SPILLOVER EFFECTS OF FLAGSHIPS
Towards a better understanding of the external effects of flagship buildings on the direct urban environment

- Research proposal (P2) -

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INTRODUCTION

Vision

The world after the Global Financial Crisis (GFC) of 2008, in which there is a need to look twice at every penny, is a new reality. This new reality means that there is a justification needed for every investment made, which is especially true for the built environment for multiple reasons. The building sector has been one of the sectors most deeply hit by the GFC. Furthermore, as a result of the crisis, many municipalities have grown major budget deficits because of declining land values after having bought enormous amounts of land in the past decades. Finally, developers and investors have been hit hard by the crisis, only to be recovering recently.

All the more remarkable it is that the developments of prominent flagship buildings such as the recently opened Markthal in Rotterdam or the new railway station of Delft have been justified poorly. To elaborate on this, there seems to be no justification at all, the justification is poorly underpinned or the justification is not evaluated upon afterwards. The new reality asks for a better understanding of the external effects and contributions of flagship buildings on their direct urban environment, hereby showing what the return of investment is for the public, the developer and the investor. Flagship buildings, because of their striking nature, are expected to have spillover effects. Not taking these into account effectively means neglecting the fact that these buildings are to be seen in their context. Flagships are not in a vacuum.

This research tries to contribute to a well-informed debate regarding the spillover effects of flagships in urban areas by not only adding to the existing body of knowledge, but also by extending it and by bringing it to a higher level by means of a decision-making model.

Motivation

The topic of flagships and spillover effects stems from a wider interest in economics, politics and current events in addition to my obvious interest in the built environment.

Current events

Living in Delft it is hard to miss the enormous change the city is going through due to the redevelopment of the entire station and railway area, and it is just as hard to understand the justification for this gigantic project. Other cities with comparable railway projects are Rotterdam, Utrecht, Amsterdam and in fact almost every other city in the Netherlands. Projects like the Markthal in Rotterdam, the Guggenheim museum in Bilbao or the Oslo Opera House have different functions, but what they have in common with all other flagship projects is that they need to be justified before being built.

Two of the most famous best practices abroad are the Guggenheim museum in Bilbao, Spain and the redevelopment of the waterfront in Barcelona, also Spain. Having lived in Barcelona for half a year I could say with full conviction that the waterfront project has been successful, since the boulevard and beach are magnificent. The question is whether stakeholders take into consideration all aspects that make a project a success, including the possibility of spillovers.

The abovementioned examples show that the topic is not limited to one particular place, object, function, time or whatsoever. Flagship projects will continue to be developed around the world, which is what makes this topic so relevant.

Urban management & politics

Urban management and urban political decision-making influence people’s everyday lives, businesses and the built environment. I find this field of work very intriguing and closely follow political developments in the Netherlands, the EU and the world.
The link between scientific research and urban management & politics is significant. Political decision-making and science can be seen as two opposite worlds. The political world of management and decision-making often acts without objective data to come to conclusions; science cannot do without. Even though this research makes a contribution to the scientific world of urban development, it does not necessarily lead to a change in political decision-making. I will do my best in this research to keep this in mind, and to devote a part of the research to the creating of a decision-making model for the actual practice. Only then my research has a chance of making a real contribution to the everyday world.

Economics
I have had an interest in economics for a long time, but by studying architecture for my BSc I implicitly and unknowingly decided to put the topic on hold. Choosing Real Estate & Housing for my MSc was the first step in bringing back economics in my studies and during my semester in Melbourne, Australia I finally found out that economics is what really inspires me. For that reason I have chosen to incorporate an economic aspect into my graduation research. Specifically, my semester abroad made me finally realize I wanted to research an urban economics topic.

Study targets
There are several goals that I would like to accomplish by means of this research, apart from finding out spillover effects of flagships and hopefully contribute positively to the world of research and beyond. First of all, I am very keen to experience the world of scientific research. I hope to discover whether scientific research is my cup of tea. Moreover, I hope to challenge myself to be creative in all phases of this research. This way, I will get the best possible result. Third, I think there are several skills involved in being a good researcher: having a constant critical view, establishing logical connections and being perseverant. Those skills are applicable to my life after graduation as well. Second, as mentioned before, economics have not yet played a big role in my education. I am convinced that I will learn a lot by adding an economic touch to my graduation research, which will help me in my future too.
RESEARCH PROPOSAL

Kind of research project
The research entails both quantitative and qualitative aspects in an exploration of the spillover effects of flagships on the surrounding urban area, with the objective of developing a decision-making model which allows for municipalities, developers and investors to make better informed decisions about the realization of flagships and for consultants to give better informed advise.

The research starts with a clarification of the concepts and definitions used in this research. Next, a literature study of cases is being conducted in order to find the justifications used for flagships that have already been completed. The justifications that can be classified as being external and economic will then be transformed into indicators, on which flagships can be assessed. These indicators are possible spillovers of flagships on the urban environment. The idea is that these economic indicators of external effects contribute to the decision making process of going through with a flagship project or not.

Furthermore, a sample of flagship projects will be examined on these indicators of spillover effects, which will be partly quantitative, partly qualitative. This is the main research. Hereafter, an explanation will be sought for the results found by delving into the results with qualitative research. This way the underlying causes for the spillover effects will be made visible. Lastly, the effects will be categorized and translated into a decision-making model.

Reasons for the research¹

Current flagship projects

As the newspaper headlines show, there is often debate and criticism revolving around flagship projects. This debate shows that there is only little consideration for the external aspects of these flagship buildings. The major concern is the direct costs of the development, while this is a one-sided view. A few examples:

- **Spoorzone Delft** entails the redevelopment of the railway area in Delft, which includes a railway tunnel and underground station, parking facilities, a new town hall, housing, offices and an urban park. The claimed benefits of the redevelopment are liveability, attractive suburbs, lifting barriers, a public transport hub, space for new construction, space for four railway tracks and nature and water (Spoorzone Delft, 2014). But because of the project, the municipality has to fire civil servants and has to raise housing costs in order to compensate for the budget deficit of 4 million per year until 2018 (Dirks, 2014).

¹ in Dutch: aanleiding
- Rotterdam presents itself as having the skyline of the Netherlands, with prominent landmarks such as De Rotterdam, Central Station, the Markthal and the Erasmus Bridge. According to the municipality, this makes Rotterdam a city able to grow and to be innovative (Gemeente Rotterdam, 2014). The Markthal is a way to fulfill the needs of the modern consumer (Gemeente Rotterdam, 2008). But not everybody is happy with the new Markthal. The municipality has invested 72 million euros in the project with different aims: to increase the supply of housing and to increase employment. However, claims on the increase of employment are contradictory (Keuning, 2014).
- In November 2013, De Rotterdam was officially completed. The iconic building, the biggest in the Netherlands, is told to be a vertical city. The municipality of Rotterdam is one of the biggest tenants, with approximately 40,000 square meters. There has been discussion about the costs of the building for the municipality, and the fact that civil servants were moved from other parts of the city to De Rotterdam, thus increasing vacancy. (Van den Dool, 2013)
- In 2011 the Metropol Parasol was built in Seville, Spain. It is a controversial large structure in the centre of the city, supposedly the largest wooden structure in the world. In 2004 the municipality held an international competition with the aim of renovating the square and connecting the adjacent neighbourhoods. Due to the project, the city council has now got major debts, but more than a million people visited the project in the first year. (Bordas)

The GFC and its new reality

Urban development has come to a standstill due to the global financial crisis (GFC). There is a search for new business models and development strategies. The effect of the GFC on the built environment has shown the importance of clarity in the effects of these iconic buildings. Parties that are concerned with the development of flagship buildings have experienced major financial problems, among others due to a collapsing demand and due to failed land policies. This calls for a closer and different look at the returns of flagship buildings.

Decision-making models

There are several ways to assess whether investments in a project should be made: the grondexploitatie model, hedonic price studies, MKBA-analysis. However, the issue is that all these models are narrow and do not cover the broad spectrum that urban development projects entail (W.J. Verheul, 2013). Therefore, an integrative model needs to be developed.

