

## CHAPTER 2

### THE RESEARCH METHODOLOGY

#### **2.1 INTRODUCTION**

This chapter discusses the methodology that was used in gathering research data from various sources. As was explained in paragraph 1.5 of chapter 1, the research methodology is discussed as a separate chapter due to the intricate nature of the method used in gathering data in this study. This chapter therefore explains why a particular research methodology was chosen as well as the benefits of that method. It also covers, in detail, the main sources of primary data, how qualitative data was collected, how samples were selected using the purposive sampling procedure and the evaluation criteria used in the study. Finally the chapter discusses how the qualitative data was analyzed and will be presented in this study.

#### **2.2 RESEARCH METHODOLOGY**

##### **2.2.1 A Qualitative Approach**

The methodological approach employed in this study is essentially a qualitative one. Unlike experimental or statistical research which has, as its central tenets, hypothesis development, testing and modification, this study drew its conclusions from predominantly qualitative data and did not work on the “cause-effect” principle. The qualitative methodology was considered appropriate because the study is dealing mainly with an insubstantial (or subjective) phenomenon (i.e. private sector perception of urban regeneration) which could not be measured adequately through quantitative research methods (Leedy and Ormrod, 2005; McBurney, 2001).

The collected data had to provide sufficient detail to enable the researcher to draw appropriate conclusions. The broad conceptualization of the study also meant that the researcher would require specific type of data that would reflect

the private sector perspective of urban regeneration in Johannesburg. Unlike experimental or statistical research which often employs quantitative methodologies to prove a dichotomous “either or” principle, this study required detailed private sector perspective of urban regeneration which could best be obtained through a qualitative method. In this regard in-depth interviews were considered appropriate.

While comparable studies to this one have successfully employed quantitative methods (although measuring an objective phenomenon) (e.g. Adair *et al*, 2003; 2000; 1999; McGreal *et al*, 2002; 2000), this method would not have been relevant in this study because of the following aspects: *Firstly*, it was not possible to predict or guess possible factors that influence the private sector decisions to invest in urban regeneration and therefore formulate multiple choice questionnaires or compile a scoring matrix that quantitative studies normally use. In an environment where limited research has been undertaken on urban regeneration and private sector investment, such factors have proven to be wide ranging and unpredictable. *Secondly*, while such factors could be ‘borrowed’ from other similar international studies, some crucial and locally specific information could have been missed through that method. The advantage of the qualitative methods is that over and above detailed account, the researcher can seek clarity on certain aspects thus obtaining more detail of the phenomena being investigated (Leedy and Ormrod, 2005).

### **2.2.2 The data gathering process**

The research data was gleaned by way of interviews with prominent private sector players who have had an extensive record of involvement in the urban regeneration process. The interviews took place over a period of seven months starting from July 2006, ending in February 2007. All interviews were conducted by the researcher in respondents’ offices and in some cases residential places. The duration of interviews varied between thirty (30) minutes to one (1) and a half hours. In an attempt to achieve a consistent quality of responses, most

questionnaires were administered by the researcher in face-to-faces interviews with respondents. Responses were recorded using shorthand and a tape recording machine. The questionnaires used in this study contained mostly open-ended questions.

Efforts were made to ensure personal administration of all questionnaires by the researcher and to avoid handing questionnaires to respondents for later collection or telephonic interviews<sup>8</sup>. Personal administration of questionnaires is recommended as it ensures the understanding between the interviewer and interviewee, especially where questionnaires have open-ended questions (McBurney, 2001). That is because, unlike multiple choice or closed-ended questionnaires, questionnaires containing open-ended questions take time to understand and may therefore require the researcher's presence to facilitate responses (Moore, 1987).

A large number of interviews were conducted by the researcher after working hours. However, in gathering data, personal administration of interviews was not always possible. This was due to, among other reasons, preference and insistence of respondents to be interviewed telephonically, convenience issues and availability times of respondents. Owing to these reasons, 28 out of 78 interviews were inevitably conducted telephonically. Five questionnaires (5) were also sent electronically to some respondents for completion and return at a later stage. However, the response rate from the latter group was very poor – only 1 out of 5 sent questionnaires was returned, despite numerous follow-ups made by the author on the other four questionnaires.

---

<sup>8</sup> Telephone interviews were not favored in this study due to numerous reasons: 1) respondents can be interrupted in the middle of the telephonic interview and stop the conversation, 2) the absence of eye contact makes it difficult to detect respondent's body language and determine if he/she is giving inaccurate information, 3) respondents can easily stop the interview if they do not feel comfortable with certain questions or where they simply feel uneasy about too many questions. In cases where telephone interviews were conducted as the only possible method, a confirmatory approach was also used. This method entails asking certain questions more than once to verify consistency of their answers (McBurney, 2001).

There are, of course, limitations to this approach – as any research method has strengths and flaws (McBurney, 2001). *Firstly*, the presence of the interviewer can create a social situation that may result in biased responses in that respondents may tell the interviewer what they think he/she wants to hear. To address this limitation, respondents were asked to give their frank opinion on the factors under evaluation and were often asked to substantiate their responses. *Secondly*, because open-ended questionnaires take time to administer and require more effort from the respondents, they do not work well with very large research samples. The latter limitation did not affect this research because the samples of this study were not too large. Instead, open-ended questions and self-administration of questionnaires led the researcher to new and unexpected discoveries and a large amount the information, as the researcher probed questions further by asking clarity seeking questions.

The examination of relevant secondary data and material was also done to provide an historical context to the study and fortify or verify the legitimacy of certain data gathered through in-depth interviews. For instance, as discussed in chapter 7, the results of this study in respect of positive outcomes of urban regeneration were consistent with media reports and other reports published by various organizations, about some ‘success stories’ of inner city regeneration.

### **2.3 SCOPE OF INTERVIEWS**

Three distinct, yet generic, questionnaires were compiled and administered to collect data through structured interviews. The questionnaires designed for consultants and property brokers contained 25 questions and the one for property developers had 28 questions. The questions focused mainly on factors motivating private sector investment; factors hindering the flow of private sector investment; perceived efficiencies or benefits; and inefficiencies or limitations of various urban regeneration initiatives. As stated earlier, respondents were asked to give their frank opinion on the factors under evaluation and were often asked to substantiate their responses.

The study was based on an interview survey with property and development agents who had been involved in various urban regeneration projects in the inner city. These included property developers and investors, property/pension funds administrators, consultants/researchers, property managers/brokers/agents, property financiers, institutional investors as well as building companies. The study may also be perceived to resemble an executive opinion survey because the questionnaires were administered among senior executives of private sector companies involved in urban regeneration.

The respondents were divided into three cohorts. The first cohort, which was also the largest, consisted of property developers, financiers and investors who had been directly involved in urban regeneration projects or invested money in converting, refurbishing or redeveloping buildings in the inner city. The second cohort consisted of urban regeneration and development consultants including property economists and researchers whose involvement in urban regeneration was indirect and often on behalf of clients. The third cohort included property managers, brokers, estate agents whose involvement in urban regeneration was also indirect and on behalf of clients. The views of the latter two cohorts were important to validate the perceptions held by respondents in the first cohort.

### **2.3.1 Selection of samples**

As stated in paragraph 2.2.2 above, the study targeted major private sector actors who had extensive experience in the process of urban regeneration and were still active in the process at the time of research. The samples were selected in relation to the research aim and objectives. In other words, respondents and their companies were selected on the basis of their relevance in providing answers to the research problem and sub-problems. The initial stage of sample selection was to identify companies that had been involved in urban regeneration through various sources described latter in this chapter. One hundred and twenty (120) companies were identified as having been involved in urban regeneration in Johannesburg and active at the time of interviews.

A **purposive sampling** method was used, as described below, to choose appropriate companies to be included in samples and to gather research data from. According to McBurney (2001) **purposive sampling** means selection of research units to meet a particular definition or criteria. The requirement in this study was that, in order to be selected, private sector companies had to show a clear and extensive record of involvement in urban regeneration and knowledge of the Johannesburg Inner City or must have held a substantial regeneration portfolio for a reasonable period.

By international standards, companies that have extensive involvement in urban regeneration are likely to provide a detailed account of the phenomenon under consideration. Most international studies comparable to this one have used similar qualification criteria in the selection of samples (e.g. Adair *et al*, 2003; 2000; 1999; Ball *et al*, 2003). In terms of this qualifying method, only companies that had been involved in the urban regeneration process for at least two (2) years and were still active in the area qualified for selection. As also recommended by Neil Fraser<sup>9</sup>, the period of two years was considered sufficient to provide companies with a reasonable exposure to urban regeneration issues which would also enable them to provide adequate input to the study. This was more so in Johannesburg Inner City where urban regeneration is a relatively new phenomenon and is a market where there are many new entrants, many of whom may have had a limited exposure to and an understanding of urban regeneration issues (Fraser, 2005a).

---

<sup>9</sup> Neil Fraser has been extensively involved in urban regeneration in Johannesburg Inner City. He is running a consulting firm, Urban Inc., which specializes in inner city regeneration in South Africa and internationally. He has written widely on the subject, authored and presented various conference papers and publications and has served as an advisor to many organizations including the City of Johannesburg, the Johannesburg Development Agency and many private companies. He is the former CEO of the Central Johannesburg Partnership (CJP), an organization which, as explained in chapter 5, has been at the centre of the urban regeneration process since its beginning. In this study Mr. Fraser was considered a credible source of information and the researcher had numerous sessions with him, solicited his opinions and shared insights on urban regeneration.

Although the use of the length of involvement in urban regeneration as a requirement may have created the bias of the study towards bigger and well established actors, it was the only way of ensuring that good quality and reliable responses were obtained from informed and experienced respondents. In addition small property firms on the other hand were likely to have little overall impact in the market where large firms together hold a significant market share. As stated, in order to ensure reliability of responses, only persons in senior positions within organizations (i.e. decision-making level such as a CEO, Managing Director, Director etc.) and who were well conversant with urban regeneration initiatives and the inner city were selected (see Annexure B).

Out of 120 identified companies, 95 companies were then targeted by the study as they met the qualifying criteria and the purposive sampling method described above. However, only 78 prospective respondents<sup>10</sup> accepted the invitation to participate in the study (see table 1 on page 181 or see Annexure B). Each of these groups selected also had an important purpose for the research and in answering research questions (Leedy & Ormrod, 2005). It can be argued that the fourth cohort of inner city users/tenants could have been included in the study. Indeed, a few (four in total) users/tenants were initially interviewed as part of this study, but their level of knowledge of specific urban regeneration initiatives was rather shallow and interviews with them were discontinued. Not much could be gained from that source. For instance, none of the tenants interviewed had knowledge of the Better Building Programme or the Johannesburg Development

---

<sup>10</sup> While the sample may appear small, it should be borne in mind that the private sector population is also small. For instance, on the basis of various databases obtained from various structures of the City of Johannesburg (discussed below) it can be crudely estimated that there about 250 companies involved in urban regeneration in Johannesburg Inner City. Statistically, if the population or units being researched are fewer than 100, the survey should cover the entire population. If the population is around 500 or less, 50% of the population should be surveyed (Leedy and Ormrod, 2005). In this study 120 companies were identified for interview which was about half of estimated companies (250) involved in urban regeneration. Due to the qualification criteria, which was meant to ensure good quality results, and some companies declining to participate in the interviews, the sample size came down to 78 which represents about 30.8% of the estimated private sector population. However, the views of the sample may still be regarded as representative of those of a larger private sector community involved in inner city regeneration as it consisted of people that had extensive experience.

