SUSTAINABLE REAL ESTATE DEVELOPMENT AND GOOD URBAN GOVERNANCE – AN INSTITUTIONAL APPROACH

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Abstract

It can be argued that creating a reputation for sustainable development in order to develop a competitive advantage in the marketplace resonates with institutional theory. In principle, this opens up the possibility to relate a given sustainability agenda with theoretical frameworks based on old institutional economics (OIE) and/or new institutional economics (NIE). This is particularly true in arenas where qualitative factors cause a change which is discontinuous from the previous structure, such as amid urban regeneration. Using empirical evidence from Budapest, Amsterdam and Trondheim it is shown that OIE has plenty to offer for a ‘patchy’ and evolving problem area such as the analysis of planning and real estate development in an urban setting.

The position taken here, informed by the evolving urban sustainability research networks on the one hand and by the long lost OIE tradition on the other hand, is that good community governance needs the support of the private sector too. Smart policies, regulations and especially incentives set at the local and regional levels (but less so at the national or supranational levels) are an imperative to meet the sustainability goals set out in the Rio-1992 agenda. A sustainable urban strategy involves three elements: (1) education of the attitudes of the individual consumers; (2) community governance together with apt institutions (incentives or regulations); and (3) innovation in production technology. One could perhaps count ‘fate’ as a fourth element. The question is as to how sustainable the abovementioned cases are in terms of the outcomes and governance circumstances: the neoliberal Hungarian; the Rhine-land model (including Red-for-Green and PPP tools) of the Dutch, or the one-size-fits-all Norwegian system. This international comparison attempts to provide some guiding answers to this question.

Keywords: sustainable development, governance, institutional analysis.
Introduction

Recently, I visited Berlin. When I was about to enter the new Hauptbahnhof, I noticed a sign outside the building site opposite the station – immediately on the other (actually ex East Berlin) side of River Spree. Literally translated it said: “The greenest office buildings in Germany” being built by OVG Real Estate (Humboldthaven, see www.ovg.eu). This was exactly where Die Mauer used to stand for almost 30 years. This observation added to my feel that Berlin, in general, seems a truly sustainable city. Not only that there is available building land thanks to the brownfields of Die Mauer, Tempelhof airport being redeveloped and the inefficiently developed suburban housing estates in East Berlin, but the city is sustainable on so many other counts: polycentricity (unique in European urban context), innovative architecture including ‘green’ buildings and areas, lack of population pressure and clean and functional public transport, low price level, well integrated immigrant populations and so on. Why cannot other cities emulate the success of Berlin? Is it only about the peculiar geopolitical location and specific path dependence of this city, or is it about other, more dynamic factors such as having good governance structures without the need to develop a competitive edge (like Frankfurt being the financial capital, for instance), being part of the German green building tradition, or not being badly affected by current social and economic problems that mar many other main cities?

Also recently I had the privilege to visit Minsk, the Belarusian capital. It was a surprisingly different place from our expectations. Clean and recently paved streets, absence of beggars, refurbished buildings, several large hypermarkets and already five five-star hotels, and in every way functional place – in all ways more modern and convivial than what I had expected based in the economic development of that country. Definitely, the city seemed socially and environmentally sustainable to a degree hitherto unseen in most of Europe. I was left pondering whether this was sustainable development and possibly, in which respect it was not? A student replied that it is true that they have no traffic jams yet, but they also lack basic urban infrastructure improvements such as metro-stations and appropriate roads around the city centre. While some real estate developments are sustainable in many ways, the infrastructure that would support this simply is not likely to materialise in the foreseeable future due to the imbalance in investment activity – the private sector is not really an investment actor as long as the government is a near-totalitarian one. The conclusion then was that despite physical and social success, the economic dimension is not as promising due to a lack of innovations that in a western context are taking place due to the R&D activity taking place or backed within the private and semi-private sectors.

The balance of environmental, social and economic factors, and the extent to which these can be controlled, are complex and interlinked processes; this paper will only delve into those issues that concern property development and urban regeneration activity. As a general rule, property developments occur where positive changes in property value occur or are expected to occur. However, larger projects might also be dependent on government initiatives and interventions – especially in an urban context. Any property development outcomes relate to either profitability or sustainability. Sustainability includes economic and social sustainability too – rather vague and contestable criteria that point to the long term reinvestment in neighbourhood amenities. Given the unclarity in current literature on sustainable urban property development, this paper has the following three-pronged aim:

(1) The general imperative for government intervention.
(2) A description of urban property development in three different contexts.
(3) An evaluation in relation to sustainability.

