

Sara Poggesi

**Public-Private Partnership
for Urban Regeneration:
The Case of the Urban
Transformation Companies**



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DSI Essays Series

Sara Poggesi

Public-Private Partnership for Urban Regeneration: The Case of the Urban Transformation Companies

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Sara Poggesi¹

Abstract

In many industrialized countries, the debate surrounding privatization is undergoing significant changes. If during the 80's and 90's attention was placed on the sale of public enterprises to private operators, recent studies and practices have increasingly focused on cooperation and involvement of private enterprises in the process of distribution of public services (Bach, 1999; Montanheiro et al., 1998; Osborne, 2000).

This work is based on the change from “competition” with the private sector to “cooperation” with it and - in particular - on the dynamics and characteristics of the cooperation between public and private bodies. Furthermore, this work analyzes a specific type of public-private partnership, i.e. the companies for urban transformation established in Italy by municipalities and metropolitan areas to plan and implement urban transformation measures.

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Editorial notes

Paper presented to the eleventh international Research Symposium on Public Management – IRSPM XI, Postdam University, 2-4 April 2007.

1. Introduction

In many industrialized countries, the debate surrounding privatization is undergoing significant changes. If during the 80's and 90's attention was placed on the sale of public enterprises to private operators, current studies and practices have increasingly focused on cooperation and involvement of private enterprises in the process of distribution of public services (Bach, 1999; Montanheiro et al., 1998; Osborne, 2000).

This work is based on the change from “competition” with the private sector to “cooperation” with it and - in particular - on the dynamics and characteristics of the cooperation between public and private bodies. Furthermore, this work analyzes a specific type of public-private partnership, i.e. the companies for urban transformation established in Italy by municipalities and metropolitan areas to plan and implement urban transformation measures.

More specifically, this paper aims at understanding how and to what extent the above-mentioned companies contribute to regenerating the territory in which they operate. Thus, we have tried to analyze: a) the real interest of the private bodies in participating in the project, an interest which appears to be at least theoretically significant due to the connection between urban regeneration projects, real estate and commercial development of the area; b) real influence of the public administration on the entire project, an influence that should be – in theory – based on coordination and control.

This paper is structured as follows: the first paragraph analyzes the concept of public-private partnership – now a widely diffused concept both in literature and in everyday language, however not associated to a clearly defined and precise meaning; the second paragraph introduces the topic of urban regeneration, particularly through an international literature review. The third paragraph combines the issues of PPP and urban regeneration within the Italian contest: this leads to identify urban transformation companies (UTC) as public-private partnership modalities chosen by the Italian legislator to implement urban regeneration processes. Through *qualitative multiple case study analysis*, the fourth paragraph examines six UTCs, investigating the ownership structure, relations among members and benefits or limits registered in the regeneration process. The conclusion of this paper contains considerations on the results of the study and provides new stimulus to future research.

2. Private-public partnership: defining aspects

The term “public-private partnership” (PPP) is generally used with reference to any type of operational agreement based on mutual commitments and responsibilities between public bodies and partners that operate outside the public sectors. The lack of a precise definition seems to have arisen on the one hand from the fact that in general - in the last twenty years - the terminology used to indicate the private sector’s involvement in distributing public services has become more complex, varied and open to different interpretations, even ideological ones; on the other hand, from the use, in particular, of similar acronyms in different countries that however imply different processes².

The term is also not defined at Community level either. In this case, the term is used for “forms of cooperation between public authorities and the world of business which aim at ensuring the funding, construction, renovation, management or maintenance of an infrastructure or the provision of a service” (European Commission, 2004, p. 3).

In particular, the European Community makes a distinction between:

- PPPs of purely contractual nature, in which the partnership between the public and the private sector is based solely on contractual links,
- PPPs of institutional nature, involving cooperation between the public and the private sector within a distinct entity.

The following elements normally characterise PPPs (European Commission, 2004, p. 3):

- The relatively long duration of the relationship.
- The method of funding the project, in part from the private sector, sometimes by means of complex arrangements between the various players.

² “This term differs greatly within a single country, never mind between countries and between public management systems and business systems” (Bovaird, 2004: 213). In addition to the technical-operational differences, at continental level, there are small legislative diversities regarding the procedure for assigning contracts or the relative regulations for creating planning companies.

Nonetheless, public funds - in some cases rather substantial - may be added to the private funds.

- The important role of the economic operator, who participates at different stages to the project (design, build, management, funding).
- The distribution of risks between the public and private partner, to whom the risks generally borne by the public sector are transferred.

In view of the above, this paper is primarily interested in understanding the underlying reason for the broad diffusion of this tool, more than understanding the terminology issue.

Various factors explain the increased recourse to PPPs. In view of the budget constraints confronting Member States, it meets a need for private funding in the public sector. Another explanation is the desire to benefit more in public life from the know-how and working methods of the private sector. The development of the PPP is also part of the more general change in the role of the State in the economy, moving from a role of direct operator to one of organiser, regulator and controller. This paper will discuss at length on the first motivations, while on the last one it is necessary to immediately express certain considerations aimed at interpreting the changes underway in the public administration in light of the two new “paradigms”: New Public Management and Public Governance.