Agency or Urban Development Zone, which were critical urban regeneration initiatives under evaluation in the study. The study distinctly wanted to hear from the private sector how it rated the specific City of Johannesburg's urban regeneration initiatives and not residents' views.

### **2.3.2 Sources of research data (i.e. respondents details)**

The researcher obtained various databases of potential companies (mainly property developers) that were involved in urban regeneration and were considered relevant to the study from six credible sources. *Firstly*, the researcher, through a lengthy period of reading in the field of urban regeneration in Johannesburg and extensive involvement in the property industry<sup>11</sup> compiled a database of companies (35) that had been involved in urban regeneration from publications such as newspapers, journal articles, internet websites etc. *Secondly*, a stakeholder database consisting of 70 regeneration practitioners was obtained by the researcher, from the urban regeneration agency - Johannesburg Development Agency (JDA).

*Thirdly*, the researcher also obtained, a database of 21 inner city investors and property managers from the Property Owners and Managers Association (POMA<sup>12</sup>). *Fourthly*, the researcher was given a database of 240 companies by the Johannesburg Property Company (JPC) that were registered under the Better Building Programme<sup>13</sup>. *Fifthly*, a list of 15 prominent urban regeneration practitioners was obtained from the Central Johannesburg Partnership<sup>14</sup>. *Sixthly*,

---

<sup>11</sup> The researcher has held senior management positions in various organisations including Director of Property Management in the National Department of Public Works. He is also a member and an active participant in numerous property bodies such as the South African Property Owner's Association (SAPOA)

<sup>12</sup> POMA is an association of major property owners, investors and managers in the Johannesburg inner city and represents their interests. The chairman of the association, Mr. Brian Miller, made the list of all affiliate companies available to the researcher.

<sup>13</sup> While the Better Building Programme database included property developers, investors, property managers and consultants, it included companies involved in other business trades not related to the built environment caterers, cleaners, stationary and security services providers. Companies that were considered relevant to this study constituted a little more than a third (88) of the total number of companies in that database.

<sup>14</sup> This database was obtained from the chairman of the CJP, Mr. Neil Fraser.



a list of 10 potential respondents was obtained from the Johannesburg Inner City Business Coalition (JICBC)<sup>15</sup>. Attempts to obtain a list of investors registered under the Urban Development Zone were not successful, although most property development companies interviewed (obtained from other databases) were already involved in this programme (see table 18 on page 211). From these sources, a total of 120 companies were identified from which a database of 95 companies that met the requirements of the study were sifted and were then consolidated by the researcher into a comprehensive research database (see Annexure A on page 325).

## **2.4 THE EVALUATIVE FRAMEWORK**

Principally the study aimed to explore the private sector perception and attitudes towards the Johannesburg Inner City and urban regeneration initiatives introduced by the City of Johannesburg since 1986 (Bremner, 2004). Broadly, it assessed the perceptions held about the urban regeneration measures in achieving government's objectives of enticing the private sector investment in the inner city. This was done *firstly* by identifying factors that motivated the private sector to invest, locate business in the inner city. In this way the study could evaluate whether reasons given relate to urban regeneration initiatives or not.

*Secondly*, by identifying factors that hindered the private sector investment in the inner city the study intended to establish if the hindrances identified related to urban regeneration measures and therefore draw the appropriate conclusions about the effectiveness of urban regeneration initiatives. It intended to assess whether perceived hindrances presented any threats to private sector investment in and perception of the inner city and whether they were likely to have a long-term impact on the urban regeneration process. *Thirdly*, the study explored perceptions held about five (5) specific policy instruments that are designed to leverage private sector investment in the inner city thereby inducing urban

---

<sup>15</sup> The chairman of the JICBC, Mr Rory Roritson, gave to the researcher a database of JICBC members at the author's request.

regeneration. These are: the Urban Development Zone; the City Improvement Districts; the Better Building Programme, the Johannesburg Development Agency and a variety of crime prevention measures.

The researcher was aware of the potential weaknesses of the above evaluation criteria, that is, it could be considered to be grounded on perceptions, rather than tangible, quantifiable facts or evidence (McBurney, 2001). While this study acknowledges the above as a general criticism of qualitative studies and opinion surveys, it is important to understanding the private sector perception of urban regeneration and the Johannesburg Inner City. In this study, due to the extensive level of involvement in urban regeneration of companies interviewed, such perception constitutes a significant source of knowledge. For instance, perceptions about the inner city may play an important role in determining whether the private sector continues investing in the inner city or not. It may also determine the type of economic activities that private actors get involved in in the inner city or locations that are preferred for investment.

The views of the consultants and property brokers were also considered important because prospective property developers and investors in the inner city were likely to solicit an opinion from consultants, brokers and agents in order make informed decision about where they would invest. Similarly tenants might consult property managers, brokers and agents before making locational choices. Even if this study is indeed grounded on perceptions, it is important that such perceptions are known and distilled through systematic and scientific methods such as those employed in this study.

## **2.5 ANALYSIS OF QUALITATIVE DATA**

Being empirical/qualitative research, this study used **inductive reasoning** to draw conclusions about its observation. Inductive reasoning begins with an observation or an occurrence to draw conclusions about the entire classes of objects or events (Leedy and Ormrod, 2005; Goddard and Melville, 2005). When

analyzing qualitative data particularly from structured interviews and open-ended questionnaires, the study utilized a quantifying method. In this method data was informally quantified according to the frequency of responses occurring and was then sorted and categorized into smaller sets of abstracts or conceptual phrases. These conceptual phrases were then allocated numerical values and percentages according to the frequency of responses and entered into scoring matrices. However the disadvantage with this (as normally is the case with qualitative studies, especially open ended questions and in-depth information) is that it takes a very long time to do data coding. In presenting qualitative data the study used graphs and tables and constructed “interpretative narratives” which captured emerging trends, themes and perspectives (see chapters 6 and 8).

## **2.6 CONCLUSION**

This chapter discussed the methodology that was used to gather research data from various sources. It also outlined the criteria used in selecting samples, collecting qualitative data how qualitative data collected was analyzed and presented in this study. The chapter has also explained that the qualitative research was best for this type of research. That is because the collected data had to provide sufficient detail to enable the researcher to make informed conclusions. The broad conceptualization of the study also meant that the researcher would require specific type of data reflecting the private sector perspective of urban regeneration.

## CHAPTER 3

### URBAN REGENERATION AND THE PROMOTION OF THE PRIVATE SECTOR INVESTMENT:

#### TOWARDS THE SUBSTANTIVE THEORY

##### **3.1 INTRODUCTION**

This chapter identifies, from a rich body of literature (mainly international), dominant themes about the rationale and ideological logic for private sector invocation in the process of urban regeneration. It discusses what the literature suggests about the general perceptions held by the private sector about the urban regeneration schemes and investing such schemes. It also explores the state-market relationship by looking at a myriad of measures, such as tax incentives, land-use control, crime prevention etc. that are often applied by public sector to attract private sector investment to areas affected by economic decline and to stem the effects of perceived risks.

The body of literature and case studies consulted in this chapter are predominantly of American and British origin for two reasons. Firstly, both the US and UK are prolific sources of urban regeneration knowledge as they both have had an extensive record and experience of promoting private sector investment in urban regeneration. Such experience is essential to provide an empirical background to this study. Secondly, as discussed in chapter 5, the experiences of the two countries have had a significant influence on urban regeneration policy formulation and implementation in Johannesburg. Johannesburg, being a global metro city, has seen local practices being benchmarked on the US and UK regeneration models.

### **3.2 THE LOGIC FOR STIMULATING PRIVATE SECTOR INVESTMENT IN URBAN REGENERATION**

Traditionally, the delivery of urban regeneration programmes is understood to be the primary responsibility of public sector (particularly local authorities). The role of the public sector in this view is that of a natural agent that directs and controls urban change; formulates and implements policies; with particular emphasis on the regeneration of run-down and derelict parts of inner city areas (McCarthy, 1996; Imrie & Thomas, 1993; Deakin and Edwards, 1993; Barnekov *et al*, 1989). Such inner city policies may involve central government as grant giver and local authorities as recipients and spenders of urban regeneration funding (Deakin and Edwards, 1993; Stoker and Young, 1993).

However, the dominance of the state in the delivery public programmes such as urban regeneration tends to be reflected negatively in, for instance, the lack of new private sector investment in the declining parts of inner cities. The lack of private sector investment is perceived by policy-makers as a missed opportunity in terms of large amounts of underutilized land, lost revenue, jobs and so on. As will be explained later in this chapter, the combination of high costs and large scale nature of urban regeneration projects; public sector inefficiencies (perceived or actual); challenges of rejuvenating privately owned properties; and general failure of state-driven and welfare programmes to deliver public goods often serve as grounds to justify the need to invoke the private sector in the urban regeneration projects. In this regard, the public sector is often encouraged to 'forge effective partnerships with the private sector.....thereby forming an integrated approach in the delivery of regeneration programmes' (*cited in Adair et al*, 1999, p. 2033).

#### **3.2.1 Private sector involvement in urban policy issues: Is this a new phenomenon?**

Of course, the private sector involvement in urban development and the delivery of public goods is not new. The existence of this practice can be traced back, in

both American and British cities, from the heyday of the Industrial Revolution in the 17<sup>th</sup> and 18<sup>th</sup> century, albeit informal and uncoordinated (Squires, 1997; Couch, 1990; Barnekov *et al*, 1989; Heidenheimer *et al*, 1983). It was not uncommon, for instance, in Britain for private companies/individuals to embark on various urban development schemes with little state involvement (Couch, 1990). The unprecedented rise in commercial and industrial activities as well as spatial and demographic changes that characterized the 17<sup>th</sup> century had induced new forms of urbanization and created new demands for residential and other facilities.

This resulted in the widespread existence of poor housing, pollution, crowding and general deterioration to city life, which was regarded by some as a symptom of economic forces leading to an unequal distribution of wealth (Thomas; 1986; Heidenheimer *et al*, 1983). Beales (1967) writes that [private] builders ‘rushed up houses in unpaved and undrained streets and courts’...crowding people ‘together to make a profit at all costs, as rents were advancing rapidly. The time had not yet come for the establishment of a social code protective of that rather helpless body, the community’ (p. 84).

In America, the private sector involvement in urban renewal was encouraged by belief that individual and community happiness were to be achieved through the search for personal wealth. Cities took shape through these doctrines of political economy and competitive individualism where business enterprises were substantially unregulated (Briggs, 1963). This tradition continued in the 18<sup>th</sup> century and was a response to the dynamics of an unregulated urban land market dominated by ‘profit seeking builders, land speculators, and large investors’ (Warner, 1987, p. 4).

