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Generating private co-investments in area-based urban regeneration: Lessons from Denmark

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Abstract

In recent years, public-private collaboration as well as private co-investments has been intensely promoted in Danish area-based urban regeneration policy and programmes. The paper will discuss to which extent these ambitions have been full-filled, and what has actually attracted private investments to the urban regeneration areas. The paper is based on evaluations of the Danish area-based regeneration programmes, as well as research on private investments in selected urban regeneration areas.

Our research shows that area-based urban regeneration in average generates private investments a factor 5 times higher than the public investments in the areas, in terms of urban regeneration subsidies. Private investments, however, might cover different property investment strategies: 'Passive management', 'active management' and 'development'. We suggest that for the urban regeneration areas, development is more interesting than other types of investment strategies, but our studies shows that this type of investments are generated by efforts from specialised developers. The question is what municipalities can do to attract such developers and investors. Case studies shows that developers have little knowledge about urban regeneration, and that developers own networks are more likely to lead them to the urban regeneration areas, than knowledge of the urban regeneration itself. Compared to international research on private investments in urban re-generation (Adair et al, 2007; Nappi-Choulet, 2006; Guy & Henneberry, 2004), we therefore argue for more focus on the institutional context's role for attracting small-scale investors to the urban regeneration.

Key words: urban regeneration, private financing, developers, investors, public-private cooperation

Introduction

Since the turn of the Century there has been a continual and growing interest in increasing the contribution of private investors in Danish urban regeneration. The experience of the 1990s and earlier decades was that poor efficacy, counter-productive incentives and extraordinary high costs characterised the traditional urban regeneration model in Denmark. This was contrasted by the situation in many other European countries that had succeeded in efficient mobilisation of private capital as alternative or supplement to public finance in urban renewal and housing renovation (Andersen and Leather, 1999). Consequently, there has been a political push for change in Danish urban regeneration and it has been an explicit policy objective to increase the share of private funding in Danish urban regeneration. Hitherto results in terms of a rise in private sector funding of urban renewal have been relatively few, despite a number of central government attempts to regulate investor behaviour such as cuts in public subsidy and publishing of guidelines to local governments on how to plan for private sector investors and attract private sector finance. Nevertheless there are a number of cases in which local governments successfully have facilitated the active involvement of private sector actors. To the extent that this has been a success, for example measured in terms of actual private investments in urban regeneration areas, it appears much more to happen by coincidence rather than being the result of a deliberate planning and networking effort.

In the existing body of literature deficient private finance in urban renewal is primarily examined from the view that financial considerations and economic incentives are decisive (Adair et al, 2007; Nappi-Choulet, 2006; Guy & Henneberry, 2004). In this paper we propose that also non-economic factors may influence private investors' decisions and that an organisational interaction perspective provides useful tools to shed light on the role of private finance in urban regeneration.

Background

The overall context of the analysis is publicly generated urban regeneration. Whereas urban regeneration is partly or entirely left to market-based actors in many countries, Denmark has a long tradition for public regulation in the field. Until the end of the 1990s urban renewal policy primarily concentrated on housing refurbishment of single buildings or groups of buildings in the bigger cities. The effort was focussed on installation of toilets and bathrooms in the oldest part of the cities, repair and improvement of windows, roofing and other elements relating to the building shell as well as conversion of small, dated apartments into bigger family dwellings. However, mainly as a result of inspiration from the UK, the Netherlands and other European countries, a series of large-scale experimental programmes of area-based, integrated urban regeneration were initiated in the last part of the decade and this paved the way for a substantial reform of the Urban Renewal Act. The area-based approach as well as the inclusion of a range of non-physical components in the urban renewal toolbox, for example employment programmes, cultural and youth activities, crime prevention and social policy elements, were included as legitimate means in local governments' urban renewal policy. At the same time the role of private finance in (public) urban regeneration was moved into a more prominent place and this was firmly encouraged as central government finance to local government was reduced substantially. Following another reform in 2004 an area-based neighbourhood programme can now be granted up to DKK 10 million (euro 1.5 million) provided the municipality itself invests the double amount.

Research shows that Danish area-based urban regeneration programmes have generated immense private investments, primarily from local property owners, but also from external developers (Jensen, 2003; Jensen and Storgaard, 2008). A survey amongst property-owners in urban areas with urban regeneration programmes asked about the investment they have made to their property during the period 2000-2006, and how much of these investments, they believe stem from the regeneration programme. On average, owners said that 15 per cent of the funds, which they in the period 2000-2006 had invested in their property, were due to the on-going urban regeneration programme. From this, average generated private property investments generated by urban regeneration can be found. Overall, this study showed that the different property owners in average invested five DKK. (0.6€) in their property, every time one public DKK. (0.12€) was invested in the urban regeneration. Spin-off from the public investments varies according to the type of area where the programme took place; in larger cities the spin-off accounts for a factor six, whereas in smaller towns the private spin-off is a factor four (Figure 1).