In reality, often mere ‘procedures’ are more important than what we consider ‘culture’ for the sustainability evaluation of the outcome of urban property development projects including urban renewal. To what extent then do these ‘procedures’ fit with the sustainable development agenda that currently is becoming the single most general model for urban development as well as planning? Even before the advent of sustainability evaluation, the ‘procedures’ underlying urban property developments were discussed in institutional theory. Institutional analysis is best undertaken by
comparative research and qualitative methodology. Here the research question is as to how sustainable three selected cases are in terms of their outcomes and governance circumstances: the neoliberal Hungarian; the Rhine-land model of the Dutch, or the one-size-fits-all Norwegian system. This international comparison attempts to provide some guiding answers to this question. A rhetorical approach based on literature, own observation and a small number of expert interviews is applied as methodology, following Kauko (2003).

On Institutions and sustainability

Today, it can therefore be argued that creating a reputation for sustainable development in order to develop a competitive advantage in the marketplace resonates with institutional theory. In principle, this opens up the possibility to relate a given sustainability agenda with theoretical frameworks based on old institutional economics (OIE) and/or new institutional economics (NIE). This is particularly true in arenas where qualitative factors cause a change which is discontinuous from the previous structure, such as amid urban regeneration.

A well-known fact is that the urban property market is characterised by some degree of imperfect competition. In such a market strategic behaviour among actors might arise, and such a pattern is always more or less idiosyncratic. One must consider both the attributes of the location and the nature of demand and supply, and whether subsidies are involved.

The core issue in this institutional analysis is why and how a certain public or legal intervention in the property market should be established (see Needham and de Kam, 2004; Buitelaar, 2004; Guy and Henneberry, 2000; Pendall and Carruthers, 2003). It is furthermore logical to relate a sustainability agenda with the sketched framework based on OIE and/or NIE. In fact, Bryson and Lombardi (2009, p. 103) assert that creating a reputation for sustainable development and subsequently developing a competitive advantage in the marketplace resonates with institutional theory.

Here a cultural approach, while being in the limelight of much of the social scientific theorizing in recent years, ought to be contested as it fails to stand on its own. Not only the simple fact that economic drivers (most notably, macroeconomic climate, market size, population pressure as well as technological and entrepreneurial innovativeness) still make the difference to a mover’s (household’s or firm’s) (re)location choice, the other reason is that much of the phenomena and processes covered in this review are the result of ‘procedures’ – administrative behaviour that is learnt from restrictions – in other words, inertia. Further, such inflexibility to adapt from a monolithic government structure to an environment based on inclusive community governance comes at the cost of loss in innovativeness, and eventually unsustainable urban development in economic and functional terms (see e.g. Macintosh, 2010; Ratcliffe et al., 2010). This point was illustrated with the casual observation of Minsk above.

The position taken here, informed by the evolving urban sustainability research networks on the one hand and by the long lost OIE tradition on the other hand, is that good community governance needs the support of the private sector too. Smart policies, regulations and especially incentives set at the local and regional levels (but less so at the national or supranational levels) are an imperative to meet the sustainability goals set out in the Rio-1992 agenda. A sustainable urban strategy involves three elements: (1) education of the attitudes of the individual consumers; (2) community governance together with apt institutions (incentives or regulations); and (3) innovation in production technology. One could perhaps count ‘fate’ as a fourth element.

The OIE inspired line of theory predicts that the particular mix of market, state and community matters for the allocation of resources (see Vatn, 2005). It can be argued that people are basically the same everywhere: everyone wants to improve her/his happiness and well-being, be it more or less materialistic by nature. It is the institutions that vary. Different kinds of routines and habits, religious belief, political views, manipulations of the media and so forth make up the set of institutions that govern our action including market decisions. Could it be that the underlying reasons are intangible
and involve social, cultural, political or administrative factors? Thereby an argument about context, convention and other issues that define the core of the OIE camp arises.