The result of the above dynamics was that cities started to develop as economic entities where capitalists began to engage in land development and sale as commercial venture (Heidenheimer *et al*, 1983). The townscape was determined

by the 'speculative grand plan which treated land as a commodity whose worth was expressed strictly in terms of market value' (Mumford, 1961, p. 421). Land was always viewed as 'a commodity which, if offered for sale at the right time and price, brings profits' (Heidenheimer *et al*, 1983, p. 252). This tradition continued from the Victorian period to colonial days and well into the 20<sup>th</sup> century such that observers consider terms such as "public-private-partnership" as a little more than a new label for a long-standing relationship between the public and private sectors (Squires, 1997).

The uncoordinated private sector involvement in urban development, however, fell under sharp criticism, from a socialist perspective, for benefiting only property developers while social problems persisted unabated. Briggs (1963) argues that 'the priority of industrial discipline in shaping all human relations was bound to make other aspects of life seem secondary' resulting not only in 'a paucity of social investment but a total indifference to social costs' (p. 18). Similarly Lewis Mumford (1961) argues that the belief in economic values in the new industrial age were merely a 'fortuitous concourse of atoms...held together temporarily by motives of self-seeking and private profit' (p. 454).

Consequently, in the UK, the activism of the private sector was discarded in the beginning of the 20<sup>th</sup> century in favour of state-driven policies and welfare programmes (Fainstein and Campbell, 1997; Imrie and Thomas, 1993). By contrast, the promotion of the private sector involvement in urban affairs in the US remained a significant part of the dominant and explicit urban policy from late 19<sup>th</sup> century onwards. The private sector remained a chief driver and beneficiary of planned urban change for a long time in American cities. Even the state intervention in urban affairs, which started in the late 1890s, further protected the interests of the private sector (Long, 1960). As Barnekov *et al* (1989) also note: 'throughout the nineteenth century...the influence of businessmen in civic affairs was unequalled and usually decisive' and 'remained largely unchallenged throughout the nineteenth century' (p. 16).

Not only did the state accept the need to fulfil the marketplace imperative, some government reforms were not enacted without at least tacit approval of leaders of large corporations (Barnekov *et al*, 1989). Further, local authorities were permitted to purchase and clear sites and then resell them at a price below what they paid for it. The federal government would then pay the city between two thirds and three quarters of the difference between the city's expenditure and price charged to the private developer. Therefore private developers were allowed to purchase prime land with several million dollars worth of federal subsidy.

This worked on the premise that the urban renewal program had to compete with other forms of investment for developers' interest and that renewal opportunities therefore had to be made particularly attractive to private capital:

The public planning done by city renewal authorities in the United States consists largely of furnishing support services for private real estate interests: selecting sites which the authority believes will be attractive to private capital; acquiring the sites through condemnation or purchase; and clearing them in order to resell to private developers. Local public authorities have not only provided a service to private developers in assembling redevelopment sites, but national government has subsidized the purchase of land by private enterprises through the device of the "write-down" (Heidenheimer *et al*, 1983, p. 270).

While the urban policies of the UK and US from late 19<sup>th</sup> century to mid-20<sup>th</sup> century, with reference to urban regeneration, were vastly polarized, in the 1970s and 1980s, the policies of the two countries converged<sup>16</sup> (Fainstein and Campbell, 1997). Their policies on inner city problems shifted and emphasis was placed on the "market-based" or private sector solutions (Carmon, 1999; Barnekov *et al*, 1993; Stoker and Young, 1993; Imrie and Thomas, 1993). There was also a strong shift from a welfare and managerial approach to service delivery to an entrepreneurial form which put much emphasis on the role of the private sector in urban development.

---

<sup>16</sup> Until the 1970s, the UK urban policies were strongly grounded on state delivery of public services under the welfare state. The US on the other hand applied fundamentally different policies during this time which were premised on promoting the private sector in delivering public goods. However with the rise to power of the Conservative government saw UK policies realigned to the US and favouring the private sector. This applied to urban regeneration as well.



This process is often referred to as *privatism of urban policy* (McCarthy and Pollock, 1997; Squires, 1997; Imrie and Thomas, 1993; Barnekov *et al*, 1989) or *the enterprise culture or private enterprise solution* to urban problems (Deakin and Edwards, 1993); or *entrepreneurial urbanism or entrepreneurial urban governance* (Ward, 2006; du Gay, 2000); or *entrepreneurial planning* (Stoker and Young, 1993); or *privatised planning* (Murray, 2004); or *leverage planning* (Lock, 1988; Heidenheimer *et al*, 1983) and so on. As stated in paragraph 1.7.4 of chapter 1, this study uses the term “market-based” approach to urban regeneration to refer to the same phenomenon.

The approach was further strengthened by ideological parallels in political leaderships of Britain and America as well as affinities that existed between the Ronald Reagan and Margaret Thatcher administrations which tended to favour economic-oriented policies (Lum *et al*, 2004; Atkinson and Moon, 1994; Deakin and Edwards, 1993; Stoker and Young, 1993; Healey, 1992; Lawless, 1991). These political regimes supported privatization programs to expand the role of the private sector by shifting from public sector provision of goods and services to private sector alternatives.

As also discussed in chapter 4, paragraph 4.2.1, the promotion of the private sector investment in urban regeneration was associated with the economic imperative to create globally competitive locations. The global restructuring of industries in 1960s and 1970s had led to the decline of old industrial sites. In the context of growing international and interregional competition and where investment flow had an international dimension, urban regions had an important role to capture [private] investment opportunities and position their cities on the global economic stage (Percy, 2003; Healey *et al*, 1992a). As a result characteristics of locations became very important (Percy, 2003). Urban regeneration therefore was used as an instrument for improving economic

conditions of cities, marketing and promoting certain locations (Smyth, 1994, Bianchini *et al*, 1992).

Meanwhile, on the social front, the ‘post-modernist’ differentiation of lifestyles, global homogenization had combined with individual and group assertion of differences of the 1970s presented new changes in social relations (Stutz and de Souza, 1998; Healey *et al*, 1992b). The availability of more disposable incomes saw large numbers of people seeking out diversity of leisure activities and experiences, and pursuing cultural interest of many kinds, thus creating a demand for diversity of locales and market opportunities. The rationale for encouraging private sector investment in urban regeneration is largely informed by the following factors:

### **3.2.2 Sharing of risks and benefits**

The private sector involvement in urban regeneration projects is important not only to ease the financial burden on the part of the government but also to encourage better risk sharing and accountability in the long term between private and public sectors. Walzer & Jacobs (1998) confirms this risk sharing rationale, arguing that ‘both parties share in the risk, gains, and losses of the business venture. In other words, both sides take an equity position in the business’ (p. 5). Ball *et al* (2003) also write of urban regeneration partnerships as providing ‘synergistic benefits for their participants’ (p. 2239).

### **3.2.3 Augmenting government’s regeneration attempts and providing additional capital and resources**

The promotion of private sector investment is firmly premised on the belief that more value can be realized if public and private sectors work together in partnerships. As Ball *et al* (2003) put it: ‘a major justification for regeneration partnerships is the argument that together agencies can create more than they can separately’ (p. 2240). By virtue of being involved in urban regeneration, it is believed, the private sector and its capital would augment public expenditure

base on urban regeneration, bring additional finance to assist in the transformation of areas of dereliction and skills necessary to make urban renewal projects efficient (Lum *et al*, 2004; Imrie and Thomas, 1993)

A study conducted by Jo Beall, Owen Crankshaw and Susan Parnell (2002) on urban regeneration and partnership formation in Johannesburg could be seen as reflective of the above “additional resources” thesis. These authors argue that the involvement of the private sector in urban regeneration projects is generally extolled by local government authorities as important:

In the context of fostering local economic development in the inner city, it can be argued that partnership projects have not been altogether unproductive. Formal business operating in, and on, the inner city has been successful in initiating, and participating in, urban partnerships. This very much has been driven by North American perception of inner-city decay and models of urban regeneration. For their part, the metropolitan council was grateful for the involvement of other layers and the external motivation and resources that they brought (Beall *et al*, 2002, p. 127).

#### **3.2.4 Achieving efficiency in the delivery of urban regeneration projects**

There is an underlying belief that the private sector’s involvement in urban regeneration is important to achieve efficient delivery of urban regeneration programmes. For instance, in the UK in the 1980s, the delivery of urban regeneration under the welfare state was considered inefficient (Imrie and Thomas, 1993). The local government was criticized as ‘overly bureaucratic and characterized by rigid planning system and high rates which discouraged private entities’ (Atkinson and Moon, 1994, p. 144, *see also* Flynn (2000)). The ‘anti-bureaucratic sentiments’ saw the private sector therefore as the only option in improving efficiency of regeneration schemes as Paul du Gay (2000) puts it: this approach ‘prefer[red] market mechanisms to bureaucratic mechanisms’ (p. 63).

Likewise, in the US, the private sector was ‘credited with being the most productive, innovative, and effective’ (Squires, 1997, p. 268):

The private sector was often portrayed as inherently dynamic, productive, and dependable; a belief that private institutions are intrinsically superior to public institutions for the delivery of goods and services; and a confidence that market efficiency is the appropriate criterion of social performance in virtually all spheres of community activity (Barnekov *et al*, 1989, p. 141).

In both US and UK the term public-private-partnerships had a clear unifying thread in all its uses: maximization of efficiency. The assumption among advocates is that, inherently, private managers can deliver at lower costs services similar or superior to those of public managers (Bailey, 1987, p. 14).

This fidelity to the tradition of privatism was also encouraged by political rhetoric which recalled well-known themes of conservative political and economic theory: 'that government was too big and expensive; government was too involved in economic and social affairs; the market was intrinsically more sensitive and more responsive than the state to social and economic change, and that the removal of government supports and controls allows firms and families alike to rediscover the traditional values of enterprise, initiative, and self-reliance' (Barnekov *et al*, 1989, p. 3). The achievement of urban regeneration and economic transformation was not only motivated by perceived inefficiencies in the public sector, but also required an extensive reliance on a marketplace that was free from governmental restraint (Imrie and Thomas, 1993).

This did not only involve the transfer of ownership and control of public goods and services to the private sector, but also, sometimes, public sector's emulation of the private sector as a model of efficient performance (Barnekov *et al*, 1989). Inspired by ethos of New Managerialism or New Public Management (NPM)<sup>17</sup> practices, municipalities were often encouraged to adopt businesslike models in city management and to use of business management techniques to run the municipal enterprise in a manner that would exhibit the same efficiency and professionalism attributed to commercial enterprises (Flynn, 2000). Emphases were placed on cost containment and stringent financial control, and ensuring "value for money" in all activities.

---

<sup>17</sup> The New Managerialism and New Public Management concepts are discussed in chapter 4. These terms refer to neo-liberal approaches to urban management and changes in urban policy seen in industrialized economies since the 1970s. These were characterized by, among other things, the introduction of private sector modes of management and ideas to public services, with the use of tools such as performance management, competitive incentives, output control, service delivery partnerships and goal-directed budgeting (Imrie and Thomas, 1993; Healey *et al*, 1992a).

