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1. Summary

In recent years in Germany, increasing financial and organisational cooperation between public authorities and the private sector has been established, not least due to the notorious financial scarcity in the public budgets. One big advantage of this cooperation is that processes can be sped up by private business engagement – and thus generally cost-efficiently – and another is that by integrating public authorities, sovereign decisions can be better calculated and thus time and project costs can be saved.

For the projects in the Saarland it generally holds true that the realisation of a project cannot require additional financial means from public budgets. The financing of measures must essentially be realised from former users of an area as well as from the future beneficiaries. For the realisation of the projects and the activation of the required financial means, private corporations are foreseen under participation of industry, state and municipalities. Subsidies from public authorities result from shifting in the budgets or a corresponding setting of priorities within existing support programs. The means come from, amongst others, the structural support program of the European Union, EFRE and ESF, including counterfinancing from the state and from means for city development support, environment policy and economic support of the state, as well as the cofinancing share of the federal government.

In the Netherlands, public support means are available in manifold ways due to the good economic situation. The responsible project authorities are aware, however, that use of these financial sources is tied to a greater dependency on politics and superior political objectives. But generally in the Netherlands, there is also a tendency for the government to withdraw in favour of stronger financial and organisational integration of private parties. Independently from that, the project Zuid-Holland aims for different national and international grant programs, which should provide the required financial means for implementation. The INTERREG programs play an important role in that.

Public-private partnership is a model which gets increasing attention and interest in the Dutch projects. But the financial engagement of private parties is mostly dependent on the possibility to create profit, and this is not present in every project, as for example in the Leidschendam project, where the restructuring of green areas and open spaces in city outskirts and in closer proximity is a goal. The financing of infrastructure, as an example, is also only of interest to private parties if this serves to make the follow-up projects profitable.

In the Newcastle projects, exclusively private financial engagement is foreseen. The public authorities only set the framework and exercise a control function. The provision of sufficient private capital seems to be no problem, though, in view of the profits that can be expected.

Still, 100-percent private financing of such projects is not the rule in Great Britain. Public authorities, i.e. the municipalities, usually provide financial up-front concessions to make an area interesting for further private financial engagement. Additionally, public means such as those of the English Partnership Investment Fund are specifically used to mobilise additional private capital. The experience that restructuring projects must reach a “critical mass” in order to have a sustained effect also generally requires a financial engagement of public authorities.

2. Introduction

In the urbanised areas of the regions participating in this project, there's a great demand for commercially usable area as well as for attractive areas for housing. In contrast are derelict innercity areas and housing areas that need restoration, limited building land reserves in “greenfield” areas, and an increasing political will to contain the use of open areas.

In this area of conflict, the recycling of previously used sites becomes more important to necessary restructuring measures. Area recycling can be an important instrument for ensuring continuous structural development of the core of settled areas as well as for the economic development of an entire region. It also takes the environment into consideration in the sense that it carefully uses limited land resources.

The revitalisation of a previously used site can normally only be accomplished when there is an interest in using the site. This holds true for the engagement of public institutions and even more so for private businesses. For a private investor, the restoration and/or revitalisation of a previously used site will always be only part of a whole profit-oriented project to use or exploit a site.

The project “2 for 1” in Newcastle shows there are other options. As part of a contractual mechanism, for every residential building that is erected in a previously undeveloped area, two residential buildings are constructed on derelict inner-city lots.

Old sites often have obvious and undeniable advantages due to attractive central location, good traffic connections, the fact that their existence is already accepted by the public, and existing building and planning rights. Still, these sites are often avoided by investors. Reasons for that are above all the difficult to understand and hardly calculable financial and legal risks. Investors can only be won for site recycling projects if the costs can be planned, if they are legally secure, and financial success can be shown.

From an economic point of view, old sites can be categorized into three basic types:

- the area revitalisation is profitable
- the area revitalisation itself is not profitable, but it becomes profitable by securing additional means of financing (support programs)
- the area revitalisation is not profitable; the cost for restoration and development exceed the property value in spite of additional financing means

Sites that cannot be profitably developed due to high processing and restoration costs will not find a private investor. The restoration and revitalisation of unprofitable sites is generally the duty of the municipalities and states.

Sites that are considered profitable to develop and market, in spite of obvious impairment by contaminants or a previous use that gives the site specific characteristics, generally can find an investor even without the additional incentive of public funding.

With suitable financing models and strategies, even “threshold sites” can find interested parties and thus change from the pool of unprofitable sites into that of profitable sites.

General public business support programs, however, have up to now favoured the utilization of natural areas and strengthened the municipalities in their competition for investors. Often it is only this subsidizing policy that enables municipalities to develop sites in areas without construction (1).

3. Financial aspects as an element in the restructuring process

Restructuring measures cannot be successful in the short-run, but require time to implement and to develop their own dynamic. Structural measures can only be successful if they are implemented as a part of an overall concept, and thus can develop an innovative power either as a multifaceted major event with major drawing power (for example, world exhibitions, world championships, Olympics, etc.), or as many decentralized projects.

The partners in the project repeatedly point out that the current problem and project areas have been worked on for long periods of time. The restructuring, restoration or other measures that were implemented so far have in the end often proven to be short-lived flash-in-the-pan ideas. The reason for that is not least an ineffective use of financial means.