Relevance

The relevance of this research is as follows: In the new reality in which the Global Financial Crisis (GFC) and all that followed has put urban development, accountability must be taken by all stakeholders for allocating budget to big projects. This research provides a helping hand to decision-makers by demonstrating actual spillover effects of flagships, on which decisions to invest in a flagship project can be based.

Scientific relevance

There has been a lot of research on flagship projects and on external effects, but mostly this has been research on certain aspects of this broad topic. Therefore, the picture is not complete when trying to make well-informed decisions. The currently used models do not cover all aspects of flagship spillovers and of the notion of value for the urban environment.

Societal relevance

There has not yet been a scientifically-based helping hand for decision makers for deciding on investing in flagships, based on the spillover effects that these flagships produce. Therefore, this research is relevant to all stakeholders involved in this decision making process, including private investors and municipalities.
Problem analysis & main problem

The problem is that due to the GFC, there is a recent need for a closer look at how the development of flagship buildings can be justified by the involved parties, by means of focusing on the spillover effects that flagship buildings have on their direct urban environment.

Final results

The end result is twofold: Firstly, the research provides more insights into the external effects that flagships generate. Secondly, the aim is to translate these insights into a (first step to a) decision-making model for all stakeholders involved to help them making rational decisions about the development of flagships.

Research questions

Main research question

What is the spillover effect of flagships on the economic value of the direct urban environment and how can this be translated into a decision-making model for stakeholders?

Subquestions

1. What is the definition of flagships, value and spillover effect for this research?

Defining the key concepts is crucial to be able to funnel the research. In the chapter that deals with the definitions, it is explained that flagships are limited to one building, that value is economic value in this research and that spillover effects might also be social or cultural, but that they are only considered in this research if they are reflected in the economic value.

2. What are the justifications for deciding upon developing flagships?

The justifications are needed as a first input for the spillover effects of flagships. There are several justifications to be made and the scoping of these justifications is dependent on two factors. Firstly, the effects of the justifications are economically reflected. Secondly, the exact justifications to be looked at in this research will be dependent on the specialization of a graduation company.

3. How can these justifications be translated into indicators of external value?

The justifications need to be translated into indicators of external value since they need to be researchable, which in this case means measurable.

4. How do these indicators reflect actual spillover effects on flagships?

This is the main part of this research and will be an empirical study on flagship buildings.

5. How can the effects be explained?

The explanation of the effects will be a translation of economic effects to the underlying possible social, cultural (etc.) effects. This part is a qualitative study.
How can they be categorized and how can this categorization be translated into a usable decision-making model?

A decision-making model is a translation of the research to actual practice.

The research as proposed is illustrated in the image below.

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**Research methods**

Depending on the research question, different research methods will be used:

1. Literature study: definitions are crucial to limit the research and to divide it into manageable fragments. This is partly based on literature, partly based on own decisions;
2. Literature study: the explorative question is a starting point for the research. Flagship projects are widely covered in the news and have often been discussed extensively. The justifications can therefore be found in existing literature;
3. Literature study, design: based on best practice research examples and own design, indicators need to be developed that can actually be used in my research;
4. Comparative case study research: depending on the indicators that have been found, qualitative and/or quantitative research will be done to find out the spillovers. This is the main part of the research. The ratio qualitative/quantitative is yet unknown;

5. Semi-structured interviews, literature study: it is expected that the data found in the previous question requires further research in a qualitative way to find explanations;

6. Literature study, design: creating and designing a usable model requires a literature research into the effectiveness of decision-making models.

The image below shows roughly how this design of the final decision-making model looks like.

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Demarcation of the topic

There are several aspects that play a part in the development of flagships. Main aspects are costs and profits, and project management of the actual development. However, that is not the focal point of this research. The main interest is what the spillover effects are of these flagships once they are built. The aspect of urban management and urban politics has to do with the question of what justifications are used at the moment, how they are currently used and how this research can improve on this by means of a decision-making model. The topic of urban management and politics is extremely broad, and since only a minor part of it has to do with the topic of this research, it is therefore included only partly into the scope.

Research organisation

Scientific domains

- Urban development management: flagships and their external influence on their direct urban environment are part of the domain of urban area development and urban management;
- Urban economics: since a crucial part in the development of flagships involves financing and economics, the domain of urban economics plays an important role in this research;
- Urban political decision-making: the importance of politics becomes clear when the scientific research on the spillovers of flagships is translated into a decision model for stakeholders;
- Entrepreneurship: this domain is not necessary for the research, but can be implemented by developing the decision model in such a way that an entrepreneur can exploit it.

Mentors

- Wouter Jan Verheul  (icons/flagships/qualitative research)
- Philip Koppels  (economic value/flagships/quantitative research)
- Joris Hoekstra  (external examiner)
Planning

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This planning shows the graduation process from start to end. Key aspects are:
- A graduation company may be of influence in how to approach the exact empirical research;
- Time needs to be allocated for finalizing the assignment on hedonic modelling for the mandatory course of Quantitative Research Methods;
- Before finalizing the empirical research, interviews need to be planned to find an explanation behind the preliminary research results;
- A draft decision making model needs to be designed as soon as possible, before finalizing the main empirical research and the interviews, in order to properly evaluate the model.

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<td>In the search for a graduation company, the interest of the company for the topic and main themes is most crucial. The main themes of this graduation are urban development, flagships, economic and non-economic value, scientific research, and decision model. Another important aspect is that an internship at a company acts as an orientation for the professional field that will open up to me in half a year. Due to my broad interest, the companies that I have contacted are all consulting firms with a link to real estate: Fakton, Brink Management &amp; Advies, Savills and Deloitte. I have included an example (in Dutch) of my motivation for these companies and an example of how I think my research fits into their field of work.</td>
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Beste heer Kuijpers,

Naar aanleiding van mijn afstuderen bij de master Real Estate & Housing aan de TU in Delft, dat ik zou willen combineren met een stage bij Fakton, doe ik graag mijn motivatiebrief toekomen.

Gedurende mijn bachelor Bouwkunde in Delft kwam ik erachter dat de architectenwereld niet voor mij was weggelegd en dat ik meer geïnteresseerd was in het vastgoed. Nu, bijna twee jaar na de start van mijn master kan ik vol overtuiging zeggen dat vastgoed mij wel ligt. Ik ben ervan overtuigd dat ik bij Fakton pas, en Fakton bij mij. Ik zal uitleggen waarom.

Allereerst is Fakton een bedrijf dat zich primair richt op vastgoed, maar waarbij er expertise is op een zeer breed vlak. Ik heb zelf een zeer brede interesse, onder andere op financieel gebied, strategie en gebiedsontwikkeling. Hierdoor past Fakton goed bij mijn interesses.

Bovendien ben ik tijdens mijn master al in contact gekomen met Fakton. Onder andere via mijn huidige rol als voorzitter van FRESH Students, waar Fakton middels de Consultancy Week bij betrokken is. Ik heb Fakton als een prettig bedrijf ervaren waarbij ik graag stage zou willen lopen.

De meerwaarde die ik Fakton kan bieden ligt niet alleen in het afstudeeronderzoek dat ik zal doen. Ik ben een gemotiveerde student die een hoge werkdruk aankan, zeer kritisch is en een goed overzicht heeft.

Ik zie Fakton ook als een toekomstige werkgever. Om die reden zou ik graag bij Fakton stagekopen, om de mensen en het bedrijf beter te leren kennen. Ik ben er daarom van overtuigd dat ik met mijn afstudeeronderzoek goed pas bij Fakton. Als er onduidelijkheden of vragen zijn, hoor ik deze graag.

In afwachting van een reactie verblijf ik,

Met vriendelijke groet,

Paul Oligschläger
As already mentioned previously in the chapter that deals with the research questions, the exact scooping of how and on which justifications the research is done, will be dependent on the specific qualities of the graduation company. This is also shown in the two images above, in which I clearly indicate that there are several possibilities of approaching this research and that the fit with the company is crucial. In the section that deals with the possible ways to research the topic and the research strategy later on, this is explained further.
CONCEPTS AND DEFINITIONS

Demarcation of concepts

The starting point of this research is a demarcation of the concepts and corresponding definitions used within this research topic. In current research, the main prevailing concepts are *landmark*, *flagship* and *icon*. In several studies, these concepts are used interchangeably. It is however valuable to both clearly define the difference between the various concepts and choose one concept and definition for the remainder of this study, since the selection of concept and definition determines the exact scope of research. Several authors have discussed the abovementioned concepts and have subsequently chosen their own definitions. These interpretations will be discussed hereafter, followed by the selection of the concept and definition that are going to be used in this research.