Even if it is impossible to precisely define the NPM³, the principal purpose of the reforms that fall under this name is “*fostering a performance-oriented culture in a less centralized public sector*” (OECD, 1995). The key words of the movement, linked among each other, are therefore “do more with less” and “steering instead of rowing”⁴.

³ This term implies “a new paradigm for public management” that is based on “greater emphasis on results and on *value for money*, delegating on the part of the authorities and increasing flexibility, responsibility and control, focusing on the customer and the service, strengthening strategic capabilities, introducing competition and other elements that are part of the market, changing relations with other government levels” (OECD, 1995, p.37). Moreover, Annessi (2002) defines the NPM’s three principal components: “the redefinition of boundaries between the state and the market; the reshaping of the public sector’s macrostructure; the redefinition of the operational rule according to which the public sector performs its functions and pursues its objectives”. For more details on the movement’s principal characteristics see., among others., Rhodes, 1996; Pollitt, 1990; Hood, 1991, 1995; Ferlie et al, 1996; Meneguzzo, 2000.

⁴ “Governments that focus on steering activity shape their communities, and nations. They make more policy decisions. They put more social and economic institutions in motion.

Specifically, through privatization, *contracting-out* and agencies, NPM tends to define a new structure of relations between the public and private world. Substantially, it is based on the idea that the public operator must carry out a commissioning role, while production must be transferred to the organization(s) – public, but autonomous, private or non profit – that better guarantee(s) the requested output and outcome objectives. The results are: 1. a net division between political decisions (*steering*) and production and distribution of the service (*rowing*)⁵; 2. the possibility of creating competition among possible suppliers to achieve increasing quality, flexibility and collective satisfaction. Therefore, NPM introduces the principles of “quasi-market” in the distribution of public services.

The problem that has emerged over the years with the implementation of the above-mentioned processes (in particular with *contracting out* which has often been identified as the focal element of the reform process) lies in the fact that: a) it is not always possible to precisely and clearly define the expected social output and outcome objectives; b) the public body does not always have the necessary skills for programming, monitoring and assessing the performance of the private distributors, to create incentives and clear mechanisms against opportunistic behavior, as well as for entirely controlling the public processes that are now fragmented. In conclusion, contracting out seems to be an appropriate solution only for certain types of services, i.e. the so-called simple ones (for example, waste collection).

Recognizing these difficulties leads to a new way of approaching complex problems which are the ones now being faced by the public administration: no longer entirely empowering the private body but trying to reach the jointly established goals, accepting the dependence and interaction that exists between the various different players and emphasizing their complementary characteristics⁶.

Some even do more regulating. Rather than hiring more public employees, they make sure other institutions are delivering services and meeting the community's need” (Osborne, Gaebler, 1992, p. 32).

⁵ “*The separation of steering and rowing*) allows (*governments*) to use competition between service providers. It preserves maximum flexibility to respond to changing circumstances and it helps them insist on accountability for quality performance: contractors know they can be let go if their quality sags; civil servant know they cannot” (Osborne, Gaebler, 1992, p.35).

⁶ Rhodes states (1997: xv) “Messy problems demand messy solutions” which leads the public administrations to reorganize themselves establishing lateral, diagonal and vertical relations with other organizations.

Within this new vision, the public administration is not placed “above” the citizens, private profit and non profit organizations, but it is placed “next” to them through “horizontal types of steering” (Koppenjan, Klijn, 2004: 108): cooperation between public and private bodies, promotion and improvement of all self-organized types of civil society and of the initiatives undertaken by various different players represent the innovative government and coordination modalities for the socio-economic systems of the new paradigm.

Also in this case problems and limitations exist: if what Kickert says is true (1993, p. 201), i.e. that networking must not be interpreted as a source of “problems and difficulties which have to be mastered, but as sources of innovation”, a critical success factor is the capability to manage relations among multiple players with different objectives and that can limit the effectiveness of cooperation. This role must often be carried out by the public operator whose capabilities in this sense still seem limited⁷.

The competition/collaboration dichotomy is, therefore, useful to understand the changes currently taking place in the public service, but the “reality is more complex and subtle” (Lowndes, Skelcher, 1998, 318). For this reason, the change in the public sector can be studied through the analysis of the forms of social coordination – in other words of *governance*⁸.

⁷ Having a role in the PPP involves increased complexities for the public operator “which has to wear a number of different ‘hats’. As managers of contractual relationships, public bodies: authorise contracts (government as concession grantor); evaluate infrastructural needs (government as network planner); provide supporting facilities (e.g. land) and pay for services (government funding); define performance outcomes and standards (government as customer); undertake detailed procurement planning (government as project manager); ensure facilities are constructed, used and maintained satisfactorily (government as inspector); require compliance with standards and specifications (government as overseer); monitor business and financial viability (government as contract manager); assess environmental impacts (government as protector of the environment); and guarantee community access and achieve social policy objectives (government as representative of the public interest)” (Grimsey, Lewis, 2004: 94).

⁸ An arrangement of *governance* concept is made by Kooiman (1999):

1. *governance* as the minimal state where *governance* becomes a term for redefining the extent and for of public intervention (Gray, 1994; Rhodes, 1994);
2. corporate *governance*, which refers to the way big organizations are directed and controlled (Hilmer, 1993; Charkham, 1994; Tricker, 1994);
3. *governance* as *New Public Management* making a difference between government and *governance* (...) (Osborne, Gaebler, 1992; Rhodes, 1997);
4. *governance* as advocated by the World Bank under the heading of “good *governance*” (World Bank, 1989; ...);
5. *governance* as socio-cybernetic *governance*.

