Public-private partnership practice in times of crises
A case study of successful approaches for spatial development projects
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Abstract

**Introduction:** Ever since the inception of the Fourth Memorandum Spatial Planning Extra, spatial development by the means of public-private partnerships (PPPs) is encouraged. A characteristic of PPPs is the sharing of risks between public and private parties. Hence, PPPs should be robust development vehicles, especially so in times of crises. However, during the crises which started in 2008, some PPPs discontinued their partnership, thereby eliminating the potential benefits of PPPs. Therefore, this article provides insight into mechanisms and practices of joint venture PPPs which could sustain and could not sustain a cooperative continuity during the economic and financial crises. Specifically joint ventures are chosen, since these PPPs are considered to be the most close and intense form of PPPs.

**Methods:** Three case studies were conducted, namely the spatial development projects of Hoog Dalem in Gorinchem, the Spoorzone 013 in Tilburg and the Schieveste in Schiedam. The development projects of Hoog Dalem and the Spoorzone 013 could sustain their cooperative continuity, contrary to the development project of the Schieveste. The case studies were based on five themes namely the flexibility of building programmes and the project’s phasing, clarity of the project’s and actors’ performances, clarity of actors’ financial positions and the importance of monitoring processes.

**Results:** The cases of Hoog Dalem and the Spoorzone 013 effectively deployed flexibility with regard to their building programmes and phasing in order to align the spatial development to the changing market. The development of the Schieveste was plan-led and did not cater for flexibility, nor were there monitoring processes in place. The flexibility as provided by the cases of Hoog Dalem and the Spoorzone 013 was organic in nature, based on design increments and directed by a development framework capturing the ‘common thread’ of the development. This organic incremental development and decision-making was informed by monitoring processes regarding market demand. Clarity of actors’ financial positions appeared to be of no importance for both the successful cases as well as the unsuccessful case.

**Conclusion:** Organic development based on design increments directed by a general development framework and informed by market monitoring processes were successful approaches to PPP-practice in times of crises.

**Keywords:** public-private partnerships, joint ventures, spatial development, organic development,
shared between public and private parties. The joint venture model can be considered to be the pinnacle of public-private cooperation since, by applying this model, the public and private parties set up a joint undertaking responsible for the spatial development. Usually, the cooperation’s scope entails the land exploitation. However, the exploitation of the realised buildings can be ranged under the scope of the joint venture PPP as well. Since risks are shared and parties with different expertise closely work together in order to get the spatial development realised, one might argue that PPPs ought to be robust development vehicles. However, the occurrence of the economic and financial crises, which started in 2008, has led to some PPPs discontinuing their partnership, rearranging the complete risk of and the responsibility for the spatial development completely back to the involved municipality. Given the earlier mentioned advantages of PPPs, this can be undesirable. Moreover, rearranging the complete risk of the development back to the involved municipality can be societally undesirable too, especially so in times of crises.

Therefore, the aim of this article is to give insight into mechanisms and practices of joint venture PPPs which could sustain and could not sustain a cooperative continuity during the economic and financial crises. Through case studies, both successful as well as unsuccessful joint venture PPPs and their development projects were analysed in order to meet this aim. Based on this research, recommendations are made for future crises-robust PPP-practice. The case studies particularly describe and elucidate five themes:

i. Flexibility of building programmes;
ii. Flexibility of the project’s phasing;
iii. Clarity of the project’s and actors’ performances;
iv. Clarity of actors’ financial positions;
v. The importance of monitoring processes.

These themes are common throughout the PPP-literature regarding spatial development, and are usually believed to contribute to successful PPP-performance in the field of spatial development.

Paragraph 3 will elaborate more on the methodology of this research. Subsequently, paragraphs 4, 5 and 6 do entail the case studies of the development projects of Hoog Dalem, the Spoorzone 013 and the Schieveste respectively. Paragraph 7 provides a cross case analysis of the three cases and provides recommendations for future PPP-practice. Paragraphs 8 and 9 finalise this article by discussing this article’s findings and by drawing conclusions.

