

Planning in an environment without growth

Invited essay for the Raad voor de leefomgeving en infrastructuur (Rli), the Netherlands

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1. Planning in a context of discontinuous change

1.1. Introduction

Dutch urban regions have recently entered a period of severe financial and economic turbulence and uncertainty. Current political ambitions to enhance the competitiveness and livability of cities and regions progressively diverge from financial-economic realities. Dysfunctional demand and supply conditions are rapidly changing the contexts in which state-market-civil relations are mediated, and in which governments are seeking to devise stability and then secure longer term economic recovery. In particular, in this uncertain inter-regnum urban land and property markets are being severely disrupted, reinforced by increasingly restricted and re-regulated public and private financial resources, and uneven planning responses (Janssen-Jansen, 2011a). As a consequence, the further development of many greenfield projects have become increasingly questioned and, at the least, face serious delays in development, while at the same time the financial feasibility of many urban transformation projects have come under pressure (Van der Krabben, 2011a).

There are related substantive questions associated with current and anticipated economic and industrial restructuring and dynamic demographic changes. Just like many other European countries, Dutch cities face particular demographic pressures, such as those relating to the stagnation of population growth, an aging population and - as a result - a decline in the available work force. These conditions are evident in those urban areas considered to have relatively better economic prospects (Janssen-Jansen, 2010). These foundational changes will inevitably make any post-crisis recovery an even lengthier process as demand and thus the potential for economic growth will continue to change on a likely non-linear basis.

It is becoming increasingly clear that the growth era that enabled many Dutch city governments to reap benefits from property development to remake and revitalize portions of the city, and to increase – and even inflate – the level of service provision and the quality

of urban spaces through the available land revenues, not only has ended, but has reversed. Currently, many Dutch cities are experiencing severe financial consequences on top of budget cuts from national government as a result of their over-optimistic over-zoning in relation to direct development strategies and land acquisition programmes (Deloitte, 2011). In some cities the deficits on the municipal land bank are exacerbated by a reduced amount of money made available from general funds as a consequence of the austerity policies now prevailing with respect to public spending and expenditure for the provision of public services. This is putting a pressure on the quality of the environment. Recently these circumstances have resulted in certain Dutch municipalities accepting financial supervision from their provinces, due to the serious budgetary constraints they are facing (in particular those caused by issues associated with land banks). It is likely that other municipalities will follow and have to restrict their expenditures with further consequences for established levels of service provision and the quality of the built environment.

The current pressure on the quality of the urban space in relation to destabilized land and property markets is perceived as a major and an increasing problem in the Netherlands. An important starting point for this essay is that we believe that this problem is not a consequence of the financial-economic crisis, but is a consequence of the systemic weaknesses in the planning and development system itself. Due to this structural rather than cyclical problem, alternative solutions have to be considered. Many of the solutions currently being proposed do not recognize the fundamental questions which lie at the core of the problem.

1.2 The need for a longer-term perspective to maintain or increase spatial quality and quality of life

A foundational principle of land use planning is to plan for land use and development in the public interest. Yet, how this politically defined public interest is socially constructed and implemented changes over time. The new constrained context for planning demands a more fundamental discussion than has taken place to date – notwithstanding the dramatic shifts in conditions. This essay considers how the prevailing parameters for land use planning might operate in very changed conditions of zero or less growth. Indeed, one scenario is that advanced economies may have to deliberately plan for less growth as an operational objective – the so called de-growth possibility (Alexander, 2012). This would involve a politico-economic policy of planned economic contraction that seeks to sustain community well-being and ecological conditions. What happens if economic growth is absent? What is the capacity of the land use planning system to remain the appropriate form of state intervention to secure whatever is presented as the public interest? Land use planning would still be required in a de-growth context. Current arguments seem to be predicated on quick ‘fixes’ to stimulate markets and promulgate the political rhetoric of growth. Such

(dogmatic) pragmatism, however, reflects a tendency to short termism and the predominance of non-strategic thinking and action. Incremental responses tend to be place-based and disjointed, lacking strategic direction and spatial cohesion. Piecemeal interventions may have differential impacts and adversely affect particular communities, weakening the capacity of planning to be efficient, effective and equitable. Vertical and horizontal integrated strategic planning is a pre-requisite to new state responses. Poor or limited integration of planning and development interventions may yet serve to further exacerbate what is essentially a flat lining economic landscape.

In this essay we argue that there is a case for more assertive longer term and strategic thinking about planning for the future. There is an associated need to critically reflect and deliberate on how planning strategies and instruments could contribute beneficially to a situation of 'less or even no growth'. This cannot be a passive discussion but must be a dynamic narrative to reflect a continuously changing context often with unrealistic societal and political expectations. This might include, for example, stimulating a specific economic development, rather than seeking to secure a broader economic growth agenda; preparing for the development associated with particular demographic changes; explicitly redistributing social wealth; and addressing the overall quality of life issues facing society. Reference may be made here to Scotland, where an alternative economic instrument – enterprise areas – is being explored which is based on identified industrial sectors perceived as having growth potential rather than the more conventional geographical zoning of planning and state support. This represents a new way of seeking to understand the realities of the structural composition of the Scottish economy to set the context for appropriate planning. Older ideas are being contested and newer approaches seeking to address prevailing economic conditions.

The nature of identifying various possible new scenarios is very complex – involving different understandings of the role, purpose and form of land use planning. In conditions of long term zero growth relations may yet continue to change. Spatial differentiation may also prompt further changes to the planning arrangements. What are the implications for the architecture and delivery mechanism of the land use planning system? What will the planning system be able to secure with zero growth, limited redistributive powers and possibly a continuing resistance to the very idea of state intervention? What kind of fundamental (institutional) changes are needed to provide an appropriate technocratic and democratic decision making framework? What happens if the growth based planning system loses its legitimacy to intervene and influence the management of change? What happens if the public interest is rejected in favour of short term profits? How are future strategic and place-based developments to be sustainably financed in a period without growth and reduced public expenditure? What opportunities are offered by current trends? What can the Netherlands learn from experiences elsewhere? Many other countries are dealing with comparable challenges and are searching for responses in adapting their land use planning frameworks. In this essay the focus draws on selected comparative planning experiences

from the devolved UK (England, Scotland, Wales and Northern Ireland) and the Republic of Ireland. We will also use some planning experiences from Germany.

1.3 Goal of the essay

Dutch planners, policy makers and decision-makers have tended to lack a broader comprehensive assessment of post-crisis urban planning and development in order to conceptualise, problematise, analyse and deliberately address present challenges (Janssen-Jansen, 2011a; 2012a). In this essay we will rethink, in the context of a planning horizon with reduced demographic and economic growth (and in some regions zero growth), the rationale for planning in the Netherlands and the need for a pro-active approach to be taken. This line of reasoning will refer to planning debates elsewhere in a context of ‘flat-lining growth’. In particular we will reflect on ideas how to maintain and improve standards and provision of urban spaces in the future. We will discuss some proposed options. The essay advocates the adoption of a new, more resilient post-crisis urban planning approach will be based on three coherent lines of reasoning: a review of the debate in the academic literature with regard to the consequences of neoliberalism in economic thinking for planning, a selective international comparison of planning debates in the context of a changing economic conditions and demographic patterns; and an examination of what may be called the ‘systematic weaknesses’ in the Dutch system of land and property planning and development.

Structure of the essay

The structure of the essay is as follows. Chapter 2 elaborates from a structural perspective the current systemic challenges underlying planning and the implementation of urban development projects in Dutch cities. Our focus is on planning in the Netherlands, but we will put the Dutch experiences in a broader international perspective. Chapter 3 elaborates on the context of neoliberalism in economics and its impact on planning and development. We will identify some problems that necessitate us to rethink the spirit and purpose of planning in modern society. Chapter 4 provides a more detailed evaluation of Dutch planning and urban development strategies and of what we see as the key ‘systemic weaknesses’ in Dutch planning. Finally, Chapter 5 puts forward some thoughts on what planning without growth could look like in the Netherlands.

Research methodology

The content of this essay is primarily the result of discussions within the author team, discussions between individual authors, research performed by the authors individually and

collectively on other projects and discussion with the members of the RLI Commission 'Leefomgeving zonder groei' over the course of two specific meetings. The authors carried out a review of the recent literature on planning and development. This essay is not a formal research report. We are aware that many of the thoughts and expressions in the essay are not based on extensive scientific research and need further examination. The thoughts and expressions presented here must be seen as the author team's opinions concerning present challenges for Dutch planning and urban development.

2. Current challenges to urban planning and development

2.1. Definition of the problem

Until now, it has predominantly been the reconfiguring global financial economic crisis that has been blamed for the “disruption” of real estate markets and the financial concerns for urban planning and property development (see, for example, Deloitte, 2011; Nicis Institute, 2011; Ministry I&M, 2012a, etc.). The current property development problem is basically framed as a result of a lack of demand for land and property development due to dysfunctional financial circumstances, austerity policies and the economic recession. An analytical cyclical perspective suggests that stalled - or even cancelled - urban development projects are seen as a consequence of this multi-faced crisis. Consequently, this analytical frame—has encouraged debates about solving the problem by devising ways of reviving stalled development projects and get development processes going again¹. In other words, it seeks to replicate the previously existing conditions of the earlier economic boom and buoyant land and property development boom. This line of thinking involves a search for the so-called ‘new income models’² for urban development to replace the ‘old income models’. The approach is the same but adapted to the new circumstances of financial markets, land and property development sectors and market conditions. The emphasis is – as is to be expected from the very concept of an income model – on the finance side. Many of the emerging proposals do acknowledge that any such ‘new income models’ involve a structural change from the ‘old models’, but these tend to be accompanied with a strong belief in economic recovery³ and new patterns of growth that will enable the economy to stabilize, recover and then sustain current levels of the quality of the built environment.

Many reports and presentations on these ‘new income models of urban/area development’ have been published since the beginning of the global financial crisis (Van Rooy, 2001; Praktijkleerstoel Gebiedsontwikkeling *et al*, 2011; Nicis Institute, 2011; Ministry I&M, 2012a). Most acknowledge there might be a need for some structural change in future urban and area development processes and that it is likely that the old system will not – or even should not – return in an identical form. The proposed ‘new income models’ suggest a structural change in the system, yet continue to assume it will be possible to arrive at comparable outcomes. This is a consequence of their embedded assumptions of achieving new growth. This new income reasoning essentially searches for a structural shift within a pre-established context that takes a basic cyclical perspective of the very causes of the problem.

¹ In Dutch: ‘Het vlottrekken van gebiedsontwikkelingen’.

² In Dutch: ‘nieuwe verdienmodellen’. An income model is part of a business model; it is about the strategy for getting revenues from an activity.

³ The ‘Wonen 4.0 akkoord’ (Housing 4.0 agreement) for example aims to fundamentally change the structure of the housing market in the Netherlands, but indicate at the same time the implementation has to be “postponed until 2015 as the market will then have recovered” (Vereniging Eigen Huis *et al*. 2012).

From a perspective on an environment without growth or less growth this may be contested. What if there is zero growth? What if there are very evident differentiated and uncertain patterns of new growth? What happens if the spatial social, economic, environmental and political tensions involved in this possibility prove too onerous for community stability? What if there is de-growth? These are important considerations. Moreover, the cyclical and optimistic perspective neglects the possibility that it was the weaknesses in the old system that caused it to implode. The systemic conditions in the original land and property development context are neglected in this line of argument. In contrast, what if the problem of current dysfunctional real estate markets was not caused solely by a lack of demand arising from the financial collapse, the recession and austerity but was intrinsically property-led from the start?

This structuralist perspective would assert that the economic boom of the mid 2000s was principally driven by speculative land and property development activities fed on the buoyant economic circumstances with an overabundance of available and cheap finance, busy land and property development markets and relatively poor controls. Evidence from the Republic of Ireland shows how such circumstances combined to create an inflationary spiral of property prices, speculative land trading, and intense rates of building activity at large – which was particularly evident in the commercial and retail property sectors (O’Toole, 2009). This was subsequently shown to be unsustainable but points to the behaviour within the land and property development sector itself bringing the process to its inevitable conclusion (McDonald & Sheridan, 2008). The material over-supply of property – evident in ‘haunted landscapes’ and ‘ghost estates’ demonstrates the intrinsic problem of the land and property development sector itself, compounded by relatively lax land use planning (Kitchen *et al*, 2010). This structural perspective provides an alternative view of the realities of land and real estate development and the ‘toxic’ link between real estate and finance which served to subvert the public interest. We assume then that the economic boom and property bubble was not consumer-led but supply driven from within.

This line of reasoning suggests that the concern with urban development projects that have been stalled or cancelled is misplaced as the problem is how they came into existence. Following this argument, the current level of the quality of the built environment and the level of service provision were inflated as a result on the overabundance of land revenues realized in the past decade from existing actions in land and property development sectors. In effect, the ‘old income model’ created a bubble in service provision with unfortunate attendant unrealistic expectations. Some evidence is to be found in the available reports on how Dutch municipalities have been budgeting over the past decade and the financial problems in municipalities under ‘financial supervision’: Apeldoorn and Beuningen (Tweede Kamer 2009, Ministry of BZK & Province of Gelderland, 2012a; 2012b). The financial problems in Apeldoorn and Beuningen have resulted in other municipalities rethinking their own spending behaviors as they realize they also might have over extended their spending and used – incidental - land development income inappropriately for structural expenditures

(such as the salaries of municipal employees). In effect, this course of action confused the management of capital assets with current budgeting arrangements.

