



# Downtown redevelopment and land-use regulation: Can planning policies discipline property development?

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## ABSTRACT

This paper examines the attempts that planners have made to discipline downtown development through the articulation and implementation of land-use regulation. Such a mission is a definite challenge since planning regulation in this quintessential corporate complex is responsive and subordinate to market-place dynamics. Drawing on the case of the old central business district in Tel Aviv and employing a mixed-method approach, this paper explores twenty years (1992–2012) of landuse regulation in which the initial strategy of office development has yielded to residential development challenging the predominance of the corporate-complex strategy. Planners in Tel Aviv have been closely involved in configuring redevelopment efforts, ascertaining that planning policies are not necessarily tailored to satisfy the interests of the development industry and that planners are not merely submissive agents. Instead, their actions may be viewed as a medium through which market forces are channelled and disciplined. In the case of the downtown, planners mediated between market pressures for residential development and city-planning objectives that concern the long-term supply of land for office development in order to preserve the competitive position of the CBD. By setting reasonable and flexible objectives and taking advantage of administrative tools while concurrently listening to the market, planning authorities can, to a certain extent, counteract unwanted development pressures.

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## 1. Introduction

In an article published almost a decade ago, Robert Beauregard used the term textures to present the need to examine the complexities of property markets. For him, explaining markets requires going beyond abstract and thin conceptualizations (Beauregard, 2005). Explaining property development cannot be understood simply through the logic of 'highest and best use' and the amorphous market cannot be separated from the economic and social contexts in which it is embedded; on the contrary, property markets are economically and socially constructed (Guy and Henneberry, 2000; Ruming, 2009; Adams and Tiesdell, 2010). Thickness is clearly evident in downtowns where intense land-use competition, planning regulation, powerful real estate interests, and tight corporate control are intertwined.

This paper analyzes the impact of planning regulation on downtown development. Drawing on the case of Tel Aviv, it investigates debates regarding development along lower Rothschild Boulevard, the spine of Tel Aviv's old central business district (Old CBD) in

the last twenty years (1992–2012). The paper investigates how the intricate interface between regulation and marketplace (planners and developers) has actually shaped development outcomes. A mixed-method approach which involves many visits to the Old CBD, analysis of documents, and interviews was used. I have systematically screened articles in national and local newspapers and conducted an archival search in the city planning department. These data sources yielded rich documentation: policy papers, formal planning correspondence, and official planning decisions. Collation of these documents helped to clarify how the local planning apparatus work and how it interacts with market dynamics. Supplementary information was obtained through several informative in-depth interviews with senior officials in the planning department in the Municipality of Tel Aviv-Jaffa.

The structure of this paper is as follows. In the next section I focus on the literature on planning and downtown redevelopment. Beyond private stakeholders, planning policies initiated and monitored by planning authorities reflect the view of municipal bureaucracy and their power to guide or at least affect development. In cities where the planning apparatus enjoys a powerful standing, the influence of planners reflects meaningful steering capacities which allow them to bargain with developers. It is followed by the case study of the Old CBD in Tel Aviv. Based on

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property types (offices and/or apartments) desired by the market at different times, the next two sections illustrate the interface between regulatory capacities and the priorities of the development industry. The concluding section suggests that downtown redevelopment has an inherent regulatory ingredient which should not be dismissed as marginal or unimportant. In the complex web of perspectives, interests, and capacities largely attributed to businesses and developers, planners can, under certain conditions, affect the course of development.

## 2. Planning policies and downtown redevelopment

Planning and property markets are intimately intertwined and real estate development is pursued under highly complex and contentious conditions in which multiple forces and agents work. Scholars have reiterated that land-use competition and profit maximization have structured the logic of property development and that of investment and disinvestment in the urban environment (Alonso, 1960; Harvey, 1989; Robertson, 1995; Willis, 1995; Weber, 2002; Jones, 2013). However, land and property markets are not standard market goods (Alexander, 2014), and specificities and context make property and urban development textured, socially-constructed, and dependent on variable government agendas and regulation capacities (Healey, 1998; Guy and Henneberry, 2000; Guy et al., 2002; Savitch and Kantor, 2002; Beauregard, 2005; Weber, 2010). According to this perspective, to better understand property development it is worthwhile exploring the interactions between planning regulation and markets (Healey, 1992).

As highly influential agents, planning authorities have the ability to bargain with private entrepreneurs making “Negotiation rather than plan making... the planner’s most important activity” (Fainstein, 2001, p. 100). Negotiation skills and dealing with multiple and often conflicting interests become of utmost importance as planners frequently encounter proficient development teams (attorneys, economists, and other specialists and consultants). Clearly, planning policies tailored by local decision-makers cannot go against market forces but, bearing in mind the fundamental constraints of the market, they can certainly have an effect through shaping and regulating development (Adams and Tiesdell, 2010; Rebelo, 2011; Henneberry and Parris, 2013; Jones, 2014).

