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1
INTRODUCTION

1.1 The development and financing of urban real property

The development and financing of real property in urban areas has vastly increased in complexity over the past few decades. There has been substantial growth of the number of potential actors, the range of arrangements for cooperation, and the financial instruments applied to real property projects in urban areas. This evolution has taken place in private urban real property projects as well as in public ones. Both the retreat of government and the internationalization of the real property market are important background factors for this increase of complexity. This publication contains the results of an investigation of the nature of the development process and of the financing of public real property in urban areas in Belgium, Germany, France, and Great Britain.

It is important to distinguish between the real property developments initiated in the public and the private sectors. The real property projects in the public sector are mostly non-profit oriented. They cover a wide variety of applications, ranging from offices for public organizations, educational facilities, healthcare facilities, and cultural centers to the premises for utility companies and plants for the recycling of waste. In most countries, also social housing — and urban renewal in general — as well as the exploitation of public space (including the development of business complexes) and the construction of infrastructure are financed from the public purse. Private-sector projects are generally intended to generate a profit. Typical examples of such projects are commercial offices, retail spaces, and other business facilities. Also (expensive) housing for rent or for owner occupation in the private sector belong to this class.

Yet, the distinction between the public and the private sector is no longer as strict as it used to be. During the past few decades, public and private parties have frequently become partners in the development and financing of real property in urban areas, although with fluctuating results. Such real property projects often combine for-profit and not-for-profit elements. They may range from stand-alone projects to the comprehensive development of areas. Often, the private sector takes the responsibility for the financing of the for-profit components, while the government arranges for the financing of the not-for-profit, “public” elements. In such partnership arrangements,
the goal is mostly to let the final outcome be more than the sum of the parts.
In addition to this increasingly common cooperation between the public and the private sectors, the increasing internationalization of the real property market is a factor to be reckoned with. International borders are becoming less important in the worlds of real property development and financing, especially in the urban areas of the European Union. For instance, Swedish, Japanese, and German investors used to play — and still play — a significant role in the Dutch real property market. Until recently, transborder investment activities were mostly limited to the commercial real property market. However, as Europe becomes increasingly integrated and the adoption of the Euro as the common currency looms near, the options offered by foreign real property markets are also of growing interest for the actors involved in public real property development and financing.

1.2 The objectives and the delimitation of the research

In light of the developments outlined above, it is of interest to investigate the development of public real property and its financing in the urban areas of the countries close to the Netherlands, that is, Belgium, Germany, France, and Great Britain. The objective of this investigation is to explore the significant aspects of the development and financing of public real property in the urban areas of these four countries. This exploration is the primary aim; an explanation for the possible similarities or differences between these countries on the basis of a theoretical model will not be attempted.

The focus of this research is on those real property projects in urban areas in which the public sector is somehow involved. These include projects that are solely sponsored by the government, as well as projects that are jointly undertaken by public and private parties. To promote the feasibility of the investigation, it has been limited to the following real-property activities:

- public participation in urban restructuring and urban renewal;
- public participation in various forms of public-private partnership for urban development;
- the construction of office premises for public organizations;
- the development of locations for business centers;
- the provision of intra-urban infrastructure (e.g., underground mass transit systems and light rail infrastructure, intra-urban tunnels, and parking facilities).

The social rental sector has not been included in the investigation, although it shares a great deal with the sectors that are covered. The reason for its omission here is to avoid duplication. The investments in this sector were the topic of a recently conducted separate study by researchers of the OTB Research Institute (Boelhouwer, 1996).

Belgium and Germany are federal states, and this accounts for significant differences in the way the topic of our investigation is dealt with in the two unitary states also covered by this study. There are also differences among the Belgian regions and the German States with respect to their treatment of the problem in question. Therefore,
certain limitations were needed to make the investigation feasible. With respect to Belgium, the research focused on Flanders and the Capital Region of Brussels; the Walloon Region is treated only to a limited extent. The research in Germany focused on the State of Northrhine/Westphalia, predominantly because of its proximity to the Netherlands. Being a strongly centralized state, France was dealt with in its entirety. Also all the countries that make up Great Britain — that is, England, Wales, and Scotland — are covered by this investigation.

1.3 The research design

This report clarifies the significant aspects of the development and financing of public real property in the urban areas of Belgium, Germany, France and Great Britain. To this end, it describes the actual processes of the development and financing of public real property projects. In addition, the administrative, planning, and policy contexts are illuminated.

With respect to this context, the investigation dealt with the following questions in each of the four countries:
- What is the administrative structure of the country under review, and how are the (changing) responsibilities in the fields of spatial planning, urban development, etc. allocated?
- What types of spatial plans and which planning instruments (including laws) are in use?
- What is the nature of the spatial and urban policy contexts, including land policy?

The subsequent step in the investigation was to descend from the formal structures to the level of daily practice. This part of the research focused on how the development and financing of public real property takes place in reality. The research covered, among other topics, the following:
- the identity of the actors involved and their (changing) role;
- the identification of the various partnership and financing constructions in actual use;
- the legal and practical frameworks of the activities.

The data for this research was collected predominantly from the literature and through some forty targeted interviews. Most of the information needed to construct the context was gleaned from published sources. This information was completed and updated by conducting a (limited) number of interviews with (academic) experts in the fields of spatial planning and urban policy from the respective countries.

The literature on the actual development and financing of public real property in an urban setting proved to be relatively scarce. In that light, it was decided to shift the emphasis in this part of the investigation to interviews. Consequently, several interviews were conducted with experts in the field of the financing of (public) real property and with representatives of financial institutions involved in public real property. With respect to France and Great Britain, interviews and information from other
sources that have been compiled for the dissertation being prepared by Marjolein Spaans have been used as well. The list of experts who granted an interview forms Appendix 1 of this report. Bart Lambregts was responsible for the chapters on Belgium and Germany, while Marjolein Spaans covered France and Great Britain.

1.4 The structure of the report

The report presents the digested information collected through the literature study and the interviews. The information is organized by country to provide a direct link with the information on administrative structure, the types of plans and other planning tools utilized, spatial policy in general and land policy in particular, and on the ways in which public real property is developed and financed. But before these country vignettes are sketched, the next brief chapter summarizes the spatial issues and policy at the supranational level of the northwestern part of Europe. This overview is followed by the case studies of Belgium (Chapter 3), Germany (Chapter 4), France (Chapter 5), and Great Britain (Chapter 6). The final chapter of this report reviews the most striking similarities and differences among the countries selected as case studies (Chapter 7).
2

GOVERNMENTS AND SPATIAL PLANNING IN NORTHWEST EUROPE

2.1 Cooperation in the field of spatial planning

Spatial planning is still predominantly a national concern. No existing supranational administrative organizations or other cooperative bodies (i.e., Benelux, CRONWE, EU (specifically DG 16), Council of Europe, other bilateral institutions) have autonomous jurisdiction in the field of spatial planning. Nevertheless, spatial planning is not ignored at the supranational level.

Bilateral coordination treaties between adjacent countries have been in place for decades. Initially, these were meant for the exchange of information. More recently, other bodies have been established in border regions for the coordination of regional spatial policies. The European Union's INTERREG program has been devised to support such developments.

The Dutch-German commission for spatial planning has existed since 1967. This commission has been split in two subcommissions: one for the northern and one for the southern border region (the dividing line between the two lies at the border of the Dutch province of Gelderland and the German region of Münsterland). The Dutch members of the commission represent the national government, while the Germans represent their respective States (Lower Saxony and Northrhine-Westphalia). The commission is mainly concerned with issues of the coordination of the spatial development plans for the two sides of the border. In addition, there exists a framework treaty concerning Dutch-German cooperation in the field of spatial planning. This treaty forms the basis for implementation agreements, for instance to promote the cooperation among the provinces and local governments in the border regions (Smeele et al., 1994).

The cooperation between the Netherlands and Great Britain in the field of planning has also been institutionalized. There is a British-Dutch Steering Committee to coordinate, among other things, regional planning, housing and urban development, urban renewal, seaports and airports, traffic and transportation lines, and spatial planning issues deriving from initiatives taken by the European Union. The Dutch participation is the responsibility of the National Spatial Planning Agency (Smeele et al., 1994).
2.2 Cooperation among the Benelux countries

Since the late 1960s, the Benelux countries have been acting in concert in certain areas. Since 1969, a Special Commission for Spatial Planning in the Benelux was installed. Five parties are now involved in this commission: the Netherlands, Luxembourg, and the Belgian regions of Flanders, Brussels, and Wallonia (the Belgian federal government no longer has jurisdiction in the field of spatial planning, compare Chapter 3). The commission is responsible for:
- the permanent exchange of information on spatial policy in the three Benelux countries;
- the development and updating of a broad perspective on spatial planning;
- the coordination and elaboration of spatial outline plans for the border regions.

This last task has become the responsibility of four newly established sub-committees.

The First Benelux Outline Structure Sketch dates back to 1986 and was followed by a draft for a Second Benelux Outline Structure Sketch. In 1994, the administrative agreement concerning the Second Outline Structure Sketch was signed, and the draft version was published in 1995. The five Benelux ministers responsible for spatial planning had to formulate their standpoints during the first half of 1997.

In the Netherlands, the First Benelux Outline Structure Sketch has been largely ignored, especially by local governments. It did not contain new concepts, and there was only scant attention for the spatial development in the Benelux in relation to its adjacent areas, such as the German Ruhr Area and Northern France. The Second Outline Sketch represents an attempt to address these shortcomings. Also the weight of the recommendations it contains is being increased. In the First Sketch these were mere recommendations, but in the follow-up document, the so-called key decisions call for a "political commitment". As far as its applications are concerned, the Second Outline Sketch deals with location policy, main infrastructure, and rural areas (Zonneveld and D'hondt, 1994; Smeele et al., 1994).

2.3 The European Union and spatial planning

Until recently, comprehensive spatial planning was primarily a concern of the Council for Europe and of the European Union. Since 1970, the Council of Europe has conducted a number of significant CEMAT conferences (Conférence Européenne des Ministres responsables pour l'Aménagement du Territoire). Since the inauguration of the Commission for Regional Policy and Spatial Planning in 1982, the European parliament has also demonstrated some interest in issues of spatial planning (Duenk, 1991).

The European Union has some influence on the spatial policy of its member states, even though the field was not included among its responsibilities in the Treaty of Rome of 1957, the founding declaration of the European Economic Community. The spatial implications of its agricultural, transportation, environmental, and regional
policies are evident (Witsen, 1994). The European Association for Coal and Steel spawned the CRONWE (Conference of Regions on North-West Europe) in 1959. This organization served as a platform for informal meetings of planners. It has long played a leading role in the gradual construction of cooperation in the field of European planning (Zonneveld and Faludi, 1996).

By the end of the 1980s, there was more interest in supranational cooperation in the field of spatial planning. In 1991, the European Union published its document “Europe 2000: Perspectives for the Spatial Planning of the Community”. It resulted from the 1988 reforms of the European Structure Funds. The document was above all an inventory and did not contain policy proposals. Nevertheless, it was the first document of the European Commission in the field of spatial planning. In 1994, “Europe 2000+” was published, containing an analysis of spatial developments in Europe. It included an overview of the factors that impinge on spatial planning. It traced the dominant trends in urban, rural, and border regions. And it summed up the systems and instruments of spatial planning. Moreover, transnational perspectives for the European territory were outlined in eight groups of regions. One of these eight was the “Central and Capital City Region” (CCC-Region), which included parts of six countries (the Netherlands, Belgium, Luxembourg, Germany, France, and Great Britain). The next installment was the European Spatial Development Perspective (EROP), presented at the June 9 and 10, 1997 Intergovernmental Conference in Noordwijk, containing a sketch of the future directions of development. Three important points for action emanated from EROP:

- the development of a balanced and polycentric system of cities in Europe, within the context of a new relationship between cities and the countryside;
- the improvement of access to infrastructure and knowledge;
- the protection and development of the natural and cultural heritage in Europe.

The implementation of these policy principles has to be based on transnational and transregional cooperation (Evers, 1997).
3

BELGIUM

3.1 The administrative structure

3.1.1 The federal state, the regions, and the communities

From unitary state to federal state
During the past few decades, Belgium has been transformed from a unitary state into a federative constitutional monarchy, composed of communities and regions. This process had a cultural and an economic-geographic dimension (Newman and Thornley, 1996). It consisted of four distinct steps, namely the administrative reforms of 1970, 1980, 1988-89, and 1993.

Since its Independence in 1830, there has been a Flemish and a Walloon movement in Belgium, each striving for the protection of their own language, culture, and eventually their own economy. But only the administrative reform of 1970 led to the inclusion of the language borders in the Belgian constitution, even though they had already been formalized in the language statutes of 1962. Thus emerged four language areas, respectively those of Dutch, French, and German, and the bilingual Brussels Capital Region.

Similarly, Belgium became subdivided into three (cultural) communities, the Dutch, French, and German. The governments of these communities were given authority for their language region in matters that cater to individual needs. These included the fields of culture, education, and health care. The Dutch and French communities share the jurisdiction for Brussels through the Common Community Commission (Gemeenschappelijke Gemeenschapscommissie).

In addition to the division of the nation in communities, a subdivision of the territory in regions was introduced. A Flemish and a Walloon region were established. Likewise, it was the intention that a region consisting of the Capital Brussels would be formed. The borders of the communities did not always coincide with those of the regions, however. For instance, the German-speaking community belongs to the Walloon Region, and the Dutch-speaking inhabitants of the Brussels Capital Region belong to the Flemish community (Boelhouwer and Van der Heijden, 1992). The regions obtained executive powers for all "land-related matters". These include such issues as economy and employment, housing, transportation and traffic, and public
works (Mastop et al., 1990). However, differences of opinion concerning the statute for the Brussels Capital Region between the Dutch and the French communities persisted, and therefore the formation of the regions was not fully articulated.

The second administrative reform of August 1980 was intended to clarify the ambition of autonomy of the Flemish and the Walloon communities in the administrative structure. The regions of Flanders and Wallonia were formally instated (Boelhouwer and Van der Heijden, 1992). Just like the communities, they obtained the power to govern by decree. Such decrees have the power of law. The regions thus obtained the authority to express their policies in decrees. Thereby, they could force themselves as well as lower-level administrations to implement their policies (Reitsma, 1996). This round of reforms included the transfer of powers in the field of spatial planning from the national government to the regions.

This reform equalized the status of the regions and the national government with respect to legislative powers. Subsequently, it became necessary to make unequivocal agreements about the division of tasks and responsibilities. A Court of Arbitrage and a Consultative Committee were set up to deal with any conflicts between federal laws and regional and/or communal decrees. The communities and the regions were given their own representative and executive organs, consisting of councils, parliaments, and governments, whereby the members of parliament were directly elected. The almost complete correspondence of the territory of the region of Flanders and the Flemish community made the merger of the Council and the government of these two organs possible. The Walloon Region, the Francophone community, and the German-speaking community each retained their own governing organs. But a solution for Brussels that would satisfy everyone could not yet be found.

Dissatisfaction with the still insufficient jurisdictions of the regions and with the way in which the tax revenues were shared among the regions necessitated a third round of administrative reforms during 1988-89. In 1988, the jurisdictions of the communities and the regions were enlarged, which was followed by the enactment of a new financing system for the regions and the communities. An agreement between the Flemish and the Walloons on the Brussels question was also reached, which resulted in the formal formation of the Brussels Capital Region in 1989. Its government would subsequently rule by ordinance, an instrument with almost equal legal power as the federal laws and the decrees used by the two other regions (Belgische Federale Voorlichtingsdienst, 1997). Further reforms could not be enacted at the time because the government was forced to resign over the selection of a Francophone mayor in the predominantly Dutch-speaking region of Voeren.

On September 29, 1992 the so-called St. Michael’s Accord (St. Michielsakkoord) was reached. This signaled the start of what was (presumably) to be the final stage of the administrative reforms to conclude the federalization process, covering the years 1992-93. It was decided that not only the regional and the community parliaments would be directly elected, but henceforth also the Flemish Council, the Francophone community council, and the Walloon Council. Moreover, the financing system was
adapted once again after it had proved that the system adopted in 1988 caused problems, especially in Wallonia. The regions and the communities received more financial leeway through the new arrangement. In addition, more responsibilities were transferred from the national government to the regions and the communities. These included the power to enter into international treaties, and the responsibility for, among other things, the environment in which people live and work, agriculture, science policy, and foreign trade. Finally, the question of the status of the province of Brabant was resolved by splitting it into Flemish Brabant and Walloon Brabant, and by annulling the provincial status of the Brussels Capital Region.

It remains unclear whether the process of federalization has been completed after these four rounds of reforms. Some voices call for a further regionalization, even for a complete separation of Flanders and Wallonia. In light of the experience thus far, however, it seems more likely that the present structures will be adapted during the next few years. One motive would be to create a better solution for the coordination of regional policy. The current status of the federal government and the regional governments are briefly elucidated below.

The federal government
The Belgian federal government consists of a legislative and an executive branch. The executive power lies with the federal government, consisting of the King and a council of at most 15 ministers, headed by the prime minister. Secretaries of State may be added to the Council of Ministers. The King does not exercise personal power. The government comprises an equal number of Francophone and Dutch-speaking ministers.

Since 1993, the legislative power is entrusted to the Federal Parliament and the Government. The Government has the power to draft legislation and to amend existing law. Federal Parliament also has the power of initiative, and has to approve proposals for laws. Parliament consists of two organs: the Chamber of Representatives and the Senate. The Chamber of Representatives exercises political control over the Government. The Senate has the authority to advise over conflicts of interest among the regional councils and the community councils (Belgische Federale Voorlichtingsdienst, 1997). The electoral system guarantees the proper representation of the different language groups in the Senate and Chamber of Representatives.

The Federal government transferred many of its responsibilities to the regions and the communities during the process of federalization but retained important tasks in the areas of foreign affairs, defense, justice, finance, social security, key sectors in public health, and public administration. It also maintained the oversight over jurisdiction concerning the municipalities and provinces, social protection, the protection of personal savings, nuclear energy, and public corporations (including the NMBS, the air-traffic control system, the national airline Sabena, and the post office). In general, the federal government is responsible for everything that has not been explicitly allocated to the jurisdiction of the regions or the communities, for instance setting the rates of utilities (Belgische Federale Voorlichtingsdienst, 1997). In the field of spatial planning, its responsibilities are limited to the coordination of interregional issues and the
formulation of policy on issues crucial to national interests (Newman and Thornley, 1996).

The regions
As was mentioned before, since the administrative reforms of 1980 and 1988-89, Belgium has been subdivided into three regions: the Flemish Region, the Walloon Region, and the Brussels Capital Region. Just like the federal government, these regions have legislative and executive organs, namely the regional council or the regional parliament and the regional government. The members of the regional councils are elected for a five-year period. Legally, the regions are at the same level as the federal government. The differences between them regard their jurisdictions, not the (legal) status of their responsibilities. The regions have territorial jurisdiction for matters such as economy and employment, housing, public works, energy and water, traffic and transportation, environment, spatial planning and urban development, entering into international agreements, and the oversight of provinces, municipalities, and intercommunal bodies (compare Section 3.5.2 for an explanation of the nature of the intercommunal bodies).

The regions receive the lion's share of their finances directly from regional taxation and from the federal government. The latter redistributes part of the tax revenues to the regions according to a set formula. For instance, the Flemish region received almost 90 percent of its revenues through the federal government in 1995, and 10 percent was derived from regional taxes, charges, and loans (Ministerie van de Vlaamse Gemeenschap, 1995). The regions are entitled to borrow money in the capital market (Clement et al., 1993).

The administrations of the Flemish Region and of the Flemish community have been consolidated. They share a single Flemish parliament as legislative power and a single government as their executive branch. All its agencies belong to one single ministry, the Ministry of the Flemish Community, located in Brussels. It consists of six departments, among them the Department of the Built Environment and Infrastructure. The Office of Spatial Planning, Housing, Heritage, and Landscapes resorts under this department. The Office is organized in a number of Sections, among them the Section of Urban Development Permitting, the Section Spatial Planning, the Section Financing Housing Policy, and the Sections that implement Spatial Planning, Housing, Heritage, and Landscape policies in each of the provinces of the region.

The Brussels Capital Region has existed since the administrative reform of 1988-89 and has had its own Council and Government since then. The Council of the Brussels Capital Region (also called the Brussels Capital Council) is the legislative power. Its members are directly elected for a five-year term. The Council votes on ordinances. The executive power is vested in the Government of the Brussels Capital region (also called the Brussels Capital Government). This government comprises the administration of Spatial Planning and Housing, which is responsible for spatial planning and urban development.
The Walloon Region was established in 1980 and has its own legislative council (the Council of the Walloon Region or the Walloon regional council) and its own executive: the Walloon regional government. It governs by decree. The government is located in Namur. The Department of Spatial Planning and Urban Development (Aménagement et Urbanisme) resorts under the General Administration (Directorate) for Spatial Planning and Housing (Direction Générale de l'Aménagement du Territoire et du Logement) (Boelhouwer and Van der Heijden, 1992; Ministère de la Région Wallonne, 1994).

**The communities**

Belgium consists of three communities: the Dutch, the Francophone, and the German language community. The Dutch language community (also called the Flemish community) exercises its responsibilities in the territory of the Flemish community and Brussels; the German-speaking community in the municipalities of the province of Liège, which make up the German language area; and the Francophone community in the Walloon Region outside the German-speaking municipalities, and in Brussels (Belgische Federale Voorlichtingsdienst, 1997). The Flemish and the Francophone communities thus share responsibility for Brussels. This works through the so-called Common Community Commission (Reitsma, 1996). The jurisdiction of the communities pertains especially to the areas of cultural and social affairs (culture, education, health care, social assistance, aid to immigrants, etc.).

The communities receive most of their financial support through direct taxation and aid from the federal government, which redistributes a part of its tax revenue through a set formula among the communities. The communities can also borrow money (Clement et al., 1993).

### 3.1.2 Local governments

**Provincial governments**

Since 1995, Belgium counts ten provinces established in the latest administrative reforms of 1993 (West Flanders, East Flanders, Antwerp, Limburg, Flemish Brabant, Walloon Brabant, Liège, Luxembourg, Namur, and Hainaut). The territory of Brussels Capital Region that used to be part of the province of Brabant has been removed from the provincial jurisdiction. Brabant was subdivided on January 1, 1995 into Flemish Brabant and Walloon Brabant. The provinces are officially autonomous organs but are subject to oversight by higher-level authorities, i.e., the federal state, the communities, and above all, the regions (Belgische Federale Voorlichtingsdienst, 1997). The provinces have a provincial council for decisions of a general nature as well as a so-called Permanent Deputation, vested with a number of powers and in charge of daily management. The Permanent Deputation is chaired by the Governor.

The jurisdiction of the provinces covers all the domains of the public sector. They are permanently controlled by higher authority. They themselves are charged with the oversight of the municipalities.

The provinces depend for their revenue on transfers by third parties (other public administrations, households, and businesses). These transfer payments account for ap-
proximately 88 percent of the provincial revenues half of which consist of taxes and the remainder of contributions from funds and grants. The income derived from fees for services rendered and loan repayment accounts for some 12 percent of all revenues.

Municipal governments
The municipalities form the government level closest to the citizens. Belgium contains a total of 589 municipalities. Of these, 308 belong to Flanders, 262 to Wallonia, and 19 to the Brussels Capital region (Schmidt-Eichstaedt, 1995). In 1975, there was a major drive toward municipal amalgamation. In 1831, when the Belgian state was formed, there were no less than 2739 municipalities (Belgische Federale Voorlichtingsdienst, 1997). Like the provinces, the municipalities are autonomous bodies under the oversight of higher authorities.

The government of the municipalities consists of municipal councils and the Colleges of Mayor and Aldermen. The latter are elected by the municipal council. The jurisdictions of the municipalities are broad and cover all fields where there is a municipal interest. This interest may cover a broad range, from welfare to public works. Municipalities may also be assigned tasks by higher-level authorities.

The income of the municipalities consists of transfer payments from higher-level governments which account for 78 percent of their revenues, and the remaining 22 percent consists of fees for services rendered, direct taxation, and the income from lending activities (Gemeentekrediet, 1996).

3.2 A typology of spatial plans and instruments

Numerous changes have taken place in the field of spatial planning in Belgium in recent years, and the field continues to evolve vigorously. This is closely connected to the process of federalization which has the country in its grips. The three regions have been pursuing their own destiny for some time now.

The common starting point for all authorities is found in the Law of March 29, 1962 “Concerning the organization of spatial planning and urban development”. Much of current planning instrumentation is derived from this legal framework. Thus, a discussion of the significance of the Law of 1962 for spatial planning would be in order before the organization of spatial planning in each of the regions can be described.

3.2.1 The Act of March 29, 1962
Belgium does not have a long planning tradition. Of course, initiatives have been made by the government since the beginning of the century with the intent of improving the grip on socioeconomic and spatial developments (see for example Albrechts, 1980). But overall, it is clear that the development of the built environment had largely been left to private initiative up till 1962. The vigorous suburbanization and the strip development so characteristic of Belgium may be partly explained by the lack of government intervention. With the passage of the “Act pertaining to the organization of spatial planning and urban development” (Wet houdende de organisatie van de
In 1962 the government was finally given the tools it would need to start managing spatial development in Belgium effectively (Albrechts, 1992). This Act prescribes an orderly use of space throughout the country. It also regulates the different organizations that engage in planning activities, defining their tasks and jurisdictions. The instruments that are provided by that piece of legislation consist of a system of spatial plans, a system of permits, and a system of sanctions to be used in response to any breach of the rules.

**Typology of plans**

The Act of 1962 makes provision for spatial planning at four levels and leaves room for more. It specifies the national plan, district plans, regional plans, and municipal plans.

A national plan with a spatial policy perspective for the whole country never got off the ground. It got bogged down in the tug of war over federalization, which was already going on (Albrechts, 1980).

Diverse activities were carried out to pave the way for the district plans (Albrechts, 1980). No such plans were actually drawn up, however. They did not get much further than so-called district studies or indicative plans without any legal status (Koning Boudewijn Stichting, 1995).

Regional planning, in contrast, was commonplace. The slow pace at which municipalities drew up their development plans led the Minister of Public Works at the time (1966) to call for an all-out effort to make regional plans for 48 designated regions (Albrechts, 1992). These regions were purely spatial entities. They did not coincide with any administrative units. The development of the regional plans was initially commissioned by the national government. The task was to be carried out by numerous planners, both private firms and semi-public consultants (urban development firms, university research organizations, inter-communal agencies). At a later stage, the Flemish and Walloon regions took over the role of the national government. By the mid-1980s, 41 regional plans had already been approved by Royal Decree and given legal status (Laconte, 1992). In 1995, all 25 Flemish regions had an approved regional plan (Koning Boudewijn Stichting, 1995). In most cases, the regional plans are fairly detailed (scale 1:10,000) land-use plans and show the intended situation (Boelhouwer and Van der Heijden, 1992). They are not accompanied by programs for development and/or investment.

At the level of the municipality, two types of plan may be distinguished: the general design plan (APA, *Algemeen Plan van Aanpak*) and the specific design plan (BPA, *Bijzonder Plan van Aanpak*). The general design plan determines the land use for the whole territory of a municipality. It can also prescribe general rules of form. This plan is first and foremost a graphical representation; the regulations for urban development are only intended as further information. In 1995, the number of municipalities that had an approved APA was minimal (Koning Boudewijn Stichting, 1995). The specific design plan determines the land use of a section of a municipality and shows it in great detail. It gives guidelines for design, siting, building size, and so forth. The BPA may be more commonly used than the APA, but use of the BPA is
still lagging far behind the intended incidence (Van den Broeck and Vanreusel, 1985; Boelhouwer and Van der Heijden, 1992).

Municipal design plans may include more than the actual land-use plans; they may also contain one or more implementation plans. These may be plans to expropriate property, plans to remove trees or undergrowth; or plans for rationalization of property lines, either through redrawing the boundaries or trading plots.

The local authorities are required to carry out the municipal plans. Those plans must first be approved by the designated legislative authority — in many cases, a higher tier of government. The special design plan is also binding for the citizens. For instance, a building permit is granted if it is in compliance with the BPA (Schmidt-Eichstaedt, 1995). Plans drawn up at a lower (that is, more detailed) level should, in principle, defer to plans made at a higher level. If (part of) the content of a new and higher-level plan proves to conflict with (part of) the content of a pre-existing lower-level plan, the provisions made in the lower-level plan would in principle be superseded (Vekeman, 1996; Boes, 1992).

Permits
The Act of March 29, 1962 states that building plans can only be carried out after the required permits have been granted. The permits in question are basically building permits; in some cases, permits are needed to subdivide a building site. The environmental permit comes at a later stage; if the project is large, there is an additional obligation to carry out an environmental impact assessment. The guidelines for environmental impact studies are based on European Community legislation (1985) and are supplemented by special rules that apply to specific regions.

Sanctions
In the event that there might be unlawful initiatives, the Act of 29 March, 1962 made provision for sanctions under civil and criminal law. Those sanctions range from fines to prison sentences all the way to demolition of illegally constructed premises. In practice, however, few sanctions have been imposed, despite the fairly frequent occurrence of illegal initiatives (Van den Broeck and Vanreusel, 1985; Koning Boudewijn Stichting, 1995).

Shortcomings of the planning system of 1962
The numerous regional plans formed a framework for evaluating initiatives that had an effect on the use of space. Even so, not everyone was entirely pleased with the planning system that had come into being. For instance, both the (public) planners and the private property developers were of the opinion that the system was too strongly based on planning for the final intended situation, which made the planning process too static. Moreover, many were of the opinion that the regional plans that had been drawn up left too much room for extensive suburbanization (Van den Broeck and Vanreusel, 1985). Other drawbacks to the system were identified too: the fact that the plans were not tied to a time frame; the lack of means of implementation; and the small amount of consultation with the population and the interest groups in the course of developing the plans (Koning Boudewijn Stichting, 1995). In addition, some other
points of criticism were raised. One is that it proved to be very difficult if not impossible to manage the processes that determine the spatial-economic development with the selected set of instruments. Another point is that the planning instruments were too far removed from the social realities and the underlying social processes (Albrechts, 1992). Things changed when the responsibility for spatial planning was transferred from the national level to the regional level. Once that had taken place, in 1980, each of the three regions struck out on their own in search of a planning system suited to its particular needs.

3.2.2 The Flemish Region
At present, Flanders is undergoing a transition in its spatial planning system. There seems to be a backlash to final-stage planning, or blueprint planning, which was felt to be inadequate. In reaction, there has been talk since the mid-1980s of the development of a more process-oriented structural approach to planning (Van den Broeck and Vanreusel, 1985). Waiting in vain for concrete moves, diverse regional initiatives have arisen in the field of spatial (policy) plan development (Allaert, 1996). Since the beginning of the 1990s, the process of renewal has gained momentum. The accelerated pace prompted the Flemish Parliament and the Government to issue a new spatial planning decree on July 24, 1996. The Spatial Structure Plan for Flanders was provisionally adopted the same day. For the time being, the new decree is still in force alongside the legislation of 1962 (Vandevijvere, 1996).

The decree on spatial planning of July 24, 1996 provides for a more process-oriented approach to spatial planning. The issue is addressed on three fronts: a) by making an inventory of the existing spatial-functional structure; b) by formulating a vision for the future on that basis; and c) by working out a package of policy decisions and instruments that would allow that vision to become reality (Ministerie van de Vlaamse Gemeenschap, 1996a). This approach is supposed to promote integration of sectoral policy and facet policy.

