available for each structure.

Profit Oriented funds

Some project or area structured funds have profit oriented strategies, like obtaining the highest IRR as possible. These funds are willing to make risk-bearing investments. For example, the ‘Development Trust’ will focus on developing certain areas, often by combining public & private resources. These trusts try to make money by investing in risk-bearing projects (De12Landschappen, n.d.). A company in the Netherlands called Ontwikkelingsfonds nv redevelops urban areas similar to the REIT structure but for area level investments.

In the Netherlands we also have ‘Endowment Funds’. These funds have a more moderated yield policy and can be categorized as specialty funds or sector funds, which means that the real estate projects & area developments are targeted beforehand. The principle of this fund structure is based on holding a lump sum: only financing projects and services with return on its capital/resources. For example, most endowment funds facilitate land operating activities. Therefore, these funds can be characterized by its continuity of resources and the ‘lump sum’ assets. Commonly structured as non-listed infinite closed-ended funds (Norris, 2000).

The last fund variant that could be managed from a profit perspective is the ‘Revolving Fund’. This fund does not spend or invest money but basically lends it out, like Banks do. The loan preconditions can be set profitable with an attractive interest rate. In this case, the revolving fund will be used to stimulate area level projects, usually civic initiatives, who need a boost to be feasible. If projects seem to be very profitable, a small percentage will be flow back into the fund, which can be used for other investments again. This could be a preconditions, but in practice it turns out that most projects have limited returns, resulting in breakeven revolving funds (Norris, 2000). Most revolving funds are structured as non-listed infinite closed-ended funds.

Non-profit oriented funds

Most Dutch funds, structured for area level projects, have less commercially grounded objectives, and do have more dedicated objectives to make unbridgeable initiatives possible. Like the aforementioned revolving fund, but then without the profitable preconditions applying the same structure. An important difference between these variants are the different reimbursement arrangements. For example, it could be an objective to invest in unprofitable & underprivileged sustainable projects. Good for the world and society, therefore good for governments to replenish the fund, for instance with subsidies (soft qualities). A huge comparable non-profit fund of the EU is the well know ‘Structural Fund (SF)’: A financial tool to collect and spare subsidies to implement regional policies. The fund aims to reduce regional disparities in terms of income, wealth and opportunities. It is a revolving fund, because it receives resources from the EU on a regular basis to replenish the fund (Van Ginkel, Holt et al., 2010). Making it look like non-listed open-ended funds having characteristics of the unauthorized unit trust registered under the trust deed.

Another variant is the ‘Region Fund’ (not to be confused with ‘Regional Fund’), very similar to the ‘Environmental Fund’, ‘green fund’ or ‘community land trusts’. Principally, these variants can be classified as ‘Target Funds’ or better known as ‘Sinking Funds’, which are financed ‘à fonds perdu’, and founded to pursue a collective
objective. A very logical structure where the capital of private, public & civic stakeholders is collected to manage and offer services on area level, without a yield prospect. The funds will be vacant after the objectives are realized, unless they will be refinanced (Norris, 2000). Typically, these structures will be a non-listed close-ended finite fund having joint venture and club deal characteristics, and resemble the research subject: UDTs.

The previous variant can facilitate the collecting process for refinancing the vehicle. It forms a healthy basis for the collaboration and commitment between involved parties, and will be organized from one point of view. These funds are mostly incorporated to streamline the financing process of area initiatives to preserve, enhance and/or control its quality, rather than using only a fund structure for the development activities. This is an important characteristic to remember, as well as the founding principle to fund one specific project area or a fund that focuses on certain regions in general. See Table 7 for an useful overview of PPV structures in the NL.

**Characteristics**

Funds structured for area level projects may have both public and private actors on the board of directors or board of trustees. Nevertheless, Vreke (2010) describes the fund characteristics for the Dutch UAD-context as:

- Funds are almost always initiated by a private party;
- Private organizations will mostly administer the fund governance activities;

**Fund governance strategies**

To summarize, the handbook environmental funds, written by Norris (2000), explained four different fund governance strategies: in line with the above-described structures. He explains that environmental funds are appropriate when the issues being addressed are long-term and require a sustained response over a number of years. The handbook actually uses the term environmental fund as a general term to accommodate area level fund structures, like the revolving fund. As result, the handbook explains that the fund governance strategies for area level funds, depend on the fund structure and its objectives:

I. **Endowment**: Only use the income from its capital to reinvest, preserving the (initial) capital itself as a permanent asset;

II. **Sinking or Amortization fund**: Disburses its entire principal and investment income over a fixed period of time, usually a relatively long period. Possibly allow and facilitate extra funding by re-deposits during the holding period;

III. **Revolving**: Receives new income on a regular basis – such as proceeds from special taxes, user fees, etc. – to replenish or augment the original capital (by credit);

IV. **Revolving**: Deposits collected form granted loans, the income that flows back may be returned to contributors (by debt);

**Synopsis Dutch pooled property vehicles**

This subsection will enumerate the important conclusions and the key characteristics of the Dutch PPVs.

**Conclusions**

- The Dutch real estate market already applies funds structures for the real estate industry. The fund structures have different investment intentions which are profit or non-profit oriented;
- The profit oriented real estate funds differ from non-listed open-ended structures to listed closed-ended structures sharing the characteristics of commingled fund type and REITs respectively;
- Non-profit oriented real estate funds are comparable to UTs and are registered under a trust deed;
- The real estate funds on object level mainly concern investments in assets that find themselves in the operating phase of the development life-cycle;
- Profit oriented funds on project & area level differ from non-listed open-ended to listed closed-ended structures sharing characteristics of banks loans and REITs respectively
- Non-profit oriented funds on project & area level differ from non-listed open-ended to non-listed closed-ended structures comparable to UTs and UDTs;
• Sinking funds, like the community land trust, resemble the research subject UDT, because these fund variants allow you to pool resources of private, public and civic actors. The shareholders pursue a collective objective and finance the fund once to achieve a final result, having a finite lifespan;

• Important differences between the non-profit fund variants on area level and the UDT are:
  - Either the fund invests in a project which find itself in the operating phase of its life-cycle, or the fund invests in several projects rather than the fund is set up for one specific project;
  - Private actors will mostly administer the fund governance activities as non-executive officer;

• Four different fund governance strategies can be distinguished for area level funds: (1) the endowment strategy, (2) the sinking strategy, (3) the revolving by credit and (4) by debt strategy;

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<thead>
<tr>
<th>Characteristics</th>
<th>Object level</th>
<th>Area Level</th>
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<tr>
<td></td>
<td>Profit</td>
<td>Non-profit</td>
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<tr>
<td>Listed example</td>
<td>REITs or FBIs</td>
<td></td>
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<tr>
<td>Development phase</td>
<td>Operating</td>
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<tr>
<td>Non-listed example</td>
<td>Real Estate Funds</td>
<td>Unit Trusts</td>
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<tr>
<td>Development phase</td>
<td>Operating</td>
<td>Operating</td>
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Table 7: Dutch PPV Universe differences on object- vs. area level, profit vs. non-profit oriented, listed vs. non-listed structure, and the development phase of the investment.

Section 4.14 Urban Development Funds

The Urban Development Fund looks similar to the research subject: Urban Development Trusts. Not only the terms lookalike, but also its objectives to facilitate sustainable UAD projects are similar. First, the UDF will be discussed, before some significant differences will be clarified.

Not long ago, the European Committee (EC) in collaboration with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB) developed a new policy initiative, with the objective of supporting sustainable UAD projects through new financial engineering mechanisms: funds. Better known as Joint European Support for Sustainable Investment in City Areas (JESSICA)’ (Van Ginkel, et al., 2010).

The policy initiative consist of 2 fund types, namely the ‘Holding Fund (HF)’ & ‘Urban Development Fund (UDF)’. The managing authorities of the member states, or regions, are allowed to use part of their Structural Fund (SF) allocations to invest in HFs or directly in UDFs (see Appendix B). HFs are some sort of intermediary set up for the European Commission to be able to invest in UDFs as well. HFs are comparable to the SFs, but have several institutional benefits, like combining public-private sector resources to invest in UDFs (Kreuz & Nadler, 2011).

UDFs are a new financial engineering instrument to invest in PPPs for urban area projects, inserted in integrated plans for sustainable urban development, like urban renewal or regeneration (Van Ginkel, et al., 2010). It can be categorized as an non-listed open-ended fund, leveraging additional resources to be able to incorporate specific sustainable PPPs or to facilitate urban development projects in the form of loan, capital or guarantee (Kreuz & Nadler, 2011). There are four principal ways how JESSICA can be used:

I. **Loan**: to public or private sector to kick start a process. To be paid back after a (long) time with(out) interest. Similar to the revolving fund principles;

II. **Subordinated loan**: to public or private sector to kick start a process but to attract other investors. Same paid back mechanism;

III. **Participation (capital)**: to improve leverage to be able to invest or either obtain further loans from banks or private sector investors or other financial institutions;

IV. **Guarantee for loans**: to the public or private sector, to kick start a process, to reduce risks and to create leverage;
The UDF & UDT differ substantially from each other, despite the fact that these funds have important comparable targets for the Dutch UAD-practice. A very important difference is the leverage that is provided by UDFs to sustainably develop urban areas, without developing, operating or possessing any properties by itself. It can be compared to other loan-subsidy moneylenders.

In other words the UDF will not be a revenue model for the new approach’ business model. The UDF can be compared to the traditional role of banks. Currently, banks are over-cautious to finance (sustainable) urban development projects. Certainly if they need to commit capital for the long-term. Therefore, UDFs are established to provide financing alternatives for the building block ‘key resources’.

This gives rise to another important difference: the amount of projects it facilitates. The UDF has been incorporated to leverage various projects, while the UDT could be the panacea for new approach projects, like focussing on the necessary sustainability demands. The UDT is a revenue model intended to facilitate its business model for one specific UAD project. For example, a project will receive funds of the UDF to close the financing gap, but will still develop the projects with traditional business models & revenue models. While the UDT is intended to let financial ends meet, without relying on too many debts or subsidy variants.

Conclusions

- The UDF looks similar to the UDT and the terms denote the same if translated in Dutch. Both facilitate sustainable urban area development projects. The UDF is a business model itself, while the UDT is not;
- The UDFs or better known as JESSICA are used to provide (1) loan, (2) subordinated loans, (3) participation capital or (4) guarantee for loans, to be able to facilitate sustainable UAD projects;

Section 4.15 Novelty UDT

The previous section elaborated on the fund industry and gave important insights for the research subject ‘Urban Development Trusts’. Reviewing the theoretical framework sections for so far, this section tries to explain briefly what we currently know about Funds or Trusts, used for the Dutch real estate industry and in particular the UAD-practice. In order to generate an impression of the knowledge gap and to demonstrate the novelty of UDTs. Hence, the relevance of the extensive literature review.

Until now one report has been found that briefly explains how the Urban Development Trust should work. SADC and BCI (2012) took the initiative to start a pilot to explore its possibilities, in response to the frequently suggested and highly recommend UDF concept. This brief report shows the contours of the new model, the principles, (dis)advantages and some general conclusions. This thesis did not include this pilot report in the theoretical framework, since it only sketches how the UDT ‘might’ work, rather than providing new theoretical knowledge or any substantive findings, which could be seen as valid or reliable contributions. It did provide some general understanding of the subject, but other sources are regarded to be more scientifically sound.

Studying the literature, it can be concluded in some sense that the Dutch UAD-practice does apply the fund structure concept to develop urban areas. Kloen, Padt et al. (2004) defines these funds as:

‘Environmental funds are appropriate when existing agencies cannot effectively manage the amount of funds and type of activities needed to address the problem - when there is a need for new procedures or a new kind of institution, accountable to and counting on the participation of its stakeholders.’ (Kloen, et al., 2004: 4)

Nevertheless, the funds we know in practice are set up and used for project & area developments with different starting points & objectives. There is an important difference between the region, environmental, green & (community) land funds against the Urban Development Trust. Several professionals (Kloen, Tolkamp et al., 2007; Norris, 2000; Vreke, 2010) made these funds explicit, but all these funds are a way to provide long-term financing and continuity for area developments that focus on the operating phase. Adjacent to it, they all share the same objective: the conservation of biodiversity & other related environmental activities. The funds will carry
out developments, but these developments are only additional and are needed to make it possible to operate the area without focusing on urban regions.

Another important contrast in the funding principles is the utility of the trusts. Most discussed trusts are established to provide alternative finance for certain projects that otherwise would not be feasible and affordable. These trusts are comparable to charitable concepts. However, there are some practice examples that the trust actually hold assets. But typically these trusts will provide additional ‘key resources’ for a development project, like the UDF. They all share the same principal: funding projects with a certain (preconceived) collective objective. Although, the selected projects still utilize their own 'traditional' business model to execute the contemporary tasks and activities, not following the new approach.

All and all, the first statement largely addresses the principal issue of funding (re)development projects in a particular development phase, mostly the operation phase. Instead of integrating phases and utilize a long-term perspective. But some funds are actually incorporated to finance one specific area in a new innovative way. This gives rise to the second statement, which will be important in this thesis. In fact, the latter principal issue relates to the funds that are established to finance several urban development projects in different phases. For that reasons, a disguised way to subsidize or to leverage urban development projects. In other words, a temporary solution to close the financial gap. While self-containing solutions are desired at this time, which facilitate the new approach’ implementation process as well, like new revenue models.

Conclusions

- UDTs can be regarded as novel because:
  - Trusts, like the UDF, can be compared to other loan-subsidy providers or mechanisms;
  - Trusts, like the UDF, provide finance alternatives for traditional business & revenue models, rather than a new revenue model for the new approach' business model;
  - Trusts, like the UDF is a business model to leverage the business models of various UAD projects, while the UDT is a revenue model to facilitate the business model of one specific UAD projects;

Section 4.16 Theoretical framework: associated principles

It has been explained how business models work and what the difference is with a revenue model in Section 4.2, 4.3 & 4.4. The same sections elaborate on the fundamental principles of the business model. CHAPTER 3 discusses the changing context. The Dutch UAD-practice finds itself in a new reality full of challenges & opportunities, wherein the lack of sustainable & feasible initiatives appear to be the main issue. Therefore, new mind-sets have been suggested in different ways by different academics & practitioners. However, all the different approaches have something in common: use a new business model to implement urban development projects successfully. In the end this thesis aims to find out to what extent the new suggested revenue model UDT is able to facilitate the new approach’ business model for urban area developments.

This section will summarize the findings of the literature review through a theoretical framework. This will clarify, in general, to what extent UDTs, and its associated principles, will affect the overall business model. In other words, if you create a PPV it will have certain consequences for the remaining building blocks or it will provide opportunities. Therefore, the associated principles will either facilitate or interfere the functionality of its overall business model. So the structure of the fund is closely related to its purpose, or the other way around. If this is understood, then the UDT-revenue model can be merged with the UAD-business model.

The theoretical framework will represent the associated principles of the fund revenue model. Due to the amount of variants, each building block has been filled with only the most relevant subjects in the most typical form. Some involved consequences or opportunities are highlighted. These will emphasize the relation with CHAPTER 3 and relate to some important new reality issues, which imply to correspond with each other (Figure 23).
To explain briefly, the revenue model will principally regulate the cash flows of the overall business model. However, the coordination of cash flows will inseparably affect all other building blocks. For example, if one uses a fund revenue model as a separate corporation it will automatically, for the greater part, determine its key activities: pooling capital, comply with strategy, etc. The same goes for the key partners & the key resources of the overall business model. The investors will pool their capital to implement the value propositions, like the common investment aim. Perhaps leverage or specific knowledge is required here for.

Same applies to the customer business area. To reach the different customer segments and to communicate with them, roles & responsibilities should be divided. For instance, if the owners would like to liquidate some capital growth the fund or investment manager should sell some assets. Often, this relationship is agreed or based on trust. In turn, if a shareholder gets to hear of his fiduciary that this decision was not in line with the investment aims he could decide to sell his share, which will affect the consistency. The trading mechanism channel determines how the shares should be traded. If the promoter only is allowed to find wealthy investor to take over the stake it will say something about the funds’ relationships: low accessibility.

To conclude, some terms as mention in the previous sections do not occur in the overview, like control or influence, involvement, board of directors, commitment, flexibility, and more. Since, some terms are covered by a more all-embracing term or the term is just a specific measure for an particular principle or associated function. For example, the degree of control and involvement in a PPV is predetermined by the customer relationship arrangements. At the same time, it is directly related to the channels like the hierarchy in the different management layers.
CHAPTER 5  ANALYTICAL FRAMEWORK: UAD BUSINESS MODEL

This chapter will provide the motivation and elaboration on success for UAD. Together with the theoretical framework, this chapter will serve as guide to analyse the single case study. Based on the literature used for the Dutch UAD context description, 4 key documents have been selected to draw up a comprehensive analytical framework to demarcate success. While assembling the link between the business model for successful UAD and the promising revenue model UDT the third sub-research question will be answered. Which elements can be apportioned to achieve successful urban area development?

Section 5.1  Successful Urban Area Development

Successful UAD can be regarded as an subjective manner, because everyone will have an different perspective in determining success. It means different things to different actors. ‘Hobma (2011) explains that many have tried to identify the ‘factors for success’ for UAD implicitly or explicitly. He enumerates several examples of questions that need to be asked to determine if success has been achieved, with regard to the different perspectives people can withhold and the chance perspectives may alternate over time,’

- Successful process or successful product? (teamwork, finished development, etc.)
- Success for shareholders or success for stakeholders? (end-users, project manager, contractor, etc.)
- Which criteria for success do we wish to adopt? (financial, social, environmental, etc.)
- When do we measure success? (during the development, after finished or 10 years after delivery)
- Are we successful when we have achieved our goals? (official or implicit objectives)

‘All in all, Hobma (2011) concludes that all these factors signify that there is ‘no one size fits all’ criterion for success, and success is not an unambiguous concept.’ So, before we are able to understand to what extent the UDT will be able to facilitate the business model for successful urban development projects – therefore answering the main research question – it is important to elaborate on & define the subjective manner ‘successful’ UAD. Also the interpretation of these success criteria should be motivated.

In this thesis, the new reality will be the point of departure for successful UAD. As explained in CHAPTER 3 , new approaches or new business models for UAD projects have been suggested to be able to deal with the challenges & opportunities in the new reality. Two key concepts seem to dominate this, which are the concepts feasibility & sustainability. All the illustrated issues refer in some way to the lack of attractive and/or sound project purposes that endure over time.

These interrelated key concepts are reviewed by 4 key sources of literature and will be used to drawn up the analytical framework. Besides, the literature does not only contain a comprehensive point of view in this field of tension, but provides serviceable directives towards feasible and/or sustainable projects as well. Therefore, this thesis used the 4 key documents to determine the themes for success. The ‘themes for success’ are composed of several underlying ‘incentives for success’, which will be used to define the new business model for UAD projects. Each building block of the canvas contains different incentives for success and explains how these incentives correlate with the overall business model. The presence of these incentives does not ensure success, but the implementation of these incentives will increase the chance of success.

Section 5.2 to Section 5.5 will elaborate on the 4 key sources of literature. Each section will present a summary of the most important findings of the review, with respect to a single source of literature.
Section 5.2 The art of merging

The first important source of literature is published by an academic panel. The Delft University of Technology often receives questions about sustainable UAD. Within the department of Real Estate & Housing, the Chair of UAD has cooperated with a planning consultancy H2Ruimte to provide a helping hand for this type of development. The publication ‘Duurzame gebiedsontwikkeling: doe de tienkamp!’ aims to encourage a more balanced approach for UAD, wherein sustainability is an obvious and important aspect. According to the authors, each UAD project is tailor-made and ideally by definition sustainable. They propose a pragmatic bottom-up approach and emphasize the significance to think and act for yourself; not copying other in a rash.

In the report 4 principles are giving to help others to think and act sustainable during the whole life-cycle of an UAD project. The principles and the basic assumptions have been described in Section 3.4. They need to be interpreted location specific, have a high degree of flexibility and will allow developers to implement their own interpretations, priorities & choices. The authors Puylaert and Werksma (2011) combine two theoretical perspectives on which the principles are based. True sustainable urban areas consists of great spatial qualities, achieved by an optimal balance between the social components people-planet-profit (Elkington, 1998) and the spatial components user, experiential & future value (Hooimeijer, et al., 2001) as shown in Figure 24.

§ 5.2.1 Merge interests

The first and most basal principle will be merging different interests of all involved actors into one collective paramount interest. This principles strives for a synergistic Triple P combination wherein a win-win-win situation is created. Elkington (1998) typifies this situation as the search for mutual benefits among all parties and aligning and satisfying all involved actors, as a result parties will cooperate rather than compete. Win-lose thinking is based on the ambition of power and functions, while one should have intentions to transcend their own interests. For instance, governments who are responsible for the welfare or other social urgencies, should play a more facilitating and stimulating role to merge interest by applying laws, regulation and public power. While market parties should think beyond their commercial interest to realize (quick) prosperous returns and apply a demand-driven approach with sustainable affinity. Bottom-line, the chance to implement a sustainable development will be nil if one stakeholder is missing in the development process.

Merging interests does not occur spontaneously. An intention to cooperate in a win-win minded way is required, and is based on a strong relation of trust. There are some precarious issues one should take into account for using this guiding principle when initiating an urban development project:

- Changing the degrees of power, control & role description among public and private stakeholders will need a lot of effort. It should be refocused on, and modified towards, the end user;
- Organizing the (early) involvement of end-users will be difficult, due to the considerable variation in interests, wishes, knowledge and energy to participate in projects;
- Due to the many cultural differences it is tough to bridge the different issues that occur. E.g., more and more disciplines are involved in urban development projects. This will cause misunderstandings and frictions when attempting to merge interests, because all disciplines speak their own jargon;
§ 5.2.2 Create identity

The second principle helps stakeholders to create an urban area with high spatial qualities which will result in an authentic urban area identity to engage end-users. Developments need a cultural statement as well. Then they will feel themselves as mental owner of this unique urban area and are willing to invest in the future qualities of ‘their’ area. This principle deals with the spatial components, because urban areas with identity know a high degree of user-, experiential- & future value. The principle also helps to understand the differences between the social and spatial components. In fact, the physical conditions of urban areas will develop more slowly than the interrelated social conditions. This makes it hardly possible to fabricate a customary identity. The urban area identity must grow gradually and will be a supply-driven aspect, capable to influence the demand side.

First, a clear idea of the potential spatial qualities must be formed to improve the spatial values. This can be done by assessing the static qualities (physical characteristics & spatial regulations or policy lines). Subsequently, collective meetings and interviews should be arranged to gain commitment and to obtain a strong basis for a collective ambition document. This document preserves the common core values of all stakeholders to create a potential identity for a sustainable urban development project.

Creating identity does not occur spontaneously. An intention to have collective meetings and to create an ambition document in win-win minded way is required. Again, based on a strong relation of trust. Some precaurious issues should be taken into account, while initiating an urban development project with the aid of this guiding principle:

- The evolving course of stakeholders (e.g. politicians, project team members, citizens), during a long-term project life-cycle, could lead to a reassessment of worn agreements on qualities.
- A more integral approach to sustainability & spatial quality will not be so obvious. E.g., cash flows are often sectorial and divided unequally, mostly resulting in: “he who pays the piper calls the tune”.
- There is little flexibility to respond to market developments & possibilities that arise during the process. A low adaptive capacity of agreement framework. E.g. the contracts or the land use plan.

§ 5.2.3 Connect dream & reality

The third principle calls on stakeholders to merge dream and reality by continuously connecting different development life-cycle phases (Figure 25). A sustainable project will pay attention to the current & future use of an urban area right from the start (initiative phase). Since the operation phase forms a significant part of the process, it is highly recommended to merge this final phase into all processes. Often check processes and update processes if needed. Keep in mind that not governments, politicians or developers determine what good quality is, but the end users. Qualities like future-proof, identity, recognition and mental ownership are of great significance. Stay pro-active and undertake actions. This will be crucial to deliver quality impulses that last long, stay significant and even keep growing in importance.

Often stakeholders have a tendency to present projects with extremely high ambitions and/or stack to many different point of views. So be careful and do not create an unbridgeable gap between the ambitions and the actual implementations. In the definition phase the program of requirements will be the turning point between ‘to aspire to’ and ‘to be established’. It may be an useful strategy for UAD projects to scale back ambitions, to
split project parts (start small) into achievable parts and to postpone other parts. Having a broad exploration phase and initiative phase will be a good basis for sure. This is desirable to identify, connect and share common qualities and eventually promote identity. A broad exploration also helps to connect interests, (process) periods and scales.

An precondition to bear in mind is that stakeholders will need the ability to look forward to the subsequent phases in an early stage of the process. Furthermore, using this guiding principle when initiating an urban development project, some other precarious issues should be kept in mind:

- The stack of sectorial claims and other strict regulations in the field of air quality, water quality, noise, odor, etc., makes it hard to achieve the transition from ‘to aspire to’ into ‘to be established’;
- It is not so obvious to secure the project visions during the implementations. Since, the executing and the operating parties & authorities are not sufficiently involved in defining those visions;
- Usually, the operation phase in an urban development project has poor relationships with other development phases. Based on the so called hit and run approach;
- Organic growth (including shrinkage) in planning is still at an initial stage of development. This means that small scale developments require appropriate understanding of the sequences of operations;

§ 5.2.4 Redeem future value now

The final principle calls on stakeholders to merge cash flows and convert values into present returns by translating future values into costs, revenues/benefits and risk assessments. After all, the decision ‘whether or not to start a sustainable urban development project’ will be taken in the present. Therefore affordability & feasibility will be crucial. Considering the fact that sustainable developments require substantial initial investments and demand long-term commitment, both hampered by many uncertainties. Different stakeholders struggle to invest in quality, since the corresponding revenues will be brought forth in future years.

Sustainable developments are all about the generation of values reflecting the social, environmental and social values. The components need to be translated into ‘extra value’, ‘added value’ and ‘extra social returns’. Whether or not a project will be started, is not only about creating a positive balance sheet, but also about an equal division of costs & revenues between the stakeholders. The corresponding risks need to be distributed more decently as well. Moreover, sustainability can be less expensive than most people think. Just design and organize in a clever way to save both on development & management costs.