In order to investigate the power of OIE for analysis of the sustainability of urban property development the analysis links two different levels: the level of policy or practice, and the level of theoretical framework or world view adopted for the research (see figure below; note that the left and right hand sides also point to political ‘left’ and ‘right’ of centre ideologies).

Establishment of institutions such as the market, the firm and the state has generated economic development through history. At present, new institutions are needed to similarly generate sustainable development. A particular issue herein is related to context effects. These are well described in relation to behavioural and experimental economic research (yes-saying, protest bids etc). It can be argued that if only individual values are at stake, market valuation is acceptable. However, if we deal with irreversible damages to the environment, or even uncertainty of such effects, the precautionary principle must be applied: i.e. ethical considerations are valued higher than cost-benefit analysis, which brings up the normative aspect of any evaluation. (See Vatn, 2005)

In this setting, whether the project is about minimising costs or about increasing the added value (thus quality) of the project is a to be or not to be type of question. The key to the analysis is what the institutional circumstances are when a given project begins. From a production economic point of view the development corporation has two strategies: minimising costs or increasing the added value of the project, in this case maintaining a quality of the location. In a publicly initiated project the balance inevitably shifts towards the former, if the number of private actors is increased. Why should a project aimed at private profit-making take an interest in improving the common good? If neither the end user, nor the project developer is willing to contribute to the funding then the quality level of the residential environment will be reduced. (See Verhage, 2002)

Today’s hot topic is whether a sustainable market for real estate locations can be created by means of institutional design. The key issue is that the active government can shape the location, either in a more traditional manner: by providing off-site and off-site infrastructure such as stops for public transportation, parks and recreational areas, or improved safety measures; or in accord with more modern ideas of image creation and territorial competition policy. When considering the role of government more closely, two opposite ideals can be debated (see Dixon et al., 2005, pp. 19-24). The
first is a neo-liberal policy of letting individual choices determine the city structure, which, following Berry, aggregates to a spatially de-concentrated property market. Here the problem will inevitably be the resulting environmental externalities, notably environmental hazards and urban sprawl. To avoid such categorically unsustainable outcomes another ideal has been given attention: policymaking inspired by the political economy and regulation school traditions, according to which urban restructuring carried out by an educated local government is the solution to all spatial problems arising from an unhinged market of space. This in turn aggregates to a more consolidated property market. While it principally is beneficial – from an energy efficiency point of view – the more densely built an urban area can be kept, it is, however, problematic if an urban regeneration effort does not correspond with consumer preferences for such living, as often is the case with new developments, or if the city centre does not provide employment or leisure opportunities.

In a situation where the local government is merely an arbitrator of interests, governance and ‘capacity building’ are tools for achieving economic, social-cultural and environmental-ecologic sustainability (Holt-Jensen and Morrison, 2009, p. 7). In a housing development context, Støa (2009) points out that a comprehensive and creative strategy based on resident participation and cooperation across disciplines together with an operationalization and balancing of the multifaceted (environment, socio-cultural and economic) goals that may be tradable helps when aiming towards sustainable urban development, but one should avoid oversimplification and accept the multifaceted nature of the concept sustainability.

For the spatial unevenness of sustainability, Zuindeau (2006) asks whether taking the spatial dimension – and not only the intergenerational one as is usual – into account changes the challenges of equity and efficacy, associated with the sustainable development issue. He uses the definition of weak (cost-benefit analysis) and strong (non monetary) forms of sustainability. Zuindeau points out the problem that the spatial distribution of sustainability hitherto has been a neglected aspect of sustainability as the emphasis has been more on how different actors cause effects in one particular territory and the consequences this has on the degree of sustainability. The size of the area is an important parameter: in small areas the polluter-pays-principle is applicable, but when the area size grows the uncertainty about effects increases. Thus the real problem is the different policies implemented in relation to sustainability of adjacent territories that belong to the same higher level territory. He concludes that the institutional approach to promote sustainable development in towns and regions, the local Agenda 21, faces a paradoxical problem: it is supposed to lead the governance towards a favourable situation with respect to equity and cooperation, but the reality involves restrictions for such gains in the form of inequality and competitions.

