MASTER

Regional collaboration
RDC for the restructuring of business locations

Braas, J.N.

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Preface

This is the final report of my Master’s thesis: ‘Regional collaboration: RDC for the restructuring of business locations’. I have conducted this research in completion of the master Construction Management and Engineering at the University of Technology Eindhoven. The research is executed at the company ARCADIS in Den Bosch.

I wanted to extend my knowledge about PPP in urban development in my Master’s thesis. Development companies are a relative new shape of PPP. These public-private incentives are private companies created for the organization and execution of urban developments. ARCADIS had a number of subjects they wanted to extend their knowledge about. One of these subjects was ‘The restructuring of business locations’. In a consultation with Mr. N. van Geenhuizen and Mr. S.C. de Haas of ARCADIS the idea occurred to combine the theme ‘Development companies’ with the theme ‘Restructuring of business locations’. The 15\textsuperscript{th} of April I started my research to determine which conditions of a development company make it possible to create an integral approach for the restructuring of business locations.

I would not have been able to conduct this research without the help and guidance of various people. I would like to thank my supervisors of the University; Mr. prof. dr. ir. W.F. Schaefer and Mr. drs. C.J.T.M. Kokke for their expert knowledge and specific guidance. Their explicit questions and remarks guided me to explain and describe my thesis more meticulous. I also would like to thank my coaches of ARCADIS: Mr. ir. N. van Geenhuizen and Mr. ir. S.C. de Haas for the time and effort they invested in guiding me through the research process. Their positive criticism has helped me to improve my Master’s thesis. Besides these people I would like thank the colleagues of ARCADIS for their participation in the simulation and all the experts I have interviewed for their cooperation.

Finally I would like to thank Bas Kuipers, Gerard Braas, Nelleke Huisman and Isabelle Prohn for their effort to correct my thesis and for their extensive support during my research.

I hope you enjoy reading my Master’s thesis,

Joni Braas

Den Bosch, December 2008.
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Summary

In this research a design of a development company for the restructuring of business locations is created. The report shows an ideal typical design of a development company which can create an integral approach for the restructuring of business locations.

Restructuring of business locations
The restructuring of business locations is the execution of interventions that have the objective to counteract the aging of the whole business site. These interventions are not just the executions of the regular maintenance. In the Netherlands is approximately 32,000 hectare of business locations dated. The restructuring has different forms:

- Revitalization: the improvement of the public space and the infrastructure with the preservation of existing buildings and the economic function;
- Re-stressing the distinctive features: changing the economic function in new industrial activities with renovation or demolition and development of the public space and the existing dated buildings;
- Transformation: total conversion to change the economic function in a non-industrial function.

Problems of the restructuring
There are several reasons why the restructuring of business locations fails:
1. The economical behaviour of the involved stakeholders;
2. There is a mismatch between the supply and demand of business locations;
3. There are not enough financial resources for the restructuring of business locations;
4. The restructuring of existing business locations is in many cases limited to the revitalization of the public areas.

There is not an integral approach for the restructuring of business locations, because of the reasons stated above. In this research the integral approach is described as an approach in which all the aspects of the whole site are completely taken into account. This means that the problems in public and private area are addressed. The solutions need to be geared to one another and address the interests of the involved parties.

Interests of the stakeholders

National Government
According to the national government the dated, existing business locations need to be restructured. Their interests in the restructuring of business sites are that the quality of existing sites is improved, the approach for the distribution of new sites is changed and that sustainable sites with a long life span are realised.

Province
The provinces want to contribute to the restructuring of business locations. Their main interest is that they want to determine the specific demand. They are willing to invest in the restructuring of business locations. Provinces can play an important role in the restructure of sites. They can stimulate municipalities and companies to participate in the restructuring.

Municipalities
Municipalities acknowledge the problems, but not every municipality is willing to execute the restructuring of business location. The restructuring is very expensive and the
distribution of new sites provides more revenues. There is little collaboration between municipalities. Not all municipalities are committed to stimulate and execute the restructuring of existing sites.

**Entrepreneurs**
There are a lot of different owners and established companies on industrial sites with different interests. These interests are mainly focused on their own company and the business processes. They do experience the problems when these intervene with the business operations. So they are only willing to collaborate with the restructuring of business locations if it benefits the company and the business processes.

**Investors**
Investors have a limited role in the market of business locations. There are different kinds of investors: property developers/contractors, just property developers or just investors. There need to be clear and interesting opportunities with the restructuring before they will invest.

**Development companies**
A development company is an enterprise with an own legal entity created with the parties involved, public and/or private, to realize an objective. There is not a general form used with every development. It depends on the kind of development. This research shows different kinds of development companies.

**Advantages**
Development companies can provide the following advantages:
- The interests of the involved parties are considered and combined;
- The focus and attention of involved parties are directed to the development;
- If a mandate of the municipality is received the decisions can be made more swiftly without interference of a city council;
- The different parties can contribute their skills and knowledge in an early stage;
- The company can create an integral approach in which the interests of the participants are addressed;
- With early and intensive cooperation between the parties in a development company a durable development can be created.

**Regional Development Company Breburg**
In this research the problems of the restructuring of business locations are combined with the advantages of development companies. An ideal typical development company is designed for a specific region. The Regional Development Company (RDC) Breburg is created. The RDC is regional organized and consists of a holding with operating companies. The interests and objectives of the shareholders are combined in the company to one joint objective. The advantages of the Regional Development Company Breburg are:
- The interests and objectives of the shareholders are combined and the internal competition between municipalities is removed;
- The RDC can realize more funding for the restructuring, because the RDC is responsible for the whole business site policy;
- The knowledge and expertise of the shareholders will be combined and guaranteed in the RDC.
The RDC realizes an integral solution, because the interests of the parties are combined and addressed on a regional level. The integral approach of the RDC is not limited to the restructuring of business locations. In order to provide a useful solution the whole policy of business locations is executed by the RDC Breburg.
CHAPTER 1

Research layout

1.1 INTRODUCTION

In this chapter the research approach is shown. The first paragraph describes the context of the research. In the second paragraph the approach of the research is outlined. In paragraph 1.3 the problem, the questions, the framework and the objective are stated. The research model in paragraph 1.4 shows the different phases of the research. The research is conducted with several methods. These methods are stated in paragraph 1.4.1. In the last section of this chapter the frame of the research is shown.

1.2 CONTEXT

Land for economic activities has always been at the sidelines in planning debates. In the last decade the planning of industrial estates has attracted much more attention. Local community groups and environmental pressure groups are against the creation of new industrial estates or the expansion of industrial sites. Many older estates are becoming obsolete and may become brown fields in the future. The planning of industrial estates is becoming a prime theme in planning policies. (Louw and Bontekoning, 2007)

The restructuring of business locations is needed, because they have become obsolete. In the “Nota Ruimte” (ITSO, 2004) is stated that a large part of the business locations is not adequate to today’s standards. If business locations are redeveloped, revitalized or transformed the appearance of the urban area will be strongly improved. (ITSO, 2004) The ministry of Finance has stated in 2004 that more that 20% of the total stock of business locations is dated, 21.670 hectare. The execution of the restructuring is not very successful. In the period 1990-2003 only 1.900 hectare is restructured. If it continues in this pace, it will take 200 years to restructure the current stock of obsolete business locations. 92% of all the restructuring projects of business locations are limited to the revitalization of the area. These facelifts are not good enough to create durable business locations. (Blokhuis and Schaefer, 2006) The number of dated sites has grown. The Taskforce ‘Redevelopment Business Locations’ has estimated that approximately 32.000 hectare of business sites is dated. (Noordanus, 2008)

The measures of revitalization only include small activities. There is not an integral approach, no structural improvement with the focus on social-economic aspects. (Hardy, 2005) The municipalities are responsible for the planning, development, release and the management of the locations. (Blokhuis and Schaefer, 2006) Restructuring is a long-winded problem that requires a lot of commitment of the parties involved, especially of the local authorities and the entrepreneurs on the business locations. Restructuring needs an integral development vision with a combination of physical, organizational and economical measures. (Hardy, 2005)
There are a lot of different parties involved in the restructuring. In most cases the local authorities have to take the initiative to realize a restructuring of a business location. In Europe are several examples of private companies which have given direction to the development of complex constructions. One of these examples is the restructuring of a district in Lisbon: Parque EXPO and the surroundings. For this development a private organization was realized: Parque EXPO '98 SA. (Schaefer and Blokhuis, 2007) This private organization had the objective to develop the world fair in 1998 and to redevelop a large part of Lisbon. This organization can be called a development company. In the Netherlands there are also examples of such companies: ‘Paleiskwartier B.V.’ and ‘WOM Krispijn Wonen v.o.f.’.

1.3 RESEARCH APPROACH

1.3.1 PROBLEM

The paragraph above shows there is not an integral approach for the restructuring of business locations. The developments in this area are not successful and do not show any progress. It seems that there is a new development for the guidance in complex construction projects. There are private enterprises that want to initiate the development of complex restructuring. This new development is perhaps the answer for creating an integral approach for the restructuring of business locations.

Problem: “There is not an integral approach for the restructuring of business locations.”

1.3.2 PHRASING OF THE QUESTION

Main question: “Which conditions of a development company make it possible to create an integral approach for the restructuring of business locations?”

In order to answer the main question the following questions need to be solved. The questions are categorized according to the themes. These questions will be answered in the following chapters of this document. There are 14 questions that need to be answered at the end of this research.

Restructuring of business locations:
- What is the restructuring of business locations?
- What is an integral approach for the restructuring of business locations?
- Which parties are involved in the restructuring of business locations?
- Which are the organizational and the financial aspects of the restructuring of business locations?
- Which are the failure factors for the restructuring of business locations?

Development company:
- What is a development company?
- Which parties are involved in a development company?
- Which are the organizational and financial aspects of a development company?
- Which are the similarities and differences between the international and national trends?
- Which are the advantages and disadvantage of development companies?

Development company for the restructuring of business locations
- Which parties are involved in a development company for the restructuring of business locations?
- Which are the organizational and financial aspects of a development company for the restructuring of business locations?
• Which are the advantage and disadvantage of a development company for the restructuring of business locations?
• Why does a development company for the restructuring of business locations realize an integral approach?

1.3.3 HYPOTHESIS

The hypothesis of this research is: "An ideal typical development company can realize an integral approach for the restructuring of business locations."

1.3.4 OBJECTIVE

In paragraph 1.3.1 the problem is described. The research model, in paragraph 1.4., shows which steps will be taken to reach the intended purpose to solve the problem. The objective of the research is: "To design a development company which can realize an integral approach for the restructuring of business locations."

1.4 RESEARCHMODEL

Figure 1.1

The model shows which steps will be taken during the study.
1. The first step is an analysis of international and national theories and case studies of development companies and the restructuring of business locations. Experts of both issues will be interviewed. Appendix 1 shows which experts are interviewed.
2. The result analysis will provide preconditions for the design of the company. The results will be analyzed according to the KJ-method. The KJ-method is an analysis method. With this method all the gathered information is written on cards. For this method approximately 150 cards with information are used. The cards are grouped according to the same contents. The main subjects that arise are compared and connections may occur between them. (Blokhuis and Van Gassel, 2005)
3. With the determined preconditions the design of the development company is created. The design will have the shape of a business plan. The format of Mckinsey (1998) is used to describe the company.
4. In the last phase the design of a development company for the restructuring of business locations is tested with a simulation.

1.4.1 RESEARCH METHODS

In this paragraph the research methods are described. Verschuren and Doorewaard show five different strategies that can be used. They claim that usually not only one specific strategy is used. In most researches a hybrid of the several strategies is used. The following three different forms are used in this research.

1. The desk research. This is a research strategy in which the researcher uses material produced by others. There is no direct connection with the research object. The material is viewed from another perspective than in which it was produced.

2. The well-founded theory approach. This research is a method to realize theoretical insights with minimum prescience. Important aspects are a searching attitude of the researcher, to constantly compare empirical data and a careful and consistent use of procedures and methods.

3. The case study. The researcher tries to obtain insights in one or several objects or processes that have a certain time frame. The characteristics are a small number of research units, a time consuming approach, depth, a selective sample survey, and qualitative data and research methods. With a case study an integral idea of the whole object is obtained. (Verschuren and Doorewaard, 2005)

This research will use the research strategies mentioned above. The strategies desk research and well-founded theory approach will be used to study the existing literature. The last strategy has significance, because three cases are studied to obtain a clear idea of themes of development companies. This research is a qualitative research. (Baarda, De Goede and Teunissen, 1998)

1.4.2 FRAMEWORK

This paragraph shows how the research and the subject are defined. A research of two themes is necessary; 'Development company' and 'Restructuring of business locations'.

The theme of a development company will be approached as public private partnership (PPP). Within this theme the focus will be on the organizational and financial aspects of PPP. The second theme is the restructuring of business locations. The focus will be on the aspects of restructuring. Not all the aspects of business locations will be taken into account. In this research the restructuring of business locations will be viewed from the angle of a development company. This means that only the aspects of business locations are researched that are necessary for the design of a development company.
CHAPTER 2

Part I: Background restructuring of business locations

INTRODUCTION

In this chapter shows the background of the restructuring of business locations. The chapter describes, in this order, what the restructuring is, which the national problems are and which the international and national developments are and which trends are significant to the restructuring. At the end of paragraph 2.3 and 2.4 a short headline is given. This headline summarizes the paragraph. In paragraph 2.5 the conclusion of the chapter is given. Appendix 2 shows additional information about the national policy of the restructuring of business locations.

The answer to the following questions is given in this part of the report.
- What is the restructuring of business locations?
- What is an integral approach with the restructuring of business locations?
- Which parties are involved in the restructuring of business locations?
- Which are the organizational and the financial aspects of the restructuring of business locations?
- Which are the failure factors of the restructuring of business locations?

WHAT IS THE RESTRUCTURING OF BUSINESS LOCATIONS?

Definition of business location
“A business location is a legal limited space which is recorded in the spatial plans of the municipality and on which the establishment of businesses is possible”. (Blokhuis and Schaefer, 2006)

“A business location is a location of at least 1 gross hectare land with the destination trade, industry, commercial- and non-commercial services”. (VROM-raad, 2006)

The definition that will be used in this research is a combination of the definitions stated above. “A business location is a legal limited space of at least 1 gross hectare land which is recorded in the spatial plans of the municipality. The establishment of businesses on this location is possible if they have the functions trade, industry, commercial and non-commercial services.”

Definition of restructuring of business locations
Restructuring are interventions to stop the aging of business sites. Restructuring means the execution of single interventions to counteract the aging of the whole business site. These interventions do not involve the regular maintenance. The soil sanitation, the investments in the infrastructure and the movement of companies are the most expensive interventions of the restructuring of industrial sites. (CPB, 2000) The restructuring of business locations is the
execution of interventions that have the objective to counteract the aging of the whole site and these interventions are not counted as regular maintenance. (ARCADIS, 2005)

The definition used in this research for the restructuring of business locations is: "The execution of interventions, which are not regular maintenance and that have the objective to counteract the aging of the whole business location."