In particular, we can identify: hierarchy governance, market governance, network governance (Table 1).

“PPP’s should not be confused with the network as a mode of governance. Neither is there a necessary correspondence between the two...they have a particular affinity with network modes of governance, but – at different stages of the partnership life cycle – hierarchical and market relationships also assume importance” (Lowndes, Skelcher, 1998, 320)⁹.

In view of the above, we have analysed the regeneration theme, a contest in which PPPs seem the most appropriate organizational form.

3. Urban regeneration: notes

Urban regeneration can be defined as “a comprehensive and integrated vision and action which leads to the resolution of urban problems and seeks to bring about a lasting improvement in the economic, physical, social and environmental conditions of an area that has been subject to change” (Roberts, 2000: 17)¹⁰.

In the past twenty years, extensive literature has been developed on this topic, particularly of Anglo-Saxon origin that substantially identifies the main transformation factor of the economic geography of entire urban regions in the decline of large industries. Consequently, there is a need for a radical change in the approach to urban policies.

This change can be understood by analyzing the following table (Table 2) that refers to the experience of Anglo-Saxon countries and that summarizes the principal elements of the phases that have characterized urban development.

6. *governance* as self-organizing networks, as Rhodes (1997, p.15): “self-organizing, inter-organizational networks characterized by interdependence, resource exchange, rules of the game and significant autonomy from the state”.

⁹ “The loyalty, trust and reciprocity which characterize the ideal typical network mode of governance may not always be appropriate due to the variety of tasks required by a multi-organizational partnership” (Lowndes, Skelcher, 1998, 219-320). It is possible in fact to study the stages of the development of the PPP and reach the conclusion that in different phases of the life cycle of the PPP we can find different modes of governance. It is however true that normally “the network mode of governance has a continuing importance as the sub-structure of successful partnerships” (Lowndes, Skelcher, 1998, 320).

¹⁰ Literature contains a myriad of definitions for urban regeneration cfr., for example, Linchfield, 1992: 19; Hausner, 1993: 526; Donnison, 1993: 18. The definition proposed in this work appears to be the most exhaustive.

Urban regeneration should, at least (Roberts, 2000: 18):

- “be based upon a detailed analysis of the condition of an urban area;
- be aimed at the simultaneous adaptation of the physical fabric, social structures, economic base and environmental condition of an urban area;
- attempt to achieve this task of simultaneous adaptation through the generation and implementation of a comprehensive and integrated strategy;
- make the best possible use of natural, economic, human and other resources, including land and existing features of the built environments;
- seek to ensure consensus through the fullest possible participation and co-operation of all stakeholders with a legitimate interest in the regeneration of an urban area”.

In order to address the interconnected problems facing many urban areas we need to have “a strategically designed, locally based, multi-sector, multi-agency partnership approach” (Carter, 2000: 37; Mackintosh, 1992; Bailey et al., 1994; Lowndes, Skelcher, 1998; Purdue, 2001; McWilliams, 2004, Hemphill, McGreal, Berry, Watson, 2006).

In relation to the urban regeneration context, Mackintosh (1992: 210) devises three main conceptual model of partnership:

1. the synergy model suggests that by combining their knowledge, resources, approaches and operational cultures, the partners will be able to achieve more together than they would be by working on their own;
2. the budget enlargement model is based upon the idea that by working together partners will gain access to additional funds;
3. the transformational model suggests that there are benefits to be gained by exposing the different partners to the assumption and working methods of other partners.

4. Urban regeneration in Italy and urban transformation companies as a public-private partnership model

Italy presents a public-private partnership market among the most developed in Europe, both for number of projects as well as for economic value of activity (National Observatory on Project Financing, 2005)¹¹.

With reference to possible PPP examples - among the most widespread and regulated by our laws - we would like to point out the following (Roland Berger Strategy Consultants, 2005):

1. Project Finance, regulated by article 37 bis of law 109/94: the private sector can act as a “promoter” of public works by submitting to the public administration a specific infrastructural project for activities that are part of the administration’s three-year investment program.
2. The concessions for building and management, through which the public administration commissions another body with the building of an infrastructure that is functional to the management of a public service.
3. The other management concessions; this type of PPP is often used for the distribution of public services through already existing infrastructures (for example, hydraulic networks and systems, gas, public lighting, votive lighting, etc.).
4. The mixed public-private companies introduced in the national system by art. 22 of Law 142/1990, as a possible method to manage local public services.
5. The urban transformation companies (UTC) that are differentiated from other mixed public-private companies due to the bond represented by the company’s objective.
6. Public sponsorship.

In order to fully understand this phenomenon, reference should be made to tables 3 and 4 that highlight each of the above-mentioned typologies.

¹¹ The National Observatory on Project Financing is promoted by the Ministry of Economics and Finance, by the Unità Tecnica Finanza di Progetto - CIPE, by Unioncamere and by the Chamber of Commerce of Rome and carried out by AeT in collaboration with CRESME and Tecocons.

