STRATEGIES FOR SUSTAINABLE PRIVATE SECTOR-LED URBAN DEVELOPMENT PROJECTS IN THE NETHERLANDS

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ABSTRACT

Strategies and partnerships for delivering sustainable private sector-led urban development projects are yet to be effectuated. Despite the fact that actors in real estate development increasingly incorporate sustainability features into decision-making, it seems that developing sustainable urban areas – taking into account more complex social, environmental, economic issues at a bigger scale with potential wider benefits – is far from common practice in Western countries. Nevertheless, some promising climate-adaptive and circular urban development projects are currently being initiated in Dutch practice. This paper explores two contrasting sustainable private sector-led urban development strategies by drawing lessons from case studies in Amsterdam and Rotterdam.

Keywords: urban development, sustainability, strategies, partnerships, Netherlands

INTRODUCTION

World-wide a trend towards more private sector influences in real estate development, urban development and spatial planning can be noticed (Andersson & Moroni, 2014; Glasze et al., 2011; Heurkens et al., 2015; Van der Krabben & Heurkens, 2015). The trend of ‘neoliberalization’ of space, planning and development (Huckworth, 2007; Olesen, 2013; Peck & Tickell, 2002) in the built environment can partly be attributed to the decreasing hierarchical role of government in planning and subsequent need for governance arrangements. For instance, in many Western countries, public-private development partnerships came into being aimed at combining public with private interests into urban and real estate development processes. This has created urban development practices that are characterised as ‘private sector-led’ (Heurkens 2012; Heurkens & Hobma, 2014), whereby private actors take a leading role and public actors adopt a facilitating role in managing the delivering of urban development projects. This phenomenon can be noticed worldwide, especially in developed countries (Squires & Heurkens, 2015; 2016). It means that local planning authorities increasingly share or delegate responsibilities and powers to private sector actors such as developers, investors, communities, and corporations in shaping the built environment.

Within such a changing context, simultaneously there are debates about how to develop cities and real estate in a more sustainable manner as both are vulnerable to climate change and resource scarcity (Pearson et al., 2015; Van der Heijden, 2014; Wilkinson et al., 2014; 2015). Remarkably, studies on the intermediate level of urban development, and its potential to contribute to the effectuation of city-wide sustainability policies by scaling up sustainable real estate development efforts to a district level with broader social-economic and environmental benefits, are scarce. Given the first trend towards more involvement of the private sector in developing urban places, the question rises what kind of strategies such actors can deploy to realise sustainable urban projects (Heurkens, 2016). Therefore, this paper first describes various conceptual private sector-led urban development typologies and strategies. This is followed by exploring two contrasting empirical case studies of sustainable private sector-led urban development projects in the Netherlands in Rotterdam and Amsterdam. The paper ends with a discussion on the effectiveness of the used strategies and partnerships in delivering sustainable private sector-led urban development projects, and implications for further research.

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PRIVATE SECTOR-LED URBAN DEVELOPMENT TYPOLOGIES

Only a few other authors in the field of urban studies (Adams et al., 2012; Coiacetto, 2007; Henderson, 2010) emphasize the need to understand the role of private sector actors in urban development. It seems that the diversity of possible private sector actors that engage in urban development is worthwhile exploring as their interests, goals, and institutional origins might vary. Therefore, this section elaborates on four typologies of private sector-led urban development, as a variety of private sector actors like developers, investors, communities and corporations can perform a leading role in urban development. Conceptually, the following descriptions indicate the basic characteristics of the various private actors and their (potential) leading role in developing urban projects.

Developer-led urban development

Developers are traditional real estate industry agencies. They typically buy land for real estate development with a combination of debt and private equity finance, and deliver projects for clients (either real estate investors or owners), upon which they normally complete and leave development projects with a decent profit, typifying them as trader-developers. Developers can be financial-organisationally linked to banks, investors, construction companies, or be independent companies. Potentially, their leadership role in urban development projects could increase by becoming active in real estate operation (e.g. by offering building services), and incorporating social-sustainable measures throughout the entire development process.