The decree introduces a new type of plan: the spatial structure plan. For the time being, this type of plan will take precedence over the existing (implementation) regional plans and municipal plans of action; it will function as a spatial framework for these other plans. New types of implementation plans to replace the regional plans and the municipal plans of action might find their basis in a revised version of the general decree on spatial planning (Ministerie van de Vlaamse Gemeenschap, 1996a). The spatial structure plans will be drawn up at three levels: the regional, the provincial, and the municipal level. Those pertaining to lower levels will have to be drawn up in accordance with the plans at a higher level. The insertion of the provincial level may be explained as an attempt to tighten the grip of government on spatial planning. It was decreed that the spatial structure plans must consist of three parts:

- an informative part, with an inventory of the present spatial situation and the expected developments;
- an indicative part, with a description of the desired future spatial structure and the associated measures to bring it about;
a contractual part (binding for the government), containing the legally binding terms of reference for the desired spatial structure.

The spatial structure plans (specifying the concrete land-use plans for the territory) are carried out — for the time being, as mentioned above — at the regional and provincial level according to the regional plans. Those plans are supplemented with regional and provincial ordinances. At the local level, the municipal development plans are supplemented with local acts.

The new approach to spatial planning outlined above seems to be working in Flanders. Besides the tentative adoption of the Spatial Structure Plan for Flanders, various provinces and tens of municipalities are already actively shaping their own spatial structure plans (Ruimte in zicht, 1996; Koning Boudewijn Stichting, 1995).

3.2.3 The Brussels Capital Region

The Ordinance on Organization of Planning and Urban Development for the Brussels Region (Ordonnantie houdende Organisatie van de Planning en de Stedebouw voor het Brussels gewest) came into force in 1992. This was a few years after the formal inauguration of the Brussels Capital Region. The ordinance replaced the old Act of 1962. The new law is more closely modeled on the specific urban character of the region. It makes a clear effort to deal with the development of the region from a wider perspective. Not only does it look at the issues from a spatial angle but it also takes an economic, social, and aesthetic perspective on development (Brewaeys, 1996).

Two levels of planning are distinguished in this ordinance: the regional and the municipal level (the Brussels Capital Region contains 19 municipalities). It is the intention that all existing spatial plans and land-use plans that stem from the old situation will be replaced. The new plans will fit into the following hierarchy:

A1) a regional development plan: a plan for the entire region with spatial-functional goals and priorities that have been set at the regional level; this plan is linked to a set of tools for implementation;

A2) a regional land-use plan: a translation of the regional development plan in terms of land use; this plan takes the place of the existing regional plan;

B1) municipal development plans: a refinement of the regional development plan pertaining to the territory of a municipality; these plans take the place of any local general development plans that might exist;

B2) specific land-use plans: a translation of a municipal development plan in terms of land use for a section of a municipality; these plans take the place of existing specific development plans.

The municipal plans (B1 and B2) should defer to the regional plans, while the land-use plans (A2 and B2) should in principle defer to the development plans. Both the development plans and the land-use plans are binding on governmental bodies. In addition, the land-use plans also have statutory jurisdiction over third parties. The municipality may take the initiative to prepare a specific land-use plan for a given area. Alternatively, it can be drawn up in response to a motivated request, as long as the request is signed by at least one-third of the adults (persons aged 18 or older) living in that particular area (Brewaeys, 1996).
Under the new ordinance, the scope of the old building permit has been expanded and is now known as the urban development permit (stedenbouwkundige vergunning). A permit of this type is needed for just about all activities that may be construed as structural. Furthermore, an arrangement has been included under the name of urban development outlays (stedebouwkundige lasten). According to that regulation, the government has the option—respecting the principle of equal treatment—to make the issuance of permits conditional upon payment of the fees that the authorities feel they have the right to impose on the applicant (Brewaeys, 1996). Such fees include the costs incurred in the context of an urban (or metropolitan) project for the construction of public buildings and infrastructure, green space and utilities, and dwellings.

The new integrated approach to the spatial, social, and economic development in the Brussels Capital Region started to show results in 1995, with the adoption of the Regional Development Plan for Brussels. This plan has a time horizon of 2005 and forms the basis for the projected municipal development plans and the regional land use plan.

3.2.4 The Walloon Region
The first region to start adapting the old legislation was Wallonia. In 1984, the old laws on spatial planning, urban development, landmark preservation, urban renewal, and refurbishment of old industrial sites were consolidated and revised. Together, the new versions formed the Code Wallon de l’Aménagement du Territoire, de l’Urbanisme et du Patrimoine (the Walloon law on spatial planning, urban development, and heritage). In 1989, a new hierarchy of spatial instruments was introduced. That hierarchy distinguished the regional level (covering the entire region of Wallonia) and the local level. Thus, unlike Flanders, the Walloon authorities did not choose to introduce an intermediate level in the form of provinces.

According to the new legislation, regional plans and general ordinances are in force at the regional level, alongside a single district plan for the whole region. The regional plans still stem from the 1962 legislation. Wallonia has 23 regional plans. These cover the entire area and were all approved between 1977 and 1987. The intention is that all these plans will be revised when the district plan is elaborated. Work is already in progress on this district plan for the Walloon Region as a whole. That plan is called the Spatial Plan for the Region of Wallonia (Plan Régional de l’Aménagement du Territoire de Wallonie, PRATW). The decision to develop that plan was made back in 1976, but to date the plan has not been adopted (Koning Boudewijn Stichting, 1995). In terms of its content, the plan will be largely indicative in nature. The ideas to which it subscribes show some similarities to the Spatial Structure Plan for Flanders. When the regional plans are revised, the proposals of the PRATW will have to be given a deeper content and a wider legal scope.

At the local level, so-called municipal structure schemes (gemeentelijke structuurschema’s) and municipal urban development ordinances (gemeentelijke stedenbouwkundige verordeningen) will apply to the entire territory of a local
authority. These new precepts take the place of the general municipal action plans (gemeentelijke algemene plannen van aanpak), which were abolished by decree on April 27, 1989. For sub-areas, the special action plans remain in force.

3.2.5 Cooperation and coordination among the regions
The national (federal) government performs neither a substantive nor a coordinating role in spatial planning. One might have expected otherwise. Each of the regions conducts its own spatial policy. The adaptation and coordination of these autonomous policies should take place on the basis of equal treatment of all parties (Ministerie van de Vlaamse Gemeenschap, 1996a). Cooperation between Brussels and Flanders is especially important. That is because the Brussels Capital Region — with its limited space — is completely surrounded by the Flemish Region.

3.3 Spatial Policy
Since 1980, spatial policy — as well as the instruments of spatial policy — has been carried out by the regions. At the national level, attention is only given to matters such as the national infrastructure or the pricing policy for utilities. Therefore, this section expands upon the spatial policy advocated by each of the regions. It goes into the issues from which that policy emanated.

3.3.1 The Flemish Region
The recent Flemish policy was articulated in the Draft Spatial Structure Plan for Flanders (Ontwerp Ruimtelijke Structuurplan Vlaanderen) (1996). That policy is mainly a response to the unbridled urbanization of the landscape that has taken place over the past few decades. Now that undeveloped land is starting to become quite scarce, urbanization is experienced as a problem. Moreover, this Draft Plan also gives due consideration to the problems that arise in the (big) cities. Politicians only started to realize how serious those problems had become when extreme right-wing elements made a strong showing in Antwerp. A general point of departure for the new policy is that the government will have to start playing a more prominent role in spatial planning.

The policy for urban areas — under the motto concentrate, densify, strengthen, and stimulate — seeks to concentrate activities, which means building at higher densities, while reinforcing existing functions and promoting new ones. Much attention is devoted to ways to stimulate the residential function in the urban area. One way is to promote renovation and new construction of dwellings; another is to upgrade public space. The so-called strategic urban projects are seen as an important means to stimulate urban revitalization. That term covers a range of activities, including the renewal of derelict or underutilized sites. Typically, these are military camps with barracks, the areas surrounding stations, railroad marshaling yards, or industrial estates. The renewal activities tend to be large-scale, complex, comprehensive, and high-quality projects. Urban renovation and renewal activities went through a period characterized by an approach that was only marginally structural (Priemus and Met-
At present, an effort is being made to develop a more integral approach and make it more dynamic. This would call for dealing with the issues in the form of a project. It would entail greater and more efficient use of public money. The attitude toward the private sector would have to be more proactive and cooperative. The contribution of local residents would have to get more attention. And quality would have to be pursued over and above other aims. The fines that were introduced for leaving dwellings vacant are expected to help abate vacancy and deterioration of the city.

Policy for rural areas is mainly concerned with keeping the landscape from becoming any more fragmented than it already is. The concept of concentrated dispersal has been applied in this context (whereby activities are concentrated in designated centers). Nature has to be protected; this function has to be reinforced, while further expansion of the agricultural sector is considered undesirable.

With respect to new business complexes, as well as other areas set aside for economic activities, development is also based on the principle of concentrated deconcentration. This means that new economic activities are to be concentrated in urban areas, in rural centers, in the economic nodes, and around the gateways to the Flemish Region. Those gateways include the seaports of Antwerp, Ghent, Zeebrugge, and Oostende; the international airport of Zaventem; the internationally oriented multimodal logistics parks; and the high-speed train station in Antwerp.

The 1996 budget for the Flemish Region takes these policy goals into account. For instance, more money is allocated to infrastructure (through investment in the Flemish Infrastructure Fund, Vlaams Infrastructuurfonds) and urban renewal (Bouwbedrijf, 1995a). The line items for urban policy are combined in the so-called Social Impulse Fund (Sociaal Impulsfonds) for urban rehabilitation and the improvement of the quality of life in the city. From 1997 onward, this fund will be fed by revenues from fines imposed on vacant property.

In a more general manner, the Flemish government tries to obtain investment capital by various means. Privatization, sale and lease-back constructions, alternative financing through investment corporations with fixed capital (called bevaks, beleggingsvennootschappen met vast kapitaal), and the mobilization of (inactive) reserves such as those held by the Flemish Housing Society (Vlaamse Huisvestingsmaatschappij) and the associated housing corporations are just a few examples (Bouwbedrijf, 1995a).

3.3.2 The Brussels Capital Region

The problems that have confronted many large cities in Western Europe have also occurred in and around Brussels over the past few decades. There has been a flight of the affluent population to surrounding municipalities. Unemployment has been rising. There is more congestion and a growing sense that the city is unsafe. Moreover, the supply of dwellings does not fit in with the income profile of the home-seekers. These are just a few of the problems that Brussels has to cope with (Brussels Hoofdstedelijk Gewest, 1996). One factor which should not be overlooked is the relatively large amount of floor space in commercial and administrative offices that Brussels provides. To some extent, these premises, which reflect the city's function as headquarters for large international organizations (most notably, the EU and the NATO), may be
blamed for some of the problems listed above. The offices bring jobs, but they also put pressure on housing. As the residential function is squeezed out of the central parts of the city, certain districts become increasingly inhospitable in the evenings and on the weekends.

In light of that trend, the main thrust of the regional Development Plan for Brussels (1996) is to make the city more attractive for its residents. In this way, the authorities seek to reverse the exodus of certain population groups. Meanwhile, they give high priority to efforts promoting employment. Within this framework, attention is given to housing construction and renovation, fixing up public space, and modernizing the industrial plant. At the same time, the city government has expressed its desire to exert more influence than before on the location decision for economic activities. Efforts are also made to induce the private sector to make a greater contribution to collective and/or social amenities. To that end, a number of concrete instruments have been worked out. These include convention-bound dwellings, district contracts, and urban development charges (these instruments are described above in Section 3.5.3 and 3.5.4).

The regional land-use plan stipulates which land use is suitable in light of the objectives and desires formulated in the development plan.

3.3.3 The Walloon Region

The spatial and socioeconomic problems in the Walloon Region are somewhat comparable to those in the Flemish Region and the Brussels Region, though the problems may be of a different magnitude. Liège and Charleroi are the Walloon Region's major urban centers. The region's capital is Namur. The cities — or should we say metropolitan areas — of Brussels and Lille, to mention just two, exert a considerable influence on the region. Compared to the rest of Northwestern Europe, Wallonia's assets in landscape and ecological capital are fairly large.

Economic restructuring, suburbanization, and urban decay are no strangers to the Walloon Region. Yet these phenomena occur there at a smaller scale than in either Flanders or Brussels. Furthermore, the transition from manufacturing to a service-based economy does not run as smoothly in Wallonia.

The government has been engaged in renewal activities and urban restructuring in an ongoing effort to counter urban decay in the major urban centers. A system of investment incentives has been set up to encourage diverse economic activities, mainly in strategic modern business sectors. In addition, the Walloon Regional Investment Company (Société Régionale d'Investissement de Wallonie, SRIW) has been assigned a key role in the task of restructuring, modernizing, and developing the region's economic base.

The main thrust of the Plan Régional de l'Aménagement du Territoire de Wallonie (Ministère de la Région Wallonne, 1994) is to make optimal use of the relative location of the region with respect to the surrounding (metropolitan) regions while making the most of the region's own landscape features. The plan is worked out according to the concept of 'zones of dynamism' (dynamiekzones). These are areas in which the actors can set up collective projects and devise strategies. This calls for a complementary
division of labor, whereby the gateway cities would open up to transboundary interaction. That would entail coordination and cooperation with centers outside of the region.

3.4 Land policy

Most land in Belgium is privately owned. The opportunities for government to conduct an active land policy in support of its spatial policy remain rather limited. Of course, the authorities can always resort to the instruments of land-use plans and expropriation. Furthermore, there are certain funds that can be applied in support of a social land policy. Nonetheless, in the area of fiscal incentives and administrative or organizational elements, concrete instruments remain scarce, even though there is a clear need for such tools. For instance, the Draft Spatial Structure Plan for Flanders (1996) proposes using fiscal and/or subsidy instruments to combat the problem of vacancy and the practice of allowing land to remain undeveloped. Similarly, such instruments might be used to introduce an affirmative action policy to the benefit of the urban areas. In the Flemish Government's Plan of Action for Brussels' Flemish Fringe (1996), the authorities call for better use of the funds available for a social land policy. These funds are intended for use in areas where the price of land is high. With that borrowed capital, the purchase of land that is to be used for social objectives becomes affordable to municipalities, intercommunal agencies, the Flemish Housing Society, or other accredited societies. The loans can cover up to 20 or 30 percent of the price of the land.

In addition, the government has the authority to expropriate all goods that it deems necessary in order to carry out the design plans (in Flanders and Wallonia) or the contractual plans (in the Brussels Region). In this regard, the term government is used in a broad sense, covering more than the municipal, provincial, regional, and federal authorities. It also embraces other public organizations such as intercommunal agencies, regional development corporations (see Section 3.5.2 below), and the Belgian Railway Company (NMBS). In practice, expropriation sometimes proves to run into financial hitches. Sometimes, private actors are able to gain ownership of land — due to inattentiveness of government parties, for instance — that forms part of attractive public projects. The subsequent speculative transactions drive up the price. At present, there is still no right of first refusal whereby the government could buy land at the going price of that land before any development plans had been drawn up.

In order to subdivide a parcel of land and offer the newly created plots for sale, a subdivision permit is always required. In addition, as of October 1, 1996, prior to any transfer of land in Flanders, whether developed or not, the seller must request the Public Waste Materials Corporation for the Flemish Region (Openbare Afvalstoffenmaastchappij voor het Vlaamse gewest, OVAM) to prepare a soil certification. That document is copied from the public registry of contaminated land. The OVAM is currently compiling such a record. If the information is available, it tells how polluted the soil is. When the (historical) situation gives reason for an investigation, the
OVAM can decide to carry out an explorative soil survey. Then, should the findings so require, the OVAM can issue a declaration that the soil must be sanitized. Only when the soil certification has been issued is it possible to transfer title to the land (Ceenaeme, 1996).

3.5 The development and financing of public real property

The information presented in this section refers mainly to the situation in the Flemish Region and the Brussels Capital Region. The situation in the Walloon Region will differ, though only with respect to details.

3.5.1 Introduction

In total, government investment in 1995 amounted to roughly BFR 115 billion. Nearly two-thirds came from the local government sector (municipalities, provinces, OCMWs (see below, Section 3.5.2), and intercommunal agencies. Another 20 percent came from the regional governments. Of the BFR 73 billion in local government investment, 32 percent was applied to Housing and Public Health; among other projects, this covered the construction of hospitals and special housing units for the elderly and the handicapped. Another 27 percent was spent on Traffic, largely for the maintenance and expansion of the traffic infrastructure. The field of Education received 23 percent, to be used for building and renovating schools. The remaining eight percent was used to construct and remodel public administration buildings. (See Gemeentekrediet, 1996.)

With regard to the regional distribution of investments made by local governments, Flanders takes the lion’s share. Roughly 60 percent of the investments made by local government in Belgium is made here. Wallonia, in contrast, receives about 30 percent, while the amount that goes to the Brussels Region does not get much beyond the 10 percent mark. This distribution contrasts sharply with the regional distribution of private investment in property. Investments in commercial real estate (namely offices, warehouses, retail shops, and other real property) were made mainly in the Brussels Region, where the share was 82 percent. Flanders received 13 percent of the private investments (primarily in Antwerp), whereas only five percent went to Wallonia (Bouwbedrijf, 1995b). At present, about half of the new office construction still takes place in Brussels. Other major locations for new construction are in the vicinity of Brussels Zaventem Airport and in Antwerp (Clifford Chance, 1992).

The regions also differ considerably with regard to the distribution of investment across the tiers of local government. On average for all of Belgium, the municipalities accounted for 65 percent of the local government investments made in 1995. For Flanders, this figure was 70 percent; for Brussels, 54 percent; and for Wallonia, 60 percent. The share of local government investment received by intercommunal agencies was on average, for Belgium as a whole, 12 percent. That figure represents a share of five percent in Flanders, 21 percent in Wallonia, and no less than 31 percent in the Brussels Region (Gemeentekrediet, 1996).

Of the local government investments made in 1994 and 1995, about 27 percent were
financed by grants or subsidies from higher tiers of government. Roughly 55 percent of the investments were covered by loans. Self-financing accounted for approximately 16 percent. About two percent of the investments were made through alternative financing constructions such as leasing (Gemeentekrediet, 1996).

With respect to the commercial real estate market in Belgium, one more point should be made. That market is exceptional in the European context, in the sense that the stock of commercial real estate is growing steadily. It is a stable market that is hardly or not at all affected by negative trends. The main reason for its stability is the presence of all manner of EU institutions in Brussels. Those organizations need a great deal of office space themselves.

In addition, for various reasons — not the least of which is the process of European unification — there is a influx of multinationals establishing a presence in Belgium. Notwithstanding this demand, the rents in Brussels are low compared to many other ‘international’ cities (Nathanson and Andersen, 1993).

The next section examines the development and financing of public real property in urban areas. The discussion is focused on how this works in practice. It begins by introducing the key players in the property market.

3.5.2 The actors in the public real property market
A wide variety of players are active on the public real property market. Many of them have a public or semi-public status.

Municipal governments
As discussed above, the municipal governments have jurisdiction for spatial planning. They are also the tier of government that accounts for the largest share of public investments. Many urban real property projects with a public character are in fact initiated by the municipalities.

The intercommunal agencies
Intercommunal agencies are platforms for cooperation between municipalities and in some cases private parties as well. Their performance and their scope of activity is stipulated in the Act of December 22, 1986. At present, that Act is under revision for each region.

Among the participants, the municipalities are supposed to be in the majority. This applies even when private parties are included (De Rynck, 1995). The intercommunal agencies are mainly active in those fields of public activity where economies of scale can be achieved. This is the case when the opportunity is seized by more than one municipality, possibly in collaboration with private and/or semi-public organizations. Many intercommunal agencies are thus engaged in the provision and distribution of power, gas, and water; some are involved in the treatment of household waste, water treatment, and/or economic expansion and spatial planning or regional development.

In the context of the last-mentioned field of responsibility, the intercommunal agencies are also involved in the development of business complexes and the subdivision of land. An intercommunal agency has its own assets at its disposal and is an autono-
amous legal entity. It is subject to corporate law, recruits its own personnel, and disposes of all the necessary means for management in the medium to long term (Gemeentekrediet, 1996). Organizationally and in practice, an intercommunal agency is strictly separate from the municipalities that take part in it. Of course, it does perform within the bounds set by the policy of those municipalities. In 1994, there were 231 intercommunal agencies. Of that total, 72 were actively engaged in economic expansion, spatial planning, the treatment of household waste, or water purification. It should be noted, however, that some agencies play a more important role than others in the (inter)municipal spatial and economic development. One example of an extremely active intercommunal agency is the SPI (Société Provincial Investissement) in the area of Liège. That agency has been directly involved in the developments surrounding the high-speed train station in Liège (interview Reviers). In areas where intercommunal agencies take a less active stance, private actors have more room to maneuver.

The OCMWs
The Public Centers for Social Welfare (Openbare Centra voor Maatschappelijk Welzijn, OCMWs) are public agencies that operate at the municipal level. Their mission is mainly to provide social services. In practice, they offer social assistance (both material and immaterial) and assist with health care and housing for the elderly and the disabled. Their investment flows mainly toward the latter two sectors. The OCMWs derive about one-fourth of their income from the services they perform; the rest comes from contributions made by various government bodies (the state, the region, the community, and the municipality).

The provinces and the Regional Development Corporations
The provinces play a limited role in spatial planning and public real property development. Education and Public Administration tend to be the main items on the provincial budgets. Only when the urban development activities of the local authorities fail will a provincial authority step in. (This happened in the province of Antwerp, where the provincial authorities intervened in the development of the city of Antwerp.) In a number of provinces, special organizations have been established to take charge of the regional economic development. These bodies, called Regional Development Corporations (Gewestelijke Ontwikkelingsmaatschappijen, GOMs), are public corporations that stem from the framework act of July 15, 1970 “Concerning the organization of planning and economic decentralization”. The initiative to set up a GOM is taken by the provincial council (Van der Vliet, 1988). Diverse sectors of society are represented in the GOMs; various tiers of government, trade unions, and the private sector send delegates. The role of the GOMs is to advise, coordinate, and stimulate both the public and the private sector. Some of the tasks performed by GOMs coincide with those carried out by the intercommunal agencies, which are geared to regional development. The set of specific tasks assigned to the GOMs is broad, including, among other things, the following: the promotion of economic activity; acquisition, development, and redevelopment of industrial estates and business parks;
planning and consulting on provincial and regional infrastructure; and the promotion of the province or the region, as the case may be (Reitsma, 1996; Brussels Capital Region, 1996). Five GOMs operate in Flanders. Each one covers a territory equal to that of a province. The Brussels Capital Region and Wallonia each have one GOM: the Regional Development Corporation of Brussels (Société de Développement Régionale de Bruxelles) and the Regional Development Corporation of Wallonia (Société de Développement Régionale Wallone).

Regional governments
As outlined above in Section 3.1, for quite some time now, the regions have exercised extensive authority in the area of spatial instruments and spatial policy. The way each of the regional governments intervenes in urban development projects varies from one region to the next. The regional authorities in the Brussels Capital Region tend to be more deeply and directly involved than their counterparts in Flanders and Wallonia. The regional investment corporations in Flanders and Wallonia operate under the umbrella of the regional government. In Flanders, the Regional Investment Corporation of Flanders (Gewestelijke Investeringsmaatschappij Vlaanderen, GIMV) is mainly involved in the development of government buildings for the Flemish authorities. In Wallonia, the SRIW (Société Régionale d’Investissement de Wallonie) plays a similar role.

Other organizations with a (semi-)public background
The Belgian Railway Company (NMBS) holds large tracts of land in the form of old marshaling yards that are suitable for redevelopment. As owner of the Eurostation, the NMBS also has a subsidiary that specializes in the development of real property. As yet, that branch has not been used to its full potential. This is partly due to lack of experience in this sector. But its lagging results are also due to the statutory problems that are associated with developments not directly tied to railway operations. Having land at its disposal and running its own office for real property development — and with the right to expropriate land on top of that — the NMBS has the potential to become a major and relatively autonomous player on (public) urban property markets.

The institutional banks
The Municipal Credit Bank of Belgium (Gemeentekrediet van België) is the institutional bank for financing (local) governments. It was founded in 1860 as a savings and loan institution by the Belgian municipalities and provinces, which were shareholders. The bank acts as the principal banking house for these shareholders. In the course of time, the bank has expanded, becoming one of the largest savings banks in the country. In 1996, they entered into a cooperative relationship with the Crédit Local de France (CLF). Under the name of Dexia, these two banks have been operating jointly. Meanwhile, Dexia Belgium has gone public and is traded on the stock exchange (Gemeentekrediet, 1997). The Gemeentekrediet almost has a monopoly on the Belgian market, especially with respect to financing for lower tiers of government (from the local to the provincial authorities). On that market, the Gemeentekrediet provides more than 95 percent of
the financing required. However, there are signs that this exclusive position is start­
ing to break down. Specifically, the Gemeentekrediet does not monopolize the fi­
nancing for the regions. To some degree, the regional authorities can satisfy their fi­
nancing needs by using their own funds. For the remainder, they turn to various
banks.

As the market opens up more and more, the Gemeentekrediet is responding by ex­
panding its range of services. The bank is now also geared to meeting the financing
needs of non-public clients. Furthermore, it also commissions construction projects,
acting as the principal.

Commercial banks
In light of the leading position of the Gemeentekrediet, the commercial banks have not
yet been able to play a role of any significance in the financing of the local public
sector. As noted earlier, however, it appears that opportunities will be increasing. As
commercial banks take up modern forms of financing and expand their service pack­
ages, they become increasingly interesting to the local public sector. Commercial
banks have gained a foothold in certain supra-local market segments. A case in point
is the BACOB Bank, which is the market leader in financing real property for the
medical sector (Volkskrant, Aug. 7, 1997; interview Vankeirsbilck). The financial
sector has a share of nine percent of the amounts invested in the commercial real
property market (Bouwbedrijf, 1995b).

Private investors
Private parties or investors, as the case may be, are engaged in the development of
real property that is public in nature, though their involvement may take diverse
forms. Some parties take part in projects with a public nature (for instance, the de­
velopment of business complexes) by participating in intercommunal agencies, known
as GOMs. Other parties are able to get involved in metropolitan projects that are be­
ing developed under the direction of the government; they get a stake in these projects
by making strategic acquisitions (for instance, in the project for the high-speed train
station Brussels South; Loze, 1995). Further, there are some who join forces with
other parties to set up a kind of development conglomerate. Under its auspices, they
can develop plans, make investments, provide financing, and operate the properties.
By covering all these activities and by becoming such powerful players in certain
market segments, the authorities can no longer ignore these parties. Finally, there are
real property funds in various forms (institutional, listed on the stock exchange, pri­
ivate groups) that rent out office space to government agencies or invest in a particular
kind of real property for a specific target group. An example of a real property fund
is the real property investment organization (bevak) called Serviceflats Invest. It uses
private capital to invest in the construction of catered living units for the elderly.

The insurance sector plays a major role in the commercial real property market. Its
share in the invested assets is 42 percent. The share of investors listed on the stock
exchange and the private groups rank much lower, each accounting for 23 percent
(Bouwbedrijf, 1995b). In general, private individuals are not particularly eager to buy
or invest their savings in property that is not intended for their own personal use.
First of all, they do not want to pay the 12.5 percent real estate tax which is imposed on the transfer of title to real property. Secondly, the modest profits expected on the real property market give this sector less appeal than the stock market.

### 3.5.3 Public-private cooperation

There are some instances of public-private collaboration in Belgium. But this form of cooperation is not as common as it is in the surrounding countries. Nor does it occur as often as it should. Several factors are at play in the background. One is the virtual absence of mutual trust between the public and the private sector. Another is the weak propensity of government organizations to work together. The political culture is yet another factor, emphasizing loyalty to individuals rather than parties. The weak position of public-private cooperation also reflects the private sector’s insensitivity to the public interest and the importance of the culture of competition in business circles. The public and the private sectors see each other as opponents rather than potential allies. This may be deduced from the developments around the high-speed railway station Brussels South (Loze, 1995). As the city of Ghent demonstrates, however, there are also clear exceptions to the rule. It is generally recognized that in order to deal with spatial issues — and with urban problems in particular — in a successful manner, cooperation between public and private parties is imperative. The only way to make it work is by changing the prevailing attitudes (Ministerie van de Vlaamse Gemeenschap, 1996a; Brussels Hoofdstedelijk Gewest, 1996).

In practice, initiatives for public-private cooperation take many different forms. Just a few examples are listed here.

- Private parties may participate in public institutions such as intercommunal agencies, OCMWs, and GOMs.
- The government may agree to make a piece of land available. Alternatively, it may put in a particular piece of infrastructure. In exchange, a private developer will agree to include certain public and/or social functions in the ensuing plan or budget.
- A concerted effort may be made to develop an urban site. The development consortium will have both public and private participants.
- Agreements may be made between the government, on the one hand, and landlords or investors, on the other, to arrange for housing renovation or the construction of social housing. Part of the funding for such activities would come from government subsidy.

One aspect of project-oriented public-private partnerships is especially interesting. Normally, the initiative for such activities comes from the government and is an ad hoc arrangement. This means that the collaboration falls outside any established institutional frameworks and does not proceed according to a set of formalized rules. For each individual case, a solution is sought that will suit the particular cooperative arrangements as well as the financing construction. Formalization usually occurs after the arrangements are in place. For a large project, a temporary coalition may be set up (Clifford Chance, 1992) or a research consultancy may be established; in either
case, all parties involved in the project will participate. By government directive, the coalition or the bureau may be invested with the necessary authority (such as the right of eminent domain). The risks may be spread in proportion to the amount of capital invested or by some other key. It often comes down to the government providing a guarantee that it will cover any losses that may be incurred, whereby the private parties carry little if any risk (interviews Janssens and Reviers).

In the past, the government has taken steps to institutionalize public-private partnerships. This was tried with respect to urban renewal, for instance. The decisions were never implemented, however (Bouckaert, 1990). The new generation of spatial plans devotes attention once again to the formalization of public-private cooperation to deal with urban problems. The Brussels Capital Region has a so-called claw-back proviso (*stedenbouwkundige lasten*), which may be seen in this light. That instrument allows the government to make a claim on private investors who profit from the added value of the investments in commercial real property at strategic locations. The government may expect these investors to include the construction of public space and/or dwellings in their development plan or development budget. The objective would be to counterbalance the monofunctionality present in so many urban areas (Brussels Hoofdstedelijk Gewest, 1996).

### 3.5.4 Urban revitalization and urban renewal

The effort to combat urban decay has been given high priority for the past few years. In this connection, many urban renewal projects have been started and numerous urban revitalization initiatives have been taken. The renovation of dwellings and the upgrading of public space has been given impetus largely by making subsidies available to the owners of the housing. These may be the owners (either private individuals or housing societies) or they may be the occupants. In Flanders, urban upgrading areas (*stedelijke herwaarderingsgebieden*) are designated as places eligible for such subsidies. It is the intention that renewal in the Brussels Capital Region will take place within the framework of district contracts and under the heading of convention-bound dwellings. The district contracts apply to existing districts that are confronted with deprivation and decay and need an extra impetus if they are to become livable once more. According to the district contract, the region and the municipality take the initiative to establish a partnership agreement. For the period of four years, efforts are made to consolidate as many sources of subvention as possible. The aim is to find adequate funding to upgrade both the public and the private space in a particular district while reinforcing its social and cultural structure. The rationale behind convention-bound housing is that a private investor will be induced to build or renovate dwellings with the assistance of government subsidies. The subsidy may take the form of financial compensation or the title to government lands. In exchange, the investor agrees to sell or rent the dwellings to certain socially defined target groups. At the same time, the investor is obliged to keep the return on the investment below a set maximum (Brussels Hoofdstedelijk Gewest, 1996).