In particular, the analysis of the tables indicates how in the past 4 years the PPP growth in Italy has been progressive and significant: in fact, between 2002 and 2005 initiatives grew by 65% showing also an increase in value (+80%).

A growth trend can be observed in all typologies and mostly in the “other procedures” category, especially for what concerns urban transformation companies aimed at planning and implementing urban transformation measures.

With regard to the latter, it is possible to say that such measures have been initiated in Italy with a twenty years delay with respect to other European countries. Their start seems to be linked to at least three factors:

1. macro-economic changes in the territory also based on the greater focus of the economy on services;
2. new role and new awareness of the local bodies in urban management;
3. recovery of the real estate market.

With regard to the first profile, in recent years, Italian cities have been characterized by a strong need for redevelopment initiatives and measures aimed at, for example, converting for other uses the abandoned industrial areas, the result of social and economic crisis, restructuring densely populated urban areas (residential areas or illegal urban areas), recovering deteriorated areas, improving railroad junctions and making them functional in those areas of social and urban alienation, rationalizing urban areas that have been developed in a disorderly and diverse way (for example in mixed industrial, commercial and residential areas), improving transit in residential areas (through new spaces and services: public parks, sports facilities, meeting centers, schools, kindergartens, etc.) or of areas intended for commercial purposes, etc. In this sense, our country is not different from others that for some time have already undertaken important urban regeneration initiatives (Nelson, 2001, Nijkamp, van der Burch, Vindigni, 2002, Verhage, 2003; 2005; Ball, Maginn, 2005; Van Boxmeer, Van Beckhoven, 2005) aimed at - as previously analyzed - not only the urban-building growth of the territory, but also at socio-economic growth.

With regard to the second profile, it is important to point out that local bodies have shown a renewed interest for urban transformation processes strictly connected to the next collective needs: in the 60's and 70's, the objectives shared by local bodies were to build the basic collective structures, guarantee housing, create commerce and employment through productive

structures. At the end of the 1980's, these socio-economic objectives underwent a profound change (safety, social unity pursuable also through urban redevelopment processes). This was connected to a strong reduction of economic-financial resources and the large financial investments made for urban transformation. For these reasons, the strong interest for the regeneration process seems to be connected to two objectives: in addition to meeting the new collective needs and consequently the needs of the electorate, through urban regeneration the local body can obtain positive economic results to be re-invested in new projects of public interest, or in the distribution of other services. With regard to the third profile, the principal research centers for the real estate sector highlight how from 2000 to 2005 there was a growth trend both in the number of real estate sold and in prices (Tables 5 and 6).

With regard to the residential sector, the Agenzia del Territorio, elaborating data held by the Ministry of Interior, obtained an estimate of the sales relative to the 1985-2005 period (Table 7).

The table shows that the growth in the sales volume began in 1997 with an increase of over 66% in the past eight years. The cost trend for the 2001-2005 period also registered a growth (Table 8).

The forecast for 2006 (Nomisma, 2006) indicates the persistence of a positive trend in costs, even if with some signs of a drop, as already registered during 2005.

This trend of the real estate market reveals the strategic connection existing between urban regeneration projects and projects for real estate and commercial development and consequently, the strong private interest in this process.

In addition to the above factors, there is also the development of the urban discipline that has introduced new tools. In line with the defined theoretical concept, these tools are inspired by a governance philosophy of the territory based on the separate definitions of strategic objectives and management of transformation processes.

The urban transformation companies (UTS) are placed into this framework. They represent a new type of public-private collaboration that joins public interest for development and redevelopment of the territory, with the experience and entrepreneurship of private bodies¹².

UTSs were introduced in our system by art. 17, paragraph 59 of Law n. 127/1997, fully included in article 120 of the new consolidated act of local

¹² These companies are inspired by the French Societes mixtée d'aménagement urban (SEM) (De Lucia, 2004).

associations of 2000, later modified by art. 44 of Law 166/2002, and partially interpreted in the Announcement of the Ministry of Public Works dated November 11, 2000.

According to the provisions established by the law “UTSs are established as PLCs by municipalities and metropolitan areas to plan and implement urban transformation measures in compliance with existing urban regulations. For this purpose, the resolutions must in any case establish that the private shareholders of the companies are chosen through public procedures”.

Some aspects are of particular interest, specifically:

- the necessary existence of a public body that is the promoter of the initiative;
- the indication of a corporate purpose;
- the nature of a mixed company.

With regard to the existence of a promoting public body, the law is exhaustive: metropolitan cities and municipalities are the protagonists of the initiatives and are responsible for elaborating and adopting urban plans, as well as any other program and legal document. Within this context, the UTS represents an “operational urban tool” for implementing and carrying out urban initiatives.

With regard to the corporate purpose, this concerns the planning of urban transformation initiatives, the realization of the transformation (with prior purchasing of the real estate undergoing transformation) as well as the marketing of the results. The UTS can directly carry out activities by using external contractors chosen through public tenders maintaining, however, the legal responsibility of the activity as sole partner of the local administration.