The problem then for the future is not about determining ways of reviving stalled projects, but on defining what is considered to be acceptable levels of service provision and sustainable levels of quality in the built environment in relation to available funding. Many of the suggested 'new income models', for instance, could turn out to be 'models of loss' of provision in a broader context in this respect (see also section 5.2). The focus on 'new income models' ignores the quality of urban spaces and the maintenance thereof in places where no change/development is foreseen for the future. In a situation of no growth these areas will also be relatively more adversely affected due to the nature of the financial system.

In practice there has been relatively little discussion about what 'acceptable levels' of service provision and quality of the built environment are likely to mean in the transformed context. In current debates it is often assumed that current standards are 'acceptable' and should be kept at this level. This tends to overlook the fact that these levels are not even over time and space. That the levels might have been artificially inflated by the particular arrangements of the urban development system over the past decades has been largely ignored. Information about how the level of service provision relates to the quality of the built environment is lacking. Evidence as to what extent these levels are dependent on public investment is also constrained. Publicly financed services such as safety, arts, libraries, school buildings are often not seen as part of the quality of the built environment, being presented in provision terms, yet they directly influence living and working preferences. These services are predominantly funded through a grant from the national government (*Gemeentefonds*). For a proper discussion about how to find ways to maintain – or even improve – the level of the quality of Dutch urban spaces in an environment without growth, it is of the utmost importance to define what this level should be, and whether or not, an uneven level of this quality across the country is politically acceptable. Until now, there is only very limited debate about this. Yet, the prevailing policies of austerity are likely to increase attention for this debate in the very near future.

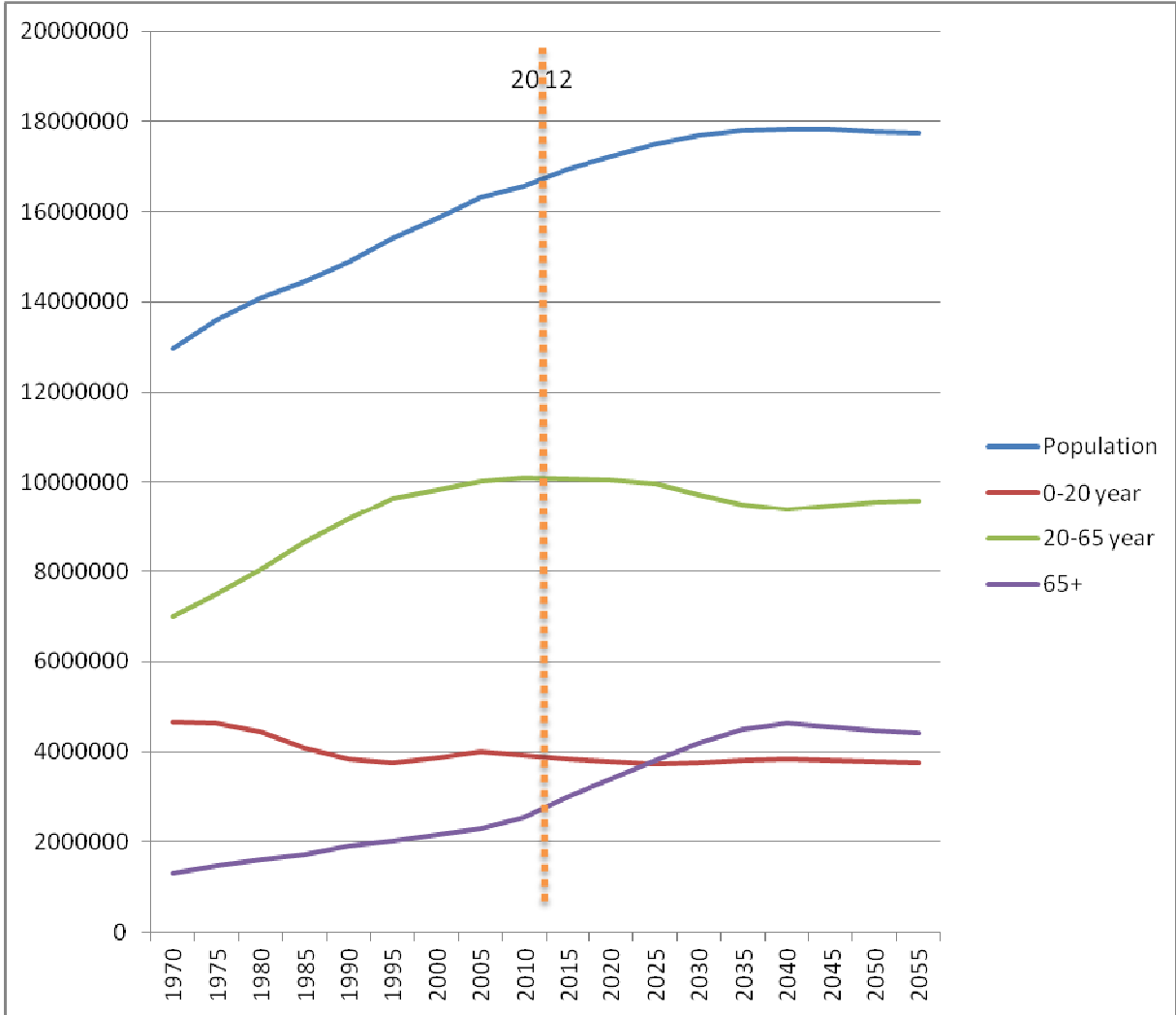
The framing of the 'problem' is extremely important prior to pursuing solutions and evaluating their potential. The framing of the scale of the problem matters is also important. Exploring the potential of the 'new income models' for urban development projects (in effect seeking to revive a project at a local level) is a very different question from investigating ways to sustain an acceptable level of service provision in all Dutch municipalities. What is called 'smart' and/or 'sustainable' from the first perspective might be considered immaterial or redundant from the second perspective. An acceptable quality level of the environment must be understood not only in self-referential and local terms, but in a wider metropolitan and national context as well. In searching for new financial models of urban development the aim of what they should deliver needs to be clear. This involves

an explicit normative dimension. Further, there is a tension between short-term goals and long-term goals. Instruments are often proposed without attention being paid to the interdependencies and redistributive mechanisms involved (Janssen-Jansen, 2012d). Yet policies and instruments are not implemented in a vacuum. Implementation of solutions (to whatever problem) will inevitably have redistributive effects with regard to the provision and quality of urban spaces. We are not starting from an even place. There will be intended and unintended effects of these new policies and strategies. Some of these unintended effects might be politically deliberate (and – depending from the adopted viewpoint – even be perverse), others might be accidental and have both positive and negative effects. What is positive and what is negative is ultimately a political decision. Yet, before politicians will be able to decide they need to be provided with possible options and their practical alternatives.

2.2. Selected evidence of contemporary discontinuities in the Netherlands

In this section we provide contextual data on certain key discontinuities that Dutch planning is facing. First, the Netherlands will face a number of structural demographic hurdles in the near future. Although there will be limited population growth until about 2040, the growth rate will stagnate and the structural composition of the Dutch population will change. The demographic changes include an ageing population and - as a result - a decline in the available work force, even in those urban areas considered to have relatively better economic prospects. In Figure 1 the development of Dutch population growth is presented from 1970 till 2055. The 2015 and further figures are based the latest prognosis. The stagnation of growth, declining work force and ageing population are very evident.

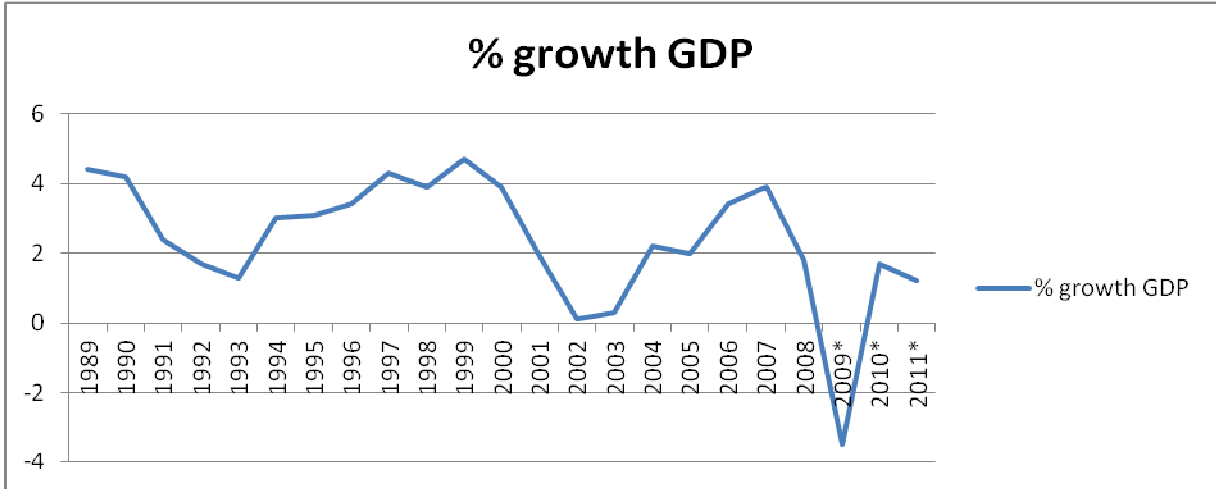
Figure 1: Dutch population growth 1970-2010 (with prognosis till 2055)



Source: CBS Statline, 2012 (data from 2015 and further concern prognoses)

The volume development of gross domestic product (GDP) is often used as a measure for economic growth. Figure 2 shows that growth rates over the past decade (2001-2011; average 1,4%) have been significantly lower than the period 1990-2000 (average 3,3%). The optimistic scenarios that have been used to substantiate much of the newly proposed development assumed a growth figure of 2,6% (Global Economy Scenario of the CPB, 2004).

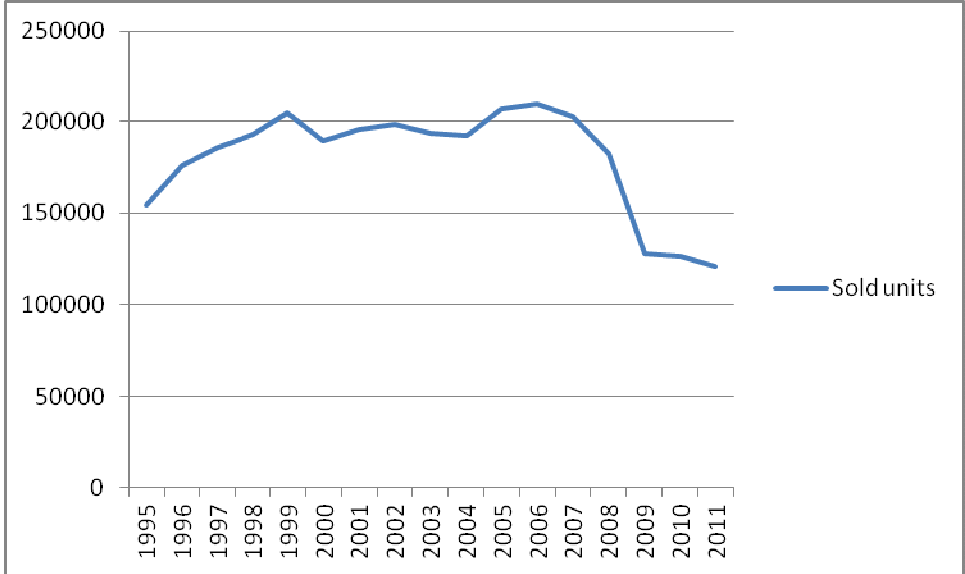
Figure 2 Volume development of the Gross Domestic Product



Source: CBS Statline, 2012 (* data 2009-2011 are not yet final)

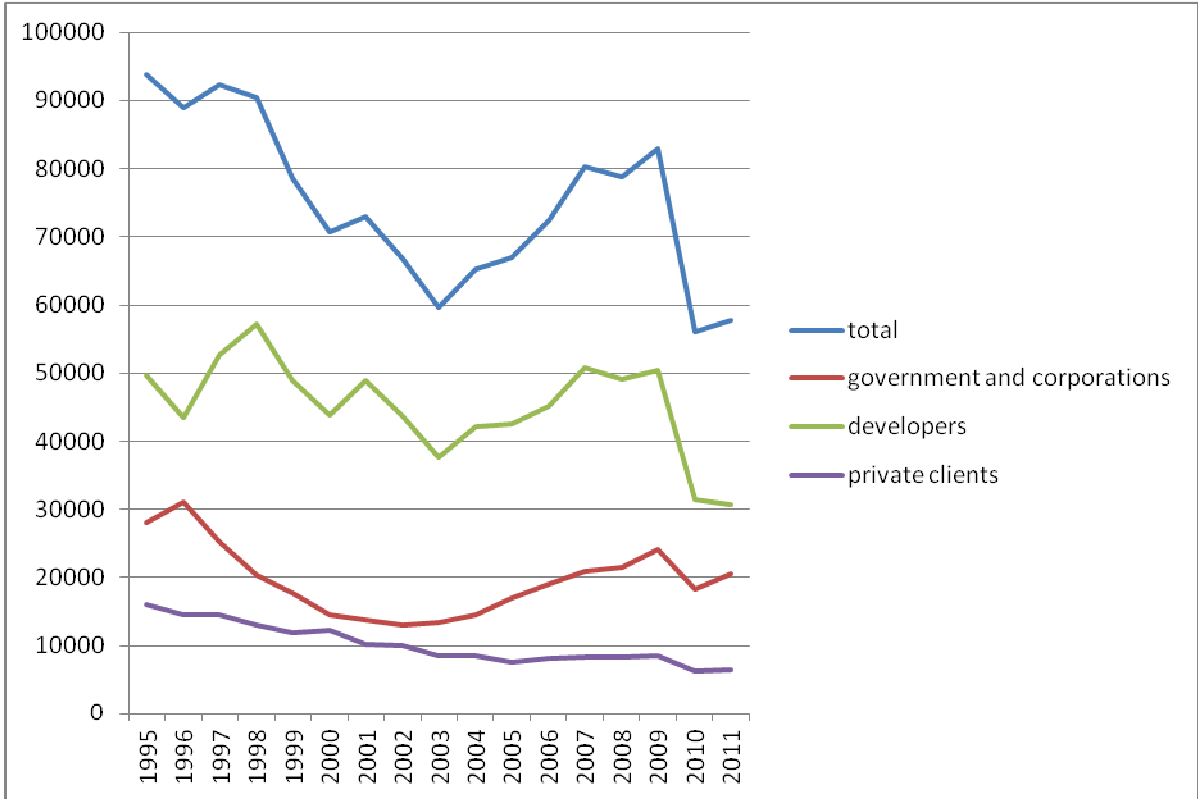
The Figures 3 – 6 demonstrate the reduction in the amount of sold private residential units, the drop in the construction of new residential units, the discontinuity in prices of residential units and the enormous growth of the Dutch mortgage debt, but also the flattening of this growth.

