

Market-conscious Dutchies

Transplanting a Canadian financial incentive to the Netherlands



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Master thesis Spatial Planning

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‘Every country has problems, and each think that its problems are unique.
However, problems that are unique to one country are abnormal confronted
with a common problem.’ (Rose, 1991)

Preface

That's it! After five years I am supposed to know enough about planning to get a real job. But if there is one thing, or actually two things, I've learned during those five wonderful years is that you are never done learning. And the second, of course is that time goes way to fast, especially when you're having fun. Before I went to Canada, my neighbour gave me a present with a little note what said: look around and try to find the meaning of the things in your surroundings. And I think that is one of the essential points of planning. Planning is everything, everywhere at every time. And it is exactly that, that has shaped my view of the world.

The people at my working place inspired me to continue working on my thesis. They all have different backgrounds and told me about the Ontario planning system from their own background and experiences. I want to thank Richard, Larry and Frank for sharing their knowledge and experiences with me. Another person that inspired me is Rebecca Condon, who is the only (!) coordinator of the TIEG system in the City of Toronto. She encouraged me with her enthusiasm and her devotion to her job. She is exactly the planner I want to become in the next few years or maybe decades.

Thank you all for your support, even if it was from across the ocean. That support was the most precious to me.

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Sanne Bonekamp

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Summary

Nowadays many municipalities play a more passive, ‘facilitating’ role in land development, and they rely mainly on public law instruments such as the land use plan and building permits. Where municipalities previously had nearly everything under their own control, they now find themselves obliged to cooperate with private developers. Due to lower demand and shortages in land development costs, municipalities were more or less forced to switch to ‘Area development 2.0’. With this new way of land development, it is no longer about involving citizens but about giving space and connecting societal initiatives.

Due to the economic crisis, the Dutch public land development model started to show shortcomings. There is a need for effective and smart development strategies that help to take away present obstacles to real estate development and invite the private sector to invest again in urban transformation and renewal. The Canadian TIEG system could be an interesting mechanism for the Netherlands. This different approach to funding brownfield regeneration projects will be analyzed to see what effects this system has and if such an approach would be a solution for the problems the Dutch government faces. The goal of this research is therefore the following:

“To explore a different kind of approach to the funding of brownfield regeneration projects, namely the Canadian Tax Increment Equivalent Grants, to investigate if such an approach is applicable in the Netherlands and if it could solve the Dutch problems to fund regeneration projects.”

And the associated main question is:

“Could the Canadian TIEG system be used as a financing instrument in the Dutch invitation planning and what problems would it solve? “

The theory about institutional transplantation, or in other words policy transfer, is used in this research to analyze if the TIEG system is suited to be transplanted, and if the system would fit in the receiving country, in this case, the Netherlands. Eventually the theory is used to set out the amount of success the transplantation can have. This will be done with the help of three sub variables, namely the transferability of the system, the adaptability of the receiving country and the suitability of the receiving country to adopt the system.

This research contains case study research, that will be done in the Province of Ontario, where the TIEG system is invented in the beginning of the new era. The city of Toronto will function as a case study. Toronto’s TIEG system is called the IMIT program. IMIT stands for Imagination, Manufacturing,

Innovation and Technology and is the city's premier business incentive program. In total, ten interviews are held. Six in Toronto and four in the Netherlands. The interviews in Toronto are held amongst university professors and academics, governments and projects that are funded with TIEGs. In the Netherlands two university professors are interviewed and two expert from the work field are interviewed. One expert from the market perspective, another expert from a governmental perspective. The figure below shows the researched variables and their sub variables.

Transferability	Adaptability	Suitability	Externalities Context and other variables
Advantages	Opportunities	History and politics	
Disadvantages	Barriers	Planning objectives	
	Conditions and consequences	Brownfield policies	
		Legislation	

The analysis showed that the TIEG system is a good working financial incentive in Ontario. The system has been reviewed in 2012 and it's been proven successful. Although there are some constraints. For example that the incentive is an individual 'bonusing' subsidy and the question if the incentive is a true incentive or a reward. Most of the development since the start of the incentive, however, has moved to the downtown area. And most of the projects that have been realized, within the targeted sectors, have used the IMIT program to fund their projects. In the end the TIEG system is a stimulating and rewarding tool that brings extra development into the existing areas.

The analysis of the suitability showed that both countries are quite similar as it comes down to the measured sub variables. In both countries planning gets more decentralized and governments transfer their risks to private parties and both countries focus on redevelopment and support urban development to stimulate brownfield initiatives. Differences are that Ontario still focuses on growth, and focus on the place where development should take place. The Dutch focus on how planning objectives should be reached by focusing on market conscious planning and invitation planning. Brownfield policies in Ontario and the Netherlands differ at first sight, but when taking a closer look, they both aim for the same goal; intensification and market-oriented planning.

The analysis of the variable adaptability showed that the TIEG system could be an enrichment of the Dutch toolbox for redevelopment incentives. The TIEG system could give private parties that little push they need to reach their target. The success of the system therefore depends on the size of the financial trigger a municipality can offer. As a stand-alone tool TIEG doesn't have a lot of opportunities, mostly due to tax differences compared to Ontario. This is one of the main barriers of

successful transplantation. The structure of the TIEG has to be changed in order to be able to provide an incentive that convinces developers to invest in redevelopment.

When looking at similarities between Canada and the Netherlands, both countries seem to have enough similarities to make successful transplantation possible. The shift towards invitation planning in the Netherlands contributes to the global shift in decentralization of planning objectives and is a perfect base for the TIEG system to be implemented. However, transplanting the system in its Ontario shape isn't possible due to the difference in property taxes. The Dutch property tax is too low to offer a grant that is high enough to get private parties to invest in redevelopment. The biggest problem the TIEG system solves is that it steps into the vacuum of suitable financing structures for the new way of planning in the Netherlands. The TIEG system steps into this gap by providing invitation planning with a financial instrument to meet developers in their financial struggle to redevelop areas.

In conclusion the TIEG system could be an enrichment of the Dutch toolbox for redevelopment incentives. Although some changes are needed to be able to legally implement the TIEG system. In particular legislation on spatial planning and (property) taxes have to be adjusted in order to implement the TIEG system. And the main problem that should be tackled is the difference in property taxes. So how is the grant given to the developer if there is no possibility to do it through the property taxes (*'Onroerende Zaak Belasting'*).

Samenvatting

In deze tijd spelen gemeenten een passievere, faciliterende rol en vallen ze met name terug op publieke instrumenten als het bestemmingsplan en omgevingsvergunningen. Waar gemeenten voorheen veel zelf deden in gebiedsontwikkeling, zien ze zichzelf nu genoodzaakt om samen te werken met ontwikkelaars. Vanwege lagere vraag en tekorten in ontwikkelingskosten zijn gemeenten gedwongen te switchen naar Gebiedsontwikkeling 2.0. Bij deze nieuwe manier van gebiedsontwikkeling gaat het niet langer om het betrekken van burgers maar om het ruimte geven aan en samenbrengen van private initiatieven.

Vanwege de economische crisis begint het Nederlandse gebiedsontwikkelingsmodel scheurtjes te vertonen. Er is vraag naar nieuwe effectieve strategieën die helpen om huidige obstakels weg te nemen en die de private sector uitnodigen om te investeren in binnenstedelijke herontwikkeling. Het Canadese TIEG, Tax Increment Equivalent Grants, systeem is een goed voorbeeld van hoe financiering binnen de uitnodigingsplanologie vorm zou kunnen krijgen. Deze benadering van de financiering van herontwikkelingsprojecten wordt in dit onderzoek onder de loep genomen om te analyseren welke effecten dit instrument heeft en of een dergelijk instrument een oplossing biedt voor de problemen waar de overheden nu mee kampen. Het doel van dit onderzoek luidt als volgt:

“Een andere benadering van de financiering van herontwikkelingsprojecten, namelijk het Canadese Tax Increment Equivalent Grants systeem, analyseren, om te onderzoeken of een dergelijke benadering is toepasbaar in Nederland en of het de Nederlandse problematiek op het gebied van de financiering van herontwikkelingsprojecten kan oplossen.

De bijbehorende hoofdvraag luidt:

“Kan het Canadese TIEG systeem gebruikt worden als financieringsinstrument binnen de Nederlandse uitnodigingsplanologie en welke problemen zou dit oplossen?”

De theorie over *Institutional transplantation*, of met andere woorden, *policy transfer*, is gebruikt in dit onderzoek om te analyseren of het TIEG systeem is geschikt om te transplanteren en of het systeem zou passen in het ontvangende land, in dit geval Nederland. De theorie is gebruikt om de kans op succesvolle transplantatie in te schatten. Dit is gedaan aan de hand van drie sub variabelen, transplanteerbaarheid van het systeem, aanpassingsvermogen van het ontvangende land en de geschiktheid van het ontvangende land om het systeem te implementeren.

Dit onderzoek wordt uitgevoerd door middel van case study onderzoek, dat wordt gehouden in Ontario, een provincie in Canada. Hier is het TIEG systeem een aantal jaar geleden ontstaan. De stad Toronto dient als case study in dit onderzoek. Toronto heeft haar eigen TIEG systeem, namelijk het IMIT programma. IMIT staat voor Imagination, Manufacturing, Innovation en Technology en is de belangrijkste financieringssubsidie in Toronto. In totaal zijn er negen interviews gehouden. Zeven in Toronto en drie in Nederland. De interviews zijn gehouden onder professoren, academici, verschillende overheidslagen en experts uit de praktijk.

Het TIEG systeem is een goed werkend, relatief nieuw, financieringsinstrument uit Ontario, Canada. Omdat het systeem nieuw is (2008) is het nog niet vaak geëvalueerd. Hoewel uit de evaluatie van 2012 bleek dat het systeem succesvol is. Er zijn echter verschillende beperkingen aan het systeem. Bijvoorbeeld dat het systeem geïnterpreteerd kan worden als individuele belonende subsidie. Daarnaast is het de vraag of het instrument een echte stimulans is of een beloning. Daarentegen heeft in Toronto de meeste ontwikkeling de laatste jaren plaatsgevonden in de bestaande stadsdelen. En de meeste projecten die sinds de invoering van het systeem zijn gerealiseerd hebben gebruik gemaakt van het TIEG systeem. In totaal is het TIEG systeem een motiverend instrument wat extra reuring en ontwikkeling brengt binnen de bestaande gebieden in een gemeente. Onderstaande figuur toont de onderzochte variabelen en bijbehorende sub variabelen.

Transplanteerbaarheid	Aanpassingsvermogen	Geschiktheid	Externaliteiten Context en andere variabelen
Voordelen	Kansen	Geschiedenis en politiek	
Nadelen	Barrières	Planningsdoelen	
	Gevolgen en voorwaarden	Herontwikkelingsbeleid	
		Wetgeving	

De analyse laat zien dat het TIEG systeem in Toronto een goed werkend financieel instrument is. Het systeem is geëvalueerd in 2012 en is een bewezen succesvol systeem. Alhoewel zijn er een paar beperkingen. Bijvoorbeeld dat het instrument een individuele beloningssubsidie is en een andere beperking is de vraag of het instrument echt uitnodigt en stimuleert of alleen maar beloont. De meeste ontwikkelingen in Toronto daarentegen, zijn na de invoering van het systeem verschoven naar het centrumgebied en de meeste projecten die gerealiseerd zijn hebben gebruik gemaakt van het IMIT programma om hun projecten deels te financieren.

De analyse van de geschiktheid van Nederland om het instrument te ontvangen liet zien dat beide landen veel overeenkomsten hebben, gelet op de gemeten variabelen. In beide landen planning wordt gedecentraliseerd naar gemeenten en overheden verschuiven steeds meer verantwoordelijkheden en risico's naar private partijen. Ook focussen beide partijen op herontwikkeling en stimuleren binnenstedelijke ontwikkelingen. Verschillen zijn dat in Ontario gefocust wordt op demografische en economische groei en op de plaats waar ontwikkelingen plaats zouden moeten vinden. Nederland focust op hoe planningsdoeleinden gerealiseerd moeten worden door te focussen op uitnodigingsplanologie en meer marktgerichte planning. Herontwikkelingsbeleid verschilt op het eerste oog in Ontario en Nederland, maar na nadere bestudering streven beide naar hetzelfde doel; intensivering van bestaande gebieden en meer marktgerichte planning.

De analyse van het aanpassingsvermogen laat zien dat de het TIEG systeem een aanvulling kan zijn op de Nederlandse toolbox van herontwikkelingsinstrumenten. Het TIEG systeem zou private partijen net dat financiële zetje in de rug kunnen geven wat ze nodig hebben om te kunnen ontwikkelen. Het succes van het TIEG systeem hangt dan ook af van de grootte van de financiële trigger die een gemeente kan bieden. Het systeem moet echter wel in samenhang met andere instrumenten gebruikt worden. Als een 'losse tool' heeft het TIEG systeem weinig kans van slagen, grotendeels vanwege hoogteverschillen in Onroerende Zaak Belasting (OZB). This is een van de grootste barrières voor succesvolle transplantatie. De structuur van het TIEG systeem moet aangepast worden aan Nederlandse context om een goed werkend instrument te bieden dat ontwikkelaars daadwerkelijk dat zetje in de rug kan geven om te investeren in herontwikkeling.

Kijkend naar overeenkomsten tussen Ontario en Nederland is te zien dat beide landen genoeg overeenkomsten hebben om succesvolle transplantatie mogelijk te maken. De verschuiving naar uitnodigingsplanologie in Nederland is in overeenstemming met de globale trend van decentralisatie van planningsdoelen en is een perfecte uitvalsbasis voor implementatie van het TIEG systeem. Hoewel, directe transplantatie van het systeem in zijn originele vorm is niet mogelijk vanwege de verschillen in OZB. De Nederlandse OZB is te laag om een financiële trigger te bieden die groot genoeg is om private partijen tot herontwikkeling te verleiden. Het grootste probleem wat het TIEG systeem kan oplossen is het financieringsvacuüm dat is ontstaan nadat de uitnodigingsplanologie zijn intrede deed. Het TIEG systeem vult het vacuüm door middel van het verstrekken van een financieel instrument, binnen de lijnen van uitnodigingsplanologie, om ontwikkelaars tegemoet te komen in hun financiële worsteling om een gebied aantrekkelijk te maken om te ontwikkelen.

Concluderend kan het TIEG system een aanvulling zijn op de Nederlandse toolbox voor herontwikkelingsinstrumenten. Hoewel enige veranderingen nodig zijn om het systeem legaal te implementeren in Nederland. Met name veranderingen in wetgeving zijn nodig om het TIEG systeem

te implementeren in Nederland. Het grootste probleem dat opgelost zou moeten worden is het grote verschil in OZB. Nagedacht zou moeten worden over in welke vorm de subsidie verstrekt wordt als dat niet via de OZB gedaan kan worden.

Chapter 1 Introduction

During the 20th century the focus in area development in the Netherlands changed from active land policy to facilitating land policy. Until the eighties, active land policy was the dominant policy in area development. Municipalities bought all the land, provided the infrastructure and assumed all corresponding risks (Korthals Altes & Groetelaers, 2000). Nowadays many municipalities play a more passive, ‘facilitating’ role, and municipalities rely mainly on public law instruments such as the land use plan and building permits. Whereas municipalities previously had nearly everything under their own control, they now find themselves obliged to cooperate with private developers (Priemus and Louw, 2002). An increasing number of Dutch municipalities are seeking new formulae for area development in which private parties take over the financial risks and the responsibility for the implementation (Munoz Gielen, 2010; Van Baardewijk, De Haan and Hijmans, 2013).

Due to lower demand and shortages in land development costs, municipalities were more or less forced to switch to what Buitelaar et al. (2012) call ‘Area development 2.0’. With this new way of land development, it is no longer about involving citizens, it is instead about giving space and connecting societal initiatives. This asks for a shift from letting citizens participate to self-organization of citizens in urban redevelopment (Boonstra, 2012). Figure 1 gives an overview of the differences between the traditional area development and the relatively new ‘incremental area development’.

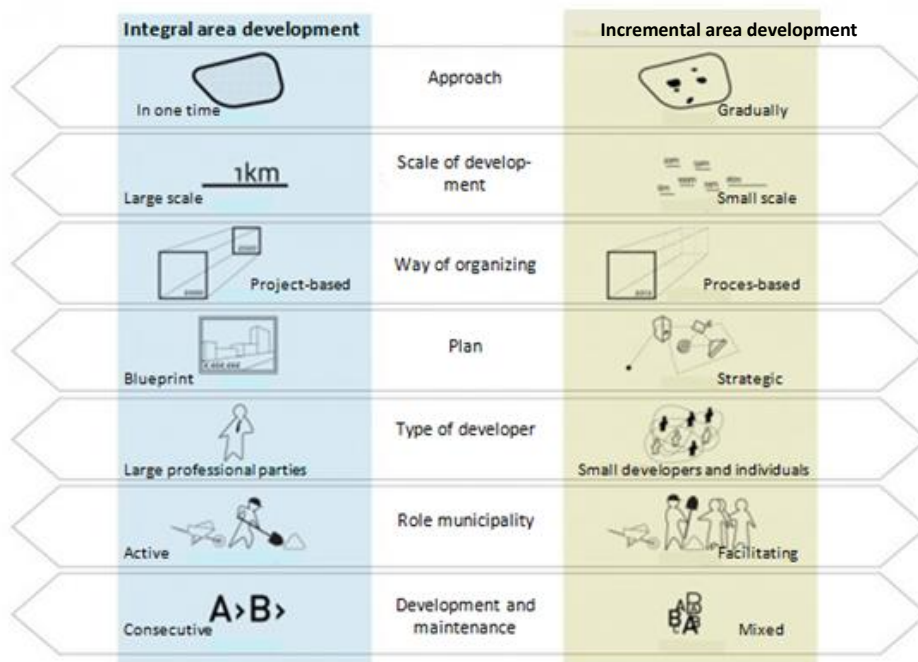


Figure 1 Differences in integral and incremental area development in the Netherlands (After: Buitelaar et al., 2012)

The main pillars of area development 2.0 are invitation planning and incremental (piecemeal) development (Van Baardewijk, De Haan and Hijmans, 2013). However those two concepts are often used intertwined, they have a different meaning. With incremental area development the market is leading and the government facilitates development. This involves various relatively small (re)development projects, with an open-end process, without the use of a blueprint, where development and management are interconnected and a dominant role is played by the eventual users (Buitelaar et al., 2012). Invitation planning can be seen as a public-led way of incremental development. Since the start of the 21st century, municipalities started with invitation planning where municipalities try to provoke (invite) developers to invest and facilitate development (Groot Jebbink, 2012).

Incremental development and invitation planning ask for other ways of planning, communication but also financing structures (Lindemann & Schutten, 2012). The current system on cost recovery, for example, leans on existing initiatives that the municipality knows how to deal with. However since incremental development is a long lasting process that doesn't forecast about the kind of projects that will be developed, the current land development system should be reconsidered (Buitelaar et al., 2012). This asks for a shift in thinking about funding redevelopment projects. Also because the national government is decentralizing tasks, including area development, but is not willing to give municipalities more money to do so, municipalities have to come up with new ideas to stimulate redevelopment (T. Stauttener, personal communication, July 15th, 2014).

Due to the economic crisis, the Dutch public land development model started to show shortcomings (Buitelaar, 2010). Banks stopped investing in area development because the assurance that the value of the property would increase after redevelopment decreased (T. Stauttener, personal communication, July 15th, 2014). Since the assurance of increment of property value is not a given fact anymore, banks are less likely to provide loans to developers. The crisis also caused a lower demand in houses by the consuming sector and decreased the chances for successful redevelopment projects. Choosing for redevelopment will in most cases result in financial shortages and the obligation to look for extra budget to fill in those shortages (van Hoek, Koning and Mulder, 2011). To cope with this reduction in chances, there is a need for effective and smart development strategies that help to take away present obstacles to real estate development and invite the private sector to invest again in urban transformation and renewal (Van der Krabben and Heurkens, 2014). Also there needs to be a tool that can step in the financing vacuum that has been created in the last few years to give a boost to the market of urban renewal.

With the current movements in Dutch planning, especially looking at the financial vacuum that arose as a consequence of changing perspectives on land policy at the (re)development market, the Netherlands could use a financial tool that triggers more companies to invest in their property. In the current Dutch planning system the role of the private sector increases. Therefore experiences of other countries with private sector-led development strategies have become highly relevant for the Netherlands (Van der Krabben and Heurkens, 2014). Learning from foreign countries is essential (Aliaj and Shutina, 2012). As Robertson (1991) states that policy lessons from abroad often are put forward as politically neutral truths. Also, the growth in all forms of global communication makes it increasingly likely for governments to look for solutions to new or changing problems in foreign countries (Dolowitz and Marsh, 2000).

A tool that seems to fit in current Dutch invitation planning is the Canadian TIEG system. TIEG stands for Tax Increment Equivalent Grants. By using TIEGs, the Canadian, or better said the Ontario government, tries to trigger companies to (re)invest in their property, by forgiving a part of the increment of the property tax for ten years. The TIEG system is a tool that is meant to stimulate private parties on the market to invest in outdated property. The Netherlands could use this stimulation tool because in this way the government attracts developers to invest in redevelopment and municipalities don't 'lose' money because they give back some of the increment of the property tax which is already paid beforehand.