With regard to the mixed company, this seems to have been chosen by legislators to avoid the bureaucratic, administrative and management procedures typical of a direct management as well as to involve private economic resources in the urban transformation process (Dugato, 1999). The local body therefore has the task of: 1) identifying the corporate capital share to attribute to the private partner(s) on the basis of the UTS’aim as well as of the specific characteristics of the transformation initiatives to be carried out; 2) choosing the type of private partner, coherently with the objectives set by the UTS (Table 9). The latter appears to be of significant interest; private partners, in fact, can be grouped into three different categories:

1. pure investors, namely, those bodies interested in the investment potential and in the programmed performance. This category includes real estate funds, retirement funds, insurance companies, credit institutions, etc.;
2. final users, namely those bodies that draw profit not only from pure investments, but also from the management of the real estate (management of shopping centers, restaurants, parking lots, etc.);
3. providers of global services, namely, those bodies that are part of the improvement process with the purpose of reaching specific objectives within the entire transformation procedure (electricity suppliers, catering, cleaning, security, builders, etc).

The choice depends on the UTS's role and on its relation with the market. In any case, "the UTS's private member must play an active and direct role in the implementation and management of the redevelopment process" (Announcement of the Ministry of the Public Works). In particular, the UTS's private member must be capable of providing, in addition to the traditional services of the building sector, also long-term integrated services with the supply of models for optimizing management of real estate over time, along with the necessary financial services.

In this context, the UTCs are not substantially different from other PLCs established by local bodies, except for the specificity of the corporate purpose and the consequent operative modalities. In particular, the use of a UTC allows local bodies to:

- carry out initiatives of significant public interest, managing them more effectively with respect to other modalities;
- find additional specific technical and management resources;
- find financial resources that allow carrying out investment volumes that are much higher with respect to the financial availability of the actual body;
- maintain unaltered its control characteristics connected with the exercise of urban authority.

The partnership with the local promoting body allows private bodies, potential members or financiers of a UTC (entrepreneurs, investors, owners of real estate property to be transformed) to:

- participate in an innovative process of significant importance and visibility with positive consequences in terms of image and marketing;
- initiate a stable form of collaboration with the public body capable of improving the efficiency of administrative procedures;
- participate in promoting a project through a company that has a considerable influence within the capital market also thanks to a role that guarantees the public body, while in the presence of an initially limited capitalization;
- obtain economic-financial benefits.

5. Empirical analysis

The methods, the ownership structures and relations among UTC members and the Stu Pasubio case follow.

5.1. Methods

The empirical analysis, finalized at understanding relations between public bodies and private operators in UTCs that are active in the urban regeneration process, was conducted with specific reference to the companies associated with A.STU.R., the association of Urban Transformation Companies and for the Redevelopment of Cities (*Associazione delle Società di Trasformazione Urbana e per la Riqualificazione della città*) that “pursues the objective of coordinating, standardizing and developing the activity of the Urban Transformation Companies in compliance with the provisions of art. 120 of Law Decree n. 267/2000, as well as with other public-private partnership bodies operating within the urban redevelopment/transformation area” (Astur statute, art. 1).

Specifically, the companies being considered are the founding members of the Association:

1. Bagnolifutura Spa in Napoli,
2. Città Giovani e Innovazione Spa,
3. Porta Sud Spa,
4. Pianoro Centro Spa,
5. Via Nuova Trento Spa,
6. Osservanza S.r.l.,
7. Stu Pasubio.

Porta Sud SpA does not actually qualify as a UTC, but rather as a holding company that is planning to establish one or more UTCs for redeveloping the southern area of the train station in Bergamo. Consequently, research that was conducted, according to the method of *comparative case studies*, focusing on 6 companies that were established after 1997.

The choice of analyzing these 6 UTCs derives from two reasons:

1. by forming an association, these companies guarantee the legitimacy and the promotion at national level of the urban transformation company's tools.
2. UTCs operating in our country are not many more than the ones listed above.

The case study analysis was conducted using two methods: *desk* and *on field*. Information was collected primarily by consulting available literature on the topic, public documents and materials, data bases, conferences and publications of each administration to present and promote its initiative. Special attention was devoted to the Statutes and the parasocial Agreements (wherever present), insofar fundamental documents for understanding the laws that regulate relations between “public” and “private” members. The results of such studies were subsequently integrated by information collected through questionnaires that were followed by semi-structured interviews (Table 9).

Important aspects that were analyzed, both in the interview with questionnaires as well as in the semi-structured interview, were:

1. ownership structure and relations among members;
2. benefits from the PPP for urban regeneration, focusing advantages and disadvantages deriving from the experience of public and private operators.

Hereafter, we offer a concise overview of the six case studies¹³.

Napoli: Bagnolifutura Spa

The priority objective of the transformation process is the recovery of a former metallurgic plant, Italsider, where obvious environmental impact problems have been registered.

¹³ Information in this paragraph was drawn from the Astur documents and from the websites of several various UTCs.

Salerno: Città Giovani e Innovazione Spa

The project aims at building an office services centre, for residences and facilities strictly connected with the establishment of the University of Salerno.

Macerata: Via Nuova Trento Spa

The project aims at redeveloping the area of “via Trento” also due to the need to rebuild, on the right side of the road, the only building there was before and that was demolished following the 1997 earthquake.

Imola: Osservanza S.r.l.

The project aims at recovering the former Hospital Osservanza, adjacent to Imola’s historical centre.