The object

**Landmarks**

In her literature review on flagship developments, Boelsums makes a clear distinction between flagship and landmark. Although there is no emphasis on the distinction, she puts flagships into a broader context of urban development, while landmarks are seen in a more narrow way as buildings, possibly within those broader flagship project. (Boelsums, 2012)

Gibilaro and Mattarocci look at landmarks from a different perspective. The aim of their paper is to search for evidence that landmark buildings ‘can play an important role in a diversified portfolio with a high-risk/return profile’ (Gibilaro & Mattarocci, p. 3) They find that a landmark is recognized by the market based on design, visibility and/or relevance.

Mark Thijs also uses the concept of landmarks in his graduation research on the externalities of landmark buildings. He clearly explains the definitions and refers to several sources, such as the Dutch dictionary Van Dale, in which a landmark is described as a “building or element in the landscape that is an orientation point in the vicinity” (Van Dale Online, via http://surfdiensten.vandale.nl/zoeken/zoeken.do, translation). His final definition of landmark buildings is “Landmarks are iconic buildings or elements in the urban environment. Due to their different architecture they take a prominent place and thereby create an identity for the area where they can be found” (Thijs, 2012, p. 90). Thijs cites examples such as the Erasmus bridge, The Sydney Opera House and the Guggenheim museum in Bilbao. (Thijs, 2012, p. 32)

Landmarks are also used in a different, historic context. Noonan looks at price effects of historic landmarks in Chicago. The concept of historic landmarks is used when the Commission on Chicago Landmarks decides that a property is a historic landmark (Noonan, 2007). This Commission is staffed by the Historic Preservation Division, and wants to “promote the preservation of Chicago’s historic resources” (Historic Preservation Division, n.d.)

**Flagships**

Flagships can be defined as “significant, high-profile and prestigious land and property developments which play an influential and catalytic role in urban regeneration” (Bianchini in (Healey, 1992, p. 252))

Flagships are icons in a globally competing world. They represent how globalisation translates into the urban environment (Moulaert, cited in (Doucet, Van Kempen, & Van Weesep, 2011, p. 125).

Doucet in his article on resident perceptions of flagship waterfront regeneration uses the concept of flagships on the scale of urban regeneration projects. According to Doucet, flagship projects have seven goals: image enhancement, a catalyst function, tourist attraction, gentrification, climbing the urban
hierarchy, trickling down profits to all sectors of society, and direct social benefits. (Doucet et al., 2011, pp. 127-128)

Zenker and Beckmann show that the definition of flagship projects is broad: “Smyth (1994, p. 4) defines them as ‘a development in its own right, which may or may not be self-sustaining, a marshalling point for further investment; a marketing tool for an area or city’. They are often large and imposing places but they can be small, serving a niche market in a locality (Kent, 2009, p. 8). Flagship projects ‘usually involve the rather formulaic development of spectacular new facilities, such as sport stadia, art galleries, or waterfront developments’ (Smith, 2006, p. 392) (Zenker & Beckmann, 2013, p. 643).

In their research on the Opera House in Oslo, the authors look at motivations and justifications for the building. The authors make a very clear distinction between iconic, flagship and signature buildings on the one hand and landmarks on the other hand. The latter “give meaning to the landscape by allowing people to interpret space more easily, for example by allowing them to develop mental maps” (p96). Flagships on the other hand “rely on their context and interrelationships with the surrounding landscape” (Smith & von Krogh Strand, 2010)

According to Ashworth, flagships must meet two conditions: First of all, the architecture must be striking, about which people talk. Striking architecture can be as simple as the tallest building in the world, such as the Petronas Towers (Malaysia) for short and now the Burj Khalifa (UAE). The battle for the tallest building was already going on in the 1900s, with the Empire State Building in New York. Another example of a type of flagships is bridges. This too is not a modern phenomenon, looking at London’s Tower Bridge (1894) and Sydney’s Harbour Bridge (1932). Second, a renowned architect must be the designer, such as Koolhaas (Kunsthall, Rotterdam) or Gehry (Guggenheim, Berlin), while function and aesthetics do not even matter. Flagships often have a public function, such as a public showcase, cultural activities or government representative functions. They are used as an instrument for the marketing of a city. An example of a non-public function of a flagship is the Gасunie Building in Groningen. (Ashworth, 2009, pp. 14-15)

Since the Guggenheim museum was built in Bilbao, Spain in 1996, the Guggenheim effect refers to the use of flagships to “stimulate wider cultural and economic development” (Ashworth, 2009, p. 15), although the real benefits are questionable, which Ashworth calls “cathedrals in the desert” (Ashworth, 2009, p. 16).

Signature design is a wider concept than flagships, and entails design elements in the built environment that go beyond buildings, such as street furniture. Signature districts are an extension of signature design and refer to a part of a city that acts as a branding area for the city as a whole. Event hallmarking refers to the organisation of temporary events, which shows a capability of the city to host the event as well as identifying with the event. An example is European City of Culture, or the Olympics (Barcelona, 1992). (Ashworth, 2009, pp. 18-19).

Baniotopoulou refers to flagship developments as follows in his research on the Guggenheim museum in Bilbao: “catalytic projects for the cities’ renewal, justifiable by the attraction of other investment” (Baniotopoulou, 2001), in which the author cites Bianchini, Dawson and Evans, who in their turn cited Smyth. In the original article of 1994, Smyth explains the concept of flagships further: “The concept, which originated from Baltimore, could be defined broadly as “a development in its own right, which may or may not be self sustaining; a marshalling point for further investment [and] a marketing tool for an area or city” (Smyth, 1994, pp. 4-5)

Icons

The third large concept being used next to landmark and flagship is icon.

In his research on cultural flagships, Gutierrez devotes a section to Cambie, who states that ‘an iconic building is one that shouts about its presence, that transcends its context and makes a commanding statement’ (Cambie, 2009, p. 115) and iconic buildings are ‘sexy snapshots, it destinations, must have holiday visits, pin up posters of modern urban tourism’ (Cambie, 2009, p. 115). Gutierrez distinguishes cultural flagships and cultural icons in the following way: whilst a cultural flagship may be of a transitory nature because it is often conceived for an impermanent purpose, a cultural icon overlaps and transcends these objectives becoming perennial expressions of culture. Therefore, he argues, government involvement is important for the status of a building. (Guachalla Gutierrez, 2011)

According to Verheul, urban icons can be described as ‘buildings that entail the identity and image of a city’ (Wouter Jan Verheul, 2012, p. 13).
Ahlfeldt and Maennig categorize in their study the characteristics of iconic buildings: architecture, reminiscence, urban design, location, architect’s prominence, utilization and planning objectives (Ahlfeldt & Maennig, 2010, p. 632). However, they do not seem to make a clear distinction. The difference between various interrelated concepts is captured in a table by Smith:

<table>
<thead>
<tr>
<th>Term</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Icon</td>
<td>Innovative building reliant on the ‘wow’ factor, which is easily mediated, usually in isolation from its immediate context, and which is famous.</td>
</tr>
<tr>
<td>Destination icon</td>
<td>As above, but intrinsically associated with a place (thus acting as a synecdoche).</td>
</tr>
<tr>
<td>Flagship</td>
<td>High-profile building that showcases an organization’s mission and/or a building that acts as a figurehead or stimulus for related developments.</td>
</tr>
<tr>
<td>Cultural flagship</td>
<td>As above, but the building is dedicated to culture (and cultural policy).</td>
</tr>
<tr>
<td>Signature building</td>
<td>A building that acts as a metonym for an individual architect or architectural firm (or a place).</td>
</tr>
<tr>
<td>Monument</td>
<td>A large and imposing building designed to inspire a feeling of awe and collective identity amongst those who experience it in person.</td>
</tr>
<tr>
<td>Landmark</td>
<td>A building that is indebtedly associated with a specific place by its inhabitants because of its significance or strategic location. It hence acts as tool for orientation and identity-building.</td>
</tr>
</tbody>
</table>

(Smyth, 1994, p. 96)

**Concept**

All the abovementioned concepts coincide due to several reasons. Firstly, the various definitions of the concepts are not with one accord. This way, what one sees as a landmark is labelled as a flagship by the other. Secondly, within one research, the concepts are used interchangeably. From previous research it becomes clear that the concept of landmarks is often used in a context of historical monuments. Flagships on the other hand are used as a concept in larger scale urban development projects. Icons seem to be used as a concept for city-branded buildings with a high architectural quality.