Since the TIEG system is meant to stimulate private parties to invest in urban renewal, this research has been focused on invitation planning instead of incremental development because invitation planning has the characteristic that the government provokes private parties to invest in properties. Van Baardewijk and Hijmans (2013) state that with invitation planning governments try to actively stimulate and provoke private parties to invest while with incremental development the government makes redevelopment possible but doesn't stimulate parties to invest in properties. The next paragraph will set out the planning tools a government can use.

1.1 Market-conscious planning

Four basic types of planning tools can be used by a government (Adams, Watkins and Whit, 2005; Needham, 2005 in Chorus, 2012). First are market shaping tools. Those tools shape the decisions of market actors. The second type of tools are market regulating tools. They define the parameters for market actors' decisions. Third are market stimulation tools that restructure the contours of the decision environment of market actors. And the fourth type of tool are capacity building instruments to develop actors' capability to identify and/or develop more effective and desirable strategies.

Market stimulation is, together with market regulating tools, the most effective tool for achieving the goals of both the public and the private sector (Chorus, 2012). This thesis will focus on market stimulation tools, since the Dutch planning is shifting towards a more market-oriented society. Staley & Scarlett (1997 in: Chorus, 2012) also think market stimulation tools are a good way to combine both the public and the private goals in planning. They mention the following:

‘Planning by the public sector that recognizes the role markets play in coordinating land use changes and limits itself to establishing the rules of the game for market behaviour, offers both greater flexibility and predictability in meeting the needs of society (Staley & Scarlett, 1997, in: Chorus, 2012, p. 39).’

The challenge for the public sector is not to become market actors but rather to realize that they are already market actors, conscious of the market and operate accordingly (Adams & Tiesdell, 2010). Since planning is neither a strict government activity nor a pure market activity, Lai (1994) mentions that there should be a distinction between *public planning* by planners in the government and *private planning* of individuals and firms in the market. According to Adams and Tiesdell (2010) the challenge for the public sector is not to become market actors, but rather to realize that they are already market actors, conscious of the market and operate accordingly. Imposed rules and mutual trust (or cooperation) are important coordination mechanisms that cannot be neglected in land use planning (Halleux, Marcinczak, van der Krabben, 2012). Webster and Lai (2003) mention that if the public sector is acting like a market actor, government planners have to be aware that they don't ignore the strength of spontaneous re-ordering and the interaction between planned and spontaneous order. Spontaneous refers to the ability of economic and political markets to adapt to changes in demand and supply without central planning (Webster and Lai, 2003, in Chorus, 2012).

The statements above are a few reasons that Hoetjes, Bertolini and Le Clerq (2006) and now Chorus (2012) speak about *market conscious planning* instead of market oriented planning. Chorus (2012) defines market conscious planning in the following way:

‘Market conscious planning seeks to find ways in which the government can help improve the functioning of markets. A possible way of doing this is by giving initiatives and freedom to the private sector, while at the same time representing them with strict requirements regarding the usage of land (Chorus, 2012, p. 39-40).’

A manner to find those ways is by giving initiatives and freedom to the private sector, while at the same time presenting them with strict requirements regarding the usage of land. Market conscious

planning has consequences for both the role of the government and the private sector in planning (Chorus, 2012). One of the reasons for this is that government actions are structured by political and institutional realities, market actions are mostly structured by profit. A crucial and distinguishing feature of a market-conscious approach to planning is that it is aware of the actual development opportunities determined largely by market forces, and it uses this knowledge to make the achievement of public goals substantially more feasible (Hoetjes et al., 2006).

1.2 Research goal and question

Since the focus on planning and especially on area development in the Netherlands is shifting towards more market-conscious planning, and the government is forced to fall back on integral development due to lower demand and shortages in land development costs the government has to start looking for (other) financial constructions. Also in light of this integral development, private parties are provoked, through invitation planning, to come up with their own ideas of redevelopment. Private parties won't invest in properties just because the municipality wants it, so municipalities have to come up with a stimulation tool to provoke the market to invest in redevelopment.

A way to stimulate private parties to invest in urban renewal is to make investments financially attractive pertaining to building from scratch. The Ontario government came up with a financial incentive to trigger those private parties. The incentive, which is called Tax Increment Equivalent Grants, focuses on the increase of the property tax due to the reinvestments in the building. The government forgives a part of this increase in property tax for ten years to stimulate parties to reinvest in urban renewal. This system is unique and seems to be a solution to abolish the financing vacuum on the Dutch land development market.

1.2.1 Research goal

The focus of this research is on the Canadian Tax Increment Equivalent Grant as a financial incentive for redevelopment. The research goal of this master thesis is as follows:

'To explore a different kind of approach to the funding of regeneration projects, namely the Canadian Tax Increment Equivalent Grants, to investigate if such an approach is applicable in the Netherlands and if it could solve the Dutch problems to fund regeneration projects.'

This goal can be divided in two parts. The first part investigates the working of the TIEG system and in what political context the system is embedded in. This analysis is executed to find out if the TIEG

system is easy to transfer to the Netherlands, and if there are factors that impede the transfer. The second part analyzes if the TIEG system can be implemented and applied in the Netherlands. This is analysed by using two variables, namely the suitability and the adaptability of the receiving country. Another variable, transferability, is used to analyse the advantages and disadvantages (the pros and cons) of the TIEG system to see how the system works and if it is transferable. These three variables are connected to the three sub questions mentioned in the next sub paragraph.

1.2.2 Research questions and research model

From the research goal above the following research question is distinguished:

Could the Canadian TIEG system be used as a financing instrument in the Dutch invitation planning and what problems would it solve?

To be able to answer the main question, the question is divided into three sub questions:

1. How does the Canadian TIEG system work and what are the pros and cons of the system?
2. What are the similarities and differences in Canadian and Dutch planning?
3. In what circumstances could the institutional transplantation of this system actually work? So what are the opportunities but also the barriers of the process?

The first question has been answered by using the variable ‘transferability’. This variable provides an analysis and an overview of the pros and cons of the TIEG system, as it is used in the Province of Ontario. Chapter 4 also contains an introduction to the Ontario planning system and the working of the TIEG system. The second question has been answered by the variable ‘suitability’, which gives an overview and an analysis of the differences and similarities between the planning systems of the two countries. The third question has been answered by analysing two variables, the transferability of the TIEG system and the adaptability of the receiving country, in this case the Netherlands. These variables will be used to get more insight in the opportunities and barriers of transferring the TIEG system.

The way of how the data for answering the main question were gathered is presented in the following research model (figure 2).

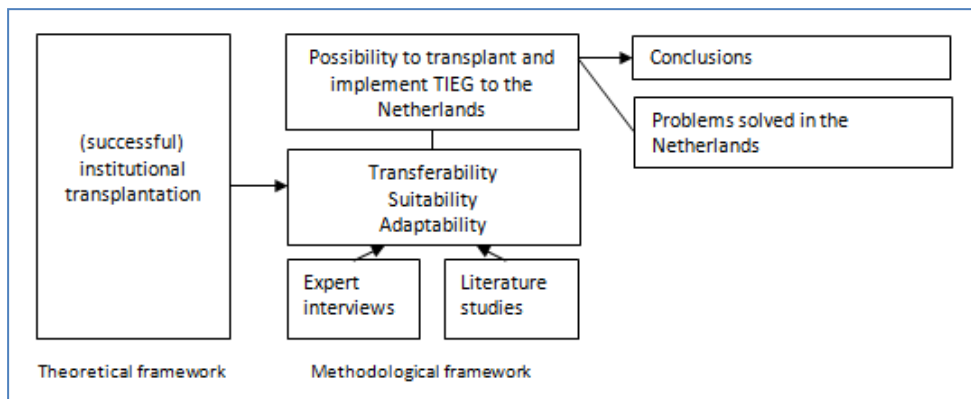


Figure 2 Research model

As shown in figure 2 the possibility of institutional transplantation of a Canadian financing system has been researched. This system is used in the Province of Ontario and is called the Tax Increment Equivalent Grants system. The analysis has been done using the information gained by literature studies and several interviews with experts in Canada and the Netherlands. This analysis will lead to an answer to the main question that is presented in the conclusion.

1.3 Theoretical and methodological framework

The theoretical focus of this research is on the transplantation of a policy or political program and the belonging learning process. Success and failure factors of Canada cannot simply be transferred to the Netherlands. The two countries are politically, economically and socially completely different so it is a challenge to operationalize the data in such a way that they are comparable but still remain reliable. Institutional transplantation or the borrowing of institutional features from one country to another provides a method for adopting good decision-making ideas from other countries. It is important to be aware of the national regulating style of a country as it may help to explain the way people behave in a country (Chorus, 2012). More specifically it helps provide an insight into the behaviour of the actors involved in the development process of several projects. The theory provides a framework to analyse the possibility of successful transplantation.

The methodology used in this research is case study research. The case in this research is the TIEG system itself that has been analyzed in its country of origin, Canada. In this way, the best and most detailed information about the program and its surrounding (political) context is gathered. Several expert interviews have been held to get more insight in how the Tax Increment Equivalent Grants system works and how it's practiced in Ontario. When back in the Netherlands also expert interviews have been held to get a clear overview of the Dutch situation. Further information about both countries has been obtained by literature analysis. More information about the theoretical and

methodological approaches and the advantages and disadvantages of these methods is presented in the theoretical- (chapter 2) and methodological framework (chapter 3) of this research.

1.4 Social and scientific relevance

Since the 1990s, municipalities lost their dominant position in the land market due to the decreasing power of the municipalities and the increasing power of property developers in the land market (Chorus, 2012). Also decentralization of tasks but not of budget doesn't give municipalities much space to be involved in, or support land development (T. Stauttener, personal communication, July 15th, 2014). The economic crisis also caused a lower demand in houses by the consuming sector and decreased the chances for successful redevelopment projects (Buitelaar et al., 2012), mostly due to financial reasons (van Hoek, Koning and Mulder, 2011). To cope with this reduction in chances, there is a need for effective and smart development strategies that help to take away present obstacles to real estate development and invite the private sector to invest again in urban transformation and renewal (van der Krabben and Heurkens, 2014). The TIEG system can contribute to this need for new development strategies because it can fill up the financial vacuum that has been created as a consequence of changing perspectives on land policy at the (re)redemption market in the Netherlands.

The scientific relevance of the research is that it contributes to the knowledge about market-conscious planning and ways to fund urban renewal. The theory about institutional transplantation is tested to see if the Netherlands can make use of market stimulating tools for redevelopment projects. Especially the Tax Increment Equivalent Grants system is used as an example to test the working of market-conscious financial incentives. The research also contributes to other research done, or are being done, in the Netherlands about the opportunities and barriers of the new planning system. Examples are the report on invitation planning and incremental development from PBL and Urhahn Urban Design (2012) and the recent book about foreign experiences of incremental development from Holleman, De Kort and Lindemann (2012).

This chapter contained a brief introduction to the research topic of this thesis. It also clarified the research goal and the research questions. Afterwards a brief summary has been given about the theoretical and methodological framework. And finally the social and scientific relevance has been explained. In the next chapter the theoretical framework and the conceptual model will be described.

Chapter 2 Theoretical framework

Many countries started looking abroad for solutions for their national problems, for example in planning, to respond more quickly or appropriately to crises (Stone, 1999). Looking at the increasing amount of international contacts and the globalization of politics and governance it is more likely that foreign institutional concepts become more important (de Jong, 1999). No serious scholar would deny that patterns of increased internationalization have occurred and that these have posed significant constraints on the ability of nation states to forward national economic strategies (Evans and Davies, 1999). Some theories regard governments' learning from competitor states as the result of international locational competition and decreased national policy autonomy (Hoberg, 1991). Yet, countries should consider that foreign policy transfer might lead to more major, discontinuous change in their policies than when they keep within their own policies and institutions (Wolman, 1992).

Another reason to look at examples abroad is because nations cannot solve their problems with their current policy heuristics. Sometimes taking over foreign concepts works out well, even if jurisdictional and cultural consequences are not taken into account. Yet, most of the time, coercive implementation doesn't work out (Dolowitz and Marsh, 2000). One of the methods to take control of foreign systems is institutional transplantation, or in other words, policy transfer:

'Institutional transplantation is the borrowing of institutional characteristics from one country by another (de Jong, 1999, p. 37). In other words, it's the incorporation of knowledge about policies, administrative arrangements, institutions etcetera, from another time and place (Dolowitz and Marsh, 1996, p. 344).

2.1 Institutions

Much has been written about institutions but they still defy clear and concise description. North (1990) calls them rules of play in a society which limit actions by excluding a wide range of options:

'The major role of institutions in a society is to reduce uncertainty by establishing a stable (but not necessarily efficient) structure to human interaction' (North 1990, p. 6).

Institutions are largely historically shaped and they structure the processes of human choice through a number of organized basic certainties (de Jong, 1999). This stable structure significantly reduces the uncertainty created by the complexity of problems and the limited problem-solving capacity of

the actors. At the same time, these institutions enable us to take alternative routes by pointing clearly in a specific direction.

If the same institutional path is followed for a long enough period of time, past turns limit the scope for further adaptations and the institutional framework can be affected by inertia and inefficient lock-in (Halleux, Marcinczak and van der Krabben, 2012). Accordingly, the insight that future developments are tied to historical experience, binds (formal) institutional developments to a specific time path, and the developing institutional structure of societies is subject to a lock-in or path dependency (Zweynert and Goldschmidt, 2006). At a certain point, this 'path-dependency', which has historically preceded current choices, leaves open only a narrow and logical –almost pre-ordained– range of options. Institutional change can thus be influenced or even impeded by path dependency (Van der Krabben and Heurkens, 2014;).

A way to achieve a better understanding of the interplay between path dependency and politically implemented institutional change is to look at the paradigm of the transplantation of institutions (Zweynert and Goldschmidt, 2006). Institutional transplantation stresses the importance of political competition and the actions of political entrepreneurs on the one hand, and the significance of historical and cultural inertia on the other. The next paragraph will set out the main concepts about institutional transplantation.

2.2 Institutional transplantation

Institutional transplantation, or policy transfer, refers to a process in which knowledge about policies, administrative arrangements and institutions in one time and/or place is used in the development of policies, administrative arrangements and institutions in another time and/or place (Dolowitz and Marsh, 1996). This sub paragraph describes the basic concepts of institutional transplantation.

2.2.1 What is transferred and why?

Almost anything can be transferred from one political system to another, depending upon the issue or situation involved (Dolowitz and Marsh, 2000). Some examples are policy goals, policy instruments, policy programs, institutions and ideologies. Thereby, a main distinction can be made between policy (sub-divided into policy goals, policy content and policy instruments) and programs. There is a wide variety of means of cross-national policy learning, some initiated by a search related to a specific problem, other occurring as a result of more ad hoc and unsystematic 'environmental scans' (Wolman, 1992).

Policy transfer can be either voluntary or coercive. Most authors suggest that the primary catalyst of voluntary transfer is some form of dissatisfaction or problem with the status quo (Dolowitz and Marsh, 1996). Supporters of this dissatisfaction model presume that when governmental policies are functioning properly there is no need to search for lessons; everything can operate through established routines. Only when routines stop providing 'solutions' is it necessary to search for lessons. Coercive transfer, in its most direct variant, is the total opposite of voluntary transfer (Dolowitz and Marsh, 1996). With coercive transfer a government forces another government to implement their policy or program. However this is very rare. Another form of coercive transfer, where a government encourages another country to adopt their policy. Hill (1997) adds a third form of transfer. This is when one party within a government tries to make another party to transfer some kind of policy using a range of methods such as persuasion or direction.

Although policy transfer might look voluntary, sometimes it is indirectly not as voluntary as it looks. Globalization and internationalization influence, and might even force, policy makers to establish new economic, political and social structures (James and Lodge, 2003). Wolman (1992) states that policy transfer in general should be seen as encompassing a broad continuum from general concepts to policy tools, to highly specific program design.

2.2.2 How is policy transferred and from where?

Policy transfer is not an all-or-nothing process (Dolowitz and Marsh, 1996; 2000). When engaged in policy transfer, actors have a range of options on how to incorporate lessons into their political system. Four different gradations, or degrees, can be distinct from policy transfer. First is copying, which involves direct and complete transfer. Second, emulation which contains transfer of the ideas behind the policy or program. Third, combinations which involve mixtures of several different policies and fourth is inspiration, whereby policy in another jurisdiction may inspire policy change, but where the final outcome does not actually draw upon the original (see also Rose 1993). It is important to stress not only that the type of transfer will vary between different cases of policy transfer but also that the type of transfer involved in any particular case depends upon factors such as who is involved in the process and where transfer occurs within the policy-making process. Thus, it is possible that while politicians tend to look for "quick-fix" solutions and thus rely upon copying or emulation, bureaucrats, on the other hand, are probably more interested in mixtures (Dolowitz and Marsh, 2000).

The policy transfer can be derived from different levels of governance; international, national and local level (Dolowitz and Marsh, 2000). Within a nation, actors engaging in policy transfer can, and do, draw lessons from other political systems or units within their own country. Not only can sub-

national units of governments draw lessons from each other, the national government can also draw lessons from lower levels of government, and lower levels of government can draw upon the national government. Governments and agents also transfer policies from one nation to another. Furthermore, while it is seldom examined, it should be stressed that when drawing lessons from other nations, actors are not limited to looking at national governments but can also look to other sub-national levels and units of government. Lastly, lessons can be drawn from, or forced upon a political system by, the international level. Most policy transfers then occur based on patterns of information flows, geographic proximity or linguistic or cultural similarities (Wolman, 1992).

When policy makers start searching for lessons, their own country's past is the logical place to begin. By searching the past, agents learn not only what has worked but also can learn what not to repeat (Dolowitz and Marsh, 1996). And searching for lessons within a political system's past has the advantage of saving time and resources. However, while history is constant it is open to many interpretations, current situations have to adapt to changes that occur nowadays. When policy makers want to learn and adopt from foreign policies they have to take into account that ideological and resource similarities are necessary preconditions to draw lessons (Dolowitz and Marsh, 1996). Rose (1993) supplements that similarities are greater within a given program across national boundaries than among different programs within a country.

2.3 Successful transplantation

There are several factors that indicate the amount of success (or failure) of institutional transplantation. There are factors that indicate the whole transplantation process, factors that indicate the similarities between the hosting and receiving country and other factors that indicate success and failure factors separately for the hosting and the receiving country. This paragraph tries to match these indicators for successful transplantation with theoretical concepts.

2.3.1 Transferability

Policy transfer is dependant upon the transferring political system possessing the political, bureaucratic and economic resources to implement the policy (Dolowitz and Marsh, 1996). There are different aspects which influence the transferability of a policy or program (Rose, 1994). The first is multiplicity. This means that programs with single goals are more transferable than programs with multiple goals. The second aspect is connected with the first because the second hypothesis says that the simpler the problem is the more likely transfer will occur. This variable is then called, simplicity. Third are the similarities; the more direct the relationship between the problem and the 'solution' is perceived to be the more likely it is to be transferred. A next aspect is the side effects. Because the

fewer the perceived side-effects of a policy the greater the possibility of transfer. And with that agents want as much information as possible about how a program operates in another location the easier it is to transfer. This is the fifth aspect; information. Finally is the concept of predictability. Because, the more easily outcomes can be predicted the simpler the transfer of a program can be.

Another factor that can influence the transferability of a certain system or policy is the degree of effectivity en efficiency in the host country. Evaluating the performance of a program or policy in the country from which transfer is being considered is difficult, but very important for the receiving country (Mossberger and Wolman, 2003; Wolman, 1992). If the policy or system doesn't work well in the host country, why would it work in the receiving country. And above that, if a system isn't working well in the host country it is less attractive for countries to adapt it because they are mostly looking for successtories.

2.3.2 Adaptability

To be successful, a policy transfer must pass several hurdles (Wolman, 1992). One of them is that it must be capable of adoption through the political system. Once adopted, it must be effective. That means that it must successfully address the problem it is expected to solve in the recipient country. Potential adopters should first identify which problem(s) the policy used to address and the goals associated with a policy or its variations (Mossberger and Wolman, 2003). They should then determine the extent to which these are similar to the problems they face and the goals they wish to pursue. Third, it must be capable of survival (that is of sustained support to enable it to continue to exist and to operate effectively). To be capable of survival al lot of research must be done before a policy of program is transplanted. For example, if a government searches hurriedly for a solution to an urgent problem, it is more likely that there will be transfer because the need for a 'solution' is imperative. But it is less likely that the transfer will be successful because limited time will inevitably lead to a limited search for models, and thus probably to flawed transfer (Dolowitz and Marsh, 2000). Similarly, if the search for a policy involves not only politicians and bureaucrats but also interest groups, there will be fewer implementation problems once the policy is transferred. And another aspect is the willingness of the inhabitants that stand behind the ideas of the government to invest in the area.

To make policy transfer as successful as possible, a countries adaptability should be as high and efficient as possible. Halleux, Marcinzak and van der Krabben (2012) explain this concept of adaptive efficiency. By providing insights on the conditions that explain why land use planning in some institutional contexts is able to adapt and improve more efficiently than in others. The grade of adaptive efficiency is, according to Halleux and van der Krabben (2011), also dependent on the kind

of planning a country practices. The adaptive efficiency standpoint leads to put emphasis on the difference between threats and opportunities (Halleux, et al., 2012). Adaptive efficiency in this article is defined as follows.

‘The willingness of a society to acquire knowledge and learning, to induce innovation, to undertake risk and creative activity of all sorts, as well as to resolve problems and bottlenecks of the society through time’ (North, 1990, p. 80).

