

# **Neighbourhood Development Corporations: A tool to combat metropolitan problems - Do cities have a future?**

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## **Key words:**

## **ABSTRACT**

One of the topics in the working-programme of commission 8, Spatial Planning and Development, is to continue the work of the in 1992 formed Working-group Urban Regeneration and Solutions to Inner City Problems. Aim of the working-group was/is to follow several urban-regeneration-projects for a period of at least 12 years. Some projects of the Netherlands are about the Neighbourhood-Development Corporations. The first one, started in 1992 in the city of Rotterdam: WOM-Vastgoed Ltd, several were founded in the following years. All were new instruments for upgrading declined neighbourhoods.

In 2001 the author started with the Neighbourhood-Corporation Enschede Ltd. The article is about the experiences, successes, failures and differences with both the founded Ltd's.

Germany, as good member of the working-group, has the Emscher-project, a project that is nearly completed now.

By the work of the working group, commission 8 will stress that we, as surveyors, share the responsibility for well-functioning cities, for instance: big-cities. We should contribute to the prevention of the arising of urban areas. In fact, the goal the working-group has set to itself, is to develop new, effective executive instruments that help to counter urban deterioration.

In one of the upcoming years both the results as well as the effects of the Emscher-project and the Neighbourhood-Corporations in the Netherlands will be evaluated. The working-group will write a report on both projects; even maybe together with one of the projects that has been studied in England.

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## **Neighbourhood Development Corporations: A tool to combat metropolitan problems - Do cities have a future?**

**Paul A.G. LOHMANN, The Netherlands**

Do cities have a future? Considering the population figures the answer will be positive. Cities have a bright future. In 2005 65% of the world population will be city dwellers. In 2025 it is expected that even 80% of the world population will live in major cities. The constant growth of cities is explosive.

However, what about the quality of those cities? What will be the appearance of major European and North American cities? Possibly an even more accentuated segregation of small groups of 'have's' and large groups of 'have-not's', a high concentration of unemployed with hardly any prospect of jobs or education, increased deterioration of large city areas, increased criminal behaviour and lack of security?

Or is there a chance of a rather more optimistic scenario: the city being the driving force of economic and social development, the centre of opportunities.

You would not be surprised to learn that many of the European and Northern American cities are in a state of crisis. Social (and racial) pressure fundamental to the riots occurring in a large number of American and European cities continues to exist. Crime and hooliganism spread from the older parts of the city to better-off residential areas. As things stand now there is little reason to be optimistic about the future of cities.

Despite continued interest in cities and urban issues a solution to these problems has not been found yet. However, some positive developments do take place. After years of warnings voiced by various professional groups the impression is now that local authorities start realising that something has to be done. Although the Netherlands are not among the front runners two successive administrations have made considerable progress in this area by making available funds to implement their so-called big cities policy. (metropolitan?)

Several years ago the United States too started following a firm line in tackling the problems of a number of big cities. In this respect the new Clinton administration can be considered a turning point. Twelve years of conservative administration had led to an unprecedented economic and social nadir of the American city. The complex nature of metropolitan issues for the first time now became a major theme in Clinton's electoral campaign. Investing in urban renewal, improving the quality of city life and the creation of employment was the message. There is no doubt that the message came across. In that same period of time New York was remarkably successful in tackling the (security) issues in the Times Square area.

In Europe too an awareness of the 'metropolitan issue' at national level became apparent. It became obvious that deterioration can be contagious. One rotten apple can spoil the whole barrel. The time had come to act and fortunately action did take place in the framework of the big cities policy. Particularly by making available funds to municipalities that allowed them

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to invest in projects and processes that were expected to be successful. Actually, there was no choice; this had to be done. In the preceding 10-year period social and economic structure had rapidly and drastically changed to the extent that something had to happen. As yet the indications are that this change in social and economic structures will persist in the years to come. Solutions will have to be found.

It would not be right to think that nothing at all has happened. On several fronts solutions and adjustments are being elaborated. Obviously, the most eye-catching projects are those large-scale renewal plans to serve to compete with other cities and exploit the prevailing potentialities. Waterfront development, high-quality office development often in conjunction with urban villa's are essential in metropolitan economic functioning. But there is more to metropolitan economic renewal, which is the existing small-scale economic structure. It is the complex of rather haphazardly come about structure comprising small enterprises, shops, trade and service businesses. Not very glamorous but crucial to the economic performance of the city as a whole (the Dutch MKB, Organisation for Small-and Medium Scale Enterprises, is an important employer in this sector).