Figure 3 Amount of sold private residential units



Source: CBS Statline, 2012

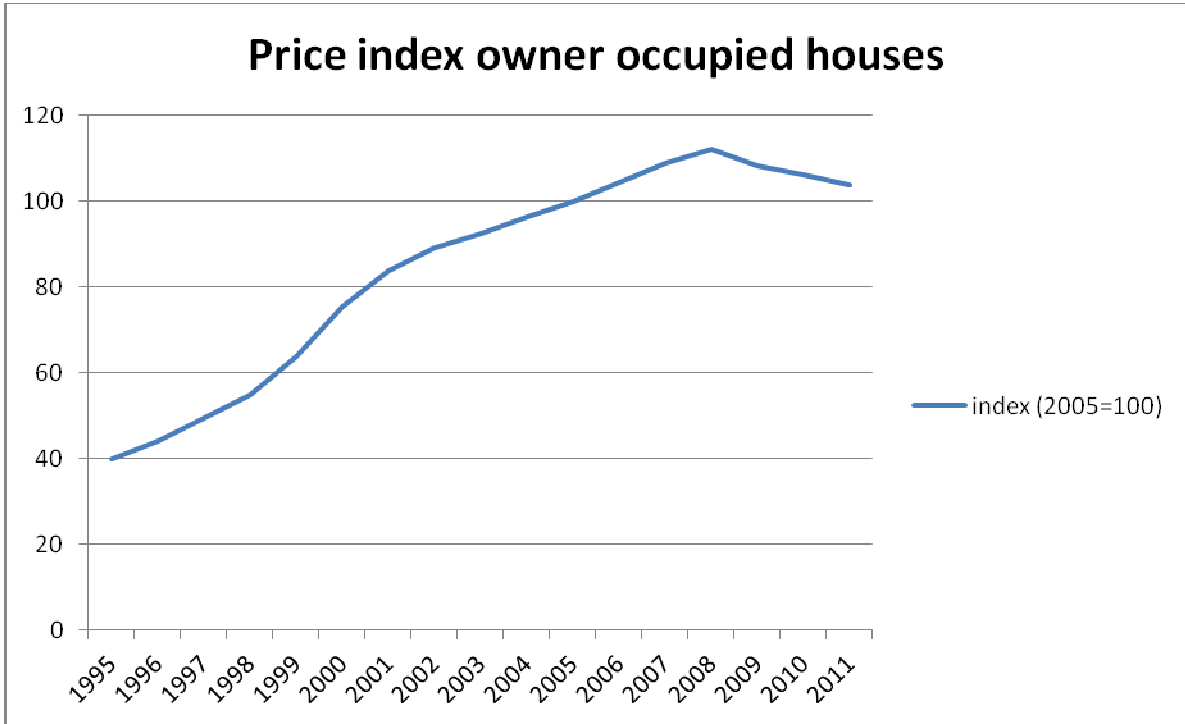
Figure 4 New housing constructions



Source: CBS Statline, 2012

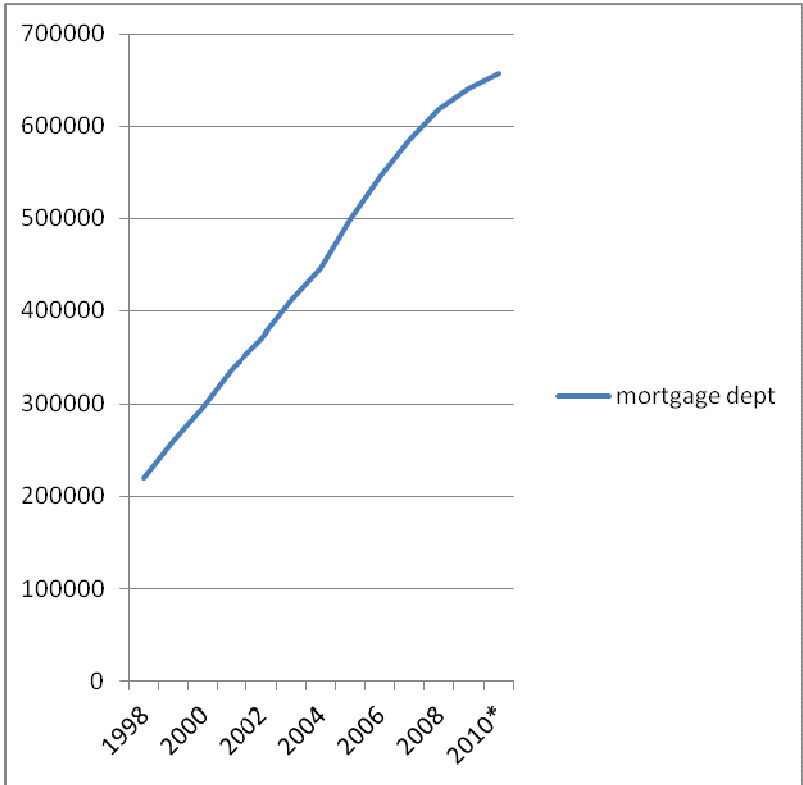
Within the Netherlands there is increasing attention for construction of homes by private clients. In general it is assumed in many of the debates that this part of the housing construction does suffer less from the effects of the crisis. Yet, as figure 4 shows, the share of the total construction by this category in relation to total production remained stable. The downward trend, in almost all categories, is evident. It also shows that the downward trend commenced long before the GFC.

Figure 5 Price index owner occupied houses



Source: CBS Statline, 2012

Figure 6 Mortgage debt in the Netherlands



Source: CBS Statline, 2012 (* data 2009-2011 are not yet final)

2.3. Some international perspectives

The dramatically changing context to planning and development is not confined to the Netherlands. All economically advanced nation states are confronting substantive structural and demographic change together with the definition of new economic, social and environmental parameters for their respective and collective futures. Such circumstances will create foundational challenges to existing and established arrangements for planning and governance. For statutory land use planning, in particular, there will be very important questions. Land use planning is a key element in the regulatory frameworks by which governments organize the use of their economic and social spaces, the management of places and seek to create an orderly, efficient environment to serve the wider public interest. The changing conditions for land and property development challenge the adaptive efficiency of planning systems (Halleux *et al.*, 2012). In the future, land use planning will have to deliberately assume new capacities to deal with these changed conditions and to provide the clarity, consistency and coherence required for effective leadership in protecting the natural environment, securing community cohesion and well-being and nurturing relative economic performances across space and time.

In addition to the related prevailing discontinuities in economic and population growth, differentiated financial regimes and associated property value metrics, there are a number of significant social and environmental challenges. In the context of community well-being, for example, there are variegated direct impacts and tensions on social stability and community cohesion. As national economies contract and as sub-national geographies of relative economic performance vary, unemployment becomes an enduring factor for many localities. This brings with it a host of associated health, household and individual issues. The implications of such instability may pose unknown challenges to established planning and governance arrangements and experiences (Lloyd, 2011). Planning and governance may be confronted with 'angry' communities of interest, place and identity – creating new operating environments in which to provide appropriate leadership and intervention. From a more positive perspective, examples can also be found of new bottom-up community initiatives, making use of informal planning mechanisms to develop and implement new plans serving the local community interest.

Cities and regions will also have to redefine established environmental and natural ecosystem development goals for a number of reasons. First, achieving those goals has, paradoxically, become increasingly dependent on successful market-based urban development. Without increasing urban land values, providing the resource means to secure the appropriate environmental standards and improvements such socio-environmental goals will be harder to achieve. Second, achieving broader sustainability goals and quality of life issues have been predicated on integrating and balancing so-called 'soft' planning priorities. What are the implications if the capacity of the planning arrangements is prejudiced by the declining resource available to ensure effective implementation and delivery of wider

governance objectives? What trade-offs will arise for planning and governance to mediate? Third, changed parameters, such as an ageing society, and evidence of social unrest and civil disobedience, such as those associated with *Occupy* or *Indignants*, would suggest a different societal context for the operation of planning and governance arrangements. Fundamental questions then relate to how society defines intended strategic place-space outcomes and how short-, medium- and longer-term measures are designed and implemented.

The prevailing context of discontinuous and spatially and demographically differentiated change is of considerable importance in considering the spirit and purpose of future urban planning and development. Specifically it questions the broad assumptions of 'growth' which have contoured and resourced conventional forms of state activity and intervention for a number of decades (Jackson, 2009). The (previously prevailing) hegemonic idea of sustained (and sustainable) economic growth has had a profound influence on the spirit and purpose of planning and development. In effect, economic growth has formed the *sine qua non* for positive planning through enabling public investments and infrastructure interventions, for example, in order to secure a broader range of planning goals. The operational rationale for land use planning has been predicated on providing certainty and consistency of decision-making to the market and in securing public goods, such as the provision of strategic and site-specific infrastructure and utilities to support real estate development. Forward planning strategies have included attempts to design climate proofed cities; promote stronger urban and regional economies (such as the Dutch 'mainports' and 'brainports'), provide infrastructure networks and utilities, encourage sustainable industrial estates development and high-quality commercial development; advocate high-quality residential developments and higher standards for social housing; preserve ecological values, heritage and cultural assets, and enable appropriate open public spaces; and secure urban renewal and revitalisation of established places. This underlying (and often overlooked) premise is not unique to the Netherlands – many other European countries have relied on economic growth and development to finance planning interventions. This was also evident when planning sought to manage urban growth whilst dedicate a resource to inner urban regeneration and the efficient delivery of services for social and community ends.

Such interventions have relied on the availability of a planning resource – provided by economic growth itself – to be able to deliver in compliance with wider political and societal expectations. Exacerbated by an increased awareness of the unpredictability associated with climatic change, a new economic uncertainty has changed the parameters of planning thinking. An integrated planning ethos and policy coupling (Peel and Lloyd, 2010) has been advocated to replace a tendency towards a sector approach. This involves managing a secondary planning objective whilst addressing the needs of a primary issue – such as promoting a positive planning approach to secure regeneration of an area whilst incorporating arrangements to combat coastal flooding and erosion. In effect, changed contexts demands more innovative planning interventions. Furthermore, in what is termed the *post era economy* (Lovering, 2010) or the *new era economy* (Dolphin & Nash, 2011) the

adoption of smart growth policies, motivated by the desire for securing long-term urban resiliency (in terms of social, economic and environmental sustainability) is proving increasingly complex and challenging (Janssen-Jansen & Hutton, 2011). Circumstances are then changing quite powerfully – transforming the context within which conventionally understood planning and governance arrangements have operated.

3. Rethinking planning in changing conditions

3.1. The neoliberal turn in economic thinking and its consequences for planning

Land use planning has always been a contested aspect of government. Whilst it has delivered on many of its early objectives – addressing slum housing conditions, building new towns and settlements, ensuring the orderly management and provision of infrastructure and providing for key land uses, such as housing, commercial and industrial areas – it has subsequently been subject to substantial criticism. In the main this ideological critique has been a consequence of the private property – public interest interface which lies at the core of the land use planning system. Debates over the spirit and purpose of land use planning in a modern capitalist market economic system will continue reflecting its highly sensitive and political spirit and purpose.