2. Theoretical background

Generally, the notion of a successful PPP is not often the main topic within scientific literature. Usually, a pragmatic stance is adhered to, i.e., a PPP is considered to be successful in case that particular PPP delivers a certain spatial product, see, e.g., Van der Meij et al. (2000), Van den Hof (2006), Edelenbos & Teisman (2008) and Van der Veen & Korthals Altes (2011a; 2011b; 2012). In general, this reverts to the reason why a PPP was established in the first place. In order to get this spatial product realised and delivered, sharing takes place regarding costs, benefits, risks and guardianship, based on an alignment of interests, see and Edelenbos & Teisman (2008).

Earlier contributions have put emphasis on factors which have an effect on a PPP’s success. Flexibility is a common theme, particularly regarding the project’s phasing and building programme, see, e.g., Bavay (1997) and Sagalyn (2007). Clarity is a common theme as well, regarding the spatial product’s
requirements and performances, as well as the desired performances of the involved parties (Priemus, 2002; Van den Hof, 2006; Edelenbos & Teisman, 2008). Also clarity with respect to actors’ financial health is underscored by the scientific literature (Sagalyn, 2007; Napoli, 2015).

The aforementioned aspects are reflected by the five themes which are mentioned in the introduction and which will structure the case studies.

This research contributes to the existing body of scientific literature by testing these PPP-success factors within the context of the latest financial and economic crises, *i.e.*, whether or not these commonly adhered to success factors still hold in current PPP-practice. Furthermore, a new success factor is added, namely the importance of monitoring processes throughout the development’s timespan. Hence, this contributions tests regularly endorsed stances towards PPP-practice, and is suggests and tests a new potential success factor.

3. Methodology

As mentioned before, in order to shed light upon the five themes as presented above, case studies were conducted. These case studies consisted of interviews with respondents from both the public as well as the private side of the joint venture PPP. Furthermore, publicly available written material – such as local newspapers and municipal documents – were studied as well. Three cases were selected for the case studies. These cases being the development projects of Hoog Dalem in the municipality of Gorinchem, the Spoorzone 013 in the municipality of Tilburg, and the Schieveste in the municipality of Schiedam. The development projects of Hoog Dalem and the Spoorzone 013 were able to sustain their cooperative continuity during the financial and economic crises, whereas the joint venture PPP aimed at realising the Schieveste project discontinued their partnership. By comparing both these successful and less successful cooperation examples, light is shed upon, and insight is given in the five themes as mentioned in the introduction. Furthermore, the effect of the themes is described regarding the cooperative continuity of the joint venture PPPs. Table 1, presented after the case studies, will provide a concise overview of the case studies’ findings with respect to the five themes.

4. Hoog Dalem

The greenfield development project of Hoog Dalem was realised through a commandite land exploitation company which consisted of the municipality of Gorinchem and two private developers. The private parties would develop and exploit the buildings. On roughly 100 hectares, dwellings, schools and a shopping centre were planned. The land exploitation company sustained its cooperative continuity during the financial and economic crises.

4.1 Case study of Hoog Dalem

During the financial and economic crises, the building programme of the Hoog Dalem project did change, most remarkably due to the cancellation of the development of social housing in the area. The flexibility of the building programme played an important role regarding the cooperative continuity of the joint venture. The flexibility of the building programme allowed to re-align the programmatic departure point to the dynamics of the real estate market. This flexibility was not planned, *i.e.*, there was no set of building programmes available based on market scenarios. Rather, the initially drafted building programme – as part of a wider urban master plan – served as a starting point for dialogue and discussion. Hence,
the design process was sustained, rather than a neoclassical and planned approach which separates the design phase from the implementation and realisation phases (Macneil, 1978; Macneil, 1983, De Bruijn et al., 2010; Van der Veen & Korthals Altes, 2012).

The turn-over rate of the cv Hoog Dalem lowered considerably, hence, the initially stipulated phasing could not be sustained. The project’s turn-over rate was completely demand-driven. In order to cope with this decrease in market demand, the development of Hoog Dalem continued through incremental, i.e., organic, development and delivery of small functional urban subdivisions. Through this organic development, a certain turn-over rate could be sustained.