The drive for efficiency could also be seen in the institutional reforms and the establishment of the Urban Development Corporations (UDCs) in both the US and UK in 1968 and 1980 respectively (Flynn, 2000; Barnekov *et al*, 1983; Imrie and Thomas, 1993). The UDCs were meant to function along the principles as the private sector culture and independent from the government to harness the relationships between the private sectors. They also acted as an ‘interface between central government and the private sector, both facilitating private investment and welding this to the service of central government strategy for inner city regeneration’ (Deakin and Edwards, 1993, p. 10). It was assumed that the UDCs were most likely to deliver efficient regeneration schemes and foster productive partnerships with the private sector as they understood the needs of modern business (Healey, 1995; Imrie and Thomas, 1993).

### **3.2.5 Achieving public ends through private means: An alternative to orthodoxy**

The “market-based” approach to urban regeneration, in the main, epitomizes the use of private sector solutions to solve public problems (Segbers *et al*, 2005) or attempts to achieve public policy goal through private means (Deakin and Edwards, 1993; Judd, 1988). Whilst it is generally accepted that the delivery of public goods is the main responsibility of government, the “market-based” approach therefore is an alternative to orthodox methods of service delivery.

### **3.2.6 Percolative effects of private sector investment**

The promotion of the private sector investment in urban regeneration is often defended using the ‘trickle-down’ effects theory; that people will eventually benefit from such intervention as private sector benefits trickle down to them (Bailey *et al*, 2004; Imrie and Thomas, 1993). Private sector investment is believed to be spatially contagious and have pull-effects to other economic activities and has other benefits and penetrative effects into the social and economic life of inner city areas, such as jobs creation, alleviation of poverty and economic development, all of which are primarily the policy objectives and

broader social goals of the public sector (Bailey *et al*, 2004; Deakin and Edwards, 1993). While this claim accretes among advocates for private sector investment in urban regeneration, regeneration literature critical of the approach suggests that the benefits of urban regeneration tend to people who hail from outside the regeneration areas (see paragraph 3.5.1 below).

In this regard, the well-being of urban communities is linked to a greater reliance on private sector initiatives and the fate of local economies borders on market efficiency. This claim is seductive both because it appeals to traditional values in market-oriented societies and offers the prospect that business skills and resources could be mobilized to find harmonious solutions to urban problems (Barnekov *et al*, 1989).

### **3.2.7 Creation of an investment focus**

Private sector investment is often promoted in certain urban areas to create an investment focus. This can be deduced from flagship and prestige projects<sup>18</sup> which were a common feature of urban regeneration programmes in the US and UK in the 1980s. For instance, in many UK and US cities, private sector investments were promoted due to the belief that it was essential in creating a revitalized core from which more investment and other benefits can follow (Barnekov *et al*, 1989). Writing about the role of flagships in urban regeneration, Smyth (1994) argues that the assumption behind these projects was that 'physical transformation will generate further spin-off benefits in terms of boosting civic pride and business confidence, making urban locations more attractive to private sector finance, inducing growth in property and land values as well as adjoining areas' (Smyth, 1994, p. 28).

---

<sup>18</sup> Flagship projects are defined by Bianchini *et al*, (1992) as 'significant, high-profile and prestigious land and property developments which play an influential role in urban regeneration' (p.245). Prestige projects on the other hand are a hybrid or variety of flagship projects defined by Loftman and Nevin (1995) as 'pioneering or innovative, high profile, large scale, self-contained development which are primarily justified in terms of their ability to attract inward investment, create and promote new urban images and act as the hub of a radiant renaissance – facilitating increase in land values and development activities to adjacent areas' (p. 300).

Therefore flagship projects were accepted as important symbols of urban regeneration because they helped in attracting more private sector capital and created a conducive environment for private sector investment and economic growth. It was believed that flagships would lead to a structured and systemic development and have further effects on economies of scale as development gradually “trickle down” to other areas.

### **3.2.8 Creation of growth and resuscitation of consumption patterns**

Private sector investment in urban regeneration is often believed to have an important role to play in stimulating economic growth in areas, revitalizing consumption cycles thus improving the revenue base for the state. For instance, the delivery of public services by private entities in the US in the 1970s was considered important in stimulating new forms of growth and expansion of existing urban centres (Barnekov *et al*, 1990). Similarly, in the UK in the 1980s, the flagship projects were hailed for engendering unprecedented commercial successes in parts of UK far beyond expectation of initiators, generating wealth, jobs, improving physical environment and creating new places to visit (Loftman and Nevin, 1995).

### **3.2.9 Improving inner city patronage and economic performance**

The other justification of private sector invocation in urban regeneration is to encourage refurbishments, upgrading or redevelopment especially of privately owned buildings. This helps in creating of better environments to work and live in and has the ability to attract more private sector actors such as tenants and visitors thus increasing the patronage of locations. The new users who are attracted to regenerated areas would further yield other forms of indirect investment such as space take up or space consumption and support new facilities (e.g. retail). The increase in space-take up would improve the performance and yields of inner city portfolio by improving financial performance of buildings, reducing vacancy rates and increasing property values (Loftman and Nevin, 1995; Bianchini, 1993; Bianchini *et al*, 1992).

### **3.3 INNER CITY REGENERATION AND PERCEPTIONS GENERALLY HELD BY THE PRIVATE SECTOR**

Investing in urban regeneration schemes is frequently seen by the private sector to be not different from normal business decision-making processes based upon the application of risk and reward consideration (Adair *et al*, 2003, McGreal *et al*, 2002, Adair *et al*, 2000, 1999). In other words, investors tend to assess the financial viability of urban regeneration projects on the bases of risks relative to returns with the expectation of achieving above average returns. While the private sector understands the economic, social and environmental impact of urban decline, it is increasingly cautious of investing in urban regeneration due to four reasons.

*Firstly*, there is a general perception about limited levels of return, income and growth in urban regeneration markets (Adair *et al*, 2000; 1999). *Secondly*, the private sector generally does not see as its role the regeneration of declining inner city areas, but rather understands urban regeneration at a business level with an overriding perception that urban regeneration is predominantly the responsibility of government (Loftman and Nevin, 1995). *Thirdly*, areas of decline are often characterized by physical and social decay, contamination, poor social controls, prevalence of social disorder and incivility, and criminal invasion (Ward, 2006; Sung, 2004; Hoyt, 2004; Braga, 2001). *Fourthly*, from a financial and business point of view, such areas are considered by the private sector as zones of risk due to uncertainty of the urban regeneration markets, lack of market information and the perceived volatility of land values in these areas:

The tendency of property data to reflect prime property markets can leave secondary locations including regeneration areas lacking in market data with potential for lost opportunities....The relative lack of information is considered to be a major issue constraining private sector involvement and explaining why regeneration does not seem to attract the level of institutional funds that might be expected (Adair *et al* 2003, p. 372-373).

In this regard, the work of respected UK proponents such as Alistair Adair, Jim Berry, Stanley McGreal, Bill Deddis and Suzanne Hirst is worth mentioning. In



*Evaluating the investor behavior in urban regeneration* (1999) they analyse factors motivating investors to participate in urban regeneration. The study, which was funded by the Joseph Rowntree Foundation, concluded that investors are generally sceptical to invest in urban regeneration schemes because of perceived risks and where they do they take into account risks and returns:

From the private sector perspective, inner cities and urban regeneration projects are commonly considered to present high levels of risk with a general lack of information about the value of assets. Furthermore, given the need for financial prudence, decision-making may bypass the potential opportunities offered by urban regeneration locations (Adair et al, 1999, p. 2031)

In *The financing of urban regeneration* (2000), the authors reiterated this perception of urban regeneration schemes as zones of risk:

Urban regeneration projects/locations are generally perceived by private sector investors to carry more risks than Greenfield sites. The attraction of an increased flow of investment into inner city localities is seen to require the use of a combination of mechanisms such as financial pump-priming, flexible administrative procedures, disposal of sites and use of sites licensing agreements...Nevertheless some local authority participants are of the opinion that large scale public sector funding in urban regeneration projects has soft bedded the private sector or at least favored some relative to others (Adair et al, 2000, p. 153).

#### **3.4 STATE-MARKET RELATIONSHIP: MEASURES OFTEN UTILIZED TO STIMULATE PRIVATE SECTOR INVESTMENT (i.e. RISK AVERSION MECHANISMS)**

While economically distressed environment are often perceived as risky investment zones, the public sector is often challenged to devise measures to stimulate investment and regeneration. This often entails, as in fact is the case in Johannesburg, attempts to draw private investment to certain parts of the inner city by directing public expenditure and introducing a myriad of financial and non-financial incentives as well as other measures to minimize the impact of perceived risks. The role of the state in this regard can be on one hand to address market failures and on another, facilitate market forces. Measures that are often utilised in this regard are engaged and explored below:

### **3.4.1 Financial relief mechanisms and tax incentives**

The use of financial relief mechanisms and tax incentives can be understood from an economic point of view. Due to areas of decline being generally regarded as distressed markets, it is unlikely that urban regeneration can occur in them purely as a result of market forces. In addition, due to the risk underlying speculative developments such as urban regeneration, the tax incentives are considered the most effective means to bridge the gap between cost of development and the value of the scheme on completion (McGreal *et al*, 2002; Healey, 1995). To the private sector, a tax incentive means undertaking urban regeneration projects in discrete zones of decline at discounted costs, thus achieving the commercial objectives and contributing to social objectives of government.

To the public sector, applying tax incentives means compromising a portion of potential tax revenue which could have accrued to its coffers, to enable urban regeneration to occur without having to singularly spend huge sums of money revitalizing distressed areas. Tax incentives are also geared towards making the urban regeneration schemes relatively self-financing. The bottom line is that inner city areas need to be more attractive to private capital and promise better financial returns. Such attractiveness may be non-existent in areas of decline and tax incentives therefore are believed to be acting as “pull factors” to private sector investment. The pulling mechanism has other benefits not only in encouraging exogenous investment to locations but also encouraging owners of private buildings to renovate them. Some of the tax and other financial incentives that have been used in the UK and US are discussed below:

#### *Enterprise Zones (EZs)*

The idea of the Enterprise Zone (EZ) was originally invented by the Conservative Party in the UK in the mid-1970's, while still in opposition, as a proposal for fast-tracking urban regeneration which was later implemented when the Margaret Thatcher government came to power in 1979 (Atkinson and Moon, 1994;

Barnekov *et al*, 1989). The concept was later borrowed and implemented by American Conservatives (Heidenheimer *et al*, 1983). The EZs were intended to be growth zones where planning and taxation legislation were significantly relaxed (Atkinson and Moon, 1994).

In the EZs business would benefit from fifteen year's exemption from corporate tax, complete freedom from development land tax and increased capital allowances (Atkinson and Moon, 1994). They also allowed property developers a tax concession of 100% capital allowance on both industrial and commercial buildings which benefited developers and encouraged inner city developments as well as exemption from rates on both industrial and commercial buildings which benefited developers and encouraged inner city developments and exemption on industrial training levies (Atkinson and Moon, 1994; Healey, 1992; Law, 1992).