The future cannot be predicted, but it will provide opportunities as well as uncertainties. Especially in complex areas. It is hard to determine future values. Besides, this assessment should be shared by different stakeholders. Again there are some precarious issues:

- Difficult to make social values comprehensible and accessible to everyone. Moreover, the ‘soft’ qualities are hard to quantify in monetary units.
- Generally speaking, an urban development project has 3 transaction moments for: the land development, the property development and the area operation & management. This hinders the long-term (financial) commitments. Merging these moments will be a potential incentive for success and shall be more favourable when project are less complex and risks are more obvious.
- Spilt incentives. For instance, most of the time the investor is not the one who will gain the savings over time if an investor is willing to apply economizing techniques.
- Money will not be spend caused by high levels of uncertainties. As been discussed, almost all stakeholders are risk-averse, especially for long-term commitments (20 to 30 years).
- Small scale developments will not provide the possibility to exchange profitable with unprofitable project parts. Try to implement smart and functional combinations as well as multiple use of spaces.
Section 5.3  Capitalizing sustainability in UAD

The second source of literature is published by a public authority. “NL Agency is a division of the Dutch Ministry of Economic Affairs that carries out policy and subsidy programs focusing on sustainability, innovation and cooperation” (Agentschap NL, 2013). The publication ‘Toekomstwaarde nu! Duurzaamheid verrijven in gebiedsontwikkeling’, written by Agentschap NL and RVOB (2011), serves as a source of inspiration. The report contains a comprehensive theoretical part and is supplemented by experiences and practical examples, helping the reader to explain what is possible.

The new driving force for future urban area developments will be the creation of cohesion between economical, ecological and social challenges (Triple P). Sustainable projects will be necessary for the new approach in UAD. Whereas, we were used to apply sustainability as extra due to the financial-technical discomforts it entails. Furthermore, it will be necessary to focus on long-term revenue streams and find a place for social costs & benefits. Some are hard to quantify, like the “soft” qualities. Overall, refocus more on the operation instead of on the development.

This publication discusses similar barriers, challenges and precarious issues like the first key literature source. Though, they will not structure or translate these conditions into guiding principles. However, as discussed in Section 3.4, the publication proposes two important points of departure for the new approach: (1) project financing should be integral & long-term oriented, and (2) focus on values & the generation of values (do not think about costs but revenues). In addition, they suggest two solution topics in line with both points of departure: (A) new revenue models, and (B) new collaborative arrangements.

§ 5.3.1  Integral & long-term finance orientation

It becomes increasingly complex to finance projects according to the new approach, wherein sustainability is a key element. Many stakeholders are involved in complex processes, because they are looking for integral solutions & long-term commitment in UAD projects. It will be risky to have too many ambitions, probably causing a deadlock. At the worst level, stakeholders will decide to implement their own sectorial hit and run approach. But the report calls for an integral approach and provides an optimal roadmap to find a suitable revenue model for sustainable urban development projects (Figure 26). It contains four consecutive steps:

I. Create a comprehensive vision focused on the long-term. Start from thinking in terms of return.
II. Looking for long-term sectorial financing structures
III. Looking for integral models, collective business cases and revenue models. Look in the width of the area operation and check the long-term perspective regularly, but focus primarily on what you can do here and now.
IV. Finish with sectorial and ad hoc solutions, such as subsidies.

The value of an urban area is associated with an integral, but flexible and sustainable design with a long-term management.

This new approach opens up prospects for new clients in new collaborative arrangements, like a collective urban development fund (Agentschap NL & RVOB, 2011).

§ 5.3.2  Thinking in revenues rather than costs

Traditionally, one will start to sum up the corresponding costs when urban development projects are explored and initiated. It should be the other way around: start to explore what projects potentially could generate and appoint those values. This will provide an comprehensive insight into new cost carriers, when all (potential)
revenues and benefits are mapped, like the ‘soft values’. For this reason we are better able to allocate costs and revenues as well as finding the right stakeholder and to effect commitment. Therefore, this new approach will refocus on operational perspectives. Traditional parties should play a new role and need to cooperate with new partners (e.g. new cost carriers) in new collaborative arrangements, to facilitate the new approach for sustainable & feasible projects. This transition will be based on continuity & generation of values over the long-term. New revenue models will help to collect these new and different types of values.

Section 5.4 New value chains and concepts of value

The third source of literature is published by the innovation network NederLandBovenWater (NLBW). More than 50 commercial, public and knowledge-based institutions are participating in this foundation, in order to provide new impulses for UAD. The publications ‘Cahier Verdienmogelijkheden & Waardenmakerij’, written by Van Rooy (2011) & Van Luin (2012) respectively, aim to show how better results can be achieved in urban development projects, with fewer resources and less energy loss, by making use of practical experiences.

Both publications acknowledge that success in UAD projects becomes increasingly measured by the extent to which economical, ecological & social-cultural qualities and interests are in an optimal balance. The publications argue that these elements should reinforce each other to utilize a win-win situation, like the Triple P approach. A ‘mind shift’ will be necessary to achieve this.

§ 5.4.1 New revenue models

Again, as explained in Section 3.4, the first book explores new arrangements, which should lead to profitable practices among every involved actor. Van Rooy (2011) introduces innovative revenue models, in order to properly distribute authority, risks and returns. Thereby creating a win-win situation and set new projects into motion. The book reveals new and potential revenue streams and show the opportunities to create and to collect new value chains.

§ 5.4.2 Creation of values

The second book, also explained in Section 3.4, builds on the creation of new value chains and adds the sustainable perspective. Van Luin (2012) clarifies how these values can be collected and presents new perceptions of values. These new value concepts are comparable to values explained in subsection § 5.3.2, both explaining different terms of values. For example, a quantifiable values ethics. Quite similar to value generation, this cahier explains that new value chains are produced by enterprising coalitions – comprising various stakeholders – who are committed to one specific area and want to make an effort (area investments). Van Luin (2012) suggests one should use the three-step approach to achieve a sustainable UAD: ‘design a shared point of view’, ‘generate mental ownership’ & ‘realize real results with area investments through (new) value chains’. These steps should be taken simultaneously. The steps are almost similar to the first, second and third guiding principles, as explained Section 5.2, respectively.

Section 5.5 Operate integrated: embedding real estate, flows & use

Finally, the fourth important source of literature is published by a public authority as well. Since developments stagnated and spatial planning policies fail to come implemented, the Dutch Ministry of Infrastructure and Environment (IenM) provided this report to offer a helping hand to implement innovation into urban development projects. The publication ‘Investeren in gebiedsontwikkeling nieuwe stijl’, written by Peek (2012), appears to give recommendations to implement new partnerships & new revenue models and to give assistance to reformulate the development matter. Only the key elements will be discussed in this section, because this publication has been discussed several times in CHAPTER 3.
The handbook, written by Peek (2012), provides alterations for the UAD-practice prescribes that urban development projects should meet three criteria to be successful:

I. Demand of the end-user should be the norm;
II. Current real estate stock is decisive. New developments will be assessed on the value it adds to this current stock;
III. Developing an urban area should contribute to the objectives for sustainability and should comply with the European rules;

IenM aspires to implement a new approach for UAD, because it feels responsible for having a sound system for spatial planning. For that reason, IenM provided innovations for the UAD-practice and defined alternative forms of financing (revenue models). Their initiative supports other governments and developers. The essence of this new approach is constituted by an integral mind-set. In the meantime, a fairly well-known way of thinking. Peek (2012) clarifies one should create cohesion, in advance, between three interrelated aspects:

I. Real estate: refers to the land and property, hardware for urban development projects;
II. Use: refers to the demands of end-users. From the use and management of urban areas we determine how the development should be designed;
III. Flows: represents everything that makes it possible to ‘use’ ‘real estate’, comparable to urban infrastructures;

In particular, it is hard to make the transition to implement the new approach (called: Gebiedsontwikkeling 3.0), due to our limited organizational capacity. Therefore, exercise is so important. Until then, this report will be useful to help and stimulate the Dutch UAD-practice to make the transition. Peek (2012) presents the following recommendations related to different topics:

New revenue models should:
- Look for sustainable and long-term returns, rather than (one hit and run) short-term profit;
- Connect real estate, use & flows in an integral way and at an early stage;
- Split project parts and invest incrementally to reduce the risks;
- Look for financial returns in relation to social returns or benefits;

New forms of cooperation will be essential and new collaborative arrangements will:
- Make room for innovation and collaboration with new parties;
- As government, connect, support and offer certainties;
- Standardize contracts and reduce the amount of transaction costs (merge development phases);

To seduce new partners to cooperate and give new revenue models an opportunity, the correlated urban development rules should be reformulated:
- The current area operation should be the point of departure;
- The area demarcation should be determined on the basis of flow operations;
- Do not ask for a final picture, but demand achievements (e.g. sustainability, livability, feasibility);

### Section 5.6 Recap: Themes for Success

This section will summarize the 4 key sources of literature as point of departure to explain the business model for successful UAD. Currently, the lack of feasible and sustainable initiatives are the two main challenges for the Dutch UAD-practice. The thesis of Carlo Sturm will research new collaborative arrangements as potential solution. While this thesis will research a new suggested revenue model: the Urban Development Trust. The sources of literature have been chosen because they pay extensive attention to one or both challenge(s).

Besides, the literature correlates fairly with each other, and there is an appropriate balance between the publishing parties and their intentions (academic, public, commercial). The sources provide potential themes for success for new initiatives and suggest that new revenue models can be an useful arrangement. The comprehensive notice in the literature will form a convenient reasoning to determine the themes for success.
An overview will help to understand the aforementioned correlations and the specific point of views, resulting in different principles, guidelines or approaches. Even though the authors have different point of views, in general, the rationales, or the underlying challenges & opportunities they concern, prove to overlap each other here and there. Hence, the different point of views could be compared and paralleled, resulting in equivalent themes. Each theme represents the rationales of different publications, see Table 6.

<table>
<thead>
<tr>
<th>The art of merging</th>
<th>Capitalizing sustainability in UAD</th>
<th>New value chains &amp; concepts</th>
<th>Operate integrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Puylaert &amp; Werksma</td>
<td>Agentschap NL &amp; RVOB</td>
<td>Van Luin &amp; Van Rooy</td>
<td>Peek</td>
</tr>
</tbody>
</table>

- **Merge interests**: Integral & long-term finance orientation → new collaborative arrangements
- **Create identity**: Design a shared point of view
- **Connect dream & reality**: Embed real estate, flows & use, as well as new partnerships
- **Redeem future value now**: Generate mental ownership

**Table 8: Framework to parallel the themes for success**

Important to note, not all rationales, which have been positioned in the same theme row, are completely identical. The rationales are positioned in the same theme row, because they correspond appropriately with each other. In other words, the rationales can be regarded as proportional equal. The different rationales are based on a number of underlying reasons: the challenges & opportunities in the new reality. As a result that some reasons turn out to be similar, while belonging to different themes. These underlying reasons can be regarded as the incentives for success. The sum of underlying reasons will determine whether or not the rationales are proportional equal.

The publication ‘The art of merging’ appears to have the most extensive point of view. Four rationales are provided to explain the new approach for UAD. Other publications have comparable rationales and underlying reasons, but do not exceed the 4 themes for success, as Puylaert and Werksma (2011) describes. ‘New value chains & concepts’, written by Van Rooy (2011) & Van Luin (2012) respectively, have an equal amount of themes for success, but those are spread over two books. For that reason, the 4 rationales are regarded as applicable terms to title the themes for success. Besides, the 4 principles provides a solid basis for a scientific approach, because the publication is an academic source of literature.

This framework will be an useful tool to organize the single case study research. These 4 themes for success will help to draft 4 topical questions, in order to (semi)structure the interview questions. The underlying reasons of each rationale will be used to draft sub-research questions, if required.

Conclusions

- Success will have a different meaning for each involved actor in an UAD project, but the new reality will be the point of departure to define incentives for success in this thesis;
- Two important concepts seem to dominate the challenges & opportunities in the new reality, which are the lack of feasible & sustainable projects;
- With regard to the new approach for UAD, 4 key sources of literature are selected to deal with these concepts in order to demarcate the incentives for success in an analytical framework;
- The first source is about merging interests, create identity, connect ambitions & realities to improve the sustainability, and the urgency to redeem future value now to increase the feasibility;
- The second source raises the necessity of sustainability in UAD projects. It provides an optimal roadmap to find a revenue model suitable for an integral & long-term oriented finance of projects;
- The third source consist of two cohere books. The first book explores new revenue models to distribute authorities, risks & returns. The second book builds on the creation of new value chains;
- The fourth source aspires to implement the new approach for UAD. Therefore this publication provides recommendations to implement new revenue models & new collaborative arrangements;

Section 5.7 Analytical Framework: incentives for success

In line with the new reality in urban development, many practitioners and academics (Agentschap NL & RVOB, 2011; De Graaf, 2011; De Zeeuw, et al., 2011; Heurkens, 2012; Peek, 2012; Van Luin, 2012; Van Rooy, 2011; Vos, et al., 2012; Vreke, 2010) propose the implementation of new revenue models to achieve success. The revenue model 'Urban Development Trust' could be a multi-functional solution and has been praised in almost all of these documents. The relevancy to research the UDT has also been discussed in previous sections. Moreover, new theoretical knowledge has been established up to now, in order to understand the UDT structure and the associated principles in relation to its overall business model.

As explained (Section 4.2), the fundamental idea, like Schouten (2013) exposed, is that each urban (re)development project should use its own business model. In other words, the point of departure, in successful projects, should be the complete development life-cycle of an urban area, taking into account current & future use. Whereupon, all the involved (development) stakeholders should fit in their own business model. So the new approaches as described in the previous sections have different mind-sets (rationales). Nevertheless, each approach can be regarded as a business model for UAD projects.

The different mind-sets and the corresponding rationales cannot be used to fill in the business model canvas, because these themes for success will embrace multiple building blocks. That is why the underlying reasons of these rationales will be used to explain the business model for successful UAD. Each underlying reason will be assigned to a single building block and will outline the different incentives for success. The analytical framework will represent the incentives for success. Some elements are highlighted, because at first sight these incentives for success seem to correspond with the associated principles of the theoretical framework. The building blocks correlate with each other, just as in the theoretical framework.
The Art of Connecting & Distributing the Value Proposition

During the analysis and the allocation of underlying reasons into a building block, two important discoveries have been made. First, the art of connecting which is equivalent to the ‘infrastructure’ area of business. These building blocks and associated incentives for success concern the significance of joining up the different interests, processes and resources to be able to bring about & implement the value propositions: the generation of various values.

The second discovery is the art of distributing, which is equivalent to the ‘customer’ area of business. These building blocks and associated incentives for success concern the significance of mobilizing the value propositions or the generated values. The customer segments are all involved actors. Hence, urban areas should satisfy all involved interests both for current and future use. Therefore all-round values should be created. But in the end, principally all the stakeholders will act alone. It is crucial to detach and distribute these all-round values, to give each stakeholder the awareness of having received an either quantifiable or unquantifiable benefit.

The transition from the value propositions towards the actual output will be facilitated by the channels and customer relationships. For instance, to reach each stakeholder roles and responsibilities should be divided as well as the coordination of development disciplines. Or to facilitate the communication with or between the stakeholders some levels of authority, control, involvement or participation should be applied. The same goes for relationships. Each stakeholder has different associations to one another, making it important to distribute the arrangements separately to ensure, maintain & improve associated principles, like trust, continuity, etc. There are also common objectives involved, but these will be ‘created’ in advance.

This section will not go into further detail with regard to the ‘revenue model’ area of business, since it has been discussed rather abundant. Also the contextual conditions are important to bear in mind, but these will not be discussed as well because they are hardly to influence.

To conclude, taking the previous chapters and the 4 aforementioned sources into account, it becomes clear that the involved stakeholders for UAD, indeed, lack to develop sustainable and feasible projects. These two key concepts and the associated principles represents the output of this analytical framework business model.
CHAPTER 6  URBAN DEVELOPMENT IN THE NL & UK

This thesis aims to draw lessons by comparing the extensive theoretical (desk) research with practical knowledge, obtained by carrying out a single pilot case study. The following chapter will handle the case study Chiswick Park. But first, this chapter will state the differences between the institutional & contextual principles of private sector-led urban development practice in the Netherlands & the UK. Mainly focussing on organizational aspects and briefly set forth some contextual conditions: like the planning system. It is important to understand these differences, because Chiswick Park is located in the UK and will entail contextual preconditions and comparison limitations. Therefore, answering the following question: What are the key contextual characteristics and organizational aspects of Dutch/UK urban development projects?

Section 6.1 Urban development in the NL

The context of the Dutch UAD-practice has been described in CHAPTER 3 for the greater part. Wherein, the key social-economic and contextual changes have been discussed. Therefore, this section will only provide a concise overview of the most important organizational aspects in (private sector-led) urban development by moving to the operational level.

§ 6.1.1 Public-Private Partnerships

The public-private partnership (PPP) models will become more common for realizing urban projects, according to the value & power shift as explained in Section 3.5. The models discussed below will form the public-private spectrum for developments. Nijkamp, Van der Burch et al. (2002) defines PPPs as:

“A PPP is an institutionalized form of cooperation between public and private actors who, on the basis of their own indigenous objectives, work together towards a joint target, in which both parties accept investment risks on the basis of a predefined distribution of revenues and costs” (cited in: Heurkens, 2012).

PPPs can be itemized by its process and structure. Structure is more about legal, financial and organizational arrangements that shapes the relationships. The process is more about the management aspects and the governance of interaction between these partners. Although, focussing on the project rather than the process, only the structural components of PPPs will be mentioned. Some important structural aspects wherein PPP models and the relationships with their involved actors differ are:

- Partnership characteristics: cooperation, actors, objectives and distribution.
- Institutional aspects: organization, finance and jurisdiction.
- Inter-organizational arrangements: responsibility & tasks, risk & revenue, and rules & requirement;
- Mobilizing coalitions of interests: how it established;

Three forms are pure PPP-models: ‘building rights’, ‘joint venture’ & ‘concession model’. While two are each other’s extreme and they demarcate the playing field of the PPP spectrum: ‘public realization’ & ‘private realization’. For the purpose of this thesis, the different PPPs will not be discussed into great detail. Table 9 gives a comprehensive overview of how the playing field looks like & how different roles are divided during different development phases. Joint Ventures & Concession will be discussed into more detail. JVs because the core competence of this model will be a special founded way of collaboration, and therefore the best example for a pure PPPs. Besides Joint Venture partnerships should not be confused with the Joint Venture PPV model. The Concession model is a relative new form of organizing PPPs and can be seen as the Dutch form of ‘private sector-led urban development’.
<table>
<thead>
<tr>
<th>Development Phase</th>
<th>Sub-stage</th>
<th>Public Realization</th>
<th>Building Rights</th>
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<tr>
<td>Initiative</td>
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<td>Plan &amp; Feasibility</td>
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<td>Design plan</td>
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<td>Realization</td>
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<td>Real estate development</td>
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<td>Construction</td>
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</table>

Table 9: Dutch Public-Private Partnership Playing-Field (based on: Kenniscentrum PPS, 2006).

§ 6.1.2 Joint Venture

In the Joint Venture model (not to be confused with the Joint Venture PPV model) the reallocation of land plots will take place through a joint public-private venture. The involved parties will jointly prepare the land for development & construction. The public actor will keep his legal authorities, despite the fact that they operate within a private entity and under private agreements’ (Heurkens, 2012). Besides, this model allows public-private parties to make contractual agreements about the division of risks, revenues, responsibilities & requirements, correlated to their way of contribution and share of participation.

The joint venture could execute the land operating activities, but they have to preserve themselves from the so-called ‘double hat’ problem or conflict of interests. According to Wolting (2006: cited in Heurkens, 2012), ‘for public actors this is the case when they financially take advantage of the development under private law, while at the same time they could act as a ‘caretaker’ of public interests possibly negatively influencing the financial result of the development. For private actors this is the case when a private actor is represented in the GEM (Dutch acronym: GrondExploitatie Maatschappij) and at the same time acts as real estate developer. In this situation the private actors on the one hand serve the GEM aimed at optimizing the result of the land development, while at the other hand they aim at optimizing the result of the real estate development for which the private actor tries to purchase land for a minimum amount.’

§ 6.1.3 Concession

The Concession model is the Dutch form of ‘private sector-led urban development’. This practically means that this model has the most extensive way of authorizing private parties to influence and control urban development projects.(Heurkens, 2012) ‘Before the contract of this PPP will be signed, the whole project needs to be described (public brief), including testable and clear principles and preconditions, which need to be public-legal conditions’ (Ministerie van VROM, 2011). These are also about the division of tasks division and a clear separation of responsibilities.
Urban Development Trusts

§ 6.1.4 Synopsis Public-Private Partnerships

This subsection will enumerate the important conclusions of this section.

Conclusions

- The joint ventures will allow public-private parties (e.g. the State, Market & Civic Society) to make contractual agreements and fairly divide the risks, revenues & responsibilities related to their efforts;
- The concession model can be regarded as the Dutch form of Private sector-led urban development;

Section 6.2 Urban development in the UK

The socio-economic changes in the UK context will not be discussed. This section will elaborate on some important characteristics of the UK planning system, in order to understand the contextual (pre) conditions. In addition, a concise overview will be provided to enumerate some important organizational aspects in (private sector-led) urban development by moving to the operational level.

§ 6.2.1 Urban planning system

Urban planning is about the design and regulation for the use of spaces. It focuses on the physical form, economic functions, and social impacts of the urban environment as well as the location of different activities within it. The playing field consist of two extremes: the development of untouched land and the revitalization of existing urban areas. Heurkens (2012) elaborates on the following UK planning system characteristics:

- Discretion in planning decisions
- Development-led system
- Project-oriented planning approach
- Negotiation-oriented flexible planning processes

As Heurkens (2012) describes the first characteristic is the most notable, due to high level of administrative discretion in planning decisions. This judgment instrument facilitates the decision-making process by interpreting the public interests in a flexible way, having soft-boundaries. But, it also constitutes market uncertainty about planning support & enforcement. “Often, this results in a pro-active attitude of both private and civic institutions in buying or protecting land for development thereby securing their interests”, according to Heurkens (2012).

While the Dutch system tries to resolve ambiguities by creating hard-boundaries and clear rights. Nevertheless, the UK planning system has statutory powers to be able to exert sufficient influence on developments for the public interest. For instance, the public law instrument ‘development control’ (each development needs to be approved by prior permission) together with the right of compulsory purchase.

‘Two extremes exist: the development-led & plan-led system. To generate more certainty about public development intentions the Dutch urban planning system uses the plan-led system. The adopted and legally binding land use plan, without any private or civic consultation, can be modified afterwards through a debate. As a result, having more coordinated & consensus-based developments. When the plan is fixed, it will leave little room for modifications, while Dutch developers demand more flexible development constraints. In contrast, the negotiations in the development-led system (applied in the UK) will precede the land use plan preparation. Here, indicative plans are used instead binding land use plans. These plans are used as the basis for negotiations resulting in binding development rules. Therefore, this system is more adaptable to the market interests, but it can also work the other way around. For instance, local authorities can withhold the permissions to develop, because they use a non-binding indicative plan’ (Heurkens, 2012).

The third UK planning characteristic concerns the establishment of comprehensive principles for project-oriented planning, including sustainability objectives and towards multiple sector involvement & negotiation. ‘While the Dutch planning was more related to project-oriented decision-making to coordinate projects more adequately. It should help developments to join-up interests and therefore being able to create a synergetic situation. Though,
the Dutch permitted planning system has flexibility problems due to its mechanism of rejection. But currently, the Dutch context is evolving towards a less comprehensive and more project-oriented planning approach’ (Heurkens, 2012).

The UK system allows negotiation & flexibility in developments. Some situational circumstances can lead to new considerations and negotiable options to make plans more in line with these specific local needs. These might be defined in separate planning agreements, due to the absence of legally binding planning documents. “According to Heurkens (2012) the potential to negotiate the scope and substance of projects is limited in the NL, as separate planning agreements for a project does not exist.”

§ 6.2.2 Public-Private Partnerships & Relationships

This subsection aims to provide a concise overview of the important organizational aspects by moving to the operational level. Like the previous section, the thesis will focus on the public-private arrangements. Also the UK recognizes the need for more PPPs. This resulted in complex and interrelated partnership structures. However, these PPPs will focus on building more development capacity including different relevant actors. So like Heurkens (2012) explained focus on enabling instead of providing developments. Important to state, is the absence of local planning authorities in these PPPs, since they are not allowed to take risks like the active land policy of Dutch municipalities (see § 3.2.3). The role of the private sector in the UK is more dominant, and the development industry has a wide variety in market focus. Often the project developers take the lead in various manners to gratify their interests, while in the NL the public bodies take the lead in several manners (supported by the land use plan). ‘Heurkens (2012) describes that the local planning authorities who sign development agreements with developers are labelled as formal (contractual) partnerships. Three main types of formal partnerships can be distinguished’:

I. Local Strategic Partnerships (LSPs);
II. Delivery Partnerships
III. Enabling Partnerships

There are two principle types of legal partnership vehicles:

I. Limited Companies
II. Legal Partnerships

And two main types of cooperation partnerships:

I. Cooperation Agreements
II. Development Agreements

Local Strategic Partnerships

‘Initially, LSPs emerged to regenerate neighbourhoods. They have the role to take strategic decisions and to set a common policy across all sectors and activities to promote join-up working. LSPs operates at community level, close to individual neighbourhoods. These partnerships bring local plans together as well as development initiatives with a variety of public, private, community & voluntary interest’ (Heurkens, 2012).

Delivery Partnerships

‘Delivery partnerships can best compared with the Dutch PPP forms, also called development partnerships or Joint Ventures, again not to be confused with the JV PPV. The contributions of public & private sectors to this PPPs are different but complementary. Public parties cannot implement their statutory powers into PPPs. The formal relationship is based on support. The public & private bodies will assist each other to achieve certain objectives, but they will function practically on its own. The partnership will be managed with the purpose of gaining consensus’ (Heurkens, 2012).
Enabling Partnerships

‘According to Heurkens (2012) the enabling partnerships are based on informal arrangements. These aim to create a shared vision for the development area by bringing together diverging interests of actors. In particular, the public-private relationships are based on trust. These partnerships are also known as informal or co-operative partnership.’