Different forms
There are different forms of restructuring:

• Facelift: extensive maintenance for the technical aging of the industrial site (Meijers, 2008);
• Revitalisation: the improvement of the public space and the infrastructure with the preservation of existing buildings and the economic function;
• Re-stressing the distinctive features: changing the economic function in new industrial activities with renovation or demolition and development of the public space and the existing dated buildings;
• Transformation: total conversion to change the economic function in a non-industrial function. (Blokhuis and Schaefer, 2006)

Integral approach
The definition of an integral approach is according to the dictionary Van Dale (2008) “A comprehensive, whole and complete way of working.” An integral approach for the restructuring of business locations is an approach in which all the aspects of the whole site are completely taken into account.

NATIONAL PROBLEMS
The planning approach for the development of business sites differs strongly from the approach of the regular area development. The most common way in the Netherlands for a company to realise a business property is to buy a piece of land on a business site and develop the property for oneself. Nowadays half of the building sites in the Netherlands are reserved for business activities, while only 20% of the land is used by these activities. The exceeding supply of new locations leads to vacancy on existing locations. (Blokhuis and Schaefer, 2006) Because of this planning approach the land on the business sites is owned by a lot of different parties. (Interview: Wenselaar, 2008)

Problems business locations
Approximately 32,000 hectare, 33%, of the business locations in the Netherlands is dated. The Taskforce ‘Redevelopment Business Location’ (2008) has determined the problems on business locations. They have described the following most important problems.

• Business locations are aging too rapidly.
• The supply of new business locations is too large and too inexpensive.
• The supply is not focused on the demand.
• The supply of business sites is not very differentiated.

The taskforce has conducted an exploratory research about the real amount that needs to be restructured. They state that approximately 17,000 hectare needs to be restructured. (Noordanus, 2008)

The public area on business location does not form the main problem. The business properties on the existing sites are a greater problem. Because of demographic development, ragging and ageing and economical structural changes, like the focus on service activities,
entrepreneurs demand different standards than 20 years ago for the housing of their company. The market for business properties has changed to a substitution market. (Stogo, 2007)

The problems on the market for industrial sites are studied by different authors. Kapteyn (2006) distinguishes three main problems: vacancy, rapid aging and the lack of commitment of the owners. Hakfoort (2006) names also three problems: a qualitative mismatch between demand and supply, rapid aging of the locations and an inefficient use of the land on regional scale. (Blokhuis and Schaefer, 2006)

**Aging**

In the pieces of text written above several times the problem of aging is stated. The aging consist of four processes.

- Technical aging: there is overdue maintenance of the public area and the properties of the owners.
- Economical aging: the layout of the site is not sufficient anymore. The site does not meet the demands of the current market. The site needs to be adjusted to new users.
- Social aging: the industrial site is not satisfactory to the current demands, because of changes in the regulations. The government sets new demands for the safety, the environment and the conditions of employment.
- Spatial aging: The geographical surrounding area has changed a lot. The site is disturbing the vulnerable functions in the surrounding area. These functions were not present during the development of the site. (CPB, 2000)

The following symptoms will occur if the business site is aging.

- Increasingly inefficient land use: the aging of business sites can involve the increasing inefficient use of land. Inefficient land use can exist in public or private areas of the site. The spatial structure of the site is set for a long time when the site is developed for its first users.
- A dated look: this involves the aesthetical quality of the site. The site has to be clean, structured and well maintained.
- Dated infrastructure: The quality of the infrastructure can be dated. The user can no longer optimally use the infrastructure, because the means and way of transportation have changed.
- The pollution control: Business activities involve the emission of stench, smoke and dust, soil pollution and noise nuisance. (CPB, 2000)

**Conclusion**

The problems of business locations are the rapid aging, the mismatch between supply and demand, the lack of commitment of the owners and the inefficient use of land.

**Problems restructuring of business locations**

The local governments are the main developers of industrial land and show no hesitation to develop new industrial estates. Because of the large supply of new estates many firms move to these sites leaving behind older industrial sites. The new estates provide less attractive older estates. (Louw and Bontekoning, 2007)

The increasing aging of business locations and the difficulty of financing the restructuring are difficult issues. More companies are leaving the locations and the vacancy and the corruption is increasing. The restructuring of these business locations is needed, but the financial feasibility is a problem. (VROM-raad, 2006)
92% of the restructuring projects are limited to the revitalisation of an area. These interventions are not sufficient to change the aging of business locations. 2% of the projects are focussed on re-stressing the distinctive features of a location and 6% concerns the transformation. Blokhuis and Schaefer (2006) have defined four possible causes of this problem:
1. The lack of consensus between the stakeholders;
2. Mismatch between demand and supply;
3. Legislation;
4. Financing.

The two important reasons why the restructuring of industrial sites fails are the following.
1. The lack of expert process guidance: the restructuring is a long-term and complicated process with many participants. Public and private parties have insufficient knowledge to guide this process effectively. To accelerate the execution of the restructuring professional process guidance is needed to realize a viable restructuring plan.
2. Insufficient financial resource: municipalities do not reserve enough resources to manage and maintain industrial site effectively. The involved private parties are not interested to invest in the private part of the restructuring. (Meijers, 2008)

The problems with the restructuring of business locations are:
1. There is no joint policy on local, governmental level;
2. There are not enough financial resources;
3. The risks are unclear and poorly arranged;
4. There needs to be a different approach for the allocation of new locations. (Interview: Hardy, 2008)

**Conclusion**
The problem of the restructuring of business locations are lack of commitment of the stakeholders, insufficient financial resources, no joint regional policy and a mismatch between supply and demand.

**INVOLVED PARTIES**

According to the CPB the problem of the stagnating restructuring is a natural effect of the economical behaviour of the involved stakeholders. In the Netherlands there are a lot of stakeholders involved in the development of business locations. Three important participants are the government, the settled companies and other private parties. (Blokhuis and Schaefer, 2006) The interests of the government and the private parties used to be much more separate. The government was responsible for the public activities. Now the interests are more intertwined and the parties need cooperate. (Interview: Meijdam, 2008)

**National Government**
The National Government recognizes the problems of the existing business locations. There are several incentives to determine the problems and find a solution. The report of the VROM-raad “Werklandschappen” and the report of the Taskforce Redevelopment Business locations “Kansen voor Kwaliteit” are such incentives. In appendix 2 the description of the policy of the National Government is given.

The Government wants to change the current use of land for business locations, because there is a lot of criticism on the use of space in general. Approximately 17% of the land is
used in the Netherlands. But the experience is that the Netherlands are fully used and that there is not enough space. This means that there need to be another approach for the use of land. The VROM-raad suggests that the space on business sites can be used more efficiently and intensely. They state that existing sites can be intensified by realizing more high-rise buildings and creating parking spaces beneath or above the buildings. (Interview: Meijdam, 2008)

**Province**

The aging of existing business location is also problem for the province. The province is partially responsible. They have a social responsibility to stimulate the restructuring of industrial sites. (Interview: Gordon, 2008) The province can play an important role in the restructuring of business locations. They can stimulate the restructuring by making funds available. (Interview: Meijdam, 2008)

The policy of the province is to have enough sites of good quality for the economical development sufficient for the current need. They want to change the current structure of the business location and provide for the current demand. They will determine what is needed in the region. (Interview: Van Neerven, 2008)

**Municipality**

Local governments are the main suppliers of building land in the Netherlands. They can plan and develop industrial estates themselves due to their statutory planning and land policy. (Louw and Bontekoning, 2007) The municipality wants to have enough stock of business locations, because there is a belief that it will stimulate economic growth. The municipality is responsible for a sustainable economic growth in the community. The municipalities obtain, buy and sell the land of industrial sites to develop the employment. They are focussed on developing locations in their own area. (VROM-raad, 2006)

The involvement and the responsibility of the municipalities have consequences. First of all the municipalities invest hardly in the quality of business locations, because they want to keep the cost for the preparation of a site as low as possible. Second municipalities set demands for entrepreneurs through permits, but there is no priority to effectively maintain and manage the public area. Third there is a strong competition between municipalities for companies. The municipalities are more willing to relax their demands when they are able to attract certain companies. The economic considerations result in the fact that municipalities become competitors of each other and provide a large supply of land on business locations for a low price. Municipalities determine the price of land on business locations and if they want a specific company on their location they will lower the price. Regional cooperation is difficult, because of the competition between the municipalities. The VROM-raad (2006) states that regional cooperation is very important for the quality of business locations. Municipalities acknowledge the problem, but feel that it is very difficult to create a solution. The problems of deterioration and vacancy are considered the most significant. (Interview: Van Essen, 2008)

There are municipalities actively involved in the restructuring process. They do try to create solutions for existing dated business sites. They are focussed on providing a solution for the parts of a site that do not attract private parties. For the components of the site that do not provide opportunities. These municipalities experience that companies do go to other municipalities that provide lower prices and larger sites. The reason why these
municipalities are actively involved in the process is, because they have little space to allocate new sites within the municipal boundary. (Interview: Sedee, 2008)

**Entrepreneurs**

Entrepreneurs can realize new accommodations with a better price-quality ratio, because the land- and construction cost are relatively low. (Blokhuis and Schaefer, 2006) The relative limited influence of the land rate creates the possibility for companies to buy more land then they really need. This creates the possibility to expand the company in the future. (VROM-raad, 2006) The effect is that there is inefficient land use. (Blokhuis and Schaefer, 2006)

The investments of companies in their land or property are minor to the investments in other processes of the business and the external development. The appearance of the site, the intensity of the land use and economical usability are not very important to the core activities of companies. The aging of the infrastructure and the pollution are more important, because they have a direct influence on the management of the company. A poor infrastructure results in difficult accessibility. The competitor position of the company can deteriorate. (CPB, 2000)

The companies on the business sites are not stimulated to execute more maintenance than necessary for the management of the company. The aging process starts directly when the plot is sold. The economic behaviour of companies results in inefficient land use, a poor look and insufficient possibilities for reuse of the land and the property. (CPB, 2000) Entrepreneurs are focussed on their own plot. This plot needs to function well in order to facilitate the business processes. (Interview: Van Essen) But entrepreneurs do experience the aging of business locations as a problem. It depends on the kind of company what problems are believed the worst. Their main focus is the functional aspects of the site, but companies with a lot of visitors do feel it is important that the site has a good appearance. (Interview: Putmans and interview: Meijdam, 2008) Some entrepreneurs do realize that a good site can contribute to the public interest. Those entrepreneurs are usually part of an entrepreneurs association. (Interview: Van Essen)

Entrepreneurs need to be involved to realize a restructuring of an industrial site. They need to be willing to cooperate in the development. It is a great help if the entrepreneurs are involved and willing to collaborate. (Interview: Metselaar, 2008) But it is difficult to unite all the entrepreneurs. The entrepreneurs on a site often do not know each other and they are focussed on executing activities for their own business. The large number of entrepreneurs on an industrial site makes it more difficult to realize the involvement of everyone. (Interview: Van Midden, 2008) On average 60% of the entrepreneurs on a business site is a member of an entrepreneur association. An association has no legal ground and is always voluntary. The association can be a great help with the restructuring of an industrial site. They can help to realize support with the entrepreneurs on the site. (Interview: Putmans, 2008) It is difficult to obligate entrepreneurs to participate in an entrepreneurs association on existing business locations. The participation in an association can be obligated with the development of new sites. (Interview: Hardy, 2008)

Entrepreneurs do not always own their plot and property. There is a mix of lease and ownership on industrial sites. The trend sale and lease back is becoming a more known phenomenon. Sale and lease back means that the entrepreneur sells his property to an investor and leases the property for the rest of the time. This results in a cash flow which the
entrepreneur can use for investing in his own company and his core activities. (Interview: Putmans, 2008)

**Investors**

Investors have a limited role in the market of business locations. There are different kinds of investors: property developers/contractors, just property developers or just investors. The company specific buildings have a low and hardly rising market value. Companies are not likely to move, due to the high cost. The circulation is very limited. There is little room for new investors. These aspects result in limited business locations for rent and the buildings do not make an attractive investment. (Blokhuis and Schaefer, 2006) The role of these parties is slowly increasing, but still 75% of the supply of building land on industrial estates is developed by the local government. (Louw and Bontekoning, 2007)

The market is interested when the industrial sites are transformed, because with this kind of restructuring the possibility exists to create value through the development of housing or offices. With the other types of restructuring the private parties are less interested to participate. The processes of restructuring are complex and expensive. There are not enough incentives to create value. (Meijers, 2008) Property developers carefully analyze whether existing business locations have opportunities. There need to be clear and interesting opportunities before property developers will invest. Only property developers that have persistence to execute a long term vision will invest in existing industrial sites. Investors will not easily invest in existing sites, because they want to realize as much return with as little as possible investment. (Interview: Hermans, 2008) Private parties are only interested in the restructuring of existing business locations if interesting opportunities can be created. This usually means that the site has a good location, soil sanitation is not needed and the infrastructure is up-to-date. (Interview: Sedee, 2008)

**HEADLINE**

In the Netherlands approximately 32,000 hectare of business sites is dated. The business sites are aging. There is vacancy on existing sites and the public spaces and private properties are deteriorated. Problems of these dated locations are the inefficient use of land and the increasing aging of the sites.

On the existing business locations there are a lot of different owners. This is a result of the planning approach in the Netherlands. When business locations are developed the plots are sold and the owners develop their own property for own demands. The public areas are owned by the municipalities. The economical behaviour of the involved stakeholders is a problem. According to the national government the dated, existing business locations need to be restructured. Their interests in the restructuring of industrial sites are that the quality of existing sites is improved, the approach for the allocation of new sites is changed and that sustainable sites with a long life span are realized.

The provinces want to contribute to the restructuring of business locations. Their main interest is that they want to determine the specific demand. They are willing to invest in the restructuring of business locations.

They acknowledge the problems, but not every municipality is willing to execute the restructuring of business location. The restructuring is very expensive and the distribution of new sites provides revenues. There is little collaboration between municipalities.

There are a lot of different owners and established companies on industrial sites with different interests. These interests are mainly focused on their own companies and the business processes. They do experience the problems when it influences the business operations.
Investors have a limited role in the market of business locations. There are different kinds of investors: property developers/contractors, just property developers or just investors. Property developers and investors are only interested in business locations if they provide possibilities. There need to be clear and interesting opportunities with the restructuring before they will invest.

There is a mismatch between the supply and demand of business locations. Existing and restructured business location can not compete with new business locations, because there is enough supply and the costs are relatively low.

There are not enough financial resources for the restructuring of business locations. The restructuring is expensive in comparison to developing new locations.

2.4 DEVELOPMENTS AND TRENDS

This paragraph describes different developments and trends that can be of use to restructuring of business locations. Additional information about the restructuring in other countries is shown in appendix 3.