To illustrate this, a recent pamphlet published in the UK advocated a better attitude towards planning and development in order to turn the tide and improve the prospects for cities. The author's central premise for this argument was the view that a "stunted planning system, a product of a 1940s utopian vision of bureaucratic control has failed us for too long. Existing reforms are too timid and will not create the step change needed" (Morton, 2011: 7). This particular critique asserts that the form of land use planning operated in England has failed society in two ways: it has not enabled enough building and what has been built is of mediocre quality. The problem is held to rest with the centralised nature of planning policy and regulations. The report calls for a full overhaul of the planning system whereby a presumption against interference by government should be at the heart of land use planning. Such normative assertions have proliferated in the past decade and continue to do so, notwithstanding the radically changed economic contexts (Morton, 2012). This negative advocacy is not helping foster and nurture debates about the future form of a positive planning system to address the changed conditions.

As a general statement the underlying context (and driver) for land use planning in various nation states since its inception some 60 years ago was that of economic growth. That growth agenda took the form of the state leading land and property development in the public interest – the demolition of slums and the provision of new private and public sector housing; the strategic allocation of land for private land and property development purposes, based on analyses of population and employment forecasts; and interventions to ensure that communities were supported by appropriate services and infrastructure. Whilst relative economic performance at the national, regional and local scales varied across time and space the foundational principles of the land use planning system remained relatively intact. That underlying assumption and context of growth remained all important.

Over time, changes were made to land use planning practices in terms of introducing different scalar agendas, devising different strategic planning tools, and enabling more progressive attempts at greater public engagement. Yet it was largely assumed that the

broad parameters of economic growth would continue to prevail. Indeed, it would be fair to assert that land use planning remained both an efficiency tool (in enabling the highest and best use of land) and as a redistributive instrument for government. Growth could be facilitated where appropriate, decline could be addressed through positive planning (often associated with regional and urban regeneration interventions) and regulations could control specific land and property development in the public interest. Land use planning was part of a redistributive regime in which resources could be allocated to those spaces with under-performing economic and infrastructure capacities. Advocating social and environmental justice has often been used to legitimize interventions to aiming to solve problems in this respect. As part of a broad agenda to roll back the state, in favor of private sectors, land use planning powers have been partially dismantled in certain member states. Questions around the form and function of planning, however, tend to persist.

The rise of neoliberal economic thinking in the 1980s has impacted on European nation states in a differentiated manner. Whilst the UK was immediately responsive to the liberal economic market agenda, other European states, including the Netherlands, were – for a long time – more loyal to their founding social democratic traditions and values. The neoliberal critique has gathered momentum over time and is becoming more influential in setting the agendas for governments and policy communities across Europe at large. There are two facets to the neoliberal agenda as it impacts on land use planning. On the one hand, it views intervention in the form of land use planning regulations as intervention that inhibits investment and development, crowds out the private sector and creates uncertain costs and delays for the real estate process. On the other hand, it asserts the primacy of business led solutions to complex economic, social and environmental problems. Increasingly the neoliberal intellectual agenda has progressed – as is very evident in recent events in England and the Netherlands.

In academic circles, it has recently been asserted that the ‘neoliberal turn’ has gone much further. It has permeated government thinking to such an extent that it has reinvented planning as a service specific to property owners and interests (Feindt, 2010; Lovering, 2010). Nevertheless, it should be noted that earlier research has shown that in all times, city governments have not been able effectively to resist developers’ interests that are often at odds with the wider public interest of sustainable communities (Peiser, 1990; Leo, 1997). There has been an effective tendency to polarize the various public and private interests in land and property development. It has also been argued that in the urban politics and public finance arena, local governments have always balanced their regulatory responsibilities against their own pecuniary interests in the field of real estate, property development and job growth, based on their pursuit for greater economic affluence and employment creation (Swyngedouw, 2005; Downs, 2005). Yet, the precise role and embedded impact that developers, investors, and business models of maximum return on investment or capital play in land use planning decision-making has been underestimated (Sagalyn, 2007). This is, in

part, an integral facet of the neoliberal turn and it has important implications for future planning practice in the Netherlands.

Now, in more difficult economic and financial conditions, during which competition for tax-paying households and businesses is increasing, city governments are pushed even further to make urban development decisions based on political, competitive and financially relevant factors instead of reference to more appropriate spatially and socially relevant considerations. This course of action thereby limits the capacity of the planning system to enhance development and spatial quality and secure the more efficient and effective delivery of public goods (Punter, 2010). In times of crisis, it is likely that city governments will follow the developers and grant permits for possible developments even more easily, often relegating statutory norms and procedures to a secondary and subordinated place.

Yet, a counter response might also be possible and required. A jobless recovery and the urge to avert the consequences of urban decline as economic activities stall, will likely push national and local governments to search for new 'growth' models. This will trigger conversations around what is meant by growth? These will likely embrace ideas for relatively more aggressive economic reform of policies and interventions to realise the potential of the national economy in general. In Ireland, for example, there is a suggestion that planning will engage with a broader urban management agenda (Williams, 2011). This will fundamentally change the context for urban development.

4. Urban development

Land and property – the material spaces of the city – and their associated infrastructures are important factors in urban development and service dynamics; and also in the revitalisation of cities and (in terms of regeneration) their transformation. Real estate represents a large part of the asset base of a country's economy and is embedded in investment decisions and corporate financial management plans, interlinking property and pension plans, for example, in socially complex ways (Janssen-Jansen, 2011a). In addressing the future dynamics of land and property dynamics it is important that the fundamental characteristics of the land resource are taken into account. Conventional descriptions of land point to its fixity in terms of absolute supply and location, and the complex nature of the derived demand for land. Yet, land is much more complex in terms of its underlying property rights and tenurial arrangements, its ownership characteristics, its fertility and its potential for development, enhancement and conservation. Recent research conducted in the UK, for example, pointed to the highly distinctive features of the land resource – its multi-functionality (Foresight Study, 2010). It is argued that land values tend to be deflated in the context of private markets unless used for profit. This suggests then that there is a case to revisit the nature of the land question in modern societies – this advocacy carrying a special resonance for the vulnerability of the land resource in the Netherlands.

In capitalist economies, the regulatory arrangements over land and property development assume considerable importance to private and public interests. Most advanced economic societies have land use planning frameworks in place to address the specific management of private property rights in land and property development. Attention is paid to the need to manage the wider social or community effects of private sector land and property development – such as monopoly control over land supply, positive and negative spill-over effects, provision of public goods, such as infrastructure to support land and property development, and the equity and justice dimensions of private land markets (Ratcliff *et al.*, 2003). Conventionally, statutory land use planning is the principal approach to addressing these aspects of the land question. In providing for forward planning, through development plans; development management, to address scalar and site specific development applications; and enforcement, to ensure compliance with a plan-led system, statutory planning has been charged, for over half a century, to provide a means to safeguard the use of land and property in the public interest. This generic rationale is shared by most advanced democratic societies. In general, land use planning seeks to regulate land and property development in the wider public interest and the public interest itself is asserted through development plans setting out a shared vision for land and property development for designated areas. There are variations on this – but generally land use planning has come to play a central role in attaining wider governmental ambitions for the orderly, safe and efficient use and development of land. Moreover, at the European Union level there is a more strategic concern with spatial dynamics and territorial cohesion.

The statutory function of land use planning involves both technocratic and democratic dimensions – reflecting the political nature of the land question and the bundle of property rights involved. There is a potential vacuum here in this underlying logic which is helpful in explaining the nature of land use planning in changed economic conditions. North (2011: page i) asserts that “the tools we use to translate understanding into a framework are institutions composed of formal rules, informal norms, and enforcement characteristics. Institutions are very blunt instruments to deal with very complex issues. Perhaps because the norms of behaviour and the formal rules do not work or because enforcement is imperfect, the problems remain unresolved. Underlying the economic and social institutions must be a political framework. In order to understand that framework and how societies work, we need a theory of politics, which does not exist”. This suggests that there is already an intellectual deficit to be filled – and one that will certainly be required in thinking through what land use planning might look like in a changed context of no growth.

Reform and modernisation of planning are not new phenomena; new theories, instruments and measures have been introduced at over time – sometimes as a consequence of new circumstances, political priorities, international lesson drawing and policy transfer (Peel and Lloyd, 2005). At different times and in different conditions, land use planning arrangements have changed as a consequence of political and ideological priorities, economic and social conditions, natural environmental challenges and the circumstances regarding land and

property development generally, including regional economic performance, urban regeneration and rural land use conflicts. Land use planning arrangements also changed with the increased influence of spatial planning ideas. The idea of spatial planning is shared across mainland European experience and points the way for a more integrated role for the planning system and a commitment to territorial cohesion.

In the devolved UK⁴, there continues to be a differentiated response to spatial planning agendas – as shown by the introduction of a National Planning Framework in Scotland to set a strategic context to land use planning, economic development and infrastructure provision (Peel & Lloyd, 2007) and the demise of regional spatial strategies in England. Nevertheless, the recent publication (March) of a Map for England (Wong *et al.*, 2012) is indicative of a professional recognition of the need for a strategic spatial approach to address the national planning context.⁵ This document assembles spatial data from a range of contexts providing evidence of regional disparities and the unintended consequences that different programs and policies, when implemented in a homogenous way, can have on different communities. Significantly, this work provides a sound basis for integrative planning and for planning to become the physical and spatial articulation of mainstream national public policies. It is asserted that only through the spatial expression of policy can the interconnections – and potential unintended consequences – of intervention be fully understood. Such thinking echoes work already undertaken in Scotland where land use/spatial planning assume primary importance for diagnosing and planning deliberate and sustainable growth.

4.1. The need for a longer-term vision on planning

In light of a new environmental determinism and economic recession, the rationale for planning will need to be reconsidered and possibly recast so it can continue to work for government in the public interest yet within the radically changing market, environmental and civil circumstances. European member states have responded to contemporary challenges differently. Since 2007 a credit crunch and financial instability have been addressed in the Netherlands, the UK and the republic of Ireland, for example, by a particular set of government policies – those based on interpretations of austerity, debt

⁴ Devolution took place in the UK in 1999 following a number of referenda. In effect, the previously unitary UK state, was governed from Westminster represented a centralised government structure. Devolution reflected the different economic, cultural and geographical experiences, customs and traditions across the UK. The Westminster model was replaced by devolved administrations in Scotland, Wales, Northern Ireland and in England. The process of devolution was differentiated with respect to institution, organisations and powers. Scotland is governed by its Scottish Parliament and Government; Northern Ireland and Wales have their respective Assemblies and Governments; England is governed by Westminster but put in place regional governance arrangements. These were recently abolished in favour of more local arrangements. Across the UK, and in different ways, this devolved regional institutional infrastructure involved a general move away from conventional centralised policy interventions to more localised institutional support and competitive actions.

⁵ http://www.sed.manchester.ac.uk/research/cups/map_for_england_final_report.pdf

reduction, hollowing out of the state, and cost cutting. Notwithstanding specific state interventions, the broad outlook is of a continuing recession, maybe a double-dip recession with even the possibility of a depression. Indeed European debates about creating the conditions suitable for economic growth remain inconclusive. The effects of this general economic contraction and deflationary policy regime are being experienced, and will continue to be experienced, differentially over time and space. This means that whilst certain cities, regions and sectors may continue to grow other localities will experience concentrated contraction and decline. This is not a new problem. In the UK, for example, the long established 'regional' problem – the differentiated relative economic performance of its sub-national economies – has long posed a significant political question. Successive regional policy interventions have attempted to address the structural industrial processes of change, locational considerations and market adjustments in various ways. The problem has endured, however, although its geography has changed and the relative disparities worsened over time. The uneven economic (and allied social, environmental and institutional) landscape has not created an ideal context for land use planning interventions and implementation.

The conceptual implications for the resilience of land use planning and spatial planning as corner-stones of state intervention are now being explored in the academic literature (see, for example, the recent special issue of *Planning Theory and Practice*). The practical and legal implications of the economic downturn for land and property development have also been identified (Adair *et al*, 2010). This showed that (in the context of the UK and the Republic of Ireland) the recession is uneven in its structural and locational effects – creating new challenges for any policy intervention based on a 'one size fits all' approach. New policy sensitivities will be required to address the legacy of the economic contraction. The coupling of recession/depression with austerity measures and neo-liberal policy responses have created the foundations for a future of zero growth – in which the role of land use planning is uncertain or needs to be clarified.

The reality is more layered and complex – it also involves the consequences of past behaviours by public and private players in land and property markets. Here, for example, is an opportunity for some critical reflection as to what the land use planning system was intended to do. Was land use planning simply there to facilitate private profit from land and property development? Was it there to enable Dutch local government secure betterment in land values which could then be used to deliver wider social and infrastructure agendas? Was it there for the public interest? If so, what is the public interest? This reflection will stand the Netherlands in good stead for deliberating on any future course of planning action.

The perceived financial problems from which Dutch municipalities suffer, but this applies also to certain land and property market interests, , tend to be framed as a 'loss' even in instances where the calculated profits were highly unlikely to be realised. Often the problems with real estate vacancies, and the concentration of vacant land in cities, are

perceived as cyclical in nature. This distances the real causes from those involved – as it avoids the recognition that actions and decisions by those agents directly involved will have contributed to the adverse outcomes. It is important that there is a more complete understanding about the causes and effects involved in the property dimensions of an unsustainable economic boom – and in which the real estate sector was instrumental. There also needs to be a more complete understanding about the role of the land and property development sectors in the consequential recession. Learning from these experiences will prove important in devising future strategies, institutional arrangements and organisational capacities for managing the land and property sector in the Netherlands. It is important to recognize that this requirement of creating a more realistic understanding of the complexities of the present malaise is also evident in the UK and the Republic of Ireland. Asserting the problem is external to real market engagement is not the appropriate explanation.