Limited companies versus Legal Partnerships

As explained, public bodies have limited possibilities to take development risks, certainly if the projects have a return-oriented approach. ‘Strict constrains have been set to comply with this way of working. It hampers the public bodies to become part of a ‘limited company’, because limited companies are not protected from the liabilities of another member. For that reason, the central government needs to allow public bodies to participate in a limited company due to risks involved. When limited companies are established they look quite similar to the Dutch JV PPP. In addition, usually one member is appointed to run the company, therefore they look quite similar to LPs as well’ (Heurkens, 2012).

All partners have equal powers in ‘legal partnerships’, similar to GPs. In comparison to limited companies these partnership do not need a formal registration, just like the LPs. But they are protected from other members’ liabilities. Besides, legal partnership can be characterized by the absence of public bodies and the aim to make a profit. Mostly, these consist of several private actors (e.g. developers & investors). Three formalized types can be distinguished: Unlimited Partnerships (like GPs), LPs or LLPs (Heurkens, 2012).

Cooperation versus Development Agreements

Commonly used agreements between public & private actors are the cooperation agreement & the development agreement. Heurkens (2012) explains that cooperation agreements are initial agreements for working together. While the development agreement is signed as the project moves towards implementation. Comparable to the concession model the development agreement arranges the division of responsibilities, funding, provision of infrastructure, phasing and timescale of the project, and the sharing of profits.

‘The Section 106 Agreement (s106) is linked to the planning permission and is an additional agreement associated with the development agreement and can be regarded as a statutory power to influence developments. Mostly, applied to achieve acceptable developments in planning terms. These are also known as planning obligations enabling local authorities to negotiate ‘developer contributions’ towards the provision and realization of public functions. A way of working to secure and deliver certain matters and services for the public interest, like public open space or community facilities’ (Heurkens, 2012).

§ 6.2.3 Synopsis Urban Development in the UK

This subsection will enumerate the important conclusions of this section.

Conclusions

- Discretion is a serviceable instrument, which supports the creation of soft-boundaries for developments leaving more room for other actors to make decisions;
- The indicative plans will be more flexible and negotiable, but constitutes uncertainty in planning;
- Statutory powers are important instruments to influence developments for the public interest, because each development needs to be approved by prior permission.
- Local planning authorities are not allowed to take risks, will formally participate in PPPs and will not play an active role in the development process;
- Delivery partnerships are comparable to Dutch PPP forms, the limited company looks quite similar to the Dutch JVP PPP and the development agreement is comparable to the concession model;
CHAPTER 7 CHISWICK PARK CASE STUDY

The previous chapters were in line with the theoretical field of study, whereas this chapter will be dominated by the practical field of study. This chapter will present the elaboration of the single case study to provide in-depth empirical knowledge. Guidelines have been used to acquire the qualitative information in an organized way. Whereupon, the single case study will be discussed, in order to understand the potential value of this trust revenue model in relation to its overall business model. Eventually, to draw lessons and conclusions. Therefore the following sub-research question need to be answered: To what extent did the revenue model facilitate the business model of the Chiswick Park case study as compared to the incentives for success for urban development projects?

Section 7.1 Case Study Guidelines

Different academics and practitioners argue that the Dutch UAD-practice has entered an era of reconsideration. New approaches have been suggested as well as guidelines or possible solutions to facilitate the implementation of this new business model. One of these promising alternatives, and the subject of this thesis, is the revenue model Urban Development Trusts. It is regarded as a suggestion, since the Dutch UAD-practice lacks empirical knowledge due to the absence of homogeneous practical examples. In this section the structure will be discussed to systematically collect empirical knowledge.

§ 7.1.1 Question, objective & methodology

Principally, the fund industry, and in particular the real estate fund market, is understood as well as the changing context for the Dutch UAD-practice and the conditions regarding successful urban developments. But these are understood separately. General conclusions can be drawn if these preliminary concepts are compared (the theoretical UDT revenue model & the theoretical UAD business model), but for comprehensive conclusions more in-depth knowledge is required. Researching examples, wherein both preliminary concepts have been put into practice, appears to be a suitable method to obtain inspiration and to learn lessons. Therefore, to obtain in-depth understanding and empirical knowledge a case study research will be conducted. The main case study research question, objective and methodology (Section 2.4) are:

- **Question**: to what extent did the involved stakeholders benefitted from the revenue model to implement the urban development business model?
- **Objective**: the objective of this single case study research is to grasp how UDTs are integrated in UAD business model, and to what extent it facilitates the development project & its involved stakeholders.
- **Methodology**: the methodology consist of interviews with different stakeholders & a site observation. Moreover, (unpublished) case documents have been analysed in order to have multiple data sources to triangulate. The cross-check of information & findings will increase the validity of the data.

The single case study description includes a general project description and the 4 themes as measures for success. The former is more a combination of case document review and if necessary supplemented by interview results, while the latter is the other way around. Besides, for the latter only the quotes have been acknowledged by source, since the results of the interviews and the site observation overlap each other. Furthermore, both parts will discuss the business & revenue model concepts of the relevant case consecutively. The thematic structure, to discuss the two concepts, will be a convenient way and in line with the previous chapters to explain the obtained findings. For each theme will the concepts be discussed on the basis of their underlying ‘incentives for success’. This structure will be appropriate to compare theory & practice with reference to the same elements for success.

Obviously, the 4 themes correspond with the rationales as mentioned in Section 5.6, covering different mind-sets. These themes have been used as topical questions to semi-structure the interviews. Each topical question has been subdivided into several sub-questions, if the need arise to acquire more detail or in-depth knowledge to attain a better understanding of the preliminary concepts. The content of these sub-questions emerged from
the reasons behind these different mind-sets: the incentives for success. The following topical questions and sub-questions have been formulated: 4

I. Why are trust vehicles serviceable revenue models to develop & operate urban development projects wherein environmental, social & financial interests are matched (compared to the traditional models)?
   - How emerged the initiative to develop an urban area by using a trust revenue model?
   - How serviceable is the trust revenue model to involve different types of stakeholders?

II. Why are trust vehicles serviceable revenue models to carry out & operate an integral approach to create identity for urban development projects (compared to the traditional models)?
   - How serviceable is the trust revenue model to create, maintain & preserve qualities?
   - How serviceable is the trust revenue model to deal with the static (pre)conditions, if any?

III. Why are trust vehicles serviceable revenue models to be able to facilitate the short- & long-term objectives for urban development projects (compared to the traditional models)?
   - How serviceable is the trust revenue model to generate continuity & flexibility?
   - How serviceable is the trust revenue model to achieve multiple ambitions?

IV. Why are trust vehicles serviceable revenue models to be able to fairly distribute the current & future costs, revenues and risks among the different stakeholders which are involved in the urban development project (compared to the traditional models)?
   - How serviceable is the trust revenue model to make projects feasible & affordable?
   - How serviceable is the trust revenue model to reduce costs?

Prior to each question a small introduction has been formulated to introduce the interviewee to the theme.

§ 7.1.2 Single case study selection

As explained in Section 2.4 , this thesis will only conduct a single case study, mainly due to the lack of knowledge. The gap was even bigger than expected, making it necessary to construct a preliminary concept for fund structures. Whereupon, placing the case in such a concept, would be more likely to advance knowledge and understanding of the given topic. Besides, the knowledge gap is caused by the absence of case examples in the Dutch context, which seems exemplary for the thesis subject. We do apply fund structures for urban area projects, but these do not match the criteria as explained earlier. Several academics and practitioners appoint the opportunities that an UDT may offer. But they do simply not exactly know how the UDTs work. Neither they give practice examples where UDTs have been applied successfully. Except Peek (2012), he prescribed Chiswick Park to be the prime example to learn lessons from. Therefore, initially, this example was an appropriate choice to be able to shed light on a larger class of cases, or even appropriate enough to conduct a single case study research. Following the reasoning of Gerring (2007) that a pilot case study is relevant if it adds knowledge and gives rise to more research.

A quick-scan has been carried out to determine the suitability of Chiswick Park in relation to this thesis, in order to avoid representativeness problems and to ensure internal validity in non-random case study selection. First, by using the UDT key characteristics as described in the literature. The quick-scan criteria are:

- **UAD characteristic**: The business model should be an urban area development project;
- **Stakeholder characteristic**: The business model includes more than 2 different stakeholders,
- **Team characteristic**: The business model should be a partnership form, wherein the different stakeholders collaborate in a like-minded way, having a common interest;
- **Fund structure characteristic**: The business model uses some kind of fund structure where resources are pooled and investments are managed as a single entity to perform a common objective.
- **Finance characteristic**: The business model uses a financial mechanism to enable short-term & the long-term finance respecting current & future oriented objectives;

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4 **Note**: the formulated questions are just the basic forms. The questions needed to be customized for each interview, in order to have questions that are compatible with the position of the stakeholder.
• **Parity characteristic:** The business model uses a system to share ownership and to distribute costs, revenues & risks in a proportional equitably way;

• **Development life-cycle characteristic:** The business model uses a structure for the purpose of raising capital commitment to develop an urban area from start to end or known as chain integration;

Followed by considering the level of success regarding Chiswick Park as urban development project. To have a better picture of Chiswick Park it is recommendable to check if the case aligns our perception of success for UAD. In other words, the second part of the quick-scan. The case turned out to be a *multiple award winning* project, both domestically & internationally. The most recent delivered building (9) even has BREEAM ‘Excellent’ rating, some other important awards are:

- **Financial Times TOP 50 workplaces in the UK (2007 until 2012)**
- **British Council for Offices’ (BCO) Awards (2002) defining excellence in office space including:**
  - Winner ‘Best of the Best’ – Chiswick Park, London
  - Winner Commercial Workplace – within M25
  - Winner Commercial Workplace – National
- **International Green Apple Awards (2009)**
  - Winner Built Environment
  - Winner Architectural Heritage
- **CIWM Environmental Excellence Awards (2009)**
  - Recycling Performance of the Year
- **British Construction Industry Award (2002)**
  - Winner Construction Industry Best Practice
  - Winner Construction Industry Innovation
  - Gold for Property & Estate Management
- **Office Agent Society Development of the Year Award (2001)**
  - Winner Best Town Centre Suburban Office Development
  - Winner Specialist Pooled Funds
  - For the highest 3 year annualised return margin relative to the relevant IPD sector (all offices).
- **IAS/OAS Development of the Year Award (2006)**
  - Winner Best Speculative Building (outside Central London)
- **Bali National Landscape Award (2002)**
  - Winner Grand Award
  - Winner National Award
- **Office Agency Society (2001)**
  - Office Development of the Year
- **Civic Trust (2002 & 200)**
- **Yakult Healthiest Workplace in the UK (2007)**

*Interviewees*

In the next section the different roles & responsibility of each involved actor have been described. Here the interviewee selection will be discussed briefly. Initially, there were interviews arranged with Blackstone & CBRE. Obviously, additional qualitative data was needed to provide more insight into the original development concept and the initial set up of the property unit trust. Therefore, the joint promoters have been contacted. For instance, the architect would not be sufficient enough, because these types of stakeholders were not directly involved in the fund structure arrangements. The choice has been given to the developer Stanhope, because at first sight they are linked to multi-year projects and reject the *hit & run* approach. In addition, interview a developer could be instructive because the Dutch project developers find themselves in difficult times currently. It turned out to be
the most valuable interview for this thesis, since Stanhope could perfectly explain and make the connections between the used revenue model and its overall business model. 5

- Stanhope | client & developer Chiswick Park: interviewed the Company Director Henry Williams (the main responsibility for the project);
- Blackstone | current owner ChisPUT: interviewed Duco Merkens an investment manager (responsible for investment strategies & investment considerations including for Chiswick Park); 6
- CBRE | consultant: interviewed Graham Barnes the Senior Director, leading the Corporate Finance team advising on fund structuring, restructuring and creation in the UK and Europe. CBRE has advised many fund situations including capital raises, the sale of funds and fund type structuring;
- Chiswick Park Enjoy-Work | customer services & estate management: interviewed Gemma McNeilis during the site visit, she is the CSR Manager of the Enjoy-Work brand. Besides, she gave an introduction lecture (they use for enquiries) and a long guided tour on the site.

Section 7.2 Chiswick Park

In this section will provide the case description, including the general project description and the 4 themes.

Figure 28: Chiswick Park located in London (Enjoy-Work, 2011)

7.2.1 Project Context

Chiswick Park is an urban ‘office park’ development located between Central London and Heathrow Airport. Located in the western end of Greater London in the London Borough (LB) of Hounslow, the suburb Chiswick and the ‘Turnham Green’ ward of West London. The site (13.4 ha) is easily accessible both for private and public transport. The Chiswick Park project can be regarded as the result of an upcoming concept in the UAD-practice. ‘The concept where brownfields are redeveloped into park-like sites and spurring workplaces or residences around the periphery’ (Harnik & Donabue, 2011).

‘The outline planning permission – to redevelop this brownfield into an office park-like development containing approximately 140.000 m² office space, support facilities, associated car parks, landscaping, roadway works and improvements to public transport facilities and to be built in (7) phases – was granted on appeal in 1991 by the Secretary of State (Planning Committee Hounslow, 2003).The outline planning permission has been renewed by the LB of Hounslow in 1997, but still supporting the project. ‘It is a relevant redevelopment plan in line with the Unitary Development Plan (UDP), which is an old-style development plan used at all stages of development comparable to the indicative plans. The redevelopment plan remained in line with the local policy lines, because the area could be regarded as an economic development node as well as a regeneration project. The project will potentially encourage the local economy and revitalise the local community of Hounslow. Since, the project

5 Note, the transcripts of the interviews are enclosed in the appendix (see Appendix C: & Appendix D:)
6 Note, the interview results of Blackstone are not approved to be used in this thesis, nor to use the results by source.
was in compliance with the policy lines and the West London Development Framework, the Council approved and fostered the redevelopment project. The construction would start in 1999 and would be due for completion in 2014’ (LB of Hounslow, 2003). As long as the development will not exceed the outline planning requirements, than public authorities will encourage the project and therefore no further spatial constrains or policy lines will hamper the initiative.

Figure 29: Urban plan Chiswick Park (Enjoy-Work, 2011)

As explained in Section 6.2 , the project will move forward towards the implementation phase after the outline planning permission is granted. ‘For this stage, development agreements will be used to set out the responsibilities for each actor’ (Heurkens, 2012). For this case also the additional agreement between public & private actors has been used: the Section 106 Agreement (s106). The local authorities are still able to deliver certain public interests through these agreements, despite their limited involvement in the developments. During the site visit it became clear that the local authorities used these planning obligations to provide and to realize certain public functions. ‘According to McNeilis (2013), in exchange for the obligation to develop certain public functions, like the onsite bus station, the Chiswick Park project received development incentives to support the implementation of s106 agreements.’

§ 7.2.2 Development plan business model

The outline planning for the area development was granted in 1991, including the corresponding directives with the terms and preconditions. So the developer had to keep in mind to stay within the permit boundaries during the preliminary, design & development phases. The developer Stanhope is also the client and is responsible for the area development by creating a business model for this urban development project.

The general goals for the area development were to bring the life back to the former bus work site, which was demolished in the ‘80s. Since then the speculative masterplan development began. In the ‘90 Stanhope decided to approach Richard Rogers Partnership (RRP now Rogers Stirk Harbour + Partners (RSHP)) to revisit their imaginary design and produce a masterplan concept. Stanhope’s initial architectural brief pleads for a masterplan that is based on solid & flexible developments, in such way it will provide high-quality (office) space. Simultaneously allowing to accommodate future change in the market. In other words, being able to adapt to end-user needs, while it had to be a well-serviced design as well’ (RSHP, 2013b).

‘RRP’s design intend was to develop an pedestrian priority based landscape, wherein the area needed to be integrated with the building designs as well. The RRP proposed a park with a lake and placed the roadways on
the outside of the area to create a comfortable pedestrian-zone. Giving substance to the architectural brief, the parkland will form the heart of this area’ (Adams, 2005). The area should be created as a model work environment, including facilities to enhance the work-life balance of the end-users. At the same time, it supports the concept of sustainability. Onsite amenities should be provided as well to achieve a mixed-use accommodation’ (CBRE REF & SCA, 2010).

‘RRP formed – together with Stanhope and the contractor Bovis Lend Lease – close working relationships with key members of the extended team to develop the masterplan according to the client’s brief’ (RSHP, 2013a). After completion the design team explained “the key to success of the masterplan was the creation of a low-rise business park that engendered a sense of community and integrated with the local context – a place for both work and recreation” (RSHP, 2013b).

‘In addition, the design team (RRP in concert with Stanhope) supplemented key principles to the area-design principles of the business model. For example, principles for the building-designs. Stanhope believes buildings can be developed in a highly distinctive way, yet buildable and within the commercial constraints. Therefore, buildings should be standardised to secure economies of time and costs, without affecting the high quality standards. Notwithstanding these preferences, buildings needed to be flexible as well. Flexibility is also a measure for distinctiveness. For example, providing large open floor plates that can still be operated as multi-tenant floors. While the exterior of buildings can be distinguished by its size and facades variations. However, achieved by using standardized elements’ (RSHP, 2012).

‘For sustainable & economizing reasons an energy strategy has been drafted. The energy strategy intended to use a displacement air system to consume less energy. To make it even more efficient, external shading devices have been added to block the sun for 90 % on different sides of the buildings’ (Adams, 2005).
Enjoy-Work Brand

“According to the design team, Chiswick Park has been developed as a place favouring people rather than vehicles” (RSHP, 2013b). Indeed, these flexible and spacious developments in a thoughtful and surprising parkland are useful measures to attract tenants. But will they work? Rather an important question for Stanhope to be answered, since the client had a brave ambition to introduce a new business park for world-class companies, but yet to an undeveloped area in an untested West London location’ (Wolff Olins, n.d.).

‘So by asking this question to themselves, they started to think how this initial integral and demand-driven approach should be amplified or reinvented to distinguish themselves from other attractive working environments. They consulted Wolff Olins and together they invented the main value proposition for the business model of this area development. Chiswick Park should become a full-service project. In contrast to the traditional line of though, only offering a product. A whole set of services were designed to help the end-users enjoy, in this case, work. As a result the brand ‘enjoy-work’ was born’ (Wolff Olins, n.d.).

The idea is simple: “if you enjoy work, you do better work, and if you do better work you have a better business” (Enjoy-Work, 2011). Obviously the value proposition enjoy-work was a proper marketing tool as well, but the underlying idea to blur the lines between work & life proved to be a fundamental factor for success. According to the client, “Chiswick Park was the first office development in London to embrace the idea that people are more important than bricks and mortar” (Stanhope, n.d.). ‘A complete set of new services were introduced like evening classes, entertainment events, company sport leagues and more regular activities, like social activities and personal shopping. The outcome should be evident, creating a new life-style. Finally, a ‘Lifestyle team’ was incorporated to help the end-users to find a personal and suitable way to balance work & life,’ (CBRE REF & SCA, 2010).
§ 7.2.3 Development plan the revenue model

After the bus works have been demolish, Kvaerner acquired the 13.4 ha site. Initially the owner planned to redevelop the 13.4 ha site, with among other things their headquarters. However, the economic situation in the late ‘80 restrained Kvaerner to undertake action. In contrast, the plans did slightly changed when Kvaerner decided to offer the site before construction started (Danaher, 1999).

Schroder Exempt PUT, subsidiary Schroders Group, was given the opportunity to buy the complete site. Schroder Exempt PUT approached two possibly interested stakeholder to respond to the offer as lead investor. Aberdeen (then under the name Argyll) has been approached to be the property advisor of this project, similar to asset management. More obvious, Stanhope has been approached to be the developer of this projects because they were exploring the possibilities of creating an urban business park by imaginary masterplan development, since the late ‘80s (RSHP, 2013b). Together they discussed the potential of the area, idem which revenue model they should use (Williams, 2013a).

‘So eventually, in concert, they have decided to act as a consortium to buy the area. They knew that more capital would be needed to actually close the deal’ (Danaher, 1999). ‘The consortium discussed the matter to create a trust. Schroder Exempt PUT proposed the setup since they have a pleasing network of investors: their own unit holders. The consortium agreed terms to create a Property Unit Trust on acquisition. Schroder Exempt PUT approached their unit holders and formed a ‘club of investors’, which agreed to provide initial capital contribution to pay for area acquisition’ (Williams, 2013b).

They agreed terms with Kvaerner in 1999’ (Danaher, 1999). ‘On acquisition, the PUT was put into operation, the capital has been raised and the consortium was transferred into the PUT revenue model, as well as the area was injected” (Williams, 2013b). Schroder Property Managers (subsidiary as well), was appointed to be the fund sponsor. They were appointed to create and to operate the PUT, because they are one of the most experienced PUT creators. ‘Since Schroders Group holds the largest PUT of the UK’ (OPC, 2001). Obviously the main reason Schroders is an expert and has a wide network of investors.

As explained in Section 4.10, most PUTs have a board of trustees to contract the fund sponsor and the service providers. The board of trustees manages almost all (contractual) relationships, and controls those relationship with the investors’ best interests. Therefore, an independent or mixed board is preferred. The lead investor, in this case Schroder Exempt PUT, have led the board assembling process. This process is often highly iterative. ‘Also the board of Chiswick Park Unit Trust (ChisPUT) has been assembled in consultation with the consortium members and the initial club of investors’ (Williams, 2013a). ‘The Royal Bank of Scotland (RBS) was assigned to be investors representative and the only trustee’ (Schroders, 2009).

In this iterative process most of the contracts have already been discussed and agreed, but formally RBS contracts the partners after they have been appointed as the trustee. RBS, as the representative, must contract Schroders Property Managers and the club of investors, to function in line with the interests of its initial stakeholders. In turn and for the same reason, the fund sponsor must contract the consortium members Aberdeen & Stanhope as service providers. After acquisition, the lead investor Schroder Exempt PUT will be an unit holder and, therefore, contracted by RBS. The fund manager, in concert with the lead investor, will be the fund promoter to raise capital of investors if needed. ‘RBS will agree terms with these investors and must formally contract them as well, for trading and tax reasons’ (Barnes, 2013). All the initial stakeholders of ChisPUT share limited liability.

Developing an urban area involves many disciplines. ‘Therefore, the developer has been given the authority to contract the required sub-service providers to develop Chiswick Park. Stanhope became the agent for the trust contracting sub-service providers, like the architect, the letting agent, the contractor and so on. The developer also appointed the brand agency Wolff Olins to create the Enjoy-Work concept’ (Williams, 2013b). Actually, the fund manager contracted the concept after the Enjoy-work brand was incorporated as separate company. In
fact, the brand had to function as the property or estate manager of this project. Basically, all arrangements have been approved by the fund manager, which in turn is controlled by RBS (see Figure 32 for overview).

Characteristics Chiswick Park Unit Trust (ChisPUT)

‘ChisPUT is an indirect non-listed pooled property vehicles, carrying out an opportunistic strategy. The Trust revenue model has been structured as an unauthorized, closed-ended, tax-exempt, specialist and off-shore Jersey PUT. It owns the freehold of Chiswick Park mixed-use business area development. Originally the life of the trust would expire in December 2009, but the life could be extended by acquiring debt renewal. This decision was tied to an unit holder vote in the second half of the year 2009 (Schroders, 2009). However, all the units have been sold successfully to the Blackstone Group at the start of 2011 (Hammond, 2013).

New owner ChisPUT

The somewhat new structure of ChisPUT will not be discussed for the purpose of this thesis. In compliance with the challenges & opportunities in the new reality, this research aims to provide better understanding of the promising revenue model UDT. The UDT should facilitate the implementation of successful urban area development projects rather than only focussing on the operating phase, like some Dutch funds already do. Besides, Blackstone did not introduce any significant alternations to ChisPUT to improve the area operating or management activities. ‘Thereby, Chiswick Park has been sold for the second time, during the writing of this thesis. ‘CIC agreed terms with Blackstone. The purchase of Chiswick Park for around £780m was completed in early January 2014. It provided Blackstone with a profit of around £250m in 3 years’ time’ (Hatcher, 2014). The increased value of Chiswick Park of around £300m is, to put it mildly, significant. It confirms the profitable success of the Chiswick Park project, next to the other rewarded aspects. Still, the interview with Blackstone can be regarded as useful input to provide more insight into the trust features for operating an entire urban area.
The first theme, merging interests, will be marked by the social component of urban area development. It mainly concerns the *win-win philosophy* wherein social, environmental & financial interests should be aligned. How different interests of different involved stakeholders are connected to generate values and how these values have been distributed equally, will dominate this theme description.

The client of Chiswick Park was Stanhope. They had a novel concept of that time, which turned out to be very successful in terms of merging interest. But how came it into being? The major starting point for Stanhope was to integrate the area into the local community. They found out that Chiswick was a lovely and diversified part of London West in terms of functionality. Until then, only office spaces were missing.

“Very limited employment so actually it was the last piece of the jigsaw in a very large mixed-use scheme” (Williams, 2013a: l15).

‘Stanhope considers it fundamental to understand what the market demands are. Besides, it is just as important to gain insight into the local community’s demands. For that reason, several meetings, workshops and large number of interviews have been conducted to understand what they would like to see. To complete the *demand-driven approach* one should think about the end-user as well, after having determined what the demands on region & local area are. So for the master plan itself Stanhope did focus on their end-users, which are mainly the building occupiers. They targeted the Telecoms, Media & Technology (TMT) industry, but it’s hard to actually involve the end-user, since you have a sort of speculative development. It’s a matter of *understanding the markets deficiencies & the target audience*, which lead to some key decisions: building size, shape, facilities, on-site amenities & services. The more general services were obvious, but the *Enjoy-Work concept* was actually the secret weapon of the integral demand-driven approach Stanhope applied.’