An important aspect was the clarity of the project’s performances. These should capture the ‘common thread’ of the development. Regarding the development of Hoog Dalem, the importance of a development framework was underlined, consisting of general land-use plans, spatial quality plans and an urban master plan containing a building programme and a land exploitation. The general nature of the development framework provided room for flexibility, whereas at the same time, sufficient guidance and anchorage was provided in order to robustly direct the organic and incremental development with respect to the desired identity and atmosphere of the development. Furthermore, the actors’ performances were clarified through a clear distinction of roles. These roles unfolded themselves naturally because of the intrinsically different nature of private and public parties.

With respect to the development of Hoog Dalem through the efforts of the cv Hoog Dalem, no clarity was provided during the timespan of the cooperation regarding actors’ financial positions. Solely at the start of the cooperation, parent company guarantees were provided. From that point onwards, no explicit and open communications took place covering actors’ financial health.

The joint venture PPP aimed at realising Hoog Dalem put emphasis on monitoring processes, particularly regarding the market demand and the building programme. Furthermore, the spatial development was monitored.
regarding the land exploitation and the spatial quality framework, other competing development projects as well as their phasing. These monitoring processes allowed the actors involved in the joint venture to assess the actual spatial realisation against the desired ‘common thread’ of the development and hence resulted in a certain agreed upon level of development, both qualitatively as well as quantitatively.

4.2 Conclusions of Hoog Dalem’s case study

The case study of the development of Hoog Dalem has shown that adjusting to the change in market demand during the crises is of crucial importance in order to sustain cooperative continuity. This is catered for by stipulating a clear and general development framework. Plan-led development is avoided, rather, the general development framework guides the needed organic development in order to cope with the changed market circumstances. The organic development entails developing the area based on small design increments, informed through the monitoring processes and guided by the aforementioned development framework. Remarkably, clarity regarding actors’ financial positions was of no importance.

5. Spoorzone 013

The location of the development area of the Spoorzone 013 is located in the inner city of Tilburg. Given the size and complexity of the development, the municipality put out a tender in order to involve private parties in the development process. Eventually a developer was selected which entered into a land exploitation company together with the municipality. Furthermore, this developer had the right to develop 50 percent of the area. The other 50 percent could be developed by other parties as well. The development site had a significant amount of urban historical heritage, which was redeveloped alongside the development of dwellings and offices. The developer and the municipality of Tilburg sustained their cooperative continuity during the crises.
5.1 Case study of the Spoorzone 013

The public and private party involved in the land exploitation company emphasised that the drafted urban master plan was not set in stone. Yearly recalibrations and redefinitions of the land exploitation and the building programmes provided flexibility throughout the development process. Monitoring processes with regard to market demand informed the decision-making processes concerning the recalibrations. Furthermore, the urban master plan provided a robust basis and vision in order to guide these recalibrations.

A certain phasing of the development was agreed upon, however, the land exploitation company could not adhere to this phasing because of the financial and economic crises. Monitoring processes allowed to gain insight in desired differentiation and volumes. Hence, flexibility was deployed in order to effectively develop according to the current market demand and to align the building programme to a certain phasing. Once again, the importance of a strategic document, e.g., the urban master plan in this case, was underlined in order to safeguard the ‘common thread’ and direction of the development.

This strategic and frame-setting document is important to communicate and stipulate the project’s performances. Actor’s performances were clearly related to the performances of the project, taking into account the different values and expertise of the involved public and private parties.

Parties did not explicitly communicate their financial positions throughout the development process. Solely at the start of the development, the involved private party had to provide financial guarantees. Furthermore, the contractual structure of the joint venture could not be altered because of changes in actors’ financial positions.

As mentioned before, monitoring processes played an important role, particularly regarding market development, the project’s turn-over and delivery. Furthermore, the city of Tilburg was monitored as a whole, as well as some local societal aspects. The monitoring processes allowed to effectively adjust the spatial development to the market reality. As previously mentioned, this was conducted through redefinitions of the land exploitation and the building programmes.

5.2 Conclusions of the Spoorzone 013’s case study

The findings of the case study of the development of the Spoorzone 013 in Tilburg are generally in line with the findings of the case study of Hoog Dalem. Flexibility was needed and deployed, both regarding the building programmes and the project’s phasing. Once again, the value of a strategic document, i.e., a development framework, was underlined in order to robustly guide the recalibrations and redefinitions of the building programme and the development’s phasing. Also the value of monitoring processes was underscored, so that the decision-making processes could be solidly informed, thus leading to the most effective spatial realisation in accordance with the applicable market demand.

