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INTRODUCTION

Why are new approaches for Urban Area Development (UAD) so important?
INTRODUCTION

Why do Urban Area Development (UAD) fail?

Sustainability

Feasibility
INTRODUCTION

*Shrinking City: Detroit

*Globalisation: Silicon Valley

*Climate change/energy consumption: Mexico City

*Urban Decay: London, Robin Hood Gardens Mexico City
INTRODUCTION

WE CANNOT SOLVE OUR PROBLEMS WITH THE SAME THINKING WE USED WHEN WE CREATED THEM

-Albert Einstein
INTRODUCTION

Context Dutch Urban Area Development


- *De Zeeuw, Franzen, & Van Rheenen* (2011) *Gebiedsontwikkeling in een andere realiteit*

- *De Graaf* (2011) *Investeren in de ruimte*

- *De Zeeuw* (2007) *De engel uit het marmer*

- *Heurkens* (2012) *Private Sector-led Urban Development Projects*
INTRODUCTION

Main Research Question

To what extent will the revenue model

‘Urban Development Trusts’ (UDT)

be able to facilitate the business model for

successful UAD projects?
INTRODUCTION

Research Methodologies

- Document review
- Semi-structured interviews
- Site Observation
CONCEPTS

Canvas model: business model generation

*Osterwalder & Pigneur (2010)
CONCEPTS

Business model for UAD projects

1. Theoretical framework
2. Analytical framework
3. Explanation BM according to canvas model
4. Explanation RV according to canvas model
C O N C E P T S
Real Estate Fund Industry

Direct vs Indirect investments

- Core vs Value-Added vs Opportunistic fund strategies
- Revolving by credit fund

Sinking Fund

- Jersey Property Unit Trust
- Unit Trust

Open-ended fund structure

- Pooled Property Vehicles
- Community Land Trust

Mutual Fund

- Amortization Fund
- Single asset joint ventures
- Club Deals

Company investment vehicle

- Holding Fund
- Real Estate Investment Trust

Unit Investment Trust

- Onshore vs Offshore PUTs
- Authorized PUT
- Target Fund

Green Fund

- Co-investment vehicle
- Closed-Ended fund structure
- Fund of Funds

Non-listed property fund

- Separate Accounts
- Regional Fund
- Environmental Fund

Real estate fund

- Pooled property fund
- Joint venture fund
- Structural Fund

Guernsey Property Unit Trust

- Limited Partnership fund
- Urban Development Fund

Monumental Trust

- Segregated Accounts
- Listed vs Non-Listed investment vehicles

Private real estate fund

- Region Fund
- Commingled fund
- Revolving by debt fund

Unauthorized PUT

- Property Unit Trust
- Endowment Funds
- Development Trust

Boudewijn Stumpel

Urban Development Trust: possibilities & limitations for Dutch Urban Area Development
### Concepts

#### Dutch Real Estate Fund Industry

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Object level</th>
<th>Area Level</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Profit</td>
<td>Non-profit</td>
</tr>
<tr>
<td><strong>Listed example</strong></td>
<td>REITs or FBIs-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Common Development phase</strong></td>
<td>Operating</td>
<td>-</td>
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<tr>
<td><strong>Non-listed example</strong></td>
<td>Real Estate Funds</td>
<td>Unit Trusts</td>
</tr>
<tr>
<td><strong>Common Development phase</strong></td>
<td>Operating</td>
<td>Operating</td>
</tr>
</tbody>
</table>