“We obviously used it for marketing to start with, but the key point is we used it to deliver the services on the site, as soon as we started building the first building” (Williams, 2013a: l71).

Aligning the financial interest is in this case extremely obvious, otherwise the investors would not be part of the development game as well as Stanhope. More will be discussed in the next sections, mainly Section 7.6. But for example, creating massive time benefits by improving the build-ability and speed of construction, will result in substantial building costs savings. Therefore it is significant to engage the design team and the trade contractors, so they are actually able to contribute to the design. Disciplines can be integrated by means of setting up a team having members who trust each other. Good team effort will contribute to better value.

‘Implementing *sustainability* is another way of reducing costs, like the aforementioned energy strategy to reduce running costs over the longer term. But aligning environmental interests it just as important, since it seems currently one of the most important *demand-drivers* for the occupiers.

“A sustainable way of operating is no longer just a ‘nice-to-have’. It’s a fundamental issue on which companies are judged and valued across the world by employees, investors and markets, clients and customers, governments and regulators” (Enjoy-Work, 2011: p 70).

Implementing sustainable initiatives aligns occupiers interests, because it allows them to place themselves immediately in an elite group of sustainable performers worldwide. Sustainability is very significant to align with the other interests, but it looks more like a response to the other interests than as a fellow contributor.

**Merging interests through ChisPUT**

The state was not involved in the development of Chiswick Park, neither the civic society participated in the revenue model. But how different stakeholders participated will be explained. Nevertheless, different actors did benefit from the revenue model. The PUT structure was fundamental to get hands on a larger capital sum through a club of investors. The investors were able to have a piece of the development and the joint promoters
were able to acquire the large tranche of land. In addition, uniting parties was significant to develop the first and most important phase. Because the value proposition of the business model could be implemented at once, like the enjoy-work brand, facilities, amenities and develop 3 buildings initially, and:

“We were able to put in all the central landscape, so that when the first people arrive there was a sense of place, which was fundamental” (Williams, 2013a: l 60).

Hence, the PUT made it possible for the first end-users (environment, community & occupiers) to obtain benefits, as well as the initiators and the investors. Since, they were able to finance a rather substantial initial investment through ChisPUT. As each phase then moved forward, they were able to use the 1st or 2nd or 3rd phase as collateral to finance the future phasing. As a result, more interests were represented, considering the fact that values will increase if more buildings will be put on the park.

“Because each piece of the jigsaw is put in and the value increased” (Williams, 2013a: l 93).

Section 7.4 Create Identity

The second theme, create identity, will mainly be marked by the spatial component of urban area development. It is about connecting qualities, following an integral approach to create identity, resulting in the generation of user value, experiential value & future value.

The enhancement of spatial qualities started by defining the static conditions. Generally, the project did not have any challenging static constrains (see also § 7.2.2 ), apart from the large tranche of undeveloped land. Obviously, accompanied with opportunities and threats. For example, dictating your own environment is an opportunity. Stanhope thinks for large development schemes the public realm is hugely important. So they created identity by developing a park-lake landscape in combination with the enjoy-work services.

“To Chiswick park it’s hugely important that the public realm is maintained at a high level and it will continued to do so” (Williams, 2013a: l 142).

Also the buildings form an important part of the spatial qualities. Initially, the spaces and the building concepts were meant to be functioning rather like a hotel. Thoughtfulness, Surprise and Community are the bases for the Chiswick Park identity. The park and the family of buildings have been built in a very similar way as well as in a less undated way. It will add value if you have to develop in phases and it will be easier to maintain future values. The phasing forms an important threat as well, because a large gradual developed area can be very unpleasant before it is delivered completely.

“It was fundamental to have an enjoyable site right at the start of the project, therefore buildings were built face-to-face, amenities were pre-let and probably most important, the park was developed completely” (McNeilis, 2013).

Create identity through ChisPUT

The PUT enabled investors to pool their capital and provide the initial fund. Not only to suffice the interests of different investors, but also to develop the site and creating spatial qualities & identity. These benefits are comparable to the previous section. Moreover, the PUT is an useful structure to maintain the user-, experiential, & future value, because it enables the investors to manage the estates under one umbrella.

“You have got one management company which is controlling the whole asset base, as it were, maintaining standards and delivering the Enjoy-Work brand” (Williams, 2013a: l 94).

The key thing is to keep it under one umbrella. The PUT allows you to do that and still giving investors the opportunity to trade their stake. Obviously, this will be fundamental, because the unit holders have different priorities at different times. Therefore, a master planning scheme was designed to sell buildings separately if need to. The PUT management & its legal regime can facilitate this need. Actually they did sold of a building.
“But still maintain the overall control of the whole park which was fundamental to maintaining standards, not just on the buildings but on the landscaping, on the infrastructure and on the surfaces which we strongly believe is a fundamental part of the success of the project” (Williams, 2013a: l 103).

Section 7.5 Connect Dream & Reality

The third theme, connect dream & reality, will be marked by the course of the development. It is about connecting phases & proportions, regarding the contextual & static conditions, following short-term & long-term perspectives, making the trade-off between continuity & flexibility and having an iterative process.

In a sense, this section will overlap the previous sections. For example, the short- & long-term perspectives relate to current & future values, while is also relates to the common goals distributed over different points in time. This theme is more concerned with development processes, hence the overlap. As explained in Section 2.2, this thesis will not focus on ‘how’ processes but ‘what’ processes are arranged.

As been discussed, Stanhope planned to develop in phases due to the scale of this project. If you are able to acquire a large piece of land, like Stanhope did, you are able to control your own business model. The business model explains how high standards were set at the beginning of this project. One should have a plan how to develop out, in order to implement and maintain these standards. The plan should consist of short-term & long-term objectives. It was hugely important to follow through the future phases and keeping the estate under one umbrella, in order to control and really deliver those standards.

“If you want to set a good standard, you can set it and follow it through by continuing that good standard” (Williams, 2013a: l 19).

Different disciplines should be coordinated soundly if you have a long-term vision on a project. The stakeholders need to be engaged. They need to share the visions, both for preparing, selling, and executing the masterplan. It was an iterative process wherein teams were formed, like the design teams and the club of investors. The team effort was actually quite important to accomplish ambitions.

“You need to share the vision. Not hit-and-run or let-it-forget as we say sometimes” (Williams, 2013a: l 166).

Connect dream & reality through ChisPUT

If you have a long-term vision and plan to take all development phases for granted, you also have to include a planning for finance, especially given the size of this project. The PUT structure will allow you to refinance future phases, but this can be done with other revenue models as well. All though, in principle, the finance mechanisms of trusts facilitate the long-term view and will provide a little more flexibility for investors.

The course of developments will have different points in time when capital needs to be introduced and/or other development expertise’s have to be involved. But these different development expertise’s prefer and intent to recycle their capital with a short-term perspective. Therefore, they want to leave long before the complete project will be delivered, which causes the hit and run problem, because they want to develop and move on. Essentially, most development expertise’s are traders not investors. It will be difficult to commit traders for the long-term, like the reasoning suggest. Therefore, the long-term arrangements with different types of stakeholders will be complex, but using the right trust structure allows you to roll through the distinct development phases. The traders will be sub-service providers.

“What are the metrics, what will be the measurements for fairly sharing? A long term arrangement does make life very difficult. Especially when you have distinct phases of risk and different sources of expertise” (Barnes, 2013: l 224).

Instead of raising capital step-by-step, investors might want to leave during the long-term and various forms of the development process. Depending on the agreed arrangements, investors are able to trade their units whatever the reason may be.
"I think a lot of it is about ... it does facilitate the long-term investment capital with its liquidity, which is so important" (Barnes, 2013: l98).

The unit holding mechanism sheds light to another advantage. If certain clauses will limit the trading of units and one investor has difficulties to contribute new capital interest or even wants to leave, it is more likely to continue the development process. Since, investors have a share in interest rather than owning a particular asset within the project. This means they have proportional equal rights to participate, as well as sharing interests, costs, revenues & risks. This is an important advantage, because if the project has to deal with setbacks, it will not hit one particular investor, or even when more capital is required during a rather unfinished development phase. Investors can divide the extra risks & expenses – relating to the percentage of units they hold – to achieve their investment goals. Besides, trading will contribute to improve the continuity of the (closed-ended) trust, because the units will be taken over by somebody else.

"Had you had individual investors you couldn’t do that, because it hasn’t been held by the same trust and obviously you weren’t able to achieve that objective on its own" (Williams, 2013a: l139).

To explain these benefits, it is assumed investors will have the same preferences. However this is a challenge, certainly for the long-term and risky area development projects. Therefore, having like-minded investors is a prerequisite, to continue on and having them agreed upon a certain development scheme. Also the termination date could be problematic if the common objectives have not been reached yet. So for the same reasons, alignment of interests and continuity is a matter of concern.

Section 7.6 Redeem Future Value Now

The final and fourth theme, redeem future value now, will be marked by the field of tension between current & future values. It focuses in particular on the integral financing of an urban area development by appointing new & different type of values, to be able to distribute the costs, revenues & risks more equitably.

The Chiswick Park project endorsed a long-term perspective for developing a large and multi-faced scheme. The mind-set accepted that returns in the early days may were not as high as they would be in the mid- or long-term. So, the project did not have any split incentives; investing while someone else is profiting from it in the future. For example, sustainability clearly works in your advantage over the long-term. Phased construction helps to spread costs and increase value over time. Therefore the project was affordable as well as feasible at the initial stage.

"I think that’s down to what we at Stanhope do. That was down to our course of developing" (Williams, 2013a: l223).

Also in financial terms did the project benefit from the ‘enjoy-work’ brand. It really adds value to the area and it delivers extra (social) values as well. Right from the start the end-users enjoyed the services, which makes it more easier to quantify these ‘soft’ qualities and distribute them among the occupiers. In other words, a percentage of the service charges will be used to offer these extra values.

"The good thing about it is whenever you talk to people about service charges, they hate paying it. But actually in this instance it is that part of the service charge they don’t have an issue with. Because they can see the benefit of the return they are getting from what they’re paying for" (Williams, 2013a: l249).

Redeem future value now through ChisPUT

Actually, the quantum of capital that was required to buy the sight and develop it was the main reason at that time to use a trust managed by Schroders. Besides, the project was considered rather risky, so investors were interested in the development but allowing them to share risks was quite a nice added bonus. For example alternating between profitable & less profitable assets within the area, or distribute the refinancing. The trust structures allow you to do that.
In contrast, being mutual will also have side effects. For instance, you have to share control. Most investors – especially when it comes to large and risky developments like the Chiswick Park project – want to have control, or even complete control. Fairly distributing costs, revenues & risk in exchange for losing control will discourage investors. To make it even worse for the unit holders, the fund manager will be responsible for the day-to-day operations. Obviously, the fund managers have to operate the trust in the best interest of their investors, but feeling in some sense uninvolved and powerless does put off several investors.

If taken literally, PUTs do not redeem future value now, but PUTs do facilitate the process for redeeming and distributing equitably different values over time. Most reasons have been discussed in the previous sections with regard to the long-term commitment, aligning interests, better able to quantify certain values, no split incentives and continuity against flexibility. Altogether, it is important to note that the PUT structures are helpful in connect & distribute the different interests, values, returns and so on. Since, the participants, who pool resources, aim to achieve a common goal: the value propositions of the business model. To achieve this they have agreed terms and will use a revenue model that facilitates this objective in the best possible way.

“Choose your business model and then choose a vehicle that suits in combination with your business model, and the underlying assets, and the multiple sources of capital, that might be appropriate for that” (Barnes, 2013: l 141).

For example, if you want to align interests and the management of an area & its properties to be a core part of your value proposition, the PUT allows you to do so. Apart from anything else you can structure it as a long-term vehicle with an infinite lifespan and at the same time it can offer flexibility in trading.

“Creating a vehicle – that could be the long term owner and manager – seems to be an institutionally invested, but for a very long term, project” (Barnes, 2013: l 175).

Finally, PUTs can be the long-term owner and manager of an estate and therefore could realize the entire development life-cycle. In this case, you might think that PUTs are cost-efficient vehicle to obtain significant savings in terms of operation costs & transaction costs due to the economies of scope. Nevertheless, the envisaged cost-efficiency will vanish into thin air, if they are compared with the management & performance fees of ChisPUT. This is something to keep in mind when you consider to use a PPV, in this case a PUT, as the revenue model for your urban development project.

Section 7.7 Site experiences

The main objective of the site visit was to obtain physical understanding of the project. Actually, to acquire more empirical and qualitative information a guided tour and a site presentation with the Enjoy-Work brand has been arranged. Besides, some occupiers and site visitors (park & gym) have been interviewed informally to obtain additional (onsite) information.

The site observation was rather valuable, in particular the guided tour with the Enjoy-Work brand and their supplementary notes. As explained Enjoy-Work is a property management company specifically incorporated for this project. The company employs approximately 100 employees. They perform a variety of activities with regard to the property management, including facility management, security, cleaning & recycling. But, obviously the showpiece would be the extensive service base. An important finding was their mind-set to serve each occupier from front-desk receptionists to the executive officers and directors. After all, they have different interests. For example, to satisfy directors they arranged exclusive meetings with rather famous persons. Recently they had lunch with David Attenborough, facilitated by the tenant Discovery. The property manager mediates this network sharing process.

The sustainability rationale and the physical understanding of these items were also a hugely worthwhile experience. Since, the documentation and the interviews did not elaborate extensively on this subject. The implications of this subject are indeed quite ‘thoughtful’. The project did consider many different sustainability aspects in advance, like considering the issues water collection & recycling as well as waste, energy efficiency,
health programmes and improving the accessibility (a bus station or borrow bicycles). But also less obvious issues, such as social sustainability programs for both the community and the occupiers. For this issue, Enjoy-Work introduced discount cards to encourage occupiers to use offside facilities. Their modifiable mind-set is really informative as well. For example, the sustainable intended initiatives that do not seem to work will be enhanced. More importantly, they continue to accommodate sustainable ideas as much as possible.

Also the conversations with the employees and the gym & park visitors delivered certain experience. There is some subjectivity involved. However, the conversations gave the impression that these stakeholders really enjoy the whole concept, despite the fact that they do not use these extra services at all, like the evening events or borrow a tie. At least to a very limited extent. You would almost say that this value proposition – the extensive amount of services and dedication – deprives stakeholders to complain.

**Section 7.8 ChisPUT Characteristics**

This section will elaborate on Chiswick Part Unit Trust characteristics into more detail. The relationship between the business model and the revenue model has been discussed extensively as well as the pros and cons of the PUT. But the PUT characteristics only in general. The technicalities of the trust structures have been discussed in the interviews, to be able to supplement the theoretical framework and to understand why the project has used an unauthorized, closed-ended, tax-exempt, specialist and off-shore Jersey PUT.

Obviously, PPVs are mainly used to be able to collect larger capital sums and, in turn, enabling investors to invest in projects where they would otherwise no be able to. However, if one will set up a fund or trust, the question does rather depend on which end of the streets you are starting from. Principally a street has two ends and therefore these two different approaches will dominate the structural considerations. Eventually the other end will be reached. Both approaches will be considered and combined in the PPV selection process:

I. Preference for Capital:
II. Preference for Tax Treatment:

**Preference for Capital**

The first approach will take the capital characteristics more into account than the options for tax treatment. In this case, one is considering how to finance the development project in the most appropriate way, in terms of different types of capital you can collect. In other words:

“Okay, given that we need a sum of capital, what kind of type do we prefer, where might we get it from and what would be the vehicle of choice for a capital of that characteristic” (Barnes, 2013: l 58).

The business model of a development project does relate to the sort of capital you seek. For instance, do you have an opportunistic project, like Chiswick Park, you might not want to have to many investors. Because it is difficult to find like-minded investors, and for these kind of projects investors demand closely alignments. They need to be wealthy as well. Not only because you prefer to create an exclusive club of investors, but also for disappointing situations. For example, if the project turns out to be more risky than expected and refinancing the project is necessary. In addition, investors need to commit capital for the longer-term, as a result only a certain type of capital will be most appropriate. Therefore, you might want to lose the general public as source and attract institutional investors like pension funds.

Gradually we near the other end of the street, because pension funds do demand certain tax treatments. For instance, tax-exempt revenue models may do the job. In contrast, you might want to have some flexibility built into your revenue model, so maybe it is better to have a vehicle – with a certain tax treatment – that does not limit you to raise only one type of capital. Also the trading mechanisms will determines the degree of flexibility. For example, if you want to target many investors, but they have to be institutional and wealthy as well. You probably find more investors offshore, and therefore you have to offer your target audience an sufficient trading environment.
Preference for Tax Treatment

The second approach will take the options for tax treatment more into account than the type of capital. In this case, you try to find the right vehicle for capital of a certain character, in order to get the most tax efficient structure for your investors likely having the same tax characterisation. Otherwise:

"It depends on what tax treatment you want out of it, in order to get the tax treatment you want to the bulk of your capital. That then might restrict who else can take advantage of the units" (Barnes, 2013: l64).

Like above, if you start from this end of the street you will gradually approach the other end. For instance, if you already know your club of investors and you know that they have the same tax characterisation, you might want to set the continuity of the vehicle. Or determine to what extent investors want to commit capital and for how long to find a tax efficient structure. Otherwise, you might find yourself in trouble later on if the vehicle limits you to a particular type of capital, due to its tax treatment.

Also the trading mechanisms is subject to tax treatment. Certain vehicles have tax structures that will not allow you to trade your stake with any foreign investors. Moreover, the various legal regimes and the varying degrees of tax transparency in these vehicles makes it rather complex to discuss it in any more detail. Only ponder key considerations like, capital gain tax, income tax, transfer tax, stamp duty tax, tax pre-emption rights and quite significant the investor’s tax residences.

JPUT

ChisPUT is structured as a Jersey Property Unit Trust (JPUT). Basically, JPUTs are used and work well, because they tend to be a little more flexible. Obviously, the trading mechanisms allows investors to trade their units offshore. Jersey is one of the Channels Islands providing tax attractive environments. Sometimes you see Guernsey variants. But both are transparent for income tax and opaque for capital gains tax. The former means that, for direct tax purposes investors are treated as if they had invested directly in the underlying assets and have to paid tax over income accordingly. While the latter means, investors are exempt from capital gains tax and the PUT will pay tax. In this case, the UK does not lose important tax measures, since the offshore investors are not subject to UK capital taxation after all.

"Okay, so there’s a trust vehicle, you can do pretty much what you like, ... suits quite a lot of sources of capital, both non-taxpayers and taxpayers. You can transfer the interests offshore. So that’s quite efficient from capital taxation point of view and you can structure it relatively flexibly either to be regulated or unregulated" (Barnes, 2013: l85).

To summarize, the Chiswick Park project has chosen to start from the ‘preference for capital’ point of view. Quite logic if you think about it, because the project can be regarded as a risky development. Therefore, you will only invest in a vehicle with a limited amount of like-minded co-investors. However, they have to be wealthy and you want to set up an accessible trade mechanism to have a broad target audience. Therefore, structuring the vehicle for offshore purposes, appear to be more attractive to joint promoters. Overall, the varying ways to structure the PPVs allows you to find an almost tailor-made vehicle that facilitates your business model most suitable.
CHAPTER 8 LEARNED LESSONS & INSPIRATION

This chapter will demarcate the relationship between theory and practice for the two preliminary concepts UAD & UDT. The empirical knowledge obtained by case study research makes it possible to compare & connect two different country-specific UAD-practices, and to parallel the knowledge about UAD business models & UDT revenue models for so far. In other words: What can we learn from Urban Development Trusts if we compare theory and practice based on the incentives for success for Urban Area Development? This question will be answered in 3 sections. First, a brief overview of the context-dependent institutional conditions will be given, whereupon the learned lessons and the levels of inspiration will be discussed.

Section 8.1 Context-dependent institutional conditions

In CHAPTER 6, and partly CHAPTER 3, the institutional & contextual differences have been described for urban development projects. Mainly focussing on organizational aspects and briefly explaining the planning systems. Some general point of attention can be formulated after conducting the single case study.

§ 8.1.1 Context

The UK planning system and their associated policy lines are more negotiable and adaptable in comparison to the Dutch context. This results in more flexibility but at the same time it constitutes uncertainty. In other words, actors can influence the indicative plans to increase support for their ideas, but these can just as easily be superseded as they were modified in the first place. For example, the long-term process of this project find its origin date back to the '80 when speculative masterplan development began, due to the explained UK-specific pro-active attitude. It is very plausible that the UDP has been influenced, in a certain sense, by market interests. Nevertheless, the planning permission was granted in ‘91 and still no notable changes have been introduced. While the outline has been renewed several times now, according to the last UDP from 2003.

To summarize, from a legal point of view the Chiswick Park project did not experience any threats or constraints to develop a large tranche of land, spread over more than three decades. Since, it was in line with political necessities to regenerate & revitalise brownfield sites and encourage local economies. Long-term support & enforcement is fundamental to deliver these kind of projects successfully. In the UK this is unfortunately not the most natural order of things, while Dutch planning systems does provide legal certainty. The Dutch land use plan is less flexible to adjust or even to influence as non-public body. But when it has been permitted it will be a binding and rather static land use plan. Possibly safeguarding the projects interests for a longer-term. In contrast, it will be difficult to seize opportunities, since these plans are based on a limited-imperative system (function bounded), especially when it comes to develop large urban areas.

§ 8.1.2 Organizational aspects

The case study research revealed that the Chiswick Park project has been supported by local authorities for several decades. The potential value was substantial, for both the economy and community, therefore public bodies enabled & encouraged the project. No legal constraints or whatsoever were challenging to negotiate the UDP (indicative plan). The outline planning permission, including the binding development rules and building permits, was granted soon. The land was already transferred by Kvaerner, allowing the private actor to move on towards the implementation phase. However, to actually redevelop the brownfield a formal relationship with public bodies had to be constituted. Local authorities used the development agreement and s106 agreement to protect the public interest and to achieve acceptable developments in planning terms.

Although there are agreements between public & private actors, the local authorities did not participate in a PPP. Therefore, they were not involved in the development of Chiswick Park. The developer was given more freedom & flexibility to develop this urban area. Nevertheless, in exchange for the planning permission the developer has
to comply with the negotiated or maybe even imposed s106 agreement, to be able to develop the urban area. These agreements have not been explored into more detail for the purpose of this thesis. But to conclude and what we can learn from these agreements is that they helped the local authorities to exert influence on the developments. Since, these planning obligations will consist of developer contributions, like the realization of infrastructure & public spaces (realm) as well as taking social-environmental responsibility. This public-private relationship can best be compared with the Dutch Concession Model (PPPs), except for the initiative phase which has been put forward by a private party.

8.1.3 Tax regime

Tax & Customs Administration or HM Revenue & Customs (HMRC), as it is called in the UK, are important contextual matters as well. While discussing different structures and characteristics of different vehicles it has become clear that tax considerations are an important aspect for creating PPV. For instance, in 0, several alternatives have been discussed. Some examples are particularly UK vehicles, like the Chiswick Park Unit Trust. This Jersey variant is an offshore managed PUT on an Island of the British Crown Dependencies, giving certain tax treatment flexibility.

For that reason, an earlier assumption is proven to be correct. In Section 2.4 the likelihood to transplant knowledge has been explained to be very low. Broadly speaking one cannot transfer the Chiswick Park revenue model to the Dutch context blindfold. Nonetheless, this thesis aims to provide insight into the underlying mechanisms of these fund or trust structures in relation to business models for the Dutch UAD-practice. All, in order to understand the functionality and possibilities of the UDT and to get inspired by this successful project. The tax regime is also regarded as a context-dependent institutional condition, this should be taken into account, but for the purpose of this thesis it will not be further discussed.

Moreover, in Section 4.10 & Section 4.13 several Dutch PPV variants for urban (re)development projects have been mentioned and briefly explained, like the Commanditaire Vennootschap (cv), Vennootschap Onder Firma (vof), Fiscale Beleggingsinstellingen (FBIs) and some comparable foundation-like structures.

Section 8.2 Learned Lessons from Chiswick Park

In this section the two canvas frameworks (see Figure 23 & Figure 27) will be compared in relation to case study Chiswick Park. The cross-check between theory & practice and business model & revenue model will provide comprehensive insights into the technicalities and possibilities of the Urban Development Trust for Urban Area Development. It also triangulates data. Thus comply with the second level of lesson-drawing: learning. The ‘areas of business’ of the ‘business model canvas’ will be used to structure the following subsections and to explain the learned lessons in relation to the associated building blocks.

8.2.1 Offer

The business area ‘offer’ only consist of the building block ‘value proposition’, in other words which values need to be generated and offered to your customer segments to have a sound business model.

From a theoretical point of view several similarities can be concluded, like current & future values and the common objective. The business model of an urban development project should generate values for all involved stakeholders, the most successful way to do that is by having a common (paramount) objective, creating a win-win-win situation and therefore you need to apply an integral approach. Investors pool their resources always with a common objective. Either way, they agree with the proposed business model or they will create a business model. A trust vehicles will be a suitable structure to pool resources.

Trust structures facilitate the value proposition, because it allows investors to share common goals, interests, costs, revenues and so on. Besides, it will take time to achieve common objectives, and values are created for the present and the future. Trust structures can facilitate different time frames for the business model, because
they can have finite, infinite lifespans, or a combination of these two. For example the trust has primarily a finite life, but can be extended by the vote of unit holders.

More similarities can be recognized when comparing theory with practice. In particular, the business model for success and the business model for Chiswick Park are almost identical. All enumerated incentives for success can be found in the Chiswick Park project, for example the demand-driven approach, create identity, etc. Therefore, technically they are similar but the mind-sets do differ. Broadly speaking, the theoretical part concerns all interests equal, while the club of investors’ of ChisPUT concern the returns more important than the other interests. This club will have a common objective, but they will apply an unanimous approach. They will develop the area in their own best interest instead of in the best interest of the urban area. But in their point of view the UAD business model for success should be demand-driven, in order to generate the best returns. Therefore, the interests of the end-users should be satisfied. One of the end-users’ interests is having sustainable environment. Altogether, the people & planet aspects seem to have a submissive character and can be regarded as demand-driver. Although, the incentives for success do lookalike and, for so far, these can be regarded as drivers for success and therefore should be taken into account when developing a business model for an UAD project.