The Oxford dictionary defines the concepts as follows:
- **Landmark**: “An object or feature of a landscape or town that is easily seen and recognized from a distance, especially one that enables someone to establish their location”
- **Flagship**: “The best or most important thing owned or produced by a particular organization”
- **Icon**: “A person or thing regarded as a representative symbol or as worthy of veneration”

(Oxford University Press, n.d.)

Based on the analysis of previous research and the dictionary definition, the following line of reasoning can be set out. A prominent building may receive a different status through time, in which the allocation of landmark happens earliest in time, while the concept of consecutively flagship and icon is given later. This line of reasoning should not be seen as a fixed one. Instead, it shows the underlying intent. This can be explained as follows.

First of all it should be acknowledged that for all three concepts it is true that a building has a primary function, which may be housing, an office building, retail, a bridge and so forth. Being either a landmark, flagship or icon may be an additional function on top of the primary one. An icon only becomes one when it is viewed as such by the observer, the general public. As an example, the Oslo Opera House was not originally intended to be an icon, although it is referred to as such (Smith & von Krogh Strand, 2010)

When following this line of reasoning, the status of a landmark is lower than that of a flagship, and the status of an icon is higher than the other two. This is illustrated below.
Exactly through this nuance it becomes clear which concept to use: flagship. The flagship has the intention of representing more than the building that is visible. When looking at externalities this is the essential requisite: the building intends to have a broader impact on the surrounding urban area. The difference between the various concepts is purely one of definition. What is called flagship in this research is defined as an icon with a multiplier effect by Verheul, essentially meaning the same. He also mentions failed icons, which are buildings that did not make true the ambition of becoming a famous symbol. (Wouter Jan Verheul, 2012)

The definition that will be used in this research is an adaptation of Bianchini in Healey, as previously described. However, with two slight adaptations: it will not include land developments, and it will not be focused on urban regeneration. The new definition is as follows:

*A flagship is a significant, high-profile and prestigious property development which plays an influential and catalytic role in the direct urban environment*

**Scope**

Now that the concept is clear, the scope needs to be determined. To limit the scope of the research, the focus will be on flagships with a (semi)-public function. Therefore, office buildings or housing with flagship architecture will not be analysed. The reason for this is that for iconic (semi)-public properties the matter of external effects is of most relevance. Firstly, the building is partly publicly funded and secondly: the intrinsic goal is publicly aimed, so an extension of this public aim to the spillovers will only be beneficial. Apart from this, for the selection of flagships it is important that the building is part of the status quo, or in other words: the building has to be in place for some years, to properly measure effects in the longer term. Furthermore, a distinction needs to be made between flagships or flagship projects in this research on the one hand and flagship developments in other research on the other hand. The latter refers to large scale urban redevelopment projects, entailing a larger area instead of just one building.

**The effect**

Getting a better understanding of the external effects of flagship buildings on the direct urban environment consists of another concept next to flagships that needs more explanation: what is meant by external effects and what description is to be used. In existing research, these external effects have been described in various ways, with diverse concepts being used.

**Input-output modelling**

One of these concepts is input-output modelling, used by Musil in his research on the economic impacts of corporate real estate activities. This research is conducted from a corporate real estate professionals view and tries to help these professionals overcome the challenges they face in *demonstrating the contribution
of the corporation to a community or region” (Musil, 2011, p. 181). The research is focused at both economic and employment.

There are several key concepts used in this paper. One of these is “corporate economic and employment benefits to the community” (Musil, 2011, p. 183). Another key concept that they use is economic impact study. Another interesting concept relating to the goal of finding out the contribution to a community is strategic relationship. Strategic relationships can be built when the contribution to a community becomes clear.

However, the key concept in this paper is input-output model, which “by its most basic definition provides the ability to accurately forecast industry-specific spending and the economic manifestation of spending in other industries, wages, and employment within a community” (Musil, 2011, p. 185). What is interesting is the economic value from which a community can benefit. “The model shows how an output of one industry is an input to other industries and the population of a community” (Musil, 2011, p. 185). For flagship buildings, this means the output of one industry refers to the flagship building, while the input to other industries and the population of a community refers to the external contribution made.

Musil clearly outlines the terminology that is used for his research. Here, it becomes clear that research on flagship externalities is not concerned with direct effects, but rather with indirect effects, which are described as “the additional economic benefits of increased sales, income, or employment as a result of area businesses responding to demand created by the direct impacts . . . Indirect impacts are measured as a multiplier of the direct expenditure of new business investment, construction, operations, and employment” (Musil, 2011, p. 187). This multiplier is a ratio that reflects these indirect effects.

**Economic value**

All these concepts are in line with this research on flagship effects. Musil’s paper translates community benefits into economic values, although the focus is not on flagship buildings but on the corporate real estate manager. Economic value is a concept used by Fuerst, McAllister and Murray, in research in which they look at signature architecture. The authors explicitly do not focus on social and cultural values. The authors define value in different ways, but this is both internal and external. In other words: the research does not specifically look at economic benefits external to the flagship. (Fuerst, McAllister, & Murray, 2011)

**External price effect and premium**

Two related concepts that are better suited and do look at external economic benefits are external price effect and external premium, used by Ahlfeldt and Mastro. In this research, an external premium means that there is willingness to pay extra for iconic architecture. The results of the research indicate that an external premium to iconic architecture exists.

Another research that uses the concept of external effects is that of Van Duijn, Rouwendal and Boersema, which they look at “the presence of positive external effects on house prices after the redevelopment of several industrial heritage sites in the Netherlands” (Van Duijn, Rouwendal, & Boersema, 2014, p. 22). In accordance with the research of Ahlfeldt, and Mastro, the concept of external price effects is purely focused on housing prices, a more narrow view than what the aim is of this flagship research. External effects is also used by Ahlfeldt and Maennig in a research on built heritage in Berlin. Again, the focus is purely on transaction prices of housing properties. (Ahlfeldt & Maennig, 2010)

Hough and Kratz try to determine “if the value of “good” architecture has been internalized by tenants or owners of commercial buildings” (Hough & Kratz, 1983, p. 40). The result shows that a premium is paid for good new architecture but not for good old architecture. The research is focused not on externalities, but on whether good architecture is actually internalized. The difference with the external effects mentioned previously, is that in this research the effect is measured on office locations.

De Sousa, Wu and Westphal research publicly assisted brownfield redevelopments and their effect on surrounding property values. In their phrasing, they explicitly disentangle the economic effect by identifying by name what kind of effect they are researching. Furthermore, they only look at publicly assessed redevelopments. (De Sousa, Wu, & Westphal, 2009). Thibodeau uses as similar terminology and, although using the concept of externalities, the main description of their research is that they estimate the effect of a certain type of buildings on the value of houses (Thibodeau, 1990). Leichenko, Coulson and Listokin use
this description as well, in their research on how historic designation influences property values (Leichenko, Coulson, & Listokin, 2001).