In the UK the use of tax incentives were applied as part of the long-standing policy of urban containment (McGreal *et al*, 2002; Healey, 1995). Due to limited supply of land, urban regeneration was to be achieved by restricting peripheral development and metropolitan decentralization. This was achieved through the deployment of tax disincentives (such as tax penalties) to divert property development away from sensitive Greenfield areas thus promoting relocation into the inner city (McGreal *et al*, 2002).

#### *The Tax Incremental Fund (TIF)*

A Tax Incremental Fund (TIF) is a mechanism in which a city encourages urban regeneration by financing regeneration projects through future increases in property tax revenue. The government would firstly invest heavily in upgrading public infrastructure to attract private investment into a designated district. Then it would identify a specific designated geographical area as a TIF district from which an amount of tax that the area generated would be used as a baseline and then ring-fenced or frozen (McGreal *et al*, 2002; Man, 1999a; Man, 1999b). Any additional future property tax and other revenue collected in subsequent years is

collected into a specific fund and used to finance future redevelopment costs in the area.

The TIF arrangement is premised on assumption that the city would recover the costs of its investment and expenditure in acquiring and preparing site through the increase in taxes it could introduced once the redevelopment was completed (McGreal *et al*, 2002). The resultant rejuvenation of vacant or dilapidated sites, with TIF assistance, would be elevated to a productive use thus increasing gain in revenue generated. The TIF initiative is considered effective in providing additional revenue to be used in improving infrastructure of declining areas 'as a means of attracting private investment and encourage economic growth' (Man, 1999a, p. 1153).

### **Box 3.1: Benefits and shortcomings of tax incentives (Dublin, Ireland)**

#### *Case Study 1: The Case of Dublin (Ireland)*

The tax incentive schemes commenced in the city of Dublin in the late 1980s. The city had experienced low levels of private investment, high unemployment, very high national debt levels to the European Union and inflation. Tax incentive schemes were introduced through the enactment of legislation (i.e. Urban Renewal Act and Finance Act, both in 1986) to facilitate regeneration within designated renewal area. In terms of the legislation, a full package of benefits was conferred to investors, including a 100% capital allowance and a 10% rate of corporation tax. The process of regeneration in Dublin was pioneered by the [private] end-users and small builders/developers, particularly the owner-occupiers who bought into the inner city in the early 1990s and kick-started demand. However, the regeneration process could not move speedily until the introduction of tax incentives. The incentives played such an important role in facilitating regeneration in the city such that the scale of physical renewal in that country would not have been achieved in the absence of the tax incentives. The benefits of incentives were reflected in buoyancy in property market and economic growth, stimulating property-based Urban Renewal that drew investor and developer interest from different part of the country. The economy grew to such an extent that that the tax incentives were considered not necessary due to strong economic growth with GDP consistently between 8 and 10%.

Tax incentives led to creation of new markets. For example while the residential market was initially the primary target of the incentive scheme, they became prevalent within the commercial property sector (e.g. facilitating development of top-quality office accommodation). Through tax incentives the regeneration process became widespread and resulted in a significant increase in property values with property rentals growing by more than 40% between 1998 and 2000. Properties in regeneration areas commanded higher rents than in prime locations. However while benefits were recognized tax mechanisms experience some shortfalls. The implementation of tax incentives were accompanied by gentrification and the displacement effects for other land users, especially the poor. While high-priced commercial properties seemed sustainable, the high-priced residential sector created major problems in affordability and housing accessibility especial to low income groups. The tax breaks were found to favouring owner-occupier and investors. The result was that by late 1990s the incentives were re-evaluated and refocused.

*Source: McGreal et al, 2002*

The TIF has many economic benefits. For instance, the TIFs in Chicago played an important role in regenerating the downtown area and attracting people back to the inner city. It dramatically improved the image of the inner city and enhanced development interest (McGreal *et al*, 2002). In most Indiana cities, the TIF was hailed as significant in generating local employment, increasing the demand for local labour and had substantial positive impact on local economic development (Man, 1999a). The following case study illustrates some of the positive and negative effects of tax incentives in general.

### **3.4.2 Other financial incentives**

Other financial measures that can be used as tools to attract private sector into urban regeneration include top-up grants to developers to make urban regeneration schemes viable, relief to lower costs of development and other forms of subsidy (McGreal *et al*, 2002; Adair *et al*, 2000). The public sector may also invest large scale funding in public infrastructure upgrading such as roads to revive public spaces to stimulate urban regeneration. This is believed to have a soft-bedding ability for private sector and assist in creating favourable environment. Up-front financial grants may also be used to defray building refurbishment and maintenance costs through a cash allowance thereby leveraging more private investments in cities.

The public sector may commit itself to minimum returns on regeneration schemes (Adair *et al*, 2000). This may entail promising a subsidy or top-up for investor to guarantee a minimum return to ensure that the project performs on par with other projects elsewhere. If the project is successful and investor achieves an adequate return, no top-up would be levied. However this is also on condition that the developer makes available transparent accounts of the project.

The public sector may also commit to property rate rebates for private investment located specific locations in the inner city or to property income stream through pre-letting and rental guarantee arrangements. In addition, the public sector may also commit to off-plan sales to kick-start the regeneration project (*ibid*).

However, this can have some shortcomings. A large amount of time can be lost while trying to market developments and to close down deals. It is considered a difficult task to convince consumers to commit themselves to sale and lease transactions that depends on a number of factors that are not within their control.

### **3.4.3 Non-financial mechanisms**

The non-financial mechanisms may range from land assembly powers to facilitate private sector investment by removing the risk of site purchase thus reducing cash outflows in the initial stages of a project (Adair *et al*, 2000). This implies that the private sector is offered land at little or no purchase cost. This strategy was carried out by the Urban Development Corporations in the UK in the 1980s which were awarded a range of land acquisition powers for private sector developments (Imrie and Thomas, 1993). Donation of public property (with equity implication on project profitability) is also a means of unleashing development potential of under-utilized property. Other non-financial measures include land assembly mechanisms, land-use control measures, institutional reforms, crime prevention measures and establishment of City Improvement Districts (CIDs). These will be discussed in the following paragraphs.

#### *Land assembly mechanisms*

Land assembly was popular in the US in the 1960s where, due very little publicly owned land and buildings within major metropolitan areas, municipalities would use their *power of eminent domain* (compulsory purchase of privately owned land) for urban renewal purposes:

Within cities, municipalities have often used their power of eminent domain for urban redevelopment, but only to assemble individual project sites which are then sold to private developers as quickly as possible. Typically, a city would expropriate land not to restrain or control development, but rather at the behest of a private developer who had selected a specific site for investment. In return for the much needed investment, the city acts as the developer's agent, assembling the site for him by using its power of expropriation (Heidenheimer *et al*, 1983, p.250-251).

#### *Land-use and development control policies*

Land-use and development control policies as pro-market planning incentives have existed in both the UK and the US since the 1960s. For example, in the

1960s the US implemented what was called the *Zoning Ordinance*, a federal statute which restricted the types of construction that were acceptable in certain parts of the cities. This method was considered effective in containing development in the inner city areas thus reducing urban sprawl and ‘Greenfield’ developments. The *Zoning Ordinance* aimed at ensuring conformity to an already existing pattern of land-use and preventing unacceptable structures.

Similarly the UK government have applied a reward and sanction approach to guide urban regeneration. In the 1960s and 1970s, the British urban regeneration was guided by a consistent philosophy of containing urban growth and correcting regional economic imbalances (Healey, 1995). This was implemented through a combination of policies promoting inner city regeneration and those controlling development overspills (McCarthy and Pollock, 1997). For example, the ‘Green Belt’ concept in London, which was a permanent girdle of open space around the city, was designed to limit indefinite urban sprawl (*ibid*). Land considered a resource was subject to strict government regulation. To ensure compliance to this policy, a “betterment tax” would be levied on Greenfield schemes to discourage development in certain areas. This tax was levied on land sold and development schemes, where a seller of land or developer made profit. This eliminated the incentive for land speculation by private property developers.

#### *Unique land-use and development control policies in East Asian countries*

Land-use and development control policies have also been applied in East Asian cities, particularly in Singapore and Hong Kong. While the principle is similar to those applied in the US and UK, the approach adopted by the two countries is unique and innovative as illustrated by the two case studies ( Boxes 3.2 and 3.3 below).

### Box 3.2: Land-use and development control measures (Singapore)

#### *Case Study 2: The Case of Singapore*

Singapore first introduced land use control measures to facilitate in urban regeneration and to supplement government efforts in 1994 through the Development Guide Plan (DGP) initiative. Prior to this, the city had experienced passive private sector participation in urban regeneration schemes. The government had relied only on the government land sales program, which had been in existence since 1967, to acquire and assemble sub-optimally used land parcels, using the *power of eminent domain*, and sell them to private sector for comprehensive redevelopment. This mechanism was criticized because the government paid too low a price for land which was resold at high prices to [private] property developers. Developers who bought these land parcels also had to adhere to stringent sets of conditions that stipulated, among other things, the type of development allowed and timeframes for completion.

At the same time privately owned land parcels were small and did not cater for large scale regeneration schemes and the ownership of land was fragmented and there were few incentives for private developers to develop sites, given the non-trivial land assembly and other transaction costs involved. In the early 1990s, the system that had guided the country's regeneration policy for 30 years was found to be inadequate to steer the future and ensure maximum private sector involvement in urban regeneration. In 1991, the Urban Renewal Authority (URA) introduced a major rationalization exercise called Revised Concept Plan, which was a strategy for maximizing land-use, increasing provision of housing land and mapped out vision for the long-term redevelopment in the country. Under this plan, the URA, introduced the Development Guide Plans (DGP) – statutory plans that contained details such as land-use zones, development intensity, transportation networks, open space and recreational places. The DGP program was meant to support Revised Concept Plans by providing new channels of growth. The program worked by relaxing extant development controls on building densities in terms for allowable plot ratio or floor area ratio (FAR) for areas falling within the DGP, thus giving a land-use incentive to developers to amalgamate diverse land ownership interests. This incentive gave rise to attractive land value enhancement possibilities that triggered a string of en bloc or collective sales. Many en bloc redevelopments brought accelerated rejuvenation of residential areas as intended by policy makers.

Further, more land was rezoned for residential use under the program, particularly parcels in locations with better public infrastructure such as roads and services. In an area characterized by fragmented private land ownership, private owners, who saw this as an opportunity for private gains, responded by banding together sites, combining them for sale and subsequent redevelopment collectively. Sites in DGP areas enjoyed positive market gains as they acquired higher redevelopment potential. This sparked new land deals as private developers consolidated small parcels for development of larger schemes, which would not have been possible in small land parcels. Larger land parcels offered developers greater development flexibility. However because policy makers believed that a 100% consensus level amongst landowners of en bloc redevelopment scheme was mandatory, the processes of assembling private owners and negotiating deals was time consuming. Disagreements with regards to sale price, the apportionment of sale proceeds, the method of disposal and coordination and phasing of development schemes were also common problems. This frustrated the would-be developers and the implementation of the DGPs. In order to remove this supply side constraint, the Land Titles (Strata) (Amendment) Act was passed in 1999 in terms of which en bloc sales were allowed to proceed as long as a majority, rather than all, of the land owners were in agreement.

