

ULI Belgium Annual Conference

May 2017



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Introduction

Economic and societal change can create divisions that have the effect of excluding sections of the population, a situation which can be regarded as both wasteful and unjust. ULI Belgium's annual conference looked at the global picture from the urban and real estate perspective and discussed some of the solutions.

ULI Belgium's annual conference, held in May, examined the extent to which "inclusivity" can bring prosperity as cities develop.

In introducing the conference *Building Great Cities: How Inclusivity Leads to Prosperity*, which was held in Brussels' spectacular Tour et Taxis complex, ULI Europe chief executive Lisette van Doorn highlighted one important current aspect of the context for the discussion: the flow of immigrants into Europe and the ways in which these people are, or are not, integrated into the societies in which they settle.

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- Marnix Galle,
ULI Belgium chair

Recent ULI research on mass migration and its consequences for real estate found that there is a strong disconnect in expertise when it comes to refugees and real estate. “Given the theme of ‘inclusivity’ there is an urgent need to share and to collaborate,” van Doorn said.

But refugees are not the only group that is potentially excluded from Europe’s success story. ULI Belgium chair Marnix Galle pointed out that, although the Brussels region is the third richest region in Europe with a large, well-educated population, the region’s “perfect society” is flawed. Unemployment has been reduced in Belgium but is still 17% overall, and 24% among people aged under 27 years.

“This is far too much. We are leaving too many people behind and it is creating a social problem,” said Galle.

“It is better to be living in an inclusive society where people can realise their potential and gain social mobility. It is important that people who are left behind get social mobility and a sense of having a real chance,” he added.

Pittsburgh: from industrial city, to a knowledge based economy

This was the kind of challenge that US city Pittsburgh, Pennsylvania, faced in the process of reinventing itself following the devastating decline of its principal industry, iron and steel manufacturing. People were left behind and were voting with their feet. Tom Murphy, who gave the first keynote session at the Brussels conference, had taken office as Pittsburgh’s mayor in 1994.

“Pittsburgh was an economic basket case 20 years ago - it was economically depleted and environmentally degraded,” former mayor Murphy explained. Previously, 60% of US steel originated in Pittsburgh, “then it didn’t anymore and in 20 years we lost 50,000 jobs.”

The city’s population fell by 500,000 people between 1970 and 2010 and demographically; it became the second oldest place in the United States after Miami, “but not because people were retiring there. When you are losing young people at that rate, there is reason to be concerned,” Murphy said.

When Murphy became mayor the unemployment rate was 18-20% and what followed was “a very difficult and controversial series of decisions that we had to make to break with the past,” he explained. “A lot of people were leaving the region, but a lot of people were hoping the steel mills might start up again,” Murphy said.

That was a vain hope, but the city was not without positive attributes. Murphy and his team focused on the city’s universities, which “had been here for 100 years and hired people that did all this research, but we had not previously thought of them as driving the economy.”

“We realised we needed to think about ourselves in a very different way. Pittsburgh had been a city of unions and big corporations and we needed to become an entrepreneurial city and support people that want to start companies,” said Murphy.

One key obstacle was that Pittsburgh had no venture capital infrastructure and if graduates wanted to turn an idea into a commercial venture they migrated to Silicon Valley or Boston.

“We needed to build new infrastructure based on technology not traditional industries. And we needed to create an entrepreneurial culture and a city that embraced risk taking and supported people that wanted to start companies and needed money”.

Pittsburgh now generates around 30 new companies per year, a roughly \$860m annual investment. The city has attracted well-known hi-tech names such as Google,

which came to the city 10 years ago with two people. The company now has 600 people based in a former Nabisco bakery building where its artificial intelligence unit is working on autonomous cars.

Murphy pointed out that one key to being an inclusive city is secondary education. Although 20 years ago Pittsburgh had the lowest proportion of high school graduates in America, in 2016 its figures were the second best. The city’s business leaders also raised \$250m to provide scholarships to enable high school graduates to go into further education.

“Everything we did was in partnerships, investing public money alongside private money,” Murphy explained.

The city bought thousands of acres of old steel mills and partnered with local developers to transform the sites, putting \$338m of public money into deals which generated \$3bn of private investment over a 10-year period.

“There’s no secret, you just need leadership. It is easy to go with the flow but so much more difficult to imagine a different kind of place. For people with a stake in old place, it is a hard conversation to have.” said Murphy.