Major urban renewal or urban restructuring projects — such as finding new uses for abandoned industrial sites in the city — are scarce in Belgium. Gradually, they are appearing on the horizon, however. The project called City on Stream in Antwerp,
dating from the early 1990s, could have been an exemplary development, but it did not work out. In looking for an explanation of the low level of activity in this area, we should consider the nature of the relationships between the public and the private sector. As mentioned earlier, these contacts did not run smoothly. We must look further, however, and consider the mechanism for disbursing government finance. It does not induce lower tiers of government to invest in spatial planning. The reason is that while the municipalities are saddled with the costs, a hefty share of the revenues is siphoned off by the disbursement mechanism. Thus, they see the fruits of their labor going to other regions. One more aspect to be taken into account is the ease with which any expansion could be located in the surrounding areas. Expansion on the outskirts was both simple and cheap. In the near future, this could and should be different. First, a more constructive attitude is needed on the part of the public sector and the private sector alike. They would have to pursue a more restrictive policy on expansion in the surrounding areas. In this way, abandoned or derelict sites lying within the built-up area might come up for renewal and/or restructuring sooner than at present.

3.5.5 Public buildings and public infrastructure

Municipalities invest mainly in administration buildings, infrastructure, educational and health care facilities, and housing. The main thrust of investment by intercommunal agencies is infrastructure, trade, manufacturing and retailing (including the development of business complexes), as well as health care and housing. The OCMWs invest almost exclusively in the sector of health care and housing. The provinces play a less pronounced role in government investment (Gemeentekrediet, 1996). The regional governments invest in buildings for their own use but also in other public sectors. In addition, they provide capital grants in aid or investment subsidies to lower tiers of government.

The initiative to develop real property in the sectors mentioned above is always taken by these governmental parties. When work is commissioned in this context (ranging from developing and implementing projects to arranging outside financing) the government has to comply with the legislation on government work. That law was passed on December 24, 1993 and came into force in May 1997. That legislation integrates existing guidelines for the European Union with regard to government contracts. In addition, the law guarantees free competition in many domains. It is fairly unusual to commission government work by calling for submissions to a design competition whereby the winner gets the job. In contrast, this is common practice in Germany.

Governments generally turn almost directly to the Gemeentekrediet for the financing of relatively small-scale projects. This has been common practice — and still is — even though they are not legally required to do so. This route was mainly followed when the financing was not directly linked to a particular project. Lately, this pattern seems to be changing somewhat. The municipalities are gradually shifting their approach. To finance their projects, they are starting to call for bids from several lenders. It may be expected that this approach will become more widespread, partly under the influence of new legislation on government work. At the same time, some changes are taking place in the way public investment is financed. Alternative forms
of financing are becoming more prevalent. Leasing is a case in point. Under this construction, the lender (say, the Gemeentekrediet) acts as principal and in that capacity oversees the process of development and building. When the project is finished, the governmental party will lease the premises. Depending on the nature of the property, the lessee will either occupy the premises or rent it out to third parties. Two compelling reasons to do so are to avoid having to pay real estate transfer tax (12.5 percent) and to keep the real estate off the public budget. For infrastructural projects, however, the classic method of financing remains the standard one, at least for the time being.

For a big investment in public real property (say to build a hospital or an airport terminal), the rules of the game are slightly different in practice, though not in theory. Again, the government acts as the sponsor, perhaps represented by the future operator or manager. The government often turns the entire project over to a promoter (usually a developer) who takes charge of the project, all the way from the planning stage to the construction stage. The procedure of contracting the job out is in principle open to public scrutiny, in accordance with the laws that apply. The parties submitting tenders are asked to offer an overall package, including a financing plan. To that end, a promoter will generally approach a bank in order to submit a joint tender. The government then selects the most attractive proposal or gives one of the bidders the mandate to put together a proposal for the formation of a consortium. The latter option may already be taken on the initiative of a promoter or a bank at the time they put in their bid. In practice, it often happens that when a certain governmental body has had good experience with certain parties — for instance, a combination of a certain promoter, a bank, and perhaps an investor — that body will tend to give the contract to the combination that is tried and true. In doing so, virtually no vestiges of competition remain. Such groups of mutually complementary players (an investor, a lender, a promoter, and an operator) are beginning to make their presence on the market more pronounced.

3.5.6 The development of business complexes

The development of business parks can be an entirely private affair. It may also be a government undertaking (generally involving an intercommunal agency or a GOM) or a concerted effort by public and private parties. There are instances where a private party owns a tract of land and — at such time as the owner considers the time ripe to develop it — parcels it out as a business complex. In such a case, government intervention remains limited to the granting of permits and may entail the promotion activities of a GOM. In another instance, a collaborative initiative might be taken. Then, in such a scenario, an intercommunal agency could foot the bill for making the site ready for development. Intercommunal agencies and GOMs can also proceed to develop business parks without the participation of other parties. Taking this independent path, they would be in charge of the entire trajectory of development, running from acquisition of the land to the site preparation all the way to developing and parceling out the property. In that event, financing usually is drawn from the sponsors' own funds (self-financing).
3.6 Summary

The practice of developing and financing public real property in Belgium is currently in flux, as is the context in which these activities take place. In the background, a major factor has been — and still is — the process of creating a federal state. This process has had strong implications for the distribution of jurisdictions among government authorities. The division of labor, in turn, has profound effects on regionalization. Many of the jurisdictions that were previously national have ended up under the three regions that have been created. These are the Flemish Region, the Walloon Region, and the Brussels Capital Region. In the foreground, the developments in spatial planning play a key role. The old planning system dating back to 1962 has been and will be replaced in the three regions by new systems. Each of these new systems is specific to the region and differs from the other two. By devolving this authority, the government seeks to get a better grip on spatial developments. The first results of the new systems are the Draft Spatial Structure Plan for Flanders (1996) and the Regional Development Plan for Brussels (1995). In the Walloon Region, work is in progress on the Plan Régional de l'Aménagement du Territoire de Wallonie. The former two plans devote ample attention to urban issues. The main thrust of those plans is to achieve an integral improvement in the conditions for living and working in the cities. At the same time, it may be said that in order to achieve these objectives, better cooperation is imperative between the public and the private sector. At present, cooperation in urban (or metropolitan) projects is still irregular and takes place on an ad hoc basis. Mutual obstruction seems to be just as popular as making a concerted effort.

Diverse actors play a role in the development and financing of public real property. Local public bodies (municipalities, intercommunal agencies, Public Centers for Social Welfare, and the Regional Development Corporations) generally take the initiative. To a somewhat lesser degree, the sponsors are the provinces, the regional governments, and other organizations with a public remit, such as the Belgian Railway Company. The promoters act as developers and organize the construction process. Private investors can take part in the development of public real property in various ways. Their participation may be institutionalized in the form of intercommunal agencies and Regional Development Corporations. They may be invited to take part by the public sector or come in on their own initiative through public-private partnerships. Alternatively, they can join in through various kinds of real property funds that are (at least in part) focused on real property with a public or social character (for instance, the real property investment organizations known as bevaks). Financing can be arranged through either institutional or commercial banks. For small projects in the area of public real property in an urban setting, financing is generally arranged by way of the budget (special service) of the responsible government body. This is usually the local authority, for which the institutional bank — the Gemeentekrediet — has traditionally been the designated lending institution. For large-scale projects, whereby project financing is the preferred form, the market is more diverse. In such cases, modern financing models like leasing are applied. There is increasing demand for a package of services that covers all aspects of real property development, from man-
agement of the construction process to financing and in some cases operation of the building.
4

GERMANY

4.1 Administrative structure

Germany has a highly decentralized decision-making structure, whereby the legislative, the executive, and the judicial branches are separated. This structure was codified in the Constitution of 1949 (Grundgesetz). In addition to the federal government (Bund), two other important administrative levels are distinguished. One consists of states (Länder), the other of cities and municipalities (Städte und Gemeinde). The federal government, which serves as the overarching body that encompasses the relatively autonomous states, has powerful financial means at its disposal (Dieterich et al., 1993). It makes the framework laws that determine how much room the states have to maneuver. The states have their own legislative powers, which are used to fill in the federal framework laws.

After the reunification of Germany in 1990, the country had 16 states. Three of these are City-states (Stadtstaaten): Berlin, Bremen, and Hamburg. The states are organized as independent entities, each with its own constitution, (elected) parliament (Landtag), ministries, and its own council of ministers and prime minister (Dieterich et al., 1993). The government of the state of Northrhine-Westphalia, for example, has 12 ministries.

The larger states are subdivided into districts (Regierungsbezirke). The administrative body for such districts is the Regierungspräsidium. It is responsible for dealing with all affairs and tasks of government in that district. This includes tasks in the area of spatial planning. The state of Northrhine-Westphalia, to use the same example, has five Regierungsbezirke. There are 32 in the whole country (Schmidt-Eichstaedt, 1995).

In between the level of the Regierungsbezirke and that of the cities and municipalities, there is another level. This is the Kreise, which is the smallest administrative unit above that of the municipalities. There are Landkreise and Kreisfreie Städte. The Landkreise are actually units of collaboration among a small number of (rural) municipalities. Together, these local authorities collaborate on a number of governmental tasks (such as waste treatment, public transport, and cultural affairs) (Dieterich et al., 1993).
Germany has 322 Landkreise. The Kreisfreie Städte (110 in total) are generally the bigger cities, which carry out all government tasks themselves (Schmidt-Eichstaedt, 1995).

The municipalities and the cities are the smallest administrative units. Just like the federal government and the states, they too enjoy a large degree of autonomy. Each municipality has an elected council. In addition, the Constitution grants each municipality all the rights and responsibilities of self-government (Kommunale Selbstverwaltung), including the task to ensure the introduction and enforcement of local laws (Satzungen). With regard to public responsibilities, a distinction is made between mandatory tasks — such as water supply, sewers, and garbage collection and waste treatment — (Pflichtaufgaben), on the one hand, and voluntary tasks — which may include the preparation of sites for development, the provision of cultural facilities, and so on — (Freiwillige Aufgaben) on the other hand. In a financial sense too, the municipalities are relatively autonomous. A share of the income tax revenues and the tax on corporate capital and profits go directly into the municipal treasury. In the field of spatial planning and land use, the municipalities and cities are the most important government entities in Germany. They derive their power from planning instruments such as the structure plan (Flächennutzungsplan) and the land-use plan (Bebauungsplan). In total, Germany has approximately 15,000 municipalities and cities.

The above sketch depicts the standard administrative structure in Germany. That standard structure may be expanded at the regional and/or the local level, however, by adding special public bodies. In the state of Northrhine-Westphalia, for instance, two administrative entities function between the state and the municipalities and alongside the Regierungspräsidien: two Landschaftsverbände and one Kommunalverband (NRW-Lexikon, 1997).

The Landschaftsverbände (LVb Rheinland and LVb Westfalen-Lippe) are public bodies that are supported by the Kreise and the Kreisfreie Städte. The tasks of these bodies lie primarily in the area of social services (the provision of benefits to those who need assistance for a wide range of reasons; health care; youth services; etc.). The necessary financial means come from the associated Kreise and Kreisfreie Städte, the state, and the federal government.

The Kommunalverband Ruhrgebiet (KVR) is a collaborative arrangement that dates back to 1920, when it was established under the name Siedlungsverband Ruhrkohlenbezirk (SVR). It was set up by municipalities and cities in the Ruhr Area. This collaboration was initially called upon to fill the vacuum between the state and the municipalities with regard to planning activities. In this respect, the SVR was given a pioneering role in the area of regional spatial planning in Germany. Since 1975, however, the planning function has been transferred to the Regierungspräsidien, and the Kommunalverband Ruhrgebiet now has very little importance.
4.2 A typology of spatial plans and instruments

As pointed out above, the main responsibility for the concrete organization of space (that is, land use) lies with the lowest tier of government (the cities and the municipalities). The main responsibility of the higher tiers is to indicate which directions in spatial development are desired (Regierungsbezirke, Länder, and Bund). Furthermore, the higher administrative levels are responsible for the formulation of the legal framework under which intervention in the spatial organization is supposed to occur (the Länder and the Bund).

4.2.1 The legal framework

The federal level

Three federal laws are highly relevant to spatial planning. One is the Baugesetzbuch (BauGB, the spatial planning act). The second is the Baunutzungsverordnung, which is like a building ordinance. The third law is the Bundesraumordnungsgesetz (BROG), which stipulates the legal conditions for spatial policy (see also Section 4.2.2 below).

The Baugesetzbuch (originally the Bundesbaugesetz, which dates back to 1960 and was revised and renamed Baugesetzbuch in 1986) combined some urban and regional planning laws that had already been on the books with some existing laws on urban renewal. In the main, the Baugesetzbuch concerns the general provisions for spatial planning. Among other stipulations, it establishes the principles for Bauleitplanung (land-use planning). Another major part of the Baugesetzbuch consists of the special provisions for urban planning. It contains, among other articles, the Städtebauliche Entwicklungsmassnahmen (urban development measures) and the Städtebauliches Sanierungsmassnahmen (urban renewal measures). In April 1993, a number of extra provisions were added to the Baugesetzbuch (Maßnahmen zum Baugesetzbuch). Among these, the Städtebauliches Vertrag and the Vorhaben und Erschließungs­massnahmen turn up in practice on a regular basis. These are measures that were initially designed to speed up the process of eradicating the deprived situation in the former East Germany. To that end, these measures were intended to streamline the planning procedures. Meanwhile, these measures have become fashionable in the former West Germany too. The period of validity for these extra provisions expired on December 31, 1997, at least in principle. Nonetheless, in light of their great success, there is a reasonable chance that these procedure-accelerating measures will be prolonged (and also in light of the Standortsicherung principle; see Section 4.2.2 below) (Neues Baugesetzbuch, 1996). The way these provisions work is briefly explained below (Section 4.3.3).

The Baunutzungsverordnung (1990) determines which functions may be established in which land-use category of the land-use plan. It also stipulates which spatial building regulations the construction projects must meet (height of the structure, building density, number of parking spaces, etc.). The building code (including, for instance, safety rules and environmental requirements) is spelled out in the Bauordnung (a detailed building ordinance), which is formulated by each state.
The Bundesraumordnungsgesetz lays down a number of principles on which the German spatial policy is based. This regulatory system is described in some detail in Section 4.2.2.

The three laws described above deal exclusively with spatial planning. In addition, there are federal laws that must be taken into account when elaborating spatial and urban plans. These federal laws pertain to nature and the environment. They are called the Bundesnaturschutzgesetz and the Bundesimmissionsschutzgesetz. Of course, the degree to which that legislation comes into play depends on the kind of project that is to be developed.

The state level
The Landesplanungsgesetz is a planning law that applies at the state level (for example, it has been in force since 1950). This legislation entails a further elaboration of the federal laws on spatial planning. The Landesplanungsgesetz may differ from one state to the next on specific points. But the essence will be the same because it is always formulated within the same framework, which is set at the federal level (Newman and Thornley, 1996). In general, the procedure is as follows. The states stipulate in their Landesplanungsgesetz how they deal with their spatial planning at the level of the state and — if applicable — the region (Landesplanung and Regionalplanung). The spatial planning at the level of the state is usually given form in the course of a Landesentwicklungsprogram and a Landesentwicklungsplan. These too, if applicable, provide a legally binding framework for spatial plans at the regional level (Regionalpläne or Gebietsentwicklungspläne). In many states, the Landesplanungsgesetz covers which planning procedures (Raumordnungsverfahren) should be followed for large individual projects. These may be waste treatment plants, large industrial estates, large shopping centers, or infrastructural projects (Dieterich et al., 1993).

As indicated above, the legal basis of spatial planning at the regional level (Regionalplanung) is the Landesplanungsgesetz. These regional plans are legally binding for cities and municipalities. There is no spatial planning at the level of the Kreise.

The municipal level
The municipalities and the cities bear responsibility for compiling and revising structure plans and detailed legally binding land-use plans. (This planning process is called Bauleitplanung.) The procedural rules and specific requirements with which Bauleitplanung must comply are formulated at the federal level. They are laid down in the Baugesetzbuch and supplemented with provisions from the Baunutzungsverordnung (as mentioned above in this section) and the Wohnungsbauerleichterungsgesetz (a set of laws dating from 1990 that were passed to make the process of constructing new housing easier; its intent is similar to that of the Maßnahmen zum Baugesetzbuch, mentioned earlier).

With regard to the spatial policy content of the Bauleitplanung, it has to correspond to
the letter and the intent of the spatial plans and programs at three levels: the federal,
the state, and the regional level.

4.2.2 Spatial plans and their contents

The federal level
One federal ministry in particular bears the greatest responsibility for spatial planning
and related issues. This is the Ministry of Spatial Planning, Building, and Urban De-
velopment (Bundesministerium für Raumordnung, Bauwesen und Städtebau, often ab-
breviated as BMBau). Intervention in the physical environment takes place on two
tracks: the Bundesraumordnung (federal spatial planning) and the Fächpläne (sectoral
policy plans such as the Bundesverkehrswegeplan). The Bundesraumordnung consists
of two parts: the Bundesraumordnungsgesetz and the Bundesraumordnungspro-
gramm. The former refers to the framework and the guidelines for spatial policy in
Germany. The states as well as the cities and municipalities should take it into ac-
count when working out their regional or local policy. An important point of depart-
ture for the guidelines for spatial policy is that the authorities should strive to achieve
an evenly spread spatial distribution of welfare. Previously, this redistribution effort
was focused on the countries internal North-South divide; now the aim is to eliminate
inequalities between Germany’s East and West. This basic goal is translated in the
Bundesraumordnungsprogramm in various ways. For instance, it calls for the crea-
tion of sufficient employment and housing in all parts of the country. On the grounds
of these basic aims, the subsidy flows for infrastructural programs and other such
projects are given a clear direction (Dieterich et al., 1993). For some years now, the
federal authorities have endorsed a new basic principle for spatial (and spatial-
economic) policy, Standortsicherung (interview Wegener and Davy). This principle is
intended to enhance progress toward several goals in accordance with globalization
trends. It is to further the unification of the European market while strengthening the
economic position of Germany, which is increasingly seen as being in a critical situ-
ation. The principle is also supposed to buttress the economic competitive position of
Germany by transforming the country into an attractive location for industry. In pur-
suit of these aims, an effort is made to drastically shorten the duration of procedures
in the area of spatial planning and urban plan formulation.

The state level
On the basis of the Bundesraumordnungsgesetz, the states are required to formulate a
spatial plan for their entire territory. The federal government coordinates the task of
harmonizing the plans worked out by each of the states (Wegener, 1996). The states
usually work with two types of plans: a Landesentwicklungsprogramm and a Landes-
entwicklungsplan (as, for instance, in Northrhine-Westphalia). The Landesentwick-
lungsprogramm is a document in which general basic assumptions and aims with re-
gard to the spatial structure and the spatial development in a state are formulated. The
document also contains general sectoral goals, ranging from housing to waste treat-
ment. This general framework is subsequently fleshed out and visualized in a Landes-
entwicklungsplan. The latter consists of two parts: one for the urban area and an-
other for the rural area. Among other things, it indicates which municipality occupies which place in the urban hierarchy. It also shows the corresponding pattern of development. Furthermore, it identifies which areas are designated as valuable cultural or natural landscapes, for instance, and must therefore not be disturbed. In the accompanying explanation of the plan, the aims and the strategies derived from them are described (NRW-Lexikon, 1997). Diverse ministries at the state level are involved in the preparation of a Landesentwicklungsprogramm or a Landesentwicklungsplan. In the state of Northrhine-Westphalia, for example, the following ministries are involved:

- the Ministry of Environment, Spatial Planning and Agriculture (Ministerium für Umwelt, Raumordnung und Landwirtschaft), under which falls the Department of Raumordnung und Landesplanung;
- the Ministry of Urban Development, Culture and Sport (Ministerium für Stadtentwicklung, Kultur und Sport);
- the Ministry of Housing (Ministerium für Bauen und Wohnen);
- the Ministry of Economic Affairs and Small Business, Technology and Traffic (Ministerium für Wirtschaft und Mittelstand, Technologie und Verkehr).

The regional level

The issues that are included in a Landesentwicklungsprogramm and/or -plan are then considered legally binding for the Regionalpläne or Gebietsentwicklungspläne, which are prepared by the Regierungsbezirke. In these plans, the present and future land use in a district is laid down on maps at a scale of 1:50,000. In principle, this type of plan is revised every 15 or 20 years. The municipalities lying within the planning area are also involved in the task of drawing up these plans. In this way, they can exert an influence on the regional planning process. The exact way in which that process is organized may differ among the states (Dieterich et al., 1993). The coordination of the individual plans must be guaranteed in the obligation to comply with the plans at the state level. The intention is to give spatial planning more weight at the district level at the expense of planning at the state level (Der Langfristige Kredit, 1996).

In the context of Europe's disappearing internal borders, regional authorities increasingly look for coordination at an international level. One example is the MHAL project, which concerns the development of the region bounded by cities in three countries: Maastricht/Heerlen (in the Netherlands), Aachen (in Germany), and Luik/Hasselt/Genk (in Belgium).

The municipal level

The Regional- or Gebietsentwicklungspläne establish the legally binding framework for the spatial plans at the local level. These are the Flächennutzungsplan (a structure plan) and the Bebauungsplan (a land-use plan). The former is an elaboration of the Regional- or Gebietsentwicklungsplan for a municipality or city. It closely resembles the structure plan as known in the Netherlands. Each municipality is required to draw up a plan of this type. The plan has to conform in intent to the plans already in existence at a higher level. These include sectoral plans such as nature conservation
plans, plans for the energy sector, and so forth. The plan has to be approved by the level of government one tier up in the hierarchy (the Regierungspräsident or the state). The planning map, which indicates the desired land use for the future, is generally drawn to a scale of 1:10,000 or 1:20,000. The time horizon is usually set at 10 to 15 years (Dieterich et al., 1993). The Flächennutzungsplan is legally binding for the government authorities (both municipal and higher government levels) but not for the private sector.

The Bebauungsplan, in contrast, is binding for both the government and the private sector. The plan has to conform to the Flächennutzungsplan. Just like the Dutch land-use plan, it indicates which function is permitted at which location. That plan also includes guidelines for building density, building height, and infrastructural situations (with respect to social concerns, green space, and traffic), among other things. Projects that do not deviate from the Bebauungsplan are always considered legitimate and cannot be prohibited. However, landowners are not required to actually implement the developments proposed in a Bebauungsplan. For projects that do deviate from that plan, the parties are sometimes willing to adjust part of the Bebauungsplan.

Municipalities are under no obligation to draw up Bebauungspläne for their entire territory. Thus, in practice, the territory of the municipalities is often not fully covered by Bebauungspläne. The Baugesetzbuch provides legislation with regard to the question of how to test a plan in areas with or without a Bebauungsplan (Article 30 through 35).

4.3 Spatial policy

4.3.1 The level of the federal government

Germany’s spatial issues, as manifest over the past few decades, are largely comparable with the issues in the Netherlands. In Germany too, unequal regional economic potential, rampant suburbanization, and rising mobility (particularly automobile use) have given a major impetus to spatial policy, which has sought to ameliorate these situations.

One very important goal of German spatial-economic policy over the past few decades has been to reduce the socioeconomic differences in deprived areas (Schwerpunkträume). That goal was operationalized as the promotion of growth centers and development axes (Smeeele et al., 1994) or the targeted investment in knowledge infrastructure. A good illustration of these efforts is the fact that five universities have been founded in the Ruhr Area since 1965 (Hassink, 1996). In the years leading up to reunification in 1990, attention was focused on the socioeconomic differences found between Northern and Southern Germany as well as between the periphery and the urban areas. The problem is that average per capita income in Northern Germany is significantly lower than in Southern Germany, while unemployment is higher in the North (Dieterich et al., 1993). One of the main reasons is that the transition from a traditional industrial manufacturing economy to one based on high-value
services and technology went more smoothly in the South. Since reunification, however, the central concern is to eradicate the differences between the former East and the former West Germany. A very large share of the available public means for investment and subsidization is flowing eastward. Thereby, other areas that are not too strong economically are left to their own devices with respect to their economic development. In their attempts to obtain the necessary capital, they generally have to turn to the private sector. More or less parallel to this trend, a few years ago the concept of Standortsicherung was propounded as the spearhead of national policy. This refers to the aim of reinforcing Germany's position in the global economy, partly by making Germany more attractive to (foreign) investors and companies. The main way to achieve this is by streamlining the regulatory system (deregulation) — in spatial planning, among other areas — and through financial instruments and incentives. The same policy is applied at the regional and especially the local level, with the understanding that in this case the competition is not coming from abroad but from a neighboring municipality, region, or city. This development is at odds with the desire to foster cooperation between local and regional authorities and the desire to coordinate spatial planning.

4.3.2 The state level: Northrhine-Westphalia

At the level of the states, the policy objectives that were formulated at the federal level are worked out in detail. Furthermore, the region-specific sociospatial and spatial-economic issues are addressed. In this vein, the state authorities in Northrhine-Westphalia — and where feasible in cooperation with other parties such as regional and local governments or private organizations — have been trying for decades to revitalize the economic structure. Traditionally, the economy has leaned heavily on the steel and coal industries of the Ruhr Area. Their efforts are manifest in a series of documents. The list starts with the Entwicklungsplan Ruhr, which appeared in 1968. It was followed in 1976 by the Landesentwicklungsplan Nordrhein-Westfalen, which is currently under revision. Next came the Aktionsprogramm Ruhr (1979), the policy program Nordrhein-Westfalen Initiative Zukunftstechnologien and the Internationale Bauausstellung Emscher Park (Wegener, 1996; Hassink, 1996). On the one hand, the Landesentwicklungsplan provides the spatial framework within which the restructuring would have to take place. On the other hand, the Internationale Bauausstellung Emscher Park (IBA) is a more concrete restructuring project. The IBA, which was launched in 1988 by the state in collaboration with 17 cities/municipalities and a Regierungsbezirk, is geared to the redevelopment and upgrading of a strip of land. Covering a surface of 750 sq km, and including many polluted and functionally obsolete locations, this tract lies in the catchment area of the Emscher River between Duisburg and Dortmund. That area is supposed to become a high-quality area for human activities, providing room for nature, recreation, housing, and employment (Wegener, 1996). To that end, the IBA Emscher Park N.V. was established. This corporation does not have an investment budget of its own. Its mission is to initiate, coordinate, and facilitate development projects that fit into the high-quality image for the future that has been projected for this area. At the time the IBA project was launched, it was to run for ten years; therefore, it will be terminated in 1998.
In light of the state’s active role in spatial-economic development, it is not surprising that several institutions have been consolidated. The LEG Wohnen GmbH, the LEG Wohnungsbau Rheinland GmbH, and the LEG NRW GmbH have been integrated into the LEG Landesentwicklungsgesellschaft Nordrhein-Westfalen GmbH (LEG). The LEG is a privatized organization that deals with housing and other categories of real property — among its other activities — from a semi-public point of view (see also Section 4.5.2).

4.3.3 The local level: urban development
Over the past several decades, an active urban policy has been pursued in Germany. Some aspects of this policy were prompted by the the sharp decline in the number of residents in the (inner) cities and the strong suburbanization trend of the sixties and seventies. For decades, efforts have been made to enhance the appeal of the city as a place to live and work.

The efforts to induce people to return to the city are diverse. They include setting aside pedestrian precincts in shopping centers, renovating or demolishing old dwellings, offering tax incentives, carrying out infill projects to increase the density in urban areas, and redeveloping old industrial sites. In this way, since the mid-1980s, the flight from the cities has been reversed. There is a renewed flow of people to the urban centers. Locations with good transport connections — expressways for automobile traffic and railroads with high-speed train service — are especially popular as places of residence as well as places of work (Dieterich et al., 1993).

A crucial development taking place in the background is that local governments have less and less money to spend. Well into the seventies, they had sufficient financial means to initiate desired developments themselves, if need be. They could do so either by direct investment or by offering subsidies or tax concessions for certain activities. Since the end of the seventies, however, the governments have had to cope with a continuously shrinking budget for spatial and urban development. Accordingly, they have had to depend more and more upon investment from the private sector. Meanwhile, the costs of urban projects have risen due to the heightened environmental awareness and the corresponding tightening of environmental legislation. Stricter norms are imposed on nuisance from noise and stench as well as on vibrations. Furthermore, there is an increase in soil sanitation activities. These are especially important in the Ruhr Area, where there are numerous industrial sites that are potentially suited for redevelopment (see for example Kirchhoff and Müller-Godeffroy, 1996).

At the beginning of the 1990s, a large proportion of the public funds for spatial-economic development were applied to help the former East Germany catch up with the rest of the country. Since then, public finance for urban development in the western part of Germany has become even harder to arrange. The regional and local governments have almost no choice but to turn to the private sector. One way in which the authorities try to interest the private sector in certain urban development projects is by revising legislation to make the regulatory system less strict. Another way is by selling off land on favorable terms.

Against this backdrop, the following list of current key policy objects should not come as a surprise (Dieterich et al., 1993; Regierungsbezirk Düsseldorf, 1996):
- deregulation, self-sufficiency, and privatization;
- promotion of home ownership;
- promotion of public-private cooperation;
- encouraging reuse of old industrial sites (especially in the Ruhr Area);
- protection of the environment, particularly the green space near the city.

The Baugesetzbuch contains several provisions that give hands and feet to the effort to promote deregulation, encourage public-private cooperation, and expedite planning procedures. To some extent, these provisions are outgrowths of the urban renewal and revitalization thrust of the sixties and seventies; to some extent, they are complementary to those programs. The provisions are briefly described below. This overview makes use of the version of the Baugesetzbuch from 1986, including the revisions made in 1993, as presented by David (1995).

Erschließung (Article 123-135 Baugesetzbuch)
The term Erschließung denotes getting land ready for development by preparing the site, putting in local public infrastructure, and building roads. Responsibility for this activity lies in principle with the municipalities, though implementation is not enforceable. On the grounds of Article 124 of the Baugesetzbuch (Erschließungsvertrag, städtebaulicher Vertrag), however, the municipalities have the possibility to assign this task to third parties. Then, responsibility for implementation would lie with a private developer, for instance. This provision was already included in the Bundesbaugesetst of 1960.

Städtebauliche Sanierungsmaßnahmen (Article 136-164 Baugesetzbuch)
The part of the Baugesetzbuch that regulates the Städtebauliche Sanierungsmaßnahmen (which are measures dealing with urban renewal and urban revitalization) contains Article 157, which in turn contains the provision that the municipality can transfer its responsibility for the preparation and implementation within that area to a party deemed suitable for the task (Sanierungsträger). A suitable party might be a private organization that is specialized in the field in question. It might be a building society or an ad hoc project organization, consisting of various (public and private) parties with an interest in the project. The Städtebauliche Sanierungsmaßnahmen were introduced in the Städtebauförderungsgesetz back in 1971. Thus, they were transferred to the new Baugesetzbuch in 1986.

Städtebauliche Entwicklungsmaßnahmen (Article 165-171 Baugesetzbuch)
Like the Städtebauliche Sanierungsmaßnahmen, the Städtebauliche Entwicklungsmaßnahmen (urban development instruments) were originally derived from the Städtebauförderungsgesetz of 1971. Over the years, they underwent some adaptation. Now, the Städtebauliche Entwicklungsmaßnahmen provide the framework for designating urban development zones (städtebauliche Entwicklungsbereiche). These are extremely important for the overall urban development of a municipality. The designated zones are subsequently developed. They may either be developed for the first time or be prepared for redevelopment. The development has to serve the aims of
housing, employment, or public functions. Article 167 stipulates how and under which conditions a municipality can transfer its responsibilities regarding Städtebauliche Entwicklungsmassnahmen to a third party (Entwicklungsträger). Such stipulations concern the responsibility for the preparation and implementation of the development instruments. They also concern the management of financial means that have been made available for the project in various ways (directly from the municipality, from other government authorities, or otherwise).