*Ontwikkelfonds N.V.: Fun Village Velsen - Amsterdam*

*Utrechts Monumenten fonds*
### Concepts

#### Theoretical Framework

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relations</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Originator</td>
<td>Pool capital</td>
<td>Investors’ best interest</td>
<td>Arrangements</td>
<td>State</td>
</tr>
<tr>
<td>Investors</td>
<td>Trading shares/units</td>
<td>Common invest. aim</td>
<td>Consistency</td>
<td>Local Authorities</td>
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<tr>
<td>Public entities</td>
<td>Implement invest. strategy</td>
<td>Mutual interest</td>
<td>Like-minded</td>
<td>Market</td>
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<tr>
<td></td>
<td>Perform Short- &amp; long-term targets</td>
<td>Capital Growth</td>
<td>Liability</td>
<td>Owners</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regular income</td>
<td>Trust</td>
<td>Tenants</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Risk-return trade-off</td>
<td>Accessibility</td>
<td>Civic Society</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Current-Future value</td>
<td></td>
<td>Community</td>
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<tr>
<td></td>
<td></td>
<td>Liquidity</td>
<td></td>
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<table>
<thead>
<tr>
<th>Key Resources</th>
<th>Channels</th>
<th>Cost Structure</th>
<th>Revenue Streams</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>(Fund) Management</td>
<td>Proportionally equally division of costs</td>
<td>Proportionally equally division of revenues</td>
</tr>
<tr>
<td>Knowledge -expertise</td>
<td>Promoter</td>
<td>Cost Carriers</td>
<td>Soft values</td>
</tr>
<tr>
<td>Leverage</td>
<td>Service providers</td>
<td>Refinance</td>
<td>Sale proceeds</td>
</tr>
<tr>
<td>Subsidy</td>
<td>Non-executive Officer</td>
<td></td>
<td>Regular (rental) income</td>
</tr>
<tr>
<td>Information</td>
<td>Fiduciaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>Trading mechanisms</td>
<td></td>
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</tr>
</tbody>
</table>

- **Key Partners**: Originator, Investors, Public entities
- **Key Activities**: Pool capital, Trading shares/units, Implement invest. strategy, Perform Short- & long-term targets
- **Value Proposition**: Investors’ best interest, Common invest. aim, Mutual interest, Capital Growth, Regular income, Risk-return trade-off, Current-Future value, Liquidity
- **Customer Relations**: Arrangements, Consistency, Like-minded, Liability, Trust, Accessibility
- **Customer Segments**: State, Local Authorities, Market, Owners, Tenants, Civic Society, Community
- **Channels**: (Fund) Management, Promoter, Service providers, Non-executive Officer, Fiduciaries, Trading mechanisms
- **Cost Structure**: Proportionally equally division of costs, Cost Carriers, Refinance
- **Revenue Streams**: Proportionally equally division of revenues, Soft values, Sale proceeds, Regular (rental) income
Hier auteurs vernoemen en daarna laten vervagen ipv de kernpunten
### CONCEPTS

**Analytical Framework**

<table>
<thead>
<tr>
<th>Connect Interests</th>
<th>Connect Processes</th>
<th>Generate Values</th>
<th>Distribute Relationship</th>
<th>Distribute Interests</th>
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<tbody>
<tr>
<td>State</td>
<td>Chain integration</td>
<td><strong>Common Objective</strong></td>
<td><strong>Arrangements</strong></td>
<td>Sustainability</td>
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<td></td>
<td></td>
<td><strong>Win-win situation</strong></td>
<td><strong>Continuity</strong></td>
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<td></td>
<td></td>
<td><strong>Triple P approach</strong></td>
<td><strong>Alignment</strong></td>
<td>Profitable</td>
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<td></td>
<td></td>
<td><strong>Spatial quality</strong></td>
<td><strong>Flexibility</strong></td>
<td>Socially</td>
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<td></td>
<td></td>
<td><strong>User value</strong></td>
<td><strong>Trust</strong></td>
<td>Environmentally</td>
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<td></td>
<td></td>
<td><strong>Future value</strong></td>
<td><strong>Mental ownership</strong></td>
<td>Durable</td>
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<tr>
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<td><strong>Experiential value</strong></td>
<td><strong>Course of Stakeholder</strong></td>
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<td>Market</td>
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<tr>
<td>Civic Society</td>
<td><strong>Finance</strong></td>
<td><strong>Integral approach</strong></td>
<td><strong>Power</strong></td>
<td>Feasibility</td>
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<td><strong>Flows</strong></td>
<td><strong>Role-Responsibility</strong></td>
<td>Affordability</td>
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<td><strong>Real Estate</strong></td>
<td><strong>Control</strong></td>
<td>Viability</td>
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<td><strong>Knowledge</strong></td>
<td><strong>Participation</strong></td>
<td>Risks</td>
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<td><strong>Involvement</strong></td>
<td>Uncertainties</td>
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<td><strong>Secure concept</strong></td>
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<td><strong>Coordinate</strong></td>
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<td><strong>Iterations</strong></td>
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<tr>
<td>Connect Resources</td>
<td><strong>Finances</strong></td>
<td><strong>Current-Future value</strong></td>
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<td><strong>Soft-Hard qualities</strong></td>
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<td><strong>Identity</strong></td>
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<td><strong>Cost Structure</strong></td>
<td><strong>Equal division costs</strong></td>
<td><strong>Tender</strong></td>
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<td><strong>Cost-efficiency</strong></td>
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<td></td>
<td><strong>Cost carriers</strong></td>
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<td><strong>Reinvestments</strong></td>
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<td><strong>Revenue Streams</strong></td>
<td><strong>Equal division revenues</strong></td>
<td><strong>Tender</strong></td>
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<td></td>
<td><strong>Soft values (quantifiable benefits)</strong></td>
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PRACTICES
Chiswick Park Business Model
### PRACTICES
Chiswick Park Enjoy-Work