2.4.1 BID

The essence of the Business Improvement District (BID) is that the owners jointly determine which measures need to be realized besides the services the municipality provides to make the area more appealing for the clients and to increase the profitability. This model is originally developed in Canada and the United States. It has been adopted in many cities across Europe. (Ysa, 2007)

The definition of BID: “a BID is a publicly sanctioned, yet privately directed, organization that supplements public services to improve shared, geographically, defined, outdoor public spaces. Moreover, such organizations subscribe to a self-help doctrine, whereby a compulsory self-taxing mechanism generates multi-year revenue.” (Hogg, Medway and Warnaby, 2007)

If the majority of the owners agree with the measures a mandatory levy will be enforced to all the owners to finance the measures. BID offers companies a simple chance to create collaboration with the objective to invest in their environment. (Menger, Older and Zweedijk, 2005) The services realize an improvement of the quality of the public space in an area. The result is that companies function better in this area. BID focuses on improving the area and creating a competitive area with the interest of the owners and the entrepreneurs taken into account. (Menger, Older and Zweedijk, 2005)

BID: United States of America

Entrepreneurs in the U.S. have developed an instrument to generate income for joint services and improvements in the public area. (Menger, Older and Zweedijk, 2005) BIDs develop as private non-profit organisations with the right to collect a levy on the commercial property within a given area in order to fund services. Local governments enable BIDs to impose a levy on the property tax in their operational area. The levy represents usually 90% of the BIDs income. Local governments assess the activities of BIDs during the life of the contract. The contract allows local governments to supervise BIDs activities. The implementation of this public-private management model is based on trust. The private players are unable to create such a management model without local
government collaboration, because BID activities fall in the public sphere and require changes to state legislation and local regulations. (Ysa, 2007)

BID functions independently for their day-to-day activities, but for the creation, financing, decision-making, continuation and termination, decisions of national and local councils are necessary. Most BIDs have a board and management organization. The board is responsible for the daily decision-making, the creation of the management organization and the supervision of the execution. The management organization is responsible for the execution of activities. The board is formed by representatives of real estate owners, tenants, institutions and municipalities. There is a strong presence of the municipality in the board. The distance between the politics and the BID is very limited. The creation of the budget and the estimation of the height of the levy is a responsibility of the board. The local council has to approve these two tasks. The activities of the municipality and the BID are stated in a contract between these two parties. (Menger, Older and Zweedijk, 2005)

**BID: The Netherlands**

The U.S. can not be compared with the Netherlands. In the U.S. there is a very different view on the tasks and responsibilities of the government. In the U.S. they prefer less involvement of the government. The taxes in the U.S. are much lower. It was necessary to create an instrument to counter the run-down city centres. In the Netherlands there is a strong responsibility of the government to create a base quality for the public area. The need for BID originated, because more quality in the public area of commercial and business district was desired. The creation of a BID is strongly dependent on private initiative and support. BIDs originate where real estate owners and entrepreneurs see opportunities to develop the potency of areas. (Menger, Older and Zweedijk, 2005)

A new experimental act is being created for business locations. This act is called "Experimentenwet Bedrijfsgerichte Gebiedsverbetering (BGV)". The international BIDs have been an example for this act. (Heemskerk, 2008) The new experimental act is not yet in use. The expectation is that the act will be effective around Februari 2009. (Bedrijventerrein, 2008)

With this act the municipality can create a BGV-zone. Entrepreneurs can realize extra activities besides the services of the municipality in this zone. An associations or foundation of entrepreneurs is created for the execution of the extra activities. The activities are financed with a levy paid by all the entrepreneurs in the zone. The BGV-zone makes it possible for the entrepreneurs to jointly invest in their business location. A BGV-zone can only be created when there is sufficient support of the entrepreneurs in the area. (Heemskerk, 2008)

Municipalities are temporarily given the authority to create a BGV-zone in which a new levy needs to be paid to finance extra services that the majority of the entrepreneurs want. These extra services need to be of value to the entrepreneurs and to the public interest. The entrepreneurs need to take the initiative to create a BGV-zone. They need to form an association or a foundation and formulate their ambitions. Together with the municipality they will decide what the area will contain, what extra activities will be executed and the height of the levy. Before the zone is created the municipality needs to determine if there is enough support. There needs to be a double majority. A double majority is 2/3 of the entrepreneurs and 50% of the property value in the zone. (Heemskerk, 2008)
2.4.2 FINANCIAL METHODS

Financial incentives
There are several financial problems with the restructuring of business locations. The most important financial problems are:
1. Destruction of capital: with the restructuring of business locations it is necessary to demolish the existing buildings. Companies do not want to sell their property if the sales value is lower than the balance sheet value. This is not unlikely, because the building exists on dated industrial sites. The entrepreneur will be confronted with the destruction of his capital;
2. Levying of taxes: Property owners will come in contact with transfer tax and income tax with the restructuring of business locations, when they need to move. With the sale the owner needs to pay income tax and with the obtainment of a new building the owner needs to pay transfer tax;
3. Costs for soil sanitation;
4. Costs for due maintenance of the buildings;
5. Costs for the move;
6. Extra costs or less income during the restructuring process;
7. Financing the restructuring of the public area;
8. Advance financing for the costs in the first phase of the process. (Price Waterhouse Coopers, 2003)

Financial feasibility
The increase of value of property, the reduction of the costs and the possibilities to balance the negative results with the positive results are crucial to create a feasible restructuring program. The most important parts of the financial feasibility are:
• To focus the regional programming on the restructuring;
• Enhance the ambition level and extend the scope, to create more possibilities to realize surplus value within the area;
• Regional balancing between locations;
• An adjusted land price policy on new locations to create higher land revenues;
• Subsidies;
• Active investing in an area focused approach;
• To prone away property revenues with the development of new property;
• The exploitation of the real estate property can result in a small return. (Meijers, 2008)

Price Waterhouse Coopers has developed financial incentives to create solutions for problems described above. They have created four financial incentives.
• First they suggest an adjustment of the transfer tax. It is necessary with the restructuring of industrial sites to transfer the properties several times. These taxes can be an obstacle for the restructuring. To remove this obstacle they suggest exempting transfers related to the restructuring of transfer taxes. They expect that the effect of the measure will be significant, because in the first phase of the development the risks are high. There is much more resistance in the beginning to invest substantial sums of money. (Price Waterhouse Coopers, 2003) This exemption already exists for District Development Companies who restructure urban areas. For the restructuring of business locations this will be very useful, but it is not legally determined. (VROM-raad, 2006)
• The second incentive they suggest is a wider application of the reinvestment reserve. Owners need to pay income tax over the profit of the property they have sold. The effect
of a wider application of the reinvestment reserve is that the levy of taxes can be postponed for the profit of the property. The advantage of a wider application of the reinvestment reserve is that the levy of taxes of the book profit can be postponed. The book profit is the difference between book value and the selling price. This can be a big difference if the property is owned for a long period of time. If there is no wider application an income tax (maximal 52%) or a co-operation tax (maximal 34.5%) of the book profit needs to be turned over.

- The third measure is the random depreciation. This measure gives entrepreneurs the chance to randomly write off expenses for the restructuring of an industrial site. The advantage is that the investments can be charged to the tax result. At this moment the expenses entrepreneurs make for the restructuring are now not tax-deductible. This measure can stimulate owners to invest in the restructuring of the property.
- The last incentive is the investment deduction. Entrepreneurs can deduct investments in objects on restructuring locations of the income tax. The advantage for entrepreneurs is that the tax assessment can be reduced with the investments that have been made. The investment deduction is an extra tax relief for the levy of the income tax or the cooperation tax. This measure result in a permanent tax saving. (Price Waterhouse Coopers, 2003)

Financial measure of municipalities
The restructuring of business locations is very expensive. The municipalities can finance the restructuring in different ways. There are subsidies for the restructuring, but it is also possible for higher authorities to create a special fund. A possibility is a local or regional fund in which a fix amount is deposited for every new square meter of business location for the restructuring of the old sites. Another important method is the balancing between old and new locations in the same municipality. Or balancing the costs of the restructuring with the revenues of houses or offices on a part of the industrial site. (VROM-raad, 2006)

Value capturing
"Value capturing is an umbrella expression for instruments which make it possible to directly or indirectly prone away and use the increase of value of the land and the property, created through public actions, for these activities which have caused the creation of value." (Offermans and Van de Velde, 2004)

The following incentives are value capturing instruments:

Capture from developers:
1. Benefit sharing: public and private parties agree to share a part of the profit of commercial activities which could not have been realized without public funding.
2. Concession leases: private parties (developers) are willing to pay a part of the project or service, because it provides an advantage for them. For example improvement of the infrastructure on an industrial site.
3. Connection fees: costs that need to be paid by the property owner for certain developments or services to create a connection with the development area.
4. Development contributions: an agreement between a developer and a government. The developer provides a contribution for the cost of a development or a service. Both parties will benefit of development or service.
5. Land leases & air-rights development: to sell or to lease land to private parties which are not developed jet.
6. Administrative guidance: an in Japan handled government regulation. The costs for a
certain development, like new public infrastructure, are divided over various parties. It
can be applied with new rail ways in an urban development.
7. Development charges: with an area development there usually need to be investments in
public facilities. Development charges are an obligation to provide a contribution for
these public facilities.
8. Development rights: Local authorities use the land-use plan to negotiate with developers
about the payment of improvements in public facilities.
9. Municipal land disposal/leasing: local authorities can sell or lease the land for a higher
price to cover the cost of the investment of a certain development, like infrastructure.

Capture from the community
10. Assessment districts: a one-time levy of the government on the property in a certain area
to cover the funding of improvements in the area.
11. Impact fee: a contribution of the developer is demanded for the increased costs for
maintenance or expansion of, for example, the infrastructure.
12. Tax increment financing: with TIF extra tax income is collected. The tax rate rises, because
the property value rises due to the developments in the area. The local government can
reserve this extra tax income for the investment in the developments.

Capture from within
13. Super developer: to link several development projects together, like to link an
infrastructure project to a property development project. A major part of the rise in value
can be set off against each other. The value stays with one party and is not exchanged
between external parties.

(Janssen and Holt, 2008)

The first five instruments mentioned above are voluntary. Property developers make
voluntarily agreements with other parties to create an advantageous situation for all parties.
These instruments are some form of public private partnership. The next four instruments
are ways to get contributions with the aid of the compelling legal regulations of
governments. These instruments are not voluntary. The instruments 10 – 12 are instruments
for the value capturing of land- and property owners. These value capturing instruments
focus not only on the new property developments, but also on the existing land and
properties. (Offermans and Van de Velde, 2004) The last instrument is an area exceeding
value capturing instrument. With the instrument ‘Super developer’ area development
projects are linked to each other to capture some of the value that resulted from an
investment of the government for example new infrastructure. (Janssen and Holt, 2008)

The general instruments of value capturing are described above. In the Netherlands the
following instruments will potentially give the best results. Of the voluntary instruments
‘Benefit sharing’ and ‘Developer contribution’ will likely give a favorable result. ‘Benefit
sharing’ is an instrument in which public and private parties make agreements to divide the
profits of the commercial activities that originate (partially) from public investments. The
instrument ‘Developer contribution’ can be used with a public private partnership. A
private party will provide a contribution to take part in the development. The instruments
of government intervention are not really suitable in the Netherlands. There is an active
land policy, but the increase of interference of the private parties results in less influence of
the government. The ‘Tax increment financing’ has a potential in the Netherlands. Property
taxes can be used to receive a contribution of the property owners. (Offermans and Van de Velde, 2004)

The fluctuations of the real estate market have large consequences for the success of the value capturing instruments. When the financial resources are mostly obtained with value capturing instruments there is a higher risk for financial difficulty. There has to be a good relation between stable financial resource and sources like value capturing instruments. (Offermans and Van de Velde, 2004)

HEADLINE
This paragraph describes the Business Improvement District model which can be of value to the restructuring of business locations. The model, which originated in the U.S.A. and Canada, is urban renewal policy. BID offers companies a simple chance to create collaboration with the objective to invest in their environment. In the Netherlands the new experimental act BGV is a similar policy. This act is not yet in use. It will provide the opportunity for entrepreneurs to jointly invest in the business site and improve the quality of the area.

The financial feasibility is a problem with the restructuring of business locations. The destruction of capital, the levying of taxes and costs for the execution of the interventions are a few reasons why the financial feasibility is a problem. There are several financial incentives that can be of use with the restructuring of industrial sites. Regional balancing between locations, the adjustment of the double transfer tax, and the value capturing instruments Benefit sharing and Developer contribution can have a favourable result with the restructuring of business locations.

CONCLUSION
This chapter has described several aspects of the restructuring of industrial sites. The chapter started with five questions:

What is the restructuring of business locations?
What is an integral approach with the restructuring of business locations?
Which parties are involved with the restructuring of business locations?
Which are the organizational and the financial aspects of the restructuring of business locations?
Which are the failure factors of the restructuring of business locations?

The answers to these questions are written below.

What is the restructuring of business locations?
The restructuring of business locations is the execution of interventions that have the objective to counteract the aging of the whole business site. These interventions are not just the executions of the regular maintenance. The restructuring of business locations has different forms:

- Revitalization: the improvement of the public space and the infrastructure with the preservation of existing buildings and the economic function;
- Re-stressing the distinctive features: changing the economic function in new industrial activities with renovation or demolition and development of the public space and the existing dated buildings;
- Transformation: total conversion to change the economic function in a non-industrial function.
The form 'Facelift' is left out of consideration in this research, because it is just the execution of extensive maintenance.
What is an integral approach with the restructuring of business locations?
An integral approach means an approach in which all the aspects of the whole site are completely taken into account. This means that the problems in public and private area are addressed. The execution of the interventions needs provide solutions for the aging in the public and private areas and address the interests of the involved parties. This means that because of the relation between the interventions and a relation between the interventions and the interests of the stakeholders a complete solution will be realized with the restructuring of business sites.

Which parties are involved with the restructuring of business locations?
The following parties are involved with the restructuring:
- National government
- Province
- Municipalities
- Entrepreneurs
- Investors

Which are the organizational aspects of the restructuring of business locations?
The main organizational aspect of the restructuring of business sites is that the interests of the involved parties need to be addressed. The restructuring of business locations can only be integrally approached if the majority of the involved parties participate. This means that the interests of the stakeholders need to be addressed, combined and organized.

What are the financial aspects of the restructuring of business locations?
The financial feasibility is a problem with the restructuring of business locations. The feasibility is a problem because of the following issues:
- Destruction of capital;
- Levying of taxes;
- Costs for soil sanitation;
- Costs for due maintenance of the buildings;
- Costs for the move;
- Extra costs or less income during the restructuring process;
- Financing the restructuring of the public area;

But there are several financial incentives that can create benefits. The following instruments can create financial benefits for the restructuring of business sites:
- Regional balancing between locations;
- An adjusted land price policy on new locations to create higher land revenues;
- Subsidies;
- Adjustment of the double transfer tax;
- Value capturing: ‘Benefit sharing’ and ‘Development contribution’.

What are the failure factors with the restructuring of business locations?
There are several reasons why the restructuring of business locations fails:
1. The economical behaviour of the involved stakeholders;
2. There is a mismatch between the supply and demand of business locations;
3. There are not enough financial resources for the restructuring of business locations;
4. The restructuring of existing business locations is in many cases limited to the revitalization of the public areas;

Because of these reasons there is not an integral approach for the restructuring of business locations.
3.1 INTRODUCTION

This paragraph describes issues related to development companies. First a definition is given. Second international examples are shown that have a relation with development companies. National examples of development companies are described in paragraph 3.4. At the end of paragraph 3.3 and 3.4 a short summary is given. The last paragraph is the conclusion of this chapter. In the conclusion the following questions will be answered:

- What is a development company?
- Which parties are involved in a development company?
- Which are the organizational and financial aspects of a development company?