*Source: Lum et al, (2004)*



### **Box 3.3: Land-use and development control measures (Hong Kong)**

#### *Case Study 3: The Case of Hong Kong*

Hong Kong has applied land-use control measures through a zoning incentive called two-tier plot ratio system. The system worked by allowing for a relaxation of the Floor Area Ratio (FAR) for residential plots. The normal permissible FAR for residential plot was 6.0, but in terms of the two-tier plot ration system, the FAR was increased to 7.5 for sites that were: 1) over 400m<sup>2</sup> in extent and 2) where property developers undertook to provide site services, infrastructure and facilities such as adequate parking and loading/unloading zone. This then granted developers an FAR bonus of 1.5 for larger sites with better servicing facilities in their redevelopment. The key purpose of this differential plot ration system was to encourage private developers to amalgamate sites into large units to enable development into more efficient building with the provision of off-street facilities without costing government large sums of money.

Sites that met the above requirements were required to obtain a certificate to commence work (CCW) prior to site development. The result of this new initiative was that 305 sites obtained CCW between 1986 and 1997 leading to extensive redevelopment of inner city neighbourhoods. Hong Kong, like Singapore, experienced challenges of lengthy negotiations as buildings were under multiple ownership without a single owner holding a respective share of the whole building or land it stood upon. The system was also marred by poor enforcement of the space requirement leading to sites smaller than 400m<sup>2</sup> benefiting from the program. There was also a lengthy lead time between approval of building plans and issuance of the CCW. As a result developers tended to shun redevelopments schemes in old built-up areas to new 'Greenfield' development sites. The fact that developers had to provide (at their cost) additional services and facilities did not only eat up most, if not all, of the ground and first few levels worth of building space, it also translated into smaller profits.

*Source: Adams and Hastings (2001); Tang and Tang (1999)*

#### *Institutional reforms and the creation the regeneration agencies*

As discussed above, it has become a common practice for most cities to introduce drastic institutional reforms in order to facilitate private sector investment in urban regeneration. These reforms are often reflected in the establishment of government-controlled urban regeneration agencies that operate along the lines of the private sector (Imrie and Thomas, 1993, Barnekov *et al*, 1989). These organisations have an important role to play such as formulating urban regeneration plans, strategies and implement projects on the urban regeneration front and forging relation with the private sector. Examples of such institutions include the Urban Development Corporation (UDC) in the US and the UK, the Land Development Corporation (LDC) in Hong Kong, the Urban Renewal Authority (URA) in the US, Hong Kong and Singapore, the Scotland Development Agency (SDA) in Scotland.

In addition, cities such as Rotterdam, Lille, the Ruhr and Milan have also established special agencies to do the same (Frazer, 2003). Locally, the Johannesburg Development Agency (JDA) has been established to play a largely similar function to its international counterparts. The underlying rationale behind the establishment of these agencies is that urban regeneration can be better facilitated if government or its entity operates along the private sector principles, having simpler business processes and less bureaucracy associated with the public sector (Lum *et al*, 2004; Adam and Hastings, 2001; Imrie and Thomas, 1993; Deakin and Edwards, 1993).

#### **3.4.4 Crime prevention measures**

Crime, which tend to prevail in insalubrious environments and areas associated with urban decline, can be a serious deterrent to private sector investment and a threat to the urban regeneration process. It creates a sense of instability and poor social control thus contributing to the perception of risk associated with urban regeneration environments. Crime also increases business risks, imposes direct and indirect costs thus rendering certain locations less suitable for investment (Stone, 2006). Governments and law enforcement agencies are always challenged to respond to the problem of crime so as to enhance the investment potential of urban areas. The following two sections highlight strategies, practices and policy interventions that have been implemented in various cities and countries to fight crime. These strategies have informed most policies on crime prevention in many South African cities in general and Johannesburg in particular.

##### Policing

Policing is probably the oldest form of crime prevention mechanism that has been in existence in modern democracies since the early 19<sup>th</sup> century (Sung, 2006). A legitimate state is obliged to deliver security and justice to citizens' satisfaction through the implementation of a sound policing strategy. Police have many functions which relate to crime prevention. They enforce the law and maintain

peace, stability and public order. They perform authoritative interventions and dispense symbolic justice. They seek to obtain citizen's compliance with the law. Policing is a service-oriented activity that requires resources, manpower and has, as a top priority, meeting the needs of citizens and private groups in society. In modern democratic societies, police are accountable to the law and citizenry rather than to the executive branch of the state apparatus (*ibid*).

Therefore citizen perception and public trust act as a yardstick for police effectiveness and whether police have the ability to ensure security and justice while maintaining public and business confidence in police to attain these goals. The collapse of this trust in police and the persistence of crime in locations has seen the proliferation of many crime prevention measures including those made possible by private sector. Some of the measures that have informed policy include the "Zero-tolerance" policing, "Hot spots" policing, The "Broken windows" theory and will be discussed in chapter 4 as they form part of theoretical framework on crime. The following paragraphs will discuss the Close Circuit Television Cameras and City Improvement District Concept.

#### *The Close Circuit Television Cameras*

The Close Circuit Television (CCTV) cameras are technological installations that record and transmit proceedings in a particular area. In the context of crime prevention, CCTV cameras are installed in public places to provide formal surveillance (or the "eyes") as a measure for preventing personal and property crimes. In this regard, CCTV cameras enhance or take the place of security personnel. These devices have proliferated public places in British and American cities.

A study conducted by Welsh and Farrington (2003) which systematically reviewed various research studies that focused on the effects of CCTV cameras in various cities in the United States, Scotland and United Kingdom found mixed

results about CCTV effectiveness. The study observed that crime generally decreased after the installation of CCTV cameras suggesting their effectiveness:

The studies included in this systematic review show that CCTV can be most effective in reducing crime in car parks....Conversely, the evaluations of CCTV schemes in city centers and public housing measured a much larger range of crime types, and the schemes did not involve, with one exception, other interventions. These CCTV schemes, and those focused on public transport, had only a small effect on crime....Overall, it might be concluded that CCTV reduces crime to a small degree (Welsh and Farrington, 2003, p. 118).

The above suggests that CCTV may be effective in some areas but tend to produce mediocre results in others. The study therefore recommended that CCTV should be installed in various settings to ensure maximum effects.

#### *The City Improvement District (CID) concept*

Another key ingredient of measures designed to fight crime and aid regenerating areas of decline is City Improvement Districts (CIDs) concept. A CID can be defined as a geographical area in which the majority of property owners and businesses agree to pay a voluntary levy, in addition to municipal rates, in order to deliver services over and above the traditional municipal norm. Hoyt (2004) defines CIDs as 'self-imposed financing mechanisms implemented by business and property owners for local improvements, specifically the enhancement of public services' (p. 367). Primarily, CIDs provide cleaning and security services. However, some provide comprehensive urban management and capital improvement functions which may include the maintenance of public spaces such as repainting traffic poles, street cleaning, graffiti removal, waste management, parking and transportation management, policy advocacy, economic development, small markets management and area marketing etc. (Hoyt, 2005; Mitchell, 1999). It is believed that CIDs, through their services, enhance formal surveillance activities and remove signs of neglect, respectively.

In the context of urban regeneration, CIDs can be viewed as important in that by providing clean and safe environments, they aid in creating an attractive environment to private investment. The CIDs concept has been in existence in

countries such as the US, Canada, New Zealand (Hoyt, 2006) and therefore constitutes what Hoyt (2003) calls an ‘internationally diffused model for urban revitalization’ (p. 2). Proponents of the CID approach argue that CID organizations are more efficient than their government counterparts:

[T]he great advantage of BIDs lies in their private characteristics. Unlike government, BIDs possess finite goals, which they can accomplish free of civil service rules and bureaucratic procedures. More importantly, they negotiate labor contracts from a clean slate: unbound by decades-old municipal labour deals, they can reward – and fire – employees according to their productivity, not their civil service status (MacDonald, 2000, p. 389).

The effectiveness of the CID approach in reducing crime can be seen in the case study of Philadelphia discussed below:

### **Box 3.4: The efficiency of City Improvement Districts (Philadelphia, US)**

#### *Case Study 6: The Case of Philadelphia*

Since the early 1970s the City Philadelphia experienced a steady population decline from 1.9mil in 1970 to 1.5mil in 2000. At the same time the number of new business and residents outside the city limits continued to grow, suggesting a trend of outward migration. The exodus of firms and households to suburban areas was strengthened by the development of suburban shopping malls. Criminal activities in downtown Philadelphia increased and crime became a significant barrier to the city’s economic revitalization. For instance, the city’s retail businesses struggled to survive as evidenced by a modest 1.2% increase in retail sales between 1974 and 1980. The demographic and economic shifts were clear and business responded with redevelopment efforts focusing on the formation of CIDs. Since then nine CIDs were formed in less than nine years.

Typically, the CIDs provided urban management services such as cleaning and maintenance and deployed uniformed security personnel to observe and report suspected criminal activities. The establishment of CIDs was supported by Mayor – Edward Rendell who emphasized safety as a key delivery programme of his term. Some CIDs established a formal relationship with Philadelphia Police Department and implemented a geographic information system (GIS) to track crime, locate nearest police sub-stations in CID-member office buildings, conduct joint calls with CID security and police and send CID members to regular police-run meetings. The CIDs also focused on eliminating crime “hot spots”, guided by principles of “broken window” theory and worked very closely with the community. The outcome of these interventions was the reduction of crime in CID-areas at a rate more than twice that of non-CID areas (5% and 2.3% respectively). The presence of CID security guards, dressed in bright and colourful uniforms, tended to stand out among the blue and black business suits and sent a clear message to potential offenders. This resulted in more investment and tenant returning to the city and pedestrian responded by spending more time outdoors feeling safer.

*Source: Hoyt (2005, 2004, 2003); Gleaner and Kahn (1999)*

The underlying belief held by business and property owners is that in order to be competitive urban areas need the same dedicated funding and management

tools as a regional shopping centre, an office campus, or a theme park (Hoyt, 2004). The same competitive spirit applies to attracting a strong customer base:

Commercial interests rely on the business improvement district (BID) to create and promote enhanced pedestrian experiences, attract visitors and investors, and improve the city's ability to compete with regional office parks, shopping malls, and suburban living (Hoyt, 2003, p. 1)

Usually, CIDs are established through a petition process which, if signed by the majority of business and property owners, makes membership compulsory for entire district.

### **3.5 THE EVALUATION OF THE “MARKET-BASED” APPROACH TO INNER CITY REGENERATION**

It is important to evaluate the “market-based” approach to urban regeneration in terms of its benefits, advantages and shortcomings. Since the 1960s in the US, private sector investment was hailed for sparking rapid economic growth, productivity and wealth in most American cities that adopted the economic approach to urban regeneration (Barnekov *et al*, 1989). At the same time cities developed into wealth creation centres for business and large corporation, whilst making contributions, albeit modest, to social services.