There is another dimension to this critical reflection. The adverse local effects of the recession now very evident in local real estate sectors have also been explicitly dislocated from the prevailing arrangements for national spatial coordination and integrated strategic thinking. Debates have avoided taking a holistic spatial perspective – viewing any adverse effects as localized and isolated. There is a need to acknowledge the systemic nature of the context. Yet this is an area of fundamental change. At the national level, for example, debates in the Netherlands over reforming the planning system and modernising government agendas have resulted in the abolition of a fundamental part of the planning system in favour of deregulation and decentralisation (Ministry of Infrastructure & the Environment, 2012b). In the face of a global crisis and acknowledged structural weaknesses (Europe 2020 Strategy) Dutch regional and local authorities are searching for ways to respond, but the very idea of coordinated national planning of land, development and strategic infrastructure has been undermined by the absence of an appropriate land use strategy and institutional framework. Elsewhere, as in Scotland, for example, there is a deliberate turn to devise a land use strategy to set the strategic context for land use planning and development decision making (Lloyd & Peel, 2010). Notwithstanding the EU's cohesion policy and emphasis on pursuing harmonious development, the 'reformed' planning system potentially weakens multi-scalar, coordinated and long-term strategic intervention.

At this juncture it is important to acknowledge the very different debates emerging elsewhere. In the Republic of Ireland, for example, the economic recession coupled with austerity based policies is taking place against what is now a highly dysfunctional real estate sector. There would appear to be recognition that the land use planning system had not worked efficiently, effectively or transparently during the machinations of the property led economic bubble (Kitchen *et al*, 2010). Steps are being taken to reinvigorate the planning system by making its strategic core more robust, establishing more assertive planning policy guidance and ensuring local decision making is more consistent. There is a long way to go in

the Republic of Ireland because of its legacy but it suggests there is a growing acknowledgement of the need for deliberate and positive planning reform to address the future.

The devolved UK offers a *mélange* of approaches. On the one hand, England appears to be following the deregulation path of the Netherlands. It has reviewed its regional planning arrangements and shifted the focus to local communities. It is streamlining its strategic land use planning policy statements into a single document and overhauling its governance arrangements for strategic infrastructure provision. England represents a neo-liberal attitude to the potential role of land use planning in managing a modern spatial economy. On the other hand, Scotland has innovated around devising a more robust, strategic and proportionate land use planning system. It asserts a very positive view of land use planning. A new planning hierarchy has been put into place with the National Planning Framework forming the strategic context to more positive local planning. Greater certainty is afforded planning decision making with more robust enforcement and front loaded developer engagement with local communities involved (Peel and Lloyd, 2007). The context to the Scottish arrangements rests with its economic development and sustainable growth agenda – it puts land use planning as the fulcrum for policy delivery and implementation.

5. 'Systematic failures' in Dutch planning and urban development strategies

5.1. Alternative land development models of urban development: an overview

The Dutch pro-active approach to urban (re)development can be contrasted by alternative development models. Though we do not aim to present here a complete overview of the pros and cons of the different models, it is useful at least to put the Dutch model in an international context. The active and direct role in land and property development of Dutch municipalities is rather unique compared to other systems (Van der Krabben & Jacobs, forthcoming).

All development models (or land management strategies) usually have in common three main objectives. First, in case of a desired development, land must be made available for development. Often this requires a form of land assembly, since the required subdivision for the new development (e.g. a new residential or mixed-use development) does not match up with the existing ownership structure (e.g., in the case of an urban transformation project, an obsolete industrial area). Land assembly can be interpreted as a transfer from passive to active land ownership. Active landowners are those who are willing to develop their land, while passive landowners take no particular steps to market or develop their land (Louw, 2008, p. 70). Moreover, the assembly of plots usually offers a more efficient and more profitable development opportunity. A second main objective is to make sure that the costs of the public works that are necessary for the intended development can be recovered, either completely or at least in part. The primary condition for this is a positive balance between the increment value of the land based on the new development and the costs to develop the location. The third main objective – is, however, much less 'accepted' and in many countries is the subject of intense political debate (Alterman, 2009) – is to capture part of the unearned increment in the land value that occurs as a result of the change of the land use in the area to be developed, thus allowing higher valued uses or higher building densities.

To achieve those goals different land development models can be applied. These development models vary by their main purpose of the strategy deployed and in relation to planning, land assembly strategy, and cost recovery and value capturing strategy (Table 1). It is useful to distinguish land assembly models and land readjustment models. Land assembly can both be conducted by public authorities and by private developers (and also in public private partnerships). For public authorities there are still different ways to assemble land. Following Golland (2003; cited in Louw, 2008, p. 73) we distinguish comprehensive top-down models and planning-led quasi market models. The *comprehensive top-down models* concern a pro-active plan-led city-wide approach and involve the public purchase and development of all (future) building land within a city, to guarantee building developments according to public policies, to realize full cost recovery of all public works via the sale of

building plots and to capture at least part of the surplus value of the land (after a change in use), to use that for public use.

In contrast, *planning-led quasi market models* operate a pro-active plan-led area approach, involving the public purchase of land (and vacant properties) in a specific area and afterwards the sale of that land to the private sector in order to enable a (re)development program for that specific area. Often, semi-public development companies are established that are allowed to operate outside the normal local planning rules. Planning-led quasi market models aim to acquire land in a certain area to guarantee the (future) redevelopment of that area. Cost recovery of public works investments is usually arranged in a later stage of the development, when building permits are issued, via some kind of developer contribution. Value capturing is usually not a goal.

Private market models relate to a much more passive planning approach in which zoning is the usual tool to prohibit certain development forms taking place. It involves the private purchase of land (and vacant properties) in a specific area, in order to enable a (re)development program for that specific area.

In addition to the public and private land development models we also distinguish urban land readjustment models. *Urban land readjustment models* (also referred to as 'land pooling' and 'urban partnership zones') can be described as follows: 'land readjustment gives all affected property owners in a redevelopment district the power, by majority vote, to approve or disapprove the transfer of land rights to a self-governing body for redevelopment. Instead of buying out all existing property owners or using eminent domain, the agency invites property owners to become stakeholders and to contribute their real assets to the project as investment capital. (...) After all properties in the districts are assembled, the combined land sites are resubdivided (...).' (Hong and Needham, 2007, p. XV). This development model is widely applied in countries like France, Germany, Israel, Japan, South Korea and Taiwan (Doebele, 1982; 2002). Though the Netherlands has considerable experience with agricultural land readjustment, there is no legal basis yet for mandatory urban land readjustment (Van der Krabben & Needham, 2008; Bregman & De Wolff, 2011; see also section 5.2). Voluntary land readjustment, in the way it has been described above, is already possible in the Netherlands.

Table 1 Alternative land development models: land assembly, cost recovery and value capturing

Land development models	Definition	Main purpose and relation to planning	Land assembly	Cost recovery and value capturing
Land assembly models				
Public comprehensive top-down model	Public purchase and development of land, in order to guarantee building developments according to public policies, to realize full cost recovery of all public works via the sale of building plots and to capture part of the surplus value of the land, to use that for public use	Tool to implement a local-authority-driven development program for a whole city, in close relation to city-wide comprehensive public planning goals	Public body acquires all land within a city that is needed for (future) development, services that land and re parcels it into building plots that suit the planned development	Cost recovery and value capturing via the sale of building plots
Public planning-led quasi market model	Public purchase of land (and vacant properties) in a specific area and afterwards sale of that land to the private sector, in order to enable a (re)development program for that specific area	Tool to achieve a (re)development program for a specific area, sometimes in relation to a city's smart growth or brownfield agenda	Public body acquires the land that is needed for the (future) development of a certain area	Cost recovery via developer contributions (when building permit is issued); No value capturing by public authorities
Private market model	Private purchase of land (and vacant properties) in a specific area, in order to enable a (re)development program for that specific area	Tool to achieve a (re)development program for a specific area, in accordance with zoning regulation for that area	Private sector company acquires land to achieve their own development plans	Cost recovery via developer contributions (when building permit is issued); No value capturing by public authorities
Land readjustment models				
Urban land readjustment model	The owners of land and property in a designated area transfer voluntarily the property rights over land and property temporarily to a self-governing body. After re parceling the land in suitable building plots, the original owners are again assigned property rights over land and property in the development area, equal to their original share	Tool to achieve a (re)development program for a specific area, sometimes in relation to a city's smart growth or brownfield agenda	Temporary transfer of land rights to a self-governing body for redevelopment	Cost recovery via a contribution by the self-governing body for redevelopment (when building permit is issued); No value capturing by public authorities

Source: Van der Krabben & Jacobs, 2013)

5.2. Pro-active planning versus a more regulatory approach

A need for new, viable and vital strategies for planning and resilient urban development requires adopting a longer-term perspective to maintain or increase the quality of the environment and quality of life. In particular the ways in which Dutch governments have used their direct-development strategies need to be reconsidered. Through this system of so-called active land policies, municipalities were able to buy and sell land themselves as a means to achieve planning goals. This was in addition to making plans as the zoning authority. Indeed, these represented the lauded complementary elements of the Netherlands approach to positive land use planning. Any value increment obtained from these engagements in local land markets remained in public hands and was reinvested in ensuring the overall quality of urban and regional areas. Given the perceived public benefits to be derived for this agenda, then securing such development increments further encouraged municipalities to maintain and sustain an active development strategy. Even after land markets became relatively more market-oriented in the early 1990s - when business interests also started to buy land for development and speculative purposes (leading towards over-supply in certain sectors) municipalities continued to execute policies of direct-development in land. These often had a speculative element as municipalities did not wish to miss potential windfalls from a change in zoning in the future (Janssen-Jansen & Mulders, 2012a; Van der Krabben & Jacobs, forthcoming). This response and rationale may be considered to be entirely rational given the prevailing assumptions about sustained economic growth and development.

In retrospect, this approach contrasted with the available alternative - adopting a more regulatory approach which would have served to mediate the tensions in the destabilised local land markets. Examples of alternative approaches are available from most Western European countries (Tira *et al.*, 2011). Although such a land policy model is possible in the Netherlands only few local authorities generally adopted such a development-facilitating strategy. The very evident pro-development rationale in Dutch planning practice forms part of what we have called above a broader neoliberal turn in economic and political arenas, in state-market-civil relations and is itself explained by prevailing tendencies to advocate 'competitiveness' and globalisation. Experience elsewhere – including the UK and the Republic of Ireland – shows that there has been a strong pro-development ethos in planning and governance practices for at least three decades. This has created a particular cognitive mind-set that land use planning – in its strategic forward role as well as its regulatory functions – had as its primary goal that of facilitating and developing land and property development. This is starkly evident in the Republic of Ireland where there is currently an evident over-supply of houses (Kitchen *et al.*, 2010). This was the consequence of powerful private sector speculation with weak and ineffective regulatory land use planning controls.

Challenges to this well established and embedded hegemony (Lovering, 2010) invite critical reflections on the nature of embedded planning practices and the potential of new ways of

thinking about future planning in the Netherlands in very different circumstances. This will also apply elsewhere where the future land use planning will have to address the legacy of past practices, variegated incentives, competing current planning and development agendas and future requirements. Existing policy strategies, planning approaches, tools and mechanisms for urban development are being fundamentally challenged.

At this point in time the longer term consequences for environmental sustainability and quality of life issues arising from a denial of the established financial model of direct investment in Dutch urban development and land use remain unclear. What seems inevitable is the substantial delay or cancellation of many projects that are believed to be strategically crucial for the Netherlands' urban economy and vitality. The present state of cities, demographic changes, and increasing redevelopment challenges for existing post-war building stock are expected to further aggravate this dire situation. In other words, the effects of the global recession further impact on the attempts at improving the quality of existing urban settlements as well as the efforts to stimulate and support the need for the required new development. The latter point is crucial, because despite the contracting economic conditions, demographic change continues – creating new demands on infrastructure and local services. Any postponement of what were perceived as 'transformation projects' designed to stimulate urban renewal will likely result in the reduced spatial quality of future urban development. This is an important consideration as the anticipated completion of such infrastructure forms the basis for longer term planning and development. Planning is an iterative function of government – and decisions are layered on a series of infrastructure provision, real estate completions and anticipated social and economic changes. In effect, land use planning decisions form the bedrock for the next sequence of public and private decisions. As a consequence of these very fundamental changes planning is challenged and new state-market-civil delivery mechanisms are clearly required. The role of the state is to provide the strategic parameters and democratic context to inform and enable discussion around the appropriate technocratic system to put in place to meet these new challenges.

5.3. The Dutch financial model of urban development

On paper, Dutch planning is acknowledged as one of the more innovative plan-led systems which defines different roles for the three governmental layers and is an almost unique example of what we have called above a public comprehensive top-down model. In this context, 'plan-led' means that government plans are leading to the realization of spatial planning based on produced plans. In effect, the development plans provide the evidence base for decisions over land and property development. Significantly, the plans in the Netherlands have always been proven flexible, allowing for those developments that emerged whilst not being foreseen.