**Städtebaulicher Vertrag (Article 6 Maßnahmengesetz zum Baugesetzbuch)**

The Städtebaulicher Vertrag is included in the Maßnahmengesetz zum Baugesetzbuch of 1993. It gives municipalities the authority to enter into a contract with third parties who would then prepare and carry out städtebaulicher Maßnahmen as intended in the Baugesetzbuch. These städtebauliche Maßnahmen refer to activities such as the reorganization of privately held title to land, soil sanitation, preparing sites for development, and the planning activities connected with such tasks. In addition, on the grounds of the städtebaulicher Vertrag, it can be arranged that in the framework of a plan to build housing, the developer will take responsibility for the financing of a kindergarten or a playground. Alternatively, he will commit himself to build a share of the dwellings for groups that are in an underprivileged position on the housing market (Der Langfristige Kredit, 1996).

**Vorhaben und Erschließungsplan (Article 7 Maßnahmengesetz zum Baugesetzbuch)**

The Vorhaben und Erschließungsplan (provision regarding development plans and access roads) is an instrument that was introduced in 1993. It enables a municipality—if the need should arise—to call upon a (private) investor who has already submitted a development plan and ask him to draw up the Bebauungsplan (a land-use plan) as well as a transport access plan for the affected area. The municipality retains responsibility for the oversight of the plan. Once it has been approved, an implementation accord is signed by the municipality and the investor(s). That contract sets the time frame in which the project must be completed and determines how the planning and development costs (including the costs of preparing the site and making it accessible) should be divided between the two parties. In this manner, the municipality is relieved of a burden, the duration of the procedures is shortened, and the two parties are more or less assured of each other's cooperation in the project. If the investor does not live up to the agreements laid down in the implementation accord, the municipality has to annul the agreement. In that event, they have to go through the entire procedure all over again. In this regard, investors who themselves will not be the users of the property are taking a real risk. There is a chance that they will be held responsible for agreements they made with the municipality but may not be able to meet if the users unexpectedly pull out of the deal or change their preferences.

**4.4 Land policy**

Most land in rural areas is in the hands of farmers, the Church, or the historical land-
owning class (Dieterich et al., 1993). In urban areas, the government holds title to a larger share of the land. In comparison to the situation in the Netherlands, however, government holdings are still relatively modest (roughly ten percent). The rest is in the hands of companies, individual landowners (both big landowners and owner-occupiers), housing associations, and again the Church.

For the (local) government, the structure plan (Flächennutzungsplan) and the land-use plans (Bebauungspläne) are the standard means to designate land for certain types of development. In addition, the government has the option to provide land for certain kinds of development. Alternatively, the government can acquire land and then put it on the market, perhaps after making some changes such as clearing it or preparing it for development. The Baugesetzbuch (Article 166, the so-called Ausgleichsbetragsregelung) gives the government the option to purchase land at a low price. This option is provided in the framework of a städtebauliche Entwicklungsmäßnahme (see also Section 4.3.3). The market price at which the land is offered for sale is the going price before word got out that the land was to be developed. The government might then prepare the site for development, for instance, and then sell it to a developer at a higher price. The profit thus accrued has to be used in certain ways. For instance, it could be applied to work on making the site accessible or putting in other necessary infrastructure. In the event the government chooses not to acquire the land, other requirements come into play. The owner of a piece of land that falls under a städtebauliche Entwicklungsmäßnahme is required to compensate the government by paying a given sum (Ausgleichsbetrag) for the increase in value of the land. The government then has to apply this money to projects to make the area accessible or use it for other infrastructural purposes. If the government wants to purchase land in the public interest, and the landowner refuses to cooperate, the government can also take recourse to expropriation, though this step would be taken as a last resort (Enteignung, Article 85-122 Baugesetzbuch).

The municipalities are not the only actors that can purchase, develop, and sell land. The state and other (semi-)governmental organizations such as the Landesentwicklungs-gesellschaft can do the same. In the state of Northrhine-Westphalia, for instance, a special Grundstücksfonds is active under the auspices of the Landesentwicklungs-gesellschaft Nordrhein-Westfalen. It is in charge of buying up old (industrial) wastelands and preparing them for resale (by clearing and servicing the site and putting in access roads). The sites would then be primarily reused for economic and recreational purposes (Ministerium für Stadtentwicklung, Kultur und Sport des Landes Nordrhein-Westfalen, 1996).

At the local level, there are organizations that perform tasks similar to those of the Grundstücksfonds. Some of these operate as a municipal agency, others as a self-sufficient or privatized institution. All fall under the heading of Grundstückentwicklungs-gesellschaften.

The organizations known as Wirtschaftsförderungsamten or -gesellschaften often play a broker’s role in the sale of land that was originally government owned and/or had been temporarily acquired by the government.
Over the past several years, the government has been divesting itself of its land at a rapid pace. The reason to sell off its land lies in the awkward financial situation of the government (especially the municipalities). It is quite common for a municipality to take the initiative to get a particular development going or to realize a concrete project (a theater, for instance). To that end, the authorities will offer the land for sale cheaply in an effort to induce private parties to invest. Some critical voices warn against selling off the family silver, so to speak. In the long run, the government would thereby lose its grip on a key instrument for controlling urban developments. That would be an unfortunate outcome. What makes it even worse is that the German property market is not particularly dynamic, due to the low rate of taxation on land ownership.

The land market in Germany actually has two faces. On the one side, the structure plans have in principle designated sufficient land for development. On the other side, plots suitable for development in the short term are becoming increasingly scarce. The shortage is due to the fact that many plots have either not been prepared for development or have not been earmarked for development in the land-use plan (Dieterich et al., 1993; interview Wegener and Davy). The price of land has risen more sharply since the sixties than prices for other products. In general, the land market in the (intra) urban areas is fairly tight, though it eases up on the perimeter. The only cities where the outskirts are showing signs of scarcity are the true growth poles, namely Frankfurt, Munich, and Stuttgart. The Ruhr Area is a special case. In and around the cities in that area lie large and obsolescent industrial sites. Many of these are abandoned wastelands awaiting redevelopment. However, these sites are often seriously polluted. The high cost of cleaning up the soil makes this land less attractive to investors, even when they take the possibilities for subsidization into account. The appeal of such sites is especially low in regions where the price of land is not very high anyway. Only in some Southern German regions and at top locations elsewhere (that is, locations with excellent accessibility in attractive surroundings) are the prices for land and the anticipated return high enough to keep the clean-up costs from being a stumbling block. In other places, where the sources of subsidy are inadequate, the new land use for a polluted site is occasionally adapted. This could make the developer subject to more lenient environmental standards.

4.5 The development and financing of public real property

4.5.1 Introduction
Public real property in urban areas (as delimited earlier in Chapter 1) is generally developed on the initiative of the municipal government. Of all kinds of public investment, the municipalities and the cities account for approximately 66 percent (Kirchhoff and Müller-Godeffroy, 1996). Since 1990, the total amount of municipal investments per annum in the former West Germany has hovered around DM 40 billion (not including hospitals; Karrenberg and Müntermann, 1995). Investment in real property being developed on the initiative of the government makes up roughly 24 percent of the total invested in real property in the whole country. New housing con-
struction takes up 46 percent of all such investment, while commercial and industrial real property accounts for 30 percent (Dieterich et al., 1993). In total, investment in the construction sector added up to DM 324 billion in 1990 (Deutsches Institut für Wirtschaftsforschung, 1991). Municipal revenues are sensitive to the economic cycle. Therefore, the investment behavior of local authorities is also highly sensitive to developments in the business cycle (Jünger and Walter, 1987).

Public projects in urban areas may be undertaken to meet a concrete public need, such as a new municipal administration building. They may also be undertaken to get a certain desired urban development going, as set forth in the structure plan. An example in this context might be inducing private parties to redevelop a derelict industrial site lying in the urban area. In either case, nowadays, the government hardly has the money to act independently as an investor. Still, small projects are usually financed from the municipal budget and carried out under the supervision of the municipality. Big projects are a different story. In the case of some large projects, the municipality may choose to arrange project-linked financing outside of the municipal budget (Sonderfinanzierung). In that event, the quest for private investors becomes an important part of the process. Furthermore, a temporary project management office is then set up to supervise the implementation of the project (interview Hartmann; interview Leber and Walter).

The next main part of this section outlines the course of development and financing for each category of project. Before these scenarios are sketched, however, it is useful to introduce the main players.

4.5.2 The actors in the public real property market

The municipal and the city government

The initiative to develop public real property in urban areas is usually taken by municipal and city authorities (which we will refer to jointly as the municipalities). They also take the initiative for other projects, such as those providing office space for other tiers of government or building highways and railroads that form part of the federal network. In many cases, the municipalities are also the users and/or managers of the real property, be it directly or indirectly. Besides sponsoring and planning the development, the package of tasks carried out by the municipality includes testing the plan. The municipality's own projects as well as those sponsored by others are supposed to be tested by the municipality to check for compliance with the Bebauungsplan currently in force. If there is no Bebauungsplan, then the evaluation is made on the ground of the criteria set forth in the Baugesetzbuch (Article 34). As the principal, the municipality is accountable to the municipal council as well as to higher tiers of government. At present, government lacks the financial means, the manpower, and the know-how to carry out complex projects of a metropolitan nature. This list of shortcomings is linked to the prevailing trend of deregulation and privatization. Governments tend to turn to the private sector to cater to all the public needs and desires that do not fall under the Pflichtaufgaben. The main Pflichtaufgaben are the provision of drinking water and waste water treatment, garbage collection and waste treatment,
and to a lesser extent activities in the field of education.

**Wirtschaftsförderungsamten en -gesellschaften**

The Wirtschaftsförderungsamten are municipal services that are concerned with the local economic and employment situation. Their package of tasks include the preparation of projects, project management, bringing the project to market, promoting urban economic projects, and promoting the municipality or the region among (foreign) investors (interview Leise and Ellerkamp). The Wirtschaftsförderungsamten work mainly as catalysts and facilitators. These organizations hardly ever act as investors or lenders.

Some municipalities have privatized their Wirtschaftsförderungsamten over the past few years. This move was often accompanied by a change of name. They are now known as Wirtschaftsförderungsgesellschaft or Entwicklungsgesellschaft (the Essener Wirtschaftsförderungsgesellschaft mbH, for example). Nonetheless, privatized or not, their first and foremost task is to defend the interests of the municipality.

The Wirtschaftsförderungsamten have access to the municipal bureaucracy, especially when those organizations are still municipal agencies. At the same time, they often have access to an extensive network of contacts with private parties (interview Hartmann). The latter advantage is found mainly among privatized institutions. For instance, private companies may be donors, or a board may consist of representatives of the business community.

In the future, one possibility would be to expand the package of services. It could then embrace the development of projects and their subsequent management.

**Landesentwicklungsgesellschaften**

Over the last few years, development corporations with a background in the public sector (Landesentwicklungsgesellschaften) have profiled themselves increasingly in the real property market as full-fledged development companies. They have a mission that goes beyond looking after the unprofitable crumbs that fall from the table of the private sector (interview Heyer). One of these — called the Landesentwicklungsgesellschaft Nordrhein-Westfalen GmbH (which is the largest of its kind in the country) — provides a broad package of services. Besides renting out and managing nearly 100,000 dwellings, it covers urban development. The concrete activities are diverse: developing business parks and industrial estates and then bringing them to market; managing the Grundstücksfonds, mentioned above in Section 4.4; developing rural areas; building new housing; overseeing the high-rise physical plant (new construction, modernizing, and remodeling); and acting in the capacity of developer. The organization has an operating budget of roughly DM 1.6 billion. Its market position is expected to be enhanced by offering an even more complete package of services. In that package, the combinations of "service and investment" and "service and financing" will be given more weight (Landesentwicklungsgesellschaft Nordrhein-Westfalen, 1996).

**The institutional banks**

There are three levels at which institutional banks operate. The municipal Sparkassen
are found at the local level. The Landesbanken operate at the state level. At the federal level, there is the Deutsche Girozentrale/Deutsche Kommunalbank (DGZ). From a historical point of view, the Sparkassen would be the most natural partners in financial affairs for the cities and the municipalities (Neuber, 1996). The same may be said of the Landesbanken and the states. In that case, the Landesbanken would also act as a Sparkassenzentralbank for the local Sparkassen (Westdeutsche Landesbank Girozentrale Düsseldorf Münster, 1997). The DGZ functions as a kind of parent bank for the Landesbanken. In that capacity, the DGZ is also active on the local market to some degree (interview Pähler). The territorial separation of activity fields that the name implies is not that strict in practice. The local Sparkassen do operate mainly in their own municipal or regional territory — and are more or less obliged to do so. Some Sparkassen, however, operate outside those bounds; this is not prohibited (interview Braun). At the end of 1995, the number of Sparkassen in Germany amounted to 623 banks, which were dispersed over a total of more than 19,000 branch establishments (Finzel and Thuy, 1996). The Landesbanken still maintain a special relationship with the states. These banks help the states to realize their economic policy and to meet their investment commitments. In addition, the Landesbanken have penetrated other markets, from the local to the international level (for instance, the Westdeutsche Landesbank Girozentrale). They are also in charge of channeling the European investment capital and funds from the Kreditanstalt für Wiederaufbau into regional and local programs and projects (Westdeutsche Landesbank Girozentrale Düsseldorf Münster, 1997). On the local market, the Sparkassen and the Landesbanken try to operate as allies rather than competitors (interview Pähler). Finally, the relation between institutional banks and the financing of public investment is not exclusive. On the one hand, the institutional banks are also — and often even primarily — engaged in providing for the financing needs of private parties (Schwarz, 1996). On the other hand, the government does not necessarily take its financing business to an institutional bank. The financing market is an open market. The institutional banks have to continually revise their package of services in order to remain players on that market (Knüfermann, 1996; Gondring, 1996).

The private investors
Keeping the critical financial situation of the government in mind, the role of private investors is increasing in importance. Many private investors are individual persons or companies. Just a few examples are P&O and Stadium, which have jointly developed the large-scale shopping center and leisure park called CentrO in Oberhausen. Many are open and closed real property funds or institutional investors such as insurance companies. Over the past several years, private investors have enjoyed a luxurious starting position with respect to the development of real property. Their advantageous position is due to the dire financial straits of the governments. In this critical situation, the governments are forced to cater to the private investors. For instance, especially in the northern half of the country, many (but not all, according to our interview with Birke and Oktay) local and regional governments are actively recruiting development on their territory. They are seeking investment in projects that bring in jobs and thus tax revenues. Parallel to this effort, and related to it, is the ongoing
process of deregulation. That process gives private investors the opportunity to take charge of the development of the spatial plan and set the time frame for planning. They can take this process into their own hands on the grounds of the Vorhaben und Entschießungsplan.

The commercial banks
The financing of public investments is no longer the exclusive domain of institutional banks. This opens up room for the commercial banks. Now more than ever they are involved in the financing of public investments. In line with their image of efficient operators, their appropriate know-how, and their broad package of services (ranging from plan development to management), they have been formidable competitors of the institutional banks. Because the government is a client with a favorable risk profile, the commercial banks are also interested in getting its business.

The architects and the city planning bureaus
As government pursues deregulation, there is more scope for architects and independent city planners to respond to the new way of dealing with the development of public real property in an urban setting. Previously, an idea for a public real property project in a city was often elaborated by calling for entries to a competition. A number of independent planners were then asked to submit a design. Only later did the organizers look for an investor. Now, though still in the form of a competition, the bureaus are not only asked to submit a design but are expected to bring in an investor as well (interview Oktay). Architects and independent city planners thus have ever more reason to maintain good relations with potential investors. In the same vein, investors have an interest in keeping up good ties with renowned design bureaus.

Some local and/or temporarily operating organizations
The main players introduced above are not the only ones involved in the development of public real property. There are a few whose role is merely temporary or local in scope. Some of these actors are listed below.
- The railway companies play a role in their capacity as owners of large tracts of land in urban areas. Much of that land is up for rezoning (for instance, old marshaling yards).
- Housing associations (Wohnungsgesellschaften) own a large stock of dwellings. They have accumulated a great deal of experience in urban renewal programs. Furthermore, they too have to turn to the capital market in search of financing for these and other programs.
- The IDR Reisholz AG (Industrieterrains Düsseldorf/Reisholz) has land, money, and government connections at its disposal in Düsseldorf and the surrounding area. Along with these resources comes the potential to be a key player on the real property market there.
- The Kreditanstalt für Wiederaufbau, with establishments in Frankfurt and Berlin, acts as a kind of national investment fund. In that capacity, it has money to disburse for projects and programs that serve the general interest (like environmental protection programs). These funds are supposed to be channeled through a bank
(for instance, the Westdeutsche Landesbank Girozentrale).

- IBA Emscher Park N.V. is an organization without any capital of its own. It was established to revitalize a district in the Ruhr Area. Over a period of ten years, it was supposed to initiate and coordinate a large number of restructuring projects (see also Section 4.3.2).

The next sections explain how the development and financing of public real property takes place in an urban context. The actors involved are identified in each instance.

4.5.3 Public-private cooperation

Recent trends in public-private cooperation

Until recently, the main thrust of private initiatives in public real property was in development activities in the narrow sense of the word. For various reasons — among which the introduction of the Städtebaulicher Vertrag and the Vorhaben und Erschließungsplan for private parties — their action radius has been expanded. Now they can take part in more urban real property sectors and play a role in more phases of the urban development process.

The municipalities come out ahead by sharing the field. First, the municipality is relieved of some of the work. Part of the expense of the planning procedures and other preparations is thereby shifted to the private sector. Meanwhile, the municipality retains the ultimate control over the urban development by reserving the right to approve the plans. Secondly, a closer cooperation between the public and the private sectors allows the municipality to draw upon the know-how that the private sector harbors in several areas. There is a disadvantage, however. Even though the public sector has the authority to approve plans, its grip on urban development is loosened, as the private sector gets some say in that development. Another disadvantage is that the possibilities for democratic control are eroded somewhat by sharing the power with the private sector.

The biggest advantage to the private sector lies in the amount of time that can be gained if part of the planning and preparation process can be carried out under their supervision. In addition, the close cooperation with the government also gives them the assurance that at the end of the day, a project will not have to be called off because of an unwilling stance by a government party.

In practice, it could happen that the government would get involved in a large-scale urban development project in which diverse parties — private or non-private — also participate. That might be a project initiated by the government. Alternatively, one or more private parties may have taken the initiative. In addition, it is possible that the government would be involved in numerous small-scale projects or projects that are typically object-linked.

Large-scale urban projects initiated by the government

It can happen that a municipality would consider it desirable to redevelop a vacant industrial site. By doing so, the municipality may see an opportunity to create new jobs
or provide room for certain public functions.
In the first — and most straightforward — case of the development of a business complex, the municipality will contact the landowner if the land is not already in the hands of the municipality. If the owner sees no benefit for himself in the plans of the municipality, the municipality will have to look elsewhere for assistance. With the help of the municipality’s Grundstücksgesellschaft — or in the event of a large tract of land, with the help of the Landesentwicklungsgesellschaft — the municipality will proceed to acquire the land, clean up the soil if necessary, prepare the site for development, make it accessible, and parcel it out with the help of the local Wirtschaftsförderungsamten. Temporary financing may then be needed to purchase the land and to carry out the necessary activities.

In the second case, the process would be more difficult. The municipality will have to enter into negotiations with one or more interested investors. These parties may be approached directly or be lured by an attractive city planning design. The negotiations would lead to a final plan in which everyone’s desires are satisfied. The intent of the municipality will be to realize as much of its public program as possible (public infrastructure, public green space, affordable housing, public transport, soil sanitation, and so forth) at the lowest possible cost. The interest of the other parties lies in the formulation of a plan that offers the best possible guarantee for the highest possible return. If the municipality owns the land, that land can be brought into the bargain to offset the cost of developing the public functions it seeks. If this is not the case, the municipalities can assuage the private parties by speeding up the planning procedures. As a last resort, the municipality can simply make approval of the plan contingent upon certain conditions. Just how far the municipality can go in this game is, of course, influenced by various factors. The market situation, the willingness to invest, and the principles of public accountability all have to be taken into the equation. If the municipality succeeds at the bargaining table, it will be able to keep the public share in the investment down. Each of the other parties will put up the money for their own object-linked portion (if the project lends itself to this arrangement). Otherwise, they will finance part of the total plan, whereby each participant bears a proportionate risk for the invested capital. This latter option seems to be taken more and more.

Metropolitan projects initiated by private parties
Metropolitan projects get started when an investor or a consortium of investors approach an architect and/or a city planning bureau with an idea. Subsequently, they go to the municipality with a plan. The municipality will review the plan. If so desired, it will try to enrich the plan by adding some public functions, though the municipality would thereby not become a participant. Being dependent on the market situation, the municipality will either push for these amendments or let them ride. By allowing the private parties to gain some time on the basis of the Vorhaben und Erschließungsplan, the municipality can often get some of its wishes fulfilled in return.

Other forms of public-private cooperation
Besides the role of government in large-scale urban projects, as described above, there
are numerous initiatives at a smaller scale or linked to a specific object that take place through public-private cooperation. These projects may be relatively small, such as the joint construction and operation of a multistorey parking. Alternatively, they may be more complex but clearly object-linked. A good example is the public-private cooperation in the expansion and operation of an airport (an approach taken in Kassel and conceivably applicable to Düsseldorf as well). The stake of the government in collaborative arrangements such as these is not primarily of a planning nature. Rather, the government sees projects such as these as a means to shift (part of) the investment as well as the project management onto the shoulders of the private sector, including the eventual operation of the facilities and the management tasks (Barthel, 1996). The risk can be spread among the parties in proportion to the amount of money invested or be distributed in some other manner.

Perspectives for the future of public-private cooperation
There are various directions in which public-private cooperation can develop. One direction would cover sectors such as public infrastructure (from public roads to multistorey parkings), urban ecology, and environmental technology (as applied to soil sanitation, for instance). Another direction is to make room for participation by private parties in a wide range of activities connected to preparing sites for (re)development (Rehm, 1994). The cooperation models can be worked out in any form. One possibility is for the government to commission a private party to implement a project from start to finish. Another is to make a division of labor, assigning tasks to each party, and spreading the risk accordingly.

4.5.4 Public buildings and public infrastructure

The government as investor
The government may decide to build premises of which the authority itself intends to be the owner and possibly the user as well. A good example would be the decision to build a new city hall. In that event, the government could take two routes. The authorities could go directly to an architect and ask the firm to design the building. An alternative route is to call for entries to a competition. The latter route is applicable to projects larger than the size specified by European legislation. After reviewing the outcome in terms of the Bebauungsplan, after the political decision-making is complete, and after the need for financing has been calculated, the government can proceed to approach the capital market. At that point, the authorities can consider their options and determine which bank can lend the money on the most favorable terms. The decision is made not only on the basis of financial conditions. Side benefits are also taken into account. For instance, a bank may offer to supervise the construction process or to provide management and maintenance services at a later stage. It is not at all certain that the local Sparkasse will be the lender.
A similar process is set in motion for the financing of public real property where the intended user is not the government itself but the general public and for which the government cannot find any private investors. Traffic infrastructure would be a good example.
The government as principal, possible user, but not investor

Another scenario is that the government might decide to initiate a construction project but would not want to hold title to the property. Once built, the government might well be the user (in the case of a city hall, for instance). It is also possible for the government to guarantee another public or semi-public user (a theater, for example). Usually, the government commissions a firm to work out the plan (directly or by calling for entries to a competition). After carrying out a review and making a decision (in principle), the government goes looking for an investor. To an increasing degree, however, the search for an investor is linked to the selection of an architect (or the job of finding an investor is delegated to the architect). In such cases, investors are relatively easy to find, since the use of the real property is guaranteed by the government. Subsequently, the investor arranges the financing and the government rents or leases the premises from the investor. Although leasing occurs more and more frequently, this procedure has been the object of criticism (Neuber, 1996; Hansen, 1996).

Private investments in public infrastructure are not yet commonplace in Germany. Infrastructural objects that can turn a profit in some way or another (such as multistorey parkings or public transport facilities) do attract private investors. Private investment also occurs when the government is guaranteed to be the user and/or the tenant for a long period of time (as is the case for waste treatment plants). Germany does not have a tradition of charging a toll to use a highway. Therefore, major private investments in road infrastructure (such as tunnels and bridges) are still not forthcoming, even though the legal grounds for introducing a toll system already exist.

4.5.5 The development of business complexes

Government involvement in the development of business complexes was mentioned in passing earlier in this chapter. In light of some unusual circumstances, however, this topic warrants extra attention. It is important to note that most (85 percent) of the tax revenues from corporate assets and profits (Gewerbesteuer) flow directly to the local authorities. Indeed, these sources account for over 40 percent of the income these authorities derive from taxation (Dieterich et al., 1993). This explains the ambition of many local governments to draw many companies to their territory. Of course, this can lead to competition between municipalities as well as to cooperation between municipalities or even between regions. In areas where the market is not very strong—which would mean almost all of Germany (with the exception of Munich, Frankfurt, Stuttgart, Berlin, and Düsseldorf)—this situation quickly leads to an artificial market, whereby the price of land is not cost-effective. It also induces the government to adopt an independent stance toward the private sector (Dieterich et al., 1993). In these cases, governmental parties (usually the municipality, possibly supported by the state) have to invest both money and effort to develop business complexes and parcel out the premises. In the case of an overheated market, in contrast, the local authority can sit back and wait. There are enough private parties who would take charge of the development, subdivision, rental, and management of an entire business complex. That trend got started a few years ago, following the lead of real property funds and institutional investors, among others. Another reason why the municipality is able to
sit tight is that there are plenty of private parties who in as owner-occupiers would like to invest in industrial and commercial real property (Dieterich et al., 1993). These cases only require cooperation of the municipality with respect to planning. If the market is good enough, even the costs and activities associated with soil sanitation, site preparation, and public infrastructure can be shifted onto the private party.

4.6 Summary

Two concepts epitomize how spatial planning and the development of public real property in an urban setting are dealt with in Germany: deregulation and relegation of tasks to the private sector. On the one hand, these tendencies stem from efforts to make Germany (or a particular region or municipality) more attractive to investors. On the other hand, they reflect the prevailing financial plight of government. Spatial policy at the national level has always been strongly focused on leveling out socio-economic differences between regions. Now, that policy is mainly geared to the creation of conditions that help Germany hold its own in European and global markets. This policy has been picked up at both the regional and the local level. Indeed, any competition that takes place refers to regional and local issues. Local governments in areas that are economically weak do their utmost to draw in private investments and jobs. The reason is that the local authorities derive a sizable share of their income from tax revenues collected within their territory.

Several types of plan set the bounds within which the developments are supposed to take place. The main types are the Regional- of Gebietsentwicklungsplan — at the regional level — and the dual entity called the Flächennutzungs- und Bebauungsplan — the latter at the municipal or the city level. The plans and programs at the state and national level indicate the intended direction for spatial development in broad — even very broad — strokes. The actual review of building plans is done on the basis of a Bebauungsplan. In that review, the authorities are fairly lenient about making changes in sections of a Bebauungsplan in order to expedite a given project. For the sake of public-private cooperation, and in order to speed up and simplify the planning procedures, special regulations and procedures have been instituted. These ordinances, which are legally binding, include the Städtebaulicher Vertrag and the Vorhaben und Entschließungsplan.

Numerous actors are involved in the development and financing of public real property in urban areas. First and foremost among these are the municipal and city governments, which act as sponsors. Then there are the Landesentwicklungsgesellschaften, serving as multifaceted development corporations with a public background. There are also entities known as Wirtschaftsförderungsgesellschaften; these public or semi-public institutions are charged with the task of promoting the local economy and employment. There are institutional banks, which support the governments in reaching their investment targets at various levels 'as a matter of course, but not only'. There are commercial banks; for diverse reasons, they pose stiff competition for the institutional banks. There are private investors, who find themselves in a fairly advantageous bargaining position as a result of the acute financial problems at
various levels of government. Last but not least, there are architectural firms and independent city planning bureaus, which increasingly play a pivotal role in the development process. The importance of these professionals derives from the growing tendency to relegate tasks and responsibilities in the planning and building process to the private sector. The crux of the matter lies in the frequent recourse to contracting out work by means of calling for entries to a design competition. In this manner, the designers who submit plans are increasingly expected to come up with proposals for the financing and the implementation of the project.
5 FRANCE

5.1 The administrative structure

France is a unitary state with a separation of the legislative, the judicial, and the executive branches of government. The legislative power is vested in the Chambre des Députés de l'Assemblée Nationale (The Chamber of Representatives of the National Assembly) and the laws it makes apply to the whole country. Executive power is in the hands of the president and his cabinet; together, the president and the prime minister head the national government. Because France is a unitary state, the national government has the right of oversight (including intervention and control) with respect to the legality of local regulations (Besson-Guillaumot, 1986).

Two decentralization acts were introduced under President Mitterrand, one in 1982 and one in 1986. Among other things, these acts laid down the positions and responsibilities of the various levels of administration. There was a basic understanding that decentralization would not lead to the development of hierarchical relations between the various forms of administration and that there would be no overlap among tasks (Tegelaar, 1993). Until that time, the structure of government had been highly centralized, with far-reaching powers reserved for the national government. Afterwards, many of the competencies that till then had been under the purview of the national government were transferred to lower administrative levels. According to Levine (1994), the changes wrought by decentralization were not as revolutionary for the big cities as has sometimes been assumed. In fact, the process only formalized and expanded the previously existing power and autonomy of those big cities. Decentralization did not lead to any reform in the large number of municipalities by way of municipal amalgamation.

The French national government exercises fairly strict control over the implementation of policy at the other administrative levels. Legally, there is no hierarchy in the relation between the region, the département, and the municipality; in practice, however, a hierarchy does exist (Schmidt Eichstaedt, 1995). Each administrative level has its own jurisdictions and is not held accountable to a higher administrative body. These bodies operate alongside one another, not above or below each other. Since the decentralization got underway in the early 1980s, France has had four administrative levels. These are the state, the regions (created by grouping départements), départe-
ments, and municipalities. In some situations, there are two supplementary administrative levels: the supra-municipal level and the arrondissement. France is made up of 22 regions, 96 départements, and 36,750 municipalities; it is the only country in Europe with so many municipalities. Approximately half of the income of local governments comes from taxes. Local governments have four types of taxation at their disposal. One is the taxe professionnelle, which is a head tax imposed on businesses. There is also a real estate tax, which is imposed on households, a tax on land with a building, and a tax on land without a building. Thus, taxes are charged separately on the building and on the land on which it stands. The taxe professionnelle brings in 46 percent of the local tax revenues (Newman and Thornley, 1996; INSEE, 1993). The central government sets the margins within which the local governments themselves may determine how high the local tax rates should be. They also derive income from the real estate transfer tax, which is due to the diverse governments. The local tax rates can play a role in the location decision of companies (interview Le Moan).

The regions were created in 1955 for the sake of economic planning. Since 1984, the regional government has been directly elected by the citizens (Department of the Environment, 1989; Bregman et al., 1993). The national government is represented in the regions, the départements, and the municipalities. That representative is the commissaire (régional) de la République, a delegate with the authority to supervise the policy as it is carried out as well as the content of the plans. In addition, the central government exerts a financial influence, as the lower administrative bodies are financially dependent to some degree on the national government. Despite the decentralization of authority that was carried out in the 1980s, the national government in France still wields a considerable amount of power in that respect (Mastop et al., 1990).

Alongside these four administrative levels, there are cooperative arrangements, both in the metropolitan areas and in urban areas. In 1966, the policy of the métropoles d'équilibre was introduced. It designated the regional capitals as growth centers to absorb the overspill from the capital cities and to counterbalance the attraction of the capital. That policy required the cities of Lille, Lyon, Bordeaux, and Strasbourg to establish cooperative arrangements, which were called communautés urbaines (collaborative relations among different municipalities). The officials at this supra-municipal cooperative level are not directly elected by the citizens. Rather, its members are appointed by the municipal governments according to a certain formula. The bigger municipalities can send more delegates than the smaller municipalities.