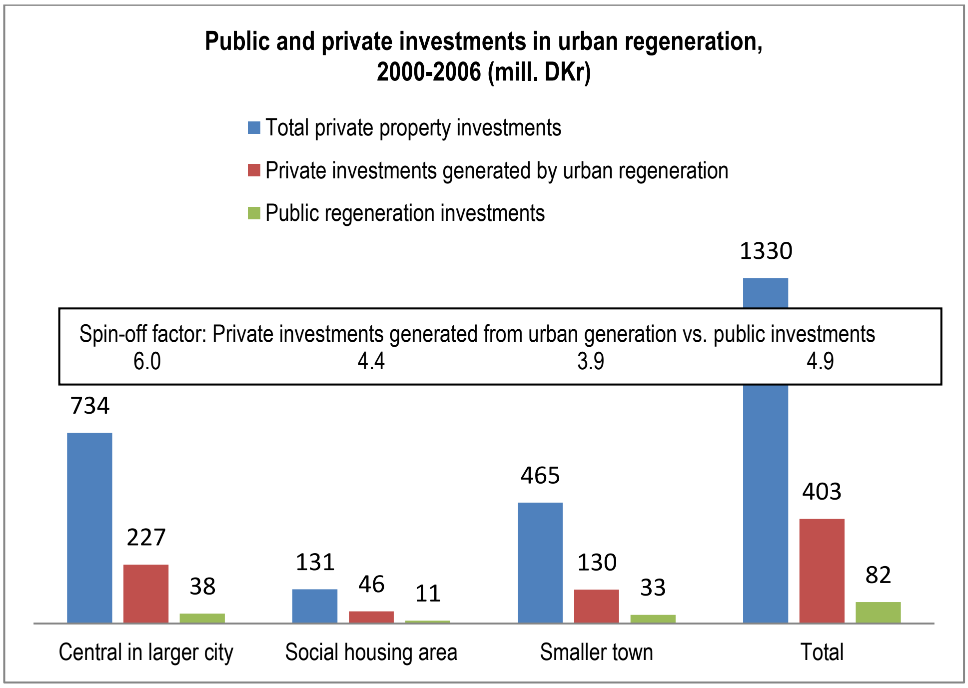


Figure 1. Public and private investments in urban regeneration, 2000-2006, distributed in different types of urban regeneration areas (Jensen and Storgaard, 2008)

There are big differences between owners on how much or little you estimate that the urban regeneration has affected investments in their own property. For example, social housing departments' estimate that urban regeneration attributes to 30 per cent of their property investment, which is twice as much as for owners in average. The survey also showed that a large proportion of the private investments were spent on internal improvements of homes and offices (figure 2).

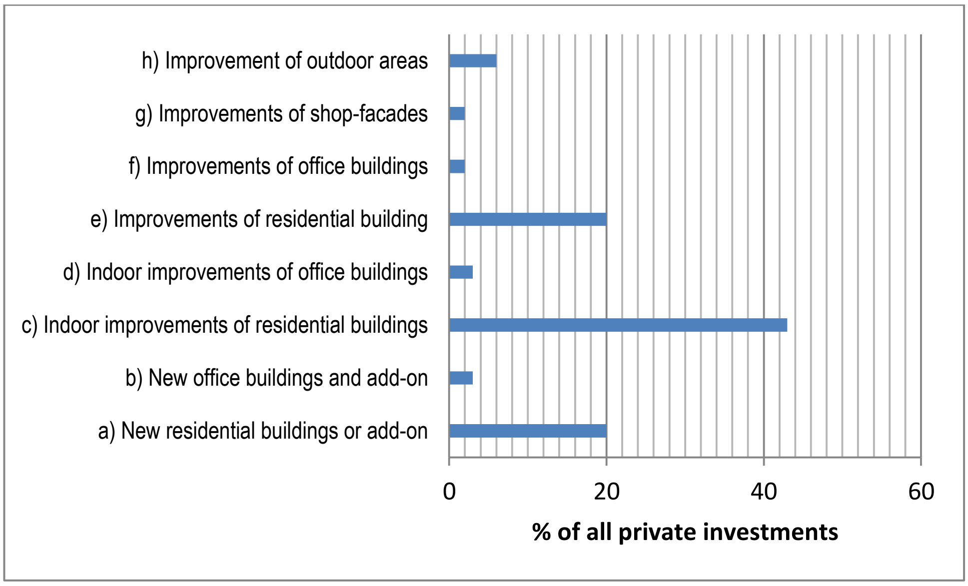


Figure 2. Type of private investments in urban regeneration, 2000-2006.