A development company is a kind of public-private partnership (PPP). In appendix 4 several international and national issues related to PPPs are described.

3.2 DEFINITION

A definition of a development company: “A development company is an enterprise originated from a public private partnership that wants to integrate all the aspects of a construction project and that will stimulate the economic development in an area.”

(Apperloo, Van Ophem, Hulshof and Kort, 2003)

Another description of a development company: “A development company is a vehicle with its own legal entity to realize an objective and divide the risks with the parties involved.”

(Interview: Nouwen, 2008)

The following definition of a development company will be used in this research: A development company is an enterprise with its own legal entity created with the parties involved, public and/or private, to realize an objective and divide the risks in order to stimulate the economic development in an area.

3.3 INTERNATIONAL

Private communities: United States of America

50 million Americans now live in private communities, known generally as common interest housing development (CID). There are several names for these private neighbourhoods: common interest housing; community associations; private communities; gated communities. Whatever the expression, there are two basic forms of housing: condominiums association and homeowner association.
The difference between these two forms is that a condominium association, consisting of all owners, manages the building and a homeowner association involves the actual ownership of a detached or attached house. Condominium developments are comprised of one or more multi-storey buildings in which the owners purchase an interest consisting of the airspace within the unit they occupy, along with an undivided share interest in the entire project. The homeowner association is controlled by members, but the corporation owns the legal title to all common areas, including streets, walls and gates, recreation facilities, and often infrastructure such as sewer and water systems. (McKenzie, 2006)

These associations are mandatory-membership organizations. They make and enforce rules, collect assessments from all owners and maintain property. They function as private governments for the development. This revolution in housing form is also a transformation of local governance, because it amounts to a large-scale privatization of the services and infrastructure formerly provided by municipalities. There is evidence that the phenomenon is driven in large part by economic and political incentives operating on the supply side, where cities and real estate developers find common interest housing mutually advantageous.

Common interest housing is a sort of ‘cash-cow’ for local government. Cities have a way to grow without building new infrastructure or providing services to more consumers. They require developers to build the infrastructure and pass the cost along to buyers, and arrange for the community association to provide services, paid for by owners’ assessments. And the local governments collect a full share of property taxes from these new residents. (McKenzie, 2006)

Gated communities: Britain

In Britain the following events have caused the growth of gated communities: the crisis caused by socio-economic restructuring in the late modern era, consumer preferences and the economic approach of club goods theory. These resulted in self-managed gated communities as an effective way of providing the services which local government had failed to deliver, while at the same time excluding freeloading outsiders.

Gated communities are characterised by a particular built form: a walled housing development to which public access is restricted, often guarded. The changes in socio-economic and socio-legal relations over time show that gated communities are not a new form of housing provision in England, but a product of their time and circumstances. The legal framework required for collective ownership of, and responsibility for, shared space and facilities has been assembled over a long period of time; it is available to any developer, planning an enclosed development. (Blandy, 2006)

Private company: Portugal

The organisation of the world fair of 1998 in Lisbon introduced the possibility to redevelop the eastern part of the city. In 1993 a private company was established, because the involved authorities thought it would be necessary to create an unequivocal administrative, institutional and technical framework for the redevelopment. The national government was the main shareholder of the private company, Parque EXPO’98 SA, and two involved municipalities had a minority. Two goals were stated: to realise and open the world fair in 1998 and to restructure the whole area by the end of 2010. This independent company was by legal decree authorized to start the plan development, realize land release and to create contracts with investors and project developers. (Schaefer and Blokhuis, 2006)
They had the intention to execute all the activities by one party to shorten the time necessary for the development. The government established the organisation: Parque EXPO'98 SA. The company would function as the authority during the planning and the construction, as the project leader and as a partner in the public-public and the public-private collaborations. (Schaefer and Blokhuis, 2006)

The organization was created as a private company with three shareholders: the Ministry of Environment, the Ministry of Finance and the City of Lisbon. The share of the Municipality was only 3%. The chairman of the company was the General Commissioner. He was directly responsible for the development and represented the government in all matters regarding the world fair. Besides that, the General Commissioner had to report to the Bureau International des Expositions. (Schaefer and Blokhuis, 2006)

To execute the assignment the company received mandates to expropriate and they received special authority for the following matters: project guidance, financing, tendering, urban planning, allocation of the land, urban management and marketing. The company received extensive authority to development an area of 340 hectare. Because of this approach long and delaying procedures were excluded. (Schaefer and Blokhuis, 2006)

The world fair had to be financially self-supporting. The revenues of ticket sales had to cover the operating costs and the urban redevelopment was the main source of income. Parque EXPO'98 SA wanted to sell the buildings after the world fair for other commercial purposes. The government was the main shareholder of Parque EXPO'98 SA. They transferred the land free of charge over to the company and guaranteed that there would be EU-financing for the project. (Schaefer and Blokhuis, 2006)

HEADLINE

The paragraph shows several PPP models that have a resemblance with development companies. In the U.S. there are private communities. These communities are mandatory-membership organizations, which function as a private company for the development of housing. Gated communities in Britain are similar to the private communities in the U.S.

In Portugal there has been an interesting development. A private company has been responsible for the creation and the realization of the world fair 1998 and the restructuring of this district in Lisbon. The national government had created a private company in order to shorten the time necessary afterwards for the development.

NATIONAL

In the Netherlands there are several new initiatives to create private companies responsible for the development of areas. The first of these are the organisation of housing complexes, like the initiatives in the U.S. and Britain. The second is the District Development Company. These organizations are used for the redevelopment of residential areas in cities. Because existing business locations are receiving more attention also initiatives are created for the restructuring of these sites. Regional Development Companies for business locations are initiatives for the restructuring of industrial sites.
3.4.1 GATED COMMUNITIES: THE NETHERLANDS

In the previous chapter private and gated communities in the U.S. and Britain are described. In the Netherlands there are developments that seem similar to these communities. Housing complexes with a private character are becoming more popular in the last few years. But these complexes differ from the private and gated communities in other countries. The communities in the Netherlands are not private, because of security reasons. They are private because of privacy reasons. The gated communities in the Netherlands are shaped with soft frames, like water, landscaping and level difference. Fences and gates are unnecessary. In comparison with other countries the complexes are much smaller and there are limited other functions. The residents jointly manage the private common areas. Gated communities in the Netherlands are the result of the following social developments. There is a need for a good layout, a predictable shape and privacy. These needs are more important than the sense of insecurity. (Hamers, Nabielek, Schluchter and Van Middelkoop, 2007)

The gated communities in the Netherlands have only some similarity with the gated communities in the U.S. and Britain. These similarities are physical similarities. There is no need to do more. The local government did not fail to provide infrastructure and services. The communities were created, because the market (consumers) liked the physical shapes. The main physical similarity is the closed character of the complexes.

3.4.2 DISTRICT DEVELOPMENT COMPANY

The District Development Company is a joint-venture used for the restructuring of urban areas. These companies are development companies for the redevelopment of a residential area. They can be characterised by the following aspects:

- It is a collaboration of public and private parties, who bear the risk together and have a legal entity for the duration of a restructuring process. These area development companies are joint real estate enterprises in which the parties try to realize a large and long-term development in an existing urban area. The parties are willing to share the risk, costs and the authorization.
- The District Development Companies are focused on the realization of substantial and physical parts of the restructuring. (Apperloo, Van Ophem, Hulshof and Kort, 2003)

There are several motives for realizing a joint legal entity for the restructuring of urban areas.

- The land in urban areas is in most cases owned by several different parties. There needs to be some kind of adjustment in the ownership of the land. A District Development Company can be the right tool to realize that, because it can divide the assets and the expenses over all the parties. On the other hand a District Development Company can bring all the interests together.
- If the plan and the execution need to be integral and coherent a District Development Company can realize that. The different parts need to be connected with each other. This approach realizes a better adjustment to problems and setbacks.
- There is a need for durable collaborations. The integral and coherent approach can best be realized when the involved parties have a joint relationship with engagement for the duration of the project.
- There is a need for effectiveness and decisiveness in the realization of the project to provide acceleration in the process and to create some distance between the project and the politics.
Regional collaboration

- To collaborate with important parties in a decisive organization with one main goal. (Apperloo, Van Ophem, Hulshof and Kort, 2003)

The main goal for realizing a District Development Company is to create a decisive execution organization for the restructuring of urban areas. To realize such an organization the parties involved need to be willing to transfer a large part of their authority to the collaboration. It is meaningful to create a District Development Company if the restructuring of a residential area is complex and radical and the different phases of the project need coherence in order to succeed. (Apperloo, Van Ophem, Hulshof and Kort, 2003)

There are two shapes of a District Development Company. First there is the exploitation company. This company realizes all the activities related to the obtainment of the land, the preparation of the site and the release of the land to the different parties. The second shape is the joint property development company. This company executes all the activities related to the obtainment of the land; the realization of the real estate program and the sale of the properties. (Apperloo, Van Ophem, Hulshof and Kort, 2003)

The advantage of a District Development Company is that a swift decision-making process can be realized. If the development is assigned to a District Development Company than the decision-making process will be simpler, because the decision-making process of municipalities and housing corporations is very complex. (Interview: Nouwen, 2008)

**REGIONAL DEVELOPMENT COMPANIES**

The Taskforce Redevelopment Business Location with the chairman Mr. P. Noordanus has stated that a regional development company (RDC) for the restructuring of business location can have great benefits. The Taskforce has stated that the region needs to be the area in which the planning, programming and the executing of the business locations policy are realized. A RDC provides good possibilities for an optimal and commercial executing of the regional policy for the restructuring, allocation and the management of business locations. A regional company provides the municipalities better opportunities to optimize the ‘product’ business locations and to create a balance between locations. The Taskforce believes that the RDC needs to be at first public-public collaboration, because the participation of private parties can result in unwanted complications. It can provide complications with for example the tender and unauthorized government support. These considerations are less relevant with private participation on project- or area level. The Taskforce states that a combination of a public RDC and a public-private development company on location level can have important benefits and deserves strong support. (Noordanus, 2008)

Mr. H. Meijdam, chairman of the VROM-raad, also feels a regional development company can be a vehicle to execute the restructuring of a business location. He feels several municipalities should collaborate together in such an organization. Municipalities alone do not have the power and the resources to execute the restructuring on their own. A regional approach is needed with the restructuring of industrial sites. Municipalities need to merge their goals and interests to realize one objective for the region. (Interview: Meijdam, 2008)

There are several examples of RDC’s in the Netherlands. Three examples are stated below. The first is the BHB, second the HMO and last the RON.
The "Brabantse Ontwikkelings Maatschappij (BOM)" has created with the province Brabant a restructuring company for the redevelopment of industrial sites. This company, "Brabants Herstructureringsmaatschappij Bedrijventerreinen (BHB)" is an incentive for the restructuring of business locations. The BHB is owned for 87% by the province and for 13% by the BOM. They have created this company, because they wanted to actively participate in the restructuring of business locations. The main goal of BHB is to restructure 1800 hectare before 2016 of totally 6000 hectare that needs to be restructured. The province has made a fixed amount of money available, approximately 40 million euros. BHB needs to restructure the 1800 hectare for this fixed amount. The organization of the BHB is created outside the province and it has received a mandate for the restructuring of business sites. (Van Neerven, 2008)

The strategy of the BHB is to stimulate, support and contribute to the realization of the restructuring of business locations in Noord-Brabant in collaboration with public and private parties. They want to do that in a sustainable way with the objective to realize careful use of the space and a good economical climate for establishment of businesses. The BHB is a separate legal entity that risk-bearing participates in restructuring projects in the region Noord-Brabant. (Province Noord-Brabant, 2008)

A disadvantage of the BHB approach is that the restructuring of the whole site is executed project by project. For each site there is a master plan, but that is not enough to realize an integral development. The sites that are restructured by the BHB are developed plot by plot.
Regional collaboration

and one after the other. (Interview: Metselaar, 2008) There is not a regional coordination between the development of new business sites and the restructuring of business sites.

**HMO**

The province Overijssel has also created an incentive for the restructuring of business locations. They are now occupied with realizing the “Herstructureringsmaatschappij Overijssel (HMO)”. The restructuring problem in Overijssel contains approximately 1300 hectare of dated business locations that need to be restructured. This amount is considerably smaller than the amount in Noord-Brabant. (Kalkhoven, 2008)

The province will give the HMO a fixed amount of 7.5 million euros to stimulate the restructuring of 300 hectare land on dated business locations. The objective of the company is to accelerate the restructure. They focus on sites that will have the same economical function. With each restructuring project the HMO will obtain collaboration partners to execute the project. That can be public and/or private partners. The HMO is focused on redeveloping and creating plots ready for construction. The development of property and the redevelopment of the public space is not the main goal of the company. They will participate in difficult and complex projects in order to stimulate the process of the restructuring. They will create an integral approach with the help of experienced project managers with different background. The HMO will financially participate in developments that private parties believe to be too risky. (Kalkhoven, 2008)

The province will realize this company alone. They do not want municipalities or private parties to become part of the company. The province is the initiator. The figure below shows the organization model of HMO. It shows clearly that the province is the sole owner and that the projects are executed with the municipalities and private parties. (Kalkhoven, 2008)

![Organization of HMO](Kalkhoven, 2008)

The goal is that the HMO initiates projects that can not be independently executed by private parties. The difference between the BHB and the HMO is that HMO is solely a stimulator and only focuses on these activities that municipalities and private parties can not execute.
RON

The municipality Amsterdam has also initiated a partnership to create suitable infrastructure in the harbour and industry area around the North Sea Canal with the intention to utilize the subsidy of the National government and the province. The first initiative was focused on the infrastructure and later the objective changed to the stimulation of the economical development of the area. In 1999 the ‘Regionale Ontwikkeling Noordzeekanaal N.V. (RON)’ was created with the following shareholders: municipality of Beverwijk, municipality of Velsen, City of Zaanstad, City of Amsterdam, the province of Noord-Holland, NV Zeehaven Ijmuiden, Corus, ABN AMRO and ORAM (Entrepreneurs association region Amsterdam). Each shareholder invested capital in the RON. These investments were not enough for the execution of activities. An additional investment fund was realized by the City of Amsterdam and the province of Noord-Holland. The activities are financed with 30% of the investment fund and 70% of borrowed capital. (Braas, Elte, Fenger, Hopman-Verburg and Gezer, 2008)

The objective of the RON is to adjust existing, dated business locations to the modern standards, the development and exploitation of new sites and the coordination of the marketing and acquisition of new business areas in the region. The RON executes the master plan that is formulated by the executive platform. The executive platform consists of aldermen of the economical departments of the municipalities. The master plan contains the vision on the economical development of the whole area around the North Sea Canal. The area consists of 26 business locations. (Braas, Elte, Fenger, Hopman-Verburg and Gezer, 2008)

The RON consists of public and private parties. Currently the management of the RON consists of one director. The shareholders determine the number of directors and appoint the director. The management is supervised by the supervisory board. The board consists of five members, who have no relation with the shareholders. The members of the supervisory board are appointed by the shareholders. (Braas, Elte, Fenger, Hopman-Verburg and Gezer, 2008)

The difference between the BHB, the HMO and the RON is that the RON consists of public and private parties and BHB and HMO only have public shareholders. The interests and objectives of the private participants are addressed by the RON in an early stage.