Spillover effect
De Sousa, Wu and Westphal use, next to their explicit disentanglement of what they mean with effects, the concept of spillover effect: “the spillover effect in terms of raising surrounding property values is significant in both quantity and geographic scope’ (De Sousa et al., 2009, p. 95). From this it becomes clear that they see spillover effects as having multiple aspects, one of which is raising surrounding property values. They also use the concept of ripple effect, meaning the same. In the appendix, which is a survey they used for their research, they consider ripple effect, catalytic effect and spillover effect to be the same thing. (De Sousa et al., 2009).
Noonan also uses the concept of spillover, while not defining it exactly. The author associates externalities with spillovers, and refers to the neighborhood while at the same time leaving room open for other effects. (Noonan, 2007). Externalities is a concept also used by several authors. Koppels, Remøy and Messlaki look at the negative externalities of structural vacancy. They do not specify what they mean with externalities, but from the results of the research it becomes clear that the effect is to be found in rental prices. (Koppels, Remøy, & El Messlaki, 2011). Verheul in his paper on catalyst projects urban development starts with the notion that icon buildings are legitimized by local governments through the spillover or multiplier effects. He identifies economic, social and cultural spillovers. He also describes the outcomes of catalyst projects: intrinsic use, symbolic use, image, social boosting function and the economic boosting function, and acknowledges that both qualitative and quantitative analyses are needed to map these indicators. (Verheul, 2013)

Externalities
In a paper from 1980, Li and Brown also use externalities, but specify this by using the concept of micro-neighbourhood externalities. However, in their paper externalities are seen as detriments, with the counterpart being called benefits. (Li & Brown, 1980). Lastly Thijs in his graduation research also uses the concept of externalities and explains that there are both positive and negative externalities possible. He distinguishes externalities as an influence on parks, water and amenities. For all three of these categories the effect is translated into an increase in value.
The last concept is that of return on investment. Plaza researches the return of investment of the Guggenheim Museum in Bilbao. The aim of the research is to ‘quantify the museum’s impact on tourism and employment and to calculate its yield (Return on Investment and Net Present Value)” (Plaza, 2006, p. 452). The result of the research indicates that the investment has been paid back for in a decade, making it a good investment. (Plaza, 2006)

Conclusion
The effects of flagships on the direct urban environment are firstly indirect effects. Economic value is a concept that can be used for both internal and external effects, meaning that external economic value would be a better fit for this research. External price effect is a concept related, but only looks at property prices. Therefore, the best fit for this research is externality or spinoff.
According to the Oxford Dictionary, an externality is “A consequence of an industrial or commercial activity which affects other parties without this being reflected in market prices, such as the pollination of surrounding crops by bees kept for honey” (Oxford University Press, n.d.) The important component in this definition is that it affects others. In O’Sullivan’s Urban Economics, an externality is described as follows: “an externality occurs when some of the costs or benefits of a transaction are experienced by someone other than the buyer or seller, that is, someone external to the transaction” (O’sullivan & Irwin, 2007, p. 9)
The difference between externality and spillover is first of all that spinoff is an easier to understand concept than externality. Furthermore, the concept of spillover implies, more than externality, that there is an
underlying intention for the effect to show. Therefore, the best fit for this research is spillover effect, with ripple effect, multiplier effect and catalytic effect as synonyms. It has to be noted that this does not mean that the other concepts may not be used. They are all interrelated, but have a slightly different meaning or perspective.

The spillover effect used in this research will be defined as follows:

*A spillover effect is the external effect in economic terms of flagship buildings on the direct urban environment.*

It has been concluded that for this research the concept of spillover effects fits best. However, the ultimate goal in the decision making model is to find the return of investment of a flagship building by including ripple effects. Therefore, towards the end this research will have links with the previously mentioned input-output modelling.

Most researches that have been mentioned in this section make use of hedonic price modelling. This is a way to determine the actual external price effects of certain properties. Most of these researches however only look at property values and only look at one type of properties. This is too narrow for my research, since this research is aiming to include more. Examples are land prices, rents and turnover. The scoping of this research will be that the effects will be measured in an economic way, meaning that social or spatial effects themselves will not be researched. The effects might become visible in an economic way, i.e. by means of higher turnover. In that case, it means that the explanation behind my findings are to be found in i.e. social and spatial reasons, which is research question 5.

**Value**

In their report on the new reality of urban development, Daamen, Franzen and Van der Vegt explain that in order to understand how to create value, the definition of value has to be determined. The narrow financial-economic definition is not sufficient. Although this view on value is relatively easily comparable and measurable, the total value of an urban area is always partly qualitative.

In their research they find eight indicators that contribute to a difference in housing value of Rotterdam areas, such as income, image and geographic location. As explained in their research, some additional indicators such as the quality of public space have not been taken into account due to data issues. *(Daamen, Franzen, & Van der Vegt, 2012)*

In this research, the concept of value will be used in an economic way. For social value it might be the case that this is reflected in economic value. Other values, like architectural value, are beyond the scope of this research.

**Direct urban environment**

The concept of direct urban environment is hard to define, but refers to the direct vicinity of the flagship project. Since everything in the world is interrelated, theoretically it is possible to research the effect of a flagship in one part of the world on the urban area in another part of the world. Referring to the direct urban environment clarifies that the interest lies in the influence on neighbouring areas.
CASE STUDIES FROM LITERATURE

In this chapter, seven cases will be discussed by looking at the existing literature. The aim of this is to find out the rationale behind flagship projects.

Spuikwartier
The Spuikwartier aims to become the new cultural heart of The Hague, between the Spui, the Turfmarkt, the Nieuwe Haven and the Schedeldoekshaven. It will include a new cultural and education project, the Residentie Orkest and the Stichting Dans- en Muziekcentrum Den Haag. On 7 November 2014 the municipality council has agreed with the most recent plans. Citizens have been involved in the plans in ‘stadsgesprekken’: meetings with the aim of discussing what is desirable at that location. These meetings have been summarized in an inspiration booklet. From the inspiration booklet it becomes clear that the project will be developed for the whole area, not just for the sole purpose of the building itself. It also becomes immediately clear that it is a cultural building. Many aims mentioned in the book concern architectural issues, such as a real square, greener attributes and no trams.

In the third meeting the council explained which ideas from the first two meetings were incorporated in the plans and which were not. Interestingly, market parties will create a plan for the urban environment (gebiedsvisie), instead of the municipality. The municipality will only decide which factors will be dominant over others. One aspect mentioned in the booklet is costs: there is a cost ceiling. The booklet does not mention any revenues. (Gemeente Den Haag, 2014)

Railway area Delft
The current railway track runs out of capacity, and a new solution was necessary. A tunnel solution as is now in full progress will solve this problem by making space for four instead of two tracks. Additionally, space is made for urban development. Hereby, opportunities are connected, because railway nuisance will be minimized and the urban area will get an impulse. The aim of the Province of The Hague is to support high-quality urban development by stimulating economic developments surrounding the public transport hub. The municipality of Delft wants to improve the quality of life in the areas surrounding the inner city centre by reducing railway nuisance; improve accessibility of the inner city centre for public transport; redevelop the urban area in the geographical heart of the city with a high level of quality and a good mix of offices, housing and other functions; Sustainable economic development of Delft knowledge city. (Spoorzone Delft, 2014)
Maankwartier Heerlen

Maankwartier is the still on-going railway station development including shops, cafes, a hotel, offices and dwellings in the city of Heerlen, located in the south of the province of Limburg. Maankwartier has been designed by an artist, not an architect. The European Fund for Regional Development, the ministry of Infrastructure and the Environment and the province of Limburg have subsidized the project with an amount that adds up to 40 million euros. Weller, a housing association, together with the municipality of Heerlen, operates as the main contractor. (Maankwartier Heerlen, n.d.)

Quoting the website, “all parties believe in the strength and added value of Maankwartier for Heerlen and Parkstad Limburg” (Maankwartier Heerlen, n.d.). Parkstad Limburg is an administrative partnership between several municipalities in the eastern part of South-Limburg. Interestingly, which strength and which added value, does not become clear.

According to Jack Gorgels from Weller, “Maankwartier brings beauty to the most important source of the city: the mobility hub” (Maankwartier Heerlen, n.d.). He hints to other important aspects of the project: a railway station area is the first impression of a city for most visitors. You do not get a second chance for a first impression. The development of the urban area is important as a goal, as well as brining back the original atmosphere of the city, whatever that may be.

According to Riet de Wit, alderman in the municipality of Heerlen, Maankwartier is a very important project in the centre of Heerlen. It ‘creates a more beautiful and economically stronger city’ (Maankwartier Heerlen, n.d.).