For many decades decision-makers, entrepreneurs and planners have considered office development to be a key redevelopment strategy (Hill, 1983; Levine, 1987; Fainstein and Fainstein, 1989; Keating et al., 1989; Fainstein, 2001). Specifically in downtowns, constructing office space had been a principal approach in pursuing renewal projects making corporate towers “the only likely saviours of an apparently dwindling downtown” (Ford, 1994, p. 46) and forcing planners and entrepreneurs to “put all their eggs in one basket, emphasizing office projects at the expense of everything else” (Ford, 2003, p. 148). City governments preferred downtown office development as they convey several advantages: offices pay high property taxes, they accommodate large cadres of high-paying white-collar employees, and distinct office towers are essential for creating urban iconicity (Zukin, 1992; Greenberg, 2003; Kaika and Thielen, 2005). Only in exceptional cases (e.g., San Francisco and Toronto), have downtown plans sought to limit development and growth making local governments balk at compliance with market forces (Gad, 1985; Simmie, 1987; Keating and Krumholtz, 1991; DeLeon, 1992). In the late twentieth century, property-led development supported by market-driven modes of planning and the emergence of the ‘post-corporate CBD’ (Barnes and Hutton, 2009) fostered a shift from office and commercial development to residential and mixed-use development. Spurred by market demand and the support of city governments, under-utilized non-residential space has been converted into trendy residential space

and new condominium towers have outnumbered newly-built office buildings in many downtown areas (Fainstein, 2001; Heath, 2001; De Sousa, 2002; Beauregard, 2005; Birch, 2009; Rosen and Walks, 2014).

As two competing land uses in the contemporary CBD, office and residential development trajectories have raised the question whether the downtown should remain primarily the central business district or be composed of more diverse functions. The City of Vancouver has pioneered dealing with this dilemma. The ‘Living First’ planning model introduced in the 1991 *Central Area Plan* delimited office-related functions to a smaller and tightly confined area while allowing residential uses outside the demarcated CBD (Hutton, 2004). Massive condominium development in the 1990s and early 2000s caused concern among planners and decision makers that downtown Vancouver might become a victim of its own success as residential development might encroach on jobs, endangering the future of office development, fixing the image of the downtown as “a shortsighted residential resort” (Boddy, 2005). Following the construction of numerous condominiums in the downtown core and its fringes, the city’s planning director announced that the city has “to protect the viable option [offices] from the more profitable option [condominiums]” (Baker, 2007). By 2009, the City of Vancouver had reversed this policy by limiting residential development in order to allow more office space in the downtown area. In Toronto, the unprecedented number of condominiums built in the last decade (Lehrer et al., 2010; Relph, 2014; Rosen and Walks, 2014) has caused concern among commercial real estate developers and business interests who urged public officials to intervene and “protect scarce prime office sites in the downtown” (Canadian Urban Institute, 2011, p. 33).

Volatility, cyclicity and the difficulties in assessing market demand are at the crux of the office-residential dilemma. For property developers, the CBD is perceived and judged as an investment arena to be developed, based on market demand for the highest and best use. Highly attuned to market signals, developers can engage in various types of property development and are likely to switch between them when the costs of staying in a declining sector outweigh the costs of the shift. However, even for developers switching between development types is not straightforward as each property type necessitates its own particular professional expertise, market knowledge, and financial capabilities (Charney, 2001; Beauregard, 2005). Having a longer view than property developers on urban development, planning authorities have conceived the CBD as the foremost economic hub of the central city, to be maintained and strengthened for the benefit of the city at large. Acknowledging the difficulties embedded in office development cycles, Barras (1985) suggested that in order for planning policies to achieve beyond immediate goals they have to operate counter-cyclically to development cycles. However, the dominance of immediate and at best foreseeable considerations makes the implementation of this policy proposal extremely difficult or close to impossible.

Land-use planning dilemmas are caught between site-specific market fundamentals (highest and best use) and the impact of planning on a wider urban area. In her study of up-zoning low-yielding uses into high-end uses in New York City, Wolf-Powers (2005) suggests that planners should view rezoning in a more comprehensive context; in other words, what is their wider impact on the economy of a city or region. For central cities that strive to keep office tenants within their downtowns, yielding to short-term and volatile calculations can pose a real threat by further enhancing office suburbanization. Though major offices may still stay in the central city after moving from the downtown they may just as well move to distant suburbs. In the context of growing intra-metropolitan competition, providing conditions conducive to office relocation might eventually impair the wellbeing of the central city, stripping it of

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