Questions of financing are at the core of discussion about area revitalisation projects. The experience of recent years have led to the abandonment of efforts to re-transfer used and contaminated sites to near natural condi-

tions, which can hardly be financed and is still ecologically questionable, in favour of affordable restoration and reprocessing that depends on the future use.

Use-dependent restoration opens possibilities to save costs and thus often enables restoration in view of scarce means.

4. The position of financial aspects

The restoration of value to previously used sites sometimes causes significant costs. Alternately, it opens up the possibility of a later utilization from which, in turn, society benefits. Allowing a site to sit idle, however, only creates costs, even if to a lesser extent than when a site is actively repurposed. A site that is not revitalised does not bring any benefit, though. This means that the realisation of a measure for area revitalisation is advantageous to the overall economy when the difference between the benefit and cost of this measure is greater than the cost of doing nothing. In the following the cost and benefit factors are listed.

4.1 The costs

4.1.1 Surveillance costs

These occur especially with contaminated sites and are caused by the fact that the site has to be examined regularly to avoid endangering protected resources by a spreading of contamination. Thus it is necessary, for example, to constantly measure and monitor damage to groundwater.

4.1.2 Securing costs

These costs are especially considerable in contaminated sites. They are due to measures to prevent further spreading of contamination and to protect from dangers that come from buildings and installations. These can be, for example, the covering of soil contamination by area sealing or the demolition or partial demolition of dangerous ruins and/or old installations. These costs occur independently from concepts for later use.

Even noncontaminated lots are not without danger to people and environment and have to be secured to prevent access. Here the general traffic-securing obligation of public authorities applies.

4.1.3 Restoration costs

Inherited burdens/contamination must be removed in such a way that they cannot cause any further danger. Suitable measures must be taken to that end. These depend on the seriousness of the contamination, the available restoration techniques and the intended later use of the area. The higher the quality of the later utilization, the greater and more extensive the restoration effort will be, and the higher the cost.

For cost reasons, the contaminated area should be narrowed down as much as possible and a use-adjusted securing or restoration should be planned. In Germany the standard values given in the federal ground protection law are applicable, or the administrative regulation “orientation values for processing of contaminations and damaging events”, respectively.

Restoration costs can be of a one-time nature or continuous over several years, depending on the success of a restoration. The latter is often the case with groundwater restoration. Often the contaminated water and/or contaminated soil atmosphere has to be taken out, cleaned and drained off or percolated continuously for years.

4.1.4 Removal and disposal costs

The buildings, technical installations and trafficways on old sites are often entirely or partly in a condition that permits neither further use nor rebuilding for reutilization, or they are not needed for the intended reutilization.

These old buildings sometimes pose a danger and must be removed, and the building materials must be disposed of. Depending on the planned follow-up use, substances worthy of preservation may be restored.

Apart from demolition material, waste that has collected on an area as well as leftover production and material waste must be disposed of. Removal and disposal costs can, in the worst case, constitute the biggest part of the total cost of processing the area (2).

To minimize costs it is important to

- keep the demarcation of ground contamination or contaminated old building materials rather narrow, for example, by selectively rebuilding or dismantling old building substances and by definition of narrowly limited contamination areas of the ground
- define restoration measures depending on the new form of utilization

In the area of future trafficways, parking spaces and commercially used sites, a suited surface sealing in the area where ground contamination was found is surely sufficient. In housing areas or, for example, playgrounds, the same contamination may require an exchange of the soil, however.

The determined depth of excavation of the exchanged soil that is based on the future use can also have a significant impact on disposal costs. Foregoing the creation of cellars or basements can be a cost-containing measure.

4.1.5 Infrastructure costs

For subsequent use, investment into the inner and outer development of an area is usually necessary. Trafficways especially must be adjusted to the planned new use. Other infrastructural elements, such as power, gas and water supply, telecommunications, wastewater drainage, etc., have to be adjusted to the current state of technology, which often requires new construction.

4.1.6 Administration and marketing costs

In a cost-benefit analysis, further costs to consider are:

- administration of a formerly used site
- necessary examination of contamination and evaluation of dangers
- registration and evaluation of the building substance
- utilization planning
- planning of inner and outer development
- other services in connection with the restoration of value and the new utilization of the site

4.2 Monetary benefit factors

4.2.1 Sale and lease

The owner of a site can obtain an appropriate price when selling or leasing lots that can be reused after completion of restoration and revaluation work. The price obtained mirrors the value of the “land” production factor.

4.2.2 Employment effects

Work to revitalise derelict sites requires the employment of a work force. This is true for the planning, restoration and building phase, as well as for the subsequent use phase.

4.2.3 Promotion of the regional economic structure

Area recycling measures are an important contribution to increasing the attractiveness of entire city districts, to improving living and working conditions, and to preventing flight to other cities or regions. Thus, it has a desirable effect from a regional policy point of view.

4.2.4 Preservation and sustaining of yield of alternative areas

The processing of old sites can prevent the development of areas that are used for agriculture or forestry, or are natural areas. A monetary evaluation of the financial advantage can be calculated in the simplest of cases from the potential profit loss when utilizing an agricultural or forest area, as well as from cost advantages coming from the development of an area within a built-up residential area.

Natural and open areas have a multitude of other use values, for example, for leisure and recreational use by citizens, for the protection of species and nature, for the regeneration and exchange of polluted air, for new generation of groundwater, etc. These contributions are difficult to assign a monetary value to, but are of increasing importance with respect to ever-shrinking ground resources.