During the reforms of 1982, more attention was devoted to the level of the arrondissements in the country's four largest cities, namely Paris, Lyon, Lille, and Marseille. Each arrondissement has its own mayor. It is responsible for providing small-scale services such as cultural and social facilities, small parks, and footpaths. It also allocates one-third of the social rented dwellings. This level of administration has to be consulted about any sizable urban development project that is to take place within the boundaries of the arrondissement (Department of the Environment, 1989). The jurisdictions of the arrondissements are described below in greater detail (Section 5.2.2).
One characteristic feature of the French system is the power of the mayor, who is elected by the citizens. He has much more power than his counterparts in either Great Britain or the Netherlands (Newman and Thornley, 1996). Besides being chairman of the municipal council, he is also a local political leader with wide-ranging executive powers. As a consequence, he usually enjoys a great deal of authority and prestige (Bregman et al., 1993). In fact, his power is only checked by the annual budget debate in the municipal council (Department of the Environment, 1989). Influential politicians often fill more than one political function, a situation known as cumul des mandats. Thus, there are many instances of mayors of big cities who were serving concurrently as a minister or even the prime minister. One way in which such accumulation of power plays a major role is through the process of lobbying in Paris to obtain financing for large projects in municipalities outside of Paris. The decentralization movement has tried to control the cumul des mandats, but these efforts have not been entirely successful (Department of the Environment, 1989). Upon taking office, the new government under Jospin announced its intention to introduce a new law that would have to rein in the mayoral powers. Furthermore, the ministers in this cabinet were obliged to resign from their political functions at other administrative levels.

5.2 A typology of spatial plans and instruments

5.2.1 The legal framework
It was not until the end of the First World War that any land-use legislation was passed in the form of local spatial-planning regulations. The concept of urbanisme was first introduced in the legal system in 1943. At that time, spatial-planning services were absorbed into the bureaucratic apparatus. The Code de l'Urbanisme et de l'Habitation (Urban Planning and Housing Act) of 1954 was mainly intended to consolidate the multitude of complex and continuously changing rules relating to spatial planning and housing (Besson-Guillaumot, 1986). This Act is revised every time a new law, ordinance, or administrative measure is passed. According to the law, the responsibility for spatial planning in France is shared by the central and the local governments (Newman and Thornley, 1996). Other laws that influence spatial planning are the Code de la Construction et de l'Habitation (Building and Housing Act), the Code de l'Environnement (Environmental Act), the Code Rural et Code Forestier (Rural Areas Act and Forestry Act), and the Code Minier (Mining Act) (Department of the Environment, 1989).

The Loi d'Orientiation Foncière (LOF, Law on Land Policy) of 1967 regulates the way spatial policy is carried out. Over the past several decades, this law has been revised various times, though its main thrust has remained essentially the same. The LOF is the formal framework for spatial policy. It includes the obligation to formulate spatial plans at various administrative levels as well as regulations on the relations among the administrative bodies. Other relevant laws are the Loi Portant Réforme de la Politique Foncière (1975, Law on Reform of Land Policy), the Loi Portant Réforme de l'Urbanisme (1976, Law on Reform of Urban Development), and the Loi Relative à la
Définition et la Mise en Oeuvre des Principes d’Aménagement (1985, Law on the Definition and the Implementation of Development Principles). The Loi d’Orientation pour la Ville of 1991 (Law on Urban Policy) provided for state intervention in the event the municipalities would not take any action to build social housing. That law laid the groundwork for intermunicipal cross-subsidization (Acosta and Renard, 1993). The law was intended to create a better balance in the way land is used. Developers could be required to include social housing in their new project or to pay a tax to be applied to social housing projects elsewhere. The rationale behind this law is to prevent ghettos from forming (Acosta and Renard, 1993; Newman and Thornley, 1996).

The Loi Rélative à l’Administration Territoriale (Law on Territorial Administration) of 1992 prompted the idea to form larger regions and establish interregional bodies as a means to respond more adequately to the increasing competition between European regions. Each departement was assigned a commission that had to set up the local structures. The law provided for the establishment of communautés de communes in rural areas as well as communautés de villes in urban areas with over 20,000 inhabitants.

5.2.2 Types of plans

The decentralization laws passed at the beginning of the 1980s have had considerable influence on the spatial regulatory system. The relations between diverse administrative levels were thoroughly changed. Now, the regions have jurisdiction in the field of economic development and spatial planning. The jurisdiction of the departements is mainly outside of the urban area and in the field of infrastructure. The municipalities, which previously played only a limited role in spatial policy, were given jurisdiction regarding land use and local matters. Therefore, they are now formally in charge of drafting legally binding spatial plans. Planning at the four administrative levels does not occur in a hierarchical manner, nor is it synchronized. National and regional plans do not have a profound effect on local plans, because the administrative bodies actually operate alongside one another.

The State itself does not have any formal designs for spatial planning. The coordination lies with the Ministère de l’Equipement, du Logement, des Transports et du Tourisme (Ministry of Public Works, Housing, Transport, and Tourism) (Bregman et al., 1993). Within that ministry, the Directorate of Spatial Planning and Urban Development (Direction de l’Aménagement et de l’Urbanisme) is responsible for supervising spatial planning. The Délégation à l’Aménagement du Territoire et à l’Action Régionale (DATAR) is the national planning agency. Among other things, it is in charge of the coordination of regional programs and the allocation of budgets, urbanization policy, industrial (re)location, and the policy for rural areas. Until 1982, the agency had a wide range of regional study groups at its disposal, the Organisations Régionales d’Études de l’Aire Métropolitaine (OREAMs). These were set up as research bureaus for metropolitan areas. The study groups drafted the regional plans, which incidentally only had the status of policy recommendations. The Comité Inter-
ministériel pour l'Aménagement du Territoire (CIAT, interministerial committee for spatial planning) was put in charge of political oversight and the supervision of the DATAR.

At the national level, France has five-year national plans. These present a comprehensive picture of the anticipated economic development by giving indicative guidelines for the investment decisions of the public and the private sector. In the seventies, the national plan became less important. Planning was then limited to a number of specific programs that were directed toward designated areas and themes. The state also has sectoral plans at its disposal, the Grands Schémas Sectoriels, such as the plan for the high-speed train network (the TGV). There are also sectoral plans at the level of the region, the department, and at the supra-municipal level. Those plans are mainly concerned with infrastructure and the environment (Schmidt-Eichstaedt, 1995).

The reform act of 1982 made provisions to ensure that the national plan — starting with the ninth national plan — would be drafted at the regional level on the grounds of a contract planning system. The regions were formally invested with a wider administrative task. In 1982 and 1983, the Contrat de Plan d'Etat Régional was specified in a number of laws and decrees. It is primarily a contract between the state and the regional government in question. That contract runs parallel to the five-year national plan. The plan is supposed to cover more than the spatial development of the region. It also has to deal with the areas of economic, infrastructural, and recreational development as well as environmental protection. It presents middle-range and long-term goals and programs. These are especially directed toward the public sector, though some may also apply to the private sector (Le Galès and Mawson, 1994). It also includes a five-year program for public investment (Department of the Environment, 1989). The contracts are intended to finance priority development programs, which are designed to facilitate the restructuring and modernization of the regional economies. For instance, the programs might be geared to communication, training, or university and research infrastructure. According to the Department of the Environment (1989), however, only a few regions had concluded such a contract by the end of the 1980s. The Contrat de Plan was supposed to provide a model for all contracts to be arranged in the future.

Until the decentralization process was introduced, policy was formulated not only at the national level but also at the level of the department. The Directions Départementales de l'Equipement (DDEs, department agencies for public works) played a dominant role in policy-making. These deconcentrated state agencies did not fall under the general administration of the department. Instead, they were accountable to the préfet (now the commissaire) and ultimately to the minister. The agency was in charge of developing local spatial plans, among other tasks. The préfet was responsible for the regional-economic policy as well as the spatial-planning policy of the central government at the regional level. From 1982 on, the role of the DDEs and the départements declined rapidly in favor of the municipalities. The latter can now carry out their policy with a much greater degree of autonomy. Besides sectoral plans, the département has no types of plan that impact formal types of spatial plans.
Because there are so many municipalities, most of them have only a few hundred inhabitants. Thus, they do not have the geographical size or the financial basis to deal seriously with spatial-planning issues. In principle, they are allowed to carry out their spatial-planning tasks themselves. In practice, however, they are generally dependent upon the DDEs in this respect.

The two most important designs for spatial planning at the local level are the *Schéma Directeur* (SD) and the *Plan d'Occupation des Sols* (POS). The former is comparable to the Dutch structure plan, the latter to the Dutch land-use plan. The SD and the POS originated in the Loi d'Orientation Foncière of 1967 (Besson-Guillaumot, 1986). Until 1983, the Schéma Directeur was called *Schéma Directeur d'Aménagement et d'Urbanisme* (SDAU) and was mandatory for urban settlements with over 10,000 inhabitants. Formally, the plans were formulated in joint consultation between the central government (DDE) and the local government. In reality, the DDE had the most say in the matter. Since 1983, the SD is no longer mandatory. It now falls under the purview of the cooperating municipalities. These municipalities, in turn, can delegate the task of formulating the plan to an existing agency such as the *Agence d'Urbanisme* (an intermunicipal collaboration for (urban) planning in larger urban areas). Usually, the task is still assigned to the DDE. The municipalities can also pass on the job to a special body, the *Etablissement Public de Coopération Intercommunale* (intermunicipal development corporation). Then the task of supervision falls to the commissaire. The SD is only binding in an administrative sense. It attempts to indicate the limits to the spatial development options for a period of 30 years. Within those limits, a balance is sought between urbanization, agrarian activities, and other economic activities, on the one hand, and the protection of areas of great natural value. The existing SDs cover no more than one-seventh of the French territory and have often become obsolete, in light of the term of 30 years (Bregman et al., 1993).

The POS has three objectives: it has to delineate the built-up urban area; it has to identify the zones to be built up in the future; and it has to restrict the development of zones that are not to be built up (Acosta and Renard, 1993). Approval of the POS must take place in order to have direct access to operational instruments at the municipal level. This applies to the right of expropriation, and the issuance of permits to build, demolish structures, or subdivide property. The POS procedures have been simplified in order to expedite acceptance of these plans. As long as no POS has been approved, the competence it would embody falls to the commissaire.

The *Plafond Légal de Densité* (PLD), which was introduced in 1976, constrains the rights of the landowner to build on a parcel. That right is tied to a maximum building density. If the density of the built-up area, the *Coefficient d'Occupation des Sols* (COS), exceeds the maximum, the owner has to pay a special tax. As some say, development rights can be obtained, but at a price (Besson-Guillaumot, 1986; Acosta and Renard, 1993).

Besides the SD and the POS, other arrangements have also played an important role in local municipal policy. In the recent past, numerous spatial allocations have been
made, including the Zone d’Aménagement Concerté (ZAC, zone for joint development), the Zone d’Aménagement Differé (ZAD, an area reserved for government prerogative), and the Zone d’Intervention Foncière (ZIF, land intervention zone). In 1985, the right of first refusal was revised, revoking the ZAD for areas where the POS had been approved. The ZIF was replaced by the Droit de Préemption Urbain (DPU, right of first refusal), with a more extensive jurisdiction (Acosta and Renard, 1993). The objective of the ZAC is to develop and service sites, built or unbuilt, for the construction of housing, offices, or industrial plant and the associated public amenities. A ZAC can be arranged on the basis of four documents: the Plan d’Aménagement de Zone (PAZ, an implementation plan tied to a land-use plan), the regulations pertaining to the PAZ, the financial statement, and a detailed overview of the public works program (Winters and Van Heel, 1996). A ZAC may be either public or private. If it is public, the municipality or SEM (Société d’Economie Mixte: a public-private entity) is financially accountable. If private, accountability is entirely in private hands. The responsibility of the public sector goes no further than issuing a building permit. A private ZAC would be feasible if the private developer(s) were to own at least 80 percent of the land in the area and if the plan could be accommodated under the POS or SD. The private developer of the project is the contractor and bears the risk under this type of ZAC. The public works for the planning area of this ZAC and the phasing of the implementation are designated. So is the share of the costs to be paid by the municipality and the private developer. For a public ZAC, the land is managed by the municipality or by semi-public organizations. These may include an SEM, an Etablissement Public d’Aménagement (EPA, a government corporation for land management and urban development), or an Agence Foncière et Technique (AFT, semi-governmental corporation for land management and urban development) (Sievers and Keers, 1994).

Another instrument of spatial policy at the local level is the Taxe Locale d’Equipement (TLE, local property tax, also called assets tax). These revenues are used to finance new infrastructure and other services to support urban development projects that in themselves do not require any special infrastructure. This levy is calculated as a proportion (usually one percent) of the previously determined lump sum value of the projected floor space. The TLE may be replaced by contributions of another kind made by private developers. These alternatives may be arranged in various ways, within a ZAC, as well as through negotiations. Since the law of 1985, the TLE can be declared applicable to the entire territory of a municipality. Moreover, municipalities can designate special areas (secteur de participation) where contributions for special infrastructure are mandatory (for schools, roads, sewers, etc). The law of 1985 also introduced supplementary tax measures (Mastop et al., 1990; Acosta and Renard, 1993).

Finally, an instrument introduced in 1985, the Programme d’Aménagement d’Ensemble (PAE, program for public services), lies in between the ZAC and the TLE. When implementing a PAE, the municipal council sets the boundaries of the area within which the private developer — who has already been issued a permit to put
up a building — will have to pay all or part of the costs of the public infrastructure for the current and future residents (Acosta and Renard, 1993).

France has an instrument for the reapportionment of urban land, the Association Foncière Urbaine (AFU). This legal regulation is a form of cooperation between the owners of real estate in a given area. The purpose of this arrangement is to jointly undertake the task of carrying out a project. By collaborating, they can preempt expropriation of their property and gain some financial advantages. This regulation can be instated on a voluntary basis, upon request of a majority of the parties, or by top-down decree. An AFU that is established by majority request can be instated by way of an official procedure by the commissaire de la République. That request can come from (a majority of) property owners or from the local authorities. If the municipality takes recourse to setting up an AFU, then the local authorities have a choice between two forms. They may prefer a concession, whereby the risk of managing the land is borne by the municipality. Otherwise, they can set up a covenant, whereby the AFU bears that risk. In the case of a concession, the municipality determines the budget beforehand (as part of the land management plan). It is also possible for the parties to split the risk (the AFU and the municipality each bear half). For such arrangements, the AFU may provide the financing; once they decide to do so, they approach a government bank. Pending a decision, a public enquiry is conducted. The AFU is engaged in three fields of activity: subdivision of land, renovation, and consolidation of plots. These three activities are intended to pave the way for the development of certain projects. However, such an arrangement is rarely used because of the legal complications it entails (Acosta and Renard, 1993; De Jong et al., 1994).

The communautés urbaines in Lille, Lyon, Bordeaux, and Strasbourg were established at the end of the sixties. They were set up in order to coordinate the spatial-planning procedures and the public works taking place in the numerous participating municipalities. By joining a communauté urbaine, a municipality relinquishes the right to break away at a later date (Bregman et al., 1993). The communautés urbaines usually have an Agence d’Urbanisme. Besides the communauté urbaine, the participants in that organization often include the state, the region, and the Chamber of Commerce (Chambre de Commerce et d’Industrie). Agences d’Urbanisme also exist outside of these four city regions.

Sometimes, the board of directors of the communautés enjoy a high degree of autonomy. This is especially true with regard to the instruments and policy for spatial planning. The communautés urbaines are financed by the municipalities. The latter pay a quarter of their income to the communautés. In addition, there is a so-called 25-percent rule. If municipalities develop a project without engaging the communauté, they have to deposit a quarter of the tax revenues generated by these projects in the Fonds de Développement Economique et Solidaire (fund for economic and solidary development). This fund is used to finance activities elsewhere in the communauté (Uhl, 1991).

The complexity of institutions at the local level is a fundamental characteristic of
French urban government. Lorrain (1991) refers to the municipal public sector as the complex of public and semi-public institutions that provide urban services. A large part of this municipal public sector does not consist of public agencies; instead, it is made up of private and semi-private organizations. Large companies such as utilities (for instance, the Compagnie Générale des Eaux), the construction firm Bouygues, and the state-controlled bank Caisse des Dépôts et Consignations can take development risks in the name of the mayor of a municipality. A large proportion of the decision-making process thereby falls outside the scope of democratic control. The use of Sociétés d'Économie Mixte, which is a public-private organizational form, has increased sharply since the decentralization. From 600 instances in 1983, it rose to 1,264 in ten years (Le Monde, 1993). We treat this point separately in Section 5.5.3 below. Finally, the French Chambers of Commerce play a modest role (see Section 5.5.5).

5.3 Spatial policy

In postwar France, spatial planning was strongly influenced by the need to move ahead with reconstruction. At the same time, the housing shortage that had arisen in the period between the two World Wars had to be abated (Tegelaar, 1993). A publication by Gravier (1947) was a rallying point for regional development policy. Attempts were made to temper growth in the Paris region in favor of the surrounding regions. The success of this dispersal toward the métropoles d’équilibre is due to the response to spontaneous processes as well as to the policy rigorously enforced by the central government (Tegelaar, 1993). In order to restrict the growth of the Paris region and to develop regional centers, a Commissariat Général du Plan (CGP, national planning commission) was installed. Its task was the supervise the central funds for the regions. To that end, an interministerial delegation was appointed in 1963 to act as the regional branch of the CGP. Known as DATAR, that delegation was supposed to initiate national and regional development policy. Subsequently, it was expected to coordinate and implement that policy (Le Galès and Mawson, 1994).

Let us now skip two decades and consider the situation at the beginning of the 1980s. The transfer of power during the decentralization process at that time gave impetus to local initiatives with regard to economic development. The responsibility for social problems in the cities — specifically with respect to housing — was not transferred to the local authorities, however. The state retained jurisdiction over urban social issues. This is one reason why the economic policy since the early 1980s has been more or less separate from urban policy (politique de la ville). Local governments such as municipalities and city regions took the initiative for large projects in the inner cities. The central government, in contrast, kept looking for solutions to urban problems in the deprived districts, which were often located in peripheral areas. The government even appointed a special minister to oversee such issues. The national policy was predominantly directed at the most deprived areas. From time to time, riots broke out there, prompting the central government to propose new initiatives. In
1985, a Commission Nationale de Développement Social des Quartiers (national commission for social development of deprived districts) was instated. Its task was to propose solutions to the problems. In 1987, 120 priority projects were started up under the program Développement Social des Quartiers (DSQ, social development of deprived districts). This approach was more concerned with improving social situations than ameliorating physical conditions (Booth et al., 1997a). One of the last initiatives taken by the previous socialist government was to siphon off funds from rich municipalities and channel them to poor ones in the hope of preventing the concentration of social problems. However, the amount of money that was eventually transferred was very modest (Keating and Midwinter, 1994).

In 1988, the central government set up the Délégation Interministérielle à la Ville (DIV), interministerial commission for the city) in an effort to improve the coordination of its activities.

The DIV amalgamated programs and projects from ten ministries, all dealing with urban policy (Newman and Thornley, 1996). Meanwhile, a new experimental program for central-local cooperation was started up. The Fonds Social Urbain (FSU, social urban fund) that was founded for this purpose was fed for the most part from other sources. In 1990, FFr 400 million was allocated from this fund.

Furthermore, Contrats de Ville (contracts between state and municipality) were established. In these contracts, the government commits itself to provide a subsidy for a period of three years. This creates a framework in which the two biggest subsidizing institutions — the regions and the municipalities — can determine their own subsidy amounts (Booth et al., 1997a; Le Galès and Mawson, 1994). The contracts are embedded in an umbrella plan, which includes projects for housing, schooling, education, cultural amenities, and urban redevelopment. The Contrats de Ville have survived all the governments that have been in office since then. In 1994, there were 210 contracts covering 1500 problem areas. At the same time, the DSQs, which were originally concerned with housing provision, were integrated into these contracts.

The Contrats de Ville demonstrate a better coordination between government departments. However, the negotiating process involves a small group of local political leaders and government officials. The local community organizations have little say in the negotiations. One of the main features of the course taken by urban policy is that contracts are the result of negotiation. As mentioned earlier, the government developed a similar contractual relation with sub-national tiers of government in the form of Contrats de Plan (Newman and Thornley, 1996).

In the wake of the elections of 1993, Simone Veil was appointed Minister of Urban Affairs, Health Care, and Social Affairs as well as vice-premier in the Balladur Cabinet. One of the reasons these two positions were given to one and the same person was to underscore the importance of this ministry. The minister introduced the Grands Projets Urbains (GPU, a program of large-scale urban projects in deprived areas). She also designated 12 areas that needed major physical restructuring. In the eleventh national plan, FFr 2250 million was reserved for this purpose, to be allocated over a period of five years. This instrument was intended to bring about radical changes in the massive residential areas, consisting of a large number of social housing units. It was also expected to help make up for with the shortfall in services.
within 10 to 15 years.

In January 1996, the Juppé Cabinet announced the *Pacte de Relance pour la Ville* (Urban restructuring pact) (Délégation interministérielle à la ville, 1995; Booth et al., 1997a). That document introduced the concept of *Zones Franches Urbaines* (ZFU), comparable to the concept of Enterprise Zones in Great Britain. Companies that open up an establishment in these areas are eligible for certain benefits over a period of five years. During that period, they are exempt from paying taxes and can take advantage of several security measures (Booth et al., 1997b).

By formulating urban policy for deprived areas, the central government placed France in a European context. Policy revisions at the end of the 1980s led to a few new ideas on regional structures in Europe. DATAR studied France in its European context in terms of seven large territorial units, based on their proximity to the European economic core area and on the grounds of the cohesion of the regional economies (Newman and Thornley, 1994). That provided the basis for a new planning mechanism, which came into effect in 1991. It was called the *Charte d’Objectif* (charter in which objectives are set forth). The biggest cities were invited to take part in a process of economic planning. That process was to be carried out by the regional préfets. Its aim was to identify projects at a European scale that could take place in each region. New investment in European projects also had to be included in the *Contrats de Plan* (Le Galès and Mawson, 1994).

Along with the *Contrats de Ville*, the *Charte d’Objectif* is another good example of the way contract planning is used in French urban policy. It is sometimes compared to the British City Pride Initiative. Both are dedicated to the development of a long-range framework for public and private investment in deprived areas of the larger cities. The procedures for the *Charte d’Objectif* are similar to those of the *Contrat de Ville*, although it should be recalled that the former devotes most attention to economic development in the European context. In 1992, ten *Chartes d’Objectif* had been signed: in Rennes, Nantes/St. Nazaire, Bordeaux, Toulouse, Marseille, Clermont Ferrand, Lyon, Strasbourg, Metz/Nancy, and Lille (Le Galès and Mawson, 1994).

Since the mid-1980s, the context for urban development has been dominated by the emergence of new approaches to urban policy, on the one hand, and by local entrepreneurship, on the other. The internal borders of the European Union were opened up, the Channel Tunnel was built, and infrastructure such as the high-speed rail lines (TGV) was put in. These developments set the direction for French spatial planning. To a large extent, they determined the competitive position of individual cities (Levine, 1994). Places such as Lyon and Lille thank some of their competitive advantage to these developments.
5.4 Land policy

Municipalities play a marginal role on the supply side of the French land market as far as building sites go. The main suppliers are private parties, followed by departments of higher tiers of government (especially the national government, such as the Ministry of Defense). Up into the sixties, building land was almost entirely in private ownership. Private landowners were in a powerful position; private ownership of land was considered an inalienable right. The pressure of urbanization in the sixties was accompanied by a wave of speculation in land. It even threatened the continuity of housing construction in the social sector by helping drive up the share of total production costs represented by the factor of land. In order to bring the provision of building land, the control of land prices, and urban development into better balance, it was necessary to give the government a greater role on the land market (Sievers and Keers, 1994).

In France, the only type of land that is held under long-lease tenancy is agricultural land. Land in urban areas is usually owned outright (Acosta and Renard, 1993). The city of Lyon is the exception; there, land has been held on long lease since time immemorial under the Hospices civils de Lyon. This form of tenure was also used in the project for the Cité Internationale, where the land was owned by the municipality (Brac de la Perrière, 1993).

In the sixties, government had to play a prominent role in the land market in connection with the villes nouvelles and in urban restructuring projects. These activities could only be performed by the central government. To support that role, a number of instruments were created:
- state land banks to provide financing for the acquisition of land (with lower-cost loans) and for servicing the site in preparation for building;
- the right of first refusal for the (semi-)government authority when land is offered for sale; Zone d'Aménagement Différé (ZAD) for the right of first refusal over a period of 14 years (for the villes nouvelles, the zone usually covers the territory that is needed for new urban areas);
- various national government agencies for diverse areas and regions in charge of urban development, land acquisition, and land management (the AFTs and the EPAs);
- the SEM arrangement for cooperation among government authorities and between government and private parties on construction projects and land management.

These instruments (with the exception of the SEM) were also critical in developing new towns (Sievers and Keers, 1994).

At present, the list of municipalities actively pursuing a land policy is short. Very few large cities are included. In cases where there is an active land policy, it is often carried out in cooperation with higher tiers of government (the central government, the department, and the region) and sometimes with private parties as well in the form of the Société d’Économie Mixte. SEMs that are engaged in land management are few and far between. They are mainly active in a number of the bigger cities.
The role of private parties on the land market for building sites is manifest in the private and the public ZAC (see also Section 5.2.2).

5.5 The development and financing of public real property

5.5.1 Introduction
In 1988, before the French land market collapsed, the level of investment in housing construction amounted to FFr 228 billion. The amount invested in construction of public utilities was FFr 161 billion. The sector of earthworks, road works, and waterworks accounted for FFr 123 billion. The regions that had seen most activity in housing construction up till then were Île-de-France and Rhône-Alpes. Similarly, the main thrust of activity in the construction market for the utilities sector was in these same two regions, but also in the region of Provence Alpes-Côte d'Azur (Reitsma et al., 1990a).

In general, financing of public real property in urban areas can be differentiated in two types. One is project financing. The other is financing by a local government through the municipal budget. Repayment of project financing is up to the user (for instance, in the case of multistorey parkings). When the financing is arranged through the municipal budget, it is ultimately up to the taxpayer to pay for the amenity. Examples of 100-percent publicly sponsored projects include a library, a public school, and a cultural center. These amenities are funded from the government budget. The central government collects the taxes, which are subsequently dispersed over various local authorities.

The budget for each tier of government consists for the most part of a budget for the running costs and for a small part (10 to 20 percent) of a budget for new investment. Thus, local authorities have only narrow margins for capital investment. To dispose over a bigger budget, a local authority might be able to borrow capital from a bank without raising local tax rates. Local authorities can also pool their resources to finance certain public facilities jointly (interview Le Moan).

The way financing for a project is arranged depends to a large extent on the tenure form under which it will ultimately be used. Ownership can be public, private, or mixed collective. In the last category, the public parties are rarely interested in carrying out the project. Nonetheless, they still have to take part for political and socio-economic reasons. The financial risk is then borne by the private parties, partially or in full.

The local authorities (municipalities, departements, and/or regions) can participate in the financing of public real property either directly (as shareholders) or indirectly (by providing subsidies). The diverse tenures differ in terms of the actors who are involved, the legal frameworks that are in place, and the financial preconditions that have been set (interview Le Moan).
The SEM is the only French juridical construction that draws public and private parties together. This instrument is used much more frequently in France than in other European countries (interview Le Moan).

Local authorities are free in their choice of a bank from which to borrow capital. For direct loans, the Crédit local de France (CLF) covers approximately 45 percent of the market. The Caisses d’Epargne (savings banks), of which the Caisse des Dépôts et Consignations (CDC) is a shareholder, have roughly 20 to 25 percent of this market. All Caisses d’Epargne are represented in the Centre National des Caisses d’Epargne (CENCEP, national center for savings banks). At present, that center consists of two corporations under limited liability. The Caisse des Dépôts holds about 60 percent of the stock in one and about 40 percent in the other. A third important bank is the Crédit Agricole, which is a commercial bank. Finally, there are a few other banks, French and foreign, that play a marginal role.

The fact that the authorities have free choice made it possible for local authorities to borrow from German banks during a period when interest rates were at six percent in Germany, considerably lower than the French rates, which were between 10 and 12 percent at the time. However, those banks ran into trouble with the devaluation of the French Franc relative to the German Mark and the real interest rate was between 14 and 15 percent. Once the Euro has been introduced, this risk will decline considerably. There are also other reasons why municipalities have been on the brink of bankruptcy on some occasions. The central government, the banks, and the local authorities have had to make a concerted effort to resolve those problems (interview Le Moan).

The banks that play a role in the direct financing of local authorities — namely, the Crédit local de France, the Caisses d’Epargne, and the Crédit Agricole — are also actively involved in project financing of projects of a public nature. In addition, a number of commercial banks are deeply involved in the financing of real property.

5.5.2 The actors in the public real property market

The central government

Up till 1950, the financing of the construction sector in France was considered to be mainly the responsibility of the public sector or of institutions that were subsidized and managed by the public sector, such as the HLMs (Habitations à Loyer Moderé, the organizations that operate social rented dwellings) and the Crédit Foncier de France (CFF). The role of the banking system in financing real property was performed by highly specialized institutions. Their mission, simply stated, was to finance ‘consumption’ by way of long-term loans to the users rather than to increase production through short-term loans. After 1950, the so-called full-service banks in France entered the area of real property development initially as lenders. They did so by opening up lines of credit for the various phases in the development process for diverse types of real property. Subsequently, they took upon themselves the task of providing guarantees for loans extended to other parties. The scope of that role was
expanded after 1963, when a taxation law in this area was passed. Eventually, the banks also started to act as partners in real property development. They did so by putting together the necessary financing for the real property companies that were set up for that purpose (Tournois, 1991).

The central government plays an essential role in the financing of urban development. The state arranges the direct financing of infrastructure costs as well as low-interest loans for local authorities through institutional banks. These loans are extended for the purpose of acquiring land and starting up developments. For a long time, the financing of urban development has been a concerted effort of central and local governments in conjunction with the private sector. The latter was in charge of the actual construction activities (Department of the Environment, 1989). Since decentralization, the responsibility to arrange the financing has come to lie increasingly on the local governments.

Some urban areas in France can make use of the Structure Fund of the European Commission. That fund is intended to facilitate activities in certain types of areas within the European Union to make up for deficiencies and catch up with the rest of Europe. Often, there is one condition: the local or central government has to pay at least half of the cost of the project.

The institutional banks

France has a great number of banks. Some of these distinguish themselves from the rest by frequently investing in public urban real property. The government has (had) shares in several banks. The Caisse des Dépôts et Consignations (CDC) plays a major role in the financing of housing and in the participation of SEMs. The capital of the bank comes from pension funds, savings banks, and other financial institutions. Since the Crédit local de France was established, the CDC has not been involved in the direct financing of local authorities. As mentioned earlier, the CDC is a key player in SEMs. It can take part as a shareholder in the SEM and as a financier of divisions within an SEM. The bank holds approximately FFr 2.5 billion in financial obligations in the area of the SEMs. Its technical services are provided by a subsidiary, the Société Centrale d'Équipement du Territoire (SCET), the spatial development company of the CDC.

The CDC has a number of specialized subsidiaries that are of interest in the context of the present study. The Société de la Centrale Immobilière de la CDC (SCIC) finances housing and real property. Transdev finances public transport, Scetauparc provides funding for multistorey parkings, and Scetauroute arranges financing for roads. Finally, the Compagnie des Alpes finances the tourism sector, and Beture is in charge of technical advice.

Previously, the Crédit Foncier de France was specialized in loans for the construction of social housing. However, when this bank ran into financial problems, the CDC was forced by the state and the Banque de France to take over the CFF, with the task of rationalizing it. To that end, a judicial construct was set up whereby the institution
was to be split up into viable branches to be saved and nonviable branches that would be allowed to fail (Rowe, 1996; interview Le Moan).