Pianoro (Province of Bologna): Pianoro Centro Spa

The project aims at redeveloping the centre of Pianoro by constructing new buildings and attempting to solve the “housing” issue.

Parma: Stu Pasubio

The urban transformation project aims at meeting the new needs of the Pasubio area, an industrial district of Parma at the beginning of the last century and currently used as a residential area.

5.2. The ownership structures and relations among UTC members

The above-mentioned urban transformation processes are implemented by urban transformation companies. With respect to this analysis, it is worth of analysis the formation/variation of the corporate capital, the modalities for choosing private partners and their characteristics.

Nuova Via Trento Spa (Macerata) was established in August 2001. The corporate capital, € 5.861.708,04, is split up as follows:

Macerata Municipality: 20%

Banks: 10%

Private operators: 70%

There are not external funds.

Pianoro Centro SpA (Bologna) was established on 19 May 2004 by Pianoro Municipality and ACER Bologna. The corporate capital, € 12.967.000, is split up as follows:

Pianoro Municipality: 73,62 %

ACER Bologna: 8,89 %

Private operators: 17,49%. They are two companies that were included in the capital share on 16.09.2005

External funds: € 2.663.870,83. by Emilia-Romagna Region.

Osservanza s.r.l. (Imola)

The corporate capital is split up as follows:

Imola Municipality: 51%

Con.Ami: 49%

External funds: € 6.500.000 by Emilia-Romagna Region and € 5.000.000 by Fondazione Cassa di Risparmio di Imola.

STU Pasubio (Parma) was established on 5 September 2002.

The corporate capital, € 1.200.000, is split up as follows:

Parma Municipality: 52%

Private operators: 48%

External funds: € 2.079.771,93 by Emilia-Romagna Region and € 6.155.955,62 by Parma Municipality.

Bagnolifutura SpA (Napoli) was established on 24 April 2002.

The corporate capital, € 62.300.000, is split up as follows:

Napoli Municipality: 90%,

Campania Region: 7,5%

Napoli Città Metropolitana Province: 2,5%.

External funds: € 75.000.000.

Città dei Giovani e dell'Innovazione (Comune di Baronissi)

The corporate capital, € 120.000,00, is split up as follows:

Baronissi Municipality: 95%

Salerno Province: 5%

Data can be summarized as follows in Table 10. The table 10 shows how only one of the analyzed companies holds private majority capital, namely Nuova via Trento SpA.

It is also interesting to note how the fractioning of the ownership, traceable to the presence of various other bodies different from the local bodies (18 private companies, 3 credit institutions, 5 physical persons), joined to the capital share held by the latter, could determine a significant concentration of power of the public body(ies).

The remaining part of the population presents total or majority public capital. Among the various reasons, the one primarily referred to is based on the particular importance of protecting collective interests that the majority presence of the municipality guarantees to the urban regeneration process. In this sense, one can “read” the *corporate governance* systems of companies as being strictly influenced by the public body, as also in the case of the new “via Trento”, where the President, who is also the CEO in 3 cases out of 6, is appointed by the municipality.

The changes that occurred in the corporate capital over the course of time are also interesting. They concern both the total capital as well as its formation and division among members.

The reason for this latter type of change (quite common) can be traced back to the need of the local administrations to attribute a particular “mark” on the company management (consequently, the municipalities tend to establish companies with a strong role of the local public capital) to then leave room for the increasingly important role played by private partners who are also potentially attracted by the economic returns on their investment. In this sense, the transfer of shares held by the public body hardly ever occurs, while the reduction of the public share through an increase in the private capital is quite common.

Furthermore, wherever present, the private body is chosen through a public tender. This procedure allows to create a competitive situation among those bodies interested in joining the company structure. The exception is represented by Pasubio, which accepted private bodies becoming part of the UTC through the transfer of their real estate property, without a selection made through a public bid.

With regard to the types of other partners, data indicates that Pianoro, Pasubio and Nuova via Trento have partners with appropriate technical-professional capabilities in the sectors where the UTC operates, as well as appropriate financial capabilities. Even in the case of entirely public companies, since the final objective however remains that of creating a PPP, experience in the construction sector and in real estate appears to be the most desirable aspects (for example, in the case of Osservanza srl).

The relations between private and public members can be defined as “based on mutual trust”, even in, as underlined in all the interviews, fully respecting the different roles. The key role played by the public body and its influence on the company management is recognized as the need to exploit the private bodies’ commercial credibility to accomplish the regeneration project. At the same time, there are also advantages for the private body: by participating in the UTC, there is the possibility to be part of an ambitious project that often involves specific areas of the city, exploiting the financial credibility of the public body as well as external public funding.

To better understand the advantages and disadvantages of participating in an urban regeneration project, it is necessary to study the case of STU Pasubio.

5.3. The Stu Pasubio case

The decision to examine the Stu Pasubio case was based on two variables:

1. the presence, within the company, of private partners: 48% of Stu Pasubio’s capital is owned by private bodies;
2. the importance of the regeneration process: the area undergoing transformation regards an entire section of the city.

Using these two variables, Osservanza, Bagnolifutura, Città dei Giovani e dell’Innovazione have been left out because of total public capital; Nuova Via Trento has been left out because its project is on a limited urban transformation; Pianoro Centro has been left out because of the low presence of private bodies within the company (17,49%).