While it is true that the sustainability has a distinct spatial dimension, in this contribution it is argued that the apt level of setting the necessary policies, regulations and incentives is the local and possibly the regional level as opposed to the national or even higher levels of governance. The sustainability is an elusive and strongly context dependent concept. This runs counter to a number of authoritative commentators such as Wegener (2010), who strongly questions the whole trend towards governance and aspire towards the old government tradition of strategic planning and urban policy, which seems narrow thinking given the possibilities there are for public and private sectors to cooperate on projects on either parts initiatives.

**Evaluation of planning regarding its contribution to sustainable urban development**

Currently sustainable development (including the element urban sustainability) is accepted as an overall goal for planning practices. On the one hand, it is widely debated and heuristically explored whether the key to sustainability is green building and area design, functional aspects and infrastructure provision, quality-of-life (QOL), encouraging innovativeness in local entrepreneurship or what? Often some degree of trade-off has to be accepted in relation to the resources available. Political views and local cultures steer the decision making too. On the other hand, some kind of consensus is being formed in relation to the built environment. This is much due to the seriousness of global problems such as climate change, urban poverty and the financial crisis. Most (but probably not
all) academics agree that a planning view based on ‘one giant leap forward’ is outmoded and is to be replaced by one based on incremental changes and apt management. While some of the literatures here are mind-boggling – passive houses, for instance – my point is not primarily about technological advances, but about inclusive governance structures that together with the ‘education of the masses’ lies at the heart of any progress – or even manageability of current levels of sustainability.

Tiesdell and Allmendinger (2005) define public planning as ‘intentional governmental inventions intended to achieve desirable societal objectives’ Monk and Whitehead (1999) define planning as a set of rules and regulations that today also involve negotiations and bargaining. According to Healey (e.g. 1991) the development outcome is determined by resources (finances and power relations), rules, and ideas of the actors. All these may change through time, for example the regulations regarding the amount of public space become stricter, or the market for the end product collapses. Given the fundamental changes in society throughout the post-war era, Upton (2002) claims that there is a need for a debate about the system of values that we have in planning in relation to what we want. According to Peel and Lloyd (2007) a new ethos for land use planning is emerging, but that tensions arise because of two different requirements: on one hand the need to include the public, and on the other market efficiency and guaranteed private property rights.

On the other hand, Stenberg (2008) notes that new planning theories and approaches have been developed at the same time as the prerequisites for planning have changed. Much of this change has gone hand in hand with the introduction of the concept ‘sustainable development’. The notion as how to achieve the goals of sustainability is still, however, rather vague. Especially the social dimension of sustainable development (this includes, among others, aspects of participation, social life and stigmatization) is hitherto rather neglected.

When evaluating planning systems three aspects are noteworthy here:

1. The flexibility of planning systems
   - A given planning system being too conservative – people don’t wont excess regulation (see Levy, 1992; Allmendinger et al., 2005; Hajer and Zonneveld, 2000; Bertaud, 2006; Peel and Lloyd, 2007).
   - The opposite of this, assumed excess progressiveness – people still want low density (Peirce, 2002; Geurs and van Wee, 2006).

2. The sustainability of planning systems
   - A sustainable urban form in relation to property buyers’ preferences (Leishman and Warren, 2005).
   - Sustainable development needs planning to target interventions at the appropriate scale rather than one-size-fits-all policies/regulations (Fisher, 2010).

3. The ‘property friendliness’ of planning systems and land use regulations
   - Market shaping, regulation, stimulation and capacity building (Tiesdell and Allmendinger (2005).
   - From a ‘market-state dichotomy’ to a ‘market-state dialectic’ (Adams et al., 2005).
   - Urban regeneration – a planning or property practice (Couch and Fraser, 2003)?

The sustainability of planning in relation to property development and urban regeneration is remarkably different in different parts of the world as the empirical part of the study to follow shows. In most general term we can speak about a weakened planning in Western Europe and a planning void in Eastern Europe. Raagmaa (2009) notes that in the West there are consistent regional policy and comprehensive planning strategies which are missing in Eastern countries. The situation is not significantly different from that experienced under communism – one type of lobbying has merely replaced another! On top of this problem he notes that the same mistakes in relation to sustainability that were made in Western countries are now committed in the Baltic countries.
After the context in many parts of Eastern Europe changed from complete planning to no planning at all, currently some planning is on the agenda but people tend to distrust the authorities (cf. Ruoppila, 2007). This kind of situation can be compared with circumstances elsewhere, and in particular, the London and UK experience here is worth noting. According to Hamnett (2003), since 1979 in UK the state has set the parameters for the market to operate, and consequently most key decisions are taken elsewhere than in local planning boards. In the absence of substantial government involvement the dynamics of the market shapes the environment. These examples resonate with, Hull (2009), who argues that planning is too slow to deal with evolving policy contexts, as the close contacts between research community and decision makers comes with a price of compromised autonomy and validity.