As opposed to the mainly smaller investments in maintenance and refurbishment, external private investments can enable large and strategic investments that add new functions and qualities to the area, and sometimes contributes positively to the overall urban development. However, we believe that there is a large potential for municipalities to become better at attracting private investors and developers, as the present knowledge about the motives and backgrounds for the developers' engagement in the urban regeneration is very limited.

Research problem

Private investments in the Danish urban regeneration programmes have mainly consisted of small-scale maintenance investments and only to smaller extent investments in large-scale strategic development projects, such as conversion of brown-field areas, including for instance new types of functions and facilities in the area or introduction of small-scale business in dwelling areas. These types of conversions are often complex due to a number of different actors involved (land owners, neighbours, municipal departments, investors, local business, interest groups etc.) and physical challenges (infrastructure, contamination of land etc.). Thus, there is a need to throw light upon such projects, in order to learn what actually made these project developments happen, what motivated the investors and what role the urban regeneration played.

Since 2004, it has been mandatory for the municipalities to undertake an 'investment analysis' prior to the urban regeneration programme, in order to prepare them to involve private investments. Research however indicates that the investment analysis has had little effect, but has instead been received as another bureaucratic burden imposed upon them from the state (Engberg, Larsen and Rohr, 2008). Instead of an institutionalised approach we believe it is necessary for the municipalities to improve their understanding of developer and investor behaviour, and to reflect on possible ways to attract and collaborate with private investors. As a part of the collaboration, our hypothesis is that private developers offer competences on collaboration with different types of actors, including land-owners and investors, but the municipalities are not sufficiently aware of its existence. Eventually, this might result in potential strategic private investments are not being realised.

Methodology

In order to study what motivates individuals to invest in urban development and urban regeneration, a number of urban areas with area-based urban generation programmes were selected for closer scrutiny. In each of the areas, a number of private initiatives and private investments have taken place, according to the local municipal planners. Based on a previous study of app. 20 areas with urban regeneration programmes (Jensen 2003), eight urban areas were selected for in-depth analysis in case studies. The primary selection criterion for the eight cases was the actual existence of one or more privately financed ‘strategic’ projects (as opposition to private investments in maintenance and rebuilding activities). The case studies included interviews with private developers and investors, as well as urban planners and other relevant actors. Within these case studies it was particularly examined what motivated investors and developers to engage in the project, how knowledge of project prospects was acquired, in what ways collaboration with local government planners was facilitated, how interaction between different stakeholders was organised etc. Case studies also encompassed enquiries into the economic considerations related to the projects.

The case selection concentrated on projects that were already finalised or nearly so in order to be able to assess the outcome both in terms of hard investment data and soft data regarding collaborative and communicative experiences from the projects. Finally we have used data that we collected during a general evaluation of the Urban Renewal Act (Ærø et.al. 2008; Jensen and Storgaard 2008, Engberg, Larsen and Rohr 2008). These encompass results on investments and investor and developer behaviour in relation to urban regeneration from a survey addressing public urban renewal planners in all municipalities in Denmark. In the following we will present the main findings from our study, including two case studies.

Investment decisions

Whereas planning and implementation of urban regeneration projects to a large degree is commissioned to private market-based planning consultants and refurbishment contractors, there is a much more limited cooperation between public and private actors when it comes to financial issues in urban regeneration. Generally, there is a tendency on the side of public policy makers to perceive the private investor side as an unvarying and uniform population of more or less identical entities. In reality private sector investors are naturally heterogeneous and operate differentiated strategies and any attempt to initiate cooperation should take this into account. Some private sector financial operators make use of relatively passive investment modes, while others operate a very active investment strategy in new property developments.

Nevertheless there is not fundamental difference between the decision criteria in urban regeneration compared to other property investment opportunities. Maximising the return from the invested capital is the prime goal and whenever uncertainty increases beyond a certain threshold other investment alternatives will appear more attractive. Risk and uncertainty is one of four equally important factors: Capital appreciation (investor demand), rental growth (occupier demand), perceived level of risk and finally the quality of the development (Adair, Berry, McGreal, Deddis and Hirst, 1999).

In line with this some previous studies of investor patterns and motives indicate that non-financial factors may be as influential as purely economic considerations, when private investors decide whether to finance urban regeneration projects (Doak and Karadimitriou 2007). Seen from the point of view of urban planners in local government this is good news in so far as other factors include some that actually can be more directly influenced by public policy. Such non-financial instruments to advance and attract an increased flow of private sector finance into urban regeneration include both costly public investments in for example infrastructure and principally cost-saving measures such as reform of existing bureaucratic procedures (McGreal, Adair, Berry, Deddis and Hirst, 2000). Guy, Henneberry and Rowley (2002) suggest that on the side of public authority there is a general neglect of potentially important investor contributions from actors other than the big traditional investor groups. Therefore the potential of for example local investors is easily overlooked. If both public sector planners of urban regeneration and private sector finance interests are restrained by lack of ability to identify and acknowledge joint development and business opportunities it indicates that there exists no institutions or means of regulation and communication in the broadest sense through which collaboration can be mediated.