According to its Statute, Stu Pasubio provides:

- for purchasing areas and real estate involved in the redevelopment initiatives according to the modalities established by the laws currently into force;
- for planning and carrying out the urban generation initiatives of the “Pasubio” area”;
- for the marketing and management of buildings, as well as of works and infrastructures.

Specifically, the preliminary and definitive planning of public works envisaged in the urban regeneration program will be carried out by the municipal-

ity; the planning of the private works intended for commercial purposes will be carried out by the company that, therefore, corresponds to a UTC.

With regard to the company's operation, the UTC applies the regulation for public works only for public works, guaranteeing flexibility and speed in the execution of works to be marketed in a free market.

Private members and the municipality must transfer the real estate they own to the company. In the face of the transfer, the company is also obliged to transfer: a) to the municipality the public residential real estate surface within the urban redevelopment program; b) to the private members owners, a share of sellable commercial surface (SCV) within the urban redevelopment program. Private members must assign the marketing of the SCV directly to the company, unless they directly maintain ownership.

It is in relation to the SCV that one can understand the private interest in participating in the urban redevelopment project and taking on the marketing risk – through fractioned direct sales or a lump sale – of the surfaces to be built.

The Municipality of Parma, through the establishment of the UTC, also seems to have obtained important advantages, among which, the technical knowledge and expertise existing within the UTC and the development of operative mechanisms for programming, monitoring and controlling the entire urban redevelopment process.

The economic-financial balance is guaranteed by the project's profitability (the profits obtained from marketing activity) and to a lesser extent, by the public investments (Table 11).

Substantially, the total and final economic value of the real estate property that will be created/redeveloped seems to compensate the envisaged urbanization costs. In turn, the urbanization works will contribute significantly to the real estate value of the new property. In order for this cycle to be fully complete, it is important to empower a UTC with decision-making autonomy to program phases and time frames for the initiative, having as its objective the complete implementation of the works and not the specific interests of the partners. Although there are some management problems, typical problem of a public-private partnership with the public body as the "predominant" body, STU Pasubio seems to have the necessary characteristics.

6. Conclusions

The paper analyses urban transformation companies - a new type of public-private collaboration for the development and redevelopment of the territory

– in order to understand the relationship between public and private bodies and the advantages and disadvantages deriving from their experience. In particular the urban transformation company seems to be able to satisfy the public and private needs, because of the relationship that there is between urban regeneration projects and projects for real estate and commercial development. Two aspects must be underlined in conclusion:

1. the (need for) specification, on the part of the Legislator, of the mixed nature of the companies; through this company structure the legislator defined an effective operative tool capable of carrying out complex activities with a significant economic-social importance, an action that is incompatible with the local body's traditional administrative structure.
2. the scant existence of this tool in Italy: the six UTCs analyzed represent almost the totality of those actually operating within the country. This is quite disappointing considering that the law that envisaged UTCs establishment was passed 10 years ago. Various different causes account for this, among which an insufficient knowledge of this tool at national level as well as of its economic-social benefits; limited legislation which is often extremely damaging and an inadequate knowledge of business culture within local bodies. It seems useful to dwell upon this point: in three UTS out of six, we do not find mixed companies but companies totally controlled by Municipalities. Like in other public context (Poggesi, 2006), local authorities seem to fear "loss of control". This is linked to the scarce diffusion of a cultural evolution, necessary for implementing organizational innovation.

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Tables

Table 1: Modes of *governance*

	Hierarchy Governance	Market Governance	Network governance
Type of control	Rules and norms	Contracts	Co-production
Principle virtue	Reliable treatments	Attention towards costs	flexibility
Focus for the service	Universality	Price	Citizen
Degree of flexibility	Low	High	Medium
Actor preferences or choices	Dependent	Independent	Interdependent

Source: our elaboration from Powell, 1991 and Lowndes, Skelcher, 1998, 319.

Table 2: The phases of urban regeneration

	1950s Reconstruction	1960s Revitalisation	1970s Renewal	1980s Redevelopment	1990s Regeneration
Major strategy and orientation	Reconstruction and extension of older areas of towns and cities often based on a "masterplan"; suburban growth	Continuation of 1950s theme; suburban and peripheral growth; some early attempts at rehabilitation	Focus on insitu renewal and neighbourhood schemes; still development at periphery	Many major schemes of development and redevelopment; flagship projects; out of town projects	Move towards a more comprehensive form of policy and practice; more emphasis on integrated treatments
Key actor and stakeholders	National and local government; private sector developers and contractors.	Move towards a greater balance between public and private sectors	Growing role of private sector and decentralisation in local government	Emphasis on private sector and special agencies; growth of partnerships	Partnership the dominant approach
Special level of activity	Emphasis on local and site level	Regional level of activity emerged	Regional and local levels initially; later more local emphasis	In early 1980s focus on site; later emphasis on local level	Reintroduction of strategy perspective; growth of regional activity
Economic focus	Public sector investment with some private sector involvement	Continuing from 1950s with growing influence of private investment	Resource constraints in public sector and growth of private investment	Private sector dominant with selective public funds	Greater balance between public, private and voluntary funding

Table 3: PPP typologies in Italy (2002-2005)