The master plan of Maankwartier dates back to 2008. In this master plan some goals are described: creating a spatial identity, boosting the quality of public space, liveability and accessibility. Maankwartier strengthens the centre by structuring the fragmented inner city. Another goal becomes clear a few pages further: “strengthening the economic structure in a way that fits the ambitions of the city and region” (Stringa, 2008, p. 11).

In the master plan the concept of icon is already introduced, stating that “remarkable, expressing architecture reinforces the value of an icon” (Stringa, 2008, p. 13)

In the coalition agreement of Heerlen of 2006 between four political parties, Maankwartier is mentioned and phase 1 gets green light, because according to the four parties, redevelopment of the station area is necessary and funding is complete. (Coalitieakkoord Heerlen 2006,* 2006)

The investment in Maankwartier is estimated at around 170 million euros. In the project, the municipality of Heerlen has invested 2,4 million for phase 1 and 9 million for phase 2. (Beijer & Van Dyck, 2012)
Neither in the zoning plan, nor on the website of Maankwartier, nor in the Maankwartier master plan, anything is said about the expected economic return of the project. The only financial aspect mentioned is costs, which is covered by subsidies and investments from several parties. The project is interesting given the great vacancy in retail in Heerlen, which has only recently decreased due to a citizen initiative. (*Minder leegstand in Heerlen,* 2014)
Markthal Rotterdam

Markthal in Rotterdam is an indoor market, covered by an arch of 228 dwellings in the centre of Rotterdam. Markthal includes market stalls, food shops, restaurants, apartments and parking. On their website, it is called ‘an icon for the city’. (‘Markthal Rotterdam, een icon voor de stad.’)

In a financial newspaper article, it is stated that the costs of the project were 175 million euros, of which 72 have been paid by the municipality of Rotterdam. Already before opening the building has received international critical acclaim due to its architecture. However, critics mention that the project is not beneficial for employment in the city, since only Rotterdam companies move to the Markthal. (Keuning, 2014) One of the goals has been a more lively inner city with more dwellings (Nefs, 2014), but the question is whether the project will work, or awaits the same fate as the once unique and innovative Lijnbaan (Touburg, 2014)

Guggenheim museum Bilbao

The Guggenheim museum in Bilbao is a classical and widely discussed example of how a flagship building has external effects on the urban environment. It has been designed by Frank Gehry and was opened in 1997. The costs of this museum were 144 million euros, publicly paid. The museum is part of the larger Abandoibarra regeneration project.

In research, there is no agreement on the so-called Guggenheim effect, which refers to the influence of the museum on the local and regional economy. It is clear that there has been an increase in tourism, but “indirect knock-on effects in the city are extremely wide if immeasurable” (Plöger, 2007, p. 30).

The goal of the Guggenheim museum fits in a larger objective of Bilbao to put the city back on the map after their urban industrial crisis. Sainz in her article concludes that the Guggenheim Museum is not enough for Bilbao to be an attractive city: “the city is and should be much more than a building” (SAINZ, 2012, p. 101). Baniotopoulou summarizes the goals of the strategic plan for the revitalization of Bilbao as follows: ‘The main objective of the plan was to change the city’s image, which would represent an economic transformation and a higher quality of life (Baniotopoulou, 2001) [no pages], through (Gonzalez, 1993).

As Baniotopoulou states, one of the aspects of the objectives of the Guggenheim Museum was of an economic nature, with the aim of positively influencing the region. The assumption was that tourism and spending would increase. For the Bilbao case, this goal was reached easily, since total direct visitor expenditure turned out to be 450 million dollars. This added revenue through taxes. Furthermore, jobs were generated due to construction and operation of the museum. The main critique on this job-creation is that it mostly involves low-skilled and low-paid jobs. However, in total, the investment for the museum has been
recuperated in just three years. Although the Guggenheim Museum in Bilbao is a great example, as the author concludes: “Its uncritical replication could only produce indifferent clones, which would not only be deprived of any originality but would also perpetuate the misuse of art and of the museums that host it” (Baniotopoulou, 2001) [no pages]

Seattle Public Library

The goals revolving around the new Seattle Public Library were mostly social and aimed directly at the primary function of a library. Goal three is the only goal that is partly spatial and about spaces. Goal four is to build partnerships with communities, to “become the first choice location for neighbourhood meetings” and (from the same page) to be “a catalyst for civic improvement” (The Seattle Public Library, 2011, p. 19). Clearly, there was an aim for the library to be representable and eccentric, demonstrated by Koolhaas’ OMA designing the building.

The inhabitants of Seattle have voted themselves in favour of the city supporting the new plans for the Seattle library. However, according to Mattern, the “public’s input had only limited effect” (Mattern, 2003, p. 5), posing the question of how public the Seattle public library really is.

**GOAL 1**  
**Fuel Seattle’s Passion for Reading, Personal Growth & Learning**
- A. Build community around books
- B. Strengthen the Library’s contribution to the education of Seattle’s youth
- C. Be Seattle’s source for high-quality free instruction and programs to support personal growth
- D. Integrate learning into daily life

**GOAL 2**  
**Expand Seattle’s Access to Information, Ideas & Stories**
- A. Lead the nation in providing access to digital material
- B. Develop relevant and inspiring collections that meet Seattle’s evolving needs and expectations
- C. Drive new models for improving information access and delivery

**GOAL 3**  
**Empower Seattle’s Distinctive Communities & Vibrant Neighborhoods**
- A. Bring Library resources to where people are
- B. Establish the Library as a civic focal point and resource hub for Seattle’s communities
- C. Adapt spaces and services to support Seattle’s vibrant neighborhoods

**GOAL 4**  
**Build Partnerships to Make a Difference in People’s Lives**
- A. Deploy a systematic approach to partnering that best leverages library and partner resources
- B. Create alliances with government agencies and community groups to benefit Seattle residents

**GOAL 5**  
**Foster an Organizational Culture of Innovation**
- A. Build Library staff and institutional capacity to innovate
- B. Use rigorous analysis to provide a positive user experience
- C. Manage change with flexibility
- D. Communicate and celebrate progress
Oslo Opera House

Smith and Von Krogh Strand have researched the Oslo opera house, which was publicly funded. The project was competed in April 2008 on a waterfront called Bjørvika in Oslo. The location was originally been a deprived area of the city. One of the aspects that the authors have researched is the justification for the project. They have done this by interviewing the following stakeholders in their case study of the publicly funded Oslo opera house, which they identify as a cultural flagship:

- The government, to push the development through parliament;
- The project manager, which in this specific case acted on behalf of the government and is at the same time the largest civil property stakeholder in the country;
- The architect;
- The occupant;
- The champion, as a main driving force behind the project
- Destination marketer, which marketed the project (Smith & von Krogh Strand, 2010)

The case study uses interviews with these key stakeholders to find out whether certain aspects were used as justification for the project and design. The aspects that were used as a justification were:

- Waterfront regeneration: an objective of the developers was “the project’s contribution to the wider regeneration of Bjørvika” (Smith & von Krogh Strand, 2010, p. 100)
- Social and community: the project was meant to create a public space for the common interest, a larger social goal for the community;
- Monumentality, in this particular case described as follows by the architect: “monumentality might as well be a destination, a place, something you keep as a memory. It can be more than an object, a tower or large volume, it might mean the opposite. It can be a room, a place – something which creates relations that convince you to return.” (Smith & von Krogh Strand, 2010, p. 102). This was a justification for the specific design of the building.
- Cultural flagship; the aim for the building was to be “a symbol of Norwegian culture and of the role of opera and ballet in that culture” (Smith & von Krogh Strand, 2010, p. 103), being very import for Norwegian’s art and culture.
- National identity: in line with the previous justification but on a national level, the aim was to reinforce citizen’s national identity, even though the public was not in favour of the building right from the start.
- A destination marketing tool, meaning the building has been used as a marketing tool for the city. In other words: city branding;

The aspects that were not used as a justification were:

- An icon: the Opera House has been labelled as an icon, while this was not a planned or expected objective
- A tourist attraction, although it has become one. The expert interviewees acknowledge that the Opera House might not be a reason on its own to visit the city. (Smith & von Krogh Strand, 2010)
Observations

The examples of Spuikwartier, Railway area Delft, Maankwartier, Markthal, Guggenheim museum and Seattle Public Library provide an insight into how the possible existence of external effects deriving from the flagship project is addressed. Based on the literature case studies certain lessons can be drawn, which are not to be generalized:

- There are flagship projects that do not have the intention of improving the external urban area;
- There are projects with the objective of improving one way or another the surrounding urban area. However, the way in which this should happen is not specific;
- The external goals that are to be achieved of some projects are hard or impossible to test due to the ambiguity of the goals;
- The external goals that are to be achieved of some projects, if specific and clear enough to test, are not tested a priori or ex post;
- The presence and involvement of local audit offices seems to be missing;
- Most projects are approached in a cost-based way, meaning that only when the budget to construct and possibly operate the flagship is balanced, the project will go ahead. The possible external revenue side of a flagship is overlooked;
- There is often a justification for the abovementioned buildings through its function. For example, the new Delft Railway Station was needed since the railway tracks will go underground. Still, this does not explain why these buildings have to be of the scale and physical appearance of a flagship;
- Every case is very unique. For some cases there is an understanding that the flagship can produce externalities, while for other cases this insight is completely absent;
- Both the fact that a flagship is constructed with help of a large public investment and the fear of negative externalities are a reason for public discussion;
- For some projects there is a strong believe in the effectiveness of the flagship, while a substantiated confirmation is missing. That a project goes ahead is the result of the power of persuasion. Due to this, some flagship projects seems to become a showpiece of the advocates;
- Although a flagship is not an icon, it can become one. For some projects this process of becoming an icon can take place quickly and already during construction. The use of city branding and creating a hype can be very successful;
- There is only a limited body of knowledge of well-documented (and mostly successful) flagship projects. Most (successful or unsuccessful) flagship projects are hardly researched;
- Even when a flagship project is well-researched, the results are not unanimous;
- It is very hard and not justified to copy/paste aspects from one project to another.

Conclusion

The cases make clear that the spillover effects of flagships are disregarded in many ways and that flagship projects are justified poorly or at least the justifications are hard to find. In some cases no external objectives are established, in others these are not specific and in some cases the goals are ambiguous. When there are external goals, these are not tested, either beforehand or afterwards. Local audits are not in the picture. Decisions on flagships are made without involving external factors, and possible revenues deriving from externalities are neglected. Publicly financed flagships are pushed through with merely the power of persuasion.

As Evans concludes in his research on culture’s contribution to regeneration, which is also true for flagship spillovers, there is a need of finding out what “what works and where public intervention is good ‘value for money’, or not” (Evans, 2005, p. 3).

The main conclusion drawn from these cases is that the potential of flagships is not fully exploited, since the contribution of external factors is neglected. A further in-depth analysis by means of interviews, i.e. of audit office representatives will be conducted for this research and will give more insights in how spillover effects are taken into account in current practice.
INDICATORS AND SPILLOVER EFFECTS

This chapter includes a research towards which indicators and spillover effects can be used for flagships. Also, the way in which reports are made on spillover effects of flagships is discussed, as well as an insight in what success is regarding flagships. Moreover, the perspective of stakeholders will be discussed, and lastly the question of whether flagships are built with an ideology in mind.

Types of reports

As explained before, there are few well-documented and well-researched cases of flagship externalities. Theoretically, the documentation and research of flagship externalities can take various forms. Because of the lack of research, a side step is taken to an adjacent field of work: the cultural regeneration. Although the scale is larger and the topic is limited to cultural projects, the way the project is documented is highly comparable.

Evans categorizes the evidence of the contribution of culture to regeneration in different types of reports. These reports are not necessarily evidence-based (Evans, 2005). Although the author makes the categorization for cultural regeneration the applicability is not limited to cultural regeneration and goes beyond that. The typology can be used for all urban projects that are in need of a public justification.

- Advocacy and promotion: promotional material during initial phases, to justify larger investments or to celebrate milestones;
- Project assessment; internal and used by the organization in annual assessment
- Project evaluation; both focused on process and results and data is often qualitative, but may also be quantitative;
- Programme evaluation; to assess the integration of the program as part of a larger program, i.e. transnational
- Performance Indicators; quantitative comparison of targets and actual performance
- Impact assessment: the impact that the project will have on i.e. the location or the economy. An example is a cost-benefit analysis (CBA);
- Longitudinal impact assessments: impacts over time are compared (Evans, 2005)

Based on this list, a classification can be made into two categories: the basis and the timing of the documentation. The basis is either research or marketing while the timing is before, during or after a flagship project is put in motion. Furthermore, the assessments all have different goals and not all assessments look into possible spillover effects.

<table>
<thead>
<tr>
<th>Basis</th>
<th>Timing</th>
<th>Documentation</th>
<th>External effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>Before</td>
<td>Longitudinal impact assessments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>During</td>
<td>Project evaluation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>After</td>
<td>Project assessment</td>
<td></td>
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<tr>
<td>Marketing</td>
<td>Before</td>
<td>Programme evaluation</td>
<td></td>
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<tr>
<td></td>
<td>During</td>
<td>Performance indicators</td>
<td></td>
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<tr>
<td></td>
<td>After</td>
<td>Advocacy &amp; promotion</td>
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The documentation that looks at external effects can be:
- A longitudinal impact assessment, in which before, during and (long) after the realization of the project the impact of the flagship is researched;
- A project evaluation, in which the results of the project are compared with the initial goals in a mostly qualitative way
- Performance indicators, with clear objectives beforehand that are measured afterwards.

This research will consist of a combination of the impact assessment type on the one hand and the advocacy & promotion type on the other hand. The impact assessment is what the actual main research is about, while the advocacy & promotion is related to the justifications and the explanations, but also the translation of the research into a decision-making model.

Successful flagship projects

An important question when examining spillovers of flagship projects is what the definition of success is. Previously, it is concluded that the involved actors do not have clearly set goals for the external effects that flagship projects bring about. A project is successful when the a priori set targets are achieved. When they are not, the flagship project might be unsuccessful. This however is too short-sighted. A flagship might not have yielded what was originally expected, but other externalities may have arisen that were not foreseen. On top of this, flagships without predetermined objectives may still be successful regarding their external effects, even though this has not been one of the original aims. The question whether stakeholders have set targets a priori is irrelevant for this research, since it looks at exploiting the potential that flagships have. If the aspect of positive externalities that certain projects have brought about would have been incorporated in the original plans, this could have changed the plans into more ambitious ones, with actors that are more involved in the rest of the city and perhaps with less public money. Moreover, it could show that other flagship projects that are thought to be unfeasible can proceed anyway.

Spillover effects and indicators

Evans has made an overview of the evidence of the contribution of culture to regeneration, see the table below (Evans, 2005, p. 13). Although this might be slightly different for flagship projects, it is a clear and good overview of the possibilities to investigate the external benefits of public buildings, since the overview is generic. The table shows that there are three possible external effects: physical, economic and social. The overview shows the specific themes within one of these three main effects, as well as how this is measurable and how an effect would become apparent. As the author explains, the list is neither exhaustive nor ranked. Evans stresses that “standardised performance indicators and quantitative benchmarks are neither desirable nor useful measures in this situation” (Evans, 2005, p. 15), because the evaluation is highly context-specific.