The general system in the Netherlands is that the value increase of land, caused by a change of the zoning in a legally binding planning document, falls to the owner. This is a common situation in most advanced market based economies. Yet contrary to many other countries Dutch municipalities are able to buy land – and are allowed to borrow money for this - before a change in zoning and thus can secure a direct gain from the betterment in the land value. In the UK and the Republic of Ireland the position is of a regulated system with no explicit land value betterment taxation (or recouplement for feeding back into the system) and with negotiated private investment in infrastructure to enable development to take place. Over time the betterment issue in the UK and Republic of Ireland has been marginalized and replaced by a site specific process of negotiation over local infrastructure provision to support a given development proposal.

The system of direct development land policies has always been a feature of planning in the Netherlands. Municipalities use the increments to cross-subsidize development by channeling the surplus captured from more profitable forms of building into social goods such as affordable housing, green space, or infrastructure (Needham, 2007: 186). During the 1990s the market players realized the potential of land and entered the market. The shift to private housing development has driven up the cost of urbanisable land to a point where potential profits from land development outweighed the financial risks involved. Through legal changes in favor of the municipalities, for example, in broadening the conditions for pre-emption right, the municipalities could still buy land. Revenues from land have for a long time been a hidden element of Dutch municipal finances. The financial relations system itself (including the Gemeentefonds) is a relatively centralized financial system, with only a limited local tax base.

Already competing for job growth and population, municipalities now also compete with their neighbouring authorities for control over the land value increment. Due to the booming land prices, local governments could potentially earn a high income which is then available to reinvest in the overall quality of specific urban and regional areas. In particular it was tempting to develop expensive housing or, even more profitable, offices. The development of office space has for a long time been the ‘cash cows’ in development, not only for the investors and developers, but also for the municipalities through the revenues from land (Janssen-Jansen, 2012b).

Via direct land acquisition, for example, local authorities have been able to derive tangible benefits from the real estate industry to remake and revitalise defined localities in the city. This approach combined the efforts of developers with stated public goals through balancing developers’ gains with public returns, including, for example investments in parks, social housing, and libraries. This was the experience elsewhere as other European authorities invested heavily in urban development projects, hoping to improve city and regional competitiveness.

Sustained by economic growth, this 'develop as much as possible' model appeared to work well for a time from the perspective of a majority of stakeholders. Yet, as is now becoming clearer, the subsequent impacts did not always contribute to city and citizen well-being. Whilst certain investments may have boosted livability in defined places and sectors, there were also a number of unintended consequences, including major over-supply of land being zoned for development and the emergence of vacant or under-occupied real estate. This is caused by many Dutch local authorities which actively planned in (what may be seen now as) an overly optimistic way and designed ambitious strategies during the economic upturn based on seeking to attain economic stability and secure economic growth (Janssen-Jansen, 2010). It rested on – and what now turns out to be faulty – assumptions about the continued viability and sustainability of that growth trajectory. There was little attention paid to the external effects of the prevailing financial model which whilst predicated on an infeasible growth orientation created undesirable and perverse incentives.

Oversupply of land and vacancies both have brought with them various negative market consequences. Published office vacancy rates in Amsterdam, for example, were recorded at 20 per cent long before the current economic crisis was formally acknowledged. This vacancy rate is one of the highest in Europe. Since 2002, the overall vacancy rate has not been below 9 per cent. Domestic and foreign investors increasingly lose their interest in funding new development or upgrading their vacant stock (Janssen-Jansen, 2012b). This problem is even considered a risk to the Dutch macroeconomic stability (DNB, 2011).

In practice, and although (in hindsight) representing a high risk strategy for local governments in the Netherlands, active land development proved to be profitable, allowing valuable contributions to be made to the delivery of public goods in local communities. Dutch cities had, however, hoped to continue to capture future increases in land values of those projects through their direct development and supply-oriented strategies for reinvestments in new projects. In the period 2001-2011, for example, based on figures of the Dutch Land Registry (Het Kadaster) cities developed on average only 52 per cent of the acquired land, but, under the new economic conditions, will have to accept value impairment on the remaining land in stock (Nicis Institute, 2011). In this context new economic uncertainties have changed the conditions for these development strategies. Recently an independent review highlighted that currently many Dutch cities are losing tens (and sometimes hundreds) of millions of euros on their – often speculative - investments in land acquisition for those projects, but also housing, retail and industrial parks developments (Deloitte, 2011). Many municipalities still own vast amounts of land, which they hope to sell to the market for development. Yet, the market also bought overly optimistic land for new development from their pursuit of land value increments. For both public and private sector the used financial model has collapsed. As a consequence of this, the future of planning in the Netherlands has effectively been mortgaged.

The financial distress of local governments is clearly visible with respect to the level of and quality of provided services (such as libraries, play grounds, parks etc). Some municipalities hand over the necessary maintenance of parks to their inhabitants because they can no longer finance it themselves. This could be interpreted as an indication of an 'inflated' level of service provision. If the citizens do not want to maintain the park, the municipality replaces the existing trees and rose gardens with grass (that is cheaper to maintain) (Janssen-Jansen, 2012c). In other words, the declining resource available for positive planning has wider social, community and environmental effects.

At the national level the Netherlands has witnessed the decentralization and deregulation of land use policies to local governments and provinces. The local governments (but also the regional ones) are now in – financial – crisis. As a consequence of over zoning local authorities are increasingly introspective and searching for short-term solutions to address their financial troubles (or at least to limit the effects). Local authorities often seem to prefer building projects that generate revenues and do not necessarily support projects that would benefit the city in the longer term. As mentioned in the introduction of this essay, the problem of the pressure on the quality of urban spaces is often framed in short-sighted way. Currently we anticipate limited strategic planning for the long term (over the past decade also some of the provinces experiment with active land policies and development projects).

5.4. Shift from greenfield development towards urban transformations and redevelopment

The closing of the traditional financial model adopted for development purposes, together with the depleted available public resource suggests a lack of public investment capacity for restructuring projects. Recently, for example, the Dutch national government has substantially reduced national funding programs for urban renewal. Yet, the future of Dutch urban development will increasingly need to focus around urban transformation projects. In a declining economic and social environment this is where the pressure points will come. There will likely be only relatively few new greenfield developments (notwithstanding delayed current greenfield residential developments that still have to be completed). Greenfield developments have always been more profitable with respect to land value increments and the return on investment on real estate development. From the developers' perspective the pressure is still on greenfield sites for this reason. The same is true for the situation in the UK and the Republic of Ireland.⁶ Indeed, the arguments for and against the protection and/ or release of greenfield land for development has been an enduring theme in the history of land use planning in these nation states. Whilst the policy priority has been

⁶ However, in England and Scotland in the past decade already around 70% of new houses were built in existing urban areas, while this share in the Netherlands in the same period was about 35% (PBL, 2008)

asserted in terms of the take-up of brownfield land the market imperative has favoured greenfield sites. There is an emerging argument that green field areas –such as green belts in England – become the focus for new housing development (Morton, 2012). This argument has now extended to include proposals for compensation for nearby residents in the green belt areas.

The transformation of areas can generate only relatively limited value increment, due to costs of land acquisition (and often acquisition and demolition of the properties on the land) and high redevelopment costs. Due to the predominant private land ownership of these areas, any increment will remain with the land owner. Until recently, however local governments often acquired the land in areas where redevelopment was proposed, in order to enable an integrated urban design to be secured and to initiate the project. This strategy also allowed for the cost recovery of public works, and the retention of any associated value increments. As a consequence, municipalities still own vast amounts of land in redevelopment areas, yet without any development going on. With the prevailing financial problems of municipalities they will not be able to acquire land on potential new redevelopment areas – if any.

This, together with a rule in the present expropriation law, has changed the perception of the dependence on land ownership for development; in effect, challenging the idea of active land policy in new redevelopment projects. The rule in the present expropriation law concerns the issue of full compensation. The financial feasibility of the public development model was difficult as the prices paid for acquiring land and properties in case of expropriation served as an important ‘reference value’ for all transactions. Under the current expropriation law, owners should receive full compensation. It means in practice that the compensation paid to them included a certain amount of ‘hope value’ (based on the future redevelopment plans and assumptions of growth and development). As a consequence, the potential development gains in the redevelopment project fall in large measure to the original owners. They could therefore not be used to increase the financial feasibility of these projects or to reduce the development risk. These rules, together with the practice of an active land policy, enabled the land owners to receive the gain, without taking part of the risk. The municipality assumed the risk, and is now burdened with land that was purchased at high land prices. Before 2008, when land prices were still increasing, land owners tended to delay the processes of land transactions. In general the longer these processes took the more revenues they got. From a planning perspective which was positively supportive of redevelopment, this could be seen as a system failure due to wrong incentives. Again, this way of development has proved to be very risky for municipalities.

Conversely, under current circumstances – with continuously decreasing land prices - this incentive could work in reverse. Land owners who fear a decrease of revenues the longer they wait, may wish to sell their land as soon as is possible. But municipalities are no longer

interested in, or indeed able to acquire the land. Although in general this may be constructed as ‘wise’ behavior on the part of municipalities, one could also argue that for developments that are important to the city (public interest), an active land policy – with its possibility to use some of the value increase of the land – could still be the preferred option for a model to maintain or improve the quality of urban spaces. Too much emphasis on the negative outcomes of active land policy could prevent active consideration of active land policy models with potentially positive outcomes. Yet, the checks and balances for the use of active land policy strategies will have to be reconsidered to prevent overoptimistic zoning and using these active land policy strategies as an ‘income model’ rather than a model to improve the quality of urban spaces in a sustainable way⁷.

5.5 ‘Systemic failures’ in Dutch planning and urban (re)development strategies?

Failure and success in urban (re)development strategies cannot be properly understood without an accurate analysis of the underlying choices in strategic planning. Strategic planning decisions – or: the lack of strategic planning decisions – may have substantial effects on the prospects for urban (re)development projects. We believe that both with respect to strategic planning and with respect to (the financial model for) urban (re)development projects in the Netherlands, as we have explained above, dilemmas and structural problems have arisen that perhaps were not visible and thus ignored in times of economic boom, but that have now become manifest due to the economic recession and the demographic changes. We have argued that these dilemmas in strategic planning sometimes are related to unintended ‘incentives’ in the financial model for urban development. This section summarizes some of those dilemmas, structural problems and unintended incentives

(Possible) dilemmas in strategic planning

- Due to the ‘develop as much as possible strategies’ mentioned above, many regions face an oversupply of development locations for office development, housing, industrial parks and retail. This leads to undesired competition between development locations in these regions. Adjustments in regional planning of development locations often seem to be necessary, but fail to take place. There are contested views of the relations between over-supply and stalled projects. We argue in this essay that the oversupply is not only the effect of the recession and the associated substantial drop in demand for building land, but are also due to over optimistic assumptions and confidence in sustained growth. Provincial strategic plans define the context and settings for local strategic

⁷ Thus not inflating the service level which will require a continuous flow of ‘income from development’ to sustain, neither paying structural costs (of employees) from land development etc.

planning, but have hardly incorporated the problem of oversupply during its formation process. Facing a situation of less or no growth cancellation of possible development locations is difficult. Municipalities and private developers are very sensitive to – and often object against – any adjustments to their plans, because of the financial consequences.

- Both regional and local strategic plans often primarily focus on facilitating development (still related to demographic and economic growth prospects). The successful implementation of these strategic plans depends to a large extent on private sector investments in planning and property development. At the same time, strategic plans for the good governance of the existing built environment, regarding levels of service provision and spatial quality, are almost absent. The financial models for urban development also primarily enable the implementation of development projects. The available budgets for the maintenance of existing urban areas may not be future proof and insufficient to cover the expected increase of costs in the near future.
- Strategic spatial planning and related local land and property development projects on the one hand are not always properly aligned with national infrastructure planning and associated investments on the other hand and vice versa. The consequences include the sub-optimal use of good accessibility of some locations, while at the same time alternative developments require huge new infrastructure investments that perhaps could have been prevented by making better use of the existing infrastructure. The sub optimal outcomes of planning and property development are at least partially the result of the divided processes of decision-making with respect to infrastructure (mainly national government policies) and land and property development (mainly local government and private sector). Recent attempts to improve the alignment between these decision-making processes seem not yet to have been very successful.
- Strategic spatial planning should aim in the first place to achieve spatial planning goals. Two contradictory processes, however, may occur. In times of economic prosperity strategic planning decisions, like the VINEX policy for residential development in the 1990s, often result in speculative behavior of private developers on the land market in (expected to be) allocated development locations, sometimes hindering the smooth planning and development of these locations. In times of economic recession, when the demand for real estate drops, feasible developments ‘suddenly’ are not feasible anymore, threatening the achievement of strategic planning goals. In both situations, there can be a huge financial impact on the profitability of public land development strategies. In the first case the municipality’s development costs may increase, because of (much) higher costs of acquiring land. In the second case, the municipality’s development costs also increase, because they face much higher than expected interest costs over their investment costs.