	2002		2003		2004		2005	
	With known amount		With known amount		With known amount		All inclusive amount	
	TOT	Amount	TOT	Amount	TOT	Amount	TOT	Amount
PF phase I	235	1.463.002.132	629	4.114.913.835	703	7.245.902.616	635	5.821.620.180
PF phase II	78	901.537.823	100	1.173.617.720	138	1.127.188.473	125	2.837.005.749
Concessions for building and management	128	528.261.839	161	3.286.536.072	280	1.299.204.932	193	2.233.318.498
Other concessions	107	227.318.027	233	1.392.744.910	345	2.375.834.680	530	4322248979
Other procedures	56	21.244.232	107	606.266.489	181	650.939.247	262	622561770
TOTAL	604	3141364053	1230	10.574.079.026	1647	12.699.069.947	1745	15836755174

Source: our elaboration from data of the Osservatorio nazionale sul Project Financing

Table 4: Bid announcements: percentage variations (2002-2005)

	Var % 2002-2003	Var % 2003-2004	Var%2004-2005	Var % 2005-2002
PF phase I	63%	11%	-11%	63%
PF phase II	22%	28%	-10%	38%
Other concessions	54%	32%	35%	80%
Other procedures	48%	41%	31%	79%
Total	51%	25%	6%	65%

Source: our elaboration from data of the Osservatorio nazionale sul Project Financing

Table 5: Number of sales (absolute values)

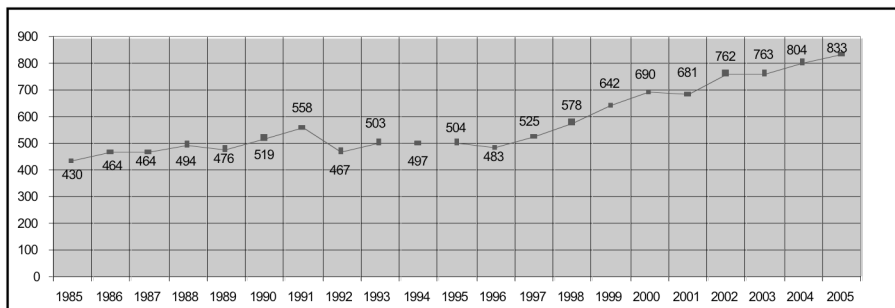
	Residential	Services	Commercial	Productive	Warehouses	Other	Total
2000	690.476	14.213	49065	13.098	93.459	545.455	1.405.765
2001	681.266	17.214	47556	14.191	95.501	566.332	1.422.059
2002	761.520	28.879	59544	19.285	114.407	641.317	1.624.952
2003	762.086	18.507	51059	14.381	113.201	647.777	1.607.012
2004	804.126	20.569	54309	16.034	118.57	703.629	1.717.241
2005	833.350	21.990	55.035	17.343	121.608	756.431	1.805.758

Source: Elaborated by Ance on data from the Agenzia del Territorio

Table 6: Number of sales (relative values)

	Residential	Services	Commercial	Productive	Warehouses	Other	Total
2001	-1,3	21,1	-3,1	8,3	2,2	3,8	1,2
2002	11,8	67,8	25,2	35,9	19,8	13,2	14,3
2003	0,1	-35,9	-14,2	-25,4	-1,1	1,0	-1,1
2004	5,5	11,1	6,4	11,5	4,7	8,6	6,9
2005	3,6	6,9	1,3	8,2	2,6	7,5	5,2

Source: Elaborated by Ance on data from the Agenzia del Territorio

Table 7: Sales trend in the residential sector from 1985 to 2005

Source: our elaboration from data of the Agenzia del Territorio, 2005

Table 8: Annual variations (%) of real estate prices in 13 urban areas

	October 2001	October 2002	October 2003	October 2004	October 2005
Homes	5,5	7,1	8,1	7,9	5,1
Offices	4,3	6,1	6,5	6,1	4,5
Stores	5,4	5,4	5,8	6,7	4,3

Source: Nomisma, 2006

Table 9: Interview results

	Replies to the questionnaires	Semi-structured interviews
Bagnolifutura Spa di Napoli	No	No
Città Giovani e Innovazione Spa	No	No
Pianoro Centro Spa	Sì	No
Via Nuova Trento Spa	Sì	Sì
Osservanza S.r.l	Sì	No
Stu Pasubio	No	Sì

Table 10: The formation of the corporate capital in this field of research

		Corporate capital composition		
		Total public capital	Majority public capital	Private majority capital
Way to choose private body	No private partner	Osservanza Città dei Giovani Bagnolifutura		
	Private body is chosen through a public bid		Pianoro	Nuova via Trento
	Private body is not chosen through a public bid		Pasubio	

Source: our elaboration from data of the companies and from Copiello, Peticarari, 2005

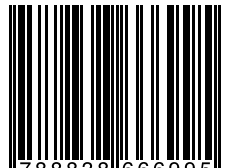
Table 11: Costs and profits for the STU Pasubio

STU PASUBIO	
Revenue (hypothesis)	130-145 mln € (*)
- from selling	93%
- from public founds	7%
Costs (hypothesis)	110-125 mln € (*)
- Constructions	60%
• Public urbanization	15%
• Private “buildings”	45%
- To buy areas	25%
- To project and other	15%

(*) approximate values

Source: ACB Consulting, 2006

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