4.2.5 Increase in value of neighbouring land

Land neighbouring sites that have been restored and have received an attractive new utilization often increase in value since it becomes more attractive as well.

The reverse is also true. Derelict sites or areas that need restoration cause a loss of value for neighbouring properties.

4.2.6 Environmental effects

Restored areas relieve the environment, since the disposed and/or secured sources of strain no longer cause uncontrolled damage to natural resources. Restored areas can make a positive contribution to the environment, for example through greening measures or an improvement of air quality, or by ground unsealing for better rainwater percolation.

Former military sites often contain, due to long and extensive area utilization, valuable biotopes that are worth preserving and that present a positive value.

5. Future development

The federal government has set a goal to reduce land consumption in Germany to 30 hectares per day by the year 2020 (3). Similar goals exist in other countries. In Great Britain, the government's goal is to realise 60% of development projects on derelict areas and only 40% on open areas, and thus to contain the consumption of open areas.

An end to land consumption is necessary since open areas and ground cannot be multiplied. Scenarios regarding the development of the climate fuel fears that global warming will cause sea levels to rise, thus causing more usable land to be lost worldwide.

Contamination hinders the processing of idle areas and often stands in the way of restructuring measures. 165.000 suspected contaminated sites are registered in the Federal Republic of Germany alone, and the cost for the cleanup is estimated to be ca. \approx 200 milliard (4).

The first approach was to restore contaminated sites as much as technically possible. Technically complicated incineration methods as well as chemical-physical treatment procedures were developed, and treatment and

disposal facilities sprouted up all over. After the boom came a sobering up phase. Treatment prices of far above € 500 per ton could only be afforded by very few. Public institutions couldn't afford it at all.

It has meanwhile also been recognized that such restoration measures often mean nothing but a shifting of the contaminated material from one site to another. The restoration measures had also become so expensive that many suspect areas were not treated.

The municipalities were especially financially overstretched. Not least due to this predicament, a practice was developed that is increasingly supported by the effective law. Restoration should only be done to the extent necessary. The necessary extent results for one thing from an existing acute endangerment of the environment and from new utilizations planned for the site. The state grants financial means in the form of subsidies or as knock-on financing. The lion's share has to be financed by the landowners or investors, respectively.

6. A comparison of current policies

A number of EU public support programs can be called upon as financial aid for the restoration of contaminated sites and the recycling of derelict sites. These programs were either developed especially for these kinds of measures, or they list services in the area of contaminated site restoration and derelict site development within the catalogues of measures that can be supported. Public and private applicants can apply for loans and subsidies from the following support programs:

- EFRE,
- URBAN II,
- INTERREG III

Means of support from the EU cannot be applied for directly from the EU itself, but only within the respective countries. As a precondition, the countries themselves must have corresponding support programs, since EU means have to be cofinanced by the countries (5).

6.1 The Netherlands (6)

6.1.1 National programs

By the year 2004, contaminated sites should be registered country-wide and a plan of measures should be developed.

Restoration of contaminated sites can currently be financed with funds from the public WBB fund (Wet Bodem Bescherming). According to the allocation conditions of the WBB fund, the appropriating agency can grant subsidies for restoration when the property owner has not caused the contamination. The property owner always has to cover a part of the cost himself. The responsibility for realisation of the support measures lies with the provinces.

The appropriation of support means is tied to conditions:

- an urgent need to act exists due to the contamination situation
- the applicant doesn't have sufficient means to finance the restoration measures

Since the second condition in particular offers some material for discussion, the projects have been, up to now, only hesitantly started. The low financial funding is also being criticized.

The ISV Program (Investment Budget for City Renewal) is one of the main sources for financing restructuring measures in cities. The ISV Fund supports the realisation of city renewal measures based on integrated concepts. Restoration of contaminated sites can also be financed in that program.

6.1.2 Programs of the provinces

The provinces Gelderland, Zuid-Holland and Friesland have created their own support programs for restoring contaminated sites. This support is mainly geared toward smaller municipalities, while the bigger cities, such as the province Zuid-Holland, mainly receive state government support. The province Friesland supports the restoration of contaminated sites of the municipalities; Gelderland and Zuid-Holland also grant subsidies to businesses and organizations.

The smaller the percentage that the subsidy constitutes of the entire funding for a project, the greater the chance a business or organization has of receiving a subsidy. In Gelderland, approximately 50 measures were supported up to now.

In some provinces “contaminations that were left orderly”, which remain on old sites after a desired relocation of industry, are being subsidized for restoration.

6.1.3 Other support programs

Restoration of contaminated sites can in some provinces be partly financed from programs that support the relocation of industry from inner-city areas into industrial areas. If the former site is contaminated, the cleanup cost can be defined as a part of the overall costs for the relocation.

Another support program, StiREA, is offered by the economics ministry in the framework of city development support. Support goals of this program are the creation of new “high-quality” commercial areas, as well as the upgrading of already existing commercial areas.

The support can amount to up to 20% of the entire cost. Restoration of contaminated sites can be supported up to 20% of the entire cost under the condition that no other support means are being claimed yet.

The EU supports certain disadvantaged regions with its support programs. The general support goal is to support regional economic development. In this context the restoration of contaminated sites can be supported as the removal of an obstacle to further economic development.

6.1.4 Loan programs

The Investment Bank of the Netherlands (NIB) offers a loan program entitled “Bodemsaneringskrediet van de Regeling Bijzondere Financiering” (RBF) for companies that want to restore sites with a substantial potential for danger. These loans are granted as subordinated loans (maximum two-thirds of the loan), which the state guarantees.