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### ELECTRICITY
**TOTAL 227.2 kWh**

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<thead>
<tr>
<th></th>
<th>TODAY</th>
<th>This Week</th>
<th>This Month</th>
<th>This Year</th>
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<tr>
<td>FAMILY</td>
<td>112.2</td>
<td>119.2</td>
<td>128.3</td>
<td>136.1</td>
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<tr>
<td>EQUIPMENT</td>
<td></td>
<td></td>
<td></td>
<td>111.1</td>
</tr>
<tr>
<td>LIGHTING</td>
<td>99.3</td>
<td></td>
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<td>87.6</td>
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<tr>
<td>TOTAL</td>
<td>211.5</td>
<td>139.2</td>
<td>215.8</td>
<td>223.7</td>
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</table>

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**Ground Floor**
- Lighting: 92.9 kWh
- Equipment: 101.3 kWh
PRACTICES

Chiswick Park Revenue Model
To what extent will the revenue model ‘Urban Development Trusts’ (UDT) be able to facilitate the business model for successful UAD projects?
**SYNTHESIS**

Learned lessons: Offer ‘area of business’

### Similarities Value propositions

- Common objective
- Spatial quality
- Integral approach
- Demand-driven approach
- Current & future values
- Soft & hard qualities

### Differences Mind-sets

- No common ‘paramount’ objective
- Unanimous point of view
- Submissive character sustainability
SYNTHESIS

Learned lessons: Infrastructure ‘area of business’

**Similarities**

- Aligning different interests
- Connect different type of resources
- Vertical chain integration
- Split developments
- Short-term & long-term perspectives

**Differences**

- Only ‘market’ stakeholder actively involved
- Integrate ‘flows’ with ‘real estate & use’
- Horizontal chain integration
SYNTHESIS

Learned lessons: Customer ‘area of business’

Similarities

- All stakeholders are customers
- Iterations
- Involvement
- Secure vision & concept
- *Action (channels) = reaction (relationships)*

Differences

- Submissive character of the ‘state & civic society’ actors *(indirect end-users)*
- On behalf of the unit holders e.g.:
  - *Roles & responsibilities*
  - *Control*
- *Action (channels) = reaction (relationships)*
**SYNTHESIS**

**Learned lessons: Customer ‘area of business’**

<table>
<thead>
<tr>
<th>Similarities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Proportionally equal collecting &amp; distributing costs &amp; revenues among <strong>unit holders</strong></td>
</tr>
<tr>
<td>• Reinvestments or refinance</td>
</tr>
<tr>
<td>• Soft values</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Proportionally equal collecting &amp; distributing costs &amp; revenues among all <strong>stakeholders</strong></td>
</tr>
<tr>
<td>• Cost-efficient</td>
</tr>
</tbody>
</table>
Investors will only co-invest in ‘Urban Development Trusts’ with like-minded investors

The State, the Market & the Civic Society will not have the same investment beliefs & philosophy

Therefore, it will not be realistic to incorporate an UDT to integrally develop, operate & manage an Urban Area by aligning the interests of 3 intrinsically different stakeholders through participation
CONCLUSION

Overall conclusion: Three steps for a successful UAD project

1. Determine the current & future needs of the end-users

2. Define the value propositions of the business model; in line with those needs

3. Find an appropriate revenue model that will offer the most possibilities & the fewest limitations to implement and maintain those value propositions

the various ways in which UDTs can be structured allows initiators to find an almost tailor-made revenue model that fits their context specific UAD project