Investor-led urban development

Investors are also traditional real estate industry agencies. They can either be institutional investors, investment banks or development investors, and pursue real estate investment returns by purchasing real estate. Institutional investors typically buy real estate from developers, and often look for additional investors (e.g. investment banks, pension funds) to spread investment risk and share investment returns through cash flows during real estate operation. Development investors are actively involved in the development stages as well, as they specifically develop real estate for their own investment portfolio. Potentially, their leadership role in urban development projects could increase by becoming active in real estate (re)development by developing directly for their own investment portfolio.

Community-led urban development

Communities are non-traditional real estate industry agencies as their core expertise often is not real estate. Communities are locally-rooted actors such as property owners, entrepreneurs, or local citizens that engage in urban development. Property owners search for ways to (re)develop or (re)invest in their real estate, entrepreneurs look for business opportunities in urban redevelopment, and citizens aim to improve or protect their immediate living environment. Often they operate on a building scale and adopt incremental strategies to optimise real estate operation and building and public space and infrastructure use. Potentially, their leadership role in urban development projects could increase by linking organisation with investment capacity in neighbourhood regeneration.

Corporation-led urban development

Corporations are considered as non-traditional real estate industry agencies, as their core business is not real estate. However, corporations like technology and energy companies can be influential in urban development. Often such companies focus on the operation stage of real estate and urban areas by offering services like energy management or data monitoring amongst others. In addition, multi-national corporations can play an important role in shaping the built environment. Potentially, their leadership role in urban development projects could increase by extending their business models towards the real estate development stages.

These typologies of private sector-led urban development offer ground to understand the various roles private sector actors can play in urban development projects, and what kind of development strategies might suit their organisational values, and development interests and goals. Therefore, the next section elaborates on the characteristics of two commonly used private sector-led development strategies in the Netherlands.
PRIVATE SECTOR-LED DEVELOPMENT STRATEGIES

Van der Krabben and Heurkens (2015) indicate that roughly two types of development strategies and related partnership arrangements have come to represent the change towards more private sector-led development practices in the Netherlands: urban development concessions, and incremental piecemeal developments. To understand the major differences between both strategies some characteristics are described hereafter.

Urban development concessions

In organisational-legal terms a private sector-led urban development concession is:

‘A contract form with clear preconditioned agreements between public and private parties, in which a conscious choice from public parties has been made to transfer risks, revenues, and responsibilities for plan development, land preparation, land and real estate development and possible operation of the entire development plan towards private parties, within a previously defined public brief [or tender] in which the objective is to create an effective task division and a clear separation of public and private responsibilities.’ (Gijzen, 2009, as cited in Van der Krabben and Heurkens, 2015, p. 76)

In essence, the concession is a contractual agreement between public and private partners under private law. The concession to develop the land is given to a private entity once a public procurement/tender formulated by a municipality has been awarded to the private entity often based on a development competition. The initiative for a concession partnership in most cases lays with the municipality who formulates various objectives related to the urban development project and provides market actors with assessment criteria and other procedures in the public brief/tender. Private actors are required to design a development plan and provide economic-financial feasibility studies to back up their bidding for the land. At the same time municipalities use their public law mandate such as land use plans to regulate the land for development, and to give planning permission once private actors are awarded a concession that meets the requirements stated in the public tender. The management or operation of public space is a task mostly performed by the municipality in Dutch concessions, as the development industry is in-experienced with this manner and local authorities consider the management of the public realm as a core responsibility.

Despite its formal contractual nature and a strict public-private role division, various Dutch case studies have shown that concessions allow for and require informal public-private interaction (Gijzen, 2009; Heurkens and Peek, 2010; Heurkens, 2012; Heurkens and Hobma, 2014). In other words, there is room for negotiation between municipalities and developers about the development conditions, and often some programmatic flexibility about the development plan. Furthermore, the formal nature of the public tenders can provide fruitful ground for a clear formulation of public objectives concerning sustainable urban development. These objectives are then to be met by the private actors who have to come up with their own specific sometimes innovative solutions. Thus, in brief, private sector-led urban development concessions could be an effective formalised partnership arrangement to deliver sustainable urban redevelopment.