For the same reasons, Chiswick Park benefitted from a PUT revenue model. Furthermore, the mind-set reasoning as described above also applies to the revenue models. In fact, it confirms the argumentation if the theoretical framework for UDTs will be compared with the revenue model for ChisPUT. For instance, a PUT structure will facilitate their units holders to achieve a common goal, which will be the same objective as described above. But ChisPUT facilitates other value propositions as well, which are capital growth, regular income and liquidity. All in order to form a club of investors in the first place. They are interested in these offers and believe to achieve those by sharing the vision for success as described in the analytical framework.

To conclude, two important marginal comments can be made. For example, the analytical framework explains that one value proposition will include merged interests in a win-win-win minded way to implement a successful project over time. However, the trust structure may limit its overall business model to pursue this value proposition, because trusts are not only associated by its mutual interests but also will share the ownership, risks, costs, etc. As results, it will be likely that mutuality will be a constrain for some stakeholders or other type of actors like the State or Civic Society. In addition, the value propositions of the Chiswick Park project are related to the development of an urban ‘office park’ for the rental sector. It is not clear whether or not these aforementioned similarities will withstand if the project includes different types of developments and developments for sale purposes.

**Synopsis similarities & differences**

Table 10 will enumerate the important similarities & differences between theory & practice.

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value Propositions</strong></td>
<td><strong>Mind-sets</strong></td>
</tr>
<tr>
<td>- Common objective</td>
<td>- No common ‘paramount’ objective, because the investors are the point of departure in the business model instead of the urban area</td>
</tr>
<tr>
<td>- Spatial quality</td>
<td>- Unanimous point of view instead of the harmonious win-win-win situation</td>
</tr>
<tr>
<td>- Integral approach</td>
<td>- Submissive character sustainability in respect to feasibility &amp; profitability</td>
</tr>
<tr>
<td>- Demand-driven approach</td>
<td>- Current &amp; future values</td>
</tr>
<tr>
<td>- Soft &amp; hard qualities</td>
<td>- Soft &amp; hard qualities</td>
</tr>
</tbody>
</table>

Table 10: The offer area of business: similarities & differences between theory & practice.
The business area ‘Infrastructure’ consist of the building blocks ‘Key Partnerships’, ‘Key Resources’ & ‘Key Activities’. The first describes the network of partners needed for the business model, the second indicates the most important resources to implement the business model and the last explains which activities or processes are need to create the value proposition.

**Key Partnerships**

For the theoretical point of view some differences can be made. As the value proposition of the business model describes, all stakeholders interests should be fulfilled. The literature calls for early involvement of all stakeholders, in order to connect those interests. It suggests that each type of actor (State, Market & Civic Society) should have a partner in the business model as representative. While, in principal, the trusts only have two types of partners, which are the originator and their fellow investors. One of these investor could be a public entity, like SWFs. Obviously, trust structures allow the overall business model to involve all types of actors as investors, like civic society or municipality representatives. However, this will probably not work, because PPV revenue models pursues to achieve a common investment aim, as described earlier, wherefore like-minded investors are needed. Also the aforementioned mutuality issues withhold other types of actors to invest and to hold units. Therefore, it will limit the business model for success rather than facilitating it.

For the same reasons, the business & revenue model of the Chiswick Park project only had market parties as key partners. However, the Chiswick Park project did involve other key partners than just the investors and the originator as described by the theoretical framework. For the development purpose the client Stanhope can be regarded as another important partner to implement the business model in line with the analytical framework. The revenue model does facilitate new collaboration forms, connecting partners with different interests. Nevertheless there are some limitations, since the structure of the trust involves a degree of hierarchy to connect different partners. In this case, formally the client represents the interests of the investors. Yet we can learn from it. The different partners may connect interests in a sense, due to the iterative process.

**Key Resources**

The building block ‘key resources’ are almost identical for both the theoretical framework, analytical framework and the case study models. Obviously some practical differences occurred. To start with, from a theoretical point of view the resources of different parties should be connected to generate value. As described in CHAPTER 5, an integral and demand-driven mind-set allows you to create new and extra values. For example, due to the economies of scope or scale. While the theoretical business models prefers to connect flows, with real estate and its use, the essence will stay the same, which includes the implementation of a successful business model for UAD. Since the reasoning behind this is to provide sustainable and more important feasible projects, due to the amount of efficiency achieved by linking resources. Trusts are excellent vehicles to facilitate these intentions, essentially trusts will pool resources.

This is confirmed in practice as well. ChisPUT allowed investors, financiers, developers and managers to pool their resources, which consisted of different forms of capital, information, knowledge, debt, skills & estates. For example, initially the consortium bought the Chiswick Park asset and injected the area into the PUT when the vehicle was put into operation. Also the delegation of management, involving knowledge and expertise, is an helpful characteristic of trusts. Therefore, trusts facilitate different types of resources to be connected in favour of the business model as well as it enables stakeholder to benefit from each other’s resources.

**Key Activities**

For the theoretical point of view some differences for the building block ‘key activities’ can be explained. In principle the key activities of trusts, to generate the value proposition, is quite straightforward. Achieve a common investment aim by pooling capital, implementing the investment strategy, trade shares if needed &
perform short- & long-term objectives. These differ from the incentives for success of the business model, while the last mentioned factor exhibits similarities and sheds light to the possibilities.

In this case the theoretical framework explains which activities go along with the UDT structures, while the analytical framework elaborates on how processes should proceed. This is a significant difference, since connecting processes like chain integration refers to connect development phases. While if you use the trust revenue model certain activities go hand in hand with this choice. Probably the phases will not be merged, and will continue to be performed by various parties, but the UDT may facilitate short- & long-term targets, and allows the business model to develop all phases. In addition, without having to transfer ownership causing less split incentives. Trust structures enables you to roll through development phase if unit holders aim to. Practically, the unit holders only have to determine when the new stakeholders will be involved.

This appears to be true for the case study as well. The business model objective was to develop the complete area involving different development phases. The ChisPUT facilitated this process but not completely. The infinite, or in this case finite lifespan, helps to perform targets over time, but at the start of the project ChisPUT had an end date. To be more precise 2009, while the remaining developments would take at least until 2014. This confirms that trust structures only facilitate the possibility of integrating chains vertically, they will not ensure connecting processes, certainly not horizontally. But again we can learn that the underlying essence of collective ownership from beginning to end is comparable.

**Synopsis similarities & differences**

Table 11 will enumerate the important similarities & differences between theory & practice.

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Partnerships</strong></td>
<td><strong>Key Partnerships</strong></td>
</tr>
<tr>
<td>- Aligning different interests</td>
<td>- Only ‘market’ partners involved, instead of the ‘state, market &amp; civic society’</td>
</tr>
<tr>
<td><strong>Key Resources</strong></td>
<td><strong>Key Resources</strong></td>
</tr>
<tr>
<td>- Connect different types of resources</td>
<td>- Integrate ‘flows’ with ‘real estate &amp; use’</td>
</tr>
<tr>
<td><strong>Key Activities</strong></td>
<td><strong>Key Activities</strong></td>
</tr>
<tr>
<td>- Vertical chain integration</td>
<td>- Horizontal chain integration</td>
</tr>
<tr>
<td>- Split developments (organic but within an integral plan)</td>
<td></td>
</tr>
<tr>
<td>- Short-term &amp; long-term perspectives</td>
<td></td>
</tr>
</tbody>
</table>

Table 11: The infrastructure area of business: similarities & differences between theory & practice.

### § 8.2.3 Customer

The third business area ‘Customer’ consist of the building blocks ‘Customer Segments’, ‘Channels’ & ‘Customer Relationships’. In other words, who are the end-users, what is required to distribute the value propositions to the end-users, and what are the relationships between the end-users and the business model. Basically, the value propositions represents the business model basically.

**Customer Segments**

At first sight, no similarities can behold from the theoretical point of view. Ideally, all involved actors are customers in an urban area. In this case the revenue model may facilitate all actors, but with no particular advantage. The business model should determine which end-users it intends to serve. Therefore, the new approach’s argue that two key concepts predominate the reasons that projects are unsuccessful currently,
because they are unfeasible and unsustainable, including their underlying reasons. Actually these reasons are the direct interpretation of the value proposition, because all-round interests or values have to be created before you can divide them among the stakeholders. They might have the same interests, but generally they do not and therefore the different types of values have to be distributed.

From the practice point of view this turns out to be the case as well, if we keep in mind that there is a direct causal link between the value propositions and end-users. Like discussed in subsection § 8.2.1 the Chiswick Park project can be regarded as an sustainable and feasible project, and has demonstrated how it has distributed its values among its stakeholders and therewith satisfying them. The trust structure may facilitate this distribution process but comparing theory & practice the mind-set for the generation of value differs.

Channels

This building block describes how the end-users are reached and what kind of (distribution) channels are used to communicated with the end-users. For the Urban Area Development practice this has been explained by distributing authorities, which practically means channels are a sort of intermediary, fulfilling different tasks to mediate between the end-users and the value proposition.

The analytical framework describes to distribute the different interests throughout the whole development life-cycle and different roles & responsibilities should be distinguished, as well as coordinating the different disciplines to run the project successfully. Besides, stakeholders need to communicate with each other to distribute the values. The business model will include levels of authority in order to do all this appropriately. In addition to the generation of value propositions, the business model should maintain and improves its values. Therefore the end-users feedback is important, for example obtained by an iterative process and including levels of end-user control, participation and involvement.

The theoretical framework explains that the trust structures appear to provide proper conditions for the distribution of roles & responsibilities on account of the end-users. Basically two types of customers can be distinguished the investors and the receivers. For example, investors receive returns through rental income while the receivers obtain the products or services. Hence, the interests of investors are represented by the channels fund manager and non-executive officers. Channels like the open-ended trading mechanism could be used to offer investors the possibility to leave the business model at any time. While the interests of end-users, like the aforementioned receiver, are represented by channels like property & facility management.

So from the theoretical point of view, again, the channel differences can be explained by the degree of hierarchy. The incentives for success of the UAD business model describe that the levels of authority should be distributed among various end-users during the development life-cycle, while the structure of trust revenue models are associated with different levels of authority. Basically the contracted fund manager will appoint different channels to reach the end-user and to communicate with them. But there are some similarities which arise from the idea that values should be maintained and improved. Both channels describe the iterative process and the levels of control, participation and involvement of different stakeholders to a certain extent. Besides, non-executive officers monitor the business model to ensure that the interests of its stakeholders are respected to the best possible way.

This became more clear after the case study research. The development life-cycle consisted of several successive development phases. The business model used several layers of partnerships in order to deliver the results successfully. These partnerships were set up in line with the best interest of the joint promoters (Schroders, Stanhope & Aberdeen). As explained, the joint promoters accepted the degree of hierarchy in the business model to achieve results. In other words, the levels of authority have been agreed formally, in order to distribute different roles & responsibilities to carry out tasks for different phases. Although these different layers of partnerships have been established formally, we can learn from the prior iterative process. The key partnerships for the developments have been established in consolation, thereby connecting different interests. For example, the roles & responsibilities which have been distributed to the client Stanhope did imply their own levels of
control, participation & involvement. They have been appointed formally to have powers like coordinating the development project. For instance, assigning sub-service providers, which are in this case the different disciplines like the design team.

To conclude, the trust structure may facilitate the business model to involve different types of stakeholders by creating partnerships wherein the roles & responsibilities are distributed. Since, the UDT allows you to create different layers, to constitute hierarchy for example. However, the degree of hierarchy seems to be dominated (formally) by the club of investors, and therefore most channels will mainly function on behalf of the unit holders of the UDT. While the analytical framework prefers both the state, the market and the civic society to have representatives to form the top layer of authority and being key partners as well.

**Customer Relationships**

This building block describes what the relationships are between the business model and the end-users. Actually the ‘customer relationships’ and ‘channels’ are kindred building blocks, like the building blocks ‘value proposition’ & ‘end-users’ highly correlate. The distributed interests or values of the end-users are the direct interpretation of the value proposition, in other words based on a ‘causal link’. While the link between ‘channels’ & ‘customer relationships’ is based on ‘action = reaction’.

This is confirmed by comparing the two canvas frameworks. Broadly speaking they appear to be each other’s mirror image, like twins. Like explained above, the level of authority, regarded as the building block channels, determines the division of roles & responsibilities among different stakeholders throughout the entire process, to be able to distribute the values to the end-users and to communicate with each other. Also the degree of hierarchy and certain channels to monitor the different interests of stakeholders have been discussed. These formalities and monitoring settlements are arranged through trust, on contractual basis or other similar agreements. Each stakeholder is associated to one another. Therefore it is important to distribute the arrangements separately, either formal or informally; a sure sign of flexibility.

In first respect several differences can be seen when comparing the two canvas frameworks. But actually they seem to fit each other quite well, like continuity and alignment. The trust structures seem to facilitate these incentives for success. For instance, the UDT can either have a finite or infinite lifespan, but it intends to deliver a common investment goal. Therefore the relationship has been arranged to commit to this goal by holding units and sharing interest. If an investor decides to leave the business model he should use a channel to trade his stake. The continuity of the vehicle stays protected, because someone will take its place. As a result that trust structures can facilitate relationships to be consistent. Besides, the relationships between unit holders are mostly based on like-mindedness resulting in alignment.

Also the from a practice point of view, the ‘action = reaction’ relationship appear to be valid for the same reasons. ChisPUT facilitates the relationships between the stakeholders of its business model, in order to realize continuity and at the expense of the flexibility. Also the course of stakeholders throughout the different development phases are arranged. Again, the degree of authority explains the differences between theory and practice. Principally the arrangements and other relationships are established and maintained on behalf of the investors interests. Therefore it is less likely to create a pro-active relationships or mental ownership. Besides, the relationships between various stakeholders depend on an associated channel and can be regarded as ordinary yet familiar arrangements. So an UDT does not facilitate successful relationships between the end-users and the value propositions of the business model, in particular.

But again we can learn something from it. As explained, the business model was established in consultation. The level of authority had to be arranged more formally. The iterative process have resulted in a shared vision including different interests and allowed Stanhope to act for themselves in a certain sense. As result, creating more flexibility. They had to distribute relationships as well to develop the area. For example, Stanhope understood the relevancy of sharing the vision and engaged the design team to contribute to the master plan.
This interactive relationship does help to align different interests. The sub-service providers felt that they were part of the team (mental ownership), resulting in a pro-active attitude.

**Synopsis similarities & differences**

Table 12 will enumerate the important similarities & differences between theory & practice.

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer Segments</strong> (end-users)</td>
<td><strong>Customer Segments</strong> (end-users)</td>
</tr>
<tr>
<td>• All stakeholders</td>
<td>• Submissive character of the ‘state’ &amp; civic society’ actors (indirect end-users)</td>
</tr>
<tr>
<td><strong>Channels</strong> (levels of authority)</td>
<td><strong>Channels</strong> (levels of authority)</td>
</tr>
<tr>
<td>• Participation</td>
<td>• On behalf of the unit holders:</td>
</tr>
<tr>
<td>• Involvement</td>
<td>- Roles &amp; responsibilities</td>
</tr>
<tr>
<td>• Iterations</td>
<td>- Power</td>
</tr>
<tr>
<td>• Secure vision &amp; concept</td>
<td>- Control</td>
</tr>
<tr>
<td></td>
<td>- Coordination of disciplines</td>
</tr>
<tr>
<td><strong>Customer Relationships</strong></td>
<td><strong>Customer Relationships</strong></td>
</tr>
<tr>
<td>• Action (channels) = reaction (relationships)</td>
<td>• Action (channels) = reaction (relationships)</td>
</tr>
<tr>
<td></td>
<td>• An UDT does not facilitate the given incentives for success in this building block in particular</td>
</tr>
</tbody>
</table>

Table 12: The customer area of business: similarities & differences between theory & practice.

§ 8.2.4 **Financial Viability**

The final area of business is actually about the ‘Revenue Model’ its self, including the building blocks ‘Cost Structure’ & ‘Revenue Streams’. These building blocks combine the concept ‘the art of connecting’ & ‘the art of distributing’, because the term trust or fund intrinsically stands for mutuality. The building blocks are also mutually antagonistic. Therefore they will be discussed together.

**Cost Structure & Revenue Streams**

The costs structure & revenue streams and its implications have been described rather extensively, from a theoretical point of view. Comparing the two canvas frameworks helps to understand why the UDT has been suggested as a very promising revenue model. The incentives for success are almost similar to the principles of the trust revenue model. To start with, trusts provide mutuality among its unit holders. This means they sharing interest, like costs & revenues but also the risks. The shareholding or unit holding explains the interplay between ‘the art of connecting’ & ‘the art of distributing’, because costs & revenues are collected ‘through’ the UDT and, in turn, equitably distributed to its unit holders, again ‘through’ the trust. Resources are pooled with a common objective, in return they sharing interest in proportion to their personal amount of units.

There are some differences from the theoretical point of view. The origin has been explained several times. The ‘degree of hierarchy’ declares that other market actors, the ‘state’ & ‘civic society’ may contribute to the project & express their interests, but the common objectives will always be achieved on behalf of the investors. Instead, the literature suggests an equal division of costs & revenues among all stakeholders throughout the entire development life-cycle. However, the costs & revenues will be allocated to the unit holders. Of course, costs could be passed on to the end-users or true cost carrier. For example, Chiswick Park is a well-rated working & lifestyle environment mainly due to the estate management and services provided by Enjoy-Work. These soft values (clean area) and benefits (evening classes) are quantified by allocating service charges to the tenants.
Also the subject costs-efficiency has similarities but also a major difference. Trust structures can facilitate the long-term perspective, the merging of successive development phases and also keeping the management of the estates under the same umbrella. Indeed, this might result in significant cost-reductions, like the literature indicates, by reducing on the transaction & operating costs. Nevertheless, the cost-reductions appear to be surpassed by the amount of fees which are related to PPVs, like the management & performance fees.

After conducting the interviews it became clear that the theory & practice are almost similar. For the same reasons, the mind-set makes it different. For instance, who carries the costs, receives the revenues and among whom these should be distributed. The case study research made it clear that if you have an integral & long-term vision you can deliver & maintain you high standards for development and therefore you are better able to create more value in the future. To illustrate, because sustainable initiatives pay off, soft values become quantifiable and you can achieve cost-reduction, resulting in a kind of exponential increase in value. Due to its mutual character and its flexible life, the UDT can facilitate these value propositions relatively easy, by spreading the costs & revenues more evenly and divide them better as well. But again mainly allocated to its unit holders, which explains the difference in mind-sets.

Derived from the hit and run phenomenon informative lessons can be learned from an important difference between theory & practice. The theory explains that different development phases like the land development, property development & area operation causing hit and run difficulties, or like Stanhope mentioned ‘let-it-forget’. For that reasons theories explain how valuable it could be to unite these phases and therefore better be able to divide revenues & costs more equally (e.g. assigning true cost carriers, no split incentives). Also the case Chiswick Park performed the entire development life-cycle. However, the approaches differ. The theory suggests rather to think in new collaborative arrangements, while the Chiswick Park project did not.

Chiswick Park did not applied new collaboration methods to roll through the distinct development phases. The successive phases have been developed in a traditional way. The arrangements determine how the ‘course of development partners’ proceeded, when capital will be introduced (to replenish ChisPUT for new developments) and when other development expertise’s will be involved. The business model used these development expertise’s as temporary development partners or ‘sub-service providers’. They will be paid for their services comparable to the earlier mentioned one-time customer payments, rather than fairly sharing costs & revenues.

**Synopsis similarities & differences**

Table 13 will enumerate the important similarities & differences between theory & practice.

<table>
<thead>
<tr>
<th>Similarities</th>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost Structure</strong></td>
<td><strong>Cost Structure</strong></td>
</tr>
<tr>
<td>• Proportionally equal collecting &amp; distributing the costs among the unit holders</td>
<td>• Proportionally equal collecting &amp; distributing the costs among all stakeholders</td>
</tr>
<tr>
<td>• Cost carries</td>
<td>• Cost-efficient (UDTs are expensive revenue models due to its fees-based structure)</td>
</tr>
<tr>
<td>• Reinvestments or refinance (possible to replenish the UDT for new developments or setback)</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue Streams</strong></td>
<td><strong>Revenue Streams</strong></td>
</tr>
<tr>
<td>• Proportionally equal collecting &amp; distributing the revenues among the unit holders</td>
<td>• Proportionally equal collecting &amp; distributing the revenues among all stakeholders</td>
</tr>
<tr>
<td>• Soft values (quantify benefits through e.g. service charges)</td>
<td></td>
</tr>
</tbody>
</table>

Table 13: The revenue model area of business: similarities & differences between theory & practice.
Section 8.3 Inspiration from Chiswick Park (Property Unit Trust)

This section will provide the levels of inspiration which have been obtained by conducting a single case study. These levels of inspiration are additional lessons drawn from the UK and, in particular, the Chiswick Park project. These inspirations can be regarded as valuable, because they give new rather interesting insights.

Private development partner

When interviewing Stanhope the developer of Chiswick Park, it became clear how important they were for this UAD project. Most projects are quite risky, because they include large scale and long-term developments. As explained, investors will only invest in these kind of projects if they have the opportunity to invest with like-minded co-investors. Therefore, the private development partner in the UDT should be able to afford a long-term commitment in the project and can be the holder of stabilised assets. Then, the development partner can align his development strategy with the investment philosophy of the co-investors. Probably it is easier to fit a development partner into your program, that aims to carry out the entire development life-cycle including the management of an urban area.

This gives rise to another important advantageous of the private development partner. When your developer is an partner of the UDT revenue model, you should be able to roll through the distinct phases of development. This is important to implement and to maintain the high standards of the project, which have been set in the initiative & design phase. For instance, you will see quite often when the economy drops then the standards of development drops. The advantage of using an UDT, that unites the development partner with like-minded investors, is that you can appeal to your unit holders if more capital was required.

Thus, the private development partner in an UDT provides good possibilities to create long-term commitment, to align the interests between the developer & the investors, and to control & deliver good development standards.

Development mind-set important, UDT is just a tool

The next inspiration lesson relates to the above mentioned program. After conducting the single case study it became clear that not the UDT was responsible for the success, but the development mind-set. Stanhope was primarily responsible for designing a master plan. Stanhope pursues a development strategy that appreciates the importance of an integral & demand-driven approach. Obviously, the investors have to believe in this mind-set in order to align interests and to create a sound cooperative relationship. Therefore, in the initial phase and before the consortium was founded, Stanhope had to convince its partners that this development mind-set will be the most successful mind-set for the Chiswick Park project. When they agreed to form a consortium and acquired a large piece of land, they were able to set high standards according to this development mind-set. An important part of this mind-set was to dictate and control the whole area to create values. To continue that good standards they want to follow through the entire development life-cycle and manage the estates under one umbrella. For this moment the UDT revenue model came into picture, just because it is an appropriate tool to facilitate this development mind-set for success.

Thus, developers & investors should pursue an integral & demand-driven mind-set to develop an urban area successfully. The UDT can be regarded as an appropriate tool to facilitate this mind-set.

Estate management

The key thing in projects like Chiswick Park was to have development control and having an unified management of the whole asset base. As explained, this is important to be able to maintain the pre-conceived standards from beginning to end, which should be in line with the joint promoters mind-sets. Not just for the buildings, but also on the landscaping, infrastructure and public realm. In addition, the estate management can also be considered as valuable to implement the Enjoy-Work brand. Used to deliver the (extra) services on site as soon as the park and the first building were completed. An important condition in the mind-set was to serve as many end-users as possible, especially the occupiers (from front-desk receptionists to executive officers). This
was fundamental to satisfy end-users and therefore attract tenants to Chiswick Park at day one. The case study proved that the UDT can offer appropriate conditions to keep the estate management in single hands.

This way of urban area management is inspirational, as opposed to more common projects wherein complete business parks are developed and individual properties were sold separately. But selling buildings separately may be necessary or advantageous, like safeguarding the continuity of the project. This gives rise to another benefit of the UDT to facilitate the estate management. Since the joint promoters have managed to design a scheme in such a way that each building could, if need be, be sold separately. And they did, building 8 to be more precise. The UDT demonstrated the possibilities to put in place an estate management and legal regime to enable individual buildings to be sold off at any time, but still maintain overall control.

Thus, keep the overall and long-term estate management in single hands has proven to be a successful approach. The UDT is an useable revenue model to facilitate this approach, without taking away the possibility to sell assets separately.

**UDT structural considerations**

Also the UDT revenue model itself has brought inspirational lessons. The interviews, especially the one with CBRE, provided new and instructive insights for the real estate fund industry, despite the rather extensive literature review. First of all, as explained, the fund industry knows many types of PPVs and there are several ways to structure these vehicles, almost uniquely customizable. During the case study research this has been confirmed. In addition, several ambiguities in the literature study have been resolved due to the interviews. For instance, the way in which the board of trustees becomes assembled and how it works. It turned out that the appointment of board members is an highly iterative process in order to conduct those discussions with potential sources of capital. Besides, the appointment of trustees also tends to be a collection of tax suitable, correct residence, sufficiently competent and most appropriate party to represent the investors’ interests.

Furthermore, new insights have be obtained with regard to the structural considerations of PPVs. Although there are many variations, it was not exactly clear what considerations are used to structure the PPVs. Due to the interviews it became clear that the preferences for certain types of capital or the preferences for certain tax treatments determine who funds or trusts are created. Both preferences will be considered and combined when structuring the characteristics of a PPV. It rather depends on which preference is more important to the creator. It can be concluded that there is not one best way to structure a PPV. After considering the characteristics of ChisPUT into more detail, the same applies to structuring UDTs. However, there are a few structural characteristics which appear to be a logical choice to improve the functionality of the UDT. The indirect, non-listed and closed-ended characteristics seem to be suitable elements for the UDT structure with regard to UAD projects. But again, more UDT structures are possible it depends on the business model. A personal advice for structuring the UDT will be given in CHAPTER 10.