The Crédit local de France (CLF) is the main player in local-sector financing. The bank was privatized in 1993. Since then, it has had a broad spectrum of shareholders (Crédit local de France, 1997). In 1987, the Caisse des Dépôts et Consignations transformed the Caisse d'Aide aux Collectivités Locales into the Crédit local de France S.A. In October 1996, the CLF merged with the Belgian Gemeentekrediet to form Dexia. At present, the CDC holds 12 percent of the shares. The French state has reduced its participation to zero. Most of the shares, 73 percent, are in the hands of French and foreign institutional stockholders and French local authorities (Dexia, 1997).

A number of branches of the CLF target specific submarkets. For instance, the CLF subsidiary CLF Banque offers short-term loans to local authorities in line with the banking formula. Another example is CLF Finance, which is specialized in the complex financing required by large local authorities. The CLF is often invited to participate as a shareholder in SEMs d'aménagement. The bank is often known to the local authorities for its part in providing direct loans. Thus, as a known party, it is almost always asked to participate in the SEMs that are to be set up. In that way, the CLF can keep applying a number of standard criteria for the selection of SEMs in which the bank would be willing to participate. For instance, there must be a concrete project that is slated to be put into effect, and the size of the local authorities has to be in balance with the total amount of capital of the SEM.

The commercial banks

In the market for extending loans to local authorities, commercial banks play only a modest role. The Crédit Agricole is not the only commercial bank serving that sector; the Banque Nationale de Paris and the Société Générale are also active in this market. The commercial banks make a larger contribution to project financing for real property and infrastructure. Some of the French banks that have traditionally been involved in project financing along these lines are Indo-Suez, Crédit Lyonnais, Paribas, Banque Nationale de Paris, and Société Générale. When the real estate market collapsed at the end of the 1980s, a number of those banks found themselves in financial trouble because of the large amount of real property transactions in which they were involved. Since then — and since the existence of the important Loi sur la Faillite (Bankruptcy Law) — they have to be more prudent in their undertakings. Now, they take a closer look at the solvency of the shareholders, the amount of own assets, the legal framework, and the financial risks. When the risks are higher, it is more common for diverse local French banks to appear on the scene.

Foreign banks are found more and more in the area of project financing in France. These banks are usually from Germany, the Netherlands, Belgium, Great Britain, and the United States. Few come from Southern Europe. Sometimes they operate independently, though they often collaborate with a local partner who understands the local situation and can assess the risks better. It remains difficult for foreign banks to capture a market share. The German banks have made efforts to break into the mar-
ket for financing the local government sector but have not been successful. They are lacking in some essential knowledge: an understanding of the network of relationships; insight in the mechanisms of the local development process and the actors involved; and information about the legal framework. The presence of foreign banks in the real property sector is mainly related to extending loans to investors and owners of real estate (interview Le Moan).

Unlike the situation in other countries, the state of the market in the diverse real property sectors in France differs widely. The office market is currently in a deep slump, whereas the retail sector is flourishing. Dutch parties, such as Rodamco and VIB (an independent investment firm listed on the stock exchange and specialized in the area of commercial real property) are strongly represented in investments the French retail sector (Investeringen etc., 1996).

5.5.3 Public-private cooperation
The most common form of public-private cooperation in France is the Société d'Économie Mixte. A law was formulated to cover this arrangement in 1955; that law was simplified in 1983. Local governments (municipalities, départements, and regions) or forms of cooperation such as the communautés urbaines have to have a majority share of between 50 and 80 percent in an SEM (Ministère de l'Intérieur et de l'Aménagement du Territoire, 1993; Fédération nationale des sociétés d'économie mixte, 1996). An SEM takes the form of a limited liability company, which falls under private law. In an SEM, private financing is combined with public funds, which are subject to the rules of public law.

After the decentralization, a great many Sociétés d'Économie Mixte Locales (SEML) were established; there were 1170 in 1992. SEMs come in various types; their activities range from management to construction. The organizations that are engaged in the former type of activity — known as SEMs d'aménagement — can perform diverse tasks. They bring both public and private companies together in the framework of construction projects and land management. In 1992, there were 178 SEML d'aménagement. Most of these had been established during the preceding three years (Ministère de l'Intérieur et de l'Aménagement du Territoire, 1993).

The SEMs can combine government prerogatives — such as expropriation of land — with the flexibility, financing, and competence in particular fields that characterize the private sector. Urban renewal areas in particular are a frequent venue for a concerted effort of this type. The SEMs offer the advantage of encouraging private investment at a point in time when spatial-planning policy seeks to taper off government involvement. From the point of view of private participants such as private developers, an SEM can be advantageous. For instance, an SEM may take recourse to expropriation. However, if the necessary parcels of land are not to be acquired in a friendly settlement — with this instrument in the background to be used as a stick if the carrot does not work — then the procedures leading to expropriation can take a long time. Another advantage of an SEM is that the municipality is involved as a participant. This shortens various procedures. For instance, it expedites the process of getting from a land-use plan for that specific area (ZAC) to the point at which the mayor issues a building permit. It is often up to the public actors to bear the financial risks. There
are exceptions, however, as in the Euralille project. There, the risks were spread among the public and the private shareholders. When a ZAC seeks to establish an SEM, it has to comply with procedures under public law with regard to public consultation, objections lodged by interested parties, and appeal at the highest level. This leads to a high likelihood of having to adapt the plan and a high risk of running into delays. In principle, an SEM has no influence over such eventualities. The *SEMs de gestion* form another important category. They manage sectors such as the municipal heating system, multistorey parkings, cable broadcasting, waste treatment, and activities in the area of culture, sport, and recreation (Sievers and Keers, 1994; SCET, 1996). The minimal amount of social capital of an SEM d'aménagement is FFr one million. For an SEM de construction, the minimum is FFr 1.5 million. These figures are much too low, however, in view of the financial risks that have to be assumed (Ministère de l’Intérieur et de l’Aménagement du Territoire, 1993).

The Caisse des Dépôts et Consignations is a shareholder accounting for 12 percent of the capital in the 400 or so SEMs de construction and d’aménagement. In addition, ten percent of the shares are in the hands of companies, seven percent are held by financial institutions, 2.6 percent by developers of social housing, and two percent by professional organizations (Ministère de l’Intérieur et de l’Aménagement du Territoire, 1993). The SCET, which is a subsidiary of the Caisse des Dépôts et Consignations, is involved in 230 SEMs. It provides administrative and technical supervision to these SEMs.

### 5.5.4 Public buildings and public infrastructure

There are various ways to finance public buildings. The money may come from the local government budget. Alternatively, the premises may be rented from a private developer.

There are diverse taxation instruments to allow the private developers of a project to contribute to the financing of public buildings (*équipements publics*). The Taxe Locale d’Equipement is collected in roughly 12,500 municipalities. It brings in about FFr 2.5 billion in revenues from approximately 200,000 building permits. Furthermore, there are taxes that have to be paid if the principal exceeds the Coefficient d’Occupation des Sol or the Plafond Légal de Densité. These instruments are mainly applied in the region of Ile-de-France, and their use is restricted (Gélu, 1996).

The Ministry of Culture is generally approached with a subsidy request for cultural facilities such as a large museum. In addition, certain French regions are eligible for subsidy from the European restructuring funds.

A specific type of urban property is the conference hall. In France, ownership of such facilities is either fully public or public-private. They are often found in restructuring projects, which also include multistorey parkings, commercial centers, and offices — all of which are more lucrative undertakings than conference halls. In order to make the development of such facilities feasible, cross-subsidization often takes place. In addition, the cost of acquiring the land for the conference hall is often absorbed by another budget so that the development costs are more or less equivalent to the construction costs (interview Le Moan).
The infrastructure within the city is generally financed by the local authorities. The extension of the mass transit and tram lines in Lille as part of the Euralille project, for instance, was financed by the communauté urbaine. Often, the development and management of public transport systems is relegated to one or more SEMs. For the financing of public investment — such as the main infrastructure, land management, and services — in the villes nouvelles at the time, the main players were the state, the region, the Etablissement Public d'Aménagement, the Syndicat d'Agglomération Nouvelle (SAN, an intermunicipal body in the new towns), the Caisse des Dépôts et Consignations, and the purchasers of the building sites (Sievers and Keers, 1994).

5.5.5 The development of business complexes
The financing of business complexes is a cross between project financing and classic real property financing (interview Le Moan). For huge projects such as La Défense and Euralille, which were given high priority, private financing alone is often insufficient. Projects such as these could not have been realized without the involvement of local governments — and, in some cases, even of the central government. In order to draw in businesses, attractive preconditions must be created. This usually implies granting government subsidies. Often, the only form of subsidy provided for the development of business complexes consists of bringing in the land, either cheaply or for free.

Up through the early 1980s, business complexes were also developed as a solo initiative of the traditionally powerful Chambres de Commerce et d’Industrie. Eventually, it became more difficult to find tenants for these premises and the risks became too great. Then, most of these sponsors terminated those activities. Nonetheless, the French Chambers of Commerce still have a stronger position in the development process than their counterparts in countries such as the Netherlands and Great Britain, where they operate largely as umbrella organizations. In France, the Chambers of Commerce are public bodies. In addition to various sources of income, they receive a modest share (about 3.5 percent) of the head tax that is imposed on businesses (taxe professionelle; interview Tesse). In the past, the Chambers of Commerce had a large supply of their own capital, which came from the companies that were members. At present, no Chamber of Commerce can sponsor and support huge projects such as Euralille anymore. But they can still take a token part in them to show that they are behind the project. In order to be able to attract businesses, the preconditions have to be attractive, which generally implies government subsidy. In Lyon, however, the Chamber of Commerce is still involved in financing the expansion of the airport, Lyon Satolas (interview Tesse).

5.6 Summary
France is traditionally a strongly centralized country. Until the beginning of the 1980s, Paris was literally the center of power in France. This started to change when
the postwar policy turned its focus towards developing the regions outside Paris. The
administrative decentralization took place in the course of the decade. At that time, the
central government transferred more responsibilities to the local authorities. Since
then, four — in some cases even six — administrative levels may be distinguished.
The state, the regions, the départements, and the municipalities are the ubiquitous lev­
els. A typical feature of France is its enormous number of municipalities. Some met­
ropolitan areas have two more levels: a communauté urbaine and arrondissements.
With the exception of the communauté urbaine, the officials at all levels are directly
elected, as is the president at the central level and the mayor at the municipal level.
The mayor has a great deal of power in the French system. His power is often en­
hanced by the cumul des mandats. There are no hierarchical relations between the
levels of government.
Despite the decentralization process, the state has retained jurisdiction on many mat­
ters. These include financing of social rented housing and the policy for deprived ur­
ban areas. Municipalities now have more possibilities to initiate projects themselves,
without having to get the approval of the state.
If an urban region is a communauté urbaine, this supra-municipal, sometimes manda­
tory form of cooperation takes over the spatial-planning tasks of the municipalities.
In that event, it is usually the communauté urbaine that initiates large public real prop­
erty projects. If the municipality owns the land, however — which is indeed the case
in Lyon’s Cité Internationale — or if the president of the communauté is against the
idea of developing large projects in the central city — as happened in Lille, with the
Euralille project — then the municipality can be the sponsor.
The arrondissement level is found in the four big cities (Paris, Marseille, Lyon, and
Lille). The officials at that level are elected by the citizens, and the arrondissement
has its own mayor. This administrative level provides small-scale services and has to
be consulted on any large urban development projects to be built within its bounda­
ries.
The most important spatial-planning instruments are the Schéma Directeur (SD),
which is a structure plan at the supra-municipal level, and the Plan d’Occupation des
Sols (POS), which is a general land-use plan. Within the scope of these two instru­
ments, certain partial plans, known as ZACs, may be drawn up in greater detail. The
SD is no longer mandatory. It is formulated by the communauté urbaine or a group of
municipalities. At the municipal level, a POS provides the conditions under which
the local authorities can have directly operational instruments at their disposal, such as
the right of expropriation.
Other instruments deal mainly with the right of first refusal for the acquisition of land
by local governments (DPU), the reapportionment of land (AFU), and levies on real
property developments — for instance, charges that make it possible to finance infra­
structure and social housing (TLE, PAE, PLD, and COS, for example). In general,
land is privately owned. Still, the Ministry of Defense and the SNCF (Société Na­
tionale de Chemins de Fer), for instance, also own land in some areas.
In addition, economic plans such as the national five-year plan also play a role, as
does its elaboration at the regional level in the Contrats de Plan d’Etat Régional. In
the course of time, contract planning has come to play a role of increasing importance in France.

Since the end of the Second World War, French urban policy has been mainly concerned with leveling out the disparity between Paris and the rest of the country. In the wake of the decentralization process, the central government in particular has been responsible for the social rented housing sector and the urban policy for deprived districts in big cities. The state is also in charge of the funds to support these efforts. The municipalities and the communautés urbaines tend to concentrate on the more lucrative projects, such as Euralille, in which commercial activities have been included to finance the project. DATAR has produced a number of interesting studies on the competitive position of the French regions and cities with respect to the rest of Europe. Infrastructure lines (toll roads, high-speed trains) and connections such as the Channel Tunnel are indispensable to the competitive advantage of those places.

At various levels, use is made of contracts that are arranged between tiers of government. For instance, a contract in the field of economic planning may be signed by the central government and the regions (Contrats de Plan d'Etat Regional). Alternatively, the central government and the municipalities may sign a contract to redevelop deprived urban areas (Contrats de Ville). These arrangements do not imply competition, as they might between cities and regions in Great Britain. Rather, the contracts are intended to provide a frame of reference for other parties.

Since the 1960s, the national government has always had instruments at its disposal — to a greater or lesser degree — with which to pursue a land policy for France. Notwithstanding these options, there has been no active land policy at the municipal level.

Municipalities depend on the central government for most of their income. They also derive some revenues from local taxes, for which the central government determines the margins.

Just like Germany and Belgium, France has a number of institutional banks that play an important role in the financing of public real property, as defined in this study. These institutional players are the Caisse des Dépôts et Consignations (CDC) and the Crédit local de France (CLF). The CLF also finances local governments directly; the CDC does not, since it was one of the parties that founded the CLF. Similarly, the commercial bank Crédit Agricole is involved in lending to local governments as well as in the financing of public real property projects. The Banque Nationale de Paris and the Société Générale only play a marginal role in such activities. As in the Netherlands, a number of banks can be identified that are more deeply involved than other ones in the financing of public real property projects. These are Indo-Suez, Crédit Lyonnais, Paribas, Banque Nationale de Paris, and Société Générale.

Complex projects that may include not only a building but also a project covering an entire area are generally carried out in the form of a Société d'Economie Mixte. A separate piece of legislation applies to this public-private form of cooperation. That law has been adapted to reflect the outcome of the decentralization process. This is probably the purest form of 'cooperation'. According to law, the public parties have to be in the majority. Nonetheless, the shareholders have proportional representation.
on the board of directors and thus have equal say in managing the affairs. In some cases, foreign banks are also represented, although their presence is often meant to give the board international allure.
6

GREAT BRITAIN

6.1 The administrative structure

England, Wales, and Scotland make up Great Britain; along with Northern Ireland, they form the United Kingdom of Great Britain and Northern Ireland. Since Northern Ireland is not part of Great Britain, this chapter does not devote any special attention to Northern Ireland, apart from the few remarks in this section.

The United Kingdom is a parliamentary democracy without a written constitution. This means that all the rights of the government and the citizens are derived from separate legislation that has been adopted by Parliament.

Formally, all power is vested in the central government. There is no separation of powers between the judicial and the executive branches. Both are in the hands of the government, which is formed on the basis of a majority in the Lower House. The government consists of a number of departmental ministers, with the prime minister at its head. Unlike other countries in Western Europe, where power is decentralized, power in Great Britain is still strongly centralized.

The administrative organizations in England, Wales, Scotland, and Northern Ireland differ slightly from one country to the next. This does not mean that Great Britain is a federal state, however. These countries also differ with respect to their 'national' policy and the instruments to pursue it. England and Wales are subject to the same body of legislation and have two levels of administration: the national and the local levels. The regional level was abolished back in 1985. Until April 1, 1996, Scotland had a strong regional orientation in its government. At present, regional planning is only based on cooperation between local authorities. The recent elections might raise interest in the city region and prompt more attention to this level of administration.

In England, the ultimate responsibility for spatial planning lies with the Secretary of State for the Environment. The minister's remit includes the decision-making on specific incidents and the recommendations to municipalities to assist in local decision-making (Reference Services, 1992).

The ministry has eight regional delegations, known as Government Offices. In Scotland, Wales, and Northern Ireland, the ultimate responsibility for spatial planning lies with the Secretaries of State for each of these countries. In Northern Ireland, the Department of the Environment for Northern Ireland takes care of spatial-planning mat-
ters by way of six regional offices for spatial planning. Each of these, in turn, works closely with the municipalities.

The British local government has no constitutional grounds for existence. A local authority is formed by public order and can be disbanded in the same manner (Williams and Wood, 1994). In England and Wales, the Local Government Act of 1972 provides the legal foundation for the administrative organization at the local level. This act underwent radical change in 1980 and again in 1985. Two administrative bodies operate at the local level: the counties, which are comparable to Dutch provinces; and the districts, comparable to Dutch municipalities and called boroughs in London. These two levels operate alongside each other. The counties, in turn, are divided into districts, except in London and the six metropolitan regions. The county councils have various powers. Among these are responsibility for education, strategic land use, waste treatment, roads, and social services (Williams and Wood, 1994). There is no hard and fast division of responsibilities among counties and districts; they can be allocated differently from one area to the next.

When the Local Government Act of 1985 was revised for England and Wales, most of the changes affected the administration of the city regions. Since then, those areas, including Greater London, have only one tier of government, namely the district councils. Two situations are said to have swung the decision to instate just one tier. One was the series of conflicts between the central government and the Greater London Region. The other was the desire expressed by the Conservative central government to exert more influence on the larger cities, which were often dominated by Labour.

Whereas decisions had previously been made at the level of the city region, that competence was taken over by the regional delegations of central government. This boosted the power of the central administration considerably (Mastop et al., 1990). Not long ago, four ministries were merged in these Government Offices to improve the coordination of services provided to the region. These ministries, which previously had functioned alongside one another within these agencies, are the Ministry of the Environment, the Ministry of Education and Employment, the Ministry of Trade and Industry, and the Ministry of Transport.

In Scotland, the Local Government etc. (Scotland) Act of 1994 is the most recent legislation upon which local administration rests.

A Local Government Commission has been appointed by the central government and is currently in charge of the reorganization of local governments. Existing counties and districts are to be abolished or amalgamated in order to form single-tier units in which both levels of administration are represented. At present, England consists of 35 counties, 274 district councils in non-metropolitan areas, 36 in metropolitan areas, 32 London boroughs, 14 unitary authorities (that is, governments in which the levels of the district and the county have been consolidated), and the City of London. After the reorganization slated for April 1, 1998, England will have 34 counties, 237 district councils, and 34 unitary authorities. The reorganization in Wales and Scotland has already been carried out (on April 1, 1996), leaving Wales with 22 unitary authorities.
and Scotland with 32 (Foreign and Commonwealth Office, 1994). By law, the municipal council has been officially invested with the role of local planning authority.

6.2 A typology of spatial plans and instruments

As mentioned above, there are differences between the countries that comprise Great Britain. Few comparative studies are available, and when an international comparison is made, it is usually limited to England and Wales. The same laws apply to these two countries. Scotland, however, has its own laws. These are not essentially different; in fact, they are variations on the laws that apply in England and Wales. The differences between England, Wales, and Scotland go beyond legislation; they also concern (semi-)government institutions and the policy that is enforced.

6.2.1 England and Wales

Spatial planning in England lies under the jurisdiction of the Department of the Environment, Transport and the Regions. Since mid-June 1997 — that is, after the Labour government came into office — this has been the new name of two previously separate ministries: the Department of the Environment and the Department of Transport. Before the amalgamation, the Department of the Environment had held sole responsibility for spatial planning. In Wales, spatial planning falls under the jurisdiction of the Welsh Office.

In addition, quangos (quasi-autonomous non-governmental organizations; see Section 6.3 for details) play a role in organizing and financing urban revitalization.

The spatial regulatory system and the types of plans are based on the Town and Country Planning Act of 1990. This act was originally adopted in 1947 but was later drastically revised (in 1971 and 1990). Other pieces of legislation are also important: the Local Government Planning and Land Act of 1980 (see Section 6.3) and the Planning and Compensation Act of 1990. Furthermore, the revised Local Government Act of 1985 is significant, as it led to shifts in administrative relations. Finally, three supplementary laws were adopted in 1990 with regard to hazardous substances, nature conservation areas, and landmarks (Reference Services, 1992).

The Department of the Environment, Transport and the Regions is responsible for any national spatial policy that might be formulated. By having control over local plans, this department also exerts a strong influence on spatial policy at the local level. The task of spatial planning falls to the municipalities, however. To a large extent, the municipalities are financially dependent on government contributions; 85 percent of the municipal revenue comes directly from central government in the form of subsidies. Another important source of income is the real estate tax. The central government determines the amount that municipalities are allowed to take in through local taxes and loans (Rydin, 1993; Sievers and Keers, 1994).

There is no national spatial plan; policy is formulated in policy circulars, national and regional guidelines (Planning Policy Guidance Notes, PPGs), and a variety of direct
measures. Thus, projects that exceed a certain size — known as project decisions — fall by definition under the jurisdiction of the minister. He also has the authority to call in certain matters that are considered to be of supra-local importance. By drawing them under his jurisdiction, the local decision-making process — for instance, with respect to a local plan — is superseded. Besides very general guidelines, there are also PPGs that apply to the regional level (such as strategic recommendations for specific areas), to certain sectors (such as large-scale shopping facilities, housing, and so forth), or to particular aspects of those sectors (such as Outdoor Advertisement Control, Enforcing Planning Control, and so on).

In their capacity of local planning authority, the municipal councils are legally obliged to perform various tasks. The local administration uses the system known as development planning, which entails formal spatial planning. This system of formal spatial plans comprises three types of plan: the structure plan, the local plan, and the unitary development plan (UDP). Both structure plans and local plans apply to non-metropolitan areas; unitary development plans, in contrast, were initially created for metropolitan areas.

In England and Wales, the system of formal spatial planning was drastically changed by the Planning and Compensation Act of 1991. For one thing, the districts and the National Parks were required to draw up local plans that covered the whole district. Furthermore, a streamlined system was introduced to expedite approval of a formal spatial plan. It was tacitly assumed that spatial-planning decisions are in agreement with the formal spatial plan, unless strong arguments to the contrary are put forward (in the form of material considerations).

Metropolitan districts and London boroughs form the only planning authority in their particular area. Their tasks and competencies include drawing up a unitary development plan for their area; deciding whether or not to honor requests for building permits, either for new construction projects or with respect to proposed changes in land use; and mounting surveillance campaigns to monitor any breaches of building permit procedures.

In non-metropolitan areas, the jurisdiction for spatial planning is divided between the county councils and the district councils. The counties are responsible for making the structure plan as well as the local plans that deal with affairs of the county. The latter include granting permission to dump waste or to mine natural resources, for instance. The structure plan gives general guidelines for the development of the territory of the county and thereby provides a framework for the content of the local plans.

District councils are responsible for drawing up district-wide local plans that cover everything except the affairs pertaining to the county. There are two types of local plans. The first is the district plan, also called the general plan, which covers all or part of the district. Such plans are also known as local plans and form the general basis for development control. A subject plan or topic plan is actually a sectoral plan centered on a specific field of policy. Previously, there was another category, the action area plan. But such action areas, which were earmarked for comprehensive
(re)development or improvement schemes, can now also be designated in district plans (Mastop et al., 1990; Reference Services, 1992; Rydin, 1993).

Unitary development plans were introduced in the absence of the Greater London Council and the metropolitan county councils, both of which were abolished in 1986. These bodies had previously drawn up the structure plan, while the London boroughs and the metropolitan districts formulated the local plans. As a result of the Local Government Act of 1985, these two types of plan were merged to form a single UDP. The central government provided the local authorities with strategic recommendations (couched in a PPG at the end of 1989) on how to approach the task of formulating a UDP. The UDP has to incorporate the strategic regional advice, as enshrined by the central government in the Planning Guidance Notes. These changes posed a challenge to the authorities in some metropolitan areas. Faced with a structure plan that had been in force for more than a decade, they had to replace that document with unitary development plans. Meanwhile, the district councils had to continue drawing up local plans. The problem was that the local plans had to be in agreement with the obsolete structure plan (Mastop et al., 1990). At the same time, the continual growth in the number of unitary authorities enhances the importance of the unitary development plans.

The formal spatial plans are not legally binding. For each (re)development intervention in the physical environment, planning permission and building regulation approval are required. These permits are issued by the local planning authorities. The planning permission concerns planning aspects such as function or fitting in with the surroundings. The building regulation approval takes technical and safety aspects into account. Only when planning permission and building regulation approval have been granted are legally binding rights and obligations established.

6.2.2 Scotland

The legal system in Scotland has separate laws and ordinances. Local government is organized differently than in England and Wales, although the systems are for the most part identical. The differences in Scotland show up mainly in the institutions and the instruments that are available. The Town and Country Planning Act for Scotland was revised in 1972. The changes made in 1990 for England and Wales have not (yet) been introduced in Scotland. The changes in the administrative organization are laid down in the Local Government etc. (Scotland) Act of 1994.

Scotland has its own National Planning Policy Guidelines (NPPGs) and its own Planning Advisory Notes (PANs). The number of such documents that appear annually (about 20) is much greater than in England and Wales. All told, only 21 were operational there in 1993 (Bregman et al., 1993). In Scotland, the central government is much more involved in providing substantive guidance than it is in England and Wales (interview Hayton).

The Planning and Compensation Act of 1991 does apply to Scotland. Unlike the system in England and Wales, however, that Act has only limited influence on the Scottish system of formal spatial plans. Besides that system, Scotland also has a system of informing the owners of adjacent property that a building permit application is pend-
ing. That practice does not occur in England and Wales. Because of Scotland's lagging economy and the priority given to economic development by the European Union, there is greater emphasis on economic development in Scotland than in England. The institution of Scottish Enterprise (see Section 6.5.2.2) and the European funds play a major role in financing public real property in urban areas. Instruments such as the Urban Development Corporation (UDC) and the City Action Team (CAT) are not used in Scotland. Until recently, much attention was devoted to strategic regional planning. This intermediate level has also been stripped of its powers in Scotland, as elsewhere. At present, planning is based on collaboration between the newly created unitary authorities. Up to the early 1990s, Scottish districts still had a fairly high degree of financial leeway. England and Wales, in contrast, were already confronted with austerity programs.

6.3 Spatial policy

In contrast to the Netherlands, Great Britain's political culture is not based on the art of compromise. Because of the way the British electoral system works, the election results can completely change the political color of the government. Political parties do not form coalitions; if they did, shifts in policy would tend to be less abrupt. For instance, when the Conservatives came to power under Thatcher in 1979, many laws were either revoked or revised and some structures were abolished. British urban policy also underwent drastic change. The central government established hundreds of new public organizations and quangos. The minister appointed the members of the board of directors for each of those new organizations. The way they implement policy falls outside the scope of political and bureaucratic procedures (Spaans, 1997).

In the course of the 1980s, the development of the British cities was characterized by economic restructuring. The Conservative government made great efforts to allow the big cities to enjoy the fruits of the nation's economic growth (Kreukels and Salet, 1992). The Conservatives were of the opinion that the problems besetting British cities had been created by the flight of the private sector. They blamed the departure of the business community on the rigid local civil service apparatus and the inflexible labor market.

Economic recovery was not the only reason to make haste to invest in deprived areas. There were social reasons as well. The need for investment was underscored by the many riots that occurred in the cities that were lagging in a socioeconomic sense. In many instances, the targets were large-scale districts built in the sixties and seventies, where unemployment was rife. The policy of the state was strongly directed toward cooperation with commercial parties in order to develop projects. To that end, new entities such as the Urban Development Corporation and the Enterprise Zone were created. Instruments such as these were emphatically in favor of public-private cooperation. Conflicts that arose between the Conservative central government and the local governments that were usually dominated by Labour formed part of the reason
why the central government entered into alliances with the local business community. The objective was to create a market-oriented economic policy. By the end of the 1980s, this had led to the creation of an extensive network of public-private relations in virtually all British cities. Relatively independent development corporation and investment companies also played an active part in those networks (Kreukels and Salet, 1992). Spatial policy placed strong emphasis on economic policy. Indeed, big projects were described in terms of the number of new jobs they could provide.

The national planning guidelines that are published by the central government do not set any priorities for cities or regions. At present, the British system includes procedures whereby districts or alliances of parties have to submit competitive tenders to accompany their applications for financing of a proposed project. This is a condition for financing projects in the framework of the City Grant, the City Challenge, Garden Festivals, national museums, and so forth. By introducing the element of competition, financing for such projects is granted on a one-off basis and the local authorities are forced to be creative in pulling together diverse sources of financing.

6.3.1 England and Wales
The first initiatives in the area of urban policy were taken at the end of the sixties. The most important of these was the Urban Programme. It was revised in 1981 and again in 1985; the Urban Programme Reform was published in 1991. The Urban Programme was a traditional approach to conducting policy. It involved using central government funds to support local governments. The program was mainly social in character. It was geared mainly to the needs of underprivileged groups, helping them benefit from the changes taking place in the cities. The changes that were carried out as part of the Urban Programme Reform were mainly concerned with improving management and providing more value for money. The Urban Programme, which had been adopted under a Socialist government, survived the arrival of the Conservative government, most likely because of the riots that took place in 1980-1981.

During the 1980s, the attention of the central government shifted with respect to urban policy. The policy had been geared to cooperation with the local authority by way of the 58 designated Urban Programme areas. Then, the accent shifted toward policy that would have to be implemented by quangos — which had been created by the private sector and the central government — and special teams of civil servants. Some good examples are the City Action Teams (called CATs), the Task Forces, and the Urban Development Corporations.

In 1985, the Department of the Environment established City Action Teams; the next year, the Department set up Task Forces. Each of these new bodies was strapped for funds, as neither one had a budget of its own. Both were dedicated to the improvement of the way all funds — but especially those of the Urban Programme — were managed, coordinated, and used. The CATs and the Task Forces worked at the local level. They built up relations between local governments, voluntary organizations, local communities, and the private sector. Where necessary, they could step in to resolve internal and external conflicts among local authorities (Atkinson and Moon, 1994).
The central government under Thatcher experimented with policy initiatives that had their own ad hoc planning procedures over and above the usual procedures. One such ad hoc instrument was the concept of Urban Development Corporations (UDCs). It was applied for the first time as the London Docklands Development Corporation. New initiatives such as these were established on the grounds of the Local Government Planning and Land Act of 1980. UDCs were imposed upon local authorities by the central government. They took away the local government's jurisdictions with respect to spatial planning and urban investment for a specific area and during a specified period. The UDCs operated within the built-up area of a city or in its vicinity. These bodies were expected to play a key role in the economic revitalization of the city. The objective of the UDCs was to start up and accelerate the process of economic recovery in deprived areas. The central government appointed the board of directors and committed itself to provide funding for a stated period. If need be, that amount could be adjusted annually. The personnel to run the UDCs came largely from the private sector. Initially, cooperation between the UDCs and the private sector was sporadic at best. The first UDCs were set up to deal with an extensive area. The later ones were smaller in size, as in Manchester. Eventually, cooperation with the local government improved and the input of the local population was taken into account. One sequel to this concept was the City Challenge. Under that heading, coalitions consisting of local governments, the private sector, and voluntary associations can submit proposals to boost the social, economic, and spatial quality of parts of the city. Now, initiative and cooperation at the local level are more important than they were in the days of the UDCs. City Challenge was launched in 1991 as an outcome of the reformed Urban Programme and some other initiatives. The main goal was to build up a basis for collaboration between the local government, the community, the private sector, and the voluntary sector. The funds that were used for this initiative were not newly instated. The money had been creamed off of other programs. Heseltine was minister at the time and it was he who introduced this instrument. In his effort to stimulate local creativity, he considered competition to be an essential condition. By bringing in the element of competition, the central government gained more say in the way the funds were being distributed. The first projects were mainly aimed at putting in infrastructure, intervening in the physical environment, and preparing building sites for development (for instance, by demolition, soil sanitation, and site servicing) to meet the needs of the private sector.