Inclusive Growth, City Mindfulness, and the Sharing City

Pittsburgh’s industrial decline had resulted in population loss but the challenge for many of the developing world’s cities is dramatic population increase owing to urbanisation. Alice Charles, the second keynote speaker and the World Economic Forum’s community lead, infrastructure and urban development, reviewed the trends: In 1950 only 33% of the world’s population lived in cities; today the figure is 54%; by 2050 it will be 66% although not spread uniformly, in the developing world this figure will be 90%.



Most of the growth in urbanisation will take place in the global south and three fifths of the population will reside in Asia and Africa. India will surpass China and will soon become the biggest country in the world, Charles told ULI delegates. During the next decade an additional 250m people will move to cities in China and between now and 2050 more than 400m will move to cities in India.

Infrastructure is one of the key aspects that will need to be addressed in order to ensure that these cities are inclusive and is not being built at a rate that will keep pace with urbanisation. Charles pointed out that by 2030 there will be 40% more demand for water than there will be supply. By 2040 there will be an 80% increase in demand for electricity compared to 2010, and the number of road vehicles is set to double.

Charles highlighted Colombian city Medellin as a poster child for transformation. "In essence, what they did here was provide the infrastructure for social integration. In 1992 Medellin was the crime capital of Latin America, today it is seen as one of the continent's most innovative cities."

Key to Medellin's success was its mayor who took a different approach to reinventing the city and worked to connect communities that were not connected. Absence of public transport was a major contributor, partly because extremely hilly terrain meant that standard public transport was not feasible. Instead, he developed a cable car system that

connected the most deprived communities in Medellin with the commercial centre.

"Urbanisation is giving rise to huge rises of inequality in cities, along with growing unemployment, increased numbers of people living in slum dwellings and an escalation in crime as inequalities grow," said Charles.

The response of politicians to urbanisation has been limited, she pointed out. One of the most recent is the United Nations' New Urban Agenda agreed in Quito, Ecuador in 2016. Charles was unsurprised when a show of hands revealed that only four people in the ULI audience had even heard of the New Urban Agenda. "Very little has happened to implement that agreement on the ground," she said.

"How can national governments implement that agreement if they are not coordinating with governments at a city level?," Charles went on to ask. "Creating sustainable and inclusive cities was a principle of that agreement."

How do we create inclusive cities? The United Nations had hoped that inclusive platforms would be developed, that it could leverage civic engagement and its success was to be measured in terms of increased participation.

A project that has demonstrated how participation can be increased is coUrbanise,

which works in three cities in the US: Boston, Atlanta and New York. CoUrbanise provides citizens with access to information and the organisation works with municipalities and real estate developers to create a platform to canvas, as widely as possible, community groups and stakeholders that might have an interest in a particular development. coUrbanise receives information and validates and targets communities to secure as much participation as possible, partly by using technology to reach hard-to-reach groups.

Another path to participation is open data, Charles said. Helsinki has been one of the most successful cities in this regard. By making data openly available people from all different backgrounds are incentivised to find solutions to meet the needs of their city.

Charles said that if managed well, urbanisation can be a major contributor to inclusive cities and that the economic dynamics of cities can create rewards that attract people and foster inclusion. She said that people are attracted to cities by greater social mobilisation and many people often move to cities for the opportunity of freedom of speech.

Cities also provide greater opportunities and access to education for women, the disabled, and ethnic minorities while cultural diversity allows stereotypes relating to gender, religion, disability to be broken down and allows the development of strong networks.

If we want to create inclusive cities, Charles said the first prerequisite is political commitment at all levels of government. But she said one of the main reasons for exclusion in cities is the issue of affordability. "Cities are essentially creating communities for the rich and at a national government level we need to get serious about how we can create tools and policies to address this affordability issue in cities."

Hope SF, a San Francisco-based enterprise is addressing the affordability issue. A partnership between the city and a private developer, it combines the objectives of the city and its citizens with the objectives of the developer in the redevelopment of 2,500 distressed public houses. The project will reinvent a neighbourhood, creating a mixed community with a range of tenures and uses. Central to its philosophy is that elevating the community will act as a catalyst for developments elsewhere.

Affordability is affected by the planning system, which Charles said needs to be integrated and needs to seek influence from all sections of society. She described this as a "pathway to inclusion" and said that planners need to go out of their way to access all of the hard-to-reach groups in society.