Incremental piecemeal development

The second development strategy that appears in the Netherlands is private sector-led incremental piecemeal development. In this model, the municipality develops a broad vision on the (re)development of a certain location and ‘invites’ the private sector to come up with plans that fit in the broad vision for the location (Peek and Van Remmen, 2012; Buitelaar et al., 2012). ‘The private sector initiatives may concern small developments situated in the (re)development location and do not have to cover the whole location’ (Van der Krabben and Heurkens, 2015: p. 73). This is in line with current risk-prone behaviours of both public and private actors, and the often limited financial liquidity and urban and real estate development knowledge of the organisations involved in this strategy. For instance, such private actors may involve local entrepreneurs, property owners, collective group of homebuilders, architectural offices, and even energy or technology-driven companies. They may initiate (re)development in the first place, or they may wish to contribute to (part of) an urban development vision initiated by the municipality. Moreover, such private initiatives often favour incorporating some sort of sustainability aspect in the development strategy, such as circularity principles or energy-efficiency measures, with a strong focus on local opportunities and benefits.

The introduction of this incremental piecemeal development strategy – considering the Dutch public-led planning doctrine – requires both a change of attitude by public and private actors, as well as increased flexibility in planning procedures (Van der Krabben and Heurkens, 2015). For instance, effective private-
private partnerships between energy companies and collective homebuilders groups need to be constructed that represent the direct relationship between the actors without public interference. Moreover, local authorities search for ways to build effective public-private partnerships which are often tailor-made and less generic as development concessions can be. Therefore, as of yet, no panacea for organisational and legal arrangements exists that represent the formal and informal relationships between public and private actors in organic urban development. Moreover, it remains unknown how for instance infrastructure can be financed in this strategy through some sort of value capturing.

**Table 1 Characteristics of private sector-led development strategies in the Netherlands**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Urban development concessions</th>
<th>Incremental piecemeal development</th>
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<tr>
<td>Development scale focus</td>
<td>Urban area</td>
<td>Real estate</td>
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<tr>
<td>Private organisations</td>
<td>Developers, development consortium, investors</td>
<td>Small developers, architects, homebuilders</td>
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<td>Legal agreement/entity</td>
<td>Concession</td>
<td>Private realisation</td>
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<td>Planning law/rules</td>
<td>Tenders, requirements</td>
<td>Guidelines, visions</td>
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<td>Financial value-capturing</td>
<td>Developer contributions</td>
<td>n/a</td>
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<td>Public-private relations</td>
<td>Formal</td>
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Table 1 illustrates the main characteristics of the two private sector-led development strategies. The most prominent question now is; to what extent are these Dutch development strategies and their particular public and private partners able to deliver sustainable urban places? The following sections illustrate how sustainability aspects are incorporated into a development concession project in Rotterdam focusing on climate adaptation principles, and an incremental piecemeal urban redevelopment project incorporating circular economy principles in Amsterdam.

**CASE STUDIES**

This section introduces and describes two empirical sustainable urban development projects which represent the private sector-led urban development typologies and strategies in the previous sections. At first sight, the Rotterdam Rijnhaven project can be considered as a type of developer-led urban development making use of an urban development concession strategy. Contrastingly, the Amsterdam Buiksloterham project represents a type of community-led urban development using an incremental piecemeal development strategy. For both case studies desk research has been conducted, including the studying of relevant documents such as journal articles, professional literature, government reports, master theses, and web articles, carried out in the summer of 2016. Hereafter for both case studies, the context for sustainable urban development efforts and characteristics concerning private sector-led development strategies and partnerships are discussed.