What this means for a decision model is that no flagship project should be assessed against all indicators that are included in the model. Since every flagship is put in a different context, not all indicators will be applicable.
<table>
<thead>
<tr>
<th>Physical regeneration</th>
<th>Economic regeneration</th>
<th>Social regeneration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy imperatives</strong></td>
<td><strong>Competitiveness and growth</strong></td>
<td><strong>Social inclusion</strong></td>
</tr>
<tr>
<td>Land use, brownfield sites</td>
<td>Un/Employment, Job quality</td>
<td>Social cohesion</td>
</tr>
<tr>
<td>Compact city</td>
<td>Inward investment</td>
<td>Neighbourhood Renewal</td>
</tr>
<tr>
<td>Design quality (CABE, 2002)</td>
<td>Regional development</td>
<td>Health and Well-being</td>
</tr>
<tr>
<td>Quality of Life and Liveability</td>
<td>Wealth Creation</td>
<td>Identity</td>
</tr>
<tr>
<td>Open space and amenity</td>
<td>SMEs/micro-enterprises</td>
<td>Social Capital</td>
</tr>
<tr>
<td>Diversity (eco-, landscape)</td>
<td>Innovation and Knowledge</td>
<td>Governance</td>
</tr>
<tr>
<td>Mixed-Use/Multi-Use</td>
<td>Skills and Training</td>
<td>Localism/Governance</td>
</tr>
<tr>
<td>Heritage conservation</td>
<td>Clusters</td>
<td>Diversity</td>
</tr>
<tr>
<td>Access and Mobility</td>
<td>Trade Invisibles</td>
<td>Heritage (‘Common’)</td>
</tr>
<tr>
<td>Town Centre revitalisation</td>
<td>(e.g. tourism)</td>
<td>Citizenship</td>
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<tr>
<td>Evening Economy</td>
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<thead>
<tr>
<th>Texts and measurements</th>
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<tbody>
<tr>
<td>Quality of Life indicators</td>
<td>Income/spending in an area</td>
<td>Attendance/Participation</td>
</tr>
<tr>
<td>Design Quality Indicators</td>
<td>New and retained jobs</td>
<td>Crime rates/fear of crime</td>
</tr>
<tr>
<td>Reduced car-use</td>
<td>Employer (relocation)</td>
<td>Health, referrals</td>
</tr>
<tr>
<td>Re-use of developed land</td>
<td>Public-private leverage/ROI</td>
<td>New community networks</td>
</tr>
<tr>
<td>Land/building occupation</td>
<td>Cost benefit analysis</td>
<td>Improved leisure options</td>
</tr>
<tr>
<td>Higher densities</td>
<td>Input-Output/Leakage</td>
<td>Lessened social isolation</td>
</tr>
<tr>
<td>Reduced vandalism</td>
<td>Additionality and</td>
<td>Reduced truancy and</td>
</tr>
<tr>
<td>Listed buildings</td>
<td>substitution</td>
<td>anti-social behaviour</td>
</tr>
<tr>
<td>Conservation areas</td>
<td>Willingness to pay for</td>
<td>Volunteering</td>
</tr>
<tr>
<td>Public transport/usage</td>
<td>cultural amenities/</td>
<td>Population growth</td>
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<tr>
<td></td>
<td>Contingent valuation</td>
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<td></td>
<td>Multipliers—jobs, spending</td>
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</tbody>
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<tr>
<th>Examples of evidence of impacts</th>
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<tbody>
<tr>
<td>Reuse of redundant buildings—studios, museum/gallery, venues</td>
<td>Increased property values/rents (residential and business)</td>
<td>A positive change in residents’ perceptions of their area</td>
</tr>
<tr>
<td>Increased public use of space—reduction in vandalism and an increased sense of safety</td>
<td>Corporate involvement in the local cultural sector (leading to support in cash and in kind)</td>
<td>Displacing crime and anti-social behaviour through cultural activity (for example, youth)</td>
</tr>
<tr>
<td>Cultural facilities and workspace in mixed-use developments</td>
<td>Higher resident and visitor spend arising from cultural activity (arts and cultural tourism)</td>
<td>A cleaner expression of individual and shared ideas and needs</td>
</tr>
<tr>
<td>High density (live/work), reduce environmental impacts, such as transport/traffic, pollution, health problems</td>
<td>Job creation (direct, indirect, induced); enterprise (new firms/start-ups, turnover/value added)</td>
<td>Increase in volunteering and increased organisational capacity at a local level</td>
</tr>
<tr>
<td>The employment of artists on design and construction teams (Percent for Art)</td>
<td>Employer location/retention; Retention of graduates in the area (including artists/creatives)</td>
<td>A change in the image or reputation of a place or group of people</td>
</tr>
<tr>
<td>Environmental improvements through public art and architecture</td>
<td>A more diverse workforce (skills, social, gender and ethnic profile)</td>
<td>Stronger public—private—voluntary-sector partnerships</td>
</tr>
</tbody>
</table>

*Table continued*
Boelsums also summarizes the most important aims in her research on flagship developments. The most important general aims are: attract tourists, jobs and investments, improve the city image, increase a city's wealth and encourage private investment (Boelsums, 2012, p. 3). The aims can be categorized into different scales: globally, i.e. through inter-city competition, on the flagship area itself i.e. through place-marketing, on adjacent neighbourhoods i.e. through catalysing regeneration. Municipalities add to these aims local quality and benefits and helping poor people.

For my research, the economic part will be the focal point. Physical, social and other aspects will be included if they are an underlying explanation of the economic spillovers that are found.

### Stakeholder perspective

There are several key stakeholders involved in the development of a flagship. Smith and Von Krogh Strand identify the government, the project manager, the architect, the occupant, the champion and the destination marketer, as previously discussed (Smith & von Krogh Strand, 2010). In their case study, the justification for the Oslo Opera House was mostly social and physical, as part of a larger aim to regenerate the deprived urban area.

In line with the idea that who pays also decides, it must be stressed that the key stakeholders in the decision making process of building a flagship are the ones that contribute in a financial way. Despite their financial contribution, the reasons for participating are not necessarily financial as well. The key stakeholders on whom this research focuses are the local government in the shape of the municipality, as well as developers and investors. Their motivations are all different, and the effect of externalities for them differs correspondingly:

- **Local government** invests money, expecting a return that is mostly not financial but social by nature. Spillover effects therefore should be found in the social aspect, although financial motives are no less important for a local government to be able to support social measures;

- **Developers** invest money with the aim of generating profit. Economic spillovers are therefore a main justification for this stakeholder in the following way: investing in a flagship will generate a certain (possibly negative) profit, which is not external but internal. The external effect might be a reason to invest nevertheless even if the project itself is not financially viable for the investor, or might be a reason to invest on top of the fact that it will generate profit internally. The external benefit that the investor would experience lies in an increase of profit of other developments, generated by the increase of value of yet to be developed properties near the flagship;

- **Investors** have the same motivation as developers. The difference is that investors benefit from externalities of the flagship when the investors own the nearby properties, instead of a developer that is still in process of building it.

In this reasoning it seems that, because the motivation for developers and investors is purely financial, social externalities do not matter. This conclusion is too premature, since it can be expected that social spillovers are somehow reflected financially.
Ideology

The ideas that are the main driver for the construction of a flagship building can be described as an ideology. The Oxford Dictionary describes an ideology as “A system of ideas and ideals, especially one which forms the basis of economic or political theory and policy” (Oxford University Press, n.d.). The fact that building a flagship emanates from an ideology makes the development of it not necessarily practical. On the contrary: it will remain unclear whether goals are achieved, giving room for political discussion that may in the end harm all the involved stakeholders. Furthermore, there is a substantial need for persuasion, which is hard when decision makers or parties that possess critical success factor have a different conviction than the proponents of the idea. This has all to do with political decision making. Perhaps (scientific) research is not popular in politics, or the possibility of framing research makes the use of it redundant, or investigating the matter is too complicated. Either way, spillovers of flagships should not be overlooked due to the large sum of money often involved. Looking at spillover effects of flagships appears to be a mostly untapped resource and has the possibility of changing the course of action in the decision making process.

Research strategy

There are several ways that the research can continue from here on. This will partly depend on whether one of the contacted companies will be an option to graduate at:

- A feasibility study, in which a research will be conducted to find out how many and what kind of spillover effects must be generated for a stakeholder to cooperate in a flagship development. For a municipality social spillovers might be enough, but for a developer or investor an economic return might be better suitable;
- An evaluation study, in which the influence of a flagship will be researched on the direct urban environment. This can be done through hedonic price modelling, in which among others real estate values in the direct urban environment of the flagship will be compared with a comparable area without flagship;
- A meta review of hedonic price modelling, in which existing hedonic price studies on the external influence of flagships are compared with each other.

In order to get the required data for one of the researches described previously, graduation at a company would be preferred. If not possible, an option is to specifically choose case studies without a graduation company and request aggregated data from research companies. Examples are transaction prices of DTZ Zadelhoff or NVM of a specific ZIP code area in a specific time frame.


Markthal Rotterdam, een icoon voor de stad.). Retrieved January 12, 2015, from [http://markthalrotterdam.nl](http://markthalrotterdam.nl)