This structure often prevails in older areas of the city, which often at the same time harbour a host of problems; deterioration of spatial quality, population composition in transition, 'have not's' taking the place of 'have's', a concentration of crime, drug traffic and prostitution.

Since 1985 the author (this speaker, the undersigned) has been actively involved - and still is - in tackling the problems occurring in several city areas/neighbourhoods in the Netherlands. To mention a few examples: the 'Mercatorplein' project in Amsterdam, the 'Spijker area' in Arnhem, the 'Witte de With area' and the 'Oude Noorden' in Rotterdam. Particularly in the Rotterdam projects, very positive experiences were gained with (real estate), in Dutch so-called, 'Wijkontwikkelings Maatschappijen' - Neighbourhood Development Corporations. It is a tool developed from practical experience, shaped in the process of public and private collaboration/interaction and as such serves as an example in the approach to identical areas in the cities of Heerlen, Utrecht, Arnhem and Enschede.

## **URBAN REALLOCATION OF REAL ESTATE AS A CONTRIBUTION TO SOLVE PROBLEMS OF METROPOLITAN DEVELOPMENT.**

The basis for Neighbourhood Development Corporations is in fact the approach to urban reallocation of real estate; a practical approach which aims to prevent the deterioration of older city areas and to solve prevailing problems. To this purpose in the late seventies-early eighties a methodology was developed which is called Urban Reallocation of Real Estate.

### **Urban Reallocation of Real Estate is defined as:**

*"A methodology designed to optimise real estate property and usage relations in a circumscribed area to allow better opportunities to the economic functions of this area, thereby enhancing the participation of owners and users involved."*

This definition contains a number of important elements:

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FIG XXII International Congress

Washington, D.C. USA, April 19-26 2002

## **1. A Methodology**

Urban reallocation of real estate is a methodology, a *modus operandi* rather than the superimposed implementation of a project by the local authorities. It is in nature a guided process; the parties involved share the same goal. The individual responsibility of owners and users is central in this; the authorities serve as catalysts.

## **2. Optimisation of Property and Usage Relations**

Urban reallocation is aimed at the existing urban area. It is an area which has a past, an area in which over time property and usage structures have come about that are now outdated and impede positive economic, spatial and social development.

Interfering with property relations is not a simple thing; the legal means to do so are hardly or non-existent. Results can only be achieved by financial incentives, consultation and contractual agreements.

Urban reallocation of real estate is characterised by the application of instruments pertaining to both public and private law. Its added value is determined by concentrating the deployment of these means, in particular of this capacity (i.e focussed attention).

## **3. Enhancement of Economic Functions**

First of all the methodology is aimed at enhancing the economic functions of the area. Some examples: boosting the structure of retail trade, the revitalisation of outdated industrial sites. Urban reallocation, the displacement of enterprises should always be considered in conjunction with physical interference: renovation and construction development. However, it has essentially a different point of departure; it foremost focuses possibilities of enhancing the structure, followed by physical improvements.

It goes without saying that the social structures of this area should be considered. Economic development often goes hand in hand with social development. Petty spending in retail trade is often related to the lower income brackets.

## **4. Participation of all Parties Involved**

Enhancement of the economic structure will only be effective when proprietors and users are willing to collaborate. It concerns, after all, their property, their interests; they will have to invest in their surroundings. Particularly when the property and usage structure is fragmented the interest are not always aligned. Consequently, it is imperative that participation is realised on the basis of a commonly agreed plan. In addition frequent and close consultations will have to take place. Once agreement on the plan has been achieved a basis for its implementation has been created.

## **IN A NUTSHELL**

Over the past years the methodology of urban reallocation has been applied in various projects, in particular in the present urban areas. The *individual responsibility* of private parties is pivotal in this. The local authorities promote development by deploying the available tools, such as financial support, planning etc.

## **IMPLEMENTING TOOL: REAL ESTATE NEIGHBOURHOOD DEVELOPMENT CORPORATION**

The availability of a (administratively endorsed) implementing tool is crucial to the approach to urban (problem) areas. A well-defined plan is of major importance but at the same time of little value if it cannot be implemented. Hence, one needs the means to control and to activate.