A similar loan program exists for smaller companies (less than 100 employees), the so-called “Borgstelling MKB Krediet”-Programm (BMKB). In this case, the Dutch state guarantees 90% of the loan sum against loss.

6.1.5 Tax agreements

The Dutch Finance Ministry has created two possible tax scenarios for the restoration of contaminated sites:

- “De Voorziening”. This means that a restoration measure that is planned for 2010, for example, can be written off entirely already in the current tax year. The tax savings are realised directly. The existence of an order for restoration from the authorities is a precondition.

- “De Kosten Egalisatie Reserve”. If a company plans the realisation of a restoration measure, then the company can write off the cost at equal yearly rates until the planned execution date. An order for restoration is not required.

6.1.6 Industry-oriented agreements

The SUBAT program is a cooperation model between the state and the mineral oil industry. The ground cleanup of public petrol stations is being conducted by SUBAT at the expense of SUBAT. The owner, if a member of SUBAT, receives a cleaned-up property under the condition that a petrol station not be operated on the site again. Any other activity has to be approved by SUBAT for a period of 10 years.

The program is financed by a charge of 1 cent per litre of sold petrol. In all, ca. 2.100 petrol stations were added to the list. The program runs with great success.

A cleanup is done only to a limited extent, however. Under streets and buildings, for example, no soil is excavated, so part of the contamination remains at the site. This can mean restrictions on use for the owner. When building new buildings, additional restoration costs must be taken into account.

Similar concepts are being worked on for auto repair shops and dry cleaners.

6.1.7 Political developments

To speed up the restoration of contaminated sites and to dispose of the main problems within the next 25 years, the following measures are being discussed:

- Improvement of tax incentives to enable companies that do not have a legal obligation to restore contaminated sites to take advantage of incentives
- More favourable loan conditions for contaminated site restoration projects
- Creation of a contaminated site restoration fund. This fund should play a central role with all support measures

6.2 Great Britain (7)

In England a twofold restoration of contaminated sites is being undertaken:

- restoration and making usable again heavily contaminated sites such as former industrial companies, old deposits and gas works
- derelict site recycling of contaminated and noncontaminated sites

Derelict site in this case is defined as: “Land, which has been damaged by industrial activity or other activity so that a utilization is not possible without treatment.”

Both approaches are integrated in a common policy which has a main goal of making contaminated sites usable again. Restoration of contaminated sites is being accomplished firstly via making it usable again. In this process one tries to establish a balance between the restoration costs and the required protective effect for human health, depending on the planned use, according to the principle “Suitable for Use”.

6.2.1 Contaminated site cleanup

The Environment Act of 1995 devotes a chapter to contamination. It creates the framework for a targeted restoration of contaminated sites. The focal point is the Environment Agency. The duties of the agencies are:

- responsibility for defined “special sites”
- site-specific support of restoration measures
- creation of a national contamination report
- support of technical research projects
- establishment of new guidelines for the prevention of hazards to human health or the environment. The role of local authorities in controlling and containing contaminated sites during the planning process is stressed
- a new definition of contamination, which leads to a significant change of view. The earlier definition was based on potential contamination of previously used sites, while the current definition is geared to the actual existence of contamination with respect to future use. The new definition allows the evaluation of contamination with a risk analysis
- establishing liability principles and legal responsibilities of the involved parties

A fundamental idea of the law is “Suitable for Use”. Public authorities need act only if there are unacceptable risks to human health or the environment, since otherwise enough cost-effective procedures exist for a use-oriented restoration. The law is intended to re-establish trust in the land market. In the early 90s, a proposal for the introduction of a register of potentially contaminated land caused considerable insecurity.

6.2.3 Recycling of derelict land

The recycling of land is regulated by the Derelict Land Act of 1982.

The environmental protection law of 1995 supports the political fundamental principle of sustained development. With its policy, the government tries to achieve sustainability through support of recycling of derelict areas and limitation on the consumption of green areas. This approach is known as “Urban Regeneration”.

It was realised that making derelict areas reusable in cities and municipalities can give a boost to the local, and therefore, national economy. Making land reusable is part of an all-encompassing strategy of renewal which concerns the revitalisation of industry and commerce, social programs, school and vocational education, as well as the health-care system.

Housing construction is one of the key elements of city development. The need for newly created housing until the year 2016 is estimated to be about 4 million units. It is the government’s objective to create 60% of this housing in derelict areas or in restored buildings. The guiding idea for the renewal programs is the term “Urban Renaissance”.

6.2.4 Support programs

In 1993 the national city development agency “English Partnership” (EP) was founded to develop disadvantaged areas. It is the responsibility of the agency to create positive impulses for economic growth, create workplaces, and improve environmental protection through partnerships between the private sector with local authorities and municipalities. It pursues the strategy of triggering private investments with public funds.

In many renewal programs the support measures for restoration of contaminated sites constitute only a small part of the entire budget. Some government support programs are:

6.2.4.1 Derelict Land Grant (DLG)

Derelict land recycling is integrated into local development strategies. The DLG program is administered by English Partnerships. The DLG support program was merged with the “English Heritage” support program and “City Grant Budgets” to create the “Partnership Investment Fund”.