Besides UDCs, other instruments were also established to streamline procedures. One was the Enterprise Zone, another was the Simplified Planning Zone. Both were introduced in the framework of the Local Government, Planning and Land Act of 1980. The objective of the Enterprise Zone was to stimulate industrial development. Several advantages were offered to firms that would establish a presence there. These included exemption from tax for non-households, attractive tax rates on investments, and a simplified spatial-planning system. By means of that simplified spatial-planning system, the planning authorities could take recourse to shorter procedures to issue permits. The Simplified Planning Zone was presented as an instrument to allow cer-
tain areas to circumvent spatial-planning procedures that could sometimes be quite rigid. The attractive tax provisions did not apply to those areas, however. Despite the purported advantages, hardly any use has been made of the Simplified Planning Zone. Generally speaking, the areas that would be eligible are larger than those that would fall under the Enterprise Zone. Both instruments have been instated for a period of ten years and are applicable anywhere in Great Britain (Newman and Thornley, 1996; Stoker, 1989).

The central government created yet another subsidy instrument. This concerns the National Garden Festivals, which are held every two years. Liverpool hosted the first Garden Festival in 1984. The National Garden Festivals were supposed to spur interest among the private sector in purchasing land in urban revitalization projects that were underway (Atkinson and Moon, 1994).

For a long time, use was made of subsidy funds that have since been pooled to form the Single Regeneration Budget. Some of the funds that fed this pool are the Derelict Land Grant, the Urban Regeneration Grant, and the Urban Development Grant. The last two were consolidated in 1988 to form the City Grant. This subsidy was intended to provide support for private investment projects in deprived urban areas. Specifically, it targeted projects that could not have been undertaken without this support. The private sector could apply for support without approaching the local government by going directly to the Department of the Environment.

In 1996, the Housing Grants, Construction and Regeneration Act was passed. The proposed changes in policy were minor. In this case too, the changes were directed toward a more efficient and effective implementation of government policy for urban revitalization. The central piece of legislation concerned the Single Regeneration Budget. This subsidy program consolidated 20 urban revitalization programs from five ministries in England. Furthermore, jurisdictions were adapted with respect to the Estates Renewal Challenge Fund in England, the Strategic Development Fund in Wales, and the Rural Partnership Fund in Scotland. In England, the program called English Partnerships was given the task of carrying out the urban revitalization. In Wales, this task was assigned to the Welsh Development Agency. After the UDCs were disbanded, the organization of English Partnerships was established as the Urban Regeneration Agency in 1993 (see also Section 6.5.2.2).

At the same time the Single Regeneration Budget was established, three English cities (London, Birmingham, and Manchester) were invited to take part in an experimental program. Under the name City Pride, this initiative sought to formulate a long-range development perspective. The object was to give better guidance to public and private investment (Le Galès and Mawson, 1994).

6.3.2 Scotland
Scotland has its own National Planning Policy Guidelines, which are published by the Scottish Office. The instrument of the Urban Development Corporation does not apply to Scotland, whereas the Enterprise Zone and the Simplified Planning Zone do.
Scottish urban policy was introduced in the mid-sixties in an effort to ameliorate the unfavorable conditions in the country's cities. The projected improvements concerned the social, economic, and environmental situation. Since 1969, the Scottish Urban Programme has been the mainstay of efforts to improve urban areas.

In 1988, the policy document entitled New Life for Urban Scotland was published. It circumscribed the nature of the urban issues and confirmed the value of previous measures that had been set in motion by various bodies. One of these was the previously initiated collaboration for the Glasgow Eastern Area Renewal (GEAR) project. Furthermore, this new policy document provided a basis for setting up Urban Partnerships for Glasgow, Paisley, Edinburgh, and Dundee (Rydin, 1993). Many of these initiatives were taken by the Scottish Development Agency, now Scottish Enterprise (see also Section 6.5.2.2). Scotland had already built up extensive experience with the collaboration among various bodies in the field of urban issues. In contrast to the method adopted by Urban Development Corporations in England and Wales, for instance, local interests played a major role in Scotland from the outset. Thus, local organizations could have some input too (Lloyd and McCarthy, 1997).

In 1993, the Scottish Office evaluated the policy for urban revitalization. They came to the conclusion that the Urban Programme and the policy of the Urban Partnership areas had been effective. On these grounds, it was decided that elements of the approach used for Urban Partnership areas should be applicable to the entire Urban Programme. The ensuing Programme for Partnership embodied these elements in the new concept of Priority Partnership Areas (PPAs). These areas were selected on a competitive basis. A variation on this theme was the Regeneration Programmes, which covered smaller areas that were not lagging quite as far behind (Lloyd and McCarthy, 1997).

Throughout Great Britain, urban policy is mainly based on competition for financing by the central government and on cooperation between public and private parties. Nonetheless, a few elements may be distinguished that are specific to Scotland. One of these is the leadership shown by local government. Another is the effort to reach a certain degree of consensus between government agencies at the central and local levels as well as between private and public organizations. Yet another distinguishing element is the emphasis on local needs as well as local opportunities. Finally, Scottish policy allows a high degree of input by the local community (Lloyd and McCarthy, 1997).

6.4 Land policy

Up till the Conservative government took office in 1979, land policy bore the clear mark of government intervention. Much land came to be owned by municipalities. In this way, local authorities could keep a better grip on the construction of social rented dwellings. In pursuing this land policy, the British government sought to achieve two objectives:

- control over the planning and implementation of urban developments;
control over the developments in the price of land.

Much of the land that passed into government ownership during that period is still in government hands.

The Compulsory Purchase Order (CPO) is the vehicle for expropriation of land. The right of eminent domain is specified in a number of laws, including the Town and Country Planning Act. The future use of the land that is slated for expropriation must always be justified. Compensation is usually made on the basis of the market value of the property. The Planning and Compensation Act of 1991 has brought some changes in this practice. That law stipulates that under certain circumstances, a premium may be paid for the property over and above the market value (Williams and Wood, 1994).

The Conservative government of 1979 inherited a number of potentially useful policy instruments from its predecessor, the Labour government. The Conservatives abolished some, retained others, and adapted the rest to their needs. The Community Land Act, which dated from 1975, was immediately removed from the books because it was seen as a repository of an undesirable ideology. A general aim of that law was to conduct spatial planning in a more comprehensive fashion. The law gave the local governments the opportunity to purchase land for the going price at that moment in order to facilitate the spatial developments anticipated for the coming ten years. Municipalities would then sell off the land in outright ownership where it was to be used for housing construction. But in the event of commercial and industrial uses, the land would be made available on long lease. In both instances, the increase in value of the land would accrue to the municipality. However, this law was never fully implemented because of the great financial consequences it would have. Furthermore, the rate of the Development Land Tax of 1975 was immediately lowered. This was a tax on the increase in value of land. Today, there is no separate tax anymore, and the increase in value of land is added to the company’s balance sheet along with other sources of income (Williams and Wood, 1994).

The land policy of the 1980s was essentially a policy of non-intervention in the land market. The ideological context always worked out to the advantage of the commercial sector. The 1980s was a period of economic stagnation as well as rapid growth (Spaans et al., 1996).

In combination with the land policy that shifted in favor of the private sector, the central government made some changes in the system of formal planning formats. Those changes were supposed to help the municipalities work more efficiently and effectively. The measures were designed to support the private sector in the development process. Indeed, the commercial sector came forward increasingly as a key party. All these changes were reflected in the land market. Prices began to rise as soon as these policy shifts started to have an effect. As the market for owner-occupied dwellings picked up, property prices doubled between 1986 and 1988 (Department of the Environment, 1995) and speculation in land increased (Spaans et al., 1996).
6.5 The development and financing of public real property

6.5.1 Introduction
In 1990, a drop in construction activity was anticipated across the board. The volume of construction in all sectors was £33.3 billion. Of this total, housing accounted for 43 percent (of which 48 percent was new construction and 52 percent either renovation or maintenance). Utilitarian structures in the private sector accounted for 39 percent of the total, whereas public-sector utilitarian construction was only five percent. The remainder (13 percent) was in the sector of groundwork, road works, and waterworks (Reitsma et al., 1990b).

The picture of British institutions that are involved in the financing of public real property in urban areas differs from that for the other three countries covered in the present study. Great Britain has no banks in which governments (either local or central) are or have been shareholders. There is, however, a non-ministerial department of the exchequer, the Public Works Loan Board. That department lends to local authorities when given permission to do so by the Department of the Environment or the Treasury (see also Section 6.5.2.1).

As pointed out earlier, municipalities derive most (about 85 percent) of their direct financing from the central government. The remainder (roughly 15 percent) of their revenues come from municipal taxes (Rydin, 1993). That direct government financing, called the Rate Support Grant (RSG), is dependent on various factors: the number of inhabitants, the population profile, and unemployment figures are the main ones. The amount provided is calculated to reflect the five-year policy plans and program documents for a number of sectors such as transport, education, and health care. Each year, those documents are updated. While keeping within the total amount, a municipality has a fair amount of leeway to shift the line items. In practice, however, the local budgets have been cut back so much that the authorities have little room to maneuver. Because of the austerity measures at the local level, the municipalities are hardly ‘local authorities’ anymore; instead, they have become ‘local administrations’. They are more deeply dependent on the central funds, which means that they exert less influence on the local development process. Notwithstanding such constraints, they can still have an important position. For instance, they can play a pivotal role in putting together the financial framework of a project by linking up multiple financing sources. Not all municipalities are equally talented in this respect, however. Sheffield is generally seen as an example of a creative municipality. This municipality has not always been equally successful in its efforts to obtain funds from the central government. Therefore, Sheffield had to seek other external sources in order to finance development. Birmingham, in contrast, has been much less inventive. This is in keeping with the local political culture there (interview Henneberry). The list of supplementary financing sources should also include the Structure Funds that the European Commission allocates to support regional development.

In the area of project financing, roughly four types of players may be distinguished: the central government; the quangos, which are funded by the central government; the
private developers, the banks, and the investors; and the private funds. The field of actors who are engaged in financing public real property in an urban setting is fairly fragmented.

6.5.2 The actors in the public real property market

6.5.2.1 The national government

Municipalities are highly dependent upon the central government to obtain financing for public urban real property. Officially, the municipality itself can borrow capital for investment from a number of banks that are accredited by the Bank of England to extend such loans. However, the municipalities make only limited use of that option; such loans are often extended for a short term. Eighty percent of the loans taken out by local authorities are arranged through the Public Works Loan Board. This institution dates back to 1793 and since 1980 has been part of the National Investment and Loans Office. This is a non-ministerial exchequer department that extends loans for investments in infrastructure, such as roads or bridges, in public facilities, and in the conversion of obsolescent buildings into office space. The lending institution has to get permission from the Department of the Environment or from the Treasury before a loan can be arranged. The Public Works Loan Board, in contrast, is independent of these departments. All this Board needs is a letter of approval. Thus, the Board has no insight in the type of projects for which the loans are to be used (interview Thompson).

The way the Board functions at present is based on the National Loans Act of 1968 and on adaptations of that law made in the Finance Act of 1990. The local authorities include diverse bodies: local governments, port authorities, mass transit authorities, police authorities, and to a limited degree housing authorities, to mention some of the main ones. The loans are generally extended for a term ranging from one year to ten, and the interest charged is below market rates. The amount of the loan is partially determined by quota that are set for the local authorities. From April 1994 onward, the quota to which local authorities in England and Wales have a right is the sum of the Basic and Supplementary Credit Approvals used in that year and the repayments on the sum borrowed from the Public Works Loan Board for that year. In Scotland, the quota is the sum of the Capital Consent Allocations used in that year and the repayments on the sum borrowed from the Public Works Loan Board for that year minus the projected debt repayment (National Investment and Loans Office, no date).

There are twelve seats on the Board. Half of them are filled by civil servants from local governments, the rest are financial experts. The Board determines whether or not the applicants have the right to a loan. In the financial year 1996, the Board extended loans amounting to a total of £ 6,575 million (Public Works Loan Board, 1997).

At present, the central government holds high expectations of the Private Finance Initiative (PFI), which was installed in 1992 by the Treasury. It has become one of the chief instruments by which the government provides public services that are both more cost effective and of a higher quality. Since the early 1980s, the government has gradually cut back on its activities through privatization and contracting out some
tasks. Public facilities such as roads, hospitals, and prisons will now be financed largely by way of the PFI method. Financing for government offices may even be arranged in that manner (Private Finance Initiative, 1997). The aim of the PFI is to engage the private sector more directly in developing and managing these facilities, which the government perceives as vital public services. In this respect, the public sector sets the conditions while keeping an eye on the interests of the users. Since April 1995, municipalities may also be more directly involved in PFI agreements (Chancellor’s speech, 1997; Competition and the Private Finance Initiative, 1997; Hart, 1996). The government determines which facilities will be placed with the private sector. The latter would have to design the facilities and then construct, fund, and run them. This is called the DBFO approach: Design, Build, Finance, Operate (Private Finance Initiative, 1997).

The method used to put up a new hospital, for example, is as follows. At the local level, the local health authority decides that a new hospital has to be built. This decision is worked out in a proposal that is presented to the ministry in charge of such matters. Then, it is determined at the central level — and in the case of a hospital, this would be the Department of Health — whether or not the proposal could take part in the PFI. After bilateral discussions between the central and the local government, a final proposal is worked out. Then, a public announcement is published in which private developers are invited to submit tenders for developing a hospital. To date, very few projects have been carried out under the auspices of the PFI, and the parties involved have been rather secretive about their experiences. Thus, little is known about the actors who tend to respond to such an invitation. In general, private developers will usually be selected. Banks will not be chosen directly, though they may play an indirect role by extending credit to the private developer.

The government reimburses the private developer through an arrangement that may be compared with the sale and lease-back construction (see also Section 6.5.4). The private developer receives a guaranteed rent that is calculated to include a certain profit margin (interview Henneberry).

By the end of November 1996, the approved PFI projects represented a total of £ 7,197.5 million, most of which were in England (£ 7,065.5 million) (Simpkins, 1997). The central government had high expectations for this program. However, very few projects actually got off the ground. This is generally ascribed to the enormous bureaucracy that encases the program. Incidentally, the new Labour government has already indicated its intention to go on with the Private Finance Initiative (interview Henneberry).

The European Commission has created a number of subsidy programs that are supposed to help authorities in designated types of areas within the European Union make up for their deficiencies and catch up with the rest of Europe. Many urban areas in Great Britain can make use of this facility.
6.5.2.2 Quangos
Quasi-autonomous non-governmental organizations (quangos) play a role in the organization and financing of urban revitalization activities. These organizations are established by the central government. The funds come directly from the national government, which is also involved in monitoring how the organization functions. Each quango has its own board of directors, and both the public and the private sector are represented. The board of directors is responsible for the appointment of new members. Quangos are not held accountable to Parliament and operate outside the scope of the democratic process.

England
Urban Development Corporations were revamped to fit the mold of the quango. Their financing came directly from the central government. After the UDCs had been abolished, the English Partnerships were established in 1993 as the Urban Regeneration Agency. The budget of this nationally operating organization is part of the Single Regeneration Budget. It consolidates three programs: City Grant, Derelict Land Grant, and the budget of the former English Estates. English Estates had been founded in the thirties as a means to come to grips with the massive unemployment. The organization was in charge of developing and managing the industrial plant in regions where unemployment was high. In this way, new companies could be drawn to the area and induced to start up business there.

The present English Partnerships is a quango. Much of its energy goes toward making urban restructuring projects more flexible and encouraging a more comprehensive approach to these projects. The main objectives are to promote economic development, to stimulate employment, and to improve these areas in order to offer the local population a higher quality of life (English Partnerships, no date). Unlike the UDCs, the implementation of such projects remains in the hands of local parties. In principle, English Partnerships also acts as a 'broker' by bringing together financiers for urban projects. In arranging the financing, partners from overseas are warmly welcomed. The annual national budget of English Partnerships is approximately £ 240 million (interview Gill).

The Estates Renewal Challenge Fund was announced in November 1995. It has over £ 300 million at its disposal for a period of three years. The organization in charge of this fund is a quango. The aim is to facilitate the (voluntary) sale of municipal real property that is of poor quality to new owners such as housing corporations. In the main, the properties to be sold off are dwellings. For improvement efforts, use is made of a mix of private and public financing. The subsidies are granted on a competitive basis.

Wales
In Wales, several institutions are active in the fields of urban and economic revitalization. The most important one is the Welsh Development Agency. That organization operates subsidy programs, including the funds for derelict land and the programs
called Landscape Wales and Urban Development Wales (Rydin, 1993). The most important governmental program for urban revitalization is the Strategic Development Fund. The Minister for Wales announced that the finances as well as the authority to allocate funds under this program should go to the municipalities. A new program for Wales was to be introduced in 1997-98 under the name Challenge Fund. That fund should be targeted at larger projects.

In addition, the minister designated the Welsh Development Agency as the institution that is supposed to carry out the Urban Investment Grant program in Wales, as of October 1, 1996.

Scotland

Scottish Enterprise is the largest organization that is active in the field of urban and economic revitalization in Scotland. This organization operates through 13 Local Enterprise Companies. One of the largest of these is the Glasgow Development Agency. The annual budget of Scottish Enterprise is about £400 million. There are three national objectives: to improve the physical infrastructure of industry; to make old unused industrial sites available for new housing; and to restore old abandoned industrial areas for alternative uses. To further these three objectives, Scottish Enterprise subsidizes the financing of infrastructure, business complexes, and telecommunications.

Scottish Homes is another organization, and it is mainly concerned with housing. This organization is involved not only in the production of dwellings but also in the improvement of the residential environment in the widest sense of the word. Both Scottish Enterprise and Scottish Homes cooperate extensively with local governments and harmonize their policy in specific fields.

General

The organizations of Scottish Enterprise, the Welsh Development Agency, and English Partnerships are all similar in nature. Scottish Enterprise is a spin-off of the Scottish Development Agency. Starting out as an organization with a strong emphasis on investment in real property, it has evolved into an organization with a much broader range of activities. It is also likely that English Partnerships (that has incorporated the former English Estates) and the Welsh Development Agency will expand their reach as well. Their new profile is expected to show less attention for investment in the physical aspects of the built-up area (interview Henneberry). English Partnerships will probably remain active in the real property sector. However, the funds that are made available for such activities will decrease and become more mixed in character. All three of these organizations are involved in mixed financing as well as in financing for which subsidy is provided to cover the unprofitable upper margin of the investments. In England, this is called gap financing; in Scotland, it is known as LEG-UP financing (interview Henneberry).

6.5.2.3 Private developers, banks, and other investors

The main institutional investors in the British real property market are institutions such as pension funds and insurance companies, quoted property companies, private
property companies, and foreign investors (Geddes, 1994). However, their main interest lies in commercial real property. They tend to invest in existing commercial office space, shopping facilities, and similar projects. They show less interest in developing such property. Since the end of the 1980s, foreign investors have had a higher profile on the British real property market. Both 1989 and 1990 were peak years for foreign investment. The great majority of these overseas investments are and have been debt financed, often up to the full amount of the acquisition costs. The lending institution can also demand supplementary security and guarantees from the borrower in his own country. In that case, the high level of the loan is used to offer the borrower certain tax advantages with respect to rental income (Geddes, 1994).

Banks are never directly involved in the development of urban real property. Thus, they do not maintain any direct relations with municipalities. In the event that a relation does exist, it is indirect. It would run through the private developers who borrow capital from the banks to make the investments. Great Britain has no banks that are specialized in financing of urban real property. If their analysis assures them that a particular project will be profitable, they will invest in it. Even though no British banks ply this market, a foreign bank might. The Crédit local de France is a case in point, working through its subsidiary in Great Britain, the CLF Municipal Bank. This bank is mainly involved in the financing of social housing, but it is also active in the sector of education (specifically, student housing and university buildings). During the 1971-73 boom in the property market, nearly all banks — including big ones such as Northwest, Midlands, and Lloyds — were involved in commercial property, both as new construction and resales. Their objective in this market was to make short-term investments, whereby the property would be sold once it had been developed or had increased in value. Their plans changed at the end of the seventies, when the property market collapsed. The steep decline in value left many banks sitting with unsaleable property. They were forced to take a very cautious approach when operating on this market (interview Henneberry; Reid, 1982).

Because London is a global financial center, the big clearing house banks are mainly oriented toward world markets. The global financial trends have a major impact on the character of local cycles in the property market (interview Henneberry).

Private developers can borrow the capital that they need to develop property from banks. If the private developers are quoted on the stock exchange, they can also borrow it from the exchange. For smaller projects, some private developers finance the development from their own assets.

6.5.2.4 Private funds
Private funds play only a minor role in the supplementary financing of public real property in an urban setting. They are nonetheless of interest in view of the fact that they are so little known outside of Great Britain.

From time immemorial, Great Britain has had countless charitable foundations that subsidize projects of a public nature. These constitute what has been called the pater-
nalistic British capital. Great Britain has always had a very robust non-governmental non-profit sector. It was engaged in community activities and self-supporting organizations on a voluntary basis (interview Harding). For a long time, Great Britain has had many trusts and foundations such as lottery funds. All lotteries are under government control. The government determines who is allowed to set up a lottery, appoints a manager, decides what share of the revenues should go to the manager, and what share is to be made available to the government in the form of general funds. Furthermore, the government determines how much of the revenues, and in what proportions, are earmarked for various purposes such as the arts and culture, sports, recreational activities, welfare and health care, preservation of landmarks, and so on. Many voluntary organizations, but also municipalities, submit proposals on a competitive basis in a bid for a share of the lottery revenues. In 1995, a new National Lottery was created. It was supposed to bring in money to finance big projects to celebrate the year 2000, the start of the new millennium. For each lottery, a commission is appointed to allocate the money among the proposed projects.

A trust is concept deeply embedded in Anglo-Saxon law. It is a juridical arrangement for assets management and is based on the principle of mutual respect (that is, trust in one another’s integrity). In economic transactions, the trustee usually acts on the part of the owner (National Trust, 1995). For instance, there are many Building Preservation Trusts, which finance the renovation and if need be the change in function of listed monuments and historically significant buildings, areas, and objects. Some trusts also receive money from the government, while others are entirely dependent upon gifts from private individuals.

6.5.2.5 Chartered surveyors and architects
Great Britain has accredited chartered surveyors, who are often not even recognized as a separate profession in other countries. In each phase of the process of developing real property, they can be called in for advice. They may look for new functions for buildings that have to be redeveloped. They may prepare the procedures for land expropriation. In each case, they would take care of finding other actors who would have to play a particular role — such as architects, private developers, and financiers. They calculate the construction costs of the building plan, and so on (interview Laurie). Often, they are also involved in the development of public real property. In their capacity as an intermediary, they have good insight into the options for financing such projects.

Another method that local governments use in developing public real property in an urban setting is to call for a design competition for a certain project. That project may constitute the redevelopment of an individual building, turning it into a museum. Or it may call for the development of an area with various functions. Sometimes, the competition calls for submissions by an architect in combination with a private developer. A joint design and development proposal often increases the chance that the project will eventually be carried out.
6.5.3 Public-private cooperation

In the previous section, it proved that the input of the private sector in Great Britain with respect to the implementation of spatial policy has grown steadily since the early 1980s. Unlike France, Great Britain has no cooperative arrangements that are rooted in special-purpose legislation. Initially, real cooperation was rare. The Urban Development Corporations, for instance, mapped out a certain strategy, to which the private sector could respond. On its own initiative, the UDC could develop and finance more general facilities (infrastructure, environmental projects, etc.) that would make a location more attractive to the private sector. The UDC could also co-finance private projects that proved to be unprofitable. It was not until the early 1990s that the emphasis shifted to cooperation between the various sectors (public, private, and voluntary). Those parties collaborated to submit project proposals and joined forces to compete with other cities. Often, this initial cooperation — first in the context of a mere project proposal — proved to persist in some form or another even when the proposal was not accepted.

6.5.4 Public buildings and public infrastructure

In view of the narrow margins within the budgets of local governments, the local authorities have few opportunities to borrow capital — for instance, to build office space for their own use. The only option they have to borrow money for a relatively long period of time is through the Public Works Loan Board. That is why municipalities often rent their office space. Sometimes, however, they figure out some way to develop office space of a certain standard at a given location. One way, for example, is to arrange a contract whereby the municipality commits itself as a guaranteed tenant for a specified number of years. In fact, this is how the city hall of The Hague in the Netherlands was originally financed. Another option would be to place advertisements inviting private developers to submit plans for a building of this kind. Of course, private developers are always competitors. Therefore, the municipality can have a strong influence on the private sector with respect to the end product. A different approach has been taken in Sheffield. There, supplementary financing (that is, European financing from the Structure Fund, a share of the lottery funds) is offered to cultivate interest among private developers in taking on a project to expand the office area of the city hall. The authorities want that structure, which dates from the seventies and lies in the center of the city, to be replaced by new construction. In exchange for building the offices, the private developer would get land at his disposal for a private development (interview Henneberry).

Since the beginning of the 1980s, many infrastructural facilities have been privatized, including utilities (waterworks, gasworks, electrical power) and telecommunications. Meanwhile, Britain's railroad infrastructure has also been privatized. The financing for these facilities is thus no longer of a public nature. Only the road system still falls under the purview of public sector (interview Henneberry). If financing is needed for expressways or tunnels, for instance, it may be arranged either directly by the government or through the Private Finance Initiative.
6.5.5 The development of business complexes

Up till the Conservative government took office in 1979, the sale and lease-back arrangement was used in the development of small business units. Financing was made possible by raising local taxes slightly or by contracting out the job to a private developer. In the latter case, the municipality would often make the land available on long lease. A developer would be invited to develop the site (including the buildings). In exchange, the municipality would pay a guaranteed rent to the private developer. Furthermore, the municipality would take on the risk of finding tenants for the buildings. The municipality was usually able to make a profit on this deal. Because of the austerity measures that followed the arrival of the Conservatives, the municipalities had hardly any opportunity to get directly involved in such projects anymore. The legal framework was changed in such a way that it became impossible for municipalities to offer to pay private developers a guaranteed rent (interview Henneberry).

6.6 Summary

Great Britain comprises three countries (England, Wales, and Scotland) but is not a federal state. England is governed by the central government. Scotland and Wales, in contrast, are governed by dispersed central government agencies. At the head of those agencies is the Minister for Scotland and the Minister for Wales, both of whom have a seat in the Cabinet in London. England and Wales fall under the same legislation. Separate laws apply to Scotland, though in general they do not differ greatly from those that apply to England and Wales. Great Britain does not have a constitution. The rights of the government and the citizen are based entirely on laws that have been passed by Parliament.

Originally, England and Wales had counties and districts; for a brief interval, they also had city regions. The city regions were completely abolished, giving the central government more power. Counties were divided into districts. Generally speaking, counties had a rural jurisdiction, whereas districts had an urban jurisdiction. At present, reforms are being carried out in the local administrative system. Under these reforms, many counties and districts are being amalgamated to form unitary governments. Furthermore, the types of plan that lie in the jurisdiction of any given level of government are also being changed. Originally, the lower tiers of government had a structure plan (counties) and a local plan (districts) at their disposal. The unitary governments that are now being established in other urban areas too — though not in metropolitan areas — are responsible for the unitary development plan, which embraces both of the previous types of plan. The central government promulgates guidelines for spatial planning. The lower tiers of government have to comply with those guidelines or else take them as suggestions on how to carry out their local responsibilities. Competition between the local governments and cooperation between public and private parties are the main priorities for central government. Initially, the national government launched initiatives, completely bypassing the local level of government. The Urban Development Corporation, the Enterprise Zone, and the Simplified Planning Zones were not consulted or involved. Later, the central government made amends
by allowing local governments — in combination with private parties and voluntary organizations — to submit project proposals. Those proposals were judged in competition with other submissions. Although the Urban Development Corporations are perceived as public-private cooperative arrangements, the cooperative element only comes into its own when joint proposals are submitted, as in the City Challenge program, for instance.

The British situation is epitomized by the role of quangos. These institutions play a key role in the financing of real property projects. They fall completely outside the scope of the democratic process. The organizational form of the Urban Development Corporations was one example of a quango; other examples include the powerful organizations known as English Partnerships, the Welsh Development Agency, and Scottish Enterprise. Besides the project financing provided by the central government on the basis of competitive proposals, this form of financing is also essential for unprofitable projects. One program that has become increasingly important lately is the Private Finance Initiative. This program is based on the principle of sale and lease back. Private parties are invited to develop and operate certain kinds of real property that had previously been reserved exclusively for the government; the private sector is offered this opportunity at a set amount for the lease.

Unlike the other three countries studied here, Great Britain does not have any institutional banks. What Britain does have is a Public Works Loan Board. After receiving permission from the national government, local governments can borrow money from that Board. The loans are extended for a relatively long period and at a favorable rate of interest. There are no commercial banks that are specialized in the financing of public real property.

Finally, Great Britain has funds that are largely fed by private parties. For example, there are many lottery funds, which can be used to fund projects in diverse sectors (culture, sports, welfare, etc.).
To draw this study to an end, this chapter gives a brief summary of the most noteworthy characteristics of the four countries covered by the research. Those features — the administrative structures, the spatial planning, and the development and financing of public real property — are then juxtaposed for the sake of comparison. The structure of this overview is the same as in each of the four chapters on individual countries.

7.1 The administrative structure

Germany and Belgium show fairly strong similarities with respect to their administrative structure. France and Great Britain, in contrast, each have their own character. As a federal state with a large degree of autonomy for each of the various tiers of government, Germany has been in the same league as Belgium for some years. Over the past several decades, Belgium has undergone a far-reaching process of federalization. Even though the state has gone through four rounds of administrative reform, the end of that process may not even have been reached. Decentralization of power is a central aim in both countries. Great Britain — which consists of England, Wales, and Scotland — is not a federal state. There, power is vested in the national government. France is a unitary state. Despite the decentralization efforts of 1982 and 1986, power remains predominantly with the national government. Of the four countries reviewed here, Great Britain is probably the most centrally organized one. There, local governments are strongly dependent upon the national government.

In Belgium, the federal state is divided into three regions: the Flemish, the Walloon, and the Brussels Capital Region. Alongside those three regions, there are three (language) communities: a Dutch-speaking, a French-speaking, and a German-speaking community. The regional jurisdictions lie mainly in the material sphere (such as economic affairs and spatial planning authority). The jurisdictions of the communities, on the other hand, cater mainly to individual needs (education, public health, and culture). The Flemish Region and the Dutch-speaking community have in fact coalesced to form the Flemish community. The Flemish Region and the Walloon Region each have five provinces; the Brussels Capital Region has none. The lowest adminis-
trative level consists of the municipalities. In the course of the federalization process, many tasks and jurisdictions were transferred from the national level to the regional level. With respect to land use and real property development, it was mainly the municipalities that played a decisive role. In the near future, the state will probably undergo further administrative reforms. They may be needed to fix some of the start-up problems, such as the defective coordination and harmonization between the regions.