HEADLINE

In the Netherlands there are several types of development companies. These companies can be characterized as follows: collaboration between public and private parties, who bear the risks together and create a legal entity for the duration of the project. These companies are focused on the realization of substantial and physical parts of the restructuring. The District Development Company is similar to the private company for the world fair 1998 in Lisbon.
In the Netherlands there are some incentives of Regional Development Companies for the restructuring of business locations. Three examples are shown in this paragraph. The BHB is an organization created by the BOM and the Province Noord-Brabant. They realize the restructuring of business locations in a plot wise approach. The HMO is wholly owned by the Province Overijssel. Their main objective is to stimulate the restructuring of business sites. The RON is a public private organization for the economical development of the area around the North Sea Canal.

3.5

CONCLUSION

This chapter has described several aspects of development companies nationally and internationally. The chapter started with three questions.

* What is a development company?
* Which parties are involved in a development company?
* Which are the organizational and financial aspects of a development company?

This main objective of this paragraph is to try to answer these questions.

**What is a development company?**

The definition used in this research is the following: “A development company is an enterprise with an own legal entity created with the parties involved, public and/or private, to realize an objective and divide the risks in order to stimulate the economic development in an area.” But there is no general form that is used with every development. It depends on the kind of development what the development company looks like. There are some aspects that always occur with a development company, such as an own legal entity, more than one participant and a main objective, but there are also differences, such as the parties involved and the organizational aspects.

**Which parties are involved with a development company?**

It depends on the kind of development company which parties are involved. The table below shows the different kind of companies that were described in this chapter and the parties that were involved.

<table>
<thead>
<tr>
<th>Company</th>
<th>Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private communities: USA</td>
<td>Developers and owners</td>
</tr>
<tr>
<td>Gated communities: Britain</td>
<td>Developers</td>
</tr>
<tr>
<td>Private company: Portugal</td>
<td>National government and municipalities</td>
</tr>
<tr>
<td>Gated communities: the Netherlands</td>
<td>Developers, municipalities and owners</td>
</tr>
<tr>
<td>District Development Companies (Example Oud Krispijn, chapter 4, appendix 8)</td>
<td>Housing corporation</td>
</tr>
<tr>
<td>Regional Development Companies</td>
<td>National government, province, municipalities, and private parties: established company, investor and entrepreneurs association.</td>
</tr>
</tbody>
</table>

**Which are the organizational and financial aspects of a development company?**

The organizational aspects of a development company are shaped by the parties involved in the development and how they will collaborate in a company. The examples of the Regional Development Company show interesting models of the organization of a development company. These models can be used for the design of the company for the restructuring of business locations. The financial aspects are the investments needed for the development and the way they are provided and the costs, revenues and risks and the way they are divided amongst the parties.
CHAPTER 4
Part I: Case study

4.1 INTRODUCTION

This chapter describes the main results of the case study. In the case study three cases are viewed; one international case, Norra Älvstranden in Gothenburg, and two national cases, Paleiskwartier in Den Bosch and Oud Krispijn in Dordrecht to gather additional information about development companies. This chapter states which lessons are learned from the cases, which similarities and differences were found and which are the advantages and disadvantages of development companies. The selection of the cases is stated in appendix 5 and the complete results of the case study are shown in appendix 6, 7 and 8.

The following questions will be answered in this section of the report:
- Which are the similarities and differences between the international and national trends?
- Which are the advantages and disadvantage of development companies?

4.2 LESSONS LEARNED

Norra Älvstranden Gothenburg
The following lessons are learned from the case Norra Älvstranden in Gothenburg.
- The initiative for the development originated when the area became derelict and abandoned. Actions were taken when the site was completely deteriorated.
- After the financial crisis in Sweden a different kind of development approach originated, because private sector investments were needed to realize development projects.
- Because of the project a different vision for the whole city of Gothenburg was created. The restructuring of Norra Älvstranden contributed to the economical development of the whole city.
- The company worked within the framework of the City Council, but set clear conditions. The development had to be free of party politics, free to reinvest all its profit into the development and the Planning Authority had agreed to work co-operatively and flexible with the company.
- The company received a mandate to create a well-functioning mixed-use city for the long-term.
- Because the NÄUAB was created for the sole purpose of developing the area Norra Älvstranden they were totally focused on activities for the development.

Paleiskwartier Den Bosch
- The municipality initiated the development in order to expand the city centre of Den Bosch and change the dated industrial site.
- In the early stage of the creation of the company one of the partners left the partnership, because they thought the development was too risky.
- A public-private development company was established, because of entwined ownership and unclear interests of the participants.
A swift decision-making process was realized, because the company received a mandate of the municipality to develop the area.

With early and intensive cooperation between public and private parties in the partnership a sustainable development was created.

Within the project they have balanced the profitable components with the non-profitable components.

**Oud Krispijn Dordrecht**

- The District Development Company (DDC) was created, because the ownership of the housing corporations in the area was really entwined and the parties did not trust each other.
- Krispijn Wonen as the first DDC in the Netherlands used for a development like the project Oud Krispijn.
- The housing corporations have combined their skills in the DDC.
- The company is completely focused on the realization of the development.
- The DDC is a flexible and dynamic organization, which is necessary in a development like Oud Krispijn.
- The corporations have transferred their property to the DDC. This has created room to maneuver.
- The company has created an integral approach in which the interests of the participants are addressed.

### 4.3 SIMILARITIES AND DIFFERENCES

#### Similarities

The three cases have a few similarities. The developments all took place in the centre of the cities. All the sites are closely located to the historical centre, but they are not part of the historical centre. The developments were initiated because the current area had problems. The quality of the sites was not sufficient for the current standard. The restructuring of the sites was needed, because problems arise that deteriorated the quality of the districts.

In all the three cases the municipalities are closely involved in the development. They play a major part in the planning and realization of the restructuring. Within the role of the municipalities there is division created between the municipal council and the executive organization, because they want to limit the changing influence of the different parties in the city council.

In all the three cases the ownership was transferred to the company. In the cases Paleiskwartier and Oud Krispijn the ownership was transferred, because it was entwined.

#### Differences

The cases are different, because the function in the area is different. The location Norra Älvstranden is a harbour and industrial area. It is a very large area of 250 ha with shipbuilding industry and with water-related industry. The location Paleiskwartier had the function industry, but the type of industry was very different from Norra Älvstranden. The location consists of much smaller plots with less heavy industry. The site is 30 ha large. Oud Krispijn is a residential area with about 3,200 houses. There is no industry located in this area.
Regional collaboration

The problems that were the reason to initiate the restructuring of the locations were very different. In the first case economic changes created the bankruptcy of the shipyards. The building and factories became useless and the whole site became derelict. In the case of the Paleiskwartier there was a more spatial problem. The industrial site Wolfendonken was still useful, but the municipality wanted to change the function and expand the centre of the city. In Oud Krispijn there were social problems. In the residential area there were problems, like a high migrate rate, criminality, a high employment rate and a bad quality of the houses. The restructuring was needed to create an attractable living area. There are a lot of different reasons why the restructuring of a site is initiated.

The special purpose vehicles that were created had different shapes with each case. In the case of Norra Älvstranden the development company that was realized was first wholly owned by the national government and later transferred to the City of Gothenburg. The development company received a mandate of the municipality and functioned as a private company, but the municipality was the only shareholder of the development company. In the initial phase it received a subsidy of the state, but further there were only investment of the market. For the restructuring of the Paleiskwartier a development company was created with four different parties: the City of Den Bosch, KondorWessels, NIBC and Stichting Pensioenfonds Stork (SPS). One public party and three private parties were involved in this special purpose vehicle. Also this company received a mandate of the municipality. In the last case a District Development Company was created by the three housing corporations with ownership in the area. This development company realized a cooperation agreement with the City of Dordrecht. The municipality would not participate in the company. So in the first case a public company was created, in the second case a public-private company was realized and in the third case the development company was a totally private company.

4.4 ADVANTAGES

The case study has shown that there are several advantages of development companies.

- One advantage is that the ownership of the land is arranged in one company. The company consists of several parties with their own interests, but these interests are considered in the beginning of the project and the parties formulate one goal. The objective of the project can not be interfered with the interest of strategic ownership.

- Another advantage is that the company is created for one project. The focus and attention of the parties involved is directed to the restructuring of the location. There is no distraction to other developments.

- In two cases the company has received a mandate of the municipality. The decisions can be made more swiftly without interference of parties from the municipal council.

- The different parties have contributed their skills and knowledge in an early stage of the development.

4.5 DISADVANTAGES

The case study has also shown that there are disadvantages of development companies.

- A gap between the project and the municipal council can be a result of a development company. There is little commitment of the members of city council for the development. The project will not receive all the attention and priority it needs. The company will have to provide a lot of time and energy in the communication with the municipal council. (De Graaf, 2008)

- A long period is necessary in the beginning to formulate objectives every party will agree with. In the case of Oud Krispijn the three corporations had a lot of difficulty creating a
development company, because of the double transfer tax, the determination of the book value, the determination of the relation between the ownership of the participants and the legal form.

CONCLUSION

In this chapter the results of the case study are described. Three cases were studied; Norra Ålvstranden in Gothenburg, and two national cases, Paleiskwartier in Den Bosch and Oud Krispijn in Dordrecht. In this conclusion the answers to the following questions are given:

• Which are the similarities and differences between the international and national trends?
• Which are the advantages and disadvantage of development companies?

The questions will be answered with the information gathered in this chapter and the previous chapter.

Which are the similarities and differences between the international and national trends according to development companies?

Similarities

• The international development companies for the restructuring of an area resemble the development companies in the Netherlands. Public parties initiate the development, Parque EXPO’98 S.A., Norra Ålvstranden and Paleiskwartier. The company is fully focused on one development and the ownership is transferred to the company.

Differences

• Internationally there are housing developments initiated by private parties. The private and gated communities in U.S.A. and Britain are completely private organizations. The public parties profit from these organization, because they do not have to execute these activities themselves. In the Netherlands these private communities, with this typical private shape, do not exist.

Which are the advantages and disadvantage of development companies?

Advantages

• The interests of the involved parties are considered and combined.
• The ownership of the land is arranged in one company. The objective of the project can not be interfered with the interests of strategic ownership.
• The focus and attention of involved parties are directed to the development.
• If a mandate of the municipality is received the decisions can be made more swiftly without interference of city council.
• The different parties can contribute their skills and knowledge in an early stage.
• The company can create an integral approach in which the interests of the participants are addressed.
• With early and intensive cooperation between the parties in a development company a sustainable development can be created.

Disadvantages

• A gap between the project and the municipal council can be a result of a development company. There may be less commitment of the members of city council for the development. The project will not receive all the attention and priority it needs.
• A lot of time is necessary in the beginning to formulate objectives every party will agree on.
• A lot of energy and time need to be invested to create a flexible and good functioning organization.
5.1 INTRODUCTION

In this chapter the basic assumptions are stated. These assumptions are the result of the analysis of all the information gathered in the research. This section is a short summary of these results. In appendix 9 all the results of the analysis are shown.

5.2 PROBLEMS RESTRUCTURING

The restructuring of business locations is needed. But there are several reasons why the restructuring of business locations is not very often a success and a solution for the aging of industrial sites. The reasons are the following:
1. The economical behaviour of the involved stakeholders;
2. There is a mismatch between the supply and demand of business locations;
3. There are not enough financial resources for the restructuring of business locations;
4. The restructuring of existing business locations is in many cases limited to the revitalization of the public areas.

5.3 STAKEHOLDERS AND THEIR INTERESTS

National Government

According to the national government the dated, existing business locations need to be restructured. Their interests in the restructuring of industrial sites are that the quality of existing sites is improved, the approach of the allocation of new sites is changed and that sustainable sites with a long life span are realised.

Province

The provinces want to contribute to the restructuring of business locations. Their main interest is that they want to determine the specific demand. They are willing to invest in the restructuring of business locations. Provinces can play an important role in the restructuring of sites. They can stimulate municipalities and companies to participate in the restructuring.
Regional collaboration

Municipalities
Municipalities acknowledge the problems, but not every municipality is willing to execute the restructuring of business location. The restructuring is very expensive and the allocation of new sites provides more revenues. There is little collaboration between municipalities. Not all municipalities are committed to stimulate and execute the restructuring of existing sites. There is less interest in the restructuring, because in the current system it does not provide any benefits.

Entrepreneurs
There are a lot of different owners and established companies on business sites with different interests. These interests are mainly focused on their own companies and the business processes. They do experience the problems when they influence the business operations. So they are willing to collaborate with the restructuring of business locations if it has benefits for the company and the business processes.

Investors
Investors have a limited role in the market of business locations. There are different kinds of investors: property developers/contractors, just property developers or just investors. They are only interested in business locations if they provide possibilities. There need to be clear and interesting opportunities with the restructuring before they will invest.

ADVANTAGES OF DEVELOPMENT COMPANIES
In the previous chapters several incentives of development companies have been described. Development companies are organizations with an own legal entity created by public and/or private parties with a certain objective. The following companies can be of use to the design of the company for the restructuring of business locations; Parque EXPO’98 SA, Paleiskwartier B.V., Norra Älvstranden Utveckling AB, Krispijn Wonen v.o.f, BHB, HMO and RON. The complete list of advantages can be found in appendix 9.

Advantages
• Knowledge and expertise of participants combined and guaranteed.
• Objectives of the participants combined.
• All the focus and attention directed to the development.
• Sustainable development because of early and intensive cooperation.
• A balance between existing and new business locations.
• An integral and coherent approach of restructuring projects.
• A swift decision-making process.

CONCLUSION
The restructuring of business locations is complex and expensive. The national government and provinces acknowledge the problems of existing location and the restructuring of these sites. They want to stimulate municipalities and entrepreneurs to execute the restructuring. These two parties are needed to execute the restructuring of business sites, because they have the ownership and responsibility for the sites. Municipalities and the established companies are not very willing to participate in the restructuring of the industrial sites. They experience the problems of existing business locations and some of the problems are acknowledged as disturbing. In the current system there are no benefits with the restructuring of business location for these parties. Investors have a limited role in the restructuring, because they will only participate if it results in opportunities.
CHAPTER

Part III: Design

6.1 INTRODUCTION

In the previous chapters an analysis is given of all the information researched for the themes ‘Restructuring of business locations’ and ‘Development Companies’. The problems with the restructuring of business locations, the interests of the involved participants and the advantages of development companies are described. These three subjects will be combined in this chapter. The three subjects are the basic assumptions for the design of the development company for the restructuring of industrial sites. This chapter describes the design of an ideal typical development company. The design of this company is stated as a business plan. The format of Mckinsey (1998) is used to describe the design of the development company. At the end of nearly every paragraph an explanation is given about the choices that have been made to create the design of the company.

The development company for the restructuring of business locations will be a Regional Development Company (RDC) for the region Breda-Tilburg (Breburg) with nine participants; the province Noord-Brabant, seven municipalities in the region and the Brabants Zeeuwse Werkgeversvereniging (BZW). This chapter will state the value proposition, the market trends, the ambition, the organisation, a roadmap and the financing of the company. It will become clear in this chapter why this region is chosen and why the company consists of the participants stated above.