6.2.4.2 Investment Fund (English Partnerships)

The English Partnerships Investment Fund serves mainly to support making land and property reusable. This fund is an important instrument for stimulating private engagement in renewal projects. This is accomplished by a wide array of instruments, such as loans, guarantees, subsidies and joint ventures.

6.2.4.3 Community Investment Fund

The Community Investment Fund helps communities participate in renewal programs that were initiated by English Partnerships. Apart from a general support of community activities, the fund also grants support to vocational education and the creation of jobs.

6.2.4.4 Single Regeneration Budget and New Deal for Communities Initiative

The Single Regeneration Budget-Program (SRB) unites a number of support programs of different ministries. It aims to improve the living circumstances of people in needy areas. The program unites renewal and housing construction on a local level, gives economic impulses and creates opportunities for the creation of new jobs.

The program is well-equipped financially. With that, based on the previous experience of renewal programs, the critical investment mass should be created that is necessary to support sustainable development in areas that are especially disadvantaged.

80% of the financial means is planned for measures in areas that are the most disadvantaged. 20% goes into smaller projects outside the especially disadvantaged areas.

6.3 The Federal Republic of Germany (8)

Public and private applicants essentially may apply for loans and subsidies from the following support programs:

- Structural assistance measures
 EFRE, URBAN II, INTERREG III (EU), Joint Tasks (GA) of the federal government and states
- Loan programs of the federal government
 KfW, DtA loans
- Research and development projects, federal and state demonstration projects
 BMBF-, BMU-, DFG-, DBU projects; special state programs (such as VEGAS, BWPlus)
- Contaminated site support programs of the states
- Urban development support from the states

Means of support from the EU cannot be applied for directly from the EU itself, but only within the respective countries. As a precondition, the countries themselves must have corresponding support programs, since EU means have to be cofinanced by the countries.

Loans from federally owned institutes KfW and DtA must be applied for via a bank.

A great number of support programs in the area of urban development, housing construction and general economic and structural support exist and can be applied to certain projects for the recycling of derelict land and site development.

On a federal level, public support programs are essentially used to stimulate and finance restoration and development projects:

- restoration of contaminated site
- structural assistance
- urban renewal and urban development

Additionally, in some states there are

- cooperation models
- fund models

6.3.1 Federal support programs

6.3.1.1 Joint Task “improvement of the regional economic structure”

With means from the joint task “improvement of the regional economic structure”, community investment in the commercial economy as well as economy-related infrastructure measures can be supported. By including the means from the joint task into state programs, noninvesting company activities to strengthen the innovative power of small- and medium-size enterprises can also be supported, such as counselling, training, creation of human capital, as well as applied research and development.

The single states establish priorities in “regional support programs” for the allocation of funds from the joint task.

6.3.1.2 Reconstruction Loan Corporation (KfW)

The “loan program to finance environmental investments” serves the long-term financing of environmental protection measures. The especially favourable interest rate is fixed for up to 20 years and is thus a safe calculation base for the borrower.

Investments in Germany that contribute substantially to improving the environmental situation are eligible for this support. These are measures (amongst others)

- to remove existing ground and water contamination
- to avoid or treat waste
- for the protection of soil and groundwater

In the frame of the “loan program to finance commercial investments”, there is

- the ERP reconstruction program for the new states

All investments in the new states and east Berlin that require long-term availability of capital can be supported. Investments that serve to create and secure jobs in eastern Germany as well as for the construction, takeover, expansion, changeover or basic rationalizing of companies, are eligible for support.

- the ERP regional program for the old states

The ERP regional program is addressed to investors in structurally weak regions (GA support regions) in the old states. All investments in the old states and west Berlin, from the areas of the joint task “improvement of the economic structure” that require a long-term availability of capital, are eligible for support.

Investments are supported that serve the creation and securing of jobs in the regional support areas in western Germany as well as to the construction, takeover, expansion, changeover or basic rationalizing of companies.

6.3.1.3 German Equalization Bank (DtA)

- DtA environment program

Support subject are projects for the avoidance and reduction of environmental pollution that correspond to the goals of the ERP environment and energy conservation program. The measures have to be suited to significantly and lastingly reduce environmental pollution.

- ERP environment and energy conservation program

The German equalization bank grants low-interest ERP means for all investments for the protection of the environmental areas soil, water and air, as well as for the conservation of energy, especially for the avoidance and reduction of environmental pollution. Projects are supported that avoid or reduce environmental pollution and which are in agreement with the goals of the ERP environment and energy conservation program. The measures must be suited to lastingly reduce environmental pollution.

- Environmental protection guarantee program

The German equalization bank (DtA) supports small- and medium-sized companies that have developed innovative and environmentally friendly products in the production and market introduction of those products. The companies receive a combination of a low-interest support loan according to ERP conditions and an 80% risk takeover for investments and startup costs.

With the DtA environmental loan, which is freed from house-bank liability, investments including operating resources are cofinanced to an adequate extent, which are needed to produce environmentally friendly products (consumer goods, production equipment and other environmental technology). A precondition is that these products are fully developed by the manufacturers and ready for the market, and that sustained marketing opportunities exist for these products.

6.3.1.4 German federal environment foundation

The German federal environment foundation was established in the year 1990. It is the goal of the foundation to promote projects for the protection of the environment under special consideration of small- and medium-size businesses.

It is of central concern for the German federal environment foundation to encourage development and utilization of new environmentally friendly technologies and products in the sense of precautionary, integrated environmental protection, and to promote environmental consciousness with education measures about the environment with the goal of a changing behaviour – especially through consideration of small- and medium-size businesses.