Differentiating investors

Investors are many and various, both in relation to their return-focus, time-scale, risk-willingness, and preferences as regards geography and types of buildings (Carmona, 2010; Buch & Møller, 2006). According to Buch & Møller (2006) we can generally outline three strategies for property investment:

- *Passive management (core)*: Little risk, small but safe return. Property of high quality and good location
- *Active management (value-addded)*: Limited risk. Realising potential values on the property
- *Development (opportunistic)*: Large risk, shift in the function of the property, potentially large return

The principal difference between development and passive management is illustrated in figure 1. Where the developer takes higher risks compared to passive management, he also has a potentially higher return rate as well as a shorter time-horizon. When the developer has developed a project (i.e. minimized the risks), it is typically traded on to investors with active of passive management perspective (Buch & Møller, 2006).

Figure 1. Value and risk in a property development project for developers and end-investors (Buch & Møller, 2005)

In relation to urban regeneration, 'development' is naturally the most interesting strategy, as there is typically need for shifts in functions, for instance developing empty buildings, or by completing new buildings with services that were not present before in the community. Investors have been criticised for being risk-averse, profit maximising, focusing on core development and paying no attention to the built environment , resulting in 'islands of development' (Guy et al, 2002, p. 1187) and not contributing to a real development of the urban fabric. This, however, mainly concerns institutional investors. In relation to urban regeneration, we should be looking for other types of investors and developers. In a Danish context, urban regeneration focuses on ‘disadvantaged’ neighbourhoods. This category, according to administrative practice, includes three main types of areas: areas in larger cities, areas dominated by social housing and areas in smaller cities. External investments from e.g. institutional investors are rare in such areas. Instead, potential investors in development projects in areas outside the larger cities are local and risk-willing, such as smaller investor-groups, one-man investors and local owners (Buch & Møller, 2005). These investors are drawn to the areas by developers being specialised in project development outside traditional markets in larger cities. In these areas risks are higher, but so are potential returns. For our studies of private investments in urban regeneration projects, we have found several examples on this type of developer-investor relation operating in the areas. These investors to some extent resembles what Guy et al characterises as ‘the independent developers’, working in ‘the shadows of mainstream developers’ (Guy et al, 2002, p. 1191), being willing to recognise local variations and qualities of buildings and neighbourhoods, and transforming existing (primarily abandoned) buildings to new uses.

Interviews with these developers reveal a strong recognition of knowledge about local qualities, and a lot of work put into finding and testing these qualities. Many developers also spend much time on their own to visit different towns and places to collect knowledge about investment opportunities. As expressed by one developer:

“*To collect knowledge about the area, you enter the local grocery or the kiosk, or you meet people leaving their front door: what do people think about the area, what do they think about the pub at the corner, are the houses too old etc…*” (developer)

Several developers claims that in the larger cities you don’t need the local knowledge to the same degree as in the smaller cities where there might be local variations you should be aware of – and, as a rule of a thumb, that the smaller the cities, the more local knowledge is required. Developers have, however, little chance of personally surveying all possibilities for development activities, especially land, sites and properties for sale. The developers need the 'local eyes' to suggest possible development projects. Most developers we have interviewed got engaged in the project through a tip from a local actor, for instance on a site or a property for sale. Each developer has a widespread network of real estate dealers, surveyors, architects, civil engineers and others. Thus, the developers own networks are more likely to lead them to the urban regeneration areas, than knowledge of the urban regeneration itself.

Developer competences

The Danish discussion on public-private co-operation and private generated investments in urban regeneration has so far focused on the investor. However, our study shows that the developer is often a more central actor for the development of brown-field projects. The added value from development implies ideas and visions for new uses of existing buildings and areas, which could appeal to new users (Buch and Møller, 2006). The investor is in many ways a more peripheral person or institution, which is not necessarily present in the process or on the site, but can respond only to a prospectus prepared by the developer. The investor will typically primarily be interested in how much return can be achieved compared to other types of investments. External investors will rarely have local interests, or see further development potential for themselves. It is the developer who must convince investors that the project is worth investing in. In order to establish such a possible investment, it is necessary to include contracts with future tenants, option on the land, authority permits and agreements with a number of actors in the local area is part of the developer tasks and competences. The developer is the one to take initiative and assume the financial risk for the project (which is matched by an equal gain if it goes well) until it is sold to an investor. The investment is not just a property, but a package of related contracts, making it possible to implement the project. It is the developer who is to negotiate these contracts in place with the right people, including former and prospective owners as well as possible future tenants. In addition, agreements with other owners in the area, for example, if there is a project to determine that several basic bought, and agreements with the municipality, who will provide a building permission and prepare a local plan for the area. Our case studies show that behind many private investments in the area-based urban regeneration there is a development process, where a developer has been active on establishing a vision of a project and convince investors to invest in it. Private investments do not happen spontaneously; there is ample evidence that developers possess crucial competences in relation to the urban regeneration processes, for instance to establish a shared vision of a neighbourhood amongst different local actors involved, to negotiate with private as well as public parts, and – most importantly – to 'sell' the project to the right investors. Developers often work with different investors, who have different strategies and preferences. As stated by one developer, a large sensitivity is necessary in selecting the ‘right’ projects for the individual investor:

“*When we say that ‘We have a project that fits your strategy’ it is really a project that fits the managers taste….when you work in this business, you have to know how the single managers think. It is very emotional. You have to know, that if it is this guy you need some teak wood and stainless steel. You need to have than in the back of your head to sing the song right*” (developer).

In order to develop a project with a number of different actors involved with contrasting views and interests, the developer needs certain skills and competences. These include to identify the development projects, and to complete them in a way so that" *…all the actors involved feel they have won*" (developer).

The professional developers are very aware about their network and their reputation, both in relation to the owners who want to sell their property, and the investors. For the developers it is crucial that the investors have confidence in your development projects. Often, developers could sell much more projects to the investors, but only for a short period.

> *"The day you come up with something that is not a good investment, you are done in the industry" (developer)*

Investors, for instance institutional investors, talk and communicate with each other, they compare return on investments for different projects, and they soon will identify the project that fails to deliver the desired return. For the developer, the relation to the investor also is a matter of knowing the preferences of the investor. This requires good knowledge about the different types of investors. A good relationship between the developer and investor therefore implies that the developer only comes up with projects to the investor that he knows that the investor likes - otherwise you would not have brought it up.

The developers' relation to the municipalities is often complex. On one hand, developers typically find the municipalities slow and bureaucratic, suspicious towards developers and often intervening in details that they know little about. One the other hand, the developer needs support from the authorities to accept his project, and perhaps to allow a more intensive use of the site that prescribed in the local plans and municipal master plans, and to be generally supportive towards the project. One example on how to handle this dilemma is to contact the political level first to get support to the project, and secondly to go through the 'usual' process, starting with a building permission from the department, to pay respect to the political system.

> *"You must not bypass people, it only gives you enemies…. As soon as you have sensed the political will, you should start on the floor" (developer).*

The slowness of the municipal process is however difficult to understand for the developer, and also difficult to change or influence. Often this process takes two years, and the developer who has invested large sums in the site can do nothing but wait. In the best case, he might get be able to make an agreement with the owner to buy the property only when the local plan has been made, but this is rare.

Looking closer at the wide variety of private investments generated by the urban regeneration, it is clear, that it is not just the professional developers who carry out this 'developer function'. Behind the privately financed initiatives, there is often an extensive development effort, but often carried out by different actors, in negotiation with different types of investors, from local residents in housing departments that agree to pay a higher rent for their dwelling, to institutional investors that hope the investment in, for instance, a commercial centre will give a reasonable return rate. The table below outlines different developers and typical investors being present in the urban regeneration process.

Private project developers	**Typical investors**
Homeowners	Equity, banking and credit union
Private rental housing	Equity , residents (rent), Property-owners Investment Fund (loan), banking and credit (loans and credit union
Social housing departments	Residents (equity , increased rent), Local Housing Department, National Building Fund
Shops, services, industries	Equity, banking and credit (loans and credit)
Local associations, entrepreneurs and 'fiery souls'	Funds (local, national), authorities (including Ministries and the European Union), various donors (individuals, businesses, etc. who contribute through collections)
Professional developers	Equity, smaller investment funds (for instance 10 man-projects), banking and credit union, institutional investors, future owners and renters (housing, shops, business, etc.)

Table 3. A typology of developers and investors in the urban regeneration

In the two following case we will illustrates how different types of developers and their competences have enabled massive private investments in relation to in two Danish urban regeneration programmes.

Rosenbæk-area in Odense: The developer as a mediator for private investments

The Urban renewal of Rosenbæk-area in Odense demonstrates how the involvement of a private developer in the early stages of the process not only saved the project from an early death, but also fuelled the involvement of other local owners. The urban regeneration has turned the block into a 'hot-spot' in Odense, the third-largest city in Denmark.

