

# LOCAL FUNDING IN AREA-BASED URBAN POLICY

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# LOCAL FUNDING IN AREA-BASED URBAN POLICY

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## ABSTRACT

In this article it is proposed the establishment of a local funding system. This initiative, besides its strictly economic objective, is aimed to involve residents in local development investments through the participation in these funds, stimulate creative urban ideas, and develop a feeling of legitimated individual participation in the city development.

However, much has to be done in what concerns law and urban regulations, as well as administrative coordination in order to assure this financial system to be a success not only for the local-area residents, but also to the city as a whole.

# 1. INTRODUCTION

Overall communication networks, innovation, and quick evolution features the recent tendencies in city life, called by Stiegler (1995) the “terminal city”. The city is an ecosystem (Rueda, 1994), and the functional diversity is a need to a successful urban environment (Wang, 1996). Indeed, in this superimposed reality at the urban level emerges a real risk of social and cultural disintegration processes which generates the need that the urban space plays new roles and functions in the building of social expectations (Breda-Vázquez et al, 1997). In this urban social and economic management processes, special care must be put in the balancing of global and local goals, as well as in the need to strengthen multi-territorial dependencies and to support new cultural expression and ways of living.

In this context, the planning profession assumes a decisive place: it faces a great challenge in deciding how best it can influence the production of the built environment in a market economy (Adams, 1994).

## 2. LOCAL-BASED URBAN POLICIES

There are augmenting complementarities between the organization and structural territorial planning, on the one side, and the urban economy and management, on the other. Consequently, urban policies must balance two different and opposite goals, the economic one and the social one, and should be based on the metropolitan restructuring, and involve different scales and typologies.

Nowadays, capital displacements are free between different investment forms, and in this process the urban property valuation is a rather important piece (Haila (1988, 1991), Harvey (1985), Coakley (1994), Ball (1985), Fine (1985), Scott (1980). Besides, the real estate marketing is able to create symbolic representations of real estate complexes, with architectural, environment and individual equipments aimed to specific population and professional levels, that strongly reinforces urban feelings of personal and social involvement (Kratke, 1992). Presently, many European and American cities use marketing urban tools to promote their own images and, this way, achieve important investment goals and take advantage of competitiveness (Newman (1996)): some illustrative cases are Amsterdam (that implemented many innovations in the commercial and services sector) and Boston (Fincher, 1981), where there was implemented in some areas a policy of urban renewal, that was able to attract interests and implement many investments. Special care, however, must be attached to these programmes in order to make them great successes (Bailey, 1993). Besides, the ventures between the public and the private sectors are essential to achieve urban goals (Lawless (1994)).

However, as we know, the pure market model is a source of tensions and inequalities. It benefits selective efficiency of locals and agents in the metropolitan area, leading to a physical, social and functional reorganization of space that enhances urban decay, which frequently results in social exclusion of certain groups. Even the network within the different urban components and between them and their involvement is weakened by the nature of this competitive urbanism.

The urban valuation is also inter-connected with many different representational social strategies and practices whose articulation occurs at the urban space. Besides the representation of the dominant spaces in a society (showed through planned and rational urban localizations, and in the architecture of a certain project), there are the representational spaces (spaces thought and lived by users' daily routines) and the spatial practises (that give form to the social spaces referred to, and run from daily displacements to sophisticated communications through global networks) (Lefebvre (1974), Allen & Pricke (1994)). Even in the establishment of local productive systems, that bear on the dynamic articulation of social and cultural specific agents, with different productive strategies, the many different ways of work and reference frames that co-survive in urban life, have the potential to be a factor of economic valuation of space in urban life (Negri (1995), Marotel (1995), Di Benedetto (1995)).

It is upon this idea of approximation between the productive and the financial market that the legislation (which is a public responsibility), on the one side, and the marketing (which is generally a private initiative) may enhance the valorisation of certain urban areas, growing there an important symbolic meaning. Even the urban qualification policies can play a central role in order to attract economic strategies and to promote competitive advantages (Innocenti et al (1990); Morandi (1994); Guiduci (1993); Talia

(1990); Venuti (1990); Corade (1994)). Those initiatives may include metropolitan transportation and mobility improvement, infrastructures' building (particularly those concerned with the urban environment), urban space re-utilization strategies, new technologies and research and development innovations, urban deprived areas management, and building patrimony recovery.