Thus, the varying ways to structure the UDT and to assemble the board of trustees, will depend on several considerations, like the overall business model, preference for capital or tax treatment & interests of investors.

**Planning instruments**

The last inspirational lesson refers to the planning instruments for the local authorities to safeguard public interests. The learned lessons, with regard to the public-private relationships within the Chiswick Park project, have already been explained earlier in this chapter. Nevertheless, there are more inspirational lessons to mention with respect to the UDT revenue model. As explained, it was laid down that UDTs would be able to merge different types of interest (State, Market & Civic Society) through unit holding. For various reasons it seems unlikely that it will happen that private actors will invest in an UDT together with public or civic actors. But also vice versa, the State will probably not invest in an UDT, because it may lead to conflicts of interest or the so-called ‘double hat’ problem. Civic Society representatives will probably not invest in an UDT at all, due to the project uncertainties and long-term commitment.
Despite these contradictions, there are possibilities to merge different types of interests. The case study research revealed that local authorities can exert influence on urban development projects by making use of certain statutory powers, like the development & s106 agreements. These planning obligations help local authorities to provide and realize developments for the public & civic interest. The local authorities could provide contributions or other incentives to enable and encourage these kind of developments.

Thus, planning instruments, like the section 106 agreement, should help the local authorities to safeguard the interests of public & civic society actors, to achieve acceptable UAD-projects in terms of different interests and without having to participate in an UDT.
CHAPTER 9  CONCLUSION

The objective of this thesis is to fill a scientific knowledge gap in order to provide new insights into the promising case study Chiswick Park. All to provide an useful understanding about what the characteristics are of the Pooled Property Vehicles (PPV), in particular the Property Unit Trust (PUT) which is similar to the Urban Development Trust (UDT). The case study research revealed that the Chiswick Park project used a PUT structure. This structure is used to explain how the UDT can potentially be structured. The single case study helped to unravel all indefinable points of interest and to provide an useful understanding about UDTs and its ability to facilitate the business model for successful Urban Area Development (UAD) projects. In the previous chapter several learned lessons and levels of inspiration have been discussed extensively. In this chapter the general conclusions will be given by answering the main research question as well as the possibilities & limitations of the UDT revenue model. Finally, some recommendations will be given for further research.

Section 9.1  Answering the Main Research Question

The UAD-practice finds itself in a new reality full of challenges & opportunities. The lack of sustainable & feasible initiatives appear to be the main issues and, therefore, the principles for success in this thesis. New approaches have been suggested to achieve success, like innovative revenue models such as the UDT. Preliminary research indicated that there is a significant lack of knowledge, both in the field of theory and in practice. The main research question of this thesis is therefore:

To what extent will the revenue model Urban Development Trusts be able to facilitate the business model for successful urban development projects?

According the exciting literature the answer would be: UDTs are appropriate revenue models to facilitate the business model for a successful urban development project, provided that disparate stakeholders (state, market, civic society) will pool their resources, sharing interests and facilitate a short- & long-term finance, to be able to achieve a common and paramount objective to integrally develop, operate and manage an urban area.

Nevertheless this would not be realistic, since investors of Pooled Property Vehicles (PPV) aim to co-invest with ‘like-minded’ investors, especially with regard to large, long-term, mixed-use, specialist and opportunistic urban development projects, carrying around many uncertainties, like the Chiswick Park project. Therefore, investors seek more control & involvement to secure the alignment of interests. This applies in particular for the fund manager as he is responsible for the strategy and decision-making activities with regards to the fund investment philosophy. So like-mindedness is key for PPVs, not only at the outset of the vehicles but also throughout its lifespan. For that reason UDTs may facilitate the new approach business model. The likelihood is rather low to collect three types of investors which are intrinsically different. Furthermore, it seems to be a hopeless quest to find a competent fund management company that is able to represent their interests, because all these companies are market-driven organisations.

Moreover, it seems unlikely that public neither civic actors will invest in UDTs. The state will probably not take interest in the unit holding of an UDT, because it may lead to conflicts of interests. After all, as an investor the public actor will have difficulties to pursue two ambivalent interests (public & private) at the same time. Civic Society representatives will most likely not play an investors role either, due to the multiple risks. Even so, the state has planning instruments available to represent and to safeguard public and, to a lesser extent, civic interests by negotiating with private parties. For instance, the Development & Section 106 Agreements will help local authorities to oblige or to encourage the developers to contribute to the provision and realization of public functions. All considered, the state will enable projects to achieve acceptable developments, mainly in terms of public interest. Without the planning permissions investors or developers cannot implement any UAD projects neither use the UDT.
Furthermore, the value propositions, of a business model, will determine whether or not the UAD project pursues a common win-win-win minded objective, in terms of different interests known as the Triple P (People-Planet-Profit) approach. If the revenue model is an UDT, then the investor has to believe in these value propositions to deliver a sustainable and yet feasible project and therefore wants to invest. As a result, private parties may want to represent three intrinsically different interests as, ideally sustainable projects will benefit all involved stakeholders. However, as explained, the unit holders have to share the vision in order to make it successful. Generally speaking, investors will be interested to invest in an UDT if they are able to meet their personal goals, which are mainly capital growth and regular income. They will assess the project unfeasible if the returns do not outweigh the risks taken.

Basically, the value propositions are strategic objectives that address the problems of the end-users aiming to satisfy their needs. Therefore, the value propositions will represent the overall business model to achieve those results. In this case, these propositions should include an integral & demand-driven approach as well, to improve the sustainability & feasibility in UAD projects. The developer Stanhope showed how important it is to listen to your end-users including the local community. Since, you do not want to compete with the market nor your environment. It is also important to set integral & high standards to realize social & spatial qualities to improve current & future values. The Chiswick Park project has demonstrated the added value for carrying out the entire development life-cycle and having an unified estate management (Enjoy-Work), in order to deliver and maintain these pre-conceived standards from start to end. In addition, it would be valuable to have an development partner who can commit to this long-term development process. As a result, the development strategy can be better aligned with the investment philosophy of the investors. Overall, the UDT can be a supportive revenue model and can facilitate the business model which strives to achieve these approaches to increase the opportunities for success.

If the unit holders will share the vision the UDT revenue model has the potential to facilitate several other building blocks to perform the given objective. An UDT facilitates each building block in a different degree. Some important conditions for the building blocks ‘value proposition’ & ‘customer segments’ have been explained in the previous paragraph. In addition, the urban area should be the main point of departure in this mind-set. Therefore, the core part of the business model to achieve common objectives, like the Triple P approach and the integral & demand-driven approach. In theory, the UDT revenue model cannot facilitate these value propositions optimally, because the unit holders will regard their own mutual objectives as the core part of their business model. They will mainly focus on the return on investment. Obviously, to realize the best returns investors might believe in these demand-driven, spatial quality, or current-future value oriented strategies. Nevertheless, the mind-set differs from theory, because UDTs will always pool the capital of like-minded investors, who pursue their own objectives. Other end-users may benefit from their strategy.

One may say now, the revenue model does not facilitate successful urban development projects as defined in chapter 5. However, the current socio-economic changes as described in chapter 3 makes it likely that investors do want to invest in business models, which are directed by win-win-win minded, integral & demand-driven strategies to improve the sustainability & feasibility in UAD projects. This research explained the added value of these approaches. The investors can learn from this thesis to implement similar business models, since the case study findings demonstrate the profitable returns as well. Especially, after Blackstone has agreed terms with CIC to sell Chiswick Park for the second time resulting in an increase in value creation of around £300m in 3 years. Therefore, it remains important to grasp to what extent the UDT revenue model can facilitate other building blocks to implement these strategies.

In terms of ‘key partnerships’ or connecting interests, the UDT allows you to compose different forms of collaboration. Principally these consist of investors and the originator. The state & civic society can also be investors, but as explained they have to be like-minded investors to from a successful partnership. Most likely this will not happen. Although it can be concluded that it was fundamental to have a development partner, who was willing to commit for the longer-term and was able to build all development phases. Despite their integral &
demand-driven development strategy, the developer functioned on behalf of the investors. Even so, they collaborate, consult each other and agreed terms on different interests to deliver the UAD project.

In terms of ‘key resources’, it can be concluded that the UDT offers optimal conditions to connect resources, essentially PPVs pool resources. Typically, the PPV revenue models pool the resources capital & knowledge. UDTs enable the unit holders to get their hands on a larger capital sum and, therefore, finance the urban development projects easier. UDTs can be regarded as sufficient vehicles to increase the feasibility.

In terms of ‘key activities’, it can be concluded that the UDT allow unit holders to roll through development phases (vertical chain integration), because it can have an infinite or finite lifespan, but certainly facilitate short- & long-term perspectives. UDTs can be structured in various ways. For instance, having capital introduced at different moments to be able to split developments (organic growth) without losing the integral development objectives out of sight, or to refinance setbacks if needed. It will be more difficult to implement horizontal chain integration through UDTs, because UDTs tend to invite tenders for other (sub)service providers when needed, like development expertise’s, again working on behalf of the investors.

‘Channels’ are the intermediary between the value proposition and the end-users. It concerns distributing authorities. It can be concluded that the choice to use an UDT is inherent to the structure of the division of roles & responsibilities. In a sense it is predetermined. For instance, the fund manager will operate the UDT in the investors’ best interest (secure the vision) and will appoint & coordinate other (sub)service providers to achieve the common objectives. Therefore, the involved service providers and end-users will have a submissive nature regarding the degree of control & involvement. However, the level of authorities in UDTs do allow consultation phases. For example, the client Stanhope gave significant input as joint promoter of ChisPUT. But the degree of hierarchy determines that submissive roles & responsibilities will be organized by the fund manager. In turn, also the fund manager works formally on behalf of the unit holders.

The ‘Customer Relationship’ and how these relationships should be distributed among different involved actors appears to be a mirror image of ‘channels’. The interaction between the building block ‘channels’ can be regarded as an ‘action=reaction’ link. The division of tasks and their separate relationships are settled by means of arrangements either formal or informal. For the same reasons, UDTs may facilitate ‘customer relationships’ in response to the somewhat predetermined structure of the building block ‘channels’. However, UDTs do not particularly facilitate these building blocks. The UDT revenue model will only allow the business models to be set up in relation to some incentives for success as described in chapter 8.

In terms of the revenue model itself, consisting of ‘Cost Structure’ & ‘Revenue Streams’, it can be concluded that UDTs are appropriate revenue models to collect-distribute costs & revenues through the trust and in a proportional equal way. Also the risks & uncertainties can be divided more equitable among the unit holders as well as reinvestments can be organized through the revenue model. These characteristics are in line with the incentives for success. In addition, the UDT will make it possible to redeem extra (social) values, like soft qualities, if investors will hold their units for the longer-term. UDTs are not cost-efficient, rather expensive to run. The UDTs can reduce costs in terms of operation (economies of scope) or for transactions, but these do not outweigh the fee expenses, like the fund management and performance fees.

Finally and apart from the answer to the main research question, the overall general conclusion is that the value propositions of the business model will determine whether or not the UAD is an integral, demand-driven and win-win-win minded project to realize social & spatial qualities, to improve current & future values and to deliver sustainable & feasible developments. If the value propositions are in line with this new approach then, indeed, the chances for success will increase. The associated revenue model, in this case the UDT, will only be a tool to implement these value propositions. Revenue models can facilitate or interfere these propositions. Do not start by choosing an UDT because some academics & practitioners believe and suggest that the UDT is the solution for UAD projects to make them feasible, or just because Chiswick Park was so successful. No, on the contrary, it is the other way around. First, determine the current & future needs of the end-users. Secondly, define the value
propositions in line with those current & future needs. Finally, find an appropriate revenue model that offers the most possibilities and the fewest limitations on the overall business model and thus, to implement and to maintain the value propositions as good as possible. Indeed, as explained, UDTs are convenient revenue models, offering appropriate possibilities and tolerable limitations. Not only to acquire different sources of capital to finance large, long-term, mixed-use and opportunistic projects, but UDTs can facilitate other incentives for success for urban area development as well. To summarise, the different ways in which UDTs can be structured allows initiators to find an almost tailor-made vehicle that fits their context specific UAD project.

**Possibilities & Limitations UDT**

Below, key findings of this research with regard to the revenue model UDT have been briefly enumerated. The findings are obtained through the literature review and, in particular, the single case study research with reference to the Property Unit Trust:

- UDTs provide investors mutual interest (share costs, revenues, risks, uncertainties, setbacks etc.);
- UDTs allow you to collect & pool larger amounts of capital;
- UDTs allow you to unite different types of stakeholder (e.g. investor, developer & asset manager);
- UDTs allow you to introduce capital at different times, scheduled or when needed (refinance);
- UDTs are operated & managed by the fund manager, but on behalf of the unit holders;
- UDTs allow investors to develop & manage the whole assets base under one umbrella and throughout its entire development life-cycle;
- UDTs allow investors to sell assets separately without losing the management of the estate;
- UDTs may have trading mechanisms to secure the consistency (mutual interest & replace unit holder);
- UDTs may have trading mechanisms to provide investors some degree of flexibility (liquidity);
- UDTs can have infinite or finite lifespans facilitating either long-term & short-term objectives;
- UDTs are more likely to succeed with like-minded investors;
- UDT termination date brings continuity at risk (when common objectives not have been reached yet);
- UDT investors lose control by sharing interest (share in ownership, more units = more control);

**Section 9.2 Recommendations**

Below the recommendations for further research based on the personal experiences from this research and the encountered limitations of this research:

**More case study research**

This thesis provided learned lesson, levels of inspiration & general conclusions on the single case study research. The single case was selected as pilot case to shed light on a larger class of cases. Prior to this study there was little knowledge about practicable cases to investigate. On the basis of this research one should be better able to select other representative cases to conduct a cross-case study, in order to validate the findings. For the Dutch context I suggest to look for opportunities concerning the Diemen Zuid case study. For the UK context some appropriate case studies would probably be the cases Canary Wharf, Paddington Central and London’s Victoria Circle.

**More attention towards non-office area development projects**

The Chiswick Park project involves a mixed-use scheme, but the development of a business area predominates the nature of this case study. Besides, the Chiswick Park property unit trust has demonstrated that it is possible to structure the PUT in a way you are allowed to sell properties individually, and still keep the area management within single hands. In addition, it is remarkable that the trusts are holding assets to generate capital growth and regular rental income. For that reason it will be valuable to understand if UDTs will work for other urban area development types like residential. Or if it is possible to generate a common paramount objective for these kind of residential developments, for instance would residents pay for urban area management, which can of service
do you provide and what would be the range of service charges, etc. It is equally interesting to find out whether or not such projects are possible for the private sector.

**More attention towards the tax implications for UDTs**

Earlier, an important context-dependent institutional limitation has been illustrated: the tax regimes. Obviously we have comparable revenue models, but the Chiswick Park Unit Trust appears to be a very unique structure and does not occur in practice many times. Yet, there is little understanding what the legal limitations are, since these offshore PUTs are very flexible for tax treatment, regulation, etc. Perhaps the success of the Chiswick Park project could be deduced from its tax benefits and legal structure to attract investors. We should understand these legal structures and tax regime preconditions, in order to suggest how UDT should be created and structured to be implemented in the Dutch UAD-practice.

**More attention towards development partners**

Stanhope explained that their core competences are in line with the long-term development process. They are able to commit for several years to develop large sites. But most development expertise’s have short-term capital life-cycles, and therefore wants to leave long before the long-term capital wants to. They are not interested in collecting long-term income. They are traders not investors. Development partners could do both, develop the large areas with several development phases and also a long-term holder of stabilised assets. It would be valuable to know what the possibilities and limitations are of these development partners. And how they are able to deliver sustainable & feasible projects (in collaboration with other investors).
CHAPTER 10  RESEARCH REFLECTION

This chapter will provide the reflection on my thesis research by elaborating on the scientific & societal relevance, the scientific validity of the research results and a brief reflection on the graduation process with the help of my graduation company CBRE

Section 10.1  Scientific & Societal Relevance

As discussed, practitioners and academics (Agentschap NL & RVOB, 2011; De Graaf, 2011; De Zeeuw, et al., 2011; Heurkens, 2012; Peek, 2012; Van Luin, 2012; Van Rooy, 2011; Vos, et al., 2012; Vreke, 2010) proposed the implementation of new revenue models to be a sound method to make the transition to successful urban development projects. The revenue model ‘Urban Development Trust (UDT)’ could be a multi-functional solution and has been praised in almost all of these documents. But there was little documentation available as well as little understanding about the UDTs.

This research delivered new knowledge through literatures studies discussing the fund real estate industry. This can be regarded as scientific relevant, because it adds new scientific knowledge and better understanding of trust structures used for the real estate sector on object & area level. This was essential to get grip on the enormous amount of PPV variations, in terms of terminology, types, limitations, strategies, roles and the purposes. All, in order to present a theoretical framework wherein the key characteristics and associated principles of the UDT structure have been included. Together with the pilot case study, I was able to explain what sort of trusts are particularly serviceable for the UAD-practice, and to what extent it can facilitate the new suggested business models for successful urban development projects.

These insights have shed light to the applications for the UAD-practice and are also scientifically useful as the bases for further research. However, these findings can still be regarded as preliminary concepts (general lessons & conclusions on business model & revenue model level) and need to be further explained. The single pilot case study did provide useful and relevant lessons, but more case study research will increase the validity and the representativeness of findings. For example, non-office development projects including saleable estates like owner-occupied housing. Or a non-award-winning case study.

The issues like the urgencies for sustainability can be regarded as societal issues as well. For the public interest on national and even on international level, it will be societal relevant to consider these kind of dilemma’s properly. Especially when you consider the extent to which our main user object ‘real estate’ and its surrounding area can improve its sustainability. For example, through energy efficiency, mixed-use, water consumption & waste management, etc. In addition, currently most (sustainable) UAD projects prove to be unfeasible, particularly through the credit crunch. Hence, also for societal reasons new revenue models have been suggested to increase the feasibility and sustainability to be better able to start-up & continue projects.

This research explained to what extent UDTs add value in relation to the UAD-practice. For instance, it may facilitate successful business models by creating feasible projects. More research need to be done in order to determine whether or not new initiatives should use the UDT revenue model to finance their project, because on the basis of a single pilot case study you cannot generalize your findings. However, the research findings can be useful for investors and developers, since it provides a comprehensive overview of the PPVs. In particular, it explains the amount of possibilities of the UDT. They can learn from this research and it will be a form of inspiration, which is so important if the UAD-practice find itself in difficult times. Eventually, step-by-step, it may lead to new initiatives to satisfy the end-user needs.
§ 10.2.1 Research methodolo gies

The research process was quite straight forward, I think each research should have an iterative process. During the research more and more becomes clear, affecting your former findings. Probably you need to go back in order to adapt your statements and continue once again. This thesis had major iterations, due to the complexity of the fund industry and the enormous amount of variants (both in-depth and across the width), I misinterpreted and explained PPV structures incorrectly. I had to rewrite the literature review several times.

For the purpose of this thesis, I also had to make some fundamental choices in terms of strategy. For example, the trade-offs between theory or practice, quantitative or qualitative research and so on. Due to the absence of preliminary concepts (UDT revenue model & successful UAD business model) I have chosen to focus mainly on theory, qualitative, in-depth and project-based research. These strategies are recommendable to deliver the semantics and generate specific in-depth findings which could lead to internal valid causal links. But to validate these findings externally, or generalize these findings, one should conduct broad & more practice oriented research. For instance, conducting a cross-case analysis to check the research results. You will not able to go into more detail like this research did, but it will certainly be scientific worthy. Again, focus on different development types (residential, retail) and include saleable properties.

The research form, exploratory, descriptive and explanatory research was difficult to determine in this thesis, because the scope of the research was quite comprehensive and in some degree I have used all 3 off them.

§ 10.2.2 Conceptual model

To be able to answer the main research question, I first had to elaborate on the concepts business model & revenue model to explain the differences. I choose to use the ‘business model canvas’ of Osterwalder, et al. (2010), which I reviewed as a very serviceable model to explain and to understand how new approaches – which are basically business models – will relate to revenue models. The 4 areas of business or 9 building blocks of a business model canvas highly correlate. So if certain revenue models are applied, this will irrevocably affect the overall business model.

Nevertheless, I should note that my chosen ‘canvas model’ is just one way of explaining the differences between business models and revenue models. Many more have tried to explain how business models work and how these relate to revenue models. Wirtz (2011) provided a comprehensive overview of different approaches applied in theory and practice with respect to the concept business model. I choose to use the ‘canvas model’, because Schouten (2013) used this model as well. His findings were important to make the link between the concepts and the UAD-practice in the first place. Since, his thesis was the only source of literature found that examined both topics. Furthermore, to interconnect both topics, he primarily used the publication of Peek (2012), which is a key source of literature in my thesis as well. In his thesis he turned the Gebiedsontwikkeling 3.0 approach into a business model. For these reasons, I reviewed the canvas model as an appropriate point of departure for my thesis research. Thus, to construct the conceptual model. For further research more business model approaches should be assessed into more detail in order to determine if better models exits to explain the relationship between UAD projects and the UDT.

Moreover, I have chosen to cross-check the concepts business models & revenue models from theory & practice. This conceptual model consist of the following steps: (Ch.4) composing UDT revenue model, (Ch.5) composing a successful UAD business model, (Ch.7) exploring & explaining the case study business model for success & the ChisPUT revenue model, and (Ch.8) cross-checking findings to learn lessons. However, one might want to discuss and reconsider the way in which these canvas models are made up as well as the conceptual model. The way in which I assigned certain characteristics, associated principles or incentives for success to the different building blocks for both the theoretical & analytical framework can be criticized as a procedure involving
subjectivity. All due to the fact, I first had to find out how the business model canvas works and frame its relationship with the UAD-practice. Secondly, I had to interpret what associated principles of the UDT structure are important and also motivate to which building block these elements belong. Finally, I had to do the same for the for the analytical framework (Ch.5). For instance, through interpreting and paralleling the themes for success according to the literature. When I composed the frameworks, especially the one for the UDT, some elements are closely related to another building block. In fact, some seem to overlap multiple blocks, like the elements trading shares, trading mechanism and consistency. All three belonging to a different building block, but cannot be seen separately from one another.

This gives rise to another matter of concern. The building blocks and their underlying ‘associated principles’ or ‘incentives for success’ are not all equally important. Moreover, certain elements appear to be insignificant for answering the research questions and for clearly explaining what the possibilities & limitations of the UDTs for the Dutch UAD-practice are. At least for the Chiswick Park case study. That is exactly why I did not want to exclude these elements from the frameworks, but some elements need to be reconsidered if more case-study research will be conducted.

§ 10.2.3 Literature review (theoretical framework)

The literature study was rather extensive. The conceptual model and the ‘canvas model’ method was fundamental to understand to what extent UDTs could facilitate the other remaining building blocks for a successful business model. Projects are business models as well and PPVs are the revenue models. The urban area and its entire development life-cycle is considered to be the main focus of interest in successful business models for the UAD-practice. I think that these methodical choices will really help the reader to grasp the difference, which will be fundamental to understand my research lessons and conclusions.

During the literature study on the fund industry and in particular the PPVs on object & area level, it became clear that the knowledge gap was even bigger than expected. Referring to the UDT, it was increasingly complex to understand which vehicle type has been suggested by the academics & practitioners to develop urban areas. Since, I encountered so many different property investment vehicles. Besides, the purpose of these vehicles varied substantially as well. First I thought it would be fine to explain some general structures & characteristics, but after I tried to move on towards the case study research it became clear that it was very difficult to select sufficient cases. Even when I tried to unravel the relevant trust structure type for the Chiswick Park project, I had to extend my literature study. With the results that multiple layers had to be reviewed to understand the semantics in terms of alternatives, structures, strategies, purposes and the accompanied characteristics. As well as to grasp the associated principles concerning its overall business model, which will influence the other remaining building blocks in some sense. From a theoretical point of view, I think it was crucial to give a comprehensive overview and, therewith, explain the reader how it works and what the possibilities & limitations are of the UDT. Not to forget the overview can also be useful for further research.

The literature review will help researchers to focus on certain structures or characteristics without having to consult many sources to understand the differences. For example, if you would like to start exploring commingled funds for UAD, without knowing that non-listed property funds, private real estate fund, pooled property fund are synonymises, you probably will not be able to find representative examples. Another example, in first respect Property Unit Trusts, Unit Trusts or Unit Investment Trusts do lookalike because the names are quite equal. If you want to explore one type, for example the PUT, you probably end-up with different cases while you may think they are the same. Obviously you will generate highly invalid findings, because the purpose and structure (e.g. legal) of these vehicle types differ significantly, as well as the levels of governance. I can confirm this, because that is the main reason I found out that the knowledge gap is even bigger than I expected. Repeatedly, I had to complement and rewrite parts of my literature study, because I found out that the descriptions of some main types (which I initially preferred to describe) were incorrect. I mixed up all kind of
types, characteristics & structures. At first glance I interpreted them as equivalent vehicles, but they differed significantly.

Reading the literature review will help readers or researchers to grasp all the capabilities quickly. Therefore, a lot of time could be saved. For instance, to find out if you have selected the right cases for further research. I suggest other researchers try to complete the literature study and make the overview complete. Like, elaborating on the legal structures and the legal applications for the Dutch UAD-practice.

§ 10.2.4 Literature review (analytical framework)

It was important to define success, because success can be regarded as a rather subjective term. Actually, reviewing the leading literature for success was fundamental to provide more insight into the differences between business models & revenue models. The publications used provided new approaches for UAD, and I interpreted these as new business models for success. I had to analyse my key sources of literature to be able to parallel the publications and provide four themes for success. In turn, these are based on their underlying rationales and have been used to drawn up the analytical framework. In this thesis I have called these underlying rationales the incentives for success. I think I have motivated my interpretation sufficiently. Therefore, the theoretical findings can be regarded as reliable, and the frameworks will be appropriate to base my learned lessons and conclusions on. Like explained above, one should be careful when copying these canvas models, do not copy them blindfold. Also reconsider the associated principles and incentives for success, which have been assigned to the building blocks.