According to Tiesdell and Allmendinger (2005), four kinds of planning tools can be noted in relation to different market characteristics: *market shaping*, *regulation*, *stimulation* and *capacity building*. Tiesdell and Allmendinger (2005) argue that empirical research on state-market relations determines the optimal ‘package’ of tools, and that market shaping is particularly important here. In other words, to provide authoritative information as a basis for action! This can be backed up by empiry: for example, in the Netherlands the planning system is rigid but it provides reliable information, whereas in the UK the planning system is flexible, but does not provide reliable information. We can dwell further on the aforementioned pairing of the ‘rigid but reliable’ Dutch and the ‘flexible but unreliable’ British planning system. In a more positive planning system, such as the one in the Netherlands, where building land is supplied publicly, and the system of Master Plan is showing all uses, the housing supply is not as constrained as in the British case of ‘development control’, where permission must be applied for all changes in use, as Cheshire (2005) rightly notes. A rigid system based on Master Planning may be *more regulated* than the British system, but it is in this sense *less restrictive* – and there is less room for speculation, because in such a spatial approach all uses have to accommodated (cf. Kauko, 2003).

It can be argued that whatever the circumstances (East or West; state or market etc.), sustainable urban development (or urban sustainability) requires some kind of planning approach (e.g. Julegina et al., 2009, p. 16). Also Heurkens (2009) argues that sustainability and planning go hand in hand. To start with, sustainable development came in the 90s, which also meant that strategic planning came back with the EU Initiative after a nearly 20 years of absence. During this period neoliberal planning dominated, which led into well-documented problems. Even in The Netherlands, the more regulated kind of text-book case to the relatively neoliberal UK case discussed above, a change from ‘blueprint plans’ to ‘the concession model’ took place. Namely, to a system where the public and private sectors do what they both are good at. Such a plan is arguably more effective, efficient, transparent, and improve spatial quality (innovation and creativity). As it happens, in the Netherlands there is a change from the ‘polder model’, of course, but this change is not to the Anglo-Saxon model, but to the Rhine-Land model which still involves a relatively positive and pro-active role for the national and local governments! The Dutch system, while in principle enlightened governance due to a pragmatic planning tradition involving private public partnership (PPP) is of course faced with overwhelming problems: housing and land shortage, and more recently, the threats of rising sea levels and flooding caused by the climate change (Heurkens, 2009).

**The sustainability of urban property developments – multiple cases**

**Budapest and Hungary**

So far (2002-2010 in particular) Hungary has been nothing short of a disaster in terms of urban policy and planning issues. In Hungary the problem is not about unenlightened planners, the models are indeed applied – but the problem is that planning has no authoritativeness. Formally, the current planning system follows a hierarchical structure of area development designated in land use plans and zoning ordinances:

- ‘framework’ (*ART*) and ‘detailed’ regulations (*RRT*)
‘inner areas’ and ‘outer areas’

Indeed, land policy and planning have been proposed as institutional measures to improve the development strategy of Budapest in terms of sustainability criteria including environmental and solidarity dimensions. However, at present the private sector has taken over the initiative in urban planning and a strong planning tool such as tax or municipal land policy is lacking from the local government. As a consequence, the development function of planning is lacking. (Locsmándi, 2007; see also Locsmándi et al., 2000)

Today however some optimism is on the horizon: following the promises of the central-right party Fidesz that won a landslide election victory in May 2010 neo-liberalism is expected to be replaced by sustainable development agendas and regulation of the financial markets. The issue at stake can be condensed as follows:

- In Hungary since 1990 an extreme variant of neoliberal, opportunistic and large-scale developments and project planning has led to economic, social and environmental problems.
- How to attract and convince investors in the midst of falling demand and existing excess supply of housing and office stock.