Before the start of the renewal project in 1999, the Rosenbæk- area suffered from a number of problems; the shared spaces inside the block consisted of a mess of different parking spaces and a number of worn out buildings. Due to the central location in Odense, the municipality had for many years wanted to change the development in the block. One major problem, however, was the plurality of different land-owners in the block, making a change of the common spaces difficult, as it requires a shared understanding and a mutual trust amongst the owners for initiatives to change the block.

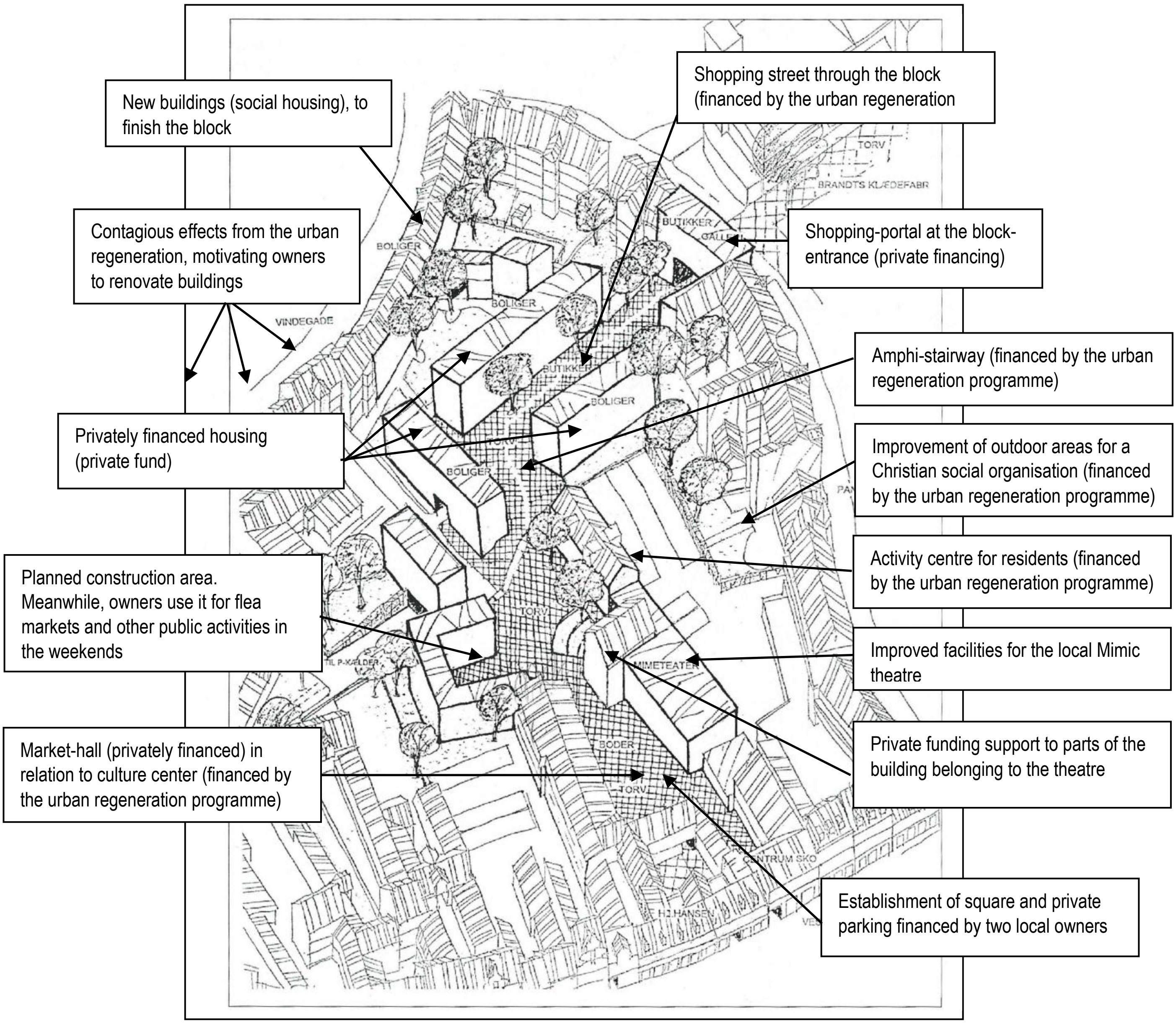
When the first national programme for area-based urban regeneration was launched in 1998, it gave the municipality an opportunity to find financial support for a development process. The budget on app. 2 mill. €, financed by 1/3 from the state and 2/3 from the municipality of Odense, included a number of initiatives to improve the spaces and public facilities in the block, but also required cooperation from the local land-owners. In the initial stages of the renewal process two important incidents shaped the conditions: Firstly, the initial attempt by the municipality to involve local stakeholders failed, as the local owners refused to join the renewal process, making it virtually impossible to change anything in the block. Moreover, they found it difficult to grasp the idea of the urban regeneration, and how it might be a benefit for them. Secondly, one of the largest land-owners in the block, who had earlier refused to participate in any development plans, wanted to sell his land. The municipality could not afford to buy it, and it was bought by a small local developer (an architect), who for some time had known about the plans for the block. The developer was interested to use the possibilities in the urban regeneration programme, and was motivated by an offer from an external investor to build a dormitory in the block.