The administrative structure in Germany is somewhat more complex. In principle, three administrative levels are distinguished. Each one has a high degree of autonomy. These are the federal state (the Bund), the 16 states (Länder), and the cities and municipalities (Städte und Gemeinden). In between the level of the municipalities and the states, there are two other administrative levels. One is the regions (Regierungsbezirke, only found in the larger states). The other comprises the so-called municipal bonds (Kreise). The federal state, the states, and the cities and municipalities all have a constitutionally guaranteed autonomy. The regions do have their own tasks and responsibilities, but officially they fall under the jurisdiction of the states. The municipal cooperative bonds take care of public tasks that go beyond the competence of a (small) municipality. For certain policy areas, they are accountable to the regions or, in the absence of a region, to the states. In regard to land use and real property development, the cities and municipalities are the most important administrative level. The entire system is fairly complex and bureaucratic, but overall it performs well.

In contrast to the other three countries, France is a true unitary state. The regions, départements, and municipalities resort under a central government. There are no hierarchical relations between the regions, départements, and municipalities. Each level has its own jurisdictions. They operate in parallel and are not accountable to the others. The central government does, however, exercise fairly strong control over the policy carried out at the other three levels. Approximately half of the income of the local governments is derived from local taxes. Another sizable portion comes from the central government. In this manner, the national government remains in a position of considerable power, despite the decentralization of jurisdictions that was carried out in the course of the 1980s.

Besides these four administrative levels, the urban (and especially the metropolitan) areas have supra-municipal administrative cooperative arrangements. The are known as communautés urbaines. Finally, four big cities have arrondissements (a mandatory level) with their own mayors. The most important levels are the central government, the municipality, and the communauté urbaine, in those cases where it exists. In France, a mayor has considerably more power than his counterparts in other countries. His power is greater because he can fill multiple positions at the same time. The new government under Jospin might put an end to this situation.

Great Britain is the only one of the four countries that has no constitution. It is also the only one where the relations between levels of government are laid down in laws that are enacted by Parliament.
In Great Britain, the administrative organization differs slightly from one country to the next. England and Wales fall under the same body of law and both have two levels of government: the national and the local. The regional level was abolished in Great Britain in 1985. The central authority does have regional offices, however. In Scotland, there was a strong regional government up till April 1, 1996. Now, regional policy is based on cooperation between the local governments. A great deal of power is still concentrated at the central level. Besides wielding power, the central government also provides 85 percent of the municipal revenues by way of the government contributions.

The legal foundation for the local governments in England and Wales is provided by the Local Government Act of 1972. The last time that Act was thoroughly revised was 1985. Authority at the local level is vested in the county councils and the district councils. The county councils are comparable to the provinces in the Netherlands, the district councils to the municipalities there. As of 1985, the metropolitan areas (city regions) only have one level of administration, the district councils. Any decision-making that had previously taken place at the level of the city region has been taken over by the regional representation of the central government. The Local Government Commission, which is appointed by the central government for England, is currently working out plans for administrative reforms that will have to be in place by April 1, 1998. The reforms are supposed to eliminate the present division at the local level between county councils and district councils. The intention is to allow these two councils to merge into larger institutions at a single level, namely the unitary authorities. The municipal or district council decides on local land use and real property development. The legal basis in Scotland is provided by the Local Government etc. (Scotland) Act of 1994. There, the regions were abolished in 1996. The districts or municipalities were then reapportioned in such a way that there are now fewer districts, each having jurisdiction over both levels.

Table 7.1  
Overview of administrative levels

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7.2 A typology of spatial plans and instruments

The spatial plans and the corresponding spatial instruments differ considerably among the countries studied here. They differ in size and complexity as well as in nature and intent. They have been characterized in many ways. The Belgian system is said to be somewhat fragmented but in the midst of change. The German system is said to be transparent and hierarchical. Whereas the French system is considered complex, the British system is considered to have been scaled down to a bare minimum. In most countries, there is more than one type of plan for the local level. However, the British system is moving in the direction of one plan that integrates both previous types. In various countries, diverse and sometimes contradictory developments are underway. For instance, the public sector in Belgium is trying to get a better grip on spatial development. Historically, the influence of the public sector has not been strong in this regard. There are two compelling reasons to get more control. For one thing, as a consequence of Belgium’s unbridled suburbanization, open space is becoming very scarce indeed. For another, urban issues are becoming increasingly important points on the political agenda. In Germany, on the other hand, the emphasis lies on easing the burden of the (local) governments, which are in financial straits. At the same time, there is an effort to streamline Germany’s bureaucracy. This amounts to introducing deregulation and relegating planning tasks to the private sector. In France, the decentralization process has set off a redistribution of power, which may take some time to sort out. The national government directs its efforts toward economic planning and upgrading in deprived urban areas. Meanwhile, the municipalities tend to undertake projects with good economic prospects. In Great Britain, the central government seeks to introduce changes on several fronts: privatization; competition between municipalities; and cooperation among public, private, and voluntary organizations with respect to spatial planning. Whereas the public sector had once had a strong grip on spatial planning, that influence has since been severely eroded. In all of these countries, it proves that the planning instruments are continually being adapted to make them more effective for cooperation with the private sector.

Until recently, spatial planning in Belgium was grounded in the Urban Development Act of March 29, 1962. That law provided for an extensive and hierarchical system of spatial plans. In practice, the planning efforts got bogged down in the task of formulating plans. The planners had to draw up 48 regional plans — initially under the supervision of the central government, later of the regional authorities — to cover the whole country. Here and there, at the local level, they also had to draw up municipal development plans. In Flanders, legislation from 1962 is still in force, although it is slated to be replaced by a new planning decree. This has already been done in Wallonia (1984 and 1989) and in the Brussels Capital Region (1992). Authorities in Flanders seek to introduce a system of indicative structural planning at the regional, the provincial, and the municipal level. Such structure plans would be supplemented by a system of binding implementation plans and ordinances. In the Brussels Capital Region, it was decided to introduce a system of framework development plans. These would be supplemented by land-use plans at the regional level as well as at the mu-
municipal level. Wallonia is working on a system whereby at the level of the region, a regional district plan, revised regional plans reflecting the old situation, and general ordinances would all be in force. Meanwhile, at the municipal level, there would be room for municipal structure schemes (to be newly worked out), special development plans based on the old situation, and municipal urban development ordinances.

Spatial planning in Germany, including efforts at the local level (Bauleitplanung), has its legal basis in the Baugesetzbuch. Numerous specific planning and development instruments are codified in that legislation. Those instruments were designed to make various tasks more efficient. For instance, they are supposed to facilitate urban renewal, urban revitalization, and public-private cooperation. The Baugesetzbuch is a federal law. In each state, it is supplemented by the Landesplanungsgesetz.

The system of spatial plans is clearly hierarchical. At the federal level, the Bundesraumordnungsgesetz and the Bundesraumordnungsprogramm provide a general outline for the plans. The states fill that outline in with specific content in the form of a Landesentwicklungsprogramm and a Landesentwicklungsplan. The latter is an elaboration and visualization of the former. These State plans, in turn, form the context for plans at the level of the regions, called Regionalpläne or Gebietsentwicklungspläne. They are taking an increasingly important position in the hierarchy. At the local level, two plans function as one. This dual entity — the Flächennutzungsplan and the Bebauungsplan — may be compared with the pair used in the Netherlands, namely the structure plan and the land-use plan. The Bebauungsplan is binding for the citizens and the government alike. The other plans are only binding for the government.

The legal foundation for the French planning system lies predominantly in the Code de l'Urbanisme et de l'Habitation and the Loi d'Orientation Foncière. The former is adapted when new laws, ordinances, and administrative measures are enacted. The Loi d'Orientation Foncière provides the formal framework for diverse types of plan. It also circumscribes the jurisdictions for each administrative level with respect to spatial planning. Furthermore, it contains the regulations on the relations between those levels.

The most important planning instruments are the Schéma Directeur (SD), the Plan d'Occupation des Sols (POS), and the Zone d'Aménagement Concerté (ZAC). The SD is drawn up at the supra-municipal level and resembles a structure plan; since the decentralization, it is no longer mandatory. The POS provides the municipality with the framework it needs in order to have directly operational instruments at its disposal. These include the right to expropriate land and to issue building permits. A ZAC is required for the development of any given urban area. The ZAC is a further elaboration of a POS, which is a generally binding land-use plan.

In France, the contract planning system has been used to an increasing degree since the decentralization process was carried out. Under that system, a multi-year contract is drawn up whereby the national government and lower tiers of government set their policy objectives and make financial commitments. In doing so, they provide a basis for certainty, which other actors need in order to make decisions.
In Great Britain, different laws apply to England and Wales than to Scotland. The two types of legislation do not differ radically, however. The spatial laws are based on the two versions of the Town and Country Planning Act. In addition, England and Wales are subject to the Local Government Planning and Land Act of 1980 as well as to the Planning and Compensation Act of 1990. Scotland is subject to the Local Government etc. (Scotland) Act of 1994.

The central government formulates its spatial policy in planning policy memoranda. At the local level, there are three kinds of spatial plan. The counties have structure plans; the districts have local plans; and the unitary governments have unitary development plans. The last of these three types embraces the first two in a single document. These plans are not binding for the citizens. The population is legally bound to comply with the building permit, which is issued on the basis of the local plan.

7.3 Spatial policy

The four countries show strong similarities in their spatial policy, reflecting the fact that their problems are for the most part the same. They also show notable differences, which are due to their specific spatial-economic structures and their divergent political ideals. For instance, each of the four countries has big cities with the ubiquitous problems of urban decay, unsafe areas, and congestion. They all experience the same tension between the need for urban expansion and suburbanization, on the one hand, and the desire to preserve nature and open space, on the other. Furthermore, all four countries are struggling to hold their own in the same European and global economy. At the same time, however, the problems facing the Ruhr Area in Germany, for example, are completely different than those confronting the Brussels Capital Region, for instance. The problems in the Ruhr Area are due to its monofunctional industrial background. The Brussels Capital Region, in contrast, has to cope with an excessive demand for office space by the European institutions that are located there. Moreover, German spatial policy is directed toward leveling out existing regional socioeconomic differences. This objective is much stronger in Germany than in French or British policy. It emanates from the egalitarian ideals that form the points of departure for Germany politics. British policy is moving in the opposite direction, seeking to promote competition between cities.

One general (policy) trend among these countries comes to the fore. In each case, the public and the private sector are joining forces to achieve the aims of spatial policy. It could be that Great Britain and France have made the most progress in this respect. If so, then Germany is not far behind. The idea that cooperation pays off is also coming across in Belgium.

Spatial policy in Belgium is primarily a task of the regional governments. The federal government has relinquished all responsibility for spatial policy. The lower tiers of government are supposed to fall into step with the policy formulated at a higher level, both in word — that is, the way they articulate their (policy) plans — and in deed. In Flanders, the Draft Spatial Structure Plan (1996) makes a point of countering further
urbanization and fragmentation of the landscape by supporting the policy of bundled dispersal. Urban problems are to be tackled mainly by improving the residential environment and by combating vacancy and decay of the building stock.

In the Brussels Capital Region, priority is given to efforts to buttress the residential function in the city. This is seen as the best way to deter the more affluent population from leaving the city to take up residence in the surrounding municipalities. Much attention is also given to the promotion of employment. The government clearly wants to exert more influence with respect to the location of economic activity. The authorities want the private sector to make a bigger contribution to the provision of public and social facilities — and they are willing to use force, if necessary, to get those extra revenues.

In Wallonia, the processes are similar to those at play in Flanders and Brussels, albeit at a somewhat smaller scale. One difference is that Wallonia — more than the other regions — has to direct its energy towards urban centers that lie outside its own territory. Another difference is that Wallonia is burdened with its legacy of obsolescent industrial plant.

German spatial policy has traditionally been directed at reducing the socioeconomic differences between regions. In the past, the gap was perceived to lie between Northern and Southern Germany. Since the reunification of the country, attention has shifted to bridging the gap between the former West and East Germany. In addition, the relatively poor performance of the economy over the past several years has prompted the government to design a new spearhead policy. That new policy thrust is aimed at the overall reinforcement of the competitive position of Germany on both the European and the global stage. At the regional and the local level, the goal is for the most part the same: to strengthen the competitive position. The difference is that at the local level, competition does not come from abroad. The competitor is more likely to be a neighboring municipality or region. The state of Northrhine-Westphalia is a case in point — and a focal point in the present study. There, partly because of the background described in the case study, the authorities are geared to the processes of restructuring and finding new uses for the many obsolete and unutilized industrial sites that had once been steel mills and mines. In that effort, as well as in the effort to develop sites within the cities, the government is increasingly forced to collaborate with the private sector because the public sector is strapped for funds.

Spatial policy in postwar France was directed largely toward reconstruction, though not exclusively. It was also geared to promoting growth in the regions in order to temper the strong dominance and vigorous growth of Paris. To that end, certain places were designated as métropoles d’equilibre. Nonetheless, Paris remains far and away the biggest urban region, with Lyon as a distant second.

The decentralization process that was started in the 1980s had a strong influence on local initiative. The central government was still in charge of housing construction in the social sector and retained responsibility for the urban areas that were lagging in a socioeconomic sense. Furthermore, the central government plays a role — through DATAR — in studies on the competitive position of French cities and regions with re-
spect to other European areas. By making a division of labor in the policy responsibilities, certain areas are distinguishable by the way policy has been carried out there. On the one side are the weaker urban areas, which are often located in peripheral areas. On the other side lies the rest of the city. The resulting picture is one of areas that are socioeconomically stronger than the others. It is almost impossible to induce the private sector to take part in the restructuring of these weaker areas. Nonetheless, it is not too hard for the municipalities and communautés urbaines to set up a Société d’Économie Mixte with private parties for an economically interesting area. This legally circumscribed form of cooperation between public and private parties has a major impact on local spatial policy.

The separation of policy implementation, whereby the national government performs a different task than the municipal governments, has been compensated to some extent by making the joint policy objectives explicit in the Contrats de Ville.

In Great Britain, urban policy underwent radical change in the early 1980s. When the Conservative government took office under Prime Minister Thatcher, public expenditure was reduced sharply. The private sector had to become more involved in carrying out spatial policy. The key concepts of the time were competition and privatization. The lower tiers of government had their budgets severely reduced. While signs of decentralization were evident in other countries, Britain’s central government became even more powerful than before. In Scotland, a strong regional authority had still been in place until April 1996. After that level had been abolished, the influence of the central government (in the form of the Scottish Office) became greater there as well. Initially, the central government could determine on its own accord which instruments should be applied. The central government was of the opinion that the local level was neither effective nor efficient. Accordingly, that level was completely ignored when it came to decisions on instruments. In the course of time, some lessons had been learned. The experience of not engaging the local government and the local populace in the spatial policy process led to a new appreciation of the local level. Now, the initiative for proposals has to come from the bottom up, and cooperation with other parties now enjoys top priority.

7.4 Land policy

Land policy is considered to be an important element in spatial planning and housing provision. Its importance was particularly evident in the sixties and seventies. At that time, many countries were building social housing in large urban extension areas. Some countries developed instruments that were supposed to make it easier for a government to have building sites at its disposal. In the 1980s, attention shifted from the public sector to the private sector. This corresponded with a change in perspective on land policy.

Much of the land in Belgium is in private ownership. Actually, the public sector has never actively pursued a land policy. Parallel to the need for a tighter grip on spatial
development, the government feels a greater need for an active land policy. To do so, it needs to adapt the policy instruments. Besides calling for better application of the existing instruments (jurisdiction over land use, right to expropriate land, capital to acquire land for social purposes), the authorities have suggested developing supplementary fiscal and/or subsidy instruments. They have also brought up the possibility of a right of first refusal for the government with respect to acquisition of land.

The German government plays a more active role on the land market. By far most land is in private ownership. Nonetheless, the government is involved in the land market, usually operating through Grundstück funds or a Grundstücksentwicklungs­­gesellschaft established especially for that purpose. The government is interested in buying up land that it can prepare for development and then sell off. One significant trend that has emerged in the past several years is that the local governments are getting rid of their land at a rapid pace. They are divesting themselves of these holding because of their precarious financial position. Under certain conditions, the law makes it possible to force parties to allocate any profits that have been made from developing property to projects for the common good. The money may be used to put in access roads or for other infrastructural purposes.

France has created a number of powerful instruments for the acquisition of land and for financing such transactions. These instruments have been in place since the development of the villes nouvelles. To assist in the development of these new towns, special public organizations were set up. These new bodies conducted an active land policy. French municipalities have never shown an interest in an active land policy whereby large tracts of land would be purchased long in advance of any development. There was never any need for such a policy, in view of existing jurisdictions. They already had the right of first refusal and the opportunity to expropriate land. Lower tiers of government had instruments at their disposal whereby they could impose financial constraints on the development of land in order to be able to finance public facilities (elsewhere). Two examples are the Taxe Locale d'Equipement and the Programme d'Aménagement d'Ensemble. There is also a legal instrument for the re­apportionment of urban land. This allows owners of real property to carry out a project jointly. Long leases on land in urban areas are extremely rare. Lyon is exceptional in this respect.

In Great Britain, the land policy that had been in place was virtually terminated when the Conservatives came to power. Local governments had previously pursued an active land policy in order to carry out social house-building programs themselves. A number of municipalities still own land that had been expropriated back in the fifties and sixties.

Now, land is seen as a commodity to be traded on the open market. The government is not supposed to intervene in such transactions. Long leases are not offered on land in urban areas, at least not anymore.
7.5 The development and financing of public real property

Public real property in an urban setting is developed and financed in similar but also in different ways in each of the four countries studied here. The main points for comparison are the extent to which public and private parties cooperate and how the financing is used.

The differences are caused by many things, including the diverse planning tools and organizational schemes that are found in these countries. The differences also reflect the range of policy priorities that have been set, the specific financial situations in which the individual countries find themselves, and the particular relationship between the public and the private sectors that has evolved in the course of time. For instance, the Belgian situation has been characterized as taking a weakly structured and ad hoc approach to projects. Belgium shows a less flexible relationship between public and private parties. Any development there is subject to a near monopoly by a single public bank, whereby virtually all financing is arranged by the Gemeentekrediet.

In Germany, on the other hand, the situation is just the opposite. The legal and institutional framework there is used more explicitly. Mainly because of the poor financial position of the public sector, both public and private parties have little choice but to work together. In light of these situations, the finance market in Germany has been more or less compelled to open up to competition over the past few years.

France has the longest and most advanced tradition of public-private cooperation in the form of the SEMs. France even has special legislation to regulate this cooperative arrangement.

In Great Britain, the Urban Development Corporation was cast in the role of a public-private cooperative arrangement. In truth, it was mainly an organ of central government that was placed outside the reach of the checks and balances of a democratic system. That independent body was responsible for the redevelopment of particular areas. Private parties did not work together. Their interests lay in the opportunity to collect subsidies on their unprofitable costs and to get financing for intervention in the immediate surroundings of their projects. Only later, when the City Challenge initiatives took place, was there any real cooperation between the various parties.

In all four countries, people are aware that the government budgets are not adequate to cover the investment tasks, nor will they be in the future. It is also widely believed that the solution lies in an intensification of public-private cooperation. In this regard, the governments are going in search of cost-effective and time-saving ways to develop and finance projects. Concretely, this means that more planning and development activities for public projects will be contracted out. It also means that parties are increasingly trying out modern forms of financing. There is growing demand for a comprehensive package of services (for instance, a developer who can relieve the government of the burden of planning, organization, development, and financing). More and more public parties are responding by expanding their package of services and/or by setting up mutual cooperation arrangements. In the entire process, people are looking to other countries for inspiration. This should not come as a surprise, in the advent of
a single European market and in view of the European guidelines for putting public works out to tender.

In Belgium, the main players on the market for public real property are the municipalities. Somewhat lesser roles are reserved for intercommunal agencies, the public centers for social welfare (OCMWs), and the regional governments. The above actors are involved in the market as principals. The institutional bank, the Gemeentekrediet, is involved as financier, especially for the lower tiers of government. The sponsors are involved in development and project management for large projects. The commercial banks play a part as possible financiers, especially for the larger projects. The regional development corporations (GOMs) should also be mentioned as actors with a role at the regional level. There, they try to stimulate economic activity. In that capacity, they resemble the Wirtschaftsförderungsgesellschaften in Germany and the Development Agencies (Scottish Enterprise, Welsh Development Agency, and English Partnerships) in Great Britain. France, in contrast, does not have any such institution. Private parties in Belgium can take part in the intercommunal agencies and the GOMs. In that sense, those organizations may be seen as institutionalized public-private cooperative arrangements. They are mainly engaged in the development of business complexes. Other (project-oriented) public-private collaborative initiatives are usually started on an ad hoc basis and are tailored to a specific project. Only later are they sometimes shaped to fit a particular framework. Some other initiatives have a more compelling nature. These include the efforts on the part of governments to let the private sector pay part of the cost of public and social amenities. This may be done by imposing fiscal sanctions or by issuing a building permit with certain strings attached. In light of the irritation and suspicion existing between the public and the private parties, it is unreasonable to believe that cooperation among them would be smooth. Nonetheless, it is becoming imperative for them to put their differences aside.

With respect to the financing of public real property in urban areas, a distinction may be made between relatively small-scale projects and those conceived on a large scale. The smaller ones are mainly financed from the investment budget of the government that is involved in the project. The Gemeentekrediet is usually engaged (in more than 95 percent of the cases) as the lender, providing that government body with the necessary capital. On the other hand, the larger projects make use of financing that is tailored to the needs of the specific situation. They often use modern methods of project financing. Commercial banks also play a significant role. The key concepts in projects at either scale are a comprehensive package of services and maintaining good relations with the right people — particularly with the politicians who have decision-making authority, now and in the future.

The German approach to the development and financing of public real property in an urban setting differs substantially from the Belgian approach in some respects. Both public and private parties in Germany appear to be convinced that they can benefit from a flexible collaboration. The financially strapped government shifts costs and responsibilities for public services onto the shoulders of the private sector. The public sector lightens its burden by contracting out planning and organizational activities to
that same private sector. Meanwhile, the government can benefit from the expertise and the efficiency of the private sector. The advantage to the private parties is that they save time and get more opportunities to make their mark on the plan in the formulation phase. This takes place within a clearly defined legal framework and according to a certain procedure. It does not occur on an ad hoc basis, as in Belgium. Many players are active on the public real property market. From the ranks of the public and semi-public organizations, the municipalities and the cities act as principals and ultimately as permitting agencies. The Landesentwicklungsgesellschaften are involved as all-round development corporations with a public background. They perform services in diverse areas, including the construction and management of housing, the acquisition and development of land, and bringing business complexes to market. The Wirtschaftsförderungsgesellschaften are actively engaged in the promotion of the local economy and employment. The institutional banks (Sparkassen and Landesbanken) provide support for their 'natural partners' (the government authorities) in carrying out the public (investment) tasks. They certainly do not have a monopoly on providing such support.

The private sector is represented by diverse parties. First of all, the sector consists of private investors. Attracted by the incentives offered by the government, they frequently take part in real property projects. Some of these projects are public in character. In addition, the private sector consists of architects and independent city planning bureaus. Partly because of the widespread practice of calling for submissions to design competitions and awarding the contract to the winning proposal, these parties have come to play a pivotal role. For instance, they are increasingly requested to incorporate a proposal for financing when submitting a design for a project. Finally, the private sector includes commercial banks. They bring in a wide range of expertise, they can provide an extensive range of services, and they have a reputation for working efficiently. For these reasons, the commercial banks have become formidable competitors of the institutional banks.

Just as in Belgium, a broad range of expertise and the provision of a complete package of services are the keys to success on the public real property market in Germany too. Contacts among parties — for instance, between an architectural firm and an investor or bank — are also important. But the political culture does not appear to be such that frequent visitors from city hall will automatically yield a full order portfolio.

In France, cooperation between public and private parties in the development of relatively complex real property projects has been institutionalized in the form of the Société d'Economie Mixte. For various reasons, this organizational format is well suited to project development and project financing. The SEM takes over a number of responsibilities (such as the expropriation of land) from the local authority in question. In this way, and because it can circumvent democratic procedures, the SEM can move ahead with the project more quickly than the government could have done. The parties who are most directly involved in the project are drawn into the SEM as shareholders. The reason to include them is to be able to reach consensus within this framework. The lower tiers of French government have been less affected by austerity measures than the lower levels of government in Great Britain and Germany. Since the begin-
ning of the 1980s, the local governments in France have actually been given greater jurisdiction (and bigger budgets) as a result of the decentralization process. At the same time, the SEM format has also been applied more frequently when developing projects. The reason to use that construction is to be able to pass on part of the direct responsibility for the development and financing of a project. Another important player is the central government. Lower tiers of government are largely dependent for their revenues upon the redistribution of central budgets. This is certainly true with respect to social housing programs and projects in deprived urban areas.

The institutional banks are important players on the French public real property market. For instance, the group Caisse des Dépôts, instated by the government in 1816, has always played a special role in public-sector financing. Since the founding of the Crédit local de France, however, the Caisse des Dépôts has no longer been involved in the direct financing of municipalities. These institutional banks have an advantage over other banks because of their specific insight in the public sector, the attractive interest rates, and the technical support. The crux of the matter is that the public sector is free in its choice of a lender. It can even get credit from banks outside France. Other (commercial) banks that are specialized in the financing of public real property are Indo-Suez, Crédit Lyonnais, Paribas, Banque Nationale de Paris, and Société Générale. The present slump in the property market has forced some of these banks to exercise extreme caution in their lending decisions.

Naturally, there are also some large developers that are listed on the stock exchange. One is the Bouygues group; another is the Compagnie Générale des Eaux. Such companies are often involved in mixed projects that have both public and private elements. These participants are able to bring in their own financing.

Great Britain is unusual, in comparison to the other three countries studied here. It is exceptional in the sense that the central government is dominant, despite the fact that its policy is geared to privatization and contracting out responsibilities. The local governments do have to take the initiative together with non-governmental parties and have to submit proposals for project financing. Ultimately, however, it is up to the central government to determine whether or not a proposal should be accepted. Plans to redevelop an area — like those formulated under the auspices of the Urban Development Corporations — were often presented to project developers in clearly defined segments. When implementing those projects, those developers sometimes worked independently and sometimes in collaboration with public parties.

The central government launched a Private Finance Initiative. That program covers projects that are typical of the public sector, including hospitals, prisons, and other such facilities. Under this program, private parties have to develop and operate these facilities on the basis of sale and lease back. It is too early to say if this program will have the desired effect. Supposedly, it will lead to a more efficient use of funds than would be likely if the projects had been carried out by government parties.

The creation of quangos might also be considered as a way for the government to contract out public tasks. These organizations are funded by the central government. However, they are not accountable to Parliament. The emphasis is clearly on economic development. Nonetheless, the most important quangos in each of the countries
comprising Great Britain interpret this task primarily as a need to improve physical aspects of the built environment. Once these improvements have been made, the renewed surroundings attract private parties, who then invest in these areas.

British banks have only an indirect influence on the development of public real property. Their role is that of lender to the project developers. There are no British institutional banks. The government does have a non-ministerial exchequer department, the Public Works Loan Board. After approval has been granted by the departments involved in a project, the Board can decide to lend to local governments on attractive terms. Strangely enough, Great Britain does not have any commercial banks specialized in public real property.

Finally, Great Britain has private funds such as the lottery and Building Preservation Trusts. These funds often contribute to the financing of public projects, though they are not usually able to finance them in full. In addition, there are numerous funds that the European Commission makes available. They can be used to support areas within the European Union that are weak in a socioeconomic sense. Those funds also make a contribution to the financing of urban projects. However, sources such as these often require the national government to provide matching funds.

7.6 Final remarks

The picture sketched in this report is one of similarities and differences. Each country, and sometimes each part of a country, has its own specific context. And that context will affect how and by whom public real property in an urban setting is developed and/or financed. The picture is not static, however. It is continually adapting to the changing economic conditions and political preferences. Particularly influential are the developments taking place in the framework of European unification. The criteria for entry to the European Monetary Union, the waning importance of Europe's internal borders, the liberalization and the globalization of the economy — these are all factors to be reckoned with. They exert a greater or lesser influence on the financial scope of the (local) governments. At the same time, they also affect the degree of competition and cooperation on the real property and the financing markets. If we know anything for sure, it is that the development and financing of public real property will be subject to change in the future. It is possible that further research will point the way to a theoretical framework that would allow us to capture those developments.
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APPENDIX 1
PERSONS INTERVIEWED

Belgium
- Prof. Louis Albrechts, Professor of Spatial Planning and Urban Development, Katholieke Universiteit Leuven
- Anneleen Erauw, Office of Strategic Planning Studies and Prognoses, Gemeentekrediet Brussels
- Carl Maes and John van Paassen, Investment Division and Research Division, Jones Lang Wootton, Brussels
- Marc Vankeirsbilck, Senior Manager Financial Engineering & Project Financing Department, BACOB Bank, Brussels
- Prof. Dirk Meulemans and Ms. Blocks, Postgraduate Center West Flanders, Department of Real Property Studies, Kortrijk
- Phillippe Janssens, Director STADIM, Studies & Advies Immobileën, Antwerp
- Kurt Reviers, Editor, Vastgoed Niewsbrief, Expertise, Leuven

Germany
- Frank Hartmann, Personal Assistant to the City Manager, City of Düsseldorf
- Hans-Jürgen Best, Head of Planning Division, City of Oberhausen
- Berthold Leise and Thomas Ellerkamp, Essener Wirtschaftsförderungsgesellschaft mbH, Essen
- Dr. Rolf Heyer, Geschäftsbereichleiter, LEG Landesentwicklungsgesellschaft Nordrhein-Westfalen GmbH, Düsseldorf
- Prof. Michael Wegener and Prof. Benjamin Davy, Universität Dortmund, Faculty of Spatial Planning
- Mr. Oktay, Architect, Architekten RKW, Düsseldorf
- Dr. Thomas Braun, Director, Stadt-Sparkasse, Düsseldorf
- Tamara Birke, Kommunale Projektfinanzierungen, Deutsche Pfandbrief- und Hypothekenbank AG (DePfa-Bank), Weisbaden
- Dr. Ulrich Pähler, Bank Director, Head of Project Financing, Landesbank Hessen-Thüringen Girozentrale (Helaba), Frankfurt
- Josephine Leber and Jochen Walter, Division of Sparkassen/Öffentliche Kunden, Westdeutsche Landesbank Girozentrale, Münster
France
- Loïc le Moan, Instructor at the Postgraduate Center West-Flanders (Kortrijk, Belgium) and Director of S.A. d’HLM Orly Parc (Chargé de l’Administration Générale), Paris
- Monique Pelicier and Emmanuelle Vauléon, Crédit local de France, Respectively Director and Manager Secteur Aménagement, Direction du Logement et de l’Aménagement, Paris
- Prof. Marc Bonneville, Director of the Institut d’Urbanisme de Lyon, Université de Lyon II, Lyon *
- Prof. Charles Gachelin, Director of ENVAR, Université des Sciences et Technologies de Lille, Lille 1 *
- Jean-Pierre Noel, Caisse des Dépôts et Consignations, Directeur Régional Nord-Pas-de-Calais, Lille *
- Jean-Michel Roux, Société Centrale d’Equipement du Territoire (SCET), Project director of the Direction du Développement Commercial et de l’Exploitation, Paris *
- Pierre-Yves Tesse, Directeur de l’Animation Economique et de l’Aménagement, Chambre de Commerce et d’Industrie Lyon *

Great Britain
- John Henneberry, Department of Town and Regional Planning, University of Sheffield
- Neil Thompson, Public Works Loan Board, London
- Martin Davidson and Laura Johnstone, Glasgow Development Agency, Respectively Director and Senior Manager of the Property and Environment Division, Glasgow *
- Jim Gill, English Partnerships, Regional Director North West, Liverpool *
- Prof. Alan Harding, Director of the European Institute for Urban Affairs, Liverpool, John Moores University, Liverpool *
- Prof. Keith Hayton, Director of Centre for Planning, University of Strathclyde, Glasgow *
- Tom Laurie, Partner and Chartered Surveyor at Keillor Laurie Martin Partners, Glasgow *

* Interview conducted as part of the research for the thesis of Marjolein Spaans
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