In Hungary some basic planning principles were laid down at a time (late 90s) when the economic situation was more positive and the political will towards urban renewal stronger than at present. The reality of total (un)sustainability can be exemplified with the Hungarian type of gated communities (residential park, lakópark, lakókert), a product meant for the upper-market, quality conscious consumers. The definition of sustainability involves environmental-ecological, social-cultural and economic-financial dimensions. Based on all this evidence the most plausible conclusion is that this category of property developments is currently not sustainable with respect to any of the three dimensions. First of all, as elsewhere, the environmental-ecological sustainability criterion may also remain unfulfilled if the costs are minimised – except perhaps in the most modern niche market cases. Then, the residential park is arguably not socially sustainable either as it segregates the wealthy from the poor. Here it should be noted that the international sustainability development agreements include poverty eradication as a vital element (Bramley and Power, 2009), which, obviously, works against the lakópark agenda. Finally, looking at the economic sustainability, the following shortcomings can be found with residential parks:

- The quality of the location is often poor – at least in the more recent products which are marketed for the middle-class housing consumers.
- In some cases the same can be said about the building quality – where costs have been pressed down in order to attract younger families and first-time buyers.
- The market situation is marred by diminishing demand and already existing oversupply, which means that trying to sell these products is difficult and many of such dwellings risk remaining vacant for a long time. It is speculated that, in twenty years time, the lakópark will be perceived as unfavourably as the lakótelep (panel built housing estate) is perceived today.

In the new millennium the redevelopment of certain centrally located residential areas become attractive also for the private sectors. This is unsurprising, given that one quarter of the total housing stock in Budapest is located in the historical inner city neighbourhoods. More than half of this stock was built before WW1, and nearly 80% before WW2. Much of this stock is within social housing, and the residents living there are in the process of becoming ‘residualised’ – notably the elderly or households experiencing multiple disadvantages. In the city centre there is also a connection between the upgrading of the neighbourhood and the growing integration of Budapest into the world economy. On the other hand no comprehensive regeneration programme is anticipated at present. (Kovács, 2009)

A number of pessimistic considerations are however real:
• Tensions within the district council, and between district councils.
• The absence of social rehabilitation.
• An extremely decentralised approach is implemented.

Unsurprisingly, therefore in Budapest several public investment decisions have led to problems that have developed into scandals (insider deals). Thus, sustainability calls for new regulation activities (in congruence with the principles laid out in previous section above). Here should be added that certain private urban regeneration and property developmentsiii have designed various innovative selling schemes in market downturn (i.e. tricks).

The conclusions from the Budapest case do not make cheerful reading. The lamentable state of affairs indicates unsustainable development practices regarding the provision and maintenance of the built environment. Some sustainability strategies are nevertheless on the horizon:

- innovative green office buildings
- public infrastructure
- affordable housing (in preparation)

However, a problem is that the new gated community-like developments (residential parks) are almost completely seller-driven. On the other hand, a more sustainable paradigm of would be possible only if the projects become more buyer-and tenant-driven. This in turn is only likely through establishing demand side financial incentives, and for this we need courageous policymakers and market actors. So far they have been absent in Hungary, given the ultra-liberal economic ideology adapted after the transition. It can be argued that for a purposefully implemented sustainable development an element of smart, context dependent public planning is required; this is not the case for either Greenfield or Brownfield areas in the Budapest region.

Amsterdam and the Netherlands

While perhaps not flexible policymaking in other areas (immigration, for instance), as far as the Dutch land use, housing and hazard mitigation issues (flooding in particular) are concerned, these policy topics have become well-developed, and received worldwide praise. This innovativeness is due to the serious problems of population pressure and land shortage, as well as dam building issues. In this context the public-private-partnership (PPP) approach can be considered a particularly successful tool for the pragmatic Dutch since they all see themselves as “being in the same boat”. As a consequence, countless other countries have attempted to imitate the Dutch planning and policymaking.

Geurs and van Wee (2006) simulated land use and migration patterns and related them to the compact urbanisation policies implemented in the Netherlands between the years 1970 and 2000. They concluded that, when avoiding urban sprawl and related problems, the planning has to be considered successful during that time-period. However, insofar as facilitating housing preferences is concerned, this planning system has failed, because Dutch housing consumers apparently want low-density housing more than housing with good accessibility (cf. Kauko, 2005).