After the municipalitiy's failed attempt to involve the local landowners in the plans for regeneration, the developer started to negotiate with the owners. Being a local landowner with the same interests and understanding of property economics as the other landowners, the developer managed to get support for the plans, and to understand the possible benefits of the subsidies.

> *“We got into the process 5 minutes to 12 – it was almost dead when we got there…. we told the other landowners, that 1.5 mill. € might not be a large amount of money, but still it's better than nothing, so why not use the opportunity to grab the money?”*

The negotiation process with the landowners, the municipality and the investors was long and complex, and if one of these actors has rejected to participate, the regeneration programme project might have ended. Interviews with the developer and other actors involved shows how the developer negotiated and eventually convinced the other actors about a shared vision for the block as a whole, and for the individual projects in the block.

Planned and completed projects in the Rosenbæk-block in Odense. Several projects are privately financed, and all affected by the urban regeneration programme for the block.



Along the process, a number of quality shops have established themselves in the block. This was especially fuelled by one of the major landowners, a company selling gourmet-food, who decided to renovate an old storage building and turn it into a gourmet-market where regional food-producers could sell their products to visitors. The renovation of the pedestrian spaces, including pavement, squares, lights, benches and so on, financed through the urban regeneration programme, was an important part of making the whole interior of the block more attractive. Another important element of the plan was to preserve a local mimic theatre that would support plans for establishing a cultural image of the block. Other privately financed activities in the block include a 'luxury' flee market, the renovation of a local theatre, and a number of local owners rebuilding existing storage buildings for housing (counting around 25 buildings).

These initiatives have, in combination with the gourmet market, the new buildings and the renovated public space, turned the Rosenbæk area into a highly valued area in Odense, which the municipality assesses as being a central part of branding the municipality. There is no exact overview of the private finances generated in the process, but a conservative guess is around 40 mill. €. In relation to this the public finance on 2 mill. € had been very limited, but never the less the urban renewal programme has been crucial for the process. The problem of attracting private capital to the urban renewal was not a lack of private capital, but to establish a framework for the different actors to participate in, and to have a mediator between the different actors.

Nørrebro in Copenhagen: Private investments in street renewal

In this case we will illustrate how the 'developer' function can be filled out by a non-professional local institution, with local housing associations as investors.

In several parts of Copenhagen there have been area-based urban regeneration programmes. One of them is Nørrebro, a dense former working-class area from 19th century, now populated by mainly low-income groups such as immigrants, students and elderly. As a part of the regeneration programme, a financial support was granted for investments in street-spaces (for instance street equipment as plants, benches, pavement, lightning, art and other). This was taken up in two streets in Nørrebro, which eventually resulted in large private co-investments in the improvements of the local street-spaces. The managers of the urban regeneration see these projects as some of the most successful, in relation to private engagement and co-investments.

In one of the streets (Søllerødgade), a total of 6.7 mill. Dkk. (app. 0.8 mill. €) was invested in improvements of the street-space. This included parking facilities for bicycles, planting of trees, new benches, improved parking facilities for cars, changed traffic rules in the street, and alternative access for vans to the local supermarkets. Moreover, architects were hired to outline a proposal for street-space-art and specially designed street-lights. Of the total amount, more than 50 per cent (3.5 mill. Dkk.) was paid by local private housing associations. This is a very high percentage of private investment, especially as it is a shared public space with a number of different users. The large private investment was primarily possible because of the efforts from a local ' street-beautification association', who established a 'road-show' to promote the vision for the local street-space, including the various projects. The association went around to the different general assemblies in the local housing associations in the street, presenting the vision and seeking financial support for the project. According to the chairman of the Association, most associations and residents immediately supported the project, partly because the plans already had received grants, partly because convincing budgets and visual presentations of the project was presented for the residents at the general assembly. The financial contribution from the residents (through an increased rent) was promised to stay within a maximum level. Also, the organisation staff behind the urban regeneration participated in the meetings and spoke for the project, which was perceived as the municipality giving the project a 'blueprint'. These conditions, which can be seen as risk-reducing factors, made the residents more confident with the investments. Another re-action from the residents was the positive of having a personal relationship to the relevant persons in the municipality, and to know who you should contact with questions. It got the project appear to be straightforward and comprehensible.