**Climate-adaptive concession development strategies in Rotterdam Rijnhaven**

Rotterdam is the second city in The Netherlands with about 630,000 inhabitants, it has the biggest port in Europe, is an important economic area in the country, and is recognised as a city with inspiring contemporary architecture. As port activities in the last decades have shifted outside the city boundaries towards the sea (Frantzeskaki et al., 2014), Rotterdam has created several strategies to redevelop its industrialised waterfront locations into mixed-use urban areas (Daamen, 2010). In this process the Municipality of Rotterdam (in the role of city planner) and the Port Authority (in the role of major landowner) founded a separate organisation Stadshavens (City Ports) Project Office in the 2000s to envision the future direction of; and, oversee urban developments of the City Ports area.

According Ernst et al. (2016, p. 2993) ‘the City Ports development program is closely related to the city’s programs for sustainable development, CO₂ reduction and climate adaptation. Its objectives are to connect a stronger economy with an attractive city by combining inner-city waterfront development with broadening
the ‘mainport’ and making it more sustainable’. Various partnerships and planning policies concerning the City Ports regeneration process are in place (see Frantzeskaki et al., 2014). The Clean Tech Delta and Rotterdam Climate Initiative are the most notable partnership arrangements important for implementing sustainability agendas in the city. They mainly function on strategic and tactical governance levels (see Loorbach, 2010), and are valuable for institutional transitions, policy making, networking and learning.

One of the most appealing recent concrete development initiatives by the municipality is the realisation of a ‘floating’ development in the former harbour water basin Rijnhaven (see location impression figure 1). ‘The rationale [behind building on water] is that increasing water levels (river, groundwater) will make innovative resilient living arrangements and settlements necessary. Floating urbanisation is conceptualised and envisaged as the adaptation option for Rotterdam as a deltaic city to climate change pressures’ (Frantzeskaki et al., 2014, p. 411) by basically combining water management with urban regeneration. This Rijnhaven project is a private sector-led urban development concession area, which is located adjacent to the dense mixed-use Kop van Zuid Willeminapier area and more residential Katendrecht area on the Southern banks of the river Maas. Ernst et al. (2016) argue that after an organised market consultation by the municipality in 2012 the scope had shifted from a floating development to an urban development (on water).

Figure 1 Impression of the Rotterdam Rijnhaven water basin and surrounding area (source: author)

This led to the decision of tendering the development to the market in 2013, which involved a bid book Rijnhaven Metropolitan delta innovation (Stadshavens Rotterdam, 2013) and public procurement directory (Gemeente Rotterdam, 2013) for the Rijnhaven concession. According to Ernst et al. (2016) the ambitions of the development had been broadened to new municipal policy objectives, including delta metropolitan innovation, quality of life improvement, shaping the Rotterdam Waterfront and continuous creation of added value. Procurement rules asked for a creative and flexible development strategy and for specification of public and private roles. Moreover, future private concession holders would carry responsibility for all development and plan costs, hold the concession in management for thirty years, and transfer the land back to the municipality without causing costs for the municipality.

This ambitious concession for a sustainable urban redevelopment carried out by private consortia was based on procurement experiences with another urban development in Rotterdam called Hart van Zuid. Ernst et al. (2016, p. 2995) set out that the procurement ‘offered a 30-year concession to design, build, finance, maintain and operate the area [and] a competitive dialogue between municipality and consortia of private parties.’
Also a committee of global experts in sustainability, transitions and urban planning had to assess to what extent the private plans lived up to the municipal ambitions. Moreover, during the process the municipality organised innovation markets creating private meeting points for bidders and other market parties. Despite these facilitative activities by the municipality the stringent set of requirements and high ambitions caused a dropout of interest market parties. According to Ernst et al. (2016) in 2015, after two years of dialogue between bidders and municipal officials, the municipality of Rotterdam concluded that neither of two remaining (out of seven initially interested) consortia of private parties had submitted a proposal that met the ambitions and prerequisites (Stadshavens Rotterdam, 2015). The municipality currently reconsider the way forward with the development of the area.