Special emphasis is given to the support of environmental pioneers with innovative ideas; cooperation projects between small- and medium-size businesses and research institutions are also expressly wished for. Additionally, projects of institutions, associations and interest groups, which serve a multiplicative function and are thus an important medium for the implementation of research results and technology into practice, can be supported.

6.3.1.5 Exemption according to the environmental framework law

In the new states the possibility has been created to grant an exemption to owners, proprietors or buyers of facilities or lands that are intended for commercial use. It essentially says:

“Owners, proprietors or buyers of facilities or land which are used for commercial purposes or in the framework of economic undertakings, are not responsible for damage caused before 1 July 1990 by the operation of the facility or the use of the land, so long as the responsible public agency in agreement with the top-echelon state agency exempts them from that responsibility.”

6.3.2 State support programs

The federal states have developed their own support programs. Normally in these, funds out of their own budgets are combined with those from the EU structural support to form special support measures.

6.3.3 State development corporations (LEG)

Depending on the federal state, the state development corporations play a more or less important role in the restoration, development and utilization of derelict sites and conversion areas. Especially sites that at first seem to be unprofitable to restore and develop can often only be restored in value if the respective LEGs are ordered by their state to conduct the measures. This is true for publicly owned areas as well as for private sites whose restoration and development are in the public interest.

The activities of the LEGs in this are of varying nature; for example, purchase of the area, participation in a project corporation, closing of a trust agreement, or a non-gratuitous contract for services.

The state development corporations (LEGs) mainly realise urban development as well as spatial planning and residential housing projects. The main stakeholders are generally the states and/or the state banks.

6.3.4 Public-Private Partnership

Models of the public-private partnership come into effect when project corporations with private and public participation are founded for the restoration and development of areas.

Nevertheless an unslowed use of so-called greenfield areas must still be deplored, and with it the low interest in derelict areas.

The term “public-private partnership” (PPP) encompasses a great number of cooperation models between public and private partners and refers to a wide array of public activities, from the development of infrastructure to urban development, support of the economy, development of technology, waste disposal infrastructure, all the way to contaminated site cleanup.

The legal planning framework plays an important role for municipalities in the question of financing an area development measure. Here, according to the BauGB, the following are of relevance:

- urban development measures
- urban development restoration
- urban development contract
- project and development contract

6.3.5 Credit institutions and insurance companies

Credit institutions can participate in different ways in measures for restoration of contaminated sites or development of areas, for example,

- in the framework of granting loans
- as partners in project corporations
- as owners of land
- as project developers (via their own development corporations)

For financing of measures to restore contaminated sites or area development, the applicants have in principle the following possibilities:

- loans in the framework of public support programs
- loans for the financing of restoration and development measures
- loans in the framework of normal business activities (restructuring, new building, etc.)

When granting loans for restoration or area development measures, commercial banks are mainly interested in the evaluation of the risks. The loan-loss risk must be evaluated differently for a classic contaminated site cleanup, for example as part of a protection from danger, than for restoration measures that must be seen as a necessary part of an area development project. While in the first case increasing or unforeseen costs can in some cases threaten the economic existence of the one who has the obligation for restoration, in big area development projects the contaminated site cleanup costs are only one cost factor amongst many which have already been accounted for in the pre-investment analysis before the measures started.

If banks or their subsidiaries in project corporations take part in or are themselves a project's developers, the financing of the project is secured from the outset. If the restoration and development of areas is borderline profitable, then the municipal partners have to evaluate their risk for financing models in the framework of a private-public partnership. The marketing risk is normally not taken up by the banks.

Insurance plays an important role in the financing of derelict site recycling measures and restoration of contaminated sites. It should be checked in the framework of the financing planning already in the run-up to the measures to what extent a financing by third parties can be drawn upon. Thus it must be investigated to what extent restoration measures can be financed partly or entirely through an existing:

- business liability insurance and/or
- water damage liability insurance

The cost of cleanup of contaminated sites are subject to uncertainties. Often the projected cost is exceeded since the estimate of the restoration costs in the run-up to an area development measure goes into the pre-investment analysis, a considerable exceeding of these costs (in regard to the entire cost of the development measure) can threaten the profitability.

Some insurers have for some time been offering new products to cover the cost risk of a contaminated site cleanup. The title of these insurance policies are for example:

- cleanup policy

It takes over the cost that can be expected for a contaminated site cleanup (soil and groundwater cleanup) as well as the exceeding of these costs. This applies to contamination that has not been realised at the time of the signing of the policy, but it can also be used for pollution that has already been discovered. If the authorities should demand at a later point the cleanup of contamination that has remained in the ground (after the restoration), then these costs are also covered by the policy.

Based on an analysis of conditions that is done before signing the contract, the probability of the insured event taking place as well as the financial effects are determined. These factors serve as basis for calculating the premium.

When purchasing land in the course of an area development measure, the cost risk of unknown contamination can be minimized with this policy. If contamination is known and restoration costs can be estimated, then costs exceeding the calculated restoration cost is insured.

- Cleanup-Cost-Cap

The cleanup cost-cap policy offers insurance protection when the actual cleanup costs exceed the calculated cleanup costs. This is based on the condition that the evaluation of risk has been conducted, a restoration plan has been established and was declared binding by the responsible authorities.