Universal access to facilities is also needed and these facilities should be designed to accommodate all ages and abilities. Charles said this makes sound economic sense and pointed to the expense that Japan has incurred retrofitting for its growing elderly population. Spatial planning for inclusion requires planners to design communities that include people of all backgrounds and which provide a mix of tenure and different types of housing within communities.

Another vital ingredient in the pursuit of inclusion is accountability. "We need to hold our leadership at city and national level to account to make them drive the agenda for inclusion," Charles said. "Finally, we need to clearly understand the roles of national and local government."

She said that, for instance, in some European cities mayors have power, while in others this is not the case, so a very clear distinction needs to be made about their respective roles.

The public and private sectors' responses on inclusivity and prosperity

The differences from country to country were highlighted in a panel discussion with Bart Somers, Mayor of Mechelen, Belgium and Pawel Adamowicz, mayor of Gdansk, Poland.

Adamowicz explained that as mayor he finds himself in opposition to the national government. While Poland's national government is more interested in a closed society, said Adamowicz, Baltic seaport Gdansk is open to the integration of immigrants from different parts of Europe. It has already welcomed 20,000 Ukrainian immigrants and was happy to do so, he said. "My city demonstrates openness to the problem of refugees. My country should be open to people who are looking for a better life."

In mitigation, he explained that with such a short history of democracy the country is still developing and it is the first generation born into a liberal democracy.

The tensions are similar in Mechelen where one of the main challenges is organising diversity, explained mayor Bart Somers. The city has 100,000 inhabitants but 138 different nationalities. "Organising that requires a lot of energy because many European cities are not diverse cities, but are like archipelagos in which people do not live with each other but near each other and are segregated, sometimes in ghettos."

In his last 16 years as mayor, Somers has tried to bring people together. "It has a lot to do with economic activity but also with how you organise neighbourhoods," he said.

During an earlier panel session, Jurgen Bruns-Berentelg, CEO of Hafencity, the company behind the eponymous redevelopment of Hamburg's former docklands, explained how the project is creating an inclusive community through housing policy. He said that there is a tendency for urban improvement to be synonymous with "gentrification". But Hafencity's policy is to include different types of housing including affordable and community housing as well as integrating social institutions for the elderly, disabled and orphans. Different types of people are mixed within buildings and three or four different types of housing might be included within one building. However, the exterior design of the building is "tenant blind" so particular users cannot be stigmatised because a particular architecture is associated with them. "This is an important element of social integration," said Bruns-Berentelg. He also said prices had to be controlled to enable a range of people to afford property there and thus to support the process of inclusivity.

AG RE Belgium CEO Serge Fautré added that one aspect that is yet to be addressed in cities is the loneliness that features in modern life, particularly as people get older. He suggested that building apartment blocks with common TV rooms and meeting rooms could address this point. "We need to address issue now to encourage people to move out of their large apartments as age becomes an issue," he said.

SI² Fund co-founder Piet Colruyt said that there is value in social entrepreneurship, starting with such challenges as climate change or the fact that 16% of the population are below the poverty threshold.

"They are always a bit ahead but often operate in a niche," he said. "Those companies that take into account social factors will be ahead. For me one of the basics is that 'social' is the new 'green'."

ULI Belgium Chairman's Dinner – Monday 15 May 2017





Urban Land Institute

Belgium

ANNUAL CONFERENCE
ULI BELGIUM 2017

BUILDING GREAT CITIES :
HOW INCLUSIVITY LEADS
TO PROSPERITY

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ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 76 countries.

ULI has been active in Europe since the early 1990s and today has over 3,000 members across 27 countries. The Institute has a particularly strong presence in the major Europe real estate markets of the UK, Germany, France, and the Netherlands, but is also active in emerging markets such as Turkey and Poland.

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Our members are business leaders, public officials and community builders – the people who develop and redevelop neighbourhoods, business districts and communities across Europe, the US and around the world. Our diverse, yet common purpose provides rich opportunities to engage with people from different disciplines and to deepen existing relationships.

Members encompass the spectrum of experience from students through to revered senior industry figures. They engage at different levels – globally, regionally and locally. Achieving the ULI mission is made all the more possible through their contributions and experience. It is through member involvement and information resources that ULI has been able to set the standards of excellence in development practice.

To learn more about ULI membership, please visit europe.uli.org/join

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