De Zeeuw (2015) argues that the failure of the Rijnhaven project could have been expected. The main reasons for this were over-ambitious requirements in terms of sustainability, which included developing social educational programmes for adjacent neighbourhood inhabitants, and innovative solutions for floating houses. Furthermore, the winning consortium had to pay three million Euros upfront to the municipality as compensation fee for municipal labour on the project, while the thirty year concession period already involved some financial risks for consortia, certainly in this type of development. When looking at the lessons from previous generations of concessions (Heurkens, 2012), one might conclude that the public-private partnership consisted of both building informal relationships and establishing a formal procurement relationship between municipality and market actors. However, what becomes clear from this case is that the high sustainability ambitions combined with the precarious viability of the business case was asking too much from the development industry at the time being.

Circular incremental development strategies in Amsterdam Buiksloterham

Amsterdam is the largest city in and capital of the Netherlands with about 840,000 inhabitants, it is the most global-oriented economic area in the country, and is recognised as magnet for young talent, international companies and tourism. The population is growing at a steady rate and the City of Amsterdam has the ambition to build 50,000 dwellings until 2025 (Grim, 2016). While its city centre is UNESCO listed and its famous water canal structure and dense built-up area do not allow for a significant contribution to research the municipal housing target, the city has turned its eye towards the various remaining former industrial (waterfront) sites alongside the river IJ, mainly on the Amsterdam north bank. This is a continuation of municipal spatial policies targeted at redeveloping waterfronts and piers into mixed-use urban areas.

The municipality has formulated structural vision on creating a strong economy and a sustainable city (Gemeente Amsterdam, 2011). In addition, various more specific policies and visions exist that embrace the ambition of becoming a smart city (Amsterdam Smart City, 2016) and a circular city (City of Amsterdam, 2015). The most prominent recent Amsterdam example of a circular urban redevelopment at the northern banks of the river IJ is Buiksloterham (see figure 2). This former industrial area was home to a Fokker aeroplane factory, a Shell oil laboratory, a large shipbuilding industry and other manufacturing (Reimerink, 2016). As over time a lot of companies either ceased trading or left the area which results in redevelopment opportunities for this polluted site.

Buiksloterham makes use of an incremental piecemeal development, which proved to be the only viable way forward during the 2008 economic crash, coincidentally taking place at the same time of the start of the redevelopment. Before 2008 the municipality had initially tendered the redevelopment of four locations as office developments, dictating high sustainability demands, but developers backed out of the project due to the financial crisis. As a result of these circumstances in Buiksloterham the city leaders eventually opted for a more bottom-up approach. ‘They changed the zoning to allow for a mix of uses, and they created a relatively hands-off path to allow Buiksloterham to slowly fill in with residences and offices on whatever land was safe to inhabit’ (Grim, 2016).

In 2010, the municipality started a tender for a ten-year lease of land parcel called De Ceuvel, backed by the idea to put the waterfront location to temporary uses until the market picked up, and the wish for creative approaches to sustainable urbanism. The winning idea from a group of young entrepreneurs focused on redeveloping the polluted site with retrofitted houseboats pulled up onto land connected by wooden walkways and special plants sees to clean the soil within ten years. It also houses a waterfront café, shared workspaces, organic restaurant and various sustainable technologies. As a result of this project, ‘meanwhile, Buiksloterham has evolved into a creative hub for the so-called ‘circular economy’ attracting devotees of the
idea that renewable power, rainwater harvesting, recycling and other techniques can allow an urban neighbourhood to handle all its own energy, water and food needs without creating waste’ (Grim, 2016).

**Figure 2 Impression of the Amsterdam Buiksloterham under-construction areas (source: author)**

Plot by plot the rest of the Buiksloterham’s development is progressing, with individual and collective homebuilders, creative designers and architects, energy and water companies, and more traditional real estate developers and housing associations active in redeveloping the area with housing. ‘In 2011, the municipality decided to sell off a small number of housing lots to attract people who wanted to build their own homes using sustainable building practices such as recycled materials and generating their own electricity’ (Grim, 2016). By doing so the Buiksloterham potentially contributes to the municipal housing development and sustainability ambitions. As the circular economy narrative spread, more parties than homebuilders and creative people began to show interest in the area such as developers, investors, public utility companies and researchers. For instance, housing association De Alliantie, real estate developer Hurks and real estate development investor Amvest are currently developing housing projects in the area.