Indeed the urban policy can be considered rather flexible in the Netherlands. Residential mobility, housing choice, housing policy and the dynamics of cities and their neighbourhoods in the explicitly Dutch circumstances has been covered in many recent studies (e.g. Dieleman and Wallet, 2003; Goetgeluk and Musterd, 2005). Most of the studies have a direct relationship with the urban restructuring in which physical and social investments are made in order to keep neighbourhoods economically and socially vital. This has resulted in a national program for urban restructuring. In 1995 fifteen large cities and the national government signed a covenant, which was the basis for the Big Cities Policy (Grote Steden Beleid, GSB). The GSB resulted in an inventory of thirty cities (Grote 30 or G30). The GSB aims to improve the economic competitive power of cities and to restrict socio-economic and ethnical divisions within cities.
In socio-economic sense urban restructuring should lead to a good mix between bonding and bridging capital between its inhabitants and entrepreneurs. The strategy is based on three ‘pillars’: (1) physical improvements (emphasis on urban restructuring), (2) economical improvements (entrepreneurship and labour) and (3) social improvements (education, liveability, safety and care). The elaboration of the first pillar resulted in 1997 in the National Program for Urban Renewal. (Kauko & Goetgeluk, 2006)

In year 2003 the Ministry of Housing, Spatial Planning and the Environment (VROM) formulated a Program for Action Restructuring (Actieprogramma Herstructuering). In this program 56 neighbourhoods (representing 219 districts) were assigned. These neighbourhoods are assigned to improve the planning and negotiation processes between the various stakeholders, and also to improve the vacancy chain on the housing market. This last aspect refers to the assumption that the primary strategic supply of new dwellings (with diversity in tenure, type and so forth) generates an increased residential mobility, which in turn, ideally leads to a different composition of the stock and households, and further to a reduced spatial segregation.

The justification of the selection of the 56 urban regeneration areas is based on an elaboration about their social, demographic, economic and physical features. In general, these areas face various problems in the sense of high unemployment, large share of low income groups, and some more area specific features (e.g. high share of elderly or foreigners) that are supposedly causing problems in the long run, and thereby justify urban regeneration policy targeting. The majority of these areas comprise ethnic pre-war neighbourhoods in larger cities, but some exceptions include white working class neighbourhoods and post-war housing estates. The criteria for selecting them are the assumed urban restructuring problems in terms of economic, social and physical factors. (Kauko & Goetgeluk, 2006)

In the Netherlands a new planning law came to effect in 2008. In the new law the main changes are that detailed planning proceeds quicker, detailed plans are only norms but not binding, and that the municipality can switch the planning costs to the builder/developer. According to the Netherlands Environmental Assessment Agency the new planning system is in any case more flexible than the old one. (PBL, 2010)

The Red-for-Green mechanism is increasingly used in Dutch spatial developments. It means an earmarked value capturing of the profitable parts of a new urban development project which subsequently is used for financing unprofitable parts of spatial developments such as landscape and hazards management as well as social arrangements (Goetgeluk et al., 2005; de Wolff and Spaans, 2010).

Hence it can be concluded that a strong planning system still prevails in the Netherlands, and that it includes flexible tools such as Red-for-Green and PPP.

**Trondheim and Norway**

In Norway a very rigid system of spatial planning and land use regulation is in place. Here the tendency is that conflicts arise in any particular land use or development issue between public and private actors. However, it could be argue that as long as they have money generated by the state owned oil and gas industry – Norway being the richest country in the world measured in per capita GDP – this system works. We might however speculate over possible needs of improvement in order to accommodate some of the more innovative pragmatism purported by the Dutch above.