Unintended incentives in the financial model for urban development

- Though the economic recession seems to have convinced many municipalities to be much more careful in using it, Dutch cities still commonly make use of a public land development strategy.⁸ This development strategy has also been applied in many urban transformation projects characterized by fragmented land and property ownership. In this kind of projects sometimes hundreds of owners must be bought out, while with each owner separate negotiations must take place. This results in a long process of land and property acquisitions, increased prices for municipalities to pay and hold-out problems. To avoid hold-out problems municipalities sometimes pay a price for land and properties that exceeds the residual value of that land and/or property. To prevent this to happen, municipalities often decide to start acquiring properties in an early stage of development, sometimes many years prior to the actual redevelopment of the location, leading in turn both to increased financial risks and increased costs.
- Traditionally (and to a certain extent contradictory to other countries), Dutch cities prefer large-scale integrated planned developments (public infrastructure provision preferably takes place for a large development at one time) instead of 'organic', piecemeal developments. Such a development strategy usually requires huge initial investments in an early stage of development and some confidence or, preferably, guarantee regarding the future demand for real estate in that planned development. Moreover, development costs are substantially higher, because of the high interest costs due to the length of the development process. At present municipalities suffer from the financial losses that occur, because of the drop in demand for housing and for building land. Nevertheless, municipalities feel that they must continue with already started developments, because of the initial investments already done. Once investments have been made, it may be very unattractive in financial terms to stop developments.
- The financial model for urban development in the Netherlands has been built on a (for a long time very efficient) strategy for value capturing. A crucial condition for this strategy to work is the amount of value that is created in the development process: the change of land use should increase total value in the development area. In case of a change of a land use reducing the total value the financial model then no longer works and public infrastructure provision and urban renewal can no longer be paid for. The reduced income from the financial model also diminishes the budgets for maintaining, at city level, levels of service provision and spatial quality.
- Related to the previous point, value capturing only takes place with regard to development projects (and changes in land use). Value increase may also occur as a

⁸ Many municipalities have implemented public land development strategies for large long-term developments and, if they would have wanted to abandon this strategy, are simply not yet able to do so.

result of investments in 'existing urban areas' (without any changes in land use). As in many other countries, public value capturing in these situations does not take place (and cannot be enforced by law); the additional value remains with the property owner. As a consequence, municipalities and private developers may prefer (re)development instead of an investment strategy meant to maintain or improve the quality of existing urban areas.

6. Some thoughts on what planning without growth could look like in the Netherlands

In this final chapter we pay attention to how planning without growth could look like in the Netherlands. First, we discuss a new operating environment for government, processes of governance and planning. In addition to that we address some possible adjustments to the financial model of urban development. This chapter concludes with a plea for more flexible forms of strategic land use planning in the face of uncertainty and austerity and zero growth

6.1. New operating environments

As mentioned above the current debates around planning in relation to urban development and renewal tend to be relatively weak and focus on short-term, practice based and instrumental solutions to resurrect (what were pre-existing) urban development projects. There is a tendency to wish to create the conditions of the past (unsustainable) conditions. As we have seen England demonstrates the same retrogressive perspective – in contrast to Scotland and the Republic of Ireland where, to varying degrees there is an acknowledgement of the need for robust strategic thinking, planning leadership, mediation of conflicts and a vision for changed conditions.

For the Netherlands we have argued that the conventional financial model deployed for urban development needs to be replaced by a new model that includes the external effects. A more holistic perspective on land and property development is needed; a perspective that goes beyond the present narrow focus on just trying to improve the implementation of development projects. It needs to be strategic in leadership and realistic as to the new parameters to land use planning. Currently some ‘new income models’ are being explored, but too often these are designed from a too narrow, and inward oriented perspective, whilst retaining growth assumptions. Little attention is paid to the longer term public interest in a more regional perspective. The attention is concentrated on short term actions to resuscitate stalled development projects from a very local perspective. Local decision making processes advocate privileges and protection for local citizens. It is hard to arrive at a more comprehensive and inclusive approach to regional planning, in situations in which regional ‘gains’ on the long term are accompanied by local ‘losses’ on the short term (Janssen-Jansen & Mulders, 2012b). The shift to localism is evident, as in the wider discussions on emergent planning reform and also on changing the financial system.

A relatively more localised focus on the short-term to stimulate economic growth will likely result in an evident short-sightedness and under-achievement when framed in terms of the requirements for a more holistic socio-economic development agenda. There is a *prima facie* case to acknowledge the very large differences in economic, institutional, organisational,

social and environmental conditions that have taken place in the Netherlands. It is imperative that new narratives are initiated which recognize the new constrained social, economic and environmental parameters which now prevail. It is important that the new (and perhaps even inexperienced as yet) relations between these elements be taken seriously. In short, the previously predominant state-market-civil relations have been replaced with a new caliber of capacity, opportunity and vulnerability. This is no mere hurdle – this represents a very substantive and material challenge to modern societies at large and the Netherlands in particular.

The contradictory interests of stakeholders and embedded power relations, however, make it almost impossible to adapt to the new circumstances. Re-framing the current (global financial) crisis as constituting a systemic set of socio-economic challenges exacerbated by a new environmental determinism invites consideration of alternative planning rationales and instruments. Due to the interconnectedness of governmental and market interests, and financial and spatial sub-systems each solution introduced or change of the system made will have repercussions and potential redistributive effects with unintended – and potentially undesired – spatial, economic and / or ecological articulations across different social groups, cities and regions (Janssen-Jansen, 2012b). These conditions create a new operating environment for government, processes of governance and planning.

This might be an environment with a screed of austerity based policies (like in Ireland). It is important to note that there are advocacies of alternative ways forward to challenge austerity, promote reflation and strengthen the case for positive land use planning. Calls have been made for a rethink in economic ideas and values. Questions have been raised as to the absence of a countervailing line of argument – one which challenges austerity (Dolphin & Nash, 2011). Arguments are being put forward for alternatives to debt and cost management through wider investment mechanisms to address employment, housing and infrastructure agendas reflects this alternative viewpoint (Burke et al, 2011). Allied to this line of reasoning is a raft of ideas associated with the provision of green infrastructure – merging two sets of economic priorities – reflation and climate change vulnerabilities (New Economics Foundation, 2009). This is allied to the advocacy of more innovation-centred, pragmatic and aware intervention. This involves creating the appropriate conditions for change, a reflexive and iterative approach which is sensitive to changing conditions – in short a policy calibrated on a strategic infrastructure strategy (Lent & Lockwood, 2010). Moreover, attention has been drawn to the lack of an industrial strategy in the UK which would be supported by appropriate instruments, including a positive land use planning framework (Benjamin, 2011).

6.2. Critical reflection on proposed alternative models

We have referred above to the ongoing discussions in the Netherlands with regard to ‘new income models’ for urban redevelopment or ‘solutions’ to address the problem of stalled urban development or restructuring projects. Inspiration is sought abroad but a critical reflection on these models with respect to the very different circumstances in which they will operate in a Dutch context is lacking. No attention is paid to the possibility that they could easily become ‘models of loss’ and further implications for the public interest. We do not discuss in detail all the proposed ‘income models’ and possible solutions. Instead we pay particular attention to just two examples of these alternative development and/or financial models that have been proposed recently: urban land readjustment and tax increment financing (TIF). We will put them in a perspective of no growth.

Urban land readjustment

In the search for ‘new income models’ often the instrument of urban land readjustment is proposed. The German *Bauland Umlegung* model – a leading example of urban land readjustment models – is put forward. On the one hand, the perspective adopted is that – in the future – redevelopment plans should not depend on the necessity to acquire beforehand all the land that is needed for the redevelopment, either by a public or a private developer. On the other hand, it is hoped to enable the restart of some of the stalled developments by increasing the value of the land through land readjustment. Recently the Ministry of I&M has started a national ‘*proefprogramma*’ to test experiments with urban land readjustment.

The German experience shows land readjustment has a starting point in assuming a context of economic growth. In Germany the instrument of *Umlegung* is a solution to situations where land use plans continue to exist on paper only because current property holdings are unsuitable in shapes and sizes (Davy, 2007: 37). Readjustment is a hierarchic and formal land policy to put plans into practice (Hartmann, 2011: 108). German planning law empowers municipalities to enforce their land use plan if owners of the land refuse to modify their properties by mutual agreement or are unable to do so because they are with too many (ibid: 38). Contrary to the Dutch system, German municipalities are not able to buy land themselves to profit from the planning gain of a change in zoning plans. This belongs to the land owner. In Germany, urban development and land ownership have a typical private property rights focus, as in the ‘property owning democracies’ of the UK and the Republic of Ireland.

In Germany, using the instrument of land readjustment would enable a portion of the readjustment gain becoming available to the German municipal governments to finance the capital investments in the planning area that they will not have without using the

instrument. In the Netherlands, however, this is already possible through the cost recovery regulation. Mandatory land readjustment helps to put plans into practice if landowners don't want to develop or share the benefit of higher property values (ibid. 39). As long as landowners are willing and able to modify the land may not be readjusted in Germany (ibid).

Urban land readjustment as a strategic tool for urban transformation is not a magic formula. The German experiences show that land readjustment will not 'create' demand. The instrument will be helpful in overcoming the problem of fragmented land ownership in projects in a specific context of growth. Research has shown fragmented landownership was a problem in urban restructuring projects before the crisis (RPB, 2008). This as result of the system (including the 'hope value' and 'risk free gain') in an economic boom period with seemingly unlimited investments in new development were possible. As we foresee a structural shift, and do not consider the current problems from a cyclical perspective, however, it remains to be seen whether such a situation will return. No empirical evidence exist that fragmented land ownership currently still is a problem and cause of delay at the moment⁹. Neither can we speak of a context of growth.

Given the current situation of the Netherlands, with significant over zoning and municipalities and developers facing financial problems due to the burden of rents on land, we would argue the instrument of land readjustment would not be a remedy to projects being stalled at the moment that lack a demand for real estate. In these – unrealistic – projects fragmented land ownership – even if is a problem – is not the cause of the delay. Given the downward trend of prices for land and real estate, even the incentive for land owners to stall transactions, might no longer exist. Nowadays – if there is demand – the longer landowners wait to sell or to develop, the more they lose. As a consequence, and in particularly if the landowners are developers or investors or municipalities that speculatively bought the land in redevelopment areas they now are often more eager to develop. Land readjustment could be an instrument to simplify and abridge those processes, but as all actors will have an interest in doing so, and voluntary land readjustment is already possible, and manageable with for example the assistance of the Kadaster, there might not be need to have a formalized new instrument after all.

Discussing the idea of land readjustment could, however, be worthwhile inexploring new ways of urban development in situations where the instrument of active land policy is considered inappropriate, in effect under the condition that there is a demand for the properties to be developed. It could be a useful additional development strategy for new generation transformation projects in the Netherlands, if it helps to improve the feasibility

⁹ The call for cases for the above mentioned experiments with urban land readjustment focused on project where all actors already agreed with the proposed plan (Ovink, 2012). This does raise some methodological questions with respect to test the effect of or evaluate the need for a mandatory instrument to overcome barriers of fragmented land ownership, and of the use of the German experiences.

and financial results of these projects. Even in situation of no growth, there will be a need for redevelopment.

In the case that there will be positive financial results (but that will not always be the case), the basic principle should be – or, at least, this should be part of the debate - that all beneficiaries of the transformation project participate in the readjustment project and take a share both in costs and benefits of the project according to their original share in the area. From this perspective, three fundamental aspects of the urban land readjustment instrument must be considered.

First, to be able to make use of all potential development gain it is essential to value the properties that are brought into the readjustment project against existing use value. This implies the land owners have to abandon the ‘hope value’ they once had, or even have to impair the value of their property and accept a - small or large - development loss now, to avoid an even larger development loss in the future. In special circumstances, the value can even be negative (cost for demolition of the property).

Second, in order to internalize part of the possible positive externalities that might occur, owners of land and properties in an area that are not ‘transformed’ should still be obliged to participate in the readjustment project and contribute to the redevelopment costs, based on their ‘individual development gain’ in the transformation. Note that in case of a situation where this is not about gain, but about a ‘limitation of loss’ this will be hard to be achieved and might even be considered ‘unfair’. Until now it is not possible to arrange for land and property owners in areas adjacent to a redevelopment project (or owners in a redevelopment project that are not involved in the redevelopment itself) who will benefit from the redevelopment because the value of their properties will increase, to contribute to the costs. They could benefit directly from an unpriced positive externality of that redevelopment which in the Netherlands is sometimes perceived as ‘unfair windfall’. The existing legal instrument of ‘baatbelasting’ – as a ‘mirror’ law to the ‘planschaderegeling’- is intentionally meant to ‘cream off’ part of those externalities, but cannot be used for this purpose due to legal issues. Using part of this value increment that will be created in such processes could increase the financial feasibility of urban development projects, and get them started at all.

The third issue to be explored, and related to the previous issue, is whether land and property owners in an urban redevelopment area (or adjacent to such an area) can and should be forced to participate in such a land readjustment project.¹⁰ Assuming that this will only happen when the project is financially feasible (and thus participation will at least result in a financial gain for the land owner) there must be other reasons for landowners not

¹⁰ Davy (2007) argues for Germany that this can be seen as a violation of land owners’ civil right to property, and in such cases expropriation is a more suitable, and fair instrument.

wanting to participate. Introducing such a mandatory instrument would involve very fundamental adjustments to the present Dutch institutional context for land and property development and would cause redistributive effects. Therefore a mandatory instrument is not likely to be implemented very easily.