6. Schieveste

The development of the Schieveste was initiated at the end of the 1990s. The Schieveste is a ‘node location’ due to its central position in the city of Schiedam, and the accessibility both by public transport as well as by car. From the 1990s onwards, the development of node locations as well as large integral development projects gained popularity. A mixed building programme was envisioned, with a major share of offices.
The municipality of Schiedam entered into a land exploitation company with a constructor. The serviced land would be supplied to the constructor in order to get realised. The partnership between the constructor and the municipality could not sustain its cooperative continuity during the crises.

6.1 Case study of the Schieveste

During the partnership of the municipality and the developer, the building programme of the Schieveste did not change, hence, no flexibility was deployed nor envisioned. An urban master plan was drafted, but this plan was not solidly based on market consultations, thus, the envisioned development was not viable. Because of the misalignment with the market demand at hand, end-users could hardly be found.

The turn-over rate of the project decreased substantially due to the absence of market demand. The project’s phasing was not feasible, just like the envisioned building programme. Furthermore, this phasing was plan-led, i.e., not based on development increments.

The urban master plan of the development of the Schieveste provided quality standards for the project’s performance. However, there was no updated land-use plan in place, so legal certainty could not be provided. At the same time, the actors’ performances were not clear, particularly regarding the role of the involved private party.

It cannot be unravelled whether or not the private party communicated its financial position at the start of the cooperation. During the partnership between the municipality and the constructor, no financial positions were communicated, since the private party’s financial resources were not particularly problematic. However, the contractual structure of the joint venture could not be altered in case a party would have had difficulties with regard to its financial resources.

Robust monitoring processes were lacking with respect to the development of the Schieveste. The envisioned development was not based on market consultations. Moreover, market developments were not monitored. Hence, a feasible alignment between the building programmes and the land exploitation with the market demand could not be attained.
6.2 Conclusions of the Schieveste’s case study

The findings of the case study of the Schieveste are considerably different from the findings of the case studies of Hoog Dalem and the Spoorzone 013. Most remarkably, is the absence of robust market consultations and other monitoring processes. Because of this, an unfeasible building programme and phasing were stipulated and subsequently adhered to.

The latter in the most literal sense of the word. Flexibility was not catered for, parties adhered to the urban master plan and did not aim or try to change the substantial plan content. The development can be considered to be plan-led. Ultimately, this accrued too much misalignment between the envisioned spatial development and the market reality, eventually leading to the discontinuation of the partnership between the constructor and the municipality of Schiedam.

7. Cross case analysis

When comparing the case studies of Hoog Dalem, the Spoorzone 013 and the Schieveste, one can generally conclude that the 5 postulated themes do appear to apply, and do appear to contribute to successful PPP-practice. See table number 1 for a concise overview of the five themes and the three cases.

The cases which effectively deployed flexibility regarding the building programmes and the project’s phasing were able to sustain their cooperation throughout the crises, whereas the case of the Schieveste did not deploy or cater for flexibility regarding these aspects. The flexibility was deployed in an organic manner, i.e., through small design increments and yearly recalibrations of the land exploitation and building programme. This is in accordance with contributions of, e.g., Sagalyn (2007), Van der Veen & Korthals Altes (2012) and Jansen (2015). Furthermore, this process of organic development and decision-making was informed by monitoring processes with regard to market development.

Furthermore, it is notable that both the cases which were able to sustain their cooperative continuity, have put effort in, and emphasis on, a clear development framework. This is in line with the contributions of Bavay (1997), Van der Meij et al. (2000), Priemus (2007), Edelenbos & Teisman (2008), Van der Veen & Korthals Altes (2011; 2012) and Zanon & Verones (2013). Both the cases which sustained their cooperation have shown that such a framework should be general and strategic in nature, providing guidance and anchorage for the deployment of flexibility by clearly stipulating the ‘common thread’ and the desired direction and nature of the spatial development. Furthermore, given the intrinsically different nature of public and private parties, clarity regarding parties’ roles appeared to be important. This was underlined in the Schieveste case since parties were not certain of their role, particularly with respect to the role of the constructor.