Similarly, in the UK writers argue that the private sector investment stimulated the growth of cities and shaped their physical form, their politics, and their economic and social structures (Atkinson and Moon, 1994). The dramatic economic, physical restructuring in the UK under the Urban Development Corporations was achieved such as the revitalization and clean up of the Docklands, both in physical and marketing terms (Bianchini, 1993). At the same time, a great deal of emphasis was put on building high quality and high cost owner-occupied properties for those who wished to return to inner cities.

The creation of new facilities resultant from private sector investments led to employment creation and improved cycles of consumption. Barnekov *et al* (1989) write, for example, that in UK and US, the numbers of people working in

city centers increased, and tourists and suburbanites patronized the hotels, stores, and restaurants in the renovated shopping districts. Some urban areas successfully leveraged private investment, mobilized public-private-partnerships, enjoyed strengthened institutional capacity for local economic development, broke the inertia of traditional bureaucratic structures in local government and created new prospects for economic growth in both the US and UK.

The involvement of the private sector in urban regeneration stimulated economic activities such that it was seen ‘as only a preview of even better things to come from continued confidence in the promise of privatism’ (Barnekov *et al*, 1989, p. 225). The flagship projects, which had a strong private sector presence, acted as visible symbols of change and catalysts from which further development would spiral. Even in other European cities such as Paris and Frankfurt, cultural flagship projects enhanced the city’s credentials as future economic and cultural capital of Europe and international image respectively (Bianchini, 1993). In addition, the flagship projects were also utilized to promote new land uses and new sub-markets in spatially specific area e.g. tourism district, cultural centres, entertainment zone etc., to meet the new pattern and demands of production and consumption activities (Jones and Watkins, 1996; Loftman and Nevin, 1995).

While the elements of gentrification<sup>19</sup> mentioned above are the most common by-products of “market-based” urban regeneration worldwide, questions are often asked whether gentrification helps or harms urban neighbourhoods (Slater, 2006; Atkinson, 2002). The debate around this question has been raging for the past two decades reflected in the works of scholars such as Damaris Rose in Canada, Kate Newman in the US and Tom Slater in the UK. There are innumerable

---

<sup>19</sup> Gentrification is defined as the rehabilitation of working-class and derelict housing and the consequent transformation of an area into a middle class neighbourhood (Smith and Williams, 1961, *cited in* Atkinson, 2002). According to Hamnett (1984), gentrification first appeared in Britain in the 1960’s and was closely associated with the rehabilitation of older inner city housing areas thus resulting in a change of class from working-class to middle-class, and tenure from private renting to owner-occupation. These developments were usually done by private sector or individuals in anticipation of growth in property values and high returns/ profits on rehabilitated properties.

benefits of gentrification contained in literature. For instance Rose (2004a) states that gentrification can be the potent means of bringing new class of people in areas affected by decline thus 'repopulating' the city and improving social mix:

Thus, changing the social mix of an area can either mean increasing the proportion of middle-class people in a low-income area, or vice versa. Increasingly, the desirability of achieving demographics and 'lifestyle' diversity among households is also part of the discourse (p. 279).

Similarly, Rowland Atkinson (2002), in his paper which systematically examined the impact of gentrification on urban neighbourhoods, writes about a number of benefits of the process i.e. 'positive gentrification'. These include increased property values, stabilizing of declining areas, increased social mix, increased local fiscal revenues and so on. Newman and Wyly (2005) add that 'one interpretation is that the improved public services and other neighbourhood conditions brought by gentrification offers incentives for poor renters to find ways to remain in their homes – even in the face of higher rent burdens and other stresses (p. 1).

While there is acknowledgement of the positive aspects of gentrification, there are negative elements that come with the process such as social displacement and others discussed later in this section. As Atkinson (2002) accepts: 'where some see a boon to the public purse and the revitalization of the built environment others see huge social costs and the continued moving of the poor with little if no net gain to cities and the wider society' (p. 6). In his later work, Rose (2004b) concedes that the social mix discourse need not be taken likely as built on a foundation of inclusive neighbourhoods capable of harmoniously supporting a blend of incomes, cultures, age and lifestyles. That is because there is an uneasy cohabitation between gentrification and social mix and displacement in lower income group is an inevitable occurrence.

In his significant contribution to the gentrification debate, Tom Slater (2006) takes the social displacement debate further, arguing that academic research on gentrification is losing its critical edge. He argues that there is less



documentation of incidences of social displacement on account that displacement is difficult to measure (see also Newman and Wyly, 2005). The problem lies, Slater argues, not in the difficulty in tracking evidence, but in neoliberal urban policies and decision makers for research funding who discourage future documentation of social displacement. From this perspective, policy makers are likely to discourage the documentation of displacement as they are likely to support growth in property values and low-rent land uses removed from the city. The debate around gentrification is an interesting one, which probably can be pursued as a separate academic study. It is important to look at other negative aspect of the “Market-based” urban regeneration strategy.

### **3.5.1 Criticism of the “market-based” approach to inner city regeneration**

As stated previously (paragraph 3.2 above), the promotion of the private sector investment is often justified on the basis of risk sharing, provision of additional capital and resources, efficiency defined in both the transformation of declining areas and creation of wealth, jobs and other benefits to urban environments and citizens and so on. However, the “market-based” approach is not without shortcomings and it is unlikely that the approach will be a reliable model for sustainable urban regeneration partly due to reasons discussed thematically under the following sub-headings:

#### **Poor social impact**

The “market-based” approach to urban regeneration is frequently criticized on the basis of social equity and the difficulty in reconciling private sector needs to make profit whilst meeting the needs of all urban citizens, especially the poor. Broadly defined, there is an inherent assumption to this approach, that private sector investment in urban regeneration projects has a “trickle-down” effect insofar as private sector investment, wealth and benefits to the wider society are concerned (Bailey *et al*, 2004; Carmon, 1999; Jones, 1998; Loftman and Nevin, 1995; Smyth, 1994; Imrie and Thomas, 1993; Healey *et al*, 1992b; Barnekov *et al*, 1989). Yet, evidence from the literature shows that while some benefits indeed

accrued from the “market-based” strategy and jobs were created, there are reasons to doubt the plausibility and efficacy of the “trickle-down” effects theory.

Studies generally conclude that the benefits of these developments tend to be unevenly distributed between urban residents and also private sector interests. That is because the “market-based” approach is largely premised on the notion of wealth creation with little or no regard to wealth distribution issues (Deakin and Edwards, 1993).

While privatism may contribute to national economic growth and increase aggregate wealth of some urban places, it does not ensure an equitable distribution of that wealth (Barnekov *et al*, 1989, p. 229).

In areas where “market-based” approaches have been implemented, particularly in the UK, studies tend to argue that the failure of “trickle-down” effects to reach all in society suggests that very little consideration was given to how the trickle-down theory would work in practice (McCarthy and Pollock, 1997). Private sector investments tend to be profit-oriented (Jones, 1998) and ‘private developer’s primary consideration [is] based on commercial motives and market demand, unlike the case where redevelopment is undertaken by the public sector’ (Lum *et al*, 2004, p. 8).

Writing on waterfront flagship developments, Jones (1998) argues that private sector investment also creates high cost facilities that primarily benefit highly-skilled professionals and managers and offering very little for workers displaced from redeveloped locations. Even where jobs occur they are usually taken by people from outside the regeneration area or tend to be largely low-paid service-sector or part-time duties such as cleaning, shop attendant, waitressing etc., located in sectors characterized by high vacancy turnover rates (Jones, 1998; Imrie and Thomas, 1993; Barnekov *et al*, 1989).

In such cases debates about the distribution of wealth ‘are to be avoided whenever possible, with the market determining where resources are to be directed’ (Squires, 1997, p. 269). For instance, the UDC projects that had a

social or community content were seen as poor investments primarily because the UDCs' remit was to invest in schemes which brought the largest amount of private investment (Imrie and Thomas, 1993). It is for these reasons that proponents accuse private sector investment in developments such as prestige and flagship projects of only serving to 'exacerbate existing social divisions within urban areas' (Loftman and Nevin, 1995, p. 309) and for creating 'winners' and 'losers' (Atkinson, 2000, p. 1039), with the latter outnumbering the former (Barnekov *et al*, 1989).

#### *Diversion of public sector resources*

As stated, the implementation of urban regeneration programmes often requires the public sector to invest heavily in upgrading public infrastructure so as to stimulate private investment in designated districts. This is necessary both to signal urban regeneration drive and to alleviate risks perceived by the private sector. However, the key concern with this is that it often entails the diversion of scarce public sector resources away from welfare-related needs (such as social housing, education and social services) and deprived neighbourhoods welfare spending priorities (Loftman and Nevine, 1995, p. 308)

Jones (1998) also argues that from an economic perspective there is over-reliance on the public provision of infrastructure to make regeneration schemes successful. This requires that public infrastructure provision and maintenance to be on par with the standard and pace of other developments. While this makes sense, the difficulty is that the public sector cannot always keep up with the infrastructural demands which sometimes cannot be met or are not in its plans. Where this is done it is at the expense of other funding needs of the government.

#### *Effects on public sector accountability*

One of the effects of privatism is that it blurs accountability of the public sector. The greater involvement of the private sector in urban policy issues, decision making and the delivery of public services suggests that the government is no

longer the sole decision-maker or the main provider of public services (Engelbricht, 2004; Deakin and Edwards, 1993). This means that the government cannot be held fully accountable for certain decisions taken largely by private interests. For instance the prioritization of major infrastructure projects such as road construction may be such that they cater primarily for private interests rather than those of the public. Barnekov *et al* (1989) argues that ‘in essence, privatism is an effort to restrict the functions of government.....’ (p. 4) and give unmerited power to private institutions to decide the course of action. Stewart (1987) adds from his observation of similar policies in the UK that ‘what began as public policy – with local government being the natural agents of change – has become a vehicle for articulation of private sector interests’ (p. 141). The “market-based” approach therefore serves to ‘curtail and undermine public debate and involvement in policy formulation, and open and accountable government in a number of ways’ (Loftman and Nevine, 1995, p. 310).

#### *Project selection and spatial effects*

The private sector investment is inherently spatially selective in favour of projects that are likely to generate most profits (Adair *et al*, 2000, Healey, 1995). In other words the involvement of private sector in regeneration projects requires that such projects must be viable to ensure reasonable returns to investors. The decision on whether to invest in urban regeneration projects or not tends to border on what the private sector sees as priorities and is willing to accept as investment risk. The problem with this is that it confines development to profitable or potentially profitable locations:

The activities which the private sector considers as sound investments, and as within their domain of expertise, have been property development projects in areas selected for their commercial potential and profitability’ (Barnekov *et al*, 1989, p. 225)

This trend is also observed by studies in Hong Kong where the dependence on private sector finance by the Land Development Corporation (LDC) led to development being clustered in areas that offered most commercial opportunities.

The selection of regeneration localities on the basis of profitability carries some problems. Together with the effects of tax incentives discussed below, it dictates that projects that promise high potential returns are likely to be chosen over those that do not. The net effect of this is urban fragmentation as it led to the creation of isolated and discrete areas of improved outlook surrounded by poorly developed areas:

The strategy with its focus on a few locales (the city centre, waterfronts), has concentrated development and investment activity on a few places only. With little investment to go around, other areas have been blighted (Healey *et al*, 1992b, p. 281).