Urban policies should answer urban long-range development expectations, and this enhances the overall use city patterns valorisation. Recently, urban and metropolitan development ways have shown a growing tendency of degradation of scarce resources, particularly in what concerns urban land and built patrimony. This situation is well documented in the urban periphery spreading and in the declining of urban centres, based upon the loss of value of important patrimony and social and cultural resources, in the lacking of well defined articulations among the different skills to use the city, people and product' mobility, the real estate markets and the different processes of urban development (Breda-Vázquez et al, 1997).

On the other side, the usual normative territorial planning tools must be articulated with concerns about economic and social development principles supported on restructuring urban goals that supports long-term development. Not only should coordination policies be based upon the need to make profitable the natural resources and energy, equipments and infrastructures of the existing city, but it is also important the definition of normative frames that promote the integration of the long-term sustainable development within the territorial planning system.

### 3. THE EUROPEAN COMMISSION FRAMEWORK

The local-based policies are essential to support urban policies in general, which represent possible ways of implementing urban sustainable development.

In what concerns legislation at the European level, the European Commission (1999) recognises the need of a better integration among the different levels of the administration and the different political sectors, as well as the need to generate the participation and responsiveness of citizens in the urban development processes. The goals pointed out by the European Commission consists of:

- The reinforcement of economic prosperity and employment in cities
- The promotion of equality, social inclusion and urban regeneration
- The protection of the urban environment in order to support local and global sustainability
- The contribution to a good urban administration and to local responsibility practises

There are some measures made available by the European Commission aimed to support sensitisation, the extending of skills and the support to urban strategy administration, as well as the urban security and responsibilities.

At the political level there is an overall concern in making compatible urban-oriented policies in all the member states, based upon the promoting innovative ways to enlarge democracy, to generate local participation and responsibility attribution, namely trough ventures connecting the public sector, the communities and the residents; to support the development of local skills in order to strengthen urban administration quality and efficiency, thought trans-national co-operation and networks; and to promote the policy integration and synergies at all the administration levels and among them, in the functional urban areas.

In many countries have been developed administrative and decentralized processes, but at the same time as the responsibilities due to the cities are reinforced, the budget restrictions have been shrinking the public resources available for the urban investment. As a result there have been developed many pressures at the financial and fiscal level that may disturb the capacities of action at the local level.

This points out the importance of the relations between the state and the market, which recently enhanced ventures, taking advantage of initiatives and financial availabilities of private agents. This is especially true in economic areas where there exists a big urban dimension, such as habitation, social services, education and formation, and, in certain countries, the energy generation and delivery, water delivery, and residual collection and elimination.

The European Commission recognises the need of more creative ways to pursue financial supporting to urban initiatives. In addition, there should be developed positive strategies that enhance the city development as a whole, and not just the eradication of problems from an area through their displacement to another one.

## 4. PRESENTATION AND DEVELOPMENT OF THE MODEL

Based upon the theoretical analysis carried out, there is proposed a model that stands upon the establishment of local funding, supported by local residents.

The basic idea consists in the establishment of a local-based investment fund in order to get financial support to local initiatives (such as building, recovery, urban (re)qualification, urban spaces development). Through this process, some urban management mechanisms should be partially transferred to the urban-resident population. People who contribute “ex-ante” to these funds will be remunerated according to the profit that the initiatives that would benefit from these funds would generate. Besides, the whole process would potentially reinforce their involvement in urban initiatives.

In the model proposed the Municipalities’ Administration should take an active role in order to enhance Local Funding participation by the citizens. First of all, it should lead a SWOPT analysis, trying to develop its own competitive advantages. The adaptation of the Harvard strategy model to the urban management seeks to integrate local goals to overall city goals, this being implemented through the urban management process:



In the overall strategy implementation the control process assumes particular importance:

This process should be lead carefully. And each part has its own responsibilities. In what concerns the Local Administration, its role consist of:

- The establishment of the borders of local execution areas, and the assurance of the consistency of various local-area based initiatives.
- To define and integrate the local goals with the overall mission of the town, making sure the strategic management process is guaranteed.
- To define and guarantee the rules about the overall use of space in the town.