The importance of clarity regarding actors’ financial position is not endorsed by the case studies. During the development timespan, there were no clear communication mechanisms regarding actors’ financial health, nor in the successful cases, neither in the unsuccessful case.
The case studies have shown that monitoring processes are of crucial importance in order to effectively align the spatial development to the market reality at hand. Monitoring processes allow to measure the actual spatial delivery to the desired direction and nature of the development. Furthermore, monitoring...
market demand provides crucially important input to the organic decision-making processes when flexibility is deployed. Most strikingly, is the absence of proper monitoring processes in the case of the Schieveste. Ultimately leading to a severe misalignment between the spatial plan content and the demands of the market.

8. Discussion

The findings of the case studies are chiefly in line with the presented themes which were believed to describe successful PPP-practice. Surely, the case studies solely entailed three cases, which limits the validity of this study’s findings. Nonetheless, the findings of this study – particularly regarding the value of the development framework and organic incremental development – are explicitly supported by other scientific contributions too.

Furthermore, the case study method has its shortcomings too. The method depends heavily on the input provided by the interviewed respondents. The start of the financial and economic crises is already roughly ten years ago, thus, it is likely that the respondents do not have a complete overview anymore of the events and strategies applied in order to cope with the impacts of the crises. Besides, the respondents only had a limited amount of time available for the interviews.

However, per case, two interviews were conducted, as well as an analysis of the publicly available written material. Hence, effort is put in in order to capture as much information as possible, thereby aiming at an increase of the validity of the case studies’ findings.

Another important aspect to note is the presumption that a PPP is successful if that PPP ensures its cooperative continuity. Clearly, this should not always be the case. If a PPP-cooperation is not able to deliver spatial development, or if the cooperation is unable to develop in a flexible manner, then it might be a better option to cease the partnership. After all, the cooperative continuity of a PPP should not become an end in itself. Rather, the aim of the PPP should be to realise spatial development. If this aim cannot be attained then ceasing the partnership might be a better option.

9. Conclusions and recommendations

It can be concluded – taking into consideration the discussion in paragraph 8 – that four of the five stipulated successful themes and mechanisms – i.e., flexibility of building programmes, flexibility of the project’s phasing, clarity of the project’s and actors’ performances and the importance of monitoring processes – are endorsed by the empirical case study research of the development projects of Hoog Dalem, the Spoorzone 013 and the Schieveste. Organic and incremental development based on small design increments, and guided by a general development framework, and informed by monitoring processes based on market demand was a distinctive approach of the joint ventures which could sustain their cooperative continuity during the economic and financial crises, i.e., the cases of Hoog Dalem and the Spoorzone 013. On the contrary, the joint venture of the Schieveste could not sustain its cooperative continuity. This case can be characterised by a plan-led approach, without sufficient underpinning through monitoring processes. Hence, no flexibility was deployed and the spatial development could thus not be aligned to the changed market circumstances.

It is therefore recommended that future joint ventures PPPs elaborate on a robust development framework which is general in nature in order to provide room for flexibility but at the same time provides sufficient guidance and anchorage in order to direct and guide the flexible organic development process. Hence, plan-led
development approached ought to be avoided. The flexibility should be applied to the building programmes and the accompanying land exploitation.

Furthermore, it is recommended that joint ventures base their development on market consultations. By doing so, potential misalignment between the actual spatial delivery and the current market demand can be detected and subsequently addressed.

From a scientific perspective, it is worthwhile to conduct further research to the crucial concepts of this study’s findings, i.e., organic development, a development framework, and monitoring processes. Subsequent research can further elucidate these aspects by defining these concepts, by describing how the organic development is established, structured and deployed. The same holds for the development framework. Here further insights can be gained regarding the actual scope, contents and level of detail. Also with regard to the monitoring processes, further insights can be gained regarding which mechanisms should be monitored. Lastly, the relations between and cohesion of these three aspects – organic development, development frameworks and monitoring processes – remain an important aspect to devote further studies to.

References