2.3.3 Suitability

When a country wants to adapt foreign institutions, or systems, they have to be (or make themselves) suitable for it. The question is whether the various aspects of a policy’s setting in the recipient country are suitable as a host for policy which has operated in the different setting of the originating country (Wolman, 1992). A way to investigate if a country is suitable for adaptation of a new institutional system is to look at their political history and political environment. Important aspects of a policy’s environment include its institutional and structural setting, the national political culture, public opinion, relationship to other policies and the country’s level of economic development wealth and economic structure (Wolman, 1992).

Policy transfer, and the success of the transfer, is more likely if the policy is consistent with the dominant political ideology in the ‘host’ country (Robertson, 1991). Certainly, ideological similarities between countries can be a key factor when actors look for lessons (Rose, 1994). The similarities between the hosting and the receiving country can be analyzed using the concept of families of nations. A family of nations consists of countries with similar legal styles and/or cultural value orientations (de Jong, 1999). Families of nations can be helpful to obtain compatibility indications. Transplants, however, do not necessarily have to be derived from a country in the same family. Although the institutional designer must be aware of possible complications that may arise after adoption (de Jong, 1999). Any change in institutional elements in a certain country, must fit both structurally as well as culturally. Orücü, Attwooll and Coyle (1996) say that the characteristics of a family cannot arise out of substantive rules of law, but must be related to the structural and philosophical roots of the families. The borrowing of the rules and provisions, even the principles and standards of another legal system that is not crucial. What is crucial is the borrowing of a mode of thought and the handling of the law, its structure and sources.

2.4 Transplantation failure

There are a lot of factors that can lead to transplantation failure (Radaelli, 2000, Dolowitz and Marsh, 2000). First, the borrowing country may have insufficient information about the policy/institution and how it operates in the country from which it is transferred: a process called uninformed transfer. When policy makers go abroad to learn about a system they only see what they are shown (Wolman, 1992). They might have seen only 'show-case examples' instead of average situations, which can lead to transplantation failure. Second, although transfer has occurred, crucial elements that made the policy or institutional structure a success in the originating country may have not been transferred, what will lead to failure. This is called incomplete transfer. Third, in the case of inappropriate transfer, sufficient attention regarding economic, social, political and ideological differences between the transferring and the borrowing country leads to failure. Another frequent reason for unsuccessful policy transfer is the effort to transplant a policy that was intended to serve one purpose in the originating country, to serve other ends in the borrowing country (Mossberger and Wolman, 2003). So policy makers should pay attention and get the most accurate and adequate information about the foreign policy or program.

2.5 Institutional transplantation in this research

In this research the theoretical focus is on the institutional transplantability of the TIEG system. Although the institutional transplantation theory doesn't provide specific variables that measure successful transplantations, variables can still be distinguished from the theory. These variables are transferability, adaptability and suitability. The degree of transferability depends mostly on how the policy works in the hosting country. This includes what problems the policy intended to solve, how complex the policy is and how much information is available about the policy. Second is the adaptability of the receiving country. This variable analyzes if the receiving country has the resources and capability to adopt the transplant and third is the suitability which means that the receiving country has to be suitable for the transplant. The institutional transplantation theory has been used to find out if the Canadian TIEG system can be transplanted to the Netherlands to solve the Dutch problems to fund regeneration projects.

2.6 Conceptual model

In this research, three independent variables have been analyzed to see how they influence the amount of success a the transplantation of the TIEG system could have. Those three variables are

transferability, adaptability and suitability. Figure 3 shows the relation between the dependent and the independent variables.

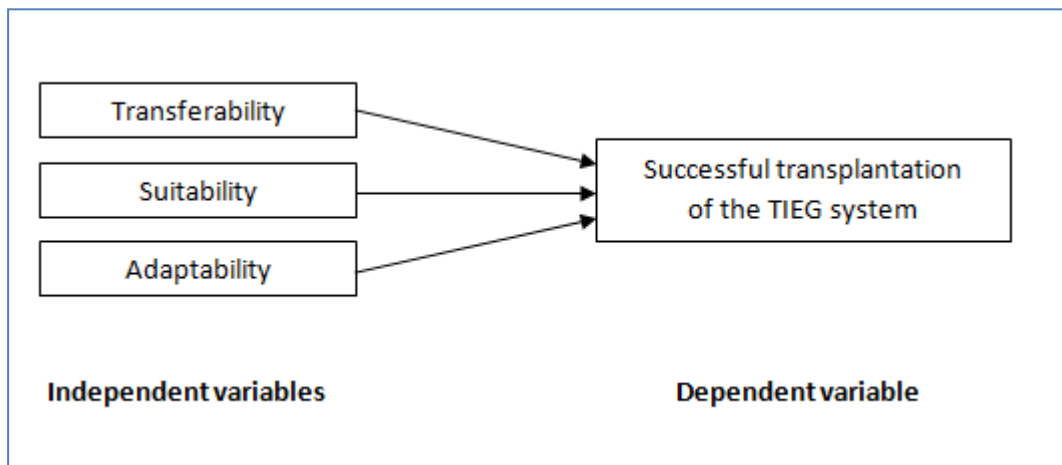


Figure 3 Conceptual model

In the last centuries, the idea that causality is fundamentally a matter of regularities in our data was dominant (Salmon, 1989). The National Research Council (2002) quotes that causal explanations are about systematic effects rather than single events. This suggests that causal relationships can only be demonstrated through quantitative research. Salmon (1989) even states that causality is ‘unobservable’. Yet, due to several reasons, this research is suitable for qualitative research (see chapter 3). According to the two quotes above it assumes to be impossible to show causality between the main variables and successful transplantation. Nevertheless, the National Research Council (2002) admits that some research seeks to achieve a deep understanding of particular events or circumstances rather than quantitative understanding that will generalize across situations or events. Even some qualitative methods are extremely suitable when it comes to understanding complex social phenomena (Yin, 2003).

Institutional transplantation can be seen as a complex phenomena. Successful transplantation doesn’t only depend on the transferability of the system, and the adaptability and suitability of the receiving country. The transferability of planning successes is often confronted to overwhelming contextual obstacles (Dolowitz and Medearis, 2009). And most phenomena cannot be explained in isolation, which is a result of their complexity in reality (Maxwell, 2004). Those three variables are a simplification of all the variables that influence the success of institutional transplantation. Other variables that influence the process are for example, implementation costs and technological abilities (Robertson, 1991) and path-dependency (Halleux et al, 2012; Zweynert and Goldschmidt, 2006).

This research recognized these other variables and named them but treated them as constant variables. This research has investigated how the variables transferability, suitability and adaptability, which are considered the most important in this research, influenced the transplantation.

This chapter contained an explanation of the theoretical framework that is used in this thesis. The framework consisted of a part that explained the concept of institutional transplantation, or policy transfer, and a part on factors that could indicate the amount of success of institutional transplantation. Finally, a conceptual model has been developed to explain the causalities in this thesis. The next chapter examines the methodological framework.

Chapter 3 Methodological framework

This thesis investigates the possibility of transplantation of Tax Increment Equivalent Grants – a financial incentive for (re)development projects in the Province of Ontario, Canada – to the Netherlands. Specifically this research is about the question if this way of funding redevelopment projects can be successful in Dutch cases. Desk research, interviews and empirical research have been used to collect data for the analysis of this research. Several expert interviews have been held to get more insight in how the Tax Increment Equivalent Grants system works and how it is used in Ontario. Also Dutch experts have been interviewed to get their opinion of the system and if a tool like TIEGs would work in the Netherlands. The used case study is further introduced in paragraph 3.4.

3.1 Operationalization

As already set out in the former chapter the theory about institutional transplantation is used to explore if the Ontario TIEG system can be transplanted and implemented in the Netherlands. To analyze if this transplantation can be done successfully, three variables are used. Those variables are transferability, suitability and adaptability. This sub paragraph operationalizes those three variables. As a matter of course other variables and externalities influence the amount of success of transplantation.

3.1.1 Transferability

The first dimension that has been analyzed is transferability. Transferability in this research is translated in advantages and disadvantages of the TIEG system. When having a clear overview of the advantages and disadvantages, a conclusion can be formed about the transferability of the TIEG system. If the system has a lot of advantages, it is more likely for the TIEG system to be transplanted. If there's too many disadvantages to the system, it is less likely the system is transferable. Besides that, the context plays an important role in the transferability of the system.

3.1.2 Suitability

The final dimension that has been analyzed is suitability. This variable analyzes the differences and similarities between the planning systems of the two countries. The similarities and differences analysis is divided in four categories, or sub variables. The more similarities between the two countries, the higher the chance for successful transplantation. The first sub variable is history and politics. This variable tries to describe how politics have evolved over time in both countries. The second sub variable is planning objectives. If planning objectives match it is more likely that policy

transfer will be successful. Third are similarities and differences in brownfield policies. This is a specification of the planning objectives. And finally the legislation system of both countries is analysed. Legislation can impede or allow implementation of adopted policies.

3.1.3 Adaptability

The second dimension that has been analyzed is adaptability. This variable is analyzed with help from three sub variables. The first one are the opportunities for the TIEG system to be implemented in the Netherlands. The second are the barriers that the Netherlands has, towards implementation of the TIEG system. And third are the consequences the system will bring up after implementation. Externalities and other variables are embedded in the analysis of this variable because they influence the adaptability of the receiving country.

3.1.4 Externalities

Externalities can have a great influence on the success of the transplantation. The implementation of TIEGs can for example be influenced by divergent mindsets of Dutch private parties. Also policies in both countries are embedded in a different context. Policy making can be influenced by different actors and factors within their context. Those factors might be different and not be taken into account while arranging policy transfer. An example of an externality that can influence successful policy transfer is that no sufficient legislation is in place or that the property tax systems of both countries are different. Externalities in this research, as mentioned before, are embedded and mentioned in the analysis.

3.2 Research methodology

In this research a case study has been conducted in the Province of Ontario. This case studies is used to get an insight in the working of the TIEG system and the context it is embedded in. In this case study, the main case is the TIEG system itself, but also a concrete projects is analyzed to get practical insights in the working of the system. Also desk research and expert interviews have been used to get information on the working of the Ontario TIEG system and the Dutch planning system. Eventually the two systems and their contexts are compared to find out if the TIEG system is a suitable incentive for Dutch regeneration projects.

3.2.1 Case study research

This research is based on qualitative research, more specifically, on case studies. Yin (2003) defines case study research as follows:

'A case study is a contemporary enquiry that investigates a temporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. The case study enquiry copes with the technically distinctive situation in which there will be many more variables of interests than data points, and as one result relies on multiple sources of evidence, with data needed to converge in a triangulating fashion and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis (Yin, 2003, p.13-14).'

Case study research investigates a phenomenon within its real-life context (Yin, 2009; Hartley, 2004). Through connecting similarities and differences from the literature to the cases, theoretical statements can be generalized (Firestone, 1993). In this way the general theoretical concept can be illuminated by holding a mirror against the model through applying the model to a specific case. This makes case study research extremely suitable as a research method for this thesis because in this way the context and the complex interrelations can be investigated.

An advantage of doing case study research is the possibility to use several methods to gather your data (Yin, 1981). In this thesis, desk research and interviews have been used to gather data. Next sub paragraph will explain how this has been done.

3.2.2 Desk research and expert interviews

For the analysis, expert interviews and literature studies are used to gather data. Gathering literature and information about both planning systems will make comparison between the Ontario and the Dutch system possible and can be analyzed if there is a possibility that the TIEG system can be used in the Netherlands. Desk research will lead to a broad range of literature that helps analyzing the topic. At first, general literature about the Ontario and Dutch planning system has been gathered. Additionally, more specific data is collected to get a more in depth insight in both planning systems and the TIEG system itself. Literature is gathered mostly through searching for scientific articles and municipal and provincial documents.

The other part of the data is gathered through expert interviews. Expert interview give fast access to new or unknown fields and are a quick way to obtain specific information (van Audenhove, 2013). Another reason to choose for expert interviews is that stated facts in the literature can be tested on their reliability (Vennix, 2009). Van Audenhove (2013) divides three dimensions of expert interviews. The first dimension is explorative interviews. Data is gathered through collecting technical, specific and detailed knowledge in the field. Second are systematizing interviews. These interviews are held with experts that are directly involved to get more information about routines and specific

interactions. The final dimension is theory generating expert interviews. Through collecting explanatory knowledge ideas and ideologies and subjective interpretations of relevance, rules and beliefs are obtained. All three types of expert interviews are used in this thesis, each to gather a specific kind of data. Explorative interviews are used to get a clear overview of the context of the planning systems of both countries. Systemizing interviews are used to get more information about the working of the TIEG system and its pros and cons and theory generating interviews are used to get an idea of how Dutch experts think about the TIEG system. More information about the expert interviews can be found in paragraph 3.3.

3.2.3 Generalizability

In the first part of this research the Ontario TIEG system will be analyzed. This analysis is executed in the capital of Ontario, Toronto. The TIEG system serves as a case study, since this research is on transplanting the system as a whole. On the other hand, a specific TIEG project is chosen, to get insight in how the project is executed on a lower scale. This case is chosen based on the type of incentive that is used for the project; logically the project has to be (partly) funded with the TIEG system. And second the scale of the project. The project has to fit in the Dutch conditions of current, small scale oriented, invitation planning. In this way it can serve as an example of how the system could work in the Netherlands and what its opportunities and barriers are. This last criterion might affect the representativeness of the system. Namely because most of the projects that make use of the TIEG system are projects for high rise condominium buildings (R. Condon, personal communication, November 26th, 2013). However, since this doesn't match with the current Dutch planning system, and this research is about finding a good incentive for Dutch urban regeneration, it is questionable if representativeness of the case is the most important aspect of the choice for a case study.

Although case study research is a very suitable way of data collection in this research, it might not always be generalizable. Since only one case in the city of Toronto is investigated, the external validity might be lower than with multiple cases. The big advantage of using one case is that the research can be more in-depth, which will result in a better internal validity (Flyvbjerg, 2006). Good triangulation is very important using only one case study.

3.2.4 Triangulation

Different forms of literature are used in this research to achieve proper triangulation. This includes newspapers, articles, policy documents, laws, scientific literature, websites etc. The most difficult to take care of is the research triangulation. Because this research is executed by one

researcher, it is harder to look at the subject from different angles. But with help of the several interviews, which are held amongst people with different backgrounds, is tried to avoid 'tunnel vision' on the subject. By doing multiple interviews about the same topic, the internal validity will improve. These interviews have been held with several experts that are involved in the cases as well as experts in the process of transplanted, such as policy makers. The interviewed experts are set out in the next paragraph (paragraph 3.3). By comparing the information gathered by the expert interviews with information from literature the external validity will be taken care of.

3.3 Interviews

Interviews are used in this research to get a more clear overview and in-depth information about the TIEG system. Since the TIEG system is only implemented in 2008, a very small amount of literature is available about the working and the evaluation of the system. Interviews can answer questions that are not provided by the literature.

3.3.1 Experts in the Province of Ontario, Canada

In this research, experts on Tax Increment Equivalent Grants have been interviewed to get an insight into the working of the funding system, its transferability and its pros and cons. In this research is tried to get a good mix of experts by choosing experts in several fields as professors from several universities, governmental institutions and experts in the working field. These experts can be divided in the following groups:

- University professors and academics. Professors and academics of Ryerson University and the University of Toronto are interviewed to get insight in the Ontario (brownfield) policies and the theory behind the working of financial incentives and TIEGs in special. Two experts in brownfield policies are interviewed to get insight on the theoretical working of the TIEG system. Also experts on municipal finance and public-private partnerships have been contacted. Eventually the theoretical view on how the TIEG system should work, and how the system actually works in practice are compared.
- Governmental institutions. To get an insight in the practical application of the TIEG system in the province and in the city, experts on the provincial and the municipal level are interviewed. The goal of the interviews is to get insight on how the TIEG system works or should work and what the main constraints are. For the provincial level, the Ministry of Municipal Affairs and Housing that is dealing with the financial incentives in Ontario is contacted. For the municipal level, the City of Toronto is approached to talk about the TIEG

system. The city of Toronto has a lot of examples of the implementation of the TIEG system. After getting a broad overview of how the system works provincially, the City can provide more practical information about how the system should be applied on a municipal level.

- TIEG-funded projects. To get an insight in the practical application of the TIEG system in the city, practitioners from the working field are interviewed. This, to get opinions from the project level to get the 'incentive receiving' perspective on the TIEG system. The project that is analyzed is described in paragraph 3.4.

3.3.2 Experts in the Netherlands

In this research, experts on the Dutch planning system will be interviewed to get an insight into the working the Dutch planning system, especially to the funding of regeneration projects. With these interviews is tried to find out if the experts think if the TIEG system can be successfully applied and maintained in the Netherlands. These experts are the following:

- University professors and academics. Professors and academics from two different faculties of the Radboud University are interviewed to get their opinion on the TIEG system. Also they have been asked if they think the TIEG system could be successfully implemented in the Netherlands. One experts in Dutch environmental legislation is interviewed to find out if there are juridical implication or opportunities for implementation of the TIEG system. And a Canadian PhD, that is also doing research about TIEGs in the Netherlands, is asked for her opinion about if the TIEG system could be implemented in the Netherlands. Also she has been asked to give a broad overview of the differences and similarities is planning in both Canada and the Netherlands.
- Experts in the working field. Two experts in the working field are interviewed. One expert from the side of the market parties to get his opinion about the TIEG system and if he sees chances for the TIEG system to be implemented successfully. And one expert on the municipal side. This person is asked about the question if municipalities see opportunities for the TIEG system to be helpful for redevelopment and if it could be a good tool for invitation planning.

In total, 10 interviews have been conducted amongst Canadian and Dutch experts. For every type of expert, a different interview guide will be made. An overview of the interviewed experts can be found in appendix A. The interview guides used in this research can be found in appendix B.

3.3.3 Interview guides

The interviews that are held are constructed using the sub questions and the theoretical framework. Of course the main question is intertwined in all the interview questions. The three main variables, formed in the theoretical framework are connected to the sub questions, form the base of the interview questions.

The interview guides can be divided in interviews amongst Canadian and Dutch experts. Also a division can be made in academics and professors and experts from the working field. Canadian experts are asked about their opinions about the working of the TIEG system in general. Afterwards questions were asked about the three variables. Both academics and experts from the working field are asked the same questions. However interviews with academics and professors gave a theoretical view on the TIEG system and interviews with experts from the working field gave an overview of the practical side of the working of the system. Dutch experts are asked about their opinion about the TIEG system and if they thought the TIEG system was a good system to work in the Netherlands. Mainly the variable adaptability was questioned in these interviews, so questions about the opportunities, barriers and consequences are asked.

3.3.4 Transcription of the interviews

The conducted interviews will be transcribed and then be thoroughly analyzed. Afterwards the information in these transcripts will be divided and coded according to the three dimensions discussed before, namely transferability (T), adaptability (A) and suitability (S) and their sub dimensions (T1, T2, A1, A2, A3 and S1, S2, S3 and S4). Externalities and other important information that can't be classified in any of the three dimensions transferability, adaptability of suitability will be coded with an 'E' (externality) and 'O' (context variables and other). A schematic overview of the codes is presented in table 1.

Transferability (T)	Adaptability (A)	Suitability (S)	Externalities (E) Context and other variables (O)
Advantages (T1)	Opportunities (A1)	History and politics (S1)	
Disadvantages (T2)	Barriers (A2)	Planning objectives (S2)	
	Conditions and Consequences (A3)	Brownfield policies (S3)	
		Legislation (S4)	

Table 1 Codes of the variables and sub variables

3.4 Case study area

Ontario is Canada's second largest province, covering more than one million square kilometers. With a population of more than 13.5 million, Ontario is home to about 40% of the Canadians (Ontario.ca). More than 85% of them live in urban centers, largely in cities on the shores of the Great Lakes. The largest concentration of people and cities is in the *Greater Golden Horseshoe*. The Greater Golden Horseshoe describes the extended metropolitan area, including parts of central Ontario surrounding the core region. With more than 9 million people, this area is one of the fastest growing areas in North America (Ontario.ca). The biggest city in this Greater Golden Horseshoe is Toronto, which is also the capital of the Province.

Toronto is the capital of the Province of Ontario. The 1998 restructuring of Toronto's municipal government has been one of the most ambitious undertakings in North America. In this restructuring seven large municipalities were combined to one big city, Toronto. Nowadays Toronto counts 2.8 million people and is one of the most multicultural cities in the world. Toronto is the capital of Ontario and also Canada's financial and business capital. In short, Toronto's development control regime has resolutely achieved the modernist vision of suburbanization and in the process has created a highly planned and relatively compact metropolitan region that is quite different from most American cities (Sørensen, 2011).

Key policy directions and goals in the Toronto Metropolitan Area include directing growth to built-up areas by establishing urban growth centers and intensification corridors; establishing development intensification targets, by the year 2015 and on, of a minimum of 40 per cent of all residential development occurring annually within the built-up area of each municipality and establishing residential and employment density targets within urban growth centers in order to support public transit and promote mixed use development (ECO, 2011). All of these policy directions lead back to the urban intensification policy.

Today 20 approved applications have been realized from 2008 until now (R. Condon, personal communication, November 26th, 2013). These projects represent over one billion dollars in construction value. It represents a lot of new investments, thousands of new employments and many thousands of square feet of new buildings. One of these projects is the Shaw street school project. This project has been analyzed to look at the TIEG system from a developer's perspective.

In this chapter the research methodology and the research strategy of this research have been set out. The reason for choosing case study research has been explained and the case study area has been introduced. The next chapter contains an explanation of the Ontario planning system and the working of the TIEG system.