- To establish, for each area, a performance measure for the attractive potential for investment. According to this performance measure, it must define some policy and fiscal incentives in order to assure equilibrium among different areas in city.
- To define the borders of each execution area, that should be large enough to include areas belonging to different zones (commercial, habitational, services zones, etc.)
- To open competitions for local-development initiatives
- To co-ordinate different investment and/or development local-based initiatives
- To enhance a decentralised and participated urban management, with the functioning of almost independent and inter-related execution areas, assuring the overall political coherence in city.

In each execution area, there is proposed the following sequence of steps:

- Establishment of a Local Investment Fund – where residents in a local area invest some money, in the form of a local lending fund. The goal of this fund is to support local development investments. The lent money will be remunerated according to the urban development initiatives on that area. There must be rules to assure that the fund is supported only by local residents, and to assure enough money dispersion (avoiding the concentration of the money in a few hands). The application of money in the local fund should be free.
- Creation of an idea's forum, which aims to call for ideas from local residents, about local development initiatives:
  - Identification of local-based development needs through regular enquiries targeted to local communities;
  - Establish incentives to the local area forces in order to accomplish initiatives – exhibitions, conferences, discussion meetings, spectacles, and everything that can attract social communication means, and give visibility to the specific local communities, all these being aimed to attract investment to the specific local area;
- Instead of borrowing from financial institutions all the needed money, it should be borrowed from local communities, which forces them to implement volunteer creative ideas in order to attract local development initiatives. This lending fund should take the nature of a grant deposit, and should be given back to people if during a five-year period it doesn't generate any profit. This process consists of implementing a venture between the firms interested in local investments and the local residents that would deserve a profit, not only because of their participation in the fund, but also due to their ideas and local-based initiatives management.
- Once the investment has been attracted to the local area (after making sure that this wouldn't hurt local or neighbourhood population), the investing firm must support, as a percentage of the investment, the financing of local-area equipment needs. In what concerns the investment, the most part of it will be supported by the firm, and another part by the local fund: as a result, a percentage of the profit that the investment is going to generate in the future is aimed to pay the interest to people who have lend money to the local fund. Through this system, people concerns will be oriented to profit-seeking initiatives, which have a better potential for involving people than other different goals.
- Local residents will be the own judges to select the firms and the initiatives that will take place in their execution areas: people must make a trade-off between the money they can potentially earn, and the urban environment quality patterns they bear to support. On the one side, they seek to have different kind of commercial, service establishments and equipments at hand, but on the other side, they are not interested in potentially polluting firms. The control process will, this way, be their own-responsibility.

## 5. RECOMMENDATIONS AND CONCLUSIONS

Special care must be devoted to the implementation of this model in order to suit local realities. First of all, it is necessary that powers and responsibilities of each of the urban agents involved is clearly defined, and suit the general law. A controlling legal process is strictly needed in order to avoid local management features that favours certain regulations aimed to get a quick profit from certain agents in the urban economic and political spheres. Control mechanisms are indispensable, in order to avoid certain actors in the urban market to take illegal profits, deeply hurting the local interests.

There is also the question of competitiveness among the execution areas, which has the good and the bad side: competitiveness generates new ideas, creative efforts, and solidarity among the residents in a certain area, but complementarities should not be forgotten. There is a risk that people became too oriented to their own “quarter”, and ignore their role in city as a whole. In fact, there are certain areas in city with natural based competitive margins (favoured by its geology, or even by local regulations), which are better positioned to take profit of the kinds of initiatives proposed in this paper. So, in practical terms, there are some operational difficulties in selecting areas with the potential for the establishment of these local-based funds.

So, not only at the legal formal level, but also at the informal communication and daily life level, efforts must be done in order to enhance those complementarities that strengthen urban city life as a whole.

On the other side, this model of stimulus to local funding initiatives has a great deal of potentialities and advantages that should not be ignored:

- It consists in a venture between firms and local people who, as a result, becomes receiver of part of the profit generated;
- They are an incentive to local based sustainability of the development;
- The borrowing of money from people in the local community stimulates their own involvement and their active search for profitable initiatives;
- This system is beneficial for local-area people, because they benefit from the local equipments that would be installed, as well as take financial advantage through the remuneration of their lending funds.
- Local people also must make a trade-off between the money they would like to earn and the urban environment they need to assure: the investments control becomes then their own responsibility.

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