In March 2015 about twenty public and private organisations, both traditional and non-traditional real estate parties such as energy and water management companies and citizens, signed the so-called Manifest Circulair Buiksloterham. With the manifesto, the parties expressed their aim to strengthen a collective ambition of making Buiksloterham a test case of circular urban redevelopment through Living Labs, and catalyst for a broader transition in Amsterdam. Several formal and informal private-private and public-private partnerships have come to existence in Buiksloterham (see De Ridder, 2014, p. 43) related to various initiatives and projects (Buiksloterham, 2016), which makes this incremental development a complex governance challenge. Therefore, the regulatory role of the municipality for sustainable urban development remains important. Steen (2016, p. 210) argues that

‘the sustainability-oriented tenders and selection procedures for PC and CPC in Buiksloterham prove that by including high requirements to sustainable performance in the selection procedures, highly sustainable development results can be achieved. ... It must be taken into account that the development within the set requirements stays feasible for the developer, which can be ensured by lower land- or leasehold prices, subsidies, or helping investments in for example basis infrastructure’.
In fact, Buikslotherham nowadays can be considered a combination between an incremental piecemeal development strategy (individual plot development) and urban development concession strategy (mixed use housing developments). Both development strategies co-exist in the area, albeit executed by different actors and partnerships involved. Thereby, chances increase that either development strategy incorporates aspects from the other. This on its turn might positively influence the institutionalisation of sustainable urban development principles in both planning systems and development practices (see Buitelaar et al., 2011).

CONCLUSIONS

This paper elaborated on the strategies and partnerships used for delivering sustainable private sector-led urban development in the Netherlands. It explicitly described the various types of private sector actors that could play a leading role in developing sustainable urban areas, and introduced two main development strategies and partnership arrangements currently apparent in Dutch development practice. The examples of two contrasting cases in Rotterdam and Amsterdam illustrate that Dutch urban development practice is incorporating multiple sustainability aspects into urban development projects with varying degrees of success. What can be learned from the Rijnhaven case is that the ambitious and a risk-prone municipal tender for a sustainable floating urban development proved to be unviable for private consortia. Buikslotherham illustrates that a circular urban development can be achieved by building various alliances between public and private agencies. In essence, both cases indicate that formal legal public-private arrangements on the one hand (e.g. concession tenders), and intensive informal public-private interactions (e.g. network organisations) on the other hand, are necessary to define what sustainable urban development for a particular area means and how it can best be achieved. Also it has become clear that neither development strategy is preferable or superior for achieving sustainable urban areas. Ultimately, when actor attitudes change and experience grows, established institutions in Dutch practice might prove to be more receptive for sustainable urban redevelopment in the future.

Hence, other countries and practices each have to discover and shape their own effective strategies and partnerships to invest in and develop sustainable urban development projects. Recent research (Buskens and Heurkens, 2016; Pol and Heurkens, 2014; Potters and Heurkens, 2015; Sturm et al., 2014) illustrates various sustainable private sector-led urban development projects in Anglo-Saxon countries take shape today (e.g. King’s Cross, London; Holzmarkt, Berlin; Strand East, London; South Lake Union, Seattle; amongst others). Each project is led by a specific developer, investor, corporation, or community operating within a bounded legislative, administrative and cultural context. Moreover, these projects represent the entire spectrum of applied strategies ranging from short-term incremental real estate development to more long-term integrated urban development. This variety in examples shows that sustainable private sector-led urban development strategies are applied elsewhere and that the Dutch cases do not stand alone, albeit differences in local institutional circumstances determine how strategies are effectuated. In terms of research, it therefore remains important to compare international examples of sustainable private sector-led urban development, in order to draw lessons about how private sector actors potentially drive, and contribute to, the realisation of a sustainable built environment, and how public actors can effectively influence market behaviour and actions.

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