Public versus private view on urban regeneration

The interviews with public planners and private developers illustrates that behind the private investments, a comprehensive development function takes place. It also illustrates that the role as developer as well as the role as investor can be taken up by many different actors, from professional property developers and investment funds to local fiercy souls and local home-owners. In the two cases, a main challenge was the mix of different land-owners within the areas, making it difficult to establish shared visions and a shared investment plan for the area. The main challenge for the developer in the two cases was to set up a vision for the future use of the area, and convince the different land-owners about the vision, to make them invest in the area. We can outline three main reasons for their success:

– The developer had a vision for the area, where each stakeholder could see his/her contributions as being a part of a shared project of the neighbourhood
– The developer had competences and resources to involve the local stakeholders, and – importantly – came as a non-municipal representative, making dialogue with the other non-municipal stakeholder easier
– The municipality, although not directly involved in the process, played an important role as providing co-financing and 'blue-printing' the project

In line with Guy et al (2002) where therefore strongly support the view that municipalities in the urban regeneration should pay more attention to local and regional developers.

The case studies also revealed that the developer's activities often run in parallel with the publicly initiated urban regeneration processes, however without any direct interrelation. Urban planners often referred to the private initiatives as being a result of the urban regeneration process. When urban planners were interviewed on the urban renewal process they were often able to point out a number of private building or renovation activities that had taken place in the area as the area became economically more attractive for private actors and external developers to engage in. From the planners´ point of view this happened as a spin-off from the public urban regeneration project in the same area. The answers we got from the developers were quite different. For instance, some developers were not even aware of the urban regeneration taking place:

'W*e didn't give the urban regeneration a thought at all, and wouldn't if we knew it was running …If a project is not good enough without urban regeneration you should not enter it*' (developer)

The general knowledge about urban regeneration amongst developers also was limited, and in general conceptualized as a matter of public subsidies for building improvements. In contrast, planners' vision of the urban regeneration is typically to create local mobilization in the area, increase networks and social capital etc. Although some developers sees the public subsidies as being too limited to make a difference, one developer who had a more detailed knowledge about the urban regeneration could actually see the idea of the public subsidy as a way to generate local participation. Compared to the private investments, the public subsidies might be small, but they might however have a large effect locally:

"*For a developer it is about mathematic; and naturally, 10 mill. (DKr.) influences your math – but it is just as much the psychological side of it we look at. Without the 10 mill. you could tell your investor to invest 210 mill instead of 200 mill. and you would probably get him to do that. But then you need the psychological effect that you get a process started in the area. It has the effect that a lot of people say 'when they can build, I can build'. Andre then the process runs in the neighborhood*" (developer)

The developers had also quite different stories to tell about their involvement in the area. They had typically become aware of a promising investment opportunity (a building site) through information from local actors, including real estate dealers, surveyors, architects or others with a specific knowledge about the area. More often than not these actors proved to be part of the developer's already existing network in the sense that they

- had already collaborated with the developer in previous projects,
- established contact due to the developer's reputation as a serious actor specialized in the specific type of locations and projects,
- had the developer recommended from other people in the developer's network.

These findings indicate that, on the one hand, there is much inter-organisational collaboration, communication and exchange of information and knowledge taking place between developers and their traditional business partners. Private investments do not find their way to urban regeneration areas if it was not for such contacts and exchanges.

Conclusions

We have raised the questions: How does private investment take place in urban regeneration areas, and what can the local authorities do to attract more private investments? Based on studies of private investments in the urban regeneration we argue that the 'development function' is crucial for attracting private investors, and that the development function can be filled out by different types of actors. A general competence for the developer, no matter what type, is not only to frame ideas and visions, but also to realise them in practice. Compared to international research on private investments in the urban re-generation (Adair et al, 2007; Nappi-Choulet, 2006; Guy & Henneberry, 2004), our case studies suggest that urban regeneration leading to private investments, is mainly result of a networking process. Whereas economic considerations obviously are core in private investors' decision-making, the role of the developer and the developer's network is decisive as regards both the initiation and the implementation of the entire process. No investment opportunities emerge without the developer's prior identification, visioning and framing of a specific project that looks attractive as seen from a potential investor. The raising of the developer's awareness and communication of relevant information and knowledge depends in turn on the level of trust and reputation in the developer's network. This emphasises the social nature of these crucial inter-organisational interactions.

In order to attract private financing we argue that the municipal planners should, a) recognise the different rationales and competences amongst developers and investors, especially local or regional developers and investors, and b) develop local strategies to attract and involve developers' competences in the urban regeneration, Apparently, developers and municipal planners belong to different networks, and there are only infrequent interactions. In order to achieve strengthened private finance contributions the 'missing link' underscores the need for better and adequate means of communication, brokering, mediation and knowledge sharing between public planners and private developers.

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