Chapter 4 Planning in Ontario

Although globally, financial incentives have been embraced and widely used for a very long time as a tool for city building, financial incentives are still a relatively new form of municipal economic development in Ontario (City of Toronto, 2008a). Over the past seven years, Ontario has attempted to address the uncertainties, risks and costs associated with brownfield development (Cielap.org, n.d.). Nowadays, dynamic planning and financing programs have been launched in Ontario and municipalities are catching on quickly. As local governments seek means to revitalize their communities in value-added ways, they are evaluating what has to be restored and rehabilitated (Ontario Ministry of Municipal Affairs and Housing (OMMAH), 2003). Ontario municipalities are adapting concepts of their American counterparts to provide assistance equivalent to a deemed tax increment calculation (OMMAH, 2000). Nowadays, a number of municipalities have developed innovative approaches to provide financial incentives for redevelopment led by the private sector and community improvement initiatives that minimize financial pressures on the municipality. One of these financial (tax increment) incentives is the Tax Increment Equivalent Grants system. TIEGs are attractive to municipalities in Ontario because they are the only way to subsidize development under the provincial Planning Act (E. Slack, personal communication, November 7th, 2013). Before diving into the literature on the TIEG system, the structure of the Ontario planning system will be described in this chapter. Especially the way how the brownfield regeneration projects are shaped in this Canadian province is analyzed. As mentioned in the previous chapter, the city of Toronto uses a slightly different system which is called the IMIT program. In this chapter the terms TIEG and IMIT are used interchangeably. Although, as said before, IMIT is just a name of the program, while TIEG is a description of what the system is. So when speaking about TIEGs it concerns the program in general and when speaking about IMIT, it concerns the Toronto program.

4.1 Planning in Ontario

Canada is divided in 13 provinces. These provinces have large autonomous power within their area, which makes provinces key factors in planning (A. Sørensen, personal communication, November 11th, 2013). Municipalities, however, have been given more power over the last years and in planning, they are free to do what they want as long as it fits in the provincial objectives and legislation. This research is about a specific province in Canada namely Ontario, the province with the highest population and one of the biggest metropolitan areas in Northern America.

4.1.1 History

In the first two decades of the 20th century, the Province of Ontario enacted legislation which, for the first time, permitted municipalities to engage in urban land use planning activities (Hulchanski, 1982). By 1912 Ontario had adopted enabling legislation permitting the larger municipalities in the province to regulate some aspects of development in residential areas, an early form of zoning, and to regulate some aspects of the subdivision of suburban land. A few years later, in 1917, the Ontario legislature started to adopt more general planning, with at first, the Planning and Development Act. This act was part of the three major planning-related statutes in the early 20th century, together with the Municipal Act and the Cities and Suburbs Plans Act (Hulchanski, 1982). Another important planning law, was adopted in 1946, the Planning Act (Hitchcock and Kjellberg, 1980).

Urban and regional development after Second World War can be divided in four distinctive periods (Bourne and Olvet, 1995). The first period from the 1950's until the 1960's, was characterized by strong employment and population growth almost everywhere in the country. By 1967 the government stands face-to-face with the challenge of massive urbanization (Pearson, 1967). Only half a century ago twice as many Canadians lived in rural areas as in cities and towns; now the picture is reversed, with the majority living in the urban areas. But urbanization is not the only reason why cities were growing very fast after the Second World War, other reasons were massive immigration streams and natural population increase, which later became the baby-boom generation (Bourne and Baker, 1968). The need to improve access for individuals and families to the opportunity to live a good life in our urban environment has become one of the most urgent challenges confronting every level of government at that time (Pearson, 1967).

The 1970's, in contrast, was a decade of escalating resource rents resulting from a boom in the international demand for commodities, as was evident in high oil prices (Bourne and Olvet, 1995). Manufacturing activity grew, but at a reduced rate. As a consequence, the pendulum of growth shifted from the older industrial heartland to the western periphery. The 70's is also one of the rare periods in Canada when the non-metropolitan areas grew faster than the metropolitan areas. This can also be referred to as counter-urbanization (Bird, 1995).

In the third period, the 1980's, the Planning Act was the sacred cow of planning for municipalities (Goldrick, 1980). Growth in the post-recession 1980's was largely driven by an explosion in office employment and the services sector. Since most of these activities were located in the larger metropolitan areas the decentralization period came to an end, and started to reverse to the east again (Bourne and Olvet, 1995). In the 1980's the biggest challenge was to define the balancing point between the effectiveness of the tools for implementing planning legislation and the flexibility of the

process within which the planners have to work (Richards, 1980). Goldrick (1980) states that the Ontario government has to start to address problems that concern the ordinary people from the 1980's and thus has to modernize their political processes.

By the early 1990's competition and rationalization began to impact negatively of profits and on employment levels in the service sector (Bourne and Olvet, 1995). At the same time fiscal restraint has curtailed employment growth, wages and investments in the public sector. The worldwide trend to decentralization of public services in the 1990's brings with it a new realization of the importance of local government policy and finance (Bird, 1995). This affects the economical, administrative and political situation of municipalities, but also provincial and national policies in countries all over the world. Municipalities for example, not always have enough money to finance public services. The coincidence of these trends produced a sharp downturn in the Ontario economy (Gertler, 1994).

Back in the 21st century, southern Ontario is one of the fastest growing regions in North America. To cope with the projected population and economic growth in southern Ontario over the next few decades, the Ontario government enacted the Places to Grow Act (2005), to put limits to growth. Due to the shifting balance between the provincial and municipal roles in land use decisions, the creation of regionally based land use plans came up (Environmental Commissioner of Ontario (ECO), 2011). In 2006, The *Planning Act* was finally amended to recognize, as a matter of provincial interest, the promotion of development designed to be sustainable such as brownfield redevelopment. That was the start of integration of the development and the environment programs, and thus the end of the 'development first, environment second' approach.

4.1.2 General planning

In recent years, governments everywhere have been preoccupied with the complex economic and technological challenges accompanying globalization (Bradford, 2003). Aware that the living standards of their citizens depend ultimately on the capacity of all economic actors to "adjust through innovation," governments are searching for new policy approaches. The most popular strategy, also in Ontario, is *governance through public-private partnerships*, which effectively devolves authority and responsibility from the state and instead relies on the policy networks found in civil society (Bradford, 2003). Potential benefits include efficient risk sharing across public and private sectors, improved performance accountability, and opportunities to leverage private-sector expertise and innovation (Hanniman, 2013). Potential risks include reduced policy flexibility and windfall private-sector profits. Many Ontario municipalities, however, have successfully addressed these challenges. Hanniman (2013) mentions some advantages and disadvantages of public-private partnerships. The most notable benefit of public-private partnerships is risk transfer. Public-private

partnerships cost more than traditional projects, but the premium reflects risks assumed by the private sector. Public-private partnerships also enhance accountability by placing private capital at risk: the private-sector does not get paid unless it meets specified performance standards. Disadvantages are that execution of local public-private partnerships can be hindered by small transaction sizes, lack of local expertise, fragmented local institutions, and the openness of the local approval process. And despite incurring relatively few risks, the private sector is often paid significant risk premiums. Although these premiums may reflect objective project risks, it is difficult to know for sure given the opacity of the pricing process.

Governments are still pursuing partnerships, however, they must assess the “fit” between their preferred paradigm and the prevailing institutional landscape and they must find the policy tools to ensure effective implementation of public-private partnerships (Bradford, 2003). Siemiatycki (In: Hanniman, 2013) warns for government agencies who promote public-private partnerships too aggressively, encouraging cities to use them where traditional methods are more appropriate. Cities should be aware of this and only use public-private partnerships when possible.

4.1.3 The Ontario Municipal Board

One important and very powerful body in the provincial, and therefore in the municipal planning is the OMB, the Ontario Municipal Board (Moore, 2011; A. Sørensen, personal communication, November 11th, 2013). The OMB is one of the province’s longest-standing adjudicative tribunals and plays a critical role in Ontario’s land-use planning process by providing an independent public forum to hear land-use disputes under the Planning Act (OMB, 2009). The Ontario Municipal Board hears applications and appeals in relation to a range of municipal planning, financial and land matters including official plans, zoning by-laws, subdivision plans, consents and minor variances, land compensation, development charges, electoral ward boundaries, municipal finance, aggregate resources and other issues assigned to the Board by numerous Ontario statutes (OMB, n.d.). The board’s existence undoubtedly alters the role of local politicians and the behavior of other actors in the politics of urban development (Moore, 2011).

The board’s role as an appeal body in planning disputes – its ability to overturn or alter the decisions of democratically elected councils – is a cause for consternation among many Ontario communities (Moore, 2011; ECO, 2011). A second constraint of the OMB is that as long as the OMB is in charge, it undermines the ability of municipalities to deliver better planning and stronger neighborhoods (Thestar.com, October 24th, 2013; ECO, 2011). Another article in the Toronto star (August, 27th) states that the OMB after decades of overruling city councils across the province to side with powerful developers, it has a reputation for favoring special interests over the public

interest. This matches the argument of Frank Cunningham (personal communication, November 11th 2013) against the OMB. He states that the OMB and the people that work there have a big network, which includes also the big developers who are fighting municipal decisions at the OMB. So the processes aren't fair due to nepotism of the OMB. One other argument is that developers have more money than neighborhood associations, that are mostly the main parties that try to stop development, so developers have the ability to hire the most expensive lawyers or even blackmail the neighborhood associations, by promising them some money if they don't go to court. As mentioned before, intensification of cities are a very important pillar of the Ontario province. This not always a guarantee for good planning, but due to the networks, and the reproof of NIMBYism from the OMB to the neighborhood associations, most of the time, high rise buildings win from the low rise zoning plans (F. Cunningham, personal communication, November 11th, 2013).

4.2 Area development

Property owners interested in brownfield redevelopment continue to find upfront financing costs and accessing traditional sources of development capital carries difficult barriers to overcome (OMMAH, 2007). As interest in brownfield redevelopment grows in a community, it is important for a municipality to monitor the impact of their incentive programs. This can help ensure the incentives offered remain effective in encouraging redevelopment and help provide the rationale for continued municipal council support of the program. Financial incentive packages can play a valuable role in assisting developers overcome come of the hurdles that can be encountered in the redevelopment process (R. Condon, personal communication, November 26th, 2013).

According to the Ministry of Municipal Affairs and Housing (2007) the success of any redevelopment effort is often a result of putting together an effective team of individuals (public and private) with the capability to address all facets of the redevelopment process. Community involvement and participation can also help facilitate and enhance any redevelopment project by obtaining community buy-in and support. So municipalities need to find the mix of incentives that meet local needs. Ideally, any incentive program should be in place before interest arises from the private sector. The best incentive package is developed by the municipality in consultation with lenders, local businesses, property owners, and the public. Programs should be adequately funded, easy to understand, well-marketed and targeted to areas of greatest need. The land-use planning system in Ontario provides municipalities with a number of tools that allow them to take a proactive approach to promoting the revitalization of underutilized areas of the community (OMMAH, 2011). These tools can be split up in two parts, the zoning tools, and the financing tools. A few examples of the zoning tools are the zoning by-laws, the site plan control, development permit system and the

employment lands protection. But since this research tries to find innovative funding systems for the Netherlands it is more useful to look at the financing tools. Most financial tools can only be implemented under a CIP, a Community Improvement Plan. The next sub paragraph sets out this plan.

4.2.1 Community Improvement Plans

Community Improvement Plans (CIPs) are used by municipalities to set out a municipal framework for the rehabilitation of existing built-up areas. Through a CIP, a community in need of rehabilitation and, municipalities can provide financial incentives in the form of grants, loans or tax assistance to properties in a specific area or category (OMMAH, 2007; 2008; 2011; City of Toronto, 2008a). A CIP is required before financial incentives can be provided (E. Slack, personal communication, November, 7th, 2013). A CIP can help focus public attention on local priorities and municipal initiatives, target areas in transition or in need of repair, rehabilitation and redevelopment and can stimulate private sector investment through municipal incentive-based programs (OMMAH, 2008). These plans may include means by which municipalities can provide financial incentives, in order to achieve planning objectives that are for the broader public good (OMMAH, 2011).

This includes the ability to acquire, hold, clear, lease and sell land in designated areas, as well as to direct and stimulate development through grant and/or loan programs that support a municipality's community-building goals (C. de Sousa, personal communication, November 27th, 2013). A CIP also leads to rehabilitation of land and buildings, reuse of former industrial and commercial lands (brownfields), increased economic activity, rejuvenated neighborhoods, better use of existing infrastructure and attractive physical landscapes (OMMAH, 2003). The main goal set out for most of these incentives is to increase employment and/or income generated in the jurisdiction (Wassmer, 2007).

The CIP is designed for a specific Community Improvement Project Area (CIPA). A CIPA is 'a municipality or an area within a municipality of which the community improvement in the opinion of the council is desirable due to age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social or community economic development reason' (City of Toronto, 2008a). Part or all of a municipality is designated a community improvement area in which all new economic development, or specific sectors, are eligible to receive the TIEG. It is designed to encourage either new construction or the substantial renovation of existing structures for employment uses. Without the adoption of a CIP, municipalities are prohibited from providing financial incentives to businesses as this could lead to an unfair competition with other jurisdictions (City of Toronto, n.d. b; E. Slack, personal communication, November 7th, 2013). This is called

bonusing. Community improvement plans do not require provincial approval. However, municipalities must consult with the Province on any proposed plans, in accordance with the Planning Act (R. Condon, personal communication, November 26th, 2013). The plan specifies several objectives for community improvement programs and activities. Table 2 shows some scenario's which are eligible for financial incentives.

Scenario	Incentives
Former drycleaner located within the downtown area being redeveloped into commercial space.	In an effort to improve the look and feel of the downtown area, a façade improvement grant can be used to help the property owner offset the costs of updating the external area of the building
Abandoned gas station being redeveloped into new town homes.	Feasibility grants can be useful when it comes time to examine the extent of potential contamination on a property.
Former mill located along the waterfront being restored to include new shops and residential units.	In the property is designated under the Ontario Heritage Act, the municipality may offer property tax relief.
Abandoned industrial warehouse being redeveloped into a new industrial facility.	Based on the scale and scope of the project, the municipality can offer a discount on development charges.

Table 2 Examples of scenario's which are eligible for financial incentives (After: OMMAH, 2007)

4.2.2 Financial incentives

With increasing Canadian interest in brownfield redevelopment, many Ontario municipalities have begun to use financial tools to stimulate redevelopment (Brendon et al., 2004). The provision of financial tools is the only way for Canadian municipalities to respond actively to brownfield redevelopment opportunities. The Community Improvement Plans described in the previous sub paragraph, allow municipalities in need of urban revitalization to provide financial incentives such as grants, loans or tax assistance. These financial incentives are made possible by provisions contained within the Municipal Act and the Planning Act (Brendon et al, 2004). By calculating a grant or loan on the higher property tax that is generated from development (the tax increment), municipalities can offer eligible developers financing incentives that will put lands and buildings that might not otherwise be developed, back into productive use (OMMAH, 2003). Many municipalities describe a toolkit of financial incentives in their Community Improvement Plans, aimed at encouraging landowners and developers to undertake brownfield redevelopment (OMMAH, 2010c). These incentives are study grants, rehabilitation and remediation grants, tax assistance, tax increment equivalent grants, municipal fee grants, and exemptions or reductions on development charges.

- The study grant program typically promotes the undertaking of studies to collect information about the level of contamination at a particular site, and estimate the potential costs of remediation.
- Rehabilitation and redevelopment grants or loans can be described as up-front financial assistance which is provided for eligible rehabilitation and redevelopment activities. But these kinds of incentives are rarely offered by municipalities in Ontario.
- Tax assistance is often used in Ontario. When a municipality approves tax they cancel or defer the municipal and/or school portions of property tax on eligible property to assist with eligible costs of environmental remediation and rehabilitation. An example of tax assistance is the Brownfields Financial Tax Incentive Program, which cancels all or part of the education property taxes of a property for up to three years (OMMAH, 2007).
- The tax increment equivalent grants program holds the financial assistance equal to all or a portion of the municipal property tax increase (increment), following the completion of a project which has resulted in an increase in the assessed value of a property.
- Another financial incentive is giving out municipal fee grants; the façade grants or loans. Municipalities make those façade grants or loans available for applicants generally to maintain, rehabilitate, improve or restore building exteriors.
- Finally, some municipalities exempt all or a part of development charges for eligible properties as one tool to promote brownfield redevelopment.

Table 3 shows the popularity of the financial incentives in Ontario municipalities.

Type of Financial Incentive	Number of Municipalities	Percent of All Municipalities with "Brownfields CIPs" (44)
Tax Increment Equivalent Grant	41	93%
Tax Assistance	34	77%
Study Grant Program	26	59%
Development Charges Reductions/Exemptions	24	55%
Fees Grant Program	21	48%
Façade Grant or Loan Program	15	34%
Rehabilitation and Redevelopment Grants/Loans	4	9%

Table 3 Number of Ontario municipalities offering various brownfield financial incentive programs within a CIP (OMMAH, 2010c)

The figure above shows that the TIEG system is the most used financial incentive in Ontario. Since TIEG is thus the most common incentive in Ontario, this system will be analyzed in this research as the transplanted incentive.

The Ontario TIEG system should not be confused with the American TIF system. There are some major differences between the two systems (E. Slack, personal communication, November 7th, 2013). The first one is that TIFs have no tax advantage, property owners pay full property tax and with that tax the infrastructure is paid, while with TIEG the property owner doesn't have to pay for the infrastructure but receives a subsidy on the increment of the property tax as a result of the increase of the property value due to the investments. Another constraint is that in America and some other countries, TIFs have led to competing municipalities. Municipalities tried to 'TIF' everything, just to attract business to their city (C. de Sousa, personal communication, November 27th, 2013). They have used TIF as a reward for companies to move into their city. In Canada it is not possible to reward companies due to the Anti-bonusing law. This law in short says that municipalities and provinces are prevented from providing direct benefits to individual companies (R. Condon, personal communication, November 26th, 2013). Due to this anti-bonusing legislation the province of Ontario was able to identify only one tool that would allow us to address that anti bonusing law; the TIEG system.

4.3 Tax Increment Equivalent Grants

TIEGs are a funding program designed to encourage new construction and renovation of existing buildings for certain eligible uses throughout the province of Ontario (Canadian Apartment Magazine, 2012). It is intended that the Tax Increment Equivalent Grant system is a "stand alone" incentive tool and that the owners of property do not accumulate incentives both under the TIEG system and under other incentive programs or initiatives available in the specific town or municipality (MMM Group, 2009).

The TIEG system will encourage large scale property and building investment by effectively deferring the full increase in taxation associated with the reassessment, through grants that are equivalent to a portion of the resulting property tax increase (R. Condon, personal communication, November 26th, 2013). And also encourage the remediation, rehabilitation, and adaptive reuse of brownfield sites.

The program provides assistance in the form of a series of annual grants to eligible owners that undertake development for specific employment uses (City of Toronto, 2008a) and whose municipal property tax has increased as a result of the development or redevelopment, construction, reconstruction, rehabilitation and/or the improvement of energy efficiency of buildings or properties within the designated CIPA (MMM Group, 2009). For qualified businesses that locate in the area, the

municipality will take the tax increment – part or all of their annual tax increase – over a specific period and return it to them as a grant. The municipality will also benefit from the property tax increase with each passing year (as the grant decreases to the expiry of the grant agreement) and for each year thereafter, in addition to the potential creation of jobs and local economic activity associated with the community improvement works undertaken. In the end, property tax based incentives as the TIEG system will minimize the financial risk, and the actual financial benefit provided is established on a site specific basis as a function of the increase of value from the redevelopment project (Brendon et al., 2004).

4.3.1 Eligibility

To be eligible for these grants, properties must undergo development. Development is divided here as:

‘An investment that results in the productive use of lands and/or buildings within the focus area for the purpose of specified uses described below, and includes but is not limited to new building construction or improvements made for the purposes of establishing or maintaining a business enterprise, or the expansion of existing buildings to realize more effective utilization of the land’s potential’ (City of Toronto, 2008a, p. 20).

The grants are designed to stimulate building construction and expansion that will help implement the vision for revitalization of brownfields. The grants will be funded from a portion of the Municipal Tax Increment, in the form of TIEGs. All grants will cease if during the grant period the building is converted to an ineligible use or if the building is demolished except to expand an eligible use (City of Toronto, 2008a).

Projects can only be eligible for TIEGs if they satisfy certain requirements. In other words, the building occupant – whether the owner or a tenant – must conduct the eligible use on the property in order for the grant to apply. The most important requirements are mentioned below.

- First is that companies have to be in financial need to build the building (R. Condon, personal communication, November 26th, 2013). So the intent of the program is to work with a developer that wants to invest in a certain area but can’t get the financing where it needs to be. The municipality requires assistance in the form of this incentive in order to make the development viable. So this is an important part of the program but it is difficult to measure

if the incentive is a true incentive or a reward (R. Condon, personal communication, November 26th, 2013).