6.2 VALUE PROPOSITION

The Region Development Company is a development company for the execution of the whole policy of business locations in the region Breburg. The focus of the company will be directed to the restructuring of dated, existing business locations in the region. In order to do that all the activities related to the policy of business locations need to be executed by RDC.

This paragraph shows why the company can be unique to his competitors and provide a new solution for the demand in the market.

6.2.1 UNIQUE SELLING PROPOSITION

The unique selling proposition of the RDC is a solution to the problems of the restructuring of business locations. The problems are stated on the left side of the page, next to the solutions.
Solutions
The RDC will provide the answer to the problems of the restructuring of business locations as described in chapter 5. The following issues show the solutions the RDC provides for the problems.

1. There are a lot of different owners and stakeholders on existing business sites. The economic behaviour is a problem. The municipality owns the public space and the infrastructure. The private properties are owned by the entrepreneurs or by investors, who lease the site to the entrepreneurs. The RDC will consist of nine different parties: the province, seven municipalities and the BZW. The different interests and stakes of the participants on business sites are accounted for, because all parties are represented in the company. The involved participants are actively part of the organization. The skills and knowledge of the parties will be combined and used in the restructuring process.

2. The RDC will provide and/or create benefits to make the difference between the existing business locations and the new locations smaller. It is financially more appealing for municipalities and the established companies to develop new locations. If measures are taken to stimulate and fund the restructuring of existing business locations the municipalities and the established companies will be more committed to these developments. The development company is a regional organization, because with a regional approach the competition between municipalities can be removed. The company will create a policy and a master plan for the whole region. The municipalities will collaborate in the company and together with the other parties create one joint interest.

3. For the extra costs that arise with the restructuring of business locations the company needs to provide solutions. This can be very different incentives like no double transfer tax. With the District Development Company Krispjin Wonen they realized to create a measure for general District Development Companies. District Development Companies do not need to pay double transfer taxes with the restructuring of residential districts in urban areas.

4. Revitalization is not sufficient for the dated, existing business locations. In order to restructure the business locations in a sustainable manner the whole site including the public spaces and the private properties need to be addressed. The RDC is responsible for the whole policy of business locations and will create a master plan for the whole region. In the master plan public and private areas of the business sites are addressed.

The unique selling points of the company are the following:
• The company combines the different objectives and stakes of all the participants to one joint interest;
• The RDC has more expertise and knowledge, because it consists of nine different participants;
• The RDC removes the internal competitions between municipalities;
• The public and private areas are addressed in the policy, the master plan and the developments.

The four points stated above make the company unique, because they provide solutions for the problems of the restructuring. There are two additional unique selling points:
• The RDC provides an appropriate distance between the company and the politics of the authorities. § 6.5.3 shows how this distance is created;
• The RDC will be responsible for the whole business site policy in the region. The company will create and be responsible for a high-quality area that provides a sustainable economic development in the region Breburg. This will be of great value to the region. RDC is focused on creating high-quality business areas and supporting it in

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the long term. Sufficient management and maintenance will be executed for sustainable business sites, the supply will be directed to the demand and the interest of the entrepreneurs will be addressed at regional level.

**UNIQUE WELLING PROPOSITION**

The Regional Development Company provides a solution for the restructuring of business locations. The focus of the company is the restructuring of business locations. The company will provide for the demand of the market. In order to realize that the company will execute all the activities related to the whole policy of business locations. This is the unique welling proposition of the company. The RDC is responsible for the policy in the region Breburg and will execute the activities related to this policy.

![Figure 6.1](image)

The holding of the Regional Development Company is responsible for:

- The whole policy of business locations in the region Breburg;
- A master plan of the business locations for the region Breburg;
- The initiation of the projects that will be executed by operating companies;
- The supervision of the activities of the operating companies;
- The attraction of capital for the execution of the activities.

The holding will not execute the projects. The projects will be executed by operating companies. The operation companies will be created for a specific project. The following kind of projects can be executed by an operating company: revitalization, re-stressing the distinctive features, transformation, infrastructure, development of new sites, management and maintenance and exploitation.

**EXPLANATION**

The value proposition describes why the company is unique. The company is unique, because it provides solutions for the problems of the restructuring of business sites. To solve these problems the company will be responsible for the whole policy of business locations and not only the restructuring of sites. This means that the company will make decisions about the restructuring, the allocation and/or exploitation of new sites, management and maintenance of sites and develop new ways to attract capital to fund the activities. The projects are executed by operating companies to provide focus and complete attention for the developments. This is one of the advantages a development company can provide (stated in chapter 5).
REGIONAL COLLABORATION

In this section the spatial economical developments of business locations are described. First the national trends are shown and second the trends related to the region Breburg are stated.

**National**

33% of the total supply of business location is dated. Approximately 32,000 ha of business locations are obsolete. The taskforce 'Redevelopment Business Locations' has conducted an exploratory research about the real amount that needs to be restructured. They state that approximately 17,000 hectare needs to be restructured. The national government has stated that they want to raise the restructuring pace now of 325 ha per year to minimally 1,000 – 1,500 ha per year as from 2010. If the pace is increased the restructuring will take 20 – 30 years. The taskforce advises that the tempo has to be raised higher. They suggest that all the dated hectares of business locations need to be restructured before the year 2020 in order to keep the momentum and solve the problem in a reasonable amount of time. (Noordanus, 2008)

The release of new business locations has increased since 2004. Before 2004 there was a decrease of the release of industrial sites. In 2006 the allocation of sites raised to 850 ha. That is a growth of 20% in relation to 2005. The total stock of business locations in 2007 was almost 97,000 ha and approximately 12,000 ha of the total stock were ready for allocation. (ARCADIS and Stee Groep, 2007)

The yearly growth of the spatial demand of business locations is lower than in the 90s of the last century and will decrease in the coming time. (CPB, 2005) To accommodate the growth of employment maximal 3,200 ha of new business sites is needed until 2020. After 2020 the growth of business locations is not needed, because the employment on business locations will decrease. The replacement demand of business location will become more important in the coming decennia. This means that the development of new business locations needs to be combined with the existing insufficient supply of sites. Only new sites can be developed if existing sites are removed from the stock. So if existing sites are restructured less new sites are necessary. (Stogo, 2007)

**Regional**

The province Noord-Brabant has the largest surface of existing and dated business locations in the Netherlands. Approximately 6,000 hectare is dated and that is 37% of the total surface of business locations in the province Noord-Brabant. The region Breburg consists of seven municipalities; Breda, Dongen, Etten-leur, Gilze-en-Rijen, Goirle, Oosterhout and Tilburg. In the area there are 113 business locations with a total surface of 3500 ha. Of all the business locations in the region 40 sites with a total surface of 1726 hectare are dated. That is 49% of the total surface of business locations in the region Breburg. For some of these sites the restructuring already started and for some there are plans for the redevelopment. (ARCADIS and Stec groep, 2007)

In the previous years, 1999 – 2006, 139 hectare of new business sites has been allocated per year. (ARCADIS and Stec Groep, 2007) In 2004 48% of the total allocation in the province Noord-Brabant has been allocated in the region Breburg. (Brabant, 2008) In accordance with the national trends the demand for business locations is large, but the demand will decrease. The replacement demand will become a more important component in the total demand.
The demand changes, the demand of the traditional sector is decreasing and the demand of the service sectors is increasing. (Stee groep, 2007) The employment will grow until 2020 in the province Noord-Brabant. After 2020 the employment will decrease, because the supplies of labour will descend which is the result of the ageing of people. (ETIN and TNO, 2006)

6.4 AMBITION

In this section of chapter 6 the ambition of the Regional Development Company Breburg is given. This paragraph shows the ideas and assumptions of the company. The main objective and the strategy of the company are shown. The business model shows the costs and revenues of the whole operation.

6.4.1 VISION

The vision of the Regional Development Company is that public and private parties work together to create a solution for the existing, dated industrial sites and create high-quality business areas for sustainable economic development in the region Breburg. The initiative and the responsibility for the restructuring of business locations will not only be situated with the municipalities. The involvement of other public and private parties will be necessary to create a useful solution for the restructuring of business locations. The policy for business locations needs to be changed. The development of new industrial sites needs to be combined with the restructuring of existing sites. It is important that the Regional Development Company can function with a reasonable distance from the politics of the province and the municipalities.

6.4.2 MISSION

The mission of the company is that the company will realise solutions for the restructuring of business location in collaboration with the involved parties in the region Breburg. In the previous chapter the problems of the restructuring and the different interests of the involved parties are described. The mission is to create solutions for these problems in which the interests, knowledge and experience of the participants are combined.

The Regional Development Company will have the responsibility to create and maintain sustainable business locations that will stimulate the economical development of the region Breburg and to create an optimal return for the shareholders.

6.4.3 MAIN OBJECTIVE

The main objective of the RDC for the restructuring of business locations is: Integrally restructure dated, existing business locations in collaboration with the involved participants in the region Breda-Tilburg (Breburg).

The objective is formulated SMART in order to make it more tangible.

S (specific): Integrally restructure dated, existing business locations. In this research and with the design of the development company integrally means that the planning, organization and the execution of the restructuring will provide solutions for problems in public and private spaces and combine the interests of all the involved participants.

M (measurable): physical improvements of public and private areas, less careless use of land and an increase in property value.

A (acceptable): the interests of the different involved participants are combined.

R (realistic): restructure the 40 dated, existing sites in the region Breburg.
T (time-bound): the objective needs to be realized in the year 2020. This year is used, because the policy of province Noord-Brabant is created for the period until 2020 and the taskforce ‘Redevelopment Business locations’ advises the Dutch government to realize their goal for the execution of the restructuring by the year 2020. (Noordanus, 2008)

The main objective of the RDC Breburg focuses on the restructuring of business locations, but in order to create sustainable solutions it is necessary to involve the whole policy of business locations. The restructuring needs to be realized before the year 2020, but other activities will still be executed by the company after 2020.

6.4.4  SCOPE

Within this research the design of the development company is created for a specific region to make it more explicit. The region is located in the province Noord-Brabant. The province Noord-Brabant is the province with the most hectares of dated business locations in the Netherlands. In the province approximately 6,000 ha of industrial sites is dated. The region Breburg consist of seven municipalities; Breda, Dongen, Etten-leur, Gilze-en-Rijen, Goirle, Oosterhout and Tilburg. In this region almost 50% of the existing sites are dated. It is necessary to create an approach for the restructuring of the dated sites in this area. (ARCADIS and Stec Groep, 2007)

6.4.5  STRATEGY

The strategy of the Regional Development Company for the restructuring of business locations describes how the objective will be realized. The strategy of the company is: plan, organize and execute all the activities related to the policy of business location in the region Breburg in collaboration with the involved participants. The company is a cooperation between the province Noord-Brabant, seven municipalities and the BZW.

The table on the next page shows a SWOT analysis to determine the type of strategy. The RDC has an aggressive strategy, because they are going to address the opportunities with the strengths of the company.
The creation of the organization will take a long period, because 9 parties need to collaborate. The individual interests of the parties can conflict with the main objective.

The distance between the RDC and the own organizations of the participants can result in a lack of commitment from the parties involved.

**Aggressive strategy:**
There are 40 dated, existing sites in the region Breburg, because of the regional cooperation these will all be addressed. Revenues can be raised with the development of new sites and the exploitation of sites. The focus, attention, knowledge and experience of the nine shareholders are directed towards the policy of business sites and specific the restructuring.

A lot of time and effort need to be invested in the Regional Development Company by the involved parties in order to realize the aggressive strategy.

If the Regional Development Company is a success in the region Breburg, RDC's can be created in the other regions.

The interests of all the stakeholders and the politics need to be kept under close watch in order to preserve the commitment.

### 6.4.6 BUSINESS MODEL

The business model shows all the participants involved in the RDC. The first figure shows the business model for the holding. In the figure is shown which participants contributed capital to the RDC. The figure shows that the RDC operates on the basis of a revolving fund. This means that the company can operate independently after the first contribution of capital and that the return of the activities is invested in the company.
The second figure shows the business model on the project level. Two examples of business models of possible operating companies are given. A business model for an operating company responsible for re-stressing the distinctive features and a business model for an operating company responsible for the exploitation of business sites.

EXPLANATION

In the design of the RDC the main objective is to execute the restructuring of dated existing business sites in the region Breburg, but in order to realize that the strategy is directed to the creation and execution of the whole business site policy. This creates the advantage that the supply and demand of new sites is combined with the restructuring of dated existing locations. The strategy formulated for the company is an aggressive strategy. RDC has two weaknesses that need to be addressed. Solutions for the weaknesses are designed and stated in the next paragraph.

The business model is divided into two levels to simplify the illustration. The models show the different cash flows and returns. In paragraph 6.7 an estimate is made about the different cash flows.
SHAREHOLDERS AND STAKEHOLDERS

This paragraph describes the parties involved in the RDC. A distinction is made between shareholders and stakeholders of the RDC. The interests of the shareholders are described below. These interests are combined in the RDC. Two additional parties have a stake in the company. The interests of these parties are stated in the section stakeholders.

Shareholders

The shareholders of the Regional Development Company Breburg are the province Noord-Brabant, the seven municipalities; Breda, Dongen, Etten-leur, Gilze-en-Rijen, Goirle, Oosterhout and Tilburg and BZW. The company will be owned by nine shareholders. Each shareholder has the same voting right in the RDC Breurg. The nine shareholders all have their own interest. These interests need to be unified to realize the objective of the company. The interests of the shareholders are stated below.

- Province: they want to contribute with the spatial policy by creating balance between the economical, ecological and the socio-cultural capital in Noord-Brabant. The main interest is to efficiently use the land in the province. The province propagates the importance of efficient use of land. It needs to be developed and managed in a sustainable way. (Provinciale Staten van Noord-Brabant, 2008)
- Breda: they want to restructure existing business sites in combination with the development of new sites. They acknowledge that the restructuring is a complicated process. The municipality is searching for new possibilities to enhance the process and they are trying to find collaboration in the region. (Stec Groep, 2007)
- Dongen: the municipality of Dongen has no specific policy for the restructurating of business locations. In the municipality there are four business sites and they are considering the development of a new location. (Dongen, 2008)
- Etten-leur: the City of Etten-leur has no specific policy for the restructurating of business sites. The municipality has the vision to restructure before they develop new locations. In their structural concept they have described a few restructurating projects that will be executed in the future. (Van Alphen, 2005)
- Gilze-en-Rijen: this municipality is more focussed on living accommodations. The policy concerning employment is directed to maintaining the existing employment and creating new employment. They are focussed on supporting and enhancing the regional position in the sphere of living and working. (Van Strien-Snoeren, 2008)
• Goirle: they are more focussed on being a residential community. The City of Goirle has no specific policy for business locations. They do want to contribute to the quality of existing business sites and they are planning the restructuring of a site. The municipality does not want to develop new business locations. (Gemeente Goirle, 2008)
• Oosterhout: this municipality has a policy for business locations. The policy is not only focussed on the new development of employment. They want to maintain the quality of the existing locations. They are willing to contribute to revitalisation and want to stimulate park management in the municipality. (Gemeente Oosterhout, 2004)
• Tilburg: they have the objective to offer good locations for the growth and the movement of existing companies. They also want to create areas for new companies and new business sectors. For the coming 15 years they will realize 200 ha of new business sites. They do have the objective to intensify existing urban business locations with 30%. (Gemeente Tilburg, 2005)
• Entrepreneurs represented by BZW: this organisation feels it is necessary to improve the quality of existing business locations. They focus on approaching province and municipalities to develop new locations. They are aware that it is necessary to efficiently use the land and create sustainable sites. (BZW, 2008)

**Stakeholders**
The national government has a great interest and stake in the company. Their interests in the restructuring of industrial sites are that the quality of existing sites will be improved, the approach for the distribution of new sites is changed and that sustainable sites with a long life span are realised.