§ 10.2.5 Case study research

A single case study research can be characterized by its in-depth analysis, resulting in a very specific and detailed understanding. The findings are internal valid but may lack representativeness. Cross-case studies would be useful to cross-check results for external validity and you may even generalize certain findings.

Initially I would like to interview the lead investor and the fund manager of ChisPUT, because subsidiaries of Schroders fulfilled both roles (Schroders Exempt PUT & Schroder property manager). The roles are responsible for initiating and creating the trust, in this case the a PUT. In collaboration with CBRE I tried to arrange 2 interviews with principals of Schroders responsible for the different positions. However, they were busy and they gave low priority to such interviews. Last-minute, they decided to cancel the interviews.

Alternatives had to come up fast, and fortunately I did had some. In a short notice, I arranged interviews with the owner Blackstone & a fund structure expert at CBRE. Still I had to speak to with one joint promoter at least. In the meantime, I arranged an interview with the estate manager Enjoy-work, which I planned to combine with my site visit. Then I was lucky, because Stanhope did want to help me just within a few days.

I did not know until I spoke with the developer Stanhope that they had to be the key stakeholder to interview. Still, I think it would be useful to conduct the interviews with Schroders, because their roles are important to the PUT. Nevertheless, the research results are internal valid, since Stanhope was one of the joint promoters. So, I did had valuable interviews. For example, the estate manager was important to interview in order to grasp the main selling point of the Chiswick Park project and the reasons for success. Either, the interview with the CBRE fund expert was valuable, because the consultant explained the technicalities of the PPVs and, in particular, the PUT structure rather in-depth. In addition, CBRE, Blackstone & Stanhope provided rather useful unpublished documentation to improve the literature review and case study research.

After all, I obtained in-depth understanding of the project from exploration phase until the area operation phase, which is so important for single case study research. For further research I really would recommend to investigate other cases more broadly, before the Chiswick Park case study will be supplemented with more in-depth knowledge. In addition, there is an important but general remark one should take into account. I studied a case which was highly successful and rewarded for many different aspects. Therefore, it is reasonable to
assume that the research results include some degree of biases, like the confirmation bias. To conclude, I interviewed some employees and site visitors as well, but informally. The obtained findings through these conversations are general impressions of the area. The conversations have not been used to draw lessons from or to base conclusions on, because informal interviews will involve subjectivity.

### Section 10.3 Reflection on process: Graduating with the help of CBRE

My graduation internship at CBRE was useful and very instructive. But time consuming, because I had to do a lot of work that did not relate to my research subject. I knew this in advance, and made a good choice to start in the holidays to catch up some time. I had to work in the evenings and weekends as well. Would I do it again and in the same way? I would answer: definitely yes! Most importantly during my internship at CBRE I have made a complete introduction presentation for internal purposes, wherein I explained the Dutch non-listed real estate market. I continued to insist on getting thesis subject related tasks, and finally I arranged to make this presentation. The personal guidance and feedback provided certain insights, and in-depth knowledge for this thesis research, despite the fact that the presentation was more financially oriented. Nevertheless, I would not be able to acquire this specific & valuable information, if I did not make this presentation. Besides, I was offered the opportunity to combine the bachelors Architecture & Business Administration for the purpose of this thesis.

In general terms, I learned a lot about real estate financing, but more importantly I acquired a lot of unpublished documentation to understand the fund industry a little more better. In addition, CBRE introduced me to some important persons or even arranged interviews for me, like the interview with Blackstone. This was hugely valuable, because most interviewed companies are highly foreclosed organizations. For instance, I am not allowed to publish the interview results of Blackstone. Of course, intrinsically it has contributed to my personal understanding, and thus benefited the quality of this research.
ADVICE

In this section I would like to provide a personal notification of the Urban Development Trust. This notice is intended to serve as a useful guideline for the first steps towards the implementation & deployment of the UDT for the Dutch UAD-practice.

Conceptual Frameworks

As explain, not all ‘associated principles’ or ‘incentives for success’ are equally important. Moreover, certain elements appear to be insignificant on the basis of the conducted Chiswick Park case study. I did not want to exclude these elements from the frameworks, because they will be useful for further research. For example, when conducting a multiple case study research through a cross-case analysis, one should be able to generalize conclusions and to determine whether or not elements should be defined irrelevant and thus excluded. If I may give a brief summary of key elements according to the Chiswick Park case study, I would identify the following elements relevant to understand the possibilities & limitations of the UDT revenue model with regard to the UAD business model for success:

- By means of planning obligations through certain Development Agreements & Section 106 agreements the State can ensure that certain public interests are provided and realized without having to participate in the UDT at all;
- The Civic Society will not be a key partner in the UDT and their interests need to be represented by the State using the aforementioned planning measures;
- The UDT can facilitate the successful business model because it can: facilitate a common objective, perform short- & long-term targets for current & future values, have certain consistency & flexibility measures, develop & manage estates under one umbrella throughout its entire development life-cycle to implement the vision & high standards, pool resources to improve the feasibility, distribute authority at the same time allowing an iterative process, and proportional collect & distribute costs & revenues among its unit holders;
- Other revenue models may facilitate an integral & demand-driven approach as well. The business model determines whether or not these value propositions want to be used to improve the sustainability & feasibility of projects, not the revenue model;
- PPVs for UAD projects can be regarded as long-term and opportunistic investments with specific risks. Therefore, investors will only invest in vehicles with like-minded fund managers & co-investors;

Urban Development Trust Structure

In 0 I discussed various real estate investment vehicles and in particular the pooled property vehicles. When elaborating on these different vehicles it becomes more clear how the UDT vehicle should be structured, according to the literature, and which associated principles are important in relation to the overall business model. As explained, the publication of Peek (2012) is the only source of literature that provides an appropriate case study to clarify where the promising revenue model Gebiedsfonds has been applied in practice. This thesis used this pilot example to conduct a single case study and among other things, to find out how the UDT vehicle has been structured in practice. After comparing the theoretical and practical revenue model concepts, it became clear that PPVs can be structured in various ways almost uniquely customizable. It became clear how important it is to fit the UDT structure to the business model, in order to facilitate the value propositions in the best possible way. There is not one best way to define an UDT structure in advance, but some structural characteristics can be regarded as evident. If I may explain and give an advice of how UDTs should be structured according to some important research findings, I would identify the following characteristics as the obvious choices to structure the UDT. Besides, these structural characteristics will make my research elaborations more usable for UDT promotors, likely a private actor.

First, all UDTs are indirect investment vehicles. Secondly, UDTs tend to be non-listed PPVs. But if we want to get a long-term ownership & management of an urban area and control its entire development life-cycle, one could say it should be a listed vehicle in order to increase the continuity through its infinite lifespan and flexible trading...
mechanisms. Broadly speaking, that will not going to happen, because listed UDTs will have difficulties to raise and maintain capital, due to the many uncertainties spread over a longer period of time. Besides, using an UDT for large opportunistic projects will only succeed if investors have the opportunity to invest in a vehicle with like-minded co-investors. Listed vehicles cannot guarantee like-minded co-investors.

This gives rise to the third and final UDT structural characteristics. Obviously, to ensure like-mindedness among the different investors one should not structure the UDTs as open-ended vehicles. The unlimited issue-redemption mechanism to trade units cannot control the course of unit holders and certainly not their investment philosophy. Therefore, this reasoning is similar to the listed argumentation. Besides, the trading mechanism of closed-ended structures will improve the consistency of the projects. However, closed-ended structures have finite lifespans which be a problem as explained above. Nevertheless, the investors can easily extend the life of these type of structures, by having an unit holder vote for example.

Some other structural characteristics, like the degree of authorization cannot be defined in advance. These structural characteristics will depend primarily on the preferences for capital and tax treatment. Basically, these are legal preferences. The business model will determine which legal preferences are the most important to find the right UDT structure. For instance, choices must be made between creating a LP or rather a PUT, should it be a tax-exempt vehicle or only transparent for income tax, and so forth.

**UDT implementation in the UAD process**

In **CHAPTER 2** I discussed which research methodologies I preferred to use to make this research scientifically valuable and reliable. One I choice I made was between project-based or process-based research. I explained why this thesis should apply a project-based approach, since the business- & revenue model of an entire development life-cycle of an urban area concerns an end-result. After all, it is all about UAD projects. Practically, this means that it is not about ‘how’ activities are carried out, but ‘what’ kind of activities are performed during the project.

We can distinguish different phases in the entire development life-cycle of a projects. These phases are process-based components of an urban development project. To make my research elaborations more usable it would be interesting for the State & Market actors to understand how these process-based components are related to the UDT revenue model in comparison to the UAD project. Based on a figure of Heurkens (2012), I constructed Figure 33, wherein the different development phases are shown and the main activities that are involved in the implementation & operation of an UDT during an UAD project.

These activities are particularly important for the private interests. Local authorities have to use (planning) instruments to safeguard the public interests & civic interests and ensure that these are provided & realized during an UAD project. These instruments are in some sense activities that will play an important role in the UAD process and therefore for the UDT. These have been included in Figure 33 as well. After all, the project & its revenue model cannot roll through the distinct phases of development if no permits are granted. For example, developments should comply with the binding rules or planning obligations to get building permits. These instruments will include conditions to oblige developers to make contributions for the public & civic interest. In addition, I have indicated whether or not these planning instruments are negotiable or non-negotiable.

This public-private relationship is quite similar to the Dutch Concession Model. It is important to note that the realization & operation phase partly overlap each other, because you cannot develop a large urban area at once. Therefore, if certain development phases are completed and properties are delivered the estate management will begin. The Chiswick Park case study proved that the UDT revenue model can be designed to sell properties separately without affecting the overall management of the estates. In this case, they only sold one building, building 8. It may be problematic when multiple properties will be sold, but in order to ensure continuity it will be helpful to have offered this possibility. Besides, the development phases were still not completed when ChisPUT was sold to Blackstone.
Figure 33: Main activities involved in the implementation & operation of an UDT during the different development phases of an UAD project
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APPENDIX A: ABBREVIATIONS

- **ALM**  Asset Liability Management
- **APUTs**  Authorized Property Unit Trusts
- **AUM**  Assets Under Management
- **bv**  besloten vennootschap
- **CEB**  Council of Europe Development Bank
- **ChisPUT**  Chiswick Park Property Unit Trust
- **cv**  Commanditaire Vennootschap
- **EC**  European Committee
- **EIB**  European Investment Bank
- **FBIs**  Fiscale Beleggingsinstelling
- **GP(s)**  General Partner(ship)s
- **HF**  Holding Fund
- **HMRC**  HM Revenue & Customs
- **INREV**  European association for Investors in Non-Listed Real Estate Vehicles
- **IRR**  Internal Rate of Return
- **JESSICA**  Joint European Support for Sustainable Investment in City Areas
- **JPUT**  Jersey Property Unit Trust
- **JV**  Joint Venture
- **LLC & LLP**  Limited Liability Company or Partnership
- **LOI**  Letter of Intent
- **LP(s)**  Limited Partner(ship)s
- **LSPs**  Local Strategic Partnerships
- **Ltd.**  Private Limited Company
- **LTV**  Loan-to-Value
- NAV: Net Asset Value
- nv: naamloze vennootschap
- PLC: Public Limited Company
- PPP: Public-Private Partnership
- PPS: Publiek-Private Samenwerking
- PPV: Pooled Property Vehicle
- PUT: Property Unit Trust
- REIT: Real Estate Investment Trust
- RRP: Richard Rogers Partnership
- RSHP: Rogers Stirk Harbour + Partners
- s106 agreement: Section 106 Agreement
- SF: Structural Fund
- SWFs: Sovereign Wealth Funds
- UAD: Urban Area Development
- UDF: Urban Development Fund
- UDP: Unitary Development Plan
- UDT: Urban Development Trust
- UIT: Unit Investment Trust
- UPUT: Unauthorized Property Unit Trust
- UT: Unit Trust
- vof: vennootschap onder firma
APPENDIX B: STRUCTURE URBAN DEVELOPMENT FUNDS
APPENDIX C: TRANSCRIPT INTERVIEW STANHOPE

Chiswick Park Case Study: the Client Stanhope | 25-11-2013

Interviewer: Boudewijn Stumpel
Interviewee: Henry Williams | Director of Stanhope Plc

Interview duration: The interview lasted for 50 minutes, wherein the four main subjects for successful urban area development related to the urban development trust were discussed. Including additional sub-research question to discuss a subject into more detail.

Chiswick Park was designed around the idea if you make work more pleasurable, it will attract the best employees and therefore attract & help tenants in turn. In my opinion a demand-driven development.

I. Could you briefly elaborate how the concept came into being to develop an urban area, or a working environment, wherein social, environmental & financial interests are represented and aligned? (One could say a community-based development...)

The first thing is that we were able to acquire very large tranche of land in London. 33 acres, is that ten hectares (it is 13 hectares). So that was quite an important piece. It was also a piece of land in an area which is West-London which is a nice part of London, which has nice housing & nice retail. Very limited employment so actually it was the last piece of the jigsaw in a very large mixed-use scheme. Because, as I said, you have the residential & you have the retail. What you didn’t have was the employment in that part of the world, very little anyway. I think by having such a large piece of land you are, obviously, able to dictate your own environment and therefore you’ve got control over that environment. And if you want to set a good standard, you can set it and follow it through by continuing that good standard. In our case we decided we actually make the park open to the public, prior to that the park had been closed for over a hundred years. However, we decided for security reasons it would be nicer and better if people could walk through it any time of day and night. It makes it better for the occupiers, because there’s people around and it just makes it generally safer. That was quite important, we integrated the site into the local community, that was a major starting point for us. We also conducted a number of interviews and meetings with local stakeholders as to what they would like to see.

II. Really listen to the end-user, applying a demand-driven approach?

Well, this was the local community to start with, in terms of, we didn’t want to compete against what is a very good high street, good retail. We said: Look, we’re not going to compete against you in terms of retail. If we put any retail on the park it will only be a very small amount which is required to make the business community happy, but we were encouraging everybody to come on to the high street, and spend their money there during their lunch hours etcetera. Which, I think, has worked very well, because the community at Chiswick has benefitted from the park. The master plan itself we set down, by actually focussing on our occupiers. Who the occupants are going to be, who is our target audience and where is he going to come from? This was a fundamental part of the design of the buildings. We recognised our main occupiers would come from Central London, moving out to the West because we could offer them something they couldn’t have in Central London. Offering larger floor plates. So instead of occupying, let’s say four or five floors, occupiers could settle on one or two floors at Chiswick where communication was better and business was better as a consequence. That was fairly fundamental. We also targeted the industry we thought would be growing at that time. In the late 90s and early 2000s the key industries that time which were growing was TMT which is telecoms, media and technology. Because those companies were growing so fast they didn’t have roots in certain areas and therefore they couldn’t move to a new area in fear of losing staff because they were actually recruiting in such a pace that they just needed floor space in an area which was attractive to their staff. The key decision which was to actually focus on the
shape of the buildings and the size of the buildings. We were very clear what our market was going to be. And in terms of the pricing point, we could work out that to get people to move out of Central London. And it had to be priced appropriately, which in our case seemed to work quite well, because we were building large floor plates building, very simple buildings, building that we could put up very quickly. We were able to contain that price and make it very attractive.

III. In general, to what extent do you think, Stanhope did benefit from the revenue model ChisPUT to develop & implement the enjoy-work concept compared to the traditional models for area development?

Well, I think the key point with the unit trusts is that you are able to get a club of investors to provide moneys and provide more moneys than they would do as individuals. So they were all able to get a piece of the development, at the same time we were able to get our hands on a larger capital sum which enabled us to buy the (rather larger) site and enabled us to initially develop three buildings. Normally you would expect people to just build one building. We were able to make a statement by building two speculatively and one pre-let.

IV. But also including the complete area?

Yes, correct. We were able to put in all the central landscape, so that when the first people arrive there was a sense of place, which was fundamental. And the pre-let was a decision we made to actually pre-let to a gym 4000 square meters, which is a big gym. It also has a public restaurant, café & brasserie. And also, we wanted ‘Regus’ there, which provided a small office tenant with a space. Because we were providing large floor space. And ‘Regus’ would provide the smaller floor space, which was also attractive to our occupiers. They could send advance parties in, they could have swing space using ‘Regus’ rather than take too much space at day one.

V. If you talk about connecting the environmental, social and financial interests, do you think the ‘enjoy work’ concept is crucial for connecting those interests. And therefore the Chiswick park unit trust was ideal to use?

Well, certainly the ‘enjoy work’ brand was and still is a successful brand and has a very clear message on what it is delivering. We obviously used it for marketing to start with, but the key point is we used it to deliver the services on the site, as soon as we started building the first building. So that’s fundamental. It has helped attracting people to the scheme at day one. As well, we found out that the HR directors found it really attractive to retain staff as soon as they moved in. So it’s been beneficial both for us as developers while being hugely beneficial to the occupier, which at the end of the day is the main concern. They found that hugely attractive. As far as the trust is concerned, the trust has more to do with the financing of the scheme as opposed to the branding of the scheme.

VI. Do you think at least the investors or the developers did benefit from that scheme, the unit trust scheme?

Absolutely, the investors benefit because they were able to provide the initial funding and then, as each phase then moved forward, we were able to use the first or second or third phase as collateral to finance the future phasing.

Correct me if I am wrong but Chiswick park seems to have employed an integrated approach for sustainability & spatial quality, which consist of ‘user value, experiential value & future value’. This doesn’t come naturally, because an integral approach has to deal with an long-term development process involving different actors.

VII. To what extent do you think Stanhope did benefit from CHISPUT to carry out & operate the integral approach to create values, instead of using a traditional model for project development?

I think the key part of the unit trust is to have the club of investors, and the investors could, if they wanted to, trade their unit trusts. However, obviously, they didn’t, apart from one, the rest have kept their units right through the end. Until the trust was closed. So they were able to participate in a bigger scheme,
which created value because the more building you are able to put on the park, the greater the value. Because each piece of the jigsaw is put in and the value increased. The key thing is that you are managing it under one umbrella. So you have got one management company which is controlling the whole asset base, as it were, maintaining standards and delivering the enjoy work brand, as we mentioned earlier. In the master planning scheme we designed it in such a way that each individual building could, if need to, be sold of individually and in fact one of the buildings was sold off as a separate development with one of the unit trust members.

VIII. Building 7 I thought?

Building 8. The one with QPC in it. So we pre-let it to QPC and we offered it to all the investors and one of them took it up. But it demonstrated that we actually put in place an unit trust management and legal regime to enable individual buildings to be sold off at any time. But still maintain the overall control of the whole park which in our opinion was fundamental to maintaining standards, not just on the buildings but on the landscaping, on the infrastructure and on the surfaces which we strongly believe is a fundamental part of the success of the project.

IX. Also for creating future value?

I think the other thing, in terms of maintaining that value, is in the terms of the development scheme itself. Whilst the buildings may be slightly different, they are all from the same family and they’re not dated. Quite often when you have phased scheme people, as years go by, change the design because whatever the fashion mode in design is at that time – I could take you to various parks and I could tell you what date that was, or what that was. At Chiswick park we at day one said all the buildings will look very similar, because we think that will add value and I think that has proven to be the case. Because if you go there now you wouldn’t see what was a first phase building, a second or a third. They all look as good as each other. And that’s over ten years!

X. It’s also giving tenants the opportunity to move, without leaving the area. For example, if the woul like to grow?

That’s the description we had. Chiswick Park was meant to be functioning rather like a hotel. Where you can go to a hotel you can have a room for one night, you can have a room for a week, you can have long term lets for a month, you can have a hotel suite. There’s all manner of things you can have in a hotel and this is the way we thought we could run Chiswick park.

In the Netherlands we have traditionally 3 development phases: Land development, property development and the area operation & management. In the UK this is different, but the UK still has different development phases. For example, the responsibilities can shift after project delivery, and the final operation of projects like the public spaces & services can be taken over by local authorities.

However Chiswick has a long-term perspective: connecting different development phases.

XI. To what extent do you think that the project did benefit from CHISPUT, to be able to apply the long-term perspective for developing & operating the Chiswick park area? In comparison to...

I think it’s fundamental you have a plan as to how you develop out. There is a master plan you’re working to, that everyone buys into. I think it’s hugely important that you maintain the high standards that you start with and follow through at the future phases. Quite often you will see some schemes that when the economy drops then the standard of development drops. And maybe picks up later but often it doesn’t and all the hard and good work that has been done in the first phase is lost midway through a longish development period. I think that was a fundamental point, you’ve got to maintain the high standards that you start with.

I think the advantage of using the unit trust was that we could call on our unit members if more money was required and each is only giving a small percentage relating to their unit shareholdings. It doesn’t hit everybody. It’s not one big hit on one particular shareholder. As it happens, we were able to. Since, we were letting of buildings as we were developing and then the asset base was growing each time so you
ended up with a much bigger asset base than where you started from. Had you had individual investors you couldn’t do that, because it hasn’t been held by the same trust and obviously you weren’t able to achieve that objective on its own. I think fundamentally, in terms of the public realm, I think a lot of people don’t realise how important that is in terms of development schemes. But to Chiswick park it’s hugely important that the public realm is maintained at a high level and it will continued to do so. I think anybody who goes there, whether it’s an investor or an occupier actually recognised that, and believes it does make a difference.

Absolutely, I think it could be useful for any form of development. I think the key thing is that the challenge is always going to be, how you get the investors together and agree upon a certain scheme. So that would be the challenge. Also how you get the investors at the end of the day. Do they want to continue with the trust? The challenge of the trust is that it always has an end date. So that I think that’s something you’ve got to look at in the future is how you can control the trust to continue on. Because, obviously, individual investors have different priorities at different times in their lives. The good thing about an unit trust is that you can trade your units if you want to. So if you do want to get out you have an unit value, which you can trade and the trust can continue on. So as a mechanism, it’s a very valuable one and one that could transfer across all various forms of development. The bigger the development, obviously, the easier it would be. I think at the end of the day, it’s all about, a lot of people have some difficulty if they don’t have full control and that stems the individual investors. They aren’t happy until the control has been passed on to a professional manager on their behalf. With, obviously, somebody managing the trust itself, again a professional manager that trust. Once you’ve got those two co-instances in place then I think it could be a very useful way of developing schemes.

You need to share the vision. Not hit-and-run or let-it-forget as we say sometimes!

Sustainable projects often require substantial initial investments and demand for a long-term commitment, both hampered by many uncertainties. Whether a project will be started, is not only about creating a positive balance sheet, but about a justified division of costs and revenues between the stakeholders throughout the entire development process. Keeping in mind this long-term perspective, I would like to know:

To what extent do you think that ChisPUT was able to facilitate the project by fairly distributing the current & future costs, returns & risks among the different stakeholders?

I think on something on a grand scale, where you have a multi-faced scheme, you do have to accept that your returns in the early days may not be as high as they would be in the mid- en long-term, but that you’re investing for the future. Money well spent at day one is obviously going to guarantee a better return later. So I think you’ve got to have a longer term vision on a project and you need to have a very clear business plan. I think it’s certainly something that should be considered. Sustainability, that can cover a whole range of issues. If you are going to have a project which is over a long term then clearly sustainability is going to work in your advantage. I think you should not be building for today’s criteria but for tomorrows criteria or the day after. So you should be taking that longer term view and I think that quite often is where the development industry fails, it takes a short term view and I think the government is the same. They take a short term view rather than long term. It quite often is a disappointment.

Do you think the property unit structure is better than the traditional models to commit them for a longer term and to distribute and justifiably divide the costs & risks?
Yeah, it gives you that chance to actually take a longer term view and therefore you can decide when the return is going to come in. You can actually sit back and say: Well look, I’m taking a ten year decision on this, I’m quite happy for it to come in later.

So you don’t have to split incentive that somebody who invests to create value. Someone else is profiting from it?

That’s correct.

So the unit trust is really crucial to that aspect or that motive. I’ve got some general questions. The joint promoters of Chiswick park choose to use an unit trust model but why did they choose to use such an unit trust and what were the vital principals to choosing it?

At the time it was the quantum of money that was required to buy the site and develop it. It also had been successfully used on an income producing development. It was actually an investment trust that had been used before. From my memory it’s called Foss (shopping) Park in Leicester. That was the first investment trust, I think. The ability to have a trust managed by Schroders was something that we worked with them and other investors to get trust going. So a number of people were interested in the park and what could be developed on the site and also were quite interested in sharing that risk.

So Schroders was the joint promoter to create the trust or did you created the unit trust together?

Yes, they were the lead of the finance party to create the trust. They were a major investor as well.

Can you briefly elaborate on some key legal constraints or policy restrictions that influenced the development project aspects like the integral approach?

I don’t know if anything is too challenging, in terms of setting up the trust, since that was done by Schroder. It was done offshore in Jersey so we had to report to the Jersey manager. All the decisions were formally taken in Jersey but we would write our recommendations to them. It was fairly smooth, I didn’t think there were any issues there legally. It wasn’t too challenging.

In the Netherlands, mostly, we have difficulties to cooperate with the municipality for example, who has an active land development model. Obviously in the UK this isn’t a very large concern or constraint?

No correct, it isn’t!

But something different, how did the development project managed to find a balance between the quality ambitions and the feasibility and affordability aspects and what were the underlying conditions?

In terms of the building costs I think we achieved better value than our competitors. In terms of building time we were building the project within ten months, whereas our competitor at the time was taking 18 months. That was because we sat down on the design and worked out the systems that we thought could improve the build-ability, and the speed of the construction. We also engaged with our trade contractors.

So that they actually contributed to the design and actually felt they were part of the team. It was a good team effort and we ended up with better value, and having better massive time benefits.

So the feasibility and the affordability aspects at the initial stage of the project can be managed because of the long term commitment and the long term perspective they used?

I think that’s down to what we at Stanhope do. That was down to our course of developing.

Do you think if someone decides to choose the unit trust structure, it would be useful to make cost reductions like management and operating costs? Like the economies of scale.

I think the biggest benefit of an unit trust is that you are able to get a larger capital sum of money together on bigger projects. I think that’s where it comes different to the bear. There are obviously different ways to arrange getting finance, and sometimes some investors want to pay for it all. But if they don’t they want to participate in a scheme and this unit trust is the way for it.