- Second, a property owner must undergo development with a minimum construction investment of one million dollar (R. Condon, personal communication, November 26th, 2013). Typically, such development will involve construction of a new building or the expansion or significant renovation of an existing one.
- In order to receive the grant, the property owner must submit its application prior to the issuance of the first above-grade building permit.
- In some cities the grant is only available for certain eligible uses which the city has identified as being key employment sectors (Canadian Apartment Magazine, 2012). In Toronto those sectors are mentioned in the CIP plan. Those are for example biomedical purposes, creative industries, tourism attractions and software developers (City of Toronto, 2008c)

4.3.2 How the TIEG system works

The grant is given to a property owner that retrofits or expands an existing building or develops a new building (City of Toronto, 2008a). Nevertheless, the property owner will be responsible for the entire cost of the project (MMM Group, 2009). The amount of the rebate, so the incentive, is calculated based on the increase in the municipal property taxes resulting from the new construction or renovation (Canadian Apartment Magazine, 2012). The current municipal taxes levied will be determined prior to commencement of the proposed project. Then the increase in the municipal portion of real property taxes will be calculated (MMM Group, 2009). When an approved project is completed, and after the taxes have been paid each year, the city then returns a percentage of the increment in the property tax for that year. The municipality will keep on paying back the extra property tax until all the extra costs a developer has made, as cleaning up the soil and putting in new infrastructure, are paid back through the TIEG.

Property owners eligible for the TIEG receive a realty tax rebate over a specific period. In the first year following the new construction or renovation, the tax rebate is equal to 100% of the property tax increase. This rebate declines on a sliding scale such that it amounts to 20% of the increase in the last year. Over the, for example, 10 year period, the TIEG might provide a total of up to 60% savings on the municipal portion of the tax increase. As such, a portion of the property tax on the newly assessed value is returned to the property owner on an annual basis while the balance of the new tax is retained by the city. Below you can find an example of how the TIEG system works in practice.

Further information about the working of the TIEG system in general and in Toronto will be set out in chapter 5.

4.3.3 The IMIT program in Toronto

The city of Toronto has developed its own variant of the TIEG system, the IMIT program. IMIT stands for Imagination, Manufacturing, Innovation and Technology and is the city's premier business incentive program (City of Toronto, 2012). It appeared later on that this was the one of the few possible tools that could be implemented due to the limitations from the Anti-bonusing law (R. Condon, personal communication, November 26th, 2013). However, IMIT is just a name of the program, while TIEG is a description of what the program is. So when speaking about TIEGs it concerns the program in general and when speaking about IMIT, it concerns the Toronto program.

The IMIT program is launched in 2008 for several reasons. First, to promote and stimulate private sector initiatives which will create employment and generate an improved municipal tax base in ways which are consistent with the city's economic development strategy and other policies (City of Toronto, 2008a). Also new provincial requirements, which came with the 2005 Places to Growth Act, required those intensification targets for employment and residential uses. Second, to address a decade's long level of minimal job growth in comparison to the region surrounding Toronto (Slack, 2008; City of Toronto, 2012). Third, because the municipal growth rates were not high enough to meet their job growth and sustainability objectives (Corke & Pennachetti, 2007; R. Condon, personal communication, November 26th, 2013). Fourth, because the (commercial) property tax rates were significantly higher in the city of Toronto than in the GTA, the Greater Toronto Area and it was beginning to impact the employment growth within the city (R. Condon, personal communication, November 26th, 2013). And finally also because most, if not all, of Toronto's global competitors embrace financial incentives as an economic development tool designed to attract as well as retain investment. It is important for Toronto not to lag in this regard if the city is to sustain and support a diversified economic base, as well as being capable of capturing future growth opportunities (City of Toronto, 2008d) and remain globally competitive (Brendon et al., 2004). To summarize all these arguments the following can be said (City of Toronto, 2008d, p. 2):

'Given the challenge associated with accommodating significant additional development [...] accommodating future demand, attracting new investment and ensuring the city remains competitive in a global marketplace, Toronto must ensure that as much land supply in the districts as possible is retained for employment land purposes. [...] To encourage additional development, policies are required to increase the market attractiveness of existing buildings and land.'

In the Toronto case, eligibility for the grant is restricted to targeted sectors (R. Condon, personal communication, November 26th, 2013) where is a significant growth potential, a competitive advantage and an alignment with existing city policy. The IMIT program supports the policy objectives of intensifying new development, encouraging the adaptive reuse of existing building stock and promoting the remediation of contaminated employment lands, regeneration and mixed use areas throughout Toronto. Those targeted sectors are mainly what are considered to be high value knowledge based sectors. The city sees no need to provide incentives for residential, retail or warehouse uses because they seem to handle themselves. Some sectors that are eligible to receive IMIT grants are the creative (screen based) industries; food and beverage manufacturing; environmental product production and research and information technology / new media industries.

4.3.4 Example of the working of TIEGs

Assumptions for grant program to registered or assessed owner:

1. The grant period is 10 years;
2. The municipal tax portion before redevelopment is a constant \$10,000;
3. The municipal tax portion after redevelopment is a constant \$110,000;
4. The tax increment equivalent is a constant \$100,000 (i.e. \$110,000 less \$10,000) per year over the grant period;
5. In year one of the program, the grant to the property owner is equal to 100 per cent of the tax increment. Thereafter, the grant decreases by around ten per cent per year (i.e., year two = 90 per cent, year three = 80 per cent etc.). See figure 4 for a schematic overview.

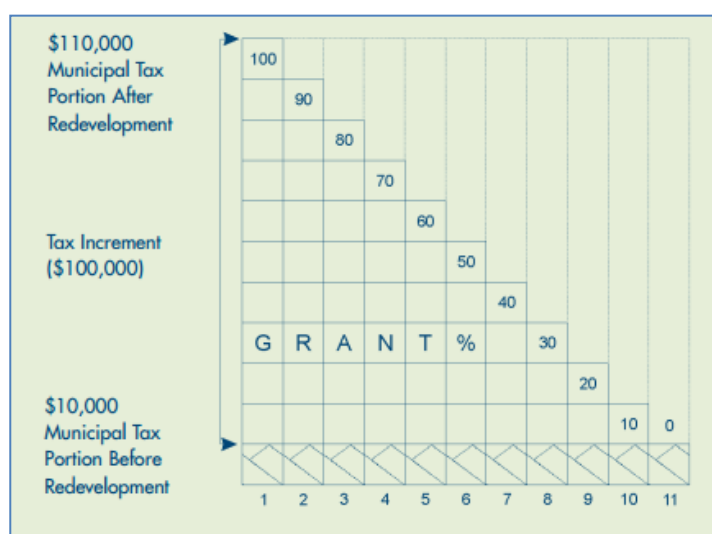


Figure 4 Grant percentages per year (OMMAH, 2000)

Assumption 1	Assumptions 2, 3 & 4	Assumption 5	Assumptions 4 & 5
Program Year	Tax Increment (\$)	Grant Percentage (%)	Grant Given (\$)
1	\$100,000	100	\$100,000
2	\$100,000	90	90,000
3	\$100,000	80	80,000
4	\$100,000	70	70,000
5	\$100,000	60	60,000
6	\$100,000	50	50,000
7	\$100,000	40	40,000
8	\$100,000	30	30,000
9	\$100,000	20	20,000
10	\$100,000	10	10,000
TOTAL (Years 1-10)	\$1 million		\$550,000

Figure 5 Grant payment per year (OMMAH, 2000)

So with an increment of \$100.000 a year, over a period of ten years would lead to a given grant of \$550.000 (see figure 5). This grant is provided once an increase in a property is assessed value from cleaning up contaminated sites and/or rehabilitating existing buildings (Brendon et al., 2004). In this case this is a 55% given grant, which the municipality 'gives' the property owner because he invested in his property. The other \$450.000 is extra income for the municipality and after the 10 years period of course the property owner has to pay 100 per cent of the tax, so the municipality will profit from that too.

In this chapter the working of the Ontario planning system has been set out. Also the TIEG system, as a specific financial incentive for brownfield regeneration has been introduced. The next chapter analyses the TIEG system with help of the three main variables of this research, transferability, adaptability and suitability.

Chapter 5 Transplantation of Tax Increment Equivalent Grants

In the previous chapter the Ontario planning system and especially the working of the TIEG system have been described. This chapter contains an empirical analysis of the TIEG system that is used in the Province of Ontario, Canada. This chapter tries to find out if the TIEG system is transferable and if the Netherlands is suitable to receive the TIEG system and if the Dutch planning system can adapt to the TIEG system.

5.1 Transferability: pros and cons

In this paragraph the advantages and the disadvantages of the TIEG system are set out. This analysis gives a clear overview of the pros and cons of the system and provides an answer to the first sub question.

5.1.1 Disadvantages (Cons)

In general the literature against property tax incentives argues that the provision of incentives that, at the same time, provides direct benefits to existing residents and firms is preferable to tax incentives (Bartik, 1991; Fisher, 1997). Moreover, lowering non-residential property taxes for all businesses in the municipality is preferable to tax concessions to any specific business. In other words, policy-makers should concentrate more on the issues of general tax policy for all firms (such as equity and efficiency) than on tax incentives for specific firms (Slack, 2008). Christopher de Sousa (personal communication, November 27th, 2013), who is critical about the TIEG system agrees with this. He states that the municipality should give the grants to every company since it is in line with the intensification goal. Because in this way the city doesn't lose money because no development would happen, and no extra property taxes can be collected, if they don't give the grants.

Enid Slack (personal communication, November 7th, 2013) describes five constraints of property tax incentives in general. The first is that the traditional view on property tax incentives focuses on the zero-sum game aspects of tax competition: development at one location will be at the expense of development at another location (Kitchen, 1985). This means that tax competition would not increase the national capital stock but only move it around. Tax competition would simply result in a redistribution of resources from local taxpayers to industry (Slack, 2008). So if somebody gains some, somebody loses some. Mullen (1990) proves this statement; his findings indicate that a one percent increase in the amount of local property that is granted a partial exemption from property taxes is expected to result in a 0.83 percent increase in the property tax effort compared to a representative tax rate necessary to generate the median revenue yield across all communities. A second constraint

is that lower taxes for some firms may lead to higher taxes for all other tax payers. For example, non-residential property taxes could be carried by the owners of non-residential property, they could be passed forward on to the consumers of products produced by the firms, or they could be passed backward onto labor (Slack, 2008). Third, tax competition would lead to lower taxes that would provide very poor public services in the end. Lower taxes combined with lower service levels are unlikely to attract new firms. So tax cuts need to be financed in some way and, if they are financed by cutting public services that businesses want, the net effect on economic development could be negative (Slack, 2008). The fourth constraint states that property tax abatements are more effective for some businesses than others (Slack, 2008). Manufacturing firms, for example, will be more influenced by property tax differentials, than other industries. Wherever there are significant advantages from being in a particular location, property taxes will also have less of an impact. And finally the question if the abatement really did cause the economic improvement or was it merely offered at the same time that the improvement would have happened anyway? This argument is called the 'but for' criterion (Slack, 2008). Would the development only have happened with the incentive or is it wasted to firms that would have located there anyways. Connected with this argument is the major concern from the 2012 review of the Toronto IMIT program. This concern was if the incentive is a true incentive or a reward (City of Toronto, 2012). So is the incentive necessary to help the project to go forward or not. It is a difficult situation, because companies will always say they need the incentive. According to Condon (personal communication, November 26th, 2013) this is one of the biggest question about the TIEG system. How to measure if companies really need the grant to develop the site properly?

Cunningham (personal communication, November 11th, 2013) names another constraint, namely, that TIEGs, can contribute to a city that only exist of high rise office buildings. Since it is easy to overcome the zoning plan via the Ontario Municipal Board, and developers still sell their buildings, there is no reason for developers to stop building high rise buildings, and no reason for property owners to not start redevelop your two story shop into a 30 story apartment building.

De Sousa (personal communication, November 27th, 2013) believes the financial incentive put into place needs to be evaluated and the municipality needs to talk to developers, about if the system is getting them to develop sites they would normally not develop. At the end, the city needs the tax dollars and wants contaminated sites to be developed. They need to find ways to incentivize developers to come to sites that are not very attractive. The municipality acknowledged that they are missing an opportunity but doesn't know how to address it (R. Condon, personal communication, November 26th, 2013). De Sousa is less worried about the scenario, but about what is going to get the

developer to the brownfield sites instead of greenfield sites. He suggests to be less picky on the eligibility on the developer, but remain picky on the issues a site must have to get the support.

Smith (Personal communication, December 18th, 2013) mentions two constraints of the IMIT program. Smith is the executive vice president of Artscape and views the IMIT program from a grant receiving perspective. A first constraint is that the municipality is too much process oriented. One example concerns the application process. The IMIT program focuses mostly on tearing down buildings, clean up the soil and then build a new building. According to Condon (personal communication, November 26th, 2013) this is called the 'two-step' building process. Artscape only renovated an existing old building, so that got them in trouble with the application process. A second example is about dividing the grant over the tenants. Now, agreements have to be made between the owner and the municipality, so in this case that would mean that the municipality has to make agreements with all of the tenants. Now the municipality aims for just one agreement per building. Smith's advice is that the municipality has to develop a structure where the benefit goes to the condominium instead of to the owners. Joint ownership options have to be developed because there are a lot of projects that are joint ownerships and have multiple uses.

A second constraint is that the project should be retroactive. This means that municipalities should start paying the grant right after the development is finished. In real life companies won't receive their tax reduction until they had their first tax bill. There is a big gap between when the building is finished and when you'll receive your first tax bill. In the current situation the company has to pay full tax until this first tax bill arrives. This is a problem because the main advantage of the TIEG system is that it supports companies in the start-up phase of their business, which is the period when they need it the most (see also paragraph 5.1.2). Start with the tax reduction immediately after finishing the project is hard, according to Smith (personal communication, December 18th, 2013). This is mostly because other institutions have to measure the exact value of the property after redevelopment to determine the increase in value, which determines the amount of tax rebate.

A disadvantage which is connected with the disadvantage above is that the grant forgives taxes on calendar base. So tax bills send in July, will only get the 90% tax rebate for five months. This is an example of the gap between entrepreneurs and policy makers, who want to standardize everything because it would make it easier for them.

Of course it is easy to mention what is wrong with a policy. But the IMIT program has brought a lot of new development into the downtown of Toronto. So the program is working and certainly has a bright side. This is discussed in the next sub paragraph.

5.1.2 Advantages (Pros)

During the term of the IMIT program, about \$800 million in new construction investment, over 3.8 million square feet of new or renovated commercial/industrial space and nearly 13,000 new and retained jobs were realized or will be realized from the applications approved to date (City of Toronto, 2012). The city is set to realize substantial returns from the increase in tax revenues, new and retained employment and public benefits as a direct result of the development that has taken place during the period of this system.

Slack (2008) marks the following arguments to justify and promote property tax incentives for attracting business investment (E. Slack, personal communication November 7th, 2013; Slack, 2008). The first advantage is the cluster advantage. On efficiency grounds, it has been argued that, where there a large number of small, homogeneous communities each with a different tax and expenditure package and where consumers are mobile between jurisdictions, there will be an efficient allocation of public goods between communities (Tiebout, 1956, in: Slack, 2008). Connected with this argument is that new investment can bring other advantages as increase of production and property tax revenues. This is the third advantage. Agglomeration economies refer to the benefits that firms gain from locating near each other. If the location of new firms results in agglomeration economies, effective tax incentives may improve the welfare of the community that attracts the new business. A third advantage is that firms that received subsidy provide advantages for the community that are greater than the costs for the community, in terms of jobs etc. The tax incentive generates a “consumer surplus” to citizens in the jurisdiction in which they locate. The reason that local policymakers engage in local tax competition is to attract and keep taxpayers that are believed to contribute more in local revenues than they consume in government services. The final advantage is that tax incentives show that municipalities are pro-business. The political rationale for tax incentives is that the benefits of claiming credit for job creation and investment outweigh all other considerations (Brunori, 2003).

TIEGs themselves can influence a company’s decision in choosing a location. The property taxes won’t make a difference when you are looking at finding a location within for example a metropolitan area, because too many factors play a role. However, when you are looking at two places which are close to each other, and where a lot of factors are the same, the property tax might be an important location factor. Bartik (1991) concludes that state and local taxes have a larger impact on business location within metropolitan areas than between metropolitan areas. So the smaller the area over which the business is choosing to locate, the more similar are the non-tax

factors. Property taxes in big cities, as Toronto for example, are in most cases higher than in their suburbs (E. Slack, personal communication, November 7th, 2013; City of Toronto, 2012). So it can be assumed that Toronto is trying to equalize their high property taxes with their suburbs by implementing and using the TIEG system. TIEGs are thus a good incentive to become more competitive with surrounding cities and suburbs.

According to Amborski (personal communication, December 2nd, 2013) financial incentives as TIEGs encourage development of sites that might otherwise be underutilized due to the high remediation costs. With this program the pace of the development can be accelerated because developers now have the opportunity to get rebates for part of the remediation. The grant makes the site actually financially viable to be developed. The program thus creates better and more continuous kind of planning, and it meets the support of the provincial intensification.

So the TIEG system is an enhancement of the planning system (D. Amborski, personal communication, December 2nd, 2013). It creates a better planning system where intensification is promoted so a better urban environment can be created. So it's to encourage brownfield remediation in general to make sites more useful and to keep contamination to a minimum.

Rebecca Condon (personal communication, November 26th, 2013) believes that the Toronto IMIT program has had a positive impact on economic development in the city; especially the large office projects had a big share in this. Before 2008 very little office buildings have been built in the downtown. Most of them were built in the Greater Toronto Area (GTA) and in office parks outside city. After the program started in 2008 the development shifted from the GTA to the downtown area. Lots of new development and employment has come into the city since the project has been launched, encouraging new development in certain targeted sectors. Since 2008, about five million square feet of new office development is under construction (R. Condon, personal communication, November 26th, 2013). And the majority of these projects have been built with help of the TIEG system. This shows that the 'but for' aspect applies to this case in a positive way. Without the TIEG system there wouldn't have been that much development in the places where it should be, in this case the downtown area.

Celia Smith (personal communication, December 18th, 2013) names some advantages of the IMIT program from a developers perspective. In general Smith's opinion on intervening in tax systems is positive. Because brownfield redevelopment is hard to execute and on top of that, it is expensive. So any way that assists and rewards regeneration, is a good incentive. Because otherwise you would lose the potential and the chances of the site, which would lay there undeveloped. This kind of strategic use of tax abatement can be used by the city to motivate and reward developers that invest in regeneration (C. Smith, personal communication, December 18th, 2013). Smith also mentions that

the IMIT program was a great idea because commercial taxes in Toronto are very high and to forgive a big amount of taxes in the first years really makes a difference (C. Smith, personal communication, December 18th, 2013). Because usually it takes five to six years to get enterprises like Smith's, launched. By giving the business the time to get their concept launched and get successful is actually a great idea to stimulate this form of regeneration. For Smith it is even the best incentive because it gave Artscape and all the starting business at Youngplace the opportunity to launch their businesses. Finally Smith believes that the incentive is not just to get more successful as a city, but that it is also used as an incubator to improve certain businesses.

5.1.3 Analysis of the (dis)advantages

This paragraph contains a balanced score card for the advantages and disadvantages of the TIEG system. The two tables show the (dis)advantages plus the actor that feels the consequences of this argument. Some arguments are more important than others, so arguments are provided with a weigh factor. In addition, a balanced score card is constructed and through this score card is analysed what parties are affected the most by the negative or positive aspects of the TIEG system. The three parties that can be affected by the TIEG system are the city, the government and the users. The tables below show the results of the score card.

Negative	City	Government(s)	Users (private parties)
Main focus on issues of general tax policy for all firms instead of incentives for specific firms;			X
Tax competition would not increase the national capital stock but only move it around;	X	X	
Municipalities should give the grants to every company due to the intensification target;		X	
Tax competition would lead to lower taxes that would provide very poor public services in the end which are unlikely to attract new firms;	X		
Lower taxes for some firms may lead to higher taxes for all other tax payers.	X	X	
Property tax abatements are more effective for some businesses than others;			X
Is the incentive is a true incentive or a reward?		X	
The municipality is too much process oriented instead of dealing with individual projects;			X
TIEGs can contribute to a city that only exist of high rise office buildings;	X		
Does the system contribute to developing sites that	X		

would normally not have been developed?			
The system is not directly retroactive.			X

Table 4 Weighed negative aspects of the TIEG system.

The calculation of the scores is done as follows. The arguments with the darkest color will be multiplied by three. The actor that is affected by the aspect then gets three points. The middle color is multiplied by two and the lightest color by one. At the end a score table will be provided with the actor that is affected by the TIEG system the most, in both a negative way as in a positive way.

Positive	City	Government(s)	Users (private parties)
Property tax incentives can bring cluster advantages;			X
TIEGs are a good incentive to become more competitive with surrounding cities and suburbs;	X	X	
The tax incentive generates a consumers surplus;	X		
Tax incentives show that municipalities are pro-business;		X	
TIEGs are a good stimulation to attract a company into a city;	X		
The TIEG incentive brings extra development into the existing areas;	X		
New investment can bring other advantages as increase of production and property tax revenues;	X	X	
TIEGs create a market for sites that didn't exist before;	X	X	X
The TIEG system is an enhancement of the planning system;		X	
TIEGs are a motivating and rewarding tool;			X
TIEGs are especially a good tool for starting businesses.			X

Table 5 Weighed positive aspects of the TIEG system.

Table 5 shows that three aspects are marked as most important positive arguments for the TIEG system. Those three aspects cover the main reasons why the TIEG system is put in place on Ontario. The middle category aspects are about the TIEG system itself. Again the lightest category is mostly about abstract and general (tax)aspects. The middle category mostly contains other important positive aspects of the TIEG system. The next page shows the total scores in two tables.

Negative	Lightest category	Middle category	Darkest category	Total
City	3	2	3	8
Government(s)	1	4	3	8
Users (private parties)	1	6	0	7

Table 6 Total scores negative aspects.

Positive	Lightest category	Middle category	Darkest category	Total
City	1	5	6	12
Government(s)	2	3	3	8
Users (private parties)	0	4	6	10

Table 7 Total scores positive aspects.