Investors may be needed to realize the different projects, like the restructuring of the development of new sites. Investors have a limited role in the market of business locations. There are different kinds of investors: property developers/contractors, just property developers or just investors. They are only interested in business locations if they provide possibilities. There need to be clear and interesting opportunities with the restructuring before they will invest. Investors will have a stake if the RDC can realize a positive and interesting return with their activities. By combining restructuring with the management, maintenance, the development of new sites and the exploitation positive return may be realized. For the investors the company will be the designated contact for the developments of business sites. Only one company needs to be addressed when opportunities occur on business sites.

6.5.2

**STRUCTURE**

*Figure 6.6*
The organization RDC Breburg
The structure of the organisation is shown in the figure on the previous page. The company consists of a management and an executive organisation. This is the holding of the company. The holding executes the policy and the master plan determined by the shareholders. The holding realizes activities necessary to execute the policy and the master plan. The holding also facilitates the operation companies. The operation companies execute the determined projects in the region Breburg.

**Meeting of shareholders**

The figure above shows the governance structure of the Regional Development Company Brebrug. The company has nine shareholders. The shareholders have an equal share of control in the company. The shareholders are represented in the annual meeting of shareholders by a member of their organisation. A member of the provincial executive will represent the province in the meeting of shareholders. The municipalities will be represented by an alderman and the BZW will be represented in the meeting by the regional chairman of the BZW. The shareholders will keep their own legal responsibilities. For example, the municipalities will stay responsible for the zoning plan and the building permits. The shareholders will use their public responsibilities optimally to realise the objectives of the company. The tasks of the meeting of shareholders are the following:

- The appointment, resignation and suspension of the members of the supervisory board and the direction;
- Determine policy and master plan.
- Determine the annual accounts.

**Supervisory board**

The shareholders appoint the members of the supervisory board. These members need to be independent from the shareholders. It is wishful that the members of the supervisory board have specific knowledge of one of the areas of expertise of the company. The supervisory board consists of ten members; one independent chairman and nine members, one for every shareholder. All the members have an equal voting right. The tasks of the supervisory board are the following:
An advisory and supervisory task related to the RDC. They need to make sure that the management executes the policy and the master plan appointed by the shareholders;
• Recommendation of the members for the management to the meeting of shareholders.
• Approve the annual plan.

Management
The management is responsible for the business operations. The tasks of the management are the following:
• Execution of the policy and the master plan;
• Execution of the business operations;
• Determining which projects will be initiated in the region;
• Creating and supervising the operation companies;
• Attracting capital;
• Balancing the costs;
• Initiating adjustments in the policy and the master plan for the region.

The activities of the management are recorded in an annual plan with a budget and an investment plan. This plan needs to be approved by the supervisory board and will be determined in the meeting of shareholders.

The RDC takes the Dutch Corporate Governance Code into account. This means that the management and the supervisory board have the responsibility to consider the interests of the involved parties. The management and the supervisory board are responsible for the continuation of the company. They need to act honest and transparently so that the involved parties have complete confidence that their interests are being addressed. (Tabaksblat, 2003)

Executive platform
The executive platform is a forum created to jointly determine the policy and the framework of the master plan. The platform will consist of the nine participants. The main goal is to initiate the creation of the company and to jointly determine the objective and the task of the company. The executive platform is first created to realize the commitment and trust of the participants. If the company is realized the executive platform will have a relation with the company focussed on the changes in the master plan. The management of the company will initiate changes and recommend it to the executive platform. The tasks of the executive platform are the following:
• Creating the commitment of the nine shareholders to participate in the RDC;
• Creating the Regional Development Company Breburg;
• Adjusting the policy and the master plan in collaboration with the management of RDC;
• Preserving the commitment of the nine shareholders.

Figure 6.8
Executive platform and RDC
EXPLANATION

The RDC is designed with nine shareholders, because the province and the municipalities alone do not have the strength and the resources to execute the restructuring alone. A regional company is created, because if the municipalities are unified the internal competition between them can be removed. The BZW is also a shareholder, because this shareholder will make sure the interests and objectives of entrepreneurs are addressed at regional level. Now BZW tries to stimulate the province and municipalities to restructure and provide high-quality business sites. When they are shareholder of the RDC they can join the restructuring process and create a healthier balance between the interests of the governments and the established entrepreneurs. A good foundation can be created for the commitment of the local entrepreneurs. The RDC consists of independent members in the management and the supervisory board to limit the interference of politics and own interest. The executive platform is an additional structure in order to create the RDC and preserve the commitment and trusts of the shareholders. In the next paragraph the process of the creation is stated.

6.6 ROADMAP

The roadmap of a company shows which steps will be taken in the coming years to realize the objectives and executed the strategy. The table below states the steps of the RDC.

<table>
<thead>
<tr>
<th>Table 6.2</th>
<th>Roadmap until 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market</strong></td>
<td><strong>2009 - 2011</strong></td>
</tr>
<tr>
<td>* 40 dated existing business sites, 1,700 ha</td>
<td>* Execution of the restructuring projects.</td>
</tr>
<tr>
<td>* Determine which projects to execute and in which order.</td>
<td>* Determine how much hectare of new sites is needed for the economical development of the region until 2020.</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td><strong>Revitalisation, re-stressing or transformation of sites.</strong></td>
</tr>
<tr>
<td>* Execution of the priority locations.</td>
<td></td>
</tr>
<tr>
<td><strong>Organization</strong></td>
<td><strong>Establishing executive platform for the creation of RDC.</strong></td>
</tr>
<tr>
<td>* 9 shareholder need to agree on policy and master plan.</td>
<td>* Evaluating the organization of the RDC.</td>
</tr>
<tr>
<td>* Realizing operational companies for restructuring and maintenance.</td>
<td></td>
</tr>
</tbody>
</table>
Regional collaboration

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>• Start investment for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>revolving fund of the 9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>shareholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Attracting additional capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>with the revolving fund.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Development of new sites and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>exploitation of sites can</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>provide additional revenues.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

EXPLANATION

This paragraph shows the steps of the Regional Development Company until 2016. In the first years the shareholders will be preoccupied with creating the company. In order to do that an executive platform is realized. The members of the platform are representatives of the shareholders. The province Noord-Brabant and the municipality of Breda are strong supporters of regional collaboration in order to restructure the dated business sites. These parties will initiate the executive platform and create commitment with the other parties. In order to realize the RDC first a cooperation agreement between the nine parties will be created. The agreement will generate commitment and support without demanding that the parties make a capital investment. The agreement will be a catalyst for the creation of the company. It may be difficult to reach consensus between the nine parties. If problems occur it will also be possible to create an agreement and realize the company with a smaller amount of parties. For example the province and the municipality of Breda can first create the RDC with the municipality of Etten-Leur and Oosterhout and expand the cooperation in a later stage.

6.7 FINANCING

In this paragraph the financial aspects of the Regional Development Company Breburg are described. First the assumptions are stated. This paragraph describes statements about the capital, the ownership and the division of profit.

6.7.1 ASSUMPTIONS

Restructuring

In the section market is stated what the assignment is for the company. Of all the business locations in the region 40 sites with a total surface of 1,726 ha are dated. That is 49% of the total surface of business locations in the region Breburg. For some of these sites the restructuring already started and for some there are plans for the redevelopment. The table in appendix 10 shows the different dated business sites per municipality. The RDC will become responsible for all the restructuring processes of all the dated business sites in the region.

The taskforce ‘Redevelopment Business Locations’ has determined the costs for the restructuring. They state the following:

• Revitalization: 230,000 Euros/ha;
• Extensive revitalization: 1,000,000 Euros/ha;
• Re-stressing the distinctive features: 1,400,000 Euros/ha.

These figures represent the resources needed for activities in the public areas. The taskforce has made the assumption that 55% of the dated business sites needs to be restructured and 5% of the dated business sites needs to be transformed. Of the 55%, 89% needs to revitalized, 6% needs heavy revitalization and with 5% of the sites the distinctive features need to be re-stressed. (Noordanus, 2008)
Management and maintenance

The activities of the Regional Development Company will not be limited to the restructuring of business locations in the region. The whole policy for business sites needs to be executed. The company also wants to manage and maintain all the business locations in the area. The municipalities are now responsible for the maintenance of the sites. It is assumed that the budget of the municipalities for the maintenance of the business location is transferred to the company. The Experimental act 'BGV' described in chapter 2 can be of use for the management and maintenance of the sites. A zone can be created in which all the entrepreneurs on the site will contribute to the maintenance and to additional services. The operating company for management and maintenance has to determine if it is functional to create 'BGV'-zones on the business sites.

Transformation, new development and exploitation

Private parties, like developers, are more attracted to the realization of transformations and new development, because the return with these projects is much more interesting. It is assumed that the transformation and new developments can be executed by private parties. However it is not necessary that private parties execute these projects. The Regional Development Company will be responsible for these projects. The company will initiate the projects and participate with the private parties in order to receive a part of the positive return with the value capturing instruments Benefit sharing and Developer contribution. Private parties may cooperate with the RDC when the projects create attractive opportunities. The resources the RDC obtains with these projects can be used for the restructuring of the existing sites. An additional method to realize revenues is to exploit the sites and the capital. If the ownership is transferred to the company, for example with a restructuring project, the site can be transferred to the operating company Exploitation when the project is completed. With these transfers of ownership transfer tax needs to be paid. It may be possible to realize the exemption of the double transfer tax, like with the District Development Company Krispijn Wonen. The taskforce has made the assumption that 30% of the property and the sites is transferred to another owner with the restructuring of business sites. (Noordanus, 2008)

Costs

It is difficult to determine the capital needed to execute the activities of the company. In order to do that it is important to determine to costs of the restructuring assignment. The following statements are used to make an estimate about the costs for the whole restructuring assignment.

- The average costs for the restructuring of the public area is:
  - Revitalization: 230.000 Euros/ha;
  - Extensive revitalization: 1.000.000 Euros/ha;
  - Re-stressing the distinctive features: 1.400.000 Euros/ha;
- Of the 1.726 ha 55% needs to be restructured (949,30 ha) and 5% transformed (86,3 ha);
- Of the 949,30 ha, 89% needs to be revitalized, 6% needs heavy revitalization and 5% needs re-stressing;
- The investments of the already started restructuring projects are not known and are not taken into account. For 1400 ha in the area the restructuring projects already started. (ARCADIS and StecGroep, 2007)

Table 6.3 shows the estimate made for the costs of the whole restructuring assignment in the region Breburg.
Table 6.3

<table>
<thead>
<tr>
<th>Activity</th>
<th>Hectare</th>
<th>Costs/hectare</th>
<th>Total costs</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revitalization</td>
<td>844.87</td>
<td>€ 230.000</td>
<td>€ 194,320.100</td>
<td>Noordanus, 2008</td>
</tr>
<tr>
<td>Heavy revitalization</td>
<td>56.96</td>
<td>€ 1.000.000</td>
<td>€ 56,960.000</td>
<td>Noordanus, 2008</td>
</tr>
<tr>
<td>Re-stressing the distinctive</td>
<td>47.47</td>
<td>€ 1.400.000</td>
<td>€ 66,458.000</td>
<td>Noordanus, 2008</td>
</tr>
<tr>
<td>features</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transformation</td>
<td>86.30</td>
<td>€ 8.800.000</td>
<td>€ 759,440.000</td>
<td>Interview: Fokkinga, 2008</td>
</tr>
<tr>
<td>Total</td>
<td>1035.60</td>
<td></td>
<td>€ 1,077,178.100</td>
<td></td>
</tr>
</tbody>
</table>

Return

To determine the amount of capital needed for the execution of all the activities it is important to make an estimate about the return the RDC can create. The following statements are used to make an estimate:

1. **Revitalization**: 3% additional space can be created and allocated when existing business sites are revitalized (Noordanus, 2008);
2. **Re-stressing the distinctive features**: When the existing sites are re-stressed sufficient revenues can be raised to cover the costs, but no profit will be realized (Noordanus, 2008);
3. **Transformation**: The transformation covers the costs of the development and in most cases will not provide a return (Interview: Fokkinga, 2008);
4. **Management and maintenance**: 3.500 hectare of business sites is located in the region Breburg. (ARCADIS and Stee Groep, 2007) An estimate is made that 734 hectare of new sites will be allocated. (Statement 8) Experiences show that when management and maintenance products and services are jointly purchased discounts of maximal 25% can be realized. (Senternovem, 2004) It is estimated that management and maintenance costs are approximately 10.000 Euros per hectare per year (Beheerenonderhoudskosten, 2008);
5. **Allocation of new sites**: 10 – 20% of the land price on new business sites is profit (Noordanus, 2008);
6. **Allocation of new sites**: In the province Noord-Brabant on average 139 hectare of new business sites was allocated per year in the period 1999-2006 (ARCADIS and Stee Groep, 2007);
7. **Allocation of new sites**: In 2004 there was 67 hectare allocated in the province Noord-Brabant and 32 hectare was allocated in the region Breburg. That is 48% (Brabant, 2008);
8. **Allocation of new sites**: If the two statements above are combined the allocation of new sites in the coming years until 2020 in the region Breburg will be around 139 hectare x 0,48 = 66,72 x 11 years = 734 hectare;
9. **Exploitation**: The exploitation of business sites only provides a small return of approximately 2,2%. An exploratory estimate is made about the exploitation of business sites. The estimate is stated in appendix 11;
10. **Exploitation**: The rental price of business accommodations is 50 Euros per square metre per year in the region Breburg (DTZ, 2008);
11. **Additional**: Approximately 160.000 Euros/hectare can be created when the RDC is exempted of the double transfer tax. With the restructuring of business locations 30% of the sites are transferred to another owner (Noordanus, 2008);
12. **Subsidy**: The national government will appropriate 400 million Euros for the restructuring of 6.500 hectare of dated business sites until 2013. (VROM, 2008) This can result in a subsidy for the region Breburg of approximately 64 million Euros.

The table below shows the estimate of the return that can be raised with the activities of the RDC.
### Table 6.4
Return of all the activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Hectare</th>
<th>Return/hectare</th>
<th>Total return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revitalization</td>
<td>27</td>
<td>€100.000</td>
<td>€2.700.000</td>
</tr>
<tr>
<td>Re-stressing the distinctive features</td>
<td>47.47</td>
<td>€0</td>
<td>€0</td>
</tr>
<tr>
<td>Transformation</td>
<td>86.30</td>
<td>€0</td>
<td>€0</td>
</tr>
<tr>
<td>Management and maintenance</td>
<td>4234</td>
<td>€1.500</td>
<td>€6.351.000</td>
</tr>
<tr>
<td>Allocation new sites*</td>
<td>734</td>
<td>€150.000</td>
<td>€110.100.000</td>
</tr>
<tr>
<td>Exploitation*</td>
<td>734</td>
<td>€153.216</td>
<td>€112.460.544</td>
</tr>
<tr>
<td>Additional</td>
<td>310.68</td>
<td>€160.000</td>
<td>€49.708.800</td>
</tr>
<tr>
<td>Subsidy</td>
<td>1035.60</td>
<td>€61.550</td>
<td>€63.741.180</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>€234,961,524</strong></td>
</tr>
</tbody>
</table>

*The business sites in the region Breburg are allocated or exploited. These activities can not be executed both, because when the land is allocated the RDC will not be the owner and can not exploit the site.