The amount of the insurance premium depends on:

- personal cost risk of the insured for minor exceeding of calculated costs
- amount of the covered sum (such as triple the calculated restoration cost)
- amount of deductible
- Select

The select policy offers insurance protection in the case where no or only local contamination is known, but contamination that needs to be restored is newly discovered. With this insurance, for example, the risk for the investor in purchasing a derelict site can be lowered. The insurance premium is calculated into the purchase price.

- Ground insurance

This insurance product provides coverage for contamination that happens after the signing of a contract and covers the restoration cost of future insurance events.

7. The instruments

Generally, the following instruments, some of which must be reformed, are suited to support derelict area recycling (9):

- Selective, directly effective investment incentives, such as subsidies or tax advantages for the investor
Transfer payment in the form of lost direct subsidies or tax incentives, respectively, for investments in or on recycled derelict areas.
- Adapting of regional and structural support
Preference for investments in the inner area, preference for space-saving forms of building, preference for revitalising projects.
- Reform and target-oriented use of municipal fiscal equalization as a steering instrument
For example, specified allocation for an environmentally friendly arrangement of the municipal area utilization.
- Intensifying or introducing information and management instruments
For example, introduction of municipal information systems “derelict sites”, GIS-supported derelict sites/use cadastre, “honest” cost-benefit analysis in the building site designation, counselling of municipalities with the aim of reducing reservations toward derelict site revitalisation
- Removal of enforcement deficits in state, regional and zoning plans
For example, according to BauGB: soil protection clause, outer area protection, obligation to adapt the zoning plan to the goals of spatial planning, restrictions on the possibilities of outer area charters
- Property tax reform
No more taxation according to standard values; instead a taxation with the objective to reduce sealing (for example, use-specific)
- Reform of the support for building of housing
Reversal of the current practice of preference for new housing compared to used housing
- Introduction of actionable municipal designation and building rights
Such as certificates, area utilization vouchers

A relatively new financing instrument, which offers an interesting financing variation to investors, is public leasing (10). Here the purchase of the property as well as the actual building project is financed and organized, for example, from an economic support corporation. A company willing to establish there rents the object for a specified period of time. The rent corresponds to a monthly leasing rate consisting of interest and amortization. The purchase of the object after the leasing phase has been contractually fixed from the beginning. This procedure mainly offers tax advantages for companies wanting to establish and preserves their equity capital. Moreover, the company doesn't have to be concerned with coordination of the building project and can concentrate on its entrepreneurial activities.

8. Financial aspects as an element of the planning process

An essential cost factor are the costs for soil exchange, soil cleaning, disposal of contaminated demolition material, etc. Therefore, in the overall planning of the area, the distribution of the discovered contamination should be taken into account and the new utilization should also be oriented to the existing contamination. The goal should be a long-term use of the surface that is safe, adapted to demand and appropriate through adapted forms of use. Via adapted follow-up use, costly measures for ground cleaning and ground exchange can be avoided or reduced in their extent.

In areas where ground contamination is discovered, nonsensitive follow-up uses should be planned for, such as:

- green areas
- biotopes
- storage for loose materials
- low-speed traffic areas
- parking spaces
- (open) storage halls that are not sensitive to ground settling

Sensitive utilization forms such as

- garden nurseries
- agricultural uses
- residential buildings with home gardens or small gardens
- schools, kindergartens, playgrounds
- highspeed trafficways
- technical installations and buildings that are sensitive to settling of the ground

should rather use uncontaminated or only slightly contaminated areas.

For sensitive uses, subjective aspects have to be taken into consideration apart from considerations that are oriented on threshold values. Reservations held by the public or by affected parties against a project can lead to the situation where a project that is basically possible from a toxicological point of view cannot be realised because there could not be any trust established for the effectiveness of protection and prevention measures.

9. Financial aspects as an element in connection with implementation

Contrary to projects in the "green areas", the financing of an area revitalisation measure is composed of several aspects.

- Financing of the investment (is valid for green area and old site)
- Financing of the removal (only valid for old site)

- Financing of the cleanup of contamination (only valid for some old sites)

Therefore it is often necessary to coordinate several participants or their financial commitment. This entails various difficulties, including the fact that often the previous users and those responsible for whatever is left at the site either do not exist any more or are unable to contribute financially.

10. Affecting the outcomes of the different case studies

10.1 Financing strategy for the projects in the Saarland (11)

The restructuring projects in the Saarland are supposed to be realised within the framework of a statewide industrial history initiative. From 2000 to 2010 altogether about DM 390 million are supposed to be spent.

For the Reden site, DM 60 million are intended. The two other projects, “Fürstenhausen coking plant” and “Camphausen coal mine”, are as single projects only partially enumerated. Thus the maintenance measures alone for Fürstenhausen are calculated to be DM 270.000 annually. The creation of gravel terraces at this site is calculated to cost DM 1.085.000 (12).

An important principle of this approach to economic renewal is: “The financial requirements in the Saarland must be arranged to be financially neutral”. That means that the financial means must be made available by reallocation within budgets or by an appropriate setting of priorities within existing promotional programs.

Essential sources are:

- Means from the structural assistance funds of the European Union, ERF and ESF, including counterfinancing by the state
- Means for city development assistance, environmental policy and assistance for the economy of the state, including cofinancing by the federal government

Additionally, the establishment of a foundation “Industry Culture Saarland” is planned.

10.2 Newcastle - Great Park

The questionnaire section “financial aspects” is not filled out.