As a result, “divided cities” and “cities of conflict” grew in the late 1980s and 1990s (Fainstein *et al*, 1992; Marcuse, 1993), in which ‘island of renewal’ were surrounded by the “seas of decay” (Berry, 1985), and where “unequal partnerships” (Squires, 1989) in “pursuit of the private city” were reported (Squires, 1997, Barnekov *et al*, 1989). Consequently ‘the terms such as dual city, social polarization and social segregation became common currency in the debate of what was taking place in urban areas’ (Atkinson, 2000, p. 1038). Therefore the “market-based” approach to urban regeneration represents, ‘at best, a partial and one-dimensional response to the multifaceted problem facing urban areas, and, at worst, a vehicle for exacerbating social polarization in cities’ (Loftman and Nevin, 1995, p. 300) or ‘an obsession with urban fragments, the planning of individual elements rather than integrated urban system’ (Wilkinson, 1992, p. 209).

### *Impact of market forces and economic cycles*

The “market-based” approach also tends to be prone to changing market conditions. For example, the high demand for new space in the UK in 1980s, a period associated with heightened property speculation, created high enthusiasm for private builders and developers to supply space in large quantities. Similarly, the proliferation of UDC projects occurred, which was fuelled by this property boom of the mid-to-late 1980s (Loftman and Nevin, 1995). However, the property downturn of 1989 onwards in the UK punctured the enthusiasm of property-driven urban regeneration and led to an acute oversupply of space and

the curtailment of developments in London and other British urban property markets when easy credit for investment and economic confidence both collapsed (Healey, 1995).

As Smyth (1994) notes: many of the elements behind prestige and flagship projects in the 1980s 'were developed in the confusion of a heady period of optimism' (p.7) – 'indeed, a period of false optimism' (p. 14). Due to this, some space could not be taken up by the market. Some projects were delayed or cancelled because 'the prevailing slump in the property sector (since 1989) and individual sectors of the economy, however, had contributed significantly to the curtailment, delay or failure of prestige projects' (Loftman And Nevin, 1995, p. 306). This collapse in the property market also meant that the UDCs were not able to dispose of some of the land they had bought during the boom period of the 1980s and the underlying ethos of rapid development were under threat (Atkinson and Moon, 1994). Similarly, in the US, some dockland projects in Baltimore were canned after the market growth tailed off.

#### *Efficiency of tax and other incentives*

One of the key problems with tax concessions, subsidies, grants or rates arrangements is poor targeting. That is, they tend to benefit only property owners and private developers, who receive public sector subsidies and subsequently enjoy higher rents or land values as a result of developments within specific zones, rather than the consumers of space (McGreal, *et al*, 2002; Adair *et al*, 2000; Atkinson and Moon, 1994). The incentives also tend to channel development to only some part of the urban environment. For instance, the experience of the Enterprise Zones (EZs) in UK and US shows that location played an important role in determining success or failure of a zone.

The tax incentives tended to dominate the areas with relatively weak market economies and property markets (McGreal *et al*, 2002). As a result, in depressed areas the subsidies led weak firms to relocate into zones in order to

take advantage of the protection offered by subsidies. Areas where subsidies were available tended to be inundated with development activity as developers and investors clustered around them, reorganizing local land value maps to reflect subsidy patterns (Healey, 1995). The increased investment in one area was therefore at the expense of others elsewhere in the cities, as firms moved within conurbations to take up the new space, leaving their former premises vacant (Turok, 1992).

Incentives alone are also not sufficient to stimulate investment but often need to be supported by large public sector capital and huge investments in public infrastructure. This is likely to happen at the expense of diverting public funds from other expenditure priorities (Adair *et al*, 2000). The efficiency of financial incentives is often questioned because of indications that some projects would have occurred without them, suggesting doubt about claims that they are an indispensable ignition for urban development. There is evidence from both the US (e.g. the UDAG programme) and UK (e.g. the Enterprise Zones) experiences that investments presumably induced by subsidies would have occurred in any case. In some cases incentives were 'obtained for projects already planned or underway rather than for new initiatives in targeted economic development' (Barnekov *et al*, 1989, p. 226).

The use of the Tax Incremental Fund can have negative effects on property values. For instance, the growth rate in property values in TIF districts in US cities was significantly slower than that in areas that did not adopt the TIF programme (McGreal *et al*, 2002; Man, 1999a). This was because TIF created a market perception of double taxation which was reversed by the market. The TIF was also perceived to be reducing the amount of tax base, resulting in less increment with which government can work.

### Efficiency of urban regeneration agencies

The efficiency of urban regeneration agencies is often questionable, leaving doubt over whether they are better positioned, than government, to stimulate urban regeneration. For instance, studies found the UDCs to have similar structure and processes to that of municipalities thus replicating the very bureaucracy that is purportedly prevalent in the public sector (Imrie and Thomas, 1993). In addition, their decision making processes and operations were regarded in many senses as similar to those of local government and in many cases their processes and decisions required government approval before implementation (Imrie and Thomas, 1993, p. 23). The regeneration agencies are also criticized for poor accountability to the electorates on decision making as again seen in the case of the UDCs:

The UDCs were characterized by lack of direct local electorate accountability, with decision-making dominated by a board of government appointees....an attention to centrally devised performance indicators and the promotion of an organizational culture which replaced the 'red-tape' of bureaucracy with the 'can-do' mentality of the private sector (Brownill *et al*, 2000, p. 235).

The above amounts to circumventing local democracy and asserting the primacy of market goals over social and community objectives (Atkinson and Moon, 1994).

### Affordability and accessibility of facilities created under "private sector culture"

The promotion of the private sector investment has been criticized for creating facilities that are considered costly, unaffordable and inaccessible to lower income groups. A study conducted by J-K Seo (2002), on factors that motivate new residents to new inner city developments in Manchester and Glasgow found that the new residential, cultural and leisure facilities in the city were less effective in attracting new residents to live there. The lack of affordable housing in these areas that were designed for high-income groups had an impact on the economic sustainability of these areas. Although low income households were not prevented from living in these areas, the study argued that cultural facilities 'systematically discouraged low-income groups by providing expensive housing' (Seo, 2002, p. 120). Generally the unaffordability of facilities tends to generate



spatial separation of urban residential areas according to economic status and groups and leads to gentrification of urban space. As discussed above, there are a number negative effects of gentrification contained in literature such as the displacement of low income earners from the area, which suggest that the process of gentrification needs to be well managed (Jones, 1998, Cooper and Spinks, 1995, Hajer, 1993)

### Effects of policy imitation

The competition for capital and investment often results in cities experimenting with initiatives that have been tried elsewhere. For instance, most of regeneration models in the UK such as flagships projects, culture and property-led renewal and waterfront regeneration scheme were based on the American experience (Breen and Rigby; 1998, Jones; 1998, McCarthy and Pollock 1997; McCarthy, 1996; Loftman and Nevin, 1995; Smyth, 1994; Bianchini, 1993; Bianchini *et al*, 1992). Some were based on almost blind emulation of foreign concepts without taking into account local conditions.

The danger of this is that it resulted in 'standardization' of physical fabric or spatial mismatch as certain project could be deemed, in retrospect, economically not viable (Bianchini *et al*, 1992).

Prestige projects, when first built, may be innovative and unique developments but are often followed by a plethora of (newer) imitators in other urban areas' (Loftman and Nevin, 1995, p. 307).

Similarly in the US, numerous Indiana cities were likely to adopt the Tax Incremental Fund (TIF) initiative because an adjoining city or state had already adopted it (Man, 1999a, p. 1165).

### Efficiency of crime prevention measures

One of the problems of crime prevention interventions such as CIDs, CCTV cameras, hot-spot policing is that they tend to be area-focused and work within defined boundaries. The problem with this is that gaps are left between areas where an intervention exists and those without one:

In cities where BIDs proliferate, interstitial areas – gaps between BID areas – materialize. For example, in about fifteen minutes, a tourist shopping in Philadelphia and headed north on Second Street would pass through the South Street Headhouse District, enter a commercial area that is not managed by a BID, and stroll into the Old City District. These interstitial areas, like the one the tourist passed through, emerge because municipal government seldom coordinates the authorization of BIDs (Hoyt, 2004, p. 378).

As a result of this, studies generally argue that these measures may be less effective in eliminating crime, but rather tend to reduce crime only where they occur. The interstitial areas in-between are considered problematic in that, studies contend, criminal activities tend to be displaced and spilled over into adjacent areas. For instance, a study conducted by Lloyd, *et al* (2003) in Los Angeles found that the creation of CIDs leads to the displacement of crime beyond CID boundaries. This, the study found, was evidenced by the need to create adjacent CIDs to fill the interstitial gaps. Similarly studies on the effects of CCTV cameras and hot-spot policing suggest possible diffusion effects of crime from areas where these interventions focused to areas that received less attention (Welsh and Farrington, 2003; Braga, 2001).

Regarding City Improvement Districts, a study by a Massachusetts Institute of Technology (MIT) researcher and academic on the impact of CID in Philadelphia, Lorlene Hoyt (2004) found that CIDs may not be reliable as part of a comprehensive crime reduction and urban management strategy. This is because CIDs tend to occur in relatively wealthy parts of the city where property owners willing and able to pay additional CID levies, leaving poorer areas whose owners cannot afford to pay without CID services.

Other studies criticize the establishment of CIDs for constituting what they call the effective privatization of public space (Ward, 2006; Arthurson, 2001). As a result CIDs may spark controversy by taking on many of the functions of government within a demarcated area, without the obligation to achieve social equity or ensure equitable access. Regarding CCTV cameras, studies argue that these technological interventions may cause reported and actual crimes to increase (Welsh and Farrington, 2003). This is because the presence of CCTV

cameras may give people a false sense of security and cause them to cease taking precautions that they would have taken in the absence of cameras, thus leading to increased crime reporting to police and recording by police.

### **3.6 CONCLUSION**

This chapter has discussed that, underpinning the promotion of the private sector investment in urban regeneration is the move away from welfare to market-oriented delivery programmes justified on grounds of, among others, sharing of risks and rewards; social and economic benefits; achieving efficient delivery of regeneration programmes; augmenting government's regeneration efforts and provision of additional capital and resources by private sector etc. The perception of risk held by the private sector associated with urban regeneration environments often compels city authorities to utilize a myriad of incentives to reduce supply side constraints to investment.

This chapter has shown that while the benefits of this strategy are known (e.g. risk sharing, provision of additional capital and resources, job creation etc.), it has some inherent flaws which suggest that it may not be a reliable vehicle for sustainable. These include: the tendency to focus too much on economic returns with little regard to social impacts and social benefits, diversion of public sector funds from welfare expenditure programmes which tend to compromise accountability of public sector to electorates, susceptibility of private sector investment to market forces, development of potentially unaffordable facilities etc. And while the City of Johannesburg had embraced this approach almost in its entirety, it is likely that the local version will face the same shortcomings as its international counterparts.