The two tables above give an indication of which actor is positively or negatively affected by the TIEG system based on the previous two sub paragraphs. The users of the TIEG system, according to table 6 and 7, are the least affected by the negative aspects, and the city benefits the most from the TIEG system. The users also have a high score on the positive aspects. According to this score card can be assumed that all parties benefit from the TIEG system. When counting the total of the negative and the positive arguments the positive arguments have a higher score. For the pros and cons mentioned in this paragraph, the pros thus seem to weigh up against the cons of the TIEG system. However, weighing factors are no representation of reality plus benefits for the several parties are never equal or comparable. But based on the pros and cons mentioned in this research, mainly the users and the city benefit from the presence of the TIEG system.

5.1.4 Conclusions

In this sub paragraph the transferability of the TIEG system is analyzed. The analysis showed various advantages and disadvantages of the TIEG system. In this sub paragraph both the pros and the cons are individually weighed to analyze the transferability of the TIEG system. As to the results of the scorecard, the TIEG system has both important positive and negative aspects. Although when looking at the results in table 6 and 7 the total of the positive aspects is higher than the negative aspects. For the pros and cons mentioned in this research can be said that the positive aspects compensate the negative aspects and that the transferability of the TIEG system in this case can be graded as positive. In other words, the TIEG system is suitable to be transferred to other countries and/ or institutions.

5.2 Suitability: similarities and differences

This paragraph contains the similarities and differences between the Canadian and the Dutch planning system. The more similarities the two countries have, the more likely the chance that the system can be transplanted successfully. The characteristics that analyse the political context of both planning systems are their planning objectives, their brownfield policies and legislation.

5.2.1 History and politics

Canada and the Netherlands have a lot of similarities in their planning history. An explanation is that a few global events and trends influence both countries' planning system. A good example is the Second World War, that caused large immigration streams, large national growth in population and massive urbanization processes in both countries. When taken a look at the planning policies after the War, the Dutch were planning to frame the rapid growth of population and try to spread the inhabitants over the country (IKCRO, n.d.). At the same time the Canadians were trying to improve the access for the individual and families to the opportunity to live a good life in the urban environment (Pearson, 1967).

In the seventies manufacturing activity grew, but at a reduced rate what caused a shift from the older industrial heartland in Ontario to the western periphery (Bourne and Olvet, 1995). In the Netherlands they were still holding on to the comprehensive developments based on a blueprint plan that prescribes every detail of the development. This was introduced as a strategy in the 1950s and 1960s when there was a huge demand for new housing and industrial sites and the government wanted to make sure that sufficient locations would be available for development (van der Krabben and Heurkens, 2014).

When both countries came out of the oil crisis in the seventies, employment started to increase. The Netherlands started with long term (international oriented) planning and focused on spatial quality to answer the high demands of new (international) companies to improve their international competitiveness (IKCRO, n.d.). Also the government approved legislation which created possibilities to enhance public participation in spatial planning policies (Hajer and Zonneveld, 2000). In Canada, people in that period had the opinion that the Ontario government had to modernize their political processes (Goldrick, 1980). The biggest challenge in Ontario in that time, the eighties, lies in defining the balancing point between the effectiveness of the tools for implementing planning legislation and the flexibility of the process within the planners have to work (Richards, 1980).

This process started to come up in the Netherlands in the early nineties. After decades of performing smoothly, the welfare state and planning state came under fire. Several trends as

globalization, democratization and social protest contributed to this shift (Gerrits, Rauws and de Roo, 2012). In response to these trends there was a growing interest in open planning processes. This resulted in area-oriented approaches which focused on horizontal and vertical cooperation and community involvement (Priemus, 2007). This worldwide trend to decentralization of planning objectives in the 90's brought a new realization of the importance of local government policy and finance (Bird, 1995). This would later affect the economical, administrative and political situation of municipalities, but also provincial and national policies in countries all over the world.

Due to the shifting balance between the provincial and municipal roles in land use decisions, the creation of regionally based land use plans in Ontario came up in the new century (Environmental Commissioner of Ontario (ECO), 2011). In 2006 the *Planning Act* was finally amended to recognize, as a matter of provincial interest, the promotion of development designed to be sustainable such as brownfield redevelopment. That was the start of integration of the development and the environment programs, and thus the end of the development first environment second approach (ECO, 2011). The Netherlands dealt with the same problem and implemented some important changes to the Dutch planning system in 2005, including that from that moment the national government will only deal with the basic outlines of spatial interventions, and it will leave as many decisions as possible to provinces and municipalities (Lörzing, 2007). This was a revolution in the Dutch planning system.

In general could be said that both countries had their own, but also faced similar problems growing populations after the War, urbanization and the decentralization and globalization trends, how contradictory they might sound, of the nineties.

5.2.2 Planning objectives

Several trends as globalization, democratization and social protest caused a growing interest in open planning processes in the nineties. This resulted in area-oriented approaches which focused on horizontal and vertical cooperation and community involvement (Priemus, 2007). This was a revolution in the Dutch planning system. Nowadays more and more parties argue that the focus of Dutch planning policy has to be entirely on the improvement and re-use of the existing building stock (Architectenweb.nl, 2012). As mentioned in the introduction, the Dutch focus nowadays is shifting towards invitation – and market conscious - planning. A kind of development where initiatives from the society is standard and where the government has a facilitating role (Buitelaar et al., 2012). But still the Dutch have to be very careful with using available space in a small and densely populated country as the Netherlands (Needham, 2007).

The Ontario focus, as described earlier in the previous chapter, changed almost every century. It went from dealing with massive urbanization to giving the people the chance of living a good life (Pearson, 1967).

One major driver for economic development is the urban intensification. This is the provinces main focus and goal in urban planning. In 2006 the government made a big step towards reaching this main goal in planning and added another focus, sustainability. In 2006, The *Planning Act* was finally amended to recognize, as a matter of provincial interest, the promotion of development designed to be sustainable such as brownfield redevelopment. Some objectives of the Greater Toronto Area, in light of the intensification goal, are described below.

- Build compact, vibrant and complete communities;
- Plan and manage growth to support a strong and competitive economy;
- Optimize the use of existing infrastructure to support growth in a compact, efficient form;
- Promote collaboration among all sectors – government, private and non-profit- and residents to achieve the vision (Ministry of Infrastructure, 2006)

The Stimulation Economic Growth document (City of Toronto, 2007) mentions some other goals, more specific to economic development:

- Strengthen key economic clusters through the creation of tax incremental funding districts,
- Approve lower tax rates for new office and industrial construction and supported the further use of incentive programs,
- Note the need for the city to make catalytic investments in order to stimulate growth. The city must adopt a perspective that an up-front incentive is seen as an investment that will increase the tax base, albeit at a slower rate in the short term,
- Enhance competitiveness specifically with the surrounding 905 municipalities and enhance the attractiveness of these districts to business investment.

The main similarity in objectives between the two countries is that they both focus on redevelopment so on rebuilding or reusing the existing stock. Both countries support urban development to stimulate brownfield initiatives. This can be seen as the main objective of both countries. Differences are that Ontario still focuses not only on economic growth but also on demographic growth. Another difference is that Ontario's main focus is on stimulating economic growth through urban intensification, so the location where development should be taking place.

The Dutch focus on how planning objectives should be reached by focusing on ‘incremental area development’ and ‘invitation planning’.

5.2.3 Brownfield policies

This paragraph sets out specific planning objectives for redevelopment in both countries. This is done with help of some aspects that have been mentioned in figure 1 of chapter 1. This figure sets out the differences between traditional and incremental area development. It also gives a good handhold to set out the characteristics in brownfield planning in both countries. Those aspects, set out in the figure, can be put together to two main aspects. First the approach to urban redevelopment and second the role of the government in the process.

The new approach to urban (re)development

Nowadays, spatial planning is no longer a goal on itself; it is just a way to reach an optimal exploitation of a specific area (Beeckk, n.d.). Incremental area development within the invitation planning is a form of development where small steps and initiatives are leading (Boonstra, 2012). It is a sum of several initiatives of different size, scale and theme and development happens not in an organized way but interchangeably (van Baardewijk, de Haan and Hijmans, 2013). Development in this form arises incrementally through initiatives from the market, property owners, entrepreneurs and citizens (van Baardewijk et al., 2013). New development can lead to further development and in this way the city grows ‘organically’ (Boonstra, 2012). The start of development occurs spontaneously where there is need for development and where this need is continuing (van Baardewijk et al., 2013). No blueprint is made through the government but nevertheless, they remain in control of the rules.

New to this approach is that the initiative for these small steps lies no longer with the large developers and planning governments but with the users of the area itself (Boonstra, 2012). End users are the main focus and so municipalities try to provoke these end users to reinvest in their property.

So not only planners have to learn to value society initiatives, citizens also have to learn about the value of planning by themselves and how to handle this effectively (Boonstra, 2012).

When looking at the Ontario approach to urban redevelopment, one major aspect shows up in every document, and that is urban intensification. Intensification is the main instrument to manage (economic) growth. With the approval of the 2005 Places to Grow Act, the province limited municipalities in their expansion possibilities and constructed growth plans for Ontario cities. The first growth plan prepared under the Act was the Growth Plan for the Greater Toronto Area. This

plan sets out goals which should be achieved through the promotion of intensification and re-urbanization, including brownfield redevelopment, wherever possible (ECO, 2011). This promotion can be done in several ways. One of them is by giving financial support, or financial incentives (see paragraph 4.2.1). In the Netherlands companies and other private parties do receive financial support, but there is no specific tool to provide this support systematically. Buitelaar et al. (2012) mention a few projects that are private initiatives and more than half of those projects needed support from the municipality, province or even European subsidies. This support was given in different ways. Every municipality or province had its own fund to support those initiatives.

The role of the municipality

With self-organization as an alternative to participation in urban development, the government's role is no longer about involving citizens but about giving space and connect initiatives from society (Boonstra, 2012). The role of the government would be to connect sub processes, organizing communication between actors and provoke delaying and demotivating situations (van Baardewijk et al., 2013). The government thus has to take care of a fertile matrix, from where new ideas can be developed, no longer through the content, but through the process (Beeck, n.d.).

The managing of the process is about getting consensus and the creation of public interest. It aims for organizing and cooperating through a decision making process, organization, communication, financing and administration (van Baardewijk, et al., 2013). This is mostly at the start of the total process. When the initiatives are turned into concrete projects, the management bends over towards project, or program management. But the main focus remains on process management.

So the government has a facilitative role in the new way of urban development. Urban development is a task for provinces and municipalities (Rijksoverheid.nl, n.d. b). The governments task is to take away juridical constraints the provinces and municipalities face and to let them experiment with the rules. The government can also pander potential end users through provoking them to come up with initiatives (Boonstra, 2012).

In Canada the Planning Act provided a land use planning system led by provincial policy to integrate matters of provincial interest in provincial and municipal planning decisions (Environmental Commissioner Ontario (ECO), 2011). Under this Act the province prepares provincial plans and provides the provincial interests and municipalities prepare planning documents as official plans and zoning by-laws and make local planning decisions (Ontario Ministry of Municipal Affairs and Housing (OMMAH), 2010a). Municipalities also makes local planning decisions that will determine the future of communities and ensures planning decisions and planning documents are consistent with the Provincial Policy Statement and conform or do not conflict with provincial plans.

Due to the shifting balance between the provincial and municipal roles in land use decisions nowadays, as we have seen in this paragraph, the creation of regionally of area based land use plans came up (Environmental Commissioner of Ontario (ECO), 2011).

So in both countries the municipalities decide if and how a system or policy is implemented. In Canada the province gives the municipality the tools and provides legislation to implement a certain system and the municipality can implement it the way they want, as long as it fits into the provincial legislation. In the Netherlands the government is taking her hands off area development and her only task is to take away juridical constraints. If provinces or municipalities decide to implement an incentive as the TIEG system, they have to make sure the government changes the rules in that way that the system can be implemented legally. Or they have to try to fit the system into the existing legislation.

5.2.4 Legislation

As has been mentioned earlier in this thesis, the Province of Ontario enacted legislation which engaged municipalities in urban land use planning activities in the beginning of the former century (Hulchanski, 1982). By 1912 Ontario had adopted enabling legislation permitting the larger municipalities in the province to regulate some aspects of development in residential areas, an early form of zoning, and to regulate some aspects of the subdivision of suburban land. And a few years later, in 1917, the Ontario legislature started to adopt more general planning, with at first, the Planning and Development Act. Back in the 21st century, southern Ontario is one of the fastest growing regions in North America. To cope with the forecasted demographic and economic growth in southern Ontario over the next few decades, the Ontario government enacted the Places to Grow Act (2005). The legislation responds to municipal and stakeholder calls for provincial leadership to address the negative effects of urban sprawl and encourage population growth where it is needed (Ontario Ministry of Infrastructure, 2005). David Caplan, former Minister of Public Infrastructure Renewal saw this act as a chance to finally ‘create a plan for the kind of growth Ontarians want - the kind that creates jobs, attracts investment and protects the environment’. The Places to Grow Act provides a framework for the government to coordinate planning and decision-making for long-term growth and infrastructure renewal in Ontario. There is one more very important planning law in Ontario; the 1990 Planning Act. The purpose of this act was to provide a land use planning system, led by provincial policy and to integrate matters of provincial interest in provincial and municipal planning decisions (Environmental Commissioner Ontario (ECO), 2011). Under this Act the province prepares provincial plans and provides the provincial interests and municipalities prepare planning

documents as official plans and zoning by-laws and make local planning decisions (Ontario Ministry of Municipal Affairs and Housing (OMMAH), 2010a). These by-laws implement objectives and policies of a municipality's official plan, which describes how land in a community should be used (OMMAH, 2010b). It provides a legal way of managing land use and future development and, in addition to the official plan, protects you from conflicting and possibly dangerous land uses in your community. A zoning by-law states exactly how land may be used, where buildings and other structures can be located and the types of buildings that are permitted and how they may be used. Under the Planning Act comes also the Provincial Policy Statement that promotes a policy-led planning system that recognizes the complex inter-relationships among and between environmental, economic and social factors in land use planning (OMMAH, 2010a). The Provincial Policy Statement contains clear, overall policy directions on matters of provincial interest related to land use planning and development (ECO, 2011).

More planning legislation can be found in the Ontario Planning and Development Act (1994), which is about the content on development plans, the Development Charges Act (1997), which sets out the rules of paying development charges and the Municipal Act (2001) which is about the rights and duties of Ontario municipalities.

In the Netherlands, planning laws mostly provide information about the procedure of making plans, but they also cover rules about the contents of the plan, about the components and instruments of the plan (SAB Adviseurs, n.d. b; Kenniscentrum InfoMil, n.d.). For example, at the local level, Dutch municipalities have the competence to prepare and approve zoning plans, both of an indicative and binding character. Those land-use plans are the only legally binding plans in the Dutch system, although this is purely passive: citizens are not obliged to implement this plan (Hajer and Zonneveld, 2000). Its main function is to create a maximum of legal security although over the years some elements of flexibility have been introduced by the legislator. In 2005 the Dutch government has implemented some important changes to the Dutch planning system, including that from that moment the national government will only deal with the basic outlines of spatial interventions, and it will leave as many decisions as possible to provinces and municipalities (Lörzing, 2007). The 2008 Spatial Planning Act was a respond to this new way of thinking. Municipalities are obliged to cover the whole municipal territory with zoning plans (SAB Adviseurs, n.d. a). They are free to put whatever they want in their zoning scheme and their structure vision, as long as it fits in the provincial and national structure plans. That is what makes the land use plan the most important planning tool of spatial planning (Rijksoverheid.nl, n.d. a). Structure visions are often used in practice and are the only sort of indicative plan in planning law. A second important law is the General environmental

provisions law (*Wet algemene bepalingen omgevingsrecht*). This law provides building permits to property owners that want to develop or redevelop their property (Overheid.nl). The law also provides rules for the preparation period and administrative and financial provisions.

The biggest difference in legislature is the difference in executive power. In the Netherlands the executive power comes more and more in the hands of provinces but most of all in the hands of municipalities. In Canada the province of Ontario gives municipalities the freedom to enact their own zoning plans and by-laws, so the regulations belonging to the provincial laws. And of course the Ontario Municipal Board plays a very important role in the Ontario planning system.

5.2.5 Conclusions

In this sub paragraph the suitability of the receiving country is analyzed. The analysis showed various similarities and differences between both countries. At first, a more general analysis about planning history and politics in both countries. This showed that both countries' planning systems were influenced by global changes and events like the war, the crisis and globalization. Second, planning objectives appeared to be similar. However the way of approaching planning and the focus on planning differs in both countries. More specifically looking at the brownfield policies both countries differ at first sight. However when taking a closer look, they both aim for the same goal; intensification and market-oriented planning. Legislation in both countries is very different. Although the way both countries deal with their legislation overlaps; governments take away juridical constraints the provinces and municipalities face and let them experiment with the rules, as long as they fit in the existing legislation.

It is hard to say if the Netherlands is suitable for transplantation and implementation of the TIEG system. The similarities and differences mentioned in this research point out that the Netherlands is capable of receiving the system. However, a lot more factors affect successful transplantation, and on top of that, some differences have more effects on successful transplantation than some similarities and vice versa. Based on the similarities and differences mentioned in the paragraph above, the suitability of the Netherlands to receive the TIEG system is graded as positive.

5.3 Adaptability: opportunities, barriers and consequences

In chapter 1 is argued that the Dutch invitation planning, demands for other ways of planning and financing structures. Since incremental development is a long lasting process that doesn't forecast about the kind of projects that will be developed, the current land development should be reconsidered, according to Buitelaar et al. (2012). This asks for a shift in thinking about funding redevelopment projects. In this chapter, and also chapter 4, information has been gathered about

the Ontario TIEG system which is used as an example for a possible new financing structure in the Netherlands. This paragraph tries to lift the TIEG system out of its Canadian context and analyses if the Netherlands can adapt to the TIEG system and in what circumstances the system could work.

5.3.1 Opportunities

As showed in the previous paragraph, there are a lot of similarities between planning in the Netherlands and planning in Ontario. All these similarities offer opportunities for successful transplantation. Looking at the changes the Netherlands is going through, in light of the shift towards invitation and market conscious planning, it is important to analyze if the Ontario financial instrument fits in the new context of urban planning. This sub paragraph analyzes some opportunities for the TIEG system to be successfully implemented in the Netherlands.

At first, the TIEG system looks like the earlier used ISV subsidy which is a provincial budget for urban renewal projects. This subsidy, however, is only suited for large scale projects as transformation of parks, neighborhoods or industrial sites. Looking at the current planning goal, which is small scale development by the private sector, the TIEG system seems to be a good replacement for this ISV subsidy. Not only because developments shift to smaller scale but also because provinces and municipalities don't have the money to invest or give subsidies for such big projects.

Another opportunity for the TIEG system to be implemented successfully, is the changing planning perspective in the Netherlands. As mentioned before, the worldwide trend on decentralization of planning objectives in the 90's brings with it a new realization of the importance of local government policy and finance (Bird, 1995). In the Netherlands, this resulted in a new way of planning; invitation planning that is in line with incremental development. This shift towards invitation planning contributes to the global shift in decentralization of planning objectives and is a perfect base for the TIEG system to be implemented. Indeed, the TIEG system provokes private parties to invest in outdated properties. However, invitation planning was already possible under current legislation (Buitelaar et al., 2012), but municipalities never used the opportunity (T. Nijmeijer, personal communication, June 5th, 2014). And on top of that, Root (personal communication, May 22nd, 2014) states that the Dutch municipalities have not been very welcoming to tax based financing structures. Municipalities, and policymakers, are conservative (T. Nijmeijer, personal communication, June 5th, 2014) and don't feel comfortable using property taxes for purposes like paying back developers because those taxes should go back to the general money to invest in public goods.

Invitation planning demands other ways of planning, communication and financing structures (Lindemann & Schutten, 2012). These changes are not all implemented yet. The current system on cost recovery, for example, leans on existing initiatives that the municipality knows how to deal with. But since invitation planning is a long lasting process that doesn't forecast about the kind of projects what will be developed, the current land development system should be reconsidered (Buitelaar et al., 2012). Currently, cost recovery is based on the financial paragraph in the zoning plans, that includes a calculation of the expected costs and revenues (Nycolaas et al., 2012). Although, development is happening gradually so the costs cannot be calculated over a ten year period. The TIEG system could be a good instrument to step in this gap, because it deals with gradually decreasing grants (T. Stauttner, personal communication, July 15th, 2014). However, mentions Stauttner, the Dutch property tax is much lower than the Ontario tax so there has to be found another way to make the TIEG system work in the Netherlands. But if the government wants area development to be flexible, the investments and cost recovery should be flexible as well.

Also legislation offers an opportunity for successful implementation of the TIEG system. In short, Dutch planning law at present lacks a certain degree of flexibility to deal with the uncertain future related to incremental development strategies (van der Krabben and Heurkens, 2014). What local governments in Ontario did, is reinterpret existing legislation to apply in different fashion. And so Ontario policies provided more comprehensive brownfield redevelopment through continue to close the gap through creative application of existing legislation (Brendon, et al., 2004). Beeckk (n.d.) approves this statement. When given more space for local consideration of legislation, the government can break through risk avoiding behavior (Beeckk, n.d.).