Which considerations do investors apply to develop, in this case, areas by pooling their capital? Are investor also prepared to pool their money for other types of development?
I think people are very happy to pool their investments. The question mark is what control do people have.

Quite often, if you’re putting money into something then you want to have 51% therefore you have control.

That’s where the biggest challenge is, getting people to agree that they share the control.

But this project has been a promising project, or at least a pilot project, since its aspirations to develop, operate & manage the total development life-cycle. As well as connecting the different interests:

financial, environmental and social interest. Do you think that investors concern this two development ideologies, or do they only think in terms of returns and how they control their investments?

I think it’s fundamental for them to have their returns otherwise they wouldn’t be in the game so I think that’s important for them. I think control is the next challenge for them. It depends on who it is that you’re talking to. I suppose it’s question of trust, isn’t it? Not the unit trust but the question of trust.

Committing to like-minded investors?

Yeah

Still, it is not clear to me what the added value of unit trusts is. I don’t completely understand how the unit trust structure helps to keep up the ‘enjoy work’ concept alive?

That’s because the ‘enjoy work’ brand is with the management company, which is still alive and the managing company is there to deliver that. In the leases that we granted we agreed that a percentage of the service charge could be used for the ‘enjoy work’ brand elements. For example, they have the various summer concerts, they have various summer sports wherein all the occupiers can participate in. The good thing about it is whenever you talk to people about service charges, they hate paying it. But actually in this instance it is that part of the service charge they don’t have an issue with. Because they can see the benefit of the return they are getting from what they’re paying for. The HR guys really love it because somebody else is doing their job for them by keeping their staff happy and all the good stuff. So that is down in the leases and in the leases it stands for the management company to deliver that ‘enjoy work’ brand so that will go on whether it’s a trust or whoever else decides.

In some traditional models you can easily enable the investor to charge these service costs as well. So you just need to ensure that the complete approach of urban development is right, including the final operating and management phase. Thereby administering the area correctly, to create, maintain & improve the (experiential) values. The unit trust is just a serviceable tool to implement this development scheme. But if I’m right you do not have to use a property unit trust for that, isn’t it?

No, it’s in the lease and management structure.

So another traditional model could also develop an area and sell the different properties separately and just making sure that the services charges for the brand are being collected properly and continuously during its lifetime, in this case the ‘enjoy work’ brand? So using a fund isn’t a critical aspect of the project?

No, just the way you set up earlier.
APPENDIX D: TRANSCRIPT INTERVIEW CBRE

CHISWICK PARK CASE STUDY: SALES CONSULTANT CBRE | 26-11-2013

Interviewer: Boudewijn Stumpel
Interviewee: Graham Barnes | Senior Director of CBRE | London Corporate Finance

Interview duration: The interview lasted for 55 minutes, wherein the four main subjects for successful urban area development related to the urban development trust were discussed. Including additional sub-research question to discuss a subject into more detail.

Chiswick park can be regarded as a demand-driven area development project, wherein environmental, social & financial interests are matched. Some say the formula for success.

I. you explain why fund or trust vehicles, in this case Property Unit Trusts, can be a serviceable revenue model to develop & operate projects wherein environmental, social & financial interests are matched? ... compared to other traditional models?

Fine, now in relation to looking into Chiswick Park specifically, I’d have to refresh my memory because I’m aware of it, I’ve looked in it in the past. But anything I might say towards the generalities of it, one would need to sort of go and refresh the memory so the information is correct and accurate rather than from the memory enhance it’s actually erroneous. I think the starting point of it, is unit trust structures essentially been used, they’re a relatively tax efficient wrap-up. Now, there are all sorts of different unit trust structures that have been used for UK property. Now, the principal ones, are unauthorised unit trust.

II. Offshore or onshore?

These are onshore authorised unit trusts, onshore unauthorised unit trusts and then you can end up with the other unit trusts structures. You see most commonly in the UK would be German, Jersey or Guernsey property unit trusts at the Channel Islands. Actually most commonly those have been Jersey property unit trusts or referred to be J PUTs. The reason that people have used them fundamentally is varying degrees of tax transparency. Obviously that is seen what the people have been looking for in them. Now, if you think about it, and also because these are, with the exception of the authorised onshore unit trusts, generally unregulated vehicles. So they tend to have very limited restrictions of gearing, portfolio etcetera etc..

III. Or measures or restrictions for share trading?

Yes

IV. I thought; at least what I read, was if you have an unauthorised unit trust, you are not able to trade your shares or units with everyone who wants to buy it. So you have to get some restrictions for that?

Well, I mean, because they are. This comes out of the tax treatments. Okay. Because you have different types of unit trusts and different varying degrees of tax transparency, then these require the holders to be of the correct tax characterisation. And if you’re looking to --- take Dutch limited partnerships, you’re probably more familiar with --- then look at those tax characterisations.

There is usually a clause in the transfer mechanism. One of these are absolute impediments to it is transfer to a person who would endanger the fund’s tax status. And therefore the tax status just can impart and be driven by the nature of the underlying investors, or even one of them. So if you look at the UK’s unauthorised unit trusts where they are held and marketed. They are held by investors who are exempt from UK capital gains tax other than by reasons of residence. So basically they’ve got to be, you know, pension funds or similar. Then investors are able to reclaim tax on profits and they trust itself in
exempt of capital gains. That makes a very, very efficient vehicle. But then, of course, you need all of the investors to be at the correct tax characterisation. You can therefore a lot of this thing about restrictions as to who can and who can’t sell by type, tends to be driven out of tax treatment. A lot of this then comes down to: are you looking at this in terms of being a problem in search for the appropriate vehicle? It’s the development of these projects and therefore you want them to be funded in the most appropriate way for the underlying project. Or are you thinking of them in terms of “this is a vehicle for capital of a certain character” to get the most efficient tax exemption access to return through property?

For this type of project I am rather focussing on the former reasoning.

Now, of course, the answer is always actually a combination of the two. But the question does rather depend which end of the streets you’re starting from. So if you were, for example, in the Netherlands, APG, PGGM etcetera. Looking for a vehicle through which to invest in projects of this type, your starting point would be your tax treatment. Whereas if you are the project and you are looking for the most appropriate vehicle through which to be funded you are probably going to start with “Okay, what sort of capital, in terms of the behaviour off the capital in relation to the project is most suitable”. And then turn around and say “Okay, given that we need a sum of capital, what kind of type do we prefer, where might we get it from and what would be the vehicle of choice for a capital of that characteristic”. Now you’re likely to find that the capital of that characteristic, looking for that kind of .... and those kinds of returns, might come from more than one place. You don’t want to choose a vehicle with a tax treatment that limits you, particularly, to one type of capital. I mean, the classic place of this is, you know, if you look at the authorised UK unit trust environment the only event people can invest in that are pension funds. Then you get to the unauthorised types and so it depends on what tax treatment you want out of it, in order to then get the tax treatment you want to the bulk of your capital. That then might restrict who else can take advantage of the units. So you then start looking at why do things like JPUTS work well? And the answer to that is because they tend to be a little bit more flexible. And they are very good vehicles for being able to buy and sell offshore. Particularly because it’s an offshore transfer and their regard as not being inside us, from an UK point of view, so they are free from stamp duty. So that tends to work quite well. The regulation all depends on where it’s managed: is it PUT by AIFM, where is it going to be marketed and that sort of thing. The JPUTs tend to be, from an UK point of view and depending on the detailed structure, transparent for income but opaque for capital taxation. So if you think about it you are effectively having a tax transparent vehicle for incomes -- so that’s pretty good for pension funds, insurance players etcetera. But equally it doesn’t damage the interests of the tax paying investor. However, then they are not transparent for capital taxation so you’re taxed on your investment in that vehicle on your hand. And so you’re subject to your domestic tax regime on your capital size anyway. So, that’d is really quite an useful vehicle type and that’s why those are quite popular.

Now if we’ve look I’m just looking up to depart from remind myself form what kind of vehicle it is.

Chiswick Park Unit Trust is an unauthorised offshore property unit trust.

Okay, so it’s almost certainly a J PUT.

Yes, it is a J PUT

That rings a bell I’d have to say. That would seem to fit within my recollection. And again, without having looked that up first, it does fit what I just said why people would choose that kind of vehicle. Now actually, in terms of the technicalities of it. So if we will think about that: Okay, so there’s a trust vehicle, you can do pretty much what you like, it’s income transparent, capital opaque and that suits quite a lot of sources of capital. Both non-taxpayers and taxpayers. You can transfer the interests offshore. So that’s quite efficient from capital taxation point of view and you can structure it relatively flexibly either to be regulated or unregulated. So if it’s cope with AIFM or not. Which what has to do with the marketing and
management in the nature of the vehicle. And you can also structure it to be regulated or not, depending what sort of capital you wish to appeal to. So all these things begin to look: oo like all these work quite well, don’t they? Now, off course, one of these issues then becomes, is that various people’s tax authorities, sometimes are not all that in emitted of that. So, because they may not be losing out on capital taxation and they are run by UK offshore investors, which are not subject to UK capital taxation. So the fact that the trust vehicle itself is not transparent for capital and you have got an offshore investor, doesn’t actually lose the UK revenue any tax. But, because you can trade the units offshore --- and that vessel to transfer an interest in property is occurring outside of the UK charged attacks --- it loses out on transfer taxes. And they do not like that. There are all sorts of arts.

You used to be able to get a seeding release. So you used to be able to seed an unit trust and not pay stamp duty on the seeding. So off course, what you factually did was transfer it off shore, taking benefits of the seeding relief and off course any change of ownership would occur on trading units in the unit trust. Which basically takes place outside of the transfer tax, which is stamp duty land tax, charge potentially permanently. Which, off course, HMRC is really not happy about. The seeding relief is gone. At least they get it once. There’s always a rumour that they are going to bring in some sort of anti-avoidance that means the transfer units is no longer stamp-duty free. Which, off course, how you would then regulate that or collect it is completely dumbly. Which is why they haven’t done it, but there’s always a rumour going around that someday they’ll bring in some kind of unpleasant withholding tax. That would mean that holding it offshore, and therefore outside of the stamp duty tax charge on transfers, is no longer terribly attractive. Because you are getting hampered on the income on the way through. Now, this has never happened yet, but every year there is a chance they give some stupid speech, somebody goes and speculates that that will be in the package. It has not been yet.

Your comment, in terms of these vehicles in terms of trying to align different types of interest in doing social and environmental.

VIII. We think, at least the academics and practitioners think, that if you join those interests together or join up these interests, you should have a better area, a better functioning area for the current use as well as the future use. What do you think and which role will the trust vehicle play in this concept?

This is really about real estate management. If you look at things like Canary Wharf project or at projects like Chiswick park, wherein you having the control of the properties in single hands, tends to mean you get some kind of unified management of the properties. As opposed to: we have all seen projects in business parks in the past, where each individual building was cast off and sold separately. And you ended up with a kind of management company responsible for the common parts.

But then you will get a scattered & unconnected area with loose, separately managed, properties?

Yes indeed, but everyone is supposed to contribute to the overall costs to manage the estate. Or, at least, someone must have thought about it to prevent that nobody wants to contribute. Off course, nobody wants to contribute to the costs and wants someone else to pay for it etcetera. So this have to be arranged properly and individual estates can be managed as a whole. Now, equally Canary Wharf and Chiswick park both have sold individual buildings out of the estate.

Yes, true. One building in Chiswick park, building 8.

Yes, but it hasn’t been closed yet. There has just been a big sale out of Chiswick park by Blackstone.

X. Off course. But, I’ve spoken to Blackstone as well, and they didn’t have really good reasons or motives to explain why they think that the unit trust structure is particular a good vehicle to invest in, in this case for managing the area operation phase. Why is that, compared to other traditional models, like delivery developments or development partnership?
Develop and sale. Yeah, but I mean, remember that, I don’t think that it’s necessarily out of the nature of the vehicle, but as the strategy of the investors in the first place. If you look at Chiswick park and your aim is to own this in the long term as an unified estate and manage it as an estate, then that’s objective of your capital and you thought then use of the appropriate vehicle that facilitates that strategy.

So you’re saying first choose your business model wisely and that find the right revenue model?

Choose your business model and then choose a vehicle that suits in combination with your business model and the underlying assets and the multiple sources of capital that might be appropriate for that.

And which partners would like to agree upon?

Indeed, related to the capital sources. Whereas if you then turn around and look at a project that has been done through joint venture vehicles, or one of the sort of limited partnership structures or something like that, in order to develop and sell. The fact that you have a strategy that says “develop and sell”. It’s not the vehicle that determines that strategy. This would mean that the strategy then would fitted into the chosen vehicle. I think people shouldn’t get come in like that. Because you then turn around and say “how does the unit trust align that strategy or in this case those interest” If your objective at the start is to align those interests, the unit trust allows you to do so because, apart from anything else, you can have it as a very long term vehicle. It can have infinite life, it doesn’t have to have fixed term or anything like that and people can, provided you get the right kind of structure, like a JPUT, you can transfer the units pretty readily without particularly unpleasant tax implications to the persons trading or for the other investors.

Whereas if you look at say; Dutch limited partnerships, you know, which I once sort of looked at particularly more recently. They tend to have fixed terms, they tend to have quite a lot of pre-emption rights, they have restrictions on what type of tax structure can hold. And then you turn around, and you say well is that essentially a suitable structure for the long term ownership of an estate and its management. That is sympathetic to environmental, whether you talking green here, or if you are talking about the pleasantness of the environment and the attractiveness to tenants to enhance sources of cash flow. That is not all those models that have fixed life, restrictions on trading etcetera, is unlikely to be a long term successful model for the ownership of that kind of asset. Because it got points in which it inherently is likely to break. And how do you get a long term ownership and management of an estate, enhance your area redevelopment and an area management in a vehicle that is going to naturally relatively short term end? And it all tends to fall over. So, I thinks it’s quite important. The characteristics of the unit trusts, that it can be a very long or infinite life. In fact it can trade your interests, the capital can realistically imagine being invested and deciding to exit.

But hold on, we just described something that sounds like a company, haven’t we? A listed property company, you could you do it that way. But than a listed property company have to deal with its development risks, its project finance, and through a long term management. Well that’s not going to work in a listed space, is it? Because, how would you raise the capital for that, concerning the many uncertainties? Well, broadly you wouldn’t. And there were attempts to do that, and of course Canary Wharf started of that way. But they ended up like Songbirds Estate, who was in the listed space. But Songbird only owns part of Canary Wharf group.

Creating a vehicle -- that could be the long term owner and manager -- seems to be an institutionally invested, but for a very long term, project. If you want the management of the estate to be a core part of it! You can also have a look at things like the Paddington’s schemes, which actually be CGN life funds sold out of recently to British land. But that was relatively long term and that had a development partner and development securities. And then the investors were basically the CGN new life funds and the Weaver Group. But I think that the concept there of that was a string of developments projects, creating a series of separable assets, rather than necessarily the long term management of an
Yes, I think so. I actually agree. It’s more like having a new approach and choosing a better strategy, and then you decide which revenue model will suit best, to have a successful project in the end.

However, in the Netherlands we have traditionally three different development phases, these are land development, property development and the area operation and their associated transaction moments.

XIII. So if one wants to integrate these phases as a strategy, you should choose the right vehicle that allows you to do this unhindered, don’t you think? So unit trust allows you to...

You can roll trough, using the right fund or trust structure.

Yes, (inter)connect phases and focus on the long term perspective. I’ve another question regarding this perspective.

To what extent do you think that the project did benefit from a fund structure, to be able to apply the long-term perspective for developing & operating the Chiswick park area in comparison to more traditional models? Like the we discussed the Limited Partnership...

Well, I mean, we’ve talked about that quite a lot. I think we just have tackled a lot of those things. I think a lot of it is about, again, it does facilitate the long term investment capital with its liquidity, which is so important. Now let’s say, you are have to talk to APG or PGGM and they will say we’re long term investors. Okay, do you want to be in funds where effectively you can’t get out of? And the answer is, well no. What we do, we want to have control of it completely, complete control. Or maybe complete control with two or three of us on the outside for a very closely aligned purpose or, like we are trying to do the same thing. So you might find three large or two large Dutch pension funds prepared to go in together, in such a vehicle. Yeah, but that’s quite limiting, isn’t it? Whereas again the limited partnership structures, a lot of the Dutch investors are not terribly keen on them right now because of all the problems they have encountered more recently.

So, we already discussed almost all the key characteristics of the PUT, at least the possible consequences or investor considerations. But concerning sustainability. Like sustainable projects often require substantial initial investments and demand for a long-term commitment, both hampered by many uncertainties. Whether a project will be started, is not only about creating a positive balance sheet, but about a justified division of costs and revenues between the stakeholders throughout the entire development process. Keeping in mind this long-term perspective, I would like to know: To what extent do you think that fund structures are able to facilitate these kind of long-term project by fairly distributing the current & future costs, returns & risks among the different stakeholders. Again in comparison to more traditional models?

Well, off course the problem with any kind of fund structure or any unitised structure, is that generally there are exceptions, unit or share classes and all sort of things. But generally they all are about equally participating and sharing in both the risks and the upsides. So then, trying to talk about how one fairly shares, in tends to be the almost extra fund structuring. Like extra services or structuring outside of the fund. Because when you then turn around and if you’re in you’re in essentially having passive capital, you then have the role of management and then you have the asset management or development management expertise. So you then turn around and say, okay well how is that going to be rewarded?

What are the metrics, what will be the measurements for fairly sharing? A long term arrangement does make life very difficult. Especially when you have distinct phases of risk and different sources of expertise. Particularly as the sort of as you would turn around and would say: well look we want the development expertise to be co-invested. Development expertise tends to want to recycle its capital (short-term perspective) and therefore wants to leave long before the long term capital does. Because as their interest is not more interested in collecting the long term income. Whereas often the development capital isn’t. All the development expertise isn’t and they want to develop and move on. They are essentially traders not investors.
Now it’s interesting, because seeing quite a lot of large scale development happening in the UK, where the development partner is a REIT. Well look at land securities for example. Who are doing a master planning redevelopment of Victoria. The Victoria district Central London. And that is in a joint venture. With CPPIB (Canada Pension Plan Investment Board). Now, I don’t know what the legal structure of that joint venture vehicle is. So that will be in the land securities report of accounts. So I don’t have a look at that. Because what you then would have, you turn around and say: well how do you fairly distribute the risks and rewards? Well actually, you’ve got the development partner who is also a long term investor in properties. So, they are not only a development partner but they are also a long term holder of stabilised assets. Now, that is an interesting combination for a long term plan. Because what you are then doing is you, this will ring bells to things we have discussed already. You are actually aligning the fundamental interests of the parties. But if you turn around and say: I want it to be long term, I want it stabilised, I want it to be unified through the process. Then you look at the different parties to it and say: yeah, that guy has got no interest in the long term. He is not going to naturally fit as your partner in that program. Now, the only other way you can do that is by having, even if you are co-invested, some kind of exit mechanism built into the structure. So therefore, you know, maybe you have a formula-driven purchase of units. Or something like that. Or you might find the capital goes into the project through an unit trust. You might find there is a big (development) vehicle below that which has a different mechanism whereby you commingle the long term investment by using the shorter term to get in the game development capital, coming from your development partner. So what you are then doing, you turn around and say: I’m using the unit trust vehicle as a root for long term capital into the project, that can hold it long term. But you’re actually putting the development into a vehicle that has a different characteristic. That allows different sources of capital to be introduced and to be bought out at an appropriate time. And then you down to commercial transaction as to how you do that, how you commercially split the risks & rewards. You might find there is a big (development) vehicle below that which has a different mechanism whereby you commingle the long term investment by using the shorter term to get in the game development capital, coming from your development partner. So what you are then doing, you turn around and say: I’m using the unit trust vehicle as a root for long term capital into the project, that can hold it long term. But a single fund structure vehicle is not going to achieve that for you. There, you have to put layers all in, well in the same as you do with tax efficiency on the holding companies, where you can introduce or let’s say you can have debt financing in there as well or perhaps. You need to have different layers of vehicles in there. You also, even in the ordinary development process probably want to have limited liability partnerships or something like that in the structure to provide cut offs in terms of environmental risks and thinks like that. Which can sometimes be unlimited on the holders so you want some kind of limited liability vehicle in between them too. So whether that’s for funding or whether it’s for limited liability on other risks or whatever you have those kinds of things in there anyway. So you then turn around and say: While that also provides you an opportunity to have different flavours of capital to all the different phases of the projects. While still actually fundamentally the bulk of money coming from long term investors of the long term project.

So to make it more feasible and affordable in the beginning you should create different layers? Because sustainable projects tend to be unattractive or unfeasible at the initial stage due to substantial costs involved to start these kind of projects.

Well exactly, a lot of this rather depends on who are the sponsors behind this? And at what point are they introducing the capital, on what point are they active or functional sponsors as opposed to relatively passive capital? Who is involved at what stage? You may wish to actually bring the project reasonably far down let say the side assembly, some of the outlined planning etcetera. Before you seek to bring in the bulk of capital.

Yeah, but I was wondering, if you talk about a lot of investors meeting their same objectives. Who is the first company who promotes or is the joint promoter of the trust structure? The one initiated it, or does he seek the investors beforehand or does he just designs the trust and where after he collects the investors? If one thinks about the unit trust, it should have a board of trustees and someone has to initially appoint them. Doesn’t it?
When people are raising funds, whether it’s this kind of project or anything else, they can go down the root, if you set everything up, and then you go and ask capital to invest. But that’s a very retail model. There’s a product do you want to buy it. ‘Is it a tin of beans or is it an investment?’ Whereas our experience, certainly corporate, is this fund is looking at trying to do institutional fundraising. You might have a reasonably well worked up desire of how this is going to work. But you probably wouldn’t go to the level of having set everything up to all the legal documentation in place, put all structures in place and then go and seek capital. Because investors will say: the capital, or a significant element of it, or whatever the size, well that’s all is really interesting, but we would really rather would like it is done like this. If you want the money you may want to meet their requirements. So whereas one might have worked the idea up along way, you might not actually done that, to put it all in place, before you go and have those conversations.

I don’t quite understand how Schroders managed to meet the different objectives and requirements of the different investors during this fund creation process. How did they managed to collect and align different investors interests?

That’s the art in inverting comments of fundraising. A capital placement function, whether it’s in house or whether it’s a paid-for service, such as the one we provide. Many others likewise. Part of their expertise is to advise the sponsors as best they can on what is likely to work in the current environment. And then equally to conduct those discussions with potential sources of capital. And then it becomes a sort of iterative process.

Who does appoints the trustees of the board in this case the property unit trust?

The corporate governance sometimes has a number of layers. Because you start off as an offshore unit trust, you then usually have a business plan etcetera, and you appointed a manager to look after it. If you see investors start taking an active role in the management of the vehicle, then you tend to mess up the tax treatment (not these offshore) Because they tend not to be resident in the right place. The appointment of the trustees tends to be an collection of, tax suitable, on their experience of local residents, and to make sure that the investors interests are being looked after. Even in accordance with the pace of memorandum and the express strategy and all the rest of it. And then you have to oversee the activities of the manager in accordance with that strategy. And then you might have an advisory board or an advisory committee, or some to that wording, of the investors to consult on significant issues, not to manage the trust. Now the appointment of the board of trustees tends to rest with the sponsor of the vehicle in the first place. But if the sponsor doesn’t appoint people proven that the capital is going to be happy with them, they won’t get the money.

So indeed, I understand. An clear and important iterative process to gain capital in the first place.

Exactly!

That’s good to know. Because, in the first place I just thought one initial investor will set up the trust and he appoints the board of trustees of that particular fund, and subsequently the board of appointed trustees will contract a fund manager, and the fund manager will set up the actual vehicle, and afterwards when the vehicle has been set up, the other investors will be collected and asked to invest capital.

It isn’t that simple is it?

Correct, it’s more iterative than that, because the project sponsor maybe only one party, or maybe a number of parties acting together, want to undertake all those functions. But the idea that they will have to set the vehicle up and appoint the board of trustees and then go to the investors and say: here it is, buy it or leave it: is a very high-risk approach. Because you could have spent millions on putting this in place and they are saying: “Well, that’s fine but I can’t buy that kind of structure now. Or, it’s fine but I don’t want to do it in that kind of structure, because, actually, I want to do all of it.” For example, PGGM says: “I want to do, I really like this. But it’s a billion Euros and I’d rather own all of that rather than going with someone else.” If I want to own all of it I don’t want it through offshore unit trusts.
XX. So, initially, in some way you have consultations with the investors, you might think they are potentially interested in this vehicle?

XXI. But do you think that it would be interesting to structure the trust as being close-ended or open-ended?

XXII. Isn’t that inconsistent with the Chiswick Park concept?

Blackstone is an opportunity investor. Inherently what they are going to do is buy something they think is cheap and sell it when they think it’s not cheap anymore. It’s not what everybody does. Some people, PGGM, APG, will use those strategies. But fundamentally they need to have their capital deployed in long term income producing assets, since they are Pension funds. They need income to pay the pensions. So, they are much more sensitive to a long term sustainable structure than Blackstone is, who are interested in: is it a good project, is the price right, can I sell it when it’s no longer cheap? And structure or vehicle to invest whatsoever, apart from that, they don’t care.

So, they will just sell the unit trust whenever they think the moment is right, without considering other interests or to suffice some sort of common paramount objective?

Exactly, they really don’t care. So as long as the structure doesn’t make it unsalable for them, they don’t care what it is.

Yes, I already thought so, because I had the impression he did not understand my way of thinking, caused by his way of thinking. The key aspects he mentioned were almost all related to investment considerations rather than to think about the end-users. However, he did also make the transition between good or proper area development arises from the company’s business plan. Like it’s really important to manage you investment strategy and considerations carefully to obtain success.

XXIII. So, also in response to this conversation, this is something to remember don’t you think?

They are thinking about it from the opportunity. Now we more thinking about it with which vehicle certain other objectives can be achieved. You’re approaching this from the opposite end of the street. And I suspect an element to which they are going to say: I don’t understand why you think about it like this. Because it’s not their mind-set. Their objectives and yours are kind of fundamentally different.