Should the consumers be allowed to choose their residential location freely, even if a certain risk is involved? Or to put the last, normative question more positively: is it really wise to have tight regulations for land use that leave little room for innovative financial mechanisms? It is evident that the experiences from other countries cannot be used as conceptual-methodological framework because the institutional circumstances are different; in particular, this refers to the laws and regulations for building, zoning in relation to environmental hazard locations and governance concerning how one manages to raise money for building using PP or otherwise.
In principle, building covenants between the private property developer and the municipality as possible also in Norway. What the municipality does is coordinating, but if the municipality lacks the funds (which is the case in Trondheim), the prospective builder is obliged to bear the costs of all measures. Moreover, the rules are not completely binding although they become stricter all the time. However, if the same occurs as during the 1970s, namely that there are changes towards more efficient plans and denser building of areas, it will be easier to get permission to build in the future. Finally, thoughts about jointly financed new building measures already exist in Norway. Private parties who wish to build must pay, and this will then be tested at the market place; in other words, if there is demand then an extra cost post for sustainability might be worth paying for. However, in such prospects the role of the municipality is only to coordinate such action. Thus, the role of the municipality is still an old fashioned government – not governance.

In the Norwegian/Trondheim context the problem is that regulations are too tight as the government has an old fashioned role mainly as regulator. As with so many other kinds of regulation in the society, the present building and protection regulations are based on the outmoded ideology of ‘protecting consumers from themselves’ (like alcohol regulations in this part of the world). The opportunities opened by the governance thinking are not utilized fully. However, elsewhere, in a case-study Arctander (2006) criticises the way the development projects in Norway were pushed through by the stakeholders, which implies that this system is occasionally be about governance too.

The municipality still has a negative, regulating attitude to new building by private parts, even if some cooperation takes place. Apparently are the innovative measures that have been discussed in certain other countries (notably Germany and the Netherlands) not possible in Trondheim. The question is now: why is this only about rules? Why not allow building of a given site if preferences to live there exist? This is exactly the old fashioned Nanny-state logic. In the today’s planning theoretical context it is accepted that the private sector can do some things better than the public sector (see e.g. Heurkens, 2009). In my view we need opportunities for negotiations. The private party could then pay for infrastructure or securing the site against natural hazards (flooding and land slide being relevant in this context), and this way can the concept of governance be applied in a good way. That this has not occurred much has to do with the lack of population pressure in this part of the world: when current resources suffice the need to look for alternative solutions is not urgent as it is in the central European circumstances.

**Last remarks**

In the present situation of downturns and crises, the relatively new sustainability criteria have put further requirements for a successfully run planning system. At the heart of the matter is a request for reasonable affordability, quality control, and variation in different building products. This is of great policy relevance: we need stimuli and good governance to achieve such goals. Here OIE has plenty to offer for a ‘patchy’ and evolving problem area such as the analysis of planning and real estate development in an urban setting.

Let us now summarise the empirical evidence from Budapest, Amsterdam and Trondheim. The issue is: what matters here for sustainability? If it is about good governance, the Netherlands is apt whereas Norway and Hungary are sporadic and heterogeneous in this respect. On the other hand, if it is about education of responsible consumers and citizens, the Netherlands is again deemed the most developed case of the three. Nonetheless, in Norway such agenda is to some extent considered reasonable, whereas in Hungary it is evolving.

Casual observing suggests that Budapest has a ‘wild regime’ marred by corruption, whereas Trondheim has a hopelessly rigid planning and democratic regime. There is no doubt that only the Amsterdam – and given the traditionally strong position of the national level in planning and policymaking in the Netherlands – the Dutch system has managed to combine the best of both worlds: private and public. The Hungarian system still relies on private too much and the Norwegian one is
still too much geared towards the public interest only. The argument put forward was that, for urban
development to be sustainable an element of smart, context dependent public planning is required, but
that this is not the case for either Greenfield or Brownfield areas of Metropolitan Budapest. It also is
not the case for the Norwegian system. However, while the Dutch one is the winner here, it can be
argued that all three systems are to a certain extent caricatures.

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**Notes**

1 In fact, during the EXPO Munich 2008 panel discussions a Hungarian developer-owner claimed that his company had managed to reduce energy costs by 50-60%.

2 Although the newly elected government is expected to change this situation.

3 At least the following projects are known to me: Simplon Udvar (ING RE); Duna City (Hungarian); Öböl project (Portuguese); a residential project near the Lurdy center (Israeli); and Marina Part (Exclusive waterfront).

4 Most recently there is follow-up to this policy known as Vogelaarwijken, following the cabinet of 2007 (and its Minister for Housing, Neighbourhoods and Integration in the Netherlands, Ella Vogelaar). These are supposed to be the 40 worst wijken in the country.