Municipalities already have juridical possibilities to give more space to private initiatives (Buitelaar et al., 2012). They can choose to implement flexibility determinations within the plan or increase the flexibility by designating more globally. A good example is the city of Houten. This Dutch city was one of the first municipalities that approved a structure vision that provokes private parties to invest in the city. In their vision is repeatedly mentioned that inhabitants and companies have to create the ideas. The plan says; 'no blue print plans but a quest for fitting initiatives that are both sustainably and economically feasible and wherein the (local) governments facilitates and examines' (Gemeente Houten, 2011). Rewarding grants as the TIEG system can help private parties to invest in the land.

A future opportunity for the juridical implementation of the TIEG system is the new Environmental law (*Omgevingswet*). This law, which is going to be implemented in the near future, gives an answer to the shortcomings of current legislation on incremental development and invitation planning (Van Baardewijk and Hijmans, 2013). Stauttner (personal communication, July

15th, 2014) advocates adopting a system like TIEGs in the new Environmental law, although he is critical about if it's actually going to happen. In theory the TIEG system could be taken into account in the new law, but only if legislation about property tax is also adjusted (T. Nijmeijer, personal communication, June 5th, 2014). In practice the system would probably never be implemented because municipalities rather stay away from difficult negotiations about finances (T. Stauttener, personal communication, July 15th, 2014).

Condon (personal communication., November 26th, 2013) states that, since the IMIT program has been launched, the development in Toronto shifted to the downtown area. And the majority of these projects have been built with help of the TIEG system. This proves that the but for criterion is valid in this situation. Gee (personal communication, February 10th, 2014) approves this statement and adds that municipalities wouldn't give that kind of grant if private parties were coming based on the market situation. Indeed, it's better for the municipality to get their reassessment and get the full taxes. However, mention Matthieu (personal communication, July 30th, 2014) and Root (personal communication, June 22nd, 2014), that in the Netherlands a tool like TIEGs can never be a stand-alone tool to provoke private parties to invest in a property. It is always a combination of tools, location factors and the amount of profit a developer can gain.

So the TIEG system seems to be a positive example of the but for criterion. Without the TIEG system there is no, or less, development in Ontario cities. Plus the TIEG is very useful to steer developers into a specific area that needs an impulse (T. Gee, personal communication, February 10th, 2014). This gives a good starting point for the TIEG incentive in the Netherlands. However, the TIEG system will only work if it's used for the right goal. Looking from a developers perspective, they will only develop a site when it's profitable enough. If they can't make enough profit or the risks are too high, a developer won't develop the site (P. Matthieu, personal communication, July 30th, 2014). The crisis decreased the chances for successful redevelopment projects, because choosing for redevelopment will in most cases result in financial shortages (van Hoek, Koning and Mulder, 2011) or lower profit expectations (T. Nijmeijer, personal communication, June 5th, 2014). So the TIEG system can be put in place to increase the profit or take away a part of the risk so that a developer is willing to develop the site.

In addition to that the tool can be a good incentive for outdated industrial areas or office buildings. When outdated sites aren't used anymore, their property value will decrease. As a result of the decrease in value, the property tax incomes of the municipality will decrease as well. The TIEG system could be used as an incentive to reinvest in those properties and in that way the municipality profits from extra property tax incomes and the owner of the building might attract new tenants or possible buyers. Although, the same footnote Stauttener (personal communication, July 15th, 2014)

mentioned applies to this; the structure of the TIEG has to be adapted to the Dutch context, because the Dutch property tax is lower than the Ontario property tax.

The TIEG system could also be used in a leasehold situation in for example Amsterdam. The current situation is that the municipality freezes the leasehold for a set amount of years and the increment of the leasehold, that would have occurred over the years, can be used by the owner to reinvest in the property. The TIEG system could also be a method to make owners of a property that is in leasehold reinvest in their property. In this case the owner pays the full leasehold but will get a part of the costs back through a TIEG that forgives the increment on the leasehold for a certain amount of years.

In conclusion the TIEG system could be an enrichment of the Dutch toolbox for redevelopment incentives (P. Matthieu, personal communication, July 30th, 2014; T. Stauttner, personal communication, July 15th, 2014). The TIEG system could help parties that want to redevelop a place but face a too high risk factor or a profit expectation that is too low, to give them the little push they need to reach their target. According to Nijmeijer (personal communication, June 5th, 2014) the success of the system, in current legislation and taxes, depends on the financial trigger a municipality can provide for private parties to reach their targets. But as a stand-alone tool TIEG doesn't have a lot of opportunities in the Netherlands (L. Root, personal communication, June 22nd, 2014) mostly due to tax differences compared to Ontario.

5.3.2 Barriers

In the previous sub paragraph opportunities for implementing the TIEG system in the new invitation planning system are argued. Yet, a smooth transition to this alternative development strategy in the current (legal) planning context in the Netherlands still requires some adaptations, both in municipal planning traditions and in planning law (Buitelaar et al., 2012; van der Krabben en Hurkens, 2014).

However the Dutch reliance on public land development came to an end in 2009, Dutch municipalities cannot simply stop with public land development, since in many cases they have no choice than continuing with developing locations in which they already have invested (van der Krabben and Heurkens, 2014). This is a typical example of path dependency in public policies and market behavior. This path-dependency might form a barrier for the TIEG system to be implemented because this market oriented financial incentive doesn't fit in the government-led public land development. However Matthieu (personal communication, July 30th, 2014) states that municipal area development policies cannot be seen in black and white, it's a grey area that has been using

both active and facilitating land policies intertwined. Yet, for new developments municipalities have become increasingly interested in alternative development strategies that are less public sector involvement; more private sector initiative and investment (van der Krabben and Heurkens, 2014).

The shift towards invitation planning also brings barriers for the implementation of the TIEG system. The national government wants to decrease and decentralize tasks to municipalities but doesn't want to provide them with extra money. On top of that they don't want to increase the municipality's autonomy by giving them more instruments to make more money (T. Stauttener, personal communication, July 15th, 2014). This impedes transplantation of the TIEG system and the creation of other incentives to stimulate redevelopment or other purposes.

Also time limits impede proper use of invitation planning. And with that also successful implementation of the TIEG system gets obstructed. Zoning plans, for example, have a set time period in which the plan has to be realized (Article 3.1 section 2 Spatial planning act). With invitation planning the initiatives and initiative takers aren't known yet, which makes it hard to defend the practicability of the zoning plan within 10 years (Buitelaar et al., 2012). Also the zoning plans have to be more flexible about land use. The current Spatial planning act gives some opportunities to solve these problems. For example the temporary destination in article 3.2, although this temporary destination is only on a (maximum) five year period and has therefore have to be updated every five years. So if municipalities give private parties more freedom through designing flexible zoning plans, invitation planning can be implemented without any problems, as shown by the municipality of Houten.

Connected with the time limit on zoning plans is the time limit on cost recovery. The Dutch spatial planning act specifically states a duty to recover the costs of land development, whether through administrative law or through private agreements (van Baardewijk and Hijmans, 2013). Yet, Buitelaar et al. (2012), argue that cost recovery doesn't have to be a problem with invitation planning. Since more than 95 per cent of all cost recovery documents are arranged by private agreements, appointments can be made about the duration of the cost recovery period.

Nijmeijer (personal communication, June 5th, 2014) also mentions another important barrier for the Netherlands to implement the TIEG system. Namely the phenomenon of state aid or '*staatsteun*'. When a government gives a party advantages with respect to other parties, in every thinkable way, it is seen as state aid and that is highly forbidden. When the support is over 200.000 euros, this has to be reported at the European Commission and they decide if the support is legal or if its state aid. When the support is labeled as state aid the given money has to be paid back. So for the TIEG system to succeed in the Netherlands, not only the Dutch-, but also European legislation has to be adapted. Nevertheless, there are thinkable situations where this state aid could be justified (T. Nijmeijer,

personal communication, June 5th, 2014; T. Stauttener, personal communication, July 15th, 2014). For example when TIEGs are given to sectors that need a boost. Other forms that can be thought of is making the grant is available for the whole municipality or valid for all the actors in the specific field. In this case the grant will be covered by 'allowed state aid' (T. Stauttener, personal communication, July 30th, 2014).

Another barrier is the difference in the amount of property taxes in Ontario and the Netherlands. The Dutch amount of property tax is not enough to trigger private parties and developers to invest in the existing stock (T. Nijmeijer, personal communication, June 5th, 2014). As mentioned in the sub paragraph before, the money involved with the grant has to be substantial to weigh up against the developer's criteria to locate at a place. Based on the current property tax in the Netherlands, that is six times as low as the Ontario property tax, the TIEG system will not convince developers to invest in properties, because it doesn't meet the developers profit expectations and the amount of risk he is willing to take. Another negative side effect from TIEGs is that due to the redevelopment of one building, the property value of surrounding buildings will also increase, what results in unsolicited higher property taxes (L. Root, personal communication, May 22nd, 2014).

A last barrier is that in times of crisis the creation of (permanent) value increase is not assured (P. Matthieu, personal communication, July 30th, 2014). This results in that municipalities pay back the increment on property tax but never see any extra property tax back because the value decreased. Stauttener (personal communication, July 15th, 2014), agrees and states that it is hard to indicate how the value increase after redevelopment will turn out. All instruments that trust on value increase on the long term are risky in times of crisis. That is a big disadvantage according to Matthieu, because it preludes on future expectations while it isn't sure those expectations will come true.

As a matter of course implementation and transaction costs can form a barrier for the TIEG system to succeed. However, every new system has implementation and transaction costs. The advantage of the TIEG system is that it is already developed and tested, although in another country. And the new invitation planning system asks for rethinking the current land use planning system and financing structures (Buitelaar et al., 2012; Lindemann & Schutten, 2012). So new funding structures are required for invitation planning. Investors have to fund their own projects. But when there is not enough private money the municipality can assist, as shown in Buitelaar et al. (2012).

5.3.3 Conditions and consequences

In the two previous sub paragraphs, the opportunities and barriers of successful implementation of the TIEG system have been analyzed. But under what conditions can this implementation succeed? This paragraph analyzes those conditions and what consequences that has for the Dutch planning system and the Dutch society.

A first step towards successful implementation of invitation planning and eventually a TIEG system is that the government should recognize the current movement towards private initiatives and small scale development (Aliaj and Shutina in: Holleman, de Kort and Lindemann, 2012). The government should change the rules to allow for more private initiative to tap into this decentralized development. Buitelaar et al. (2012) concluded that if municipalities want to shift to invitation planning, municipalities should mainly change their habits and practices and not the formal institutions like the current rules and laws. Municipalities are, for example, used to work project based. However, with invitation planning and even more with incremental development, municipalities don't know beforehand if there are any initiatives for redevelopment, who made those initiatives and how they would look like (Buitelaar et al., 2012). This asks for change in making planning documents, financial-economic plan making and the use of the juridical planning instruments.

Root (personal communication, May 22nd, 2014) agrees on this necessity to change municipal norms and values. Root, however, is worried about if the Dutch government, including municipalities, is ready to make the change. In her opinion the government acts like it's ready to shift to invitation, and market conscious, planning but when it comes down to actual changes, to for example the TIEG system, they seem not to want those changes. Governments keep going back to the safe way of planning. Although to complete the shift to invitation planning municipalities should let go of their old habits as the blue print plan and introduce a broad programmatic vision for the location with a target program per market segment (van der Krabben and Heurkens, 2014). So the government's role has to be to provide a vision and give directions, for the people to know where the city is heading (Aliaj and Shutina, 2012).

The change to a more market oriented and development-led planning system seems to be a hard, but very important step to take. Also the financial crisis influences these changes. According to Root (personal communication, May 22nd, 2014) municipalities are less confident about the continuation of development so they don't want to do anything that puts developers off. Therefore municipalities keep taking the financial risks of development. When shifting to market-oriented planning and when implementing TIEGs, the developers should also take the financial risks connected to the

development. Although, in this time of economic recession, even though the Netherlands is recovering, it's hard for municipalities to announce this change to private parties. So the trust in the Dutch land- and development market should be higher and the financial risks connected to development should be lower in order to successfully implement the TIEG system.

Once this big barrier is overcome, and the Netherlands have shifted towards more market oriented and small scale planning, the road seems to be free for implementation of the TIEG system. Although, inhabitants then have to let go of their current image and expectations of the local government in order to achieve a more bottom-up planning system (Aliaj and Shutina, 2012).

Despite of the main change should be done by municipalities, changes in the Dutch planning legislation could contribute to better functioning of municipalities in facilitating organic development. These changes would help local practices (Buitelaar et al., 2012). Not only the Spatial planning act but also legislation about taxes has to be adapted (T. Nijmeijer, personal communication, June 5th, 2014). In the Netherlands planning law and tax laws are separated. The current Dutch law doesn't allow for implementation of the TIEG system. However when both planning law and the tax laws are adapted this problem could be solved. The Spatial planning act needs to make it possible to change destinations more flexibly needs an extra paragraph to make changing destinations more easy and flexible. It also should adopt an extra paragraph about the connection with the property tax laws in light of the TIEG system, plus the tax legislation needs adaptation. Especially on the property tax part, in Dutch the '*Onroerende Zaak Belasting*'. In addition to that, Matthieu (personal communication, July 30th, 2014) mentions that cash flows from real estate development and tax collection go to different parts of the municipality. This means that when the planning department of the municipality wants to use money from the tax department to subsidize developers, the tax department will end up with less money. So both departments have to adjust to this situation and find a solution for the shift in revenues.

5.3.4 Conclusions

In this sub paragraph the adaptability of the receiving country is analyzed. The analysis showed opportunities, barriers and conditions and consequences of implementation of the TIEG system. As a stand-alone tool TIEG doesn't have a lot of opportunities, mostly due to tax differences compared to Ontario. The success of the system therefore depends on the size of the financial trigger a municipality can offer. The main barrier of successful transplantation is the structure of the TIEG. To be implemented in the Netherlands the structure has to be changed in order to be able to provide an incentive that convinces developers to invest in redevelopment. As mentioned above, the TIEG system can only be successfully implemented under certain conditions. The most important

condition is that the Netherlands adapt to the shifting planning moral towards more market conscious planning. Finally a last condition to implement the TIEG system successfully is that legislation about planning and taxes are adjusted to the new system and to each other.

The analysis of the variable adaptability showed that the TIEG system could be an enrichment of the Dutch toolbox for redevelopment incentives. However the structure of the TIEGs together with existing Dutch legislation has to be changed before the Netherlands is able to implement (a form of) the TIEG system. When giving an answer to the question if the Netherlands is capable of adapting the TIEG system, the answer would be no. This is mainly due to barriers in legislation and the property tax system in the Netherlands.

5.4 Overview of the analysis

In this chapter the TIEG system has been analysed with help of the three sub variables transferability, suitability and adaptability. In this final paragraph the most important findings of the analysis of the TIEG system will be summarized.

The analysis of the variable transferability showed advantages and disadvantages of the TIEG system. The more advantages, the higher the chance of successful transplantation. The most important advantages were that new investment can bring other advantages as increase of production and property tax revenues. A second important advantage is that the TIEG incentive brings extra development into the existing areas. A last advantage is that TIEG is a motivating and rewarding tool and it is especially a good tool for starting businesses. Also negative aspects appeared while researching the TIEG system. For example tax competition would not increase the national capital stock but will only move it around. Although it is questionable if the Netherlands want to see the capital stock increase. And the most important question that has been asked in Ontario; is the incentive is a true incentive or a reward? As long as developers are not developing a site due to a risk that is too high or too low profit expectations, and the TIEG system can provide a solution, the incentive is a true incentive. The scorecard that has been developed in paragraph 5.1.3 shows that all parties benefit from the TIEG system. Looking at the pros and cons mentioned in this research, the users and the city benefit the most from the presence of the TIEG system. Based on the findings of this variable can be said that the positive aspects compensate the negative aspects and that the transferability of the TIEG system in this case can be graded as positive.

The analysis of the suitability showed that both countries are quite similar as it comes down to the measured sub variables. Looking at the political history, both countries have a lot of similarities. Mostly this is due to global events, as wars, crises and globalization, that affected both countries.

Contextually both countries have their own backgrounds. Yet, they are both facing changing societies, in their general political system but also in planning. Planning gets more decentralized and governments transfer their risks to private parties. When looking at the planning objectives a lot of similarities can be discovered. Both countries focus on redevelopment and support urban development to stimulate brownfield initiatives. Differences are that Ontario still focuses on growth, and wants to reach their planning objectives by focusing on the place where development should take place. The Dutch focus on how planning objectives should be reached by focusing on market conscious planning and invitation planning. Brownfield policies in Ontario and the Netherlands differ at first sight, but when taking a closer look, they both aim for the same goal; intensification and market-oriented planning. The task of the Dutch government is to take away juridical constraints the provinces and municipalities face and to let them experiment with the rules. In fact this comes down to the same planning policy as the Ontario government uses, namely the government provides municipalities with laws and municipalities are free to compose the regulations and tools, as long as they fit in the existing legislation. Based on the similarities and differences mentioned in the paragraph above, the suitability of the Netherlands to receive the TIEG system is graded as positive. However, a lot more factors affect successful transplantation, and on top of that, some differences have more effects on successful transplantation than some similarities and vice versa.

The analysis of the variable adaptability showed that the TIEG system could be an enrichment of the Dutch toolbox for redevelopment incentives. The TIEG system could give private parties that little push they need to reach their target. The success of the system therefore depends on the size of the financial trigger a municipality can offer. As a stand-alone tool TIEG doesn't have a lot of opportunities, mostly due to tax differences compared to Ontario. This is one of the main barriers of successful transplantation. The structure of the TIEG has to be changed in order to be able to provide an incentive that convinces developers to invest in redevelopment. Also in times of crisis the creation of (permanent) value increase is not assured. This makes all instruments that trust on value increase on the long term risky because it precludes on future expectations while it isn't sure those expectations will come true. The TIEG system can only be implemented successfully under certain conditions. The most important condition is that the Netherlands adapt to the shifting planning moral towards more market conscious planning. Finally a last condition to implement the TIEG system successfully is that legislation about planning and taxes are adjusted to the new system and to each other.

Based on the findings in paragraph 5.3, the opportunities don't compensate the barriers that impede successful transplantation. Mainly due to barriers in legislation and the property tax system in the Netherlands it is not possible to transfer the TIEG system to the Netherlands. Both the

structure of the TIEGs and the existing Dutch legislation have to be changed before the Netherlands is able to implement (a form of) the TIEG system.

The analysis also showed some externalities. The most important, that makes it almost impossible to transplant the TIEG system to the Netherlands successfully is the difference property tax. Based on the current property tax in the Netherlands, the TIEG system will not convince developers to invest in properties, because it doesn't meet the developers profit expectations and the amount of risk he is willing to take. This difference in tax amounts is a negative side effects that influences the success of the transplantation. Another externality is that the TIEG system can be seen as state aid. When a government gives a party advantages with respect to other parties, in every thinkable way, it is seen as state aid and that is highly forbidden. Nevertheless there are thinkable situations where this state aid could be justified and in this way the state aid doesn't have to be a barrier for the transplantation of the TIEG system. A last externality is the fact that the national government doesn't want to provide municipalities with extra money while they are decentralizing tasks. On top of that they don't want to increase the municipality's autonomy by giving them more instruments to make more money. This can impede transplantation of the TIEG system on the municipal level because the national government doesn't want municipalities to introduce extra instruments.

In the previous paragraphs the variables transferability, suitability and adaptability and their sub variables are analyzed to see if the Ontario TIEG system can be successfully transplanted to the Netherlands. In the next, final, chapter, a conclusion and the answer to the main question of this research will be presented.

Chapter 6 Conclusions

In the previous chapter the Tax Increment Equivalent Grants incentive has been thoroughly analyzed in terms of transferability, suitability and adaptability. This last chapter provides a short recap of the research and an answer to the main question. Finally a reflection on the research will be given.

6.1 Recap of the research

As mentioned throughout this thesis, the Netherlands is currently changing towards a more market conscious and small scale development planning system. Also private parties get to play a bigger role in planning and area development. The new invitation planning system asks for other or new ways of planning and financing structures.

In this research the Tax Increment Equivalent Grants system is analyzed to see if the system can be successfully transplanted to the Netherlands and if it could solve the Dutch problems in funding regeneration projects. This analysis has been done with help of three main variables transferability, suitability and adaptability. Those variables showed that both countries have similar planning systems and planning objectives. Also the TIEG system has proven to be a motivating and rewarding tool and brings extra development into the existing areas. The TIEG system seems to be capable of being lifted up from its context and transplanted to another country. The Netherlands look suitable to receive the TIEG system and the system could be an enrichment of the Dutch toolbox for redevelopment incentives. As a stand-alone tool TIEG doesn't have a lot of opportunities, mostly due to tax differences compared to Ontario. But the structure of the TIEG can be changed in order to be able to provide an incentive that convinces developers to invest in redevelopment.

6.2 Conclusion

In chapter 5 the transferability of the TIEG system is analyzed, together with the suitability and the adaptability of the receiving country. The analysis is used to provide an answer to the main question of this research. The main question of this thesis reads:

Could the Canadian TIEG system be used as a financing instrument in the Dutch invitation planning and what problems would it solve?

The answer to the first half of the question is not unilateral. According to the first variable, the TIEG system is transferrable to other countries or contexts. That is a first step to successful

transplantation. When looking at similarities between Ontario and the Netherlands, both countries seem to have enough similarities to make successful transplantation possible. The shift towards invitation planning in the Netherlands contributes to the global shift in decentralization of planning objectives and is a perfect base for the TIEG system to be implemented. Also the TIEG system seems to be a good way to provoke private parties to invest in real estate. However, transplanting the system in the exact shape of how it is in Ontario isn't possible due to the difference in property taxes. The Dutch property tax is too low to offer a grant that is high enough to get private parties to invest in redevelopment. This forms a big barrier for successful transplantation of the TIEG system.

