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Public real estate appreciation as a local development opportunity
Davide Ponzini

The question of the reuse of the real estate divested by the Italian State has been at the center of the public debate. The government's current objectives include not only to efficiently manage public real estate properties, but also to seize regeneration opportunities and give impulse to local development, which require further reflections. This paper analyzes the evolution of the policies for public real estate appreciation in the last decade, it then considers an innovative experience with real estate divested by the United States Federal Government to propose hypotheses for the experimentation and research regarding urban and local development policies.

Italy's real estate properties in the Financial Bill for 2007 and beyond

The Financial Bill for 2007 targeted three objectives to the Italian Public Property Agency (Agenzia del Demanio): to rationalize State property management, to generate a revenue for decreasing the State's debt, and to trigger local development through real estate appreciation in the contexts where public properties are going to be converted. Two new instruments were envisioned for these tasks: a long term lease to make private investments economically viable for large renewal projects too, and the Unified Appreciation Programs (Programmi unitari di valorizzazione), which include leases and other urban interventions involving local government properties. In both cases private leaseholders are supposed to finance the renewal of properties and to pay a

lease to the State, in order to appropriate the value added by the new functions given to the estates and by the implementation of related urban interventions. In the Government's vision, once a sufficient mass and shared objectives are achieved, the Unified Appreciation Programs should give impetus to the development of specific urban contexts. The Financial Bill for 2008 included other measures to potentially provide local governments with substantial investments these programs could locally require, and to stimulate the private sector. The information acquired by the Public Property Agency through the census of 30.000 properties and the recent financial measures seem to be the first step in achieving efficiency. This paper focuses on the third objective of considering the State's properties' appreciation as an opportunity for local development, in particular regarding culturally significant real estate.

The State's properties in the privatization of cultural heritage

The study of the political and normative path of the current programs relates them to a broader process of privatization touching the Italian cultural policy sector, and highlights their innovations. The reasons why the Italian Government started to introduce private forms and actors in the heritage policy field, partially depended on the financial needs of an enormous heritage to be preserved and managed and partially designed for the necessary reduction of public expenditure while being part of the European Monetary Union. In the 1997-2006 period the Italian Government undertook several initiatives for privatizing cultural heritage, not consisting of the mere substitution of the

public actor (e. g. owner, manager) with a private one. The process of privatization has been a gradual and differentiated introduction of actors, interests and objectives coming from the private and nonprofit sectors in the cultural policy field. This paper focuses only on the alienation and securitization profile.

The Government introduced the possibility to alienate the real estate owned by the State and the Regional and Local Governments, also including the ones of artistic and historical interest (i.e. cultural heritage). These policies were unsuccessful because of the inadequacy of information regarding patrimony and the absence of a sole public body accountable for real estate management. In 1999 the Government created the Agency of State Properties to provide the information about public real estate assets and for their management, appreciation and alienation. In 2001 innovative financial mechanisms were introduced. The auction sale of several assets of cultural interest was initiated. Although the first cases raised critical questions concerning their legal aspects, the private sector started to absorb small parts of State-owned cultural heritage. In 2002 the Government also created Patrimonio Incorporated (Patrimonio Spa), with the mission of alienating State-owned assets. After a harsh debate in which national and international civil society and cultural sector members took part, the President of the Republic asked the Prime Minister to ensure that the patrimony appreciation would be coherent not only with economic efficiency but also with the values related to the proper finalities of the cultural public goods and the common heritage of the Country.

The cooperation with the Superintendences of the Ministry for Cultural Heritage and local governments seemed a crucial point for the effectiveness of privatization. For this reason the Ministry of Finance envisioned specific project mechanics to foster urban regeneration and real estate appreciation related to privatization, to set win-win games and local compensation through public investments. In 2003, the Government introduced a 'silenzio-assenso' procedure, where the Superintendences were asked to quickly verify the cultural relevance of the assets to be alienated. If the Superintendence did not answer within a set time period, the public assets could migrate to the private sector. The Ministry for Cultural Heritage expressed his dissent. The procedure was never applied. The revenues derived from the alienation and securitization of cultural heritage were well below the Governments' expectations. The path of these programs revealed critical elements regarding the coherence and the adjustment of the initiatives, the crisis of legitimacy and the association with urban regeneration and development policies. The current program differs from the past mainly because the real estate property will remain public, since alienation and securitization will be limited and could be adopted *à tantum* according to the Excessive Deficit Procedure applied to Italy. The choice to couple public real estate appreciation and local development policies could legitimize the program and establish cooperative relations with the cultural heritage institutions and the local governments. The operative aspects of this perspective are crucial for its effectiveness but their

understanding could not be deepened by considering the Italian context only.

The Presidio Trust experiment in San Francisco

In 1994 the military base of the Presidio in San Francisco was closed and devolved to the National Park Service. In order to handle the inefficient public management of the Presidio, a nonprofit Trust was established by Congress in 1996. This unique and innovative solution allowed the federal government to keep the ownership of this National Historic Landmark.

The Trust has the mission to preserve the enormous cultural, historical, natural and scenic assets owned by the Federal Government. By rehabilitating managing and renting or leasing the real estate properties, the Presidio Trust yields the revenue to feed the regeneration of the area and the cultural activities.

This organization has a mandate for financial self-sufficiency by 2013.

The statute of the Trust allows the combining of public and private funds in fulfilling the preservation and cultural mission, the establishment of strong cooperation with the Golden Gate National Park and the partnership with private real estate operators, which is essential not only to market the leasing, but also to develop the projects of rehabilitation of the buildings. The leasing is now funding operations and long-term maintenance. This mechanism allows the trust to maintain high efficiency in the management of the cultural offer. The organization already reached the break even for its operating budget.

In this urban area, publicly owned real estate properties can be managed by a nonprofit trust devoted to historic heritage preservation. The Trust is

supported by real estate revenue, and can operate through a significant partnership with public, nonprofit and for profit subjects inducing local development. These virtuous mechanics of a single organization generating and capturing positive urban effects can to give suggestions to the Italian case but they cannot be taken as a model to transfer because of relevant differences in the urban planning system, in the real estate market and operators, and in the nonprofit sector.

Nonetheless, it can be useful in outlining hypotheses for combining public real estate appreciation and local development in Italy.

Conclusion

The appreciation programs, if limited to the definition of new functions for public real estate to be renewed, probably will not be able to trigger relevant development projects. The 'territorialization' of the projects seems crucial to highlight the contextual economic activities complementary to cultural offer (real estate market, tourism, retail) in order to drive the positive externalities generated by the renewal. Similarly to infrastructural and landscape programs, the Unified Appreciation Programs could coordinate different actors (with necessary competences in cultural heritage preservation and land use regulation) in legitimate local development programs combined with the creation of public-private organizations. These organizations could capture the value added by the urban renewal and the localization of economic functions complementary to the new functions and reinvest it in culture and to foster local development. Furthermore, it is not clear what part of the real estate

revenue will be used for financing cultural and local development programs or for lowering the State's debt. In the current phase, further experimentation and research seem required.