In the estimate of the total return the amount of the exploitation is added to the rest of the amounts, because the exploitation provides more return than the allocation of new sites. With the activities the RDC will be able to realize a return of approximately 235 million Euros. That is 22% of the costs needed for the restructuring assignment. If the shareholders each invest an amount of 9.8 million Euros during the period of eleven years the RDC will be able to attract 70% foreign capital for the execution of the restructuring and the other activities.

**Ownership**

The ownership of the involved parties is not transferred at the holding level of the company. If it is needed for a project to own the site and/or the properties the ownership will be transferred to the operating company responsible for the project. This may be needed with re-stressing the distinctive features or the transformation. The legal ownership will stay with the current owner. This means that the current owner is needed when the ownership transferred. If the project is completed the site and the property can be transferred to the operating company Exploitation. This company will exploit the site and the property to raise revenues for the activities of the RDC. When this happens the ownership is completely transferred to the RDC.

**Profit**

One main assumption is that the company has a revolving fund. This means that the revenues/profits are invested in the activities of the RDC. This is necessary, because the restructuring is very expensive and will need additional funds. These funds can be realized with the other activities of the company. Only if the profits will rise above the level needed for the restructuring it will be distributed to the shareholders. The profits will be paid according to the amount they have invested.

**EXPLANATION**

This section shows the financial aspects of the Regional Development Company. An estimate is made about the costs of the restructuring assignment and by what activities returns can be realized. The returns do not cover the costs of the restructuring. Additional capital needs to be attracted in order to execute all the restructuring projects in the region Breburg. The estimate made is an educated guess. It is recommended that additional research is conducted to determine the financial outcome more explicitly.
CHAPTER 7
Part IV: Simulation

7.1 INTRODUCTION

This chapter shows the simulation of the Regional Development Company for the restructuring of business locations. The simulation is a test of the design of the RDC. The simulation is an experiment. With the simulation an attempt is made to determine if the design of the RDC for the restructuring of business locations will work. The results of the simulation are shown in this chapter. The lay-out of the simulation is stated in appendix 12. In the conclusion of this chapter the answers to the following questions are given.

- Which parties are involved in the development company for the restructuring of business locations?
- Which are the organizational and financial aspects of the development company for the restructuring of business locations?
- Which are the advantage and disadvantage of the development company for the restructuring of business locations?
- Why does the development company for the restructuring of business locations realize an integral approach?

The answers to these questions are the result of the information stated in the chapters 5, 6 and 7.

7.2 RESULTS OF THE SIMULATION

The simulation is an experiment and a test of the design of the RDC. The simulation is a negotiation meeting with seven parties. The province, three municipalities, the entrepreneur, the investor and the developer are represented in the simulation. The objective of the negotiation meeting was to realize three projects. The first project Revita is a revitalization of the business site in the municipality of Revi. The second project Transform is a transformation of a business site in the municipality of Trans. The last project Neo is an allocation of a new site in the municipality of Neo. The objective was that the seven parties together had to realize the investments for the projects. In appendix 12 an extensive description of the simulation is stated. Mr. R. Broekhuizen has been consulted for the creation of the simulation.

The design of the RDC is tested, because the negotiation meeting is executed in two ways. In the first round the negotiation meeting is executed in the current way the restructuring of business sites is organized. In the second round the Regional Development Company is introduced. In the following paragraph the results of the two rounds are described.

7.2.1 ROUND 1

The objective is not realized in round 1. A lot of effort has been invested to create a solution. A solution has been suggested by the province and the municipality of Revi. The province
Regional collaboration

was willing to invest €2 million in project Revita if this project was executed first. The municipality of Revi was willing to invest €8 million in 4 years in project Revita for the revitalization of the public area. The municipality of Revi related a condition to this investment. The municipality suggested that they would invest €8 million if the owners of the private plots on the site would revitalize their properties. Not every party agreed with this solution. The developer and the municipality of Neo wanted to execute project Neo immediately. And the developer was not willing to execute the revitalization of his plot on the site of project Revita. The investor was not willing to execute project Transform, because the return on this project was not high enough. The municipality of Trans wanted to execute the project Transform, but was not willing to wait until project Revita was finished. The entrepreneur was willing to move to the new location of project Neo, but also he was not willing to wait until project Revita was finished. The seven parties could not agree on a solution to realize all three projects and create a result of €0 for the project Revita.

7.2.2 ROUND 2

The objective was realized in round 2. In this round the Regional Development Company was introduced. The RDC consisted of the province, the three municipalities and the entrepreneur. The public parties agreed that they would invest their return in the RDC. This investment made it possible to execute project Revita. The RDC determined that they would execute all three projects. The meeting was focused on realizing an agreement between the parties in the RDC. The developer and the investor had the feeling that they were not needed. They had the opinion that the RDC was nontransparent. The entrepreneur was also part of the RDC. He was willing to invest, but he wanted a return for his investment. No agreement was made between the public parties and the entrepreneur about this return.

7.2.3 COMPARISON AND VALIDATION

The experiment was executed to test the design of the Regional Development Company. A comparison can be made between round 1 and 2. In round 1 the seven parties discussed the possibilities together. But the objective was not realized. The parties did not know each others interests. In round 2 the meeting was focused upon the collaboration of the five parties in the RDC. In round 2 the objective has been realized. This can be the result of the RDC, because the five parties had the same interests. The developer and the investor believed that they were excluded from the negotiation. They had the idea that the RDC was nontransparent. The experiment was executed with experts of ARCADIS, who have a lot of knowledge and experience of the party they had to represent. Because of this knowledge and experience the simulation was a high-quality reflection of the reality. However the simulation of the design is only executed once, because of the lack of time. This means that the test of the design for the RDC is not reliable. No conclusive statements can be drawn from the results of the experiment and the design of the Regional Development Company is not adjusted.
7.3 CONCLUSION

In this conclusion the last four questions of the research are answered:

Which parties are involved in the development company for the restructuring of business locations?

The table below shows the shareholders of the Regional Development Company region Breburg and the reasons why they will collaborate:

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Province of Noord-Brabant</td>
<td>Benefit from RDC, existing sites will be restructured.</td>
</tr>
<tr>
<td>Municipality of Breda</td>
<td>Will initiate and stimulate creation of RDC.</td>
</tr>
<tr>
<td>Municipality of Dongen</td>
<td>No competition between municipalities</td>
</tr>
<tr>
<td>Municipality of Etten-Leur</td>
<td>More funding for restructuring</td>
</tr>
<tr>
<td>Municipality of Gilze-Rijen</td>
<td>Knowledge and experiences combined.</td>
</tr>
<tr>
<td>Municipality of Gooirle</td>
<td></td>
</tr>
<tr>
<td>Municipality of Oosterhout</td>
<td></td>
</tr>
<tr>
<td>Municipality of Tilburg</td>
<td></td>
</tr>
<tr>
<td>BZW region Breburg</td>
<td>Interests of entrepreneurs considered on regional level.</td>
</tr>
<tr>
<td></td>
<td>More commitment with the restructuring.</td>
</tr>
</tbody>
</table>

Which are the organizational and financial aspects of the development company for the restructuring of business locations?

The main organizational aspects of the RDC are that the company is regional organized and consists of a holding with operating companies. The shareholders of the holding are the parties stated in the table above. The interests and objectives of the shareholders are combined in the company to one joint objective. The holding has a management and a supervisory board. The members of the management and the board are independent from the shareholders. The operating companies execute the activities related to the whole business locations policy and are supervised by the holding.

The restructuring of dated, existing business locations is very expensive. The RDC will create revenues with the following activities:

- Create return with the allocation of additional land created with the revitalization of the business sites;
- Realize the exemption of double transfer tax;
- Create revenues with the management and maintenance of the business sites;
- Realize revenues with the exploitation of sites and property on business sites in the region Breburg.

Which are the advantage and disadvantage of the development company for the restructuring of business locations?

The advantages of the Regional Development Company Breburg:

- The interests and objectives of the shareholders are combined and the internal competition between municipalities is removed;
- The RDC can realize more funding for the restructuring, because the RDC is responsible for the whole business site policy. It is possible to balance the revenues between the different operating companies;
- The knowledge and expertise of the shareholders will be combined and guaranteed in the RDC.
The disadvantages of the RDC Breburg:

- The time and effort that will be necessary to create the organization of the RDC. A lot of commitment and a good stimulator will be needed to realize the RDC Breburg.
- The distance that will arise between the RDC and the organizations of the shareholders. This can result in a lack of commitment from the shareholders.

**Why does the development company for the restructuring of business locations realize an integral approach?**

In this research the integral approach is described as an approach in which all the aspects of the whole site are completely taken into account. This means that the problems in public and private area are addressed. The execution of the interventions provides solutions for the aging in the public and private areas. The solutions need to be geared to one another and address the interests of the involved parties. This means that because of the relation between the interventions and a relation between the interventions and the interests of the stakeholders a complete solution will be realized with the restructuring.

The Regional Development Company Breburg provides an integral approach, because the problems of the restructuring of business sites of the several stakeholders are addressed. The RDC realizes an integral solution, because the problems in public and private areas are addressed and the interests of the parties are combined and organized on a regional level. The integral approach of the RDC is not limited to the restructuring of business locations. In order to provide a useful solution the whole policy of business locations is executed by the RDC Breburg.
CHAPTER 8
Conclusion, recommendations and reflection

8.1 CONCLUSION

This paragraph contains the final conclusion of the research. The main question will be answered in this section. The main question is divided in 14 questions. These questions are answered in the chapters 2 to 7. The answers are gathered with the desk research, the interviews, the case study and the simulation.

Main question: “Which conditions of a development company make it possible to create an integral approach for the restructuring of business locations?”

The final result of this research is that the Regional Development Company is designed for the region Breburg. This design is realized with the information gathered during the research. On the basis of the data in this report the following conditions of the RDC Breburg realize an integral approach for the restructuring of business locations.

- The RDC consists of the province, the municipalities and the entrepreneurs in the region Breburg. These parties are important stakeholders in the restructuring process. In order to combine their interests in the RDC the company can provide a solution for the problems in the public and private areas.

- The RDC realizes a regional approach for the restructuring of business locations. The regional approach is defined by executing the whole policy of business sites for the region Breburg. Because of the regional approach the competition between the municipalities is removed and the RDC can balance the returns between the different projects. The positive return of the development of a new site can be used for the restructuring of a dated, existing site.

- The RDC consists of a holding and operating companies. The holding creates a complete business site policy and a master plan for the region in which the interests of the shareholders are combined and the problems on dated, existing business locations are addressed. The operating companies execute the different projects. Their attention is focused on creating a solution for a specific site.

The hypothesis of this research is: “An ideal typical development company can realize an integral approach for the restructuring of business locations.” The hypothesis is valid. The design of the Regional Development Company Breburg is an ideal typical development company. The RDC can provide an integral approach with the conditions stated above.

It is uncertain if the design of the Regional Development Company Breburg will be useful in reality. An experiment is conducted to test the design of the RDC. However this simulation
Regional collaboration of the design is only executed once. This means that the simulation is not reliable. The answers of the main questions and the hypothesis are mainly based on the desk research, the interviews and the case study.

### 8.2 RECOMMENDATIONS

The research has provided insights into the problems of the restructuring of business sites in the Netherlands and different shapes of development companies. The research has resulted in a design of the Regional Development Company Breburg for an integral approach of the restructuring of business locations. It has been a research with a wide spectrum. It is necessary to execute additional research about the following topics to make a better judgment of the usefulness of the RDC Breburg.

- This research has been focused on the organizational and financial aspects of development companies. It will be useful to execute additional research about other aspects of development companies, like the legal aspects, the decision process and the appropriateness.
- In this research the politics and the hidden interests of the stakeholders of the restructuring of business locations are not researched. These issues will have a great impact on the creation of the Regional Development Company. It is very valuable to execute further research about these topics. For example to conduct more interviews with the involved parties about the political issues in the region and their own interests.
- The Regional Development Company consists of a holding with operating companies. The design is focused on the holding level. Further research is needed about the organizational, financial and legal aspects of the operating companies. In order to extend the design of the RDC to the operating level.
- For the design of the RDC a financial estimate has been made to determine the capital needed for the activities of the company. Extra research is needed to make the financial estimate more explicit. It would be very attractive to determine explicitly the costs and revenues of all the activities of the RDC in the region Breburg.
- One of the disadvantages is that the realization of the organization will take a lot of time and effort. A suggestion has been made about how it will be realized. Additional research is need about the creation process.
- A unique selling point of the company is that it will create and be responsible for high-quality business sites in the region Breburg that will result in sustainable economic development. This will realize added value to the region. Additional research is required about this topic to determine the amount and kind of value and design a kind of branding for the region Breburg.
- An experiment has been conducted to test the design of the RDC. A simulation of the design of the Regional Development Company was executed. The simulation is a one-dimensional version of the reality. It was only possible to execute the test once. It would be very constructive to execute the simulation numerous times and execute the test with the parties of the region Breburg.
- The simulation was a small part of the whole research. It would be interesting to execute additional research about gaming and simulations and create a simulation method to test the design of organizations.

### 8.3 REFLECTION

It has been a complex, interesting and difficult process to realize my Master's thesis. It was complex to create a feasible research proposal. It was very interesting to focus and direct all my attention to one subject. The restructuring process of business locations is a very present
Topic. This means that a lot of information is published about this topic which has been a great benefit. On the other hand it has been difficult to structure the information and create one logic description about the restructuring of business locations. It has been more difficult to gather information about development companies. It is a relative new collaboration construction. The initiative of creating private companies for the development of areas is fascinating. It was difficult to combine the two themes and create a design of a development company, especially because there is not one solution to the problem. The design process has been a challenge. The hardest part was to make a choice about which direction to take and to justify this choice.
CHAPTER 9

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Master Construction Management and Engineering

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ARCADIS, urban development

COMMISSION
University of Technology Eindhoven
- prof. dr. ir. W.F. Schaefer
- drs. C.J.T.M. Kokke

ARCADIS
- ir. N. van Geenhuizen
- ir. S.C. de Haas

STUDENT/AUTHOR
J.N. Braas BSc

STUDENT NUMBER
0515747

E-MAIL
jonibraas@hotmail.com

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CONTACT INFORMATION
Technical University Eindhoven
Den Dolech 2
5612 AZ Eindhoven
Postbus 513
5600 MB Eindhoven
Tel: 040-247 91 11

ARCADIS
Utopiaaen 40
5322 CE 's-Hertogenbosch
Postbus 1018
5200 BA 's-Hertogenbosch
Tel: 073 - 680 92 11