Within the Dutch system, voluntary land readjustment systems are already possible. The transaction costs for the land transactions (*overdrachtsbelasting*) that was 6% is now 2% of the value of the land. If pooling the land is beneficial for land owners, and there is demand, they could voluntarily readjust. In an environment of no growth this could be a way to increase the quality of the urban spaces. Cost recovery is already possible in the current system. It may be worthwhile to explore the possibilities to change the underlying financial mechanisms (as discussed above), but the impact and redistributive effect of such an adjustment needs to be further explored as well. Research on whether 'problems of the past' are still a problem in the transformed context, would be a good idea, in order to prevent finding solutions for problems that no longer exist.

Tax Increment Financing (TIF)

Another 'new income model' that recently has been proposed for urban redevelopment is the idea of tax increment financing arrangements (Nicis Institute, 2011; Van der Krabben, 2011). There is critical interest in these perceived innovative alternative funding mechanisms. There are questions associated with their efficiency and effectiveness in economic and financial terms, as introducing such instruments will have very substantial redistributive effects. Yet, some continue to consider devising these new process-oriented models to finance developments as a possible new model to enable investments in maintaining and improving urban spaces in the future, while others argue this thinking is predicated on a 'business as usual' model, without, it seems, learning lessons from the current crisis or taking into account longer-term – redistributive – consequences of such business funding regimes. In the two text boxes below we will elaborate on both viewpoints¹¹.

Box 1: Why TIF should be considered as a potential new income model¹²

The instrument of Tax Increment Financing (TIF's) has been operational in the United States (and Canada) since the 1950s. In the United Kingdom pilot TIF schemes have recently been developed in Scotland and are also currently discussed in England (Hutchison *et al.*, 2012). A TIF scheme is used to finance public infrastructure provision for urban transformation

¹¹ Among the authors of this essay dissent exists on the topic Tax Increment Financing. This is shown in the two boxes.

¹² Partially based on a recent evaluation of TIF schemes in the UK, by Hutchison *et al.* (2012).

projects, based on the future tax increment in a designated area as the result of the transformation of that area. The tax increment is the additional tax income for the municipality related to the increment real estate value, calculated over a period of 20 to 25 years, while the increment is calculated as the difference between the current value of the improved property and the base value (without transformation of the area). Thus a TIF scheme does not lower tax revenues presently collected. The tax increment usually involves local property taxes (in the Netherlands: OZB), but may involve other local authorities' (tax) income as well. Since there will be a funding gap in the early years of the transformation project – a substantial part of the public infrastructure investments usually takes place before the additional tax increment can be collected – a financing mechanism is needed to finance the public infrastructure investments beforehand. In the U.S., for this purpose bonds are issued by the local authorities. If the issuing of local government bonds would be an option in the Netherlands is uncertain. Alternative financing mechanisms may be available as well. As such a TIF scheme can be attractive in serving as a vehicle that will generate 'new' private financing of urban transformation projects.

A crucial condition for TIF implementation usually concerns the so-called 'but for'-principle: without the implementation of TIF the urban transformation would not take place at all. To test for the 'but for'-principle is of course not without problems. It may be hard to prove whether the transformation could have taken place without public subsidies. However, in the Netherlands the same can be said about the necessity of present national and provincial subsidies for urban transformation projects. Another issue is whether the tax revenue will be sufficient to repay the debt and which party is to be held liable for any shortcomings. There are no guarantees that the urban transformation will really bring forward additional tax income for the municipality. One option is to hold the private developer liable that will be responsible for the development. However, that private developer must be known then at the start of the project. It is questionable whether in the Dutch context the income from property tax that is available to the municipality itself – a substantial part of the property tax income is at present redistributed amongst municipalities via the *Gemeentefonds* – would add up to a sufficient amount of money to (co)finance public infrastructure provision. For that reason, alternative financial sources should be investigated as well. For instance, in the city of Amsterdam a pilot project is being developed to use future additional income from long-term land leasehold for this purpose, instead of additional tax income.

TIF schemes can only be successful in areas that may expect a future demand for new real estate development and will therefore certainly not solve all the current financial problems with urban (re)development projects. It may also cause certain (undesired) distributional effects: the tax increment that will be used in a designated TIF area cannot be used anymore elsewhere.

As long as these issues are carefully taken into consideration, it can be worthwhile to examine the usefulness of TIF as an (additional) financial tool for urban transformation in the Netherlands, considering (1) the problems for municipalities with a public land development strategy and (2) the limitations to the present mechanisms of cost recovery of public infrastructure provision in urban transformation projects.

Box 2: Why the introduction of TIF arrangements should not be considered at all

The practical interest in devising new process-oriented models to finance - stalled - development projects, such as the idea of introducing tax increment financing (TIF) arrangements, is a form of retrogressive thinking. This thinking is predicated on a 'business as usual' model, without, it seems, learning lessons from the current crisis or taking into account longer-term – redistributive – consequences of such business funding regimes that rely on growth. In a context of no growth, this is a 'model of loss'.

The growth-based tax increment financing model is drawn from the neoliberal US urban development experience in which possibilities for urban government to finance developments in ways with less risk are impossible. In the Netherlands such possibilities are present for cases it is decided by the government the development project is necessary, demand is not a problem, yet the project is not feasible without any public support at all. There often is a lot of enthusiasm to introduce these 'tricks' from other policy contexts. It may look like a pot of gold in financially difficult times. Yet – using income from the future - can easily be a pot of gold at the end of the rainbow, as also the current financial problems caused by overoptimistic land development plans have proven.

Research conducted in the UK into the potential of this particular approach in the early 2000s (McGreal et al, 2002) already pointed to the policy transfer questions arising from a reliance on a funding model predicated on highly specific fiscal, developer behavior and local governance conditions in a - neoliberal - context of growth. Yet recently, – as already indicated in box 1 – not only in the Netherlands but also in the UK this model gained attention (Hutchison et al, 2012). Although the authors of that report do acknowledge that "evidence suggests that they [TIF arrangements] work better in a more buoyant economy when demand is higher and property values rise" (p. 5) they still propose TIF arrangements to stimulate growth and development "at a time when land values are declining and occupier rents and yields remain uncertain" (p. 7). An instrument that relies on 'increment' does not work if there is no increment. Also, if there is less increment than was speculated on before, problems will arise and governments will bear – part of – the risk. In the Dutch system as TIF scheme does not lower tax revenues collected per se – if of course the tax

capacity of the real increases¹³ - but can still result in a decline in income for the municipality as the 'tax capacity' of a city is taken into account – an compensated for - in the distribution funding from the national government. This will be the case if the property tax rate is low, like for example in Amsterdam.

Thus in economic and financial terms, introducing such instruments based on property taxes will further have very substantial redistributive effects that not have been taken in account so far. The effect will be between public¹⁴ and private actors, but also within and between municipalities.

For example, the City of Nijmegen is now experimenting with a TIF arrangement. As property taxes in the Netherlands are part of the funding of municipal services this implies a political decision has been taken that the City of Nijmegen has decided to economize on the provision on certain services to get development processes going again. Of course, this is at the discretion (*beleidsvrijheid*) of the municipality. Although TIF arrangements are often advertised as 'source for additional income', in fact it is about redistribution of municipal budgets. The choice for a TIF-like experiment implies Nijmegen will have to economize on libraries or sports etc. in the future as the city will not receive part of the property tax income revenues that they will need for provision of services in the future. This might affect the quality of urban spaces in other part of the city.

If it comes to changing the local tax system in the Netherlands (to enable TIFs) in this respect, it is often overlooked that the Dutch local property taxes are now used as a way to redistribute for tax base inequalities. As indicated above property taxes are used to pay for municipal services, together with the general fund of the national government (and the income from land development). If property taxes will be disconnected from the general fund some municipalities – with still some growth - get more funding, and others will get less. Even if TIF arrangements won't be used in growth cities, they will then be able to provide a better quality of urban spaces than cities without or with very limited growth potential. Although it is often argued that municipalities with initiatives for developments plans should be rewarded for their plans instead of being 'punished' via the redistributive system (Rfv, 2011), it is to be questioned whether municipalities can influence their growth potential at all. The geographical location is a factor city governments cannot influence by policy.

Other local taxes, like the dog tax, or commuters' tax, are not only related to new development, but also provide very little income to municipalities. Introduction of new taxes or a property tax increase to finance developments might be difficult in times of economization.

¹³ The transformation of a vacant office building into affordable housing might result in a value decrease.

¹⁴ Evidence from the US shows a negative effect of TIF district on school funding. TIF districts are often accompanied by redistributive mechanisms on State levels.

The arguments in the text boxes show that any fundamental change in the tax system needs to be thought through very fundamentally and not only from the perspective of an individual development project as tends to be the case in the discussions and reports concerned with the 'new income models'. Attention should be paid to how this will affect the provision of decent/acceptable service levels in relation to the quality of the urban space of the municipality as a whole, and within other municipalities. The same is true for changing the financial system from a national system, towards a more local-regional system (Janssen-Jansen, 2004). It could be interesting to look at this, but not from a narrow short term and private perspective, ignoring the longer term and geographical broader public interest. As already mentioned in the introduction of this essay, this will imply a debate about what acceptable levels of service provision and quality of the built environment are or should be, in the Netherlands and to what extent differences across the country are acceptable with respect to the quality of existing urban spaces.

6.3. Conclusion

Although it is possible that the belief in a dogmatic return to the pre-crisis growth path is slowly weakening, it is evident that any discussion as to the 'hows and whys' of system failure remains immature. In effect a focus on the scale and complexity of the current economic crisis is diverting public and political attention from the more fundamental problems currently faced in spatial planning and land development. There is a case to critically reflect on the implications for planning and governance in relation to the future spatial quality of the environment, not only for the location and form of new development, or transformational regeneration projects, but also regarding the on-going maintenance and revitalization of existing cities and the quality of life in neighbourhoods all over the Netherlands which need to sustain – if not enhance and rethink - the level, nature and type of services, such as facilities for older people, form of public spaces in the light of anticipated climatic change, and renewable technologies. Based on population projections, a new planning agenda is required in the light of demographic change, societal expectations and reduction in workforce, even in areas that are still perceived to be 'growth areas'. Decreasing public budgets, also as a result of the land speculation practices are putting pressure on maintaining the quality levels, in particularly if they have been inflated by the overabundance of revenues before. It is important to identify structural problems in terms of system interdependencies and likely conflicts of interests (see also Janssen-Jansen, 2012a; 2012d). Based on its mediating potential, the planning system then has a fundamental role to play in envisioning potential longer term strategies instead of the current focus on getting development project going again.

Dutch planning strategies, as in many countries, have always relied on investments in new property developments and the land value increment related to this. This approach was based on assumptions of ever increasing demand. Without growth, and with only limited increments due to expensive redevelopment projects, the Dutch system might be better off with a deliberate transition to a regulated system which does not include a land value betterment taxation arrangement (or recoupment for feeding back into the system). This might then involve negotiated private investment in infrastructure to enable development to take place, as in the UK and the Republic of Ireland and contrasted, for example, with the German system. Yet, the experiences in these countries show this will not necessarily prevent over zoning and/or sprawl, but may result in relatively more stable finances of local governments. What experiences elsewhere show, however, is that there are differentiated impacts on local authorities given economic activity is not even over time or space. Thus, research into under what circumstances more active land development systems could still be favorable is needed as well. A system that internalizes the positive externalities of planning by taxing the benefitting property owners in order to improve the financial feasibility of a (re)development project could also be further explored.

‘Less growth’ also implies an increased focus on the maintenance of existing urban areas. Until now, ‘development’ and ‘maintenance’ are two completely different worlds and are only hardly connected. Future ‘less/uncertain growth strategies’ might benefit from connecting ‘development’ to ‘maintenance’, with an increased role of citizens, in their role as consumer in the construction sector, but also as an inhabitant of a neighborhood to contribute to the maintenance of the park.

This evidence suggests there is a need for more flexible forms of planning in the face of uncertainty and austerity and zero growth. These flexible forms should embrace the trend to a shifting focus towards consumer needs and community well-being in the development sector.

In our opinion it is obvious that adjustments in current planning and development traditions in the Netherlands are inevitable, to be able to deal with the changed environment. A new, more resilient post-crisis urban planning approach should be adopted, with more assertive longer term strategic thinking involved than just the current focus on ‘new income models’. The transformed context into an environment without growth demands a broader comprehensive assessment of the challenges of the future while concurrently abandoning the approach of solving problems of the past. More than lessons from abroad, a rethink about the Dutch system, and its ‘errors’ is needed.

We are fully aware that such a transition will not be without problems. Those problems include the present financial obligations of municipalities and private developers in development plans which will probably remain a financial burden to them for the next years

and prohibit them to implement other models, the (political) obstacles to change – or even to start discussing - for instance planning and expropriation law (if necessary), and the difficulties to assess beforehand the impact and possible outcome of adjustment in those planning and development traditions. Yet, it is important to start a discussion about what the level of quality of not only new, but more important existing Dutch urban spaces should be, and whether an uneven quality level of the environment across the country is acceptable. As indicated in the introduction, the framing of the ‘problem’ and its scale is extremely important before pursuing solutions and the evaluation of their potential, or the introduction of practical alternatives.

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