Little or lack of grip of the (function) of real estate often impedes the approach to urban problem areas. Real estate owners often have different perceptions of and plans for their real estate; in many cases these perceptions and plans have contributed to the deterioration of the area. With an aim to solve this issue the WOM Vastgoed BV (the Real estate Neighbourhood Development Corporation) was established early 1992 which, as an extension of the Neighbourhood Development Corporation (a foundation, established in 1990), operated in specially designated areas.

## **WOM-VASTGOED B.V. ROTTERDAM**

The WOM Real estate Neighbourhood Development Corporation of Rotterdam aims to enhance the socio-economic position of metropolitan Rotterdam and to expand employment opportunities. The WOM particularly focuses on the older city areas and neighbourhoods that were less successful in terms of methodologies or approaches. The division of tasks within WOM is rather straightforward: the foundation involves itself with project management, whereas the real estate corporation acquires real estate which (following renovation or redevelopment or not) is deployed in the process.

## **Public Private Partnership**

The real estate development corporation has opted to take the form a private limited company/partnership. The city council owns 50% of the shares, 5 private companies hold each 10% of the shares. A part-time director has been charged with its management<sup>1</sup>.

## **Acquisition Policy**

At the request of the foundation property is being acquired which has some kind of 'record'. In many cases these properties have been the source of trouble to the area and public and criminal law have proven ineffective in re-establishing acceptable social conditions. As a consequence of private law enforcement the acquisition of property permits determining the function and optimum utilisation of these properties with an aim to reduce trouble and to add

chosen functionality. This approach allows the Corporation to establish a 'grip' on the property; not only in the actual process but also in the management phase.

### Witte de Withstreet, Rotterdam

The integrated approach of the Witte de Withstreet (project) in Rotterdam is another example of the WOM's successes in neighbourhood development. In the late eighties this was the drug and prostitution area 'par excellence' (real estate agents would not even consider investing here). Now this is the cultural axis of Rotterdam and investors and real estate agents compete for opportunities to (re)develop the area. Although the WOM in fact does not own a single property the much-required 'grip' remains; 45% of the properties are being rented or sub-rented under very strict conditions.

### **Neighbourhood Corporation Enschede Ltd**

As consequence of the experience in (process-oriented) real estate development corporations gained in Rotterdam the Neighbourhood Corporation Enschede Ltd was established early October 2001. It is intended as an effective tool in combating drug traffic and public disturbances in the eastern part of Enschede. The municipality of Enschede (25%), two housing corporations<sup>2</sup> (each 25%), and a financial institution (25%) without any direct development interest participate in the corporation.

The sphere of activity of the Neighbourhood Corporation Enschede (NCE) is limited to the eastern part of the city, an area on which the authorities as a result of inefficient and ineffective control to large extent have lost their 'grip'. Drugs and a host of so-called coffee shops (**as a rule a soft-drugs marketplace**) and concomitant social troubles have caused many local entrepreneurs to close their doors and the population to move elsewhere. It is the well-known downward spiral.

### **Public Private Partnership**

In Enschede as well, it was opted to establish a private limited company managed by a board comprising four directors (each shareholder providing a director).

### **Acquisition Policy**

As opposed to Rotterdam the NCE focuses on a limited number of properties, which all of them cause social unrest. The objective is to eliminate trouble in a limited period of time and to utilise the property in accordance with the objective of the process of improvement.

### **IN CONCLUSION**

The acquisition of property by a real estate development corporation, for example, can only be successful provided there is broad support for a plan of revitalisation. A plan of this kind requires the support of the local authorities as well. The aim is to involve them in an active plan of action for the area, neighbourhood or street.

In addition the plan should focus on bringing about the collaboration of various municipal departments and other authorities. This process of multilateral collaboration is very time- and energy consuming and requires considerable persuasion. However, this is elementary to the plan.

The acquisition of property as part of a process of revitalisation is crucial; it permits establishing a grip on real estate and achieving synergy by exploiting the qualities of public and private law.

However, the acquisition of real estate is nothing but a vehicle, a vehicle to achieve the objectives of a process. It should always elementary to an overall process based on a plan of revitalisation (co)-supported by the authorities. A real estate development corporation (if necessary on neighbourhood level) may be instrumental in the process.

(The author has been involved as a director in the WOM Rotterdam and the Neighbourhood Corporation Enschede since the foundation)

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<sup>2</sup> Housing corporations called Ons Huis ('Our Home') and Vooruit ('Forwards')