In the course of a new development of an open area close to the city centre, in an area of approximately 400 hectares, 2.500 high-quality houses and an 80 hectare business centre should be realised. The entire project is privately financed. The site conditions are good and promote readiness for investment: The location, environment and accessibility of the site will attract modern high technology firms (CIT). There has never been any building work on the site, meaning no problems with contamination, foundations or neighbouring buildings to hinder development. The size of the site will secure investment and provide up to 10,000 jobs, making a significant impact on the economy of the region.

Additionally, contributions from the participating private development corporations for infrastructure, amongst others, are calculated in. The overall value of the contributions to be given by the developers is £23,840,000 (approx. ≈ 36 million) and this is separated into ten categories, each receiving different levels of funding. The amounts vary from over £5 million down to just £100,000 depending on the perceived importance or requirement for investment.

Transport and construction of highways will receive the greatest amount of money, with £5.36 million being spent on new roads, junctions and cycle routes through and adjoining the site. Education receives the next largest handout, with over £5 million being spent on provision of new primary and secondary schools, and the upgrading and expansion of surrounding existing schools to cope with the increased local population. Funding

for creation of the Country Park and conservation of the riverbanks will total £5.12 million, and will protect and enhance those areas of land within the Great Park outside the development sites. Just £1 million will be spent on landscaping and conserving wildlife and vegetation within the development sites, creating a “green” development in both the housing and business sectors.

£2.23 million will go towards building a Local Centre containing shops and services and a Community Hall, with accompanying infrastructure. Lesser amounts will be spent on training local people in building and landscaping techniques, providing affordable housing and conserving or investigating areas of archaeological importance.

The Council were able to secure two valuable concessions from the Developers when negotiating over the plans for Newcastle Great Park. These are the Contributions to infrastructure and the environment, and secondly the unique “2 for 1” agreement securing redevelopment of the urban area alongside high quality, sustainable greenfield development.

10.3 Newcastle - Going for Growth

The questionnaire part “financial aspects” is also not filled in. Questions of financing are considered of subordinate importance, though, since problems are not expected. The developers are only going to invest in areas that are large enough for them to build viable and attractive estates. The area is located close to the city centre so it will attract young people and city workers wanting to live close to their jobs. The sites will have excellent south-facing views across the river valley, making it even more attractive to new home buyers.

10.4 Zuid-Holland Province

In the questionnaire, the “financial aspect” is categorized as decisive. A financing mix of private means and public funding is seen as leading to the goal. As a main financing source on the national level, the ISV program (see 5.1.1) is named.

For the future, European finance means are seen to have greater importance than national ones.

10.5 Leidschendam

Financing aspects play an important role in the realisation of the restructuring project. A financing concept does not yet exist, however. The participation of private partners is considered of high importance. With that, sufficient financial means are supposed to be made available in order to meet the high project goals that were set to attain the highest possible environmental friendliness of the restructuring projects.

10.6 Utrecht

Here the financing aspects are also of decisive importance. The expansion of traffic infrastructure is seen as the central task for the integration and restructuring of the old industry areas. The cost that must be calculated for that is high, however, and the national government refuses public support for this project, since it does not generally see the need for such an investment. One of the key problems facing redevelopment is determining who will pay for particular infrastructure measures, and in what amount.

Although in general the area will become more accessible, not all businesses profit equally from better infrastructure, while others simply don't need better infrastructure. The value of specific measures to individual beneficiaries will require a lot of negotiation to satisfactorily resolve .

The only sensible solution seems to be the allocation of financial means within the framework of a public-private partnership.

10.7 Gouda

Financing questions are of subordinate importance here. In the foreground are planning questions.

11. Recommendations

Public budgets usually do not have the financial capability to equally support all revitalising and restructuring projects. That means that limited financial resources should be used for areas or projects that are not under pressure for development and which therefore cannot be revitalised under purely market-oriented cost-benefit considerations.

In these cases the public authorities can – be it as subsidy provider or as project participant, for example in the framework of a public-private-partnership – take over the role of a sponsor who takes over unprofitable costs in regard to long-term improvement of a site, and who carries the startup risk.

With suitable governmental framework conditions – amongst them tax incentives and financial support for companies, believable guidelines for the sought-after development which are capable of gaining consensus support, as well as an overall trust-supporting project work – a climate that mobilises private investments should be established.

12. Conclusions

The public authorities have the task to create a framework that fits long-term, and effective incentives which make the implementation of a restructuring process possible. Private engagement, especially into investments in follow-up projects, is the basis for a sustainable restructuring process.

Due to the tense budget situation and to the danger of conducting measures that contradict the laws of the market, public funding can only be helpful to give impulses and to make it through dry spells in difficult (partial) projects that are perceived or actually are unprofitable. The thus initiated restructuring process, though, must be carried in the long-term by the participants and concerned parties themselves.

The stimulation of private engagement and the set-off of private investments require, for example, a financial support for the establishment of new businesses, a goal-oriented tax policy, targeted investment aids and a pragmatic policy. The last item is necessary especially in contaminated sites, because old sites that are not under development pressure cannot be revitalised by market-oriented cost-benefit considerations alone. In the restoration of old industry sites, it has proven to be sensible to coordinate the restoration goal and the future use of the site. In this case the public authorities contribute in the course of a pragmatic procedure a “benefit in money’s worth” for the achievement of a revitalising or restructuring project.

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