An important measure to take into account is the fact that developers won't develop if they think they are not going to reach their profit target or if the risks are too high. The reason for not reaching their targets is mostly the higher costs that are attached to redevelopment, such as expensive land prices and high costs for cleaning up contaminated soil. Therefore, the TIEG should always be in place to meet these costs and therefore take away a part of the risk or meet the amount of profit a developer wants to obtain. But nevertheless, the TIEG shouldn't be a reward but should provide that little push developers need to make the development profitable enough, compared to the risk that is connected to the development. Nonetheless the TIEG system could be an enrichment of the Dutch toolbox for redevelopment incentives. However, changes are necessary to be able to legally and successfully implement the TIEG system in the Netherlands. In particular legislation on spatial planning and (property) taxes has to be adjusted in order to implement the TIEG system. The main problem that should be tackled is the difference in property taxes. Because the current Dutch property tax is too low to attract businesses to invest in redevelopment projects. In conclusion, the Ontario TIEG system could not be used as a financing instrument in the Dutch invitation planning. However, when changing the system and adapt it to the Dutch context, the TIEG system can be implemented and can be an enrichment of the Dutch toolbox for redevelopment incentives.

The second part of the main question concerned problems the TIEG system could solve in the Netherlands. Several problems can be solved by introducing the TIEG system. Although they are all interconnected. The biggest problem the TIEG system solves is that it steps into the vacuum of suitable financing structures for the new way of planning in the Netherlands. Since invitation planning is a long lasting process that doesn't forecast about the kind of projects that will be developed, the current land development system should be adapted as well. Also because the national government is decentralizing tasks but is not willing to give municipalities more money, municipalities have to come up with new ideas to stimulate redevelopment. The TIEG system steps into this gap because it is a more market oriented incentive to stimulate private parties. In this way municipalities don't have to renovate outdated areas and they can shift the risks of development to

the private parties. Private parties, in their turn, see possibilities to develop a property because with a TIEG in place they are able to meet their targets. So the TIEG system breaks with the financial vacuum that was in place since the introduction of invitation planning. Because it provokes private parties to invest in properties by forgiving a part of the increment on property taxes after redevelopment. The TIEG system in this way provides invitation planning with a financial instrument to meet developers in their financial struggle to redevelop areas.

In conclusion, the TIEG system is a good tool to stimulate private parties to invest in redevelopment projects. However, changes have to be made to make the TIEG system legal and viable in the Netherlands.

6.3 The TIEG system in the Netherlands

In the previous paragraph is showed that the TIEG system in its original shape cannot be implemented in the Netherlands due to the differences in property tax. This paragraph describes a few examples Theo Stauttner (personal communication, July 15th, 2014) mentioned of how the TIEG system could be used in the Netherlands.

A first example is that it can be implemented in the current leasehold system in Amsterdam. However this would be more in an TIF concept. The Dutch amount of property tax (OZB) is not enough to make a TIF construction work (Nycolaas et al., 2012). In the Dutch case could, instead of working with OZB, the leasehold construction be used (Nycolaas et al., 2012). In this case the municipality freezes the leaseholds. In this way developers can use the money they 'save', to reinvest in the area what will result in higher property taxes and higher leaseholds. These extra incomes can be used by the municipality to invest in area development and investments in public spaces and facilities. It can also be used the other way around. The municipalities freezes the leasehold. The property owner reinvests in their property, what will result in value increase and that the property owner can get the increment on taxes and leaseholds back with help of a TIEG construction. So municipalities give property owners financial space to redevelop their properties, which is also interest free, and after the redevelopment the municipalities increased the leasehold every year by use of the TIEG construction.

Another example is urban reallocation. With urban reallocation all property owners in an (outdated) area reallocate their land what hopefully results in better land plots and more possibilities for redevelopment. Some owners get more land and therefore they have to pay to the owners that get less land back. The problem with urban reallocation is that it is not clear when property owners should pay back their debt. The TIEG system could be used to let the owner with more land, gradually pay back the owner with less land, in order to the developments that have been done. The

first years, when less development is done, the payback is little. After for example ten year the profits from redevelopment are high so the owner can pay back a lot of his debt.

A last example is given by Nycolaas et al. (2012). They state that developers that start investing in an outdated area, aren't responsible for paying the costs of all the investments that have to be done. For example when building 300 houses, only at house number 50 the road has to be adapted, or more parking spots have to be build when building house number 100. With the current cost recovery developers pay a set amount of costs. But investments come gradually so that should be accompanied with a gradual contribution to the costs. With help of the TIEG construction, the costs that have been made for an investment that came in a later period, can be paid back.

6.4 Reflection

The theory used in this research was Institutional transplantation, or in other words, policy transfer. The theory turned out to be a good theory to use for this research since the main topic of this research was to see if the TIEG system could be successfully transplanted to the Netherlands. Both theories had a lot of indicators of successful transplantation. In paragraph 2.3 is managed to bundle those indicators to three variables that are used to analyze several aspects of the TIEG system, the Canadian and Dutch context and the adaptability of the Netherlands to implement the new TIEG system.

In the end the theory about institutional transplantation and policy transfer has been useful to execute my research. The theory takes issues from practice into account and there is a very clear link between reality and the theory. This made it easy to apply the theory, with its variables, in my research. The three variables have been a good indicator for successful transplantation. The transferability of the TIEG system, the variable that got analyzed by the pros and cons of the system, turned out to be positive. Of course the system has some disadvantages but the system's advantages weighed up against the negatives. Although this variable gave a good indication of the transferability of the system, it is still hard to state if the system is transferable or not. As discussed in paragraph 2.6, transferability is very context dependent. The Netherlands turned out to be suitable to receive a system like the TIEG system. Characteristics of both countries, Canada and the Netherlands, are compared to analyze if the countries came from the same 'family of nations'. Indicators for this variable were history and politics, planning objectives, brownfield policies and legislation. Those indicators are directly involved with the transplantation of the TIEG system to the Netherlands. Although I think those indicators covered the most important fields, there are always other factors that influence the suitability of a country to receive foreign policies. For example the thoughts about invitation planning and the shift towards market conscious planning should be fully accepted and

translated into current policy and regulations. This factor is also valid for the adaptability of the Netherlands to implement the system into the Dutch planning system. The main barrier for the Netherlands seems to be the actual shift to market-oriented and small scale planning. But once this big barrier is overcome the road seems to be free for implementation of the TIEG system. Obviously factors like implementation costs and path dependency also play a role in successful transplantation and the adaptability of a country. But since those factors are very hard to measure those have been seen as a constant variable.

So even if the three variables gave a clear indication of the transferability and the adaptive capacity of the receiving country, they can never give one hundred per cent clarity about if the system could be transplanted successfully. As mentioned in chapter two; most phenomena cannot be explained in isolation as a result of their complexity in reality. So even though I think the three variables, with the connected measureables, give a good indication of the chances of successful transplantation, it will never be a guarantee in practice.

When looking at methodology, case study research has been a good choice. Since the TIEG system is a province wide incentive, the choice for case study research seemed relevant. The city of Toronto, where the case study has been done, contained the most experts on TIEGs and had the most projects that have been realized with help of the TIEGs. The disadvantage of only one case, although it was a big one, is that you are restricted to information only from that specific case. One will never know if the system for example would work in smaller communities. Although this is discussed in one of the interviews, I didn't get any insight of the municipalities themselves. In terms of triangulation I tried to interview at least two people from the same expertise and try to check their information using literature. However, due to time limits only one Dutch expert from the market side and one from the governments perspective are interviewed. This might have affected the external validity.

When looking at the market perspective that is chosen in this research, can be concluded that experimenting with more market conscious planning systems, financial incentives included, is a good idea for the Netherlands. Due to shifting ideas about planning and a changing market perspective, governments should consider more market oriented or market based planning systems. Since current planning systems are very project and governance oriented and the system is changing towards market conscious and invitation planning a mismatch is created. This mismatch, in my opinion, should be, and can be solved by bringing innovations to the current Dutch planning system. The TIEG system can contribute to this by solving the financial vacuum, created by the gap between current planning, and belonging rules and legislation, and the shifting goals of planning.

Paul Matthieu adds an interesting note to this. He speaks from a practical perspective when he states that the ongoing changes cannot be interpreted as substitutes for the 'old' way of planning. Municipalities didn't do everything themselves and nowadays the municipality isn't sitting back, waiting for companies to be provoked and that the initiative is only at the market parties. Things cannot be seen black and white. Reality exist of grey shades, and if reality exist of grey shades, municipalities should have a maximum of tools and triggers to facilitate all these different situations and contexts.

However, the outcome of this research that the TIEG system could be transplanted to the Netherlands, provided that some changes have to be made, is not a guarantee that it would actually work in practice. Additional research should be done on the successful implementation and if the system has the potential to operate successfully in the Dutch planning society.

All together I think the TIEG system can be a good incentive to stimulate invitation - and market conscious - planning in the Netherlands. When the Dutch have changed their way of thinking about planning, and have adjusted the system to the Dutch context and legislation, the TIEG system, in my opinion has a good chance to succeed!

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Appendices

Appendix A: Interview list

Appendix B1: Interview guide university professors and academics in Ontario

Appendix B2: Interview guide governmental institutions in Ontario

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Appendix A: Interview list

Artscape Youngplace

Mrs. Celia Smith, *executive vice president*

December 18th, 2013

Mrs. Smith is Vice President of Operations at Artscape Youngplace. The Artscape Youngplace is a former school and is now regenerated into a community centre. This project is partly funded by the IMIT program incentive.

Associate Professor in Urban and Regional Planning at Ryerson University

Mr. Christopher de Sousa

November 27th, 2013

Christopher de Sousa is the Director of the School of Urban and Regional Planning. His research is about brownfield redevelopment policy and practice. De Sousa's research activities include various aspects of brownfield redevelopment, in Canada and the United States.

Associate Professor in Urban and Regional Planning at Ryerson University

Mr. David Amborski

December 2nd, 2013

David Amborski holds Master's Degrees in Economics and Urban and Regional Planning. Mr. Amborski is a specialist in the areas where urban planning interfaces with economics, especially in the field of municipal finance and land/housing markets.

City of Toronto Economic Development Office

Mrs. Dr. Rebecca Condon, *Economic Development Officer*

November 26th, 2013

Rebecca Condon is an Economic and Community Development Consultant and Professional. She also took place in the IMIT Program review of 2012. Mrs. Condon is an expert on -and the only coordinator of- the IMIT program in Toronto.

Institute on Municipal Finance and Governance

Mrs. Dr. Enid Slack, *director*

November 7th, 2013

The Institute on Municipal Finance and Governance (IMFG) is an institute connected to the University of Toronto and focuses on solutions to the finance and governance problems facing large cities and city-regions. Mrs. Slack also was an External Advisory Panel members for the IMIT Program review of 2012.

Ministry of Municipal Affairs and Housing

Mrs. Thelma Gee, *Team lead*

February 10th, 2014

Mrs. Gee is team lead at the Provincial Planning Policy Branch. This policy branch sets policy statements for the interest of the whole province. With the Planning Act as main examination framework the policy branch takes care of policy issues and legislation, also on land-use policy.

Municipality of Nijmegen, the Netherlands

Drs. Paul Matthieu

July 30th, 2014

Mr. Matthieu works at the development office of the municipality of Nijmegen and is responsible for the financial development of some large scale development projects in the city.

PhD Researcher at the Department of Geography, Spatial Planning and Environment at Radboud University Nijmegen

Mrs. Liz Root

May 22nd, 2014

Mrs. Root is currently in the Netherlands for her PhD research on Innovative Practices in Adaptation to Climate Change, but worked formerly in the Province of Ontario as project director at Toronto Community Housing and as manager at Let's Build Housing Program at the City of Toronto.

Professor in Administration law and Environmental law at Radboud University Nijmegen

Prof. Tonny Nijmeijer

June 5th, 2014

Mr. Nijmeijer is professor in Administration law, in particular in Environmental law and teaches at the Faculty of Law and he teaches Spatial Planning student at the Nijmegen School of Management. Mr. Nijmeijer is also a deputy judge at the court of Arnhem and advisor at Hekkelman advocates in Nijmegen.

Stadkwadraat

Drs. Theo Stauttener

July 15th, 2014

Mr. Stauttener is partner and senior advisor at Stadkwadraat. As a knowledge and advisory company in financial aspects of area development, Stadkwadraat develops creative and new financial concepts to help organization to get grip on their portfolio.

Short conversations**Associate Professor in Geography at the University of Toronto**

Andre Sørensen

November 11th, 2013

Andre Sørensen is the Chair of the Department of Human Geography at the University of Toronto in Scarborough and does research for the Cities Centre, a research institute which is connected to the University of Toronto but has shut down in December 2013.

Emeritus Professor in Philosophy and Political Science at the University of Toronto

Frank Cunningham

November 11th, 2013

Frank Cunningham is still doing research for the Cities Centre, a research institute which is connected to the University of Toronto but has shut down in December 2013.

Emeritus Professor in Political Science at the University of Toronto

Richard Stren

November 18th, 2013

Richard Stren is a Senior Associate and former director at the Cities Centre, a research institute which is connected to the University of Toronto but has shut down in December 2013.

Appendix B1: Interview guide university professors and academics in Ontario

Interview guide Enid Slack, David Amborski and Christopher De Sousa

My name is Sanne Bonekamp, I am a Dutch master student in urban planning at the Radboud University Nijmegen. I am here to research an Ontario financial incentive, namely the Tax Increment Equivalent Grant (TIEG) program, or IMIT program. The goal of my research is to explore this financial incentive to see if it can be transplanted to the Netherlands to solve the Dutch problems in planning.

- 1) Can I tape the conversation and can I quote your name or do you want to remain anonymous?
- 2) What is your relation to the TIEG system/IMIT program?
- 3) In what context is the TIEG/IMIT system embedded? → Main approach to redevelopment?
- 4) What is the effect/impact of TIEG/IMIT on brownfield redevelopment in Toronto/Ontario?
- 5) What are the pros and cons of the TIEG system/IMIT program?
- 6) Are there factors that restrict the TIEG system from working optimally?
- 7) Would you change anything about the system if you could?
- 8) Do you think the TIEG system in total is a good financial incentive for brownfield regeneration?
- 9) Do you think the increase of development in the city is due to the IMIT program or do you think the development would have been there anyway, also without the incentive?
- 10) Do you think TIEG would be easy to transfer to other countries? And would it be useful?
- 11) Do you have any final remarks/questions?

Thanks for the interview!

Appendix B2: Interview guides governmental institutions in Ontario

Interviewguide Rebecca Condon

My name is Sanne Bonekamp, I am a Dutch master student in urban planning at the Radboud University Nijmegen. I am here to research an Ontario financial incentive, namely the Tax Increment Equivalent Grant (TIEG) program, or IMIT program. The goal of my research is to explore this financial incentive to see if it can be transplanted to the Netherlands to solve the Dutch problems in planning.

- 1) Can I tape the conversation and can I quote your name or do you want to remain anonymous?
- 2) What is your relation to the TIEG system/IMIT program?
- 3) In what context is the TIEG system/IMIT program embedded? → Main approach to redevelopment?
- 4) How would you describe the role of municipalities within the TIEG system?
 - a) Facilitative or active?
 - b) Process or project-based?
 - c) Providing or provoking?
- 5) How does the TIEG program work.
 - a) Who takes the initiative?
 - b) Blueprint/organic?
 - c) What kind of developers?
- 6) What is the effect/impact of TIEG/IMIT on brownfield redevelopment in Toronto/Ontario?
- 7) What are the pros and cons of the TIEG system/IMIT program?
- 8) Are there factors that restrict the TIEG system from working optimally?
- 9) Would you change anything about the system if you could?
- 10) Do you think the TIEG system in total is a good financial incentive for brownfield regeneration?
- 11) Do you think TIEG would be easy to transfer to other countries? And would it be useful?
- 12) Do you have any final remarks/questions?

Thanks for the interview!

Interviewguide Thelma Gee

My name is Sanne Bonekamp, I am a Dutch master student in urban planning at the Radboud University Nijmegen. I am here to research an Ontario financial incentive, namely the Tax Increment Equivalent Grant (TIEG) program, or IMIT program. The goal of my research is to explore this financial incentive to see if it can be transplanted to the Netherlands to solve the Dutch problems in planning.

- 1) Can I tape the conversation and can I quote your name or do you want to remain anonymous?
- 2) What is your relation to the TIEG program?

General information:

- 3) In what context is the TIEG program embedded? → Main approach to redevelopment?
- 4) How would you describe the role of the province within the TIEG system?
- 5) What about cost recovery in general Ontario planning and with the TIEG system?
- 6) Is the province/ city of Toronto supporting any initiatives without using any incentives
 - a) Why develop an incentive if the municipality is supporting projects anyways?
 - b) What is the power of an incentive compared to regular subsidizing?
- 7) What are the pros and cons of the TIEG system province wide?
- 8) Are there factors that restricted the TIEG system from working optimally?
- 9) What is the effect/impact of TIEG on brownfield redevelopment in Ontario?
- 10) Would you change anything about the program if you could?
- 11) Do you think the TIEG program is a good financial incentive to stimulate brownfield regeneration
 - a) In total?
 - b) For small scale regeneration?
 - c) The best incentive for small scale brownfield regeneration?
- 12) Do you have any final remarks/questions?

Thanks for the interview!

Appendix B3: Interview guide TIEG-funded projects in Ontario

Interview guide Celia Smith

My name is Sanne Bonekamp, I am a Dutch master student in urban planning at the Radboud University Nijmegen. I am here to research an Ontario financial incentive, namely the Tax Increment Equivalent Grant (TIEG) program, or IMIT program. The goal of my research is to explore this financial incentive to see if it can be transplanted to the Netherlands to solve the Dutch problems in planning.

- 1) Can I tape the conversation and can I quote your name or do you want to remain anonymous?
- 2) What is your relation to the TIEG system/IMIT program?

General information:

- 3) How is the IMIT program related to your project?
- 4) How did the IMIT part of the redevelopment of Artscape Youngplace took place?
- 5) How did the Artscape Youngplace project get in touch with the IMIT program?
- 6) How would you describe the role of municipalities in the Artscape Youngplace project?
 - a) Who takes the initiative?
 - b) Provoking or facilitating?

Looking back:

- 7) What were the pros and cons of the IMIT program looking at the Artscape Youngplace project?
- 8) Are there factors who restricted the IMIT program from working optimally in your project?
- 9) Would you change anything about the program from an 'incentive using perspective'?
- 10) Would you again have chosen for the IMIT program incentive if you had the information you have now?
- 11) Do you think the IMIT program is a good financial incentive to stimulate brownfield regeneration
 - a) In total?
 - b) For small scale regeneration?
 - c) The best incentive for small scale brownfield regeneration?
- 12) Do you have any final remarks/questions?

Thanks for the interview!

Appendix B4: Interview guide university professors and academics in the Netherlands

Interview guide Liz Root

My name is Sanne Bonekamp, I am a Dutch master student in urban planning at the Radboud University Nijmegen. I am doing research on an Ontario financial incentive, namely the Tax Increment Equivalent Grant (TIEG) system. The goal of my research is to explore this financial incentive to see if it can be transplanted to the Netherlands to solve the Dutch problems in planning.

- 1) Can I tape the conversation and can I quote your name or do you want to remain anonymous?
- 2) What is your opinion about the TIEG system?
 - a) Do the Dutch planning objectives match the Ontario objectives?
 - b) Do the Dutch planning objectives allow an incentive as TIEG in your opinion?
- 3) Do you think the TIEG system could be (successfully) transplanted to the Netherlands?
- 4) And in what circumstances and what conditions do you think the TIEG system could be implemented in the Netherlands?
- 5) Do you think TIEG would work in the Netherlands pointing out that the property tax in the Netherlands (OZB) is a lot lower than in Ontario (3 per cent in Ontario against 1,2 in NL)?
 - a) Do you think applying as a group of owners would be an option?
- 6) Do you think the new Environmental law would help to implement the TIEG system?
- 7) Cost recovery question??
- 8) Do you have any final remarks/questions?

Thanks for the interview!

Interview guide Tonny Nijmeijer

Mijn naam is Sanne Bonekamp, masterstudent Planologie aan de Radboud Universiteit Nijmegen. Momenteel ben ik bezig met het afronden van mijn masterscriptie over een Canadees financierings-systeem, namelijk het Tax Increment Equivalent Grants (TIEG) systeem. Het doel van mijn onderzoek is om na te gaan of dit financiële instrument getransplanteerd zou kunnen worden naar Nederland om zo de hedendaagse problematiek in de Nederlandse ruimtelijke planning op te lossen.

- 1) Mag ik uw naam gebruiken als verwijzing in mijn scriptie of wilt u graag anoniem blijven?
- 2) Wat is uw mening over het TIEG systeem?
- 3) Denkt u dat het TIEG systeem succesvol naar Nederland getransplanteerd kan worden, gelet op de juridische context?
 - a. Wat vindt u van het individuele beloningsaspect van de subsidie?
- 4) Onder welke voorwaarden zou het TIEG systeem geïmplementeerd kunnen worden?
- 5) In de publicatie Vormgeven aan de spontane stad word gesteld dat voor organische gebiedsontwikkeling met name gewoonten en werkpraktijken moeten worden aangepast, en in mindere mate het systeem van wetten en regels. Bent u het hiermee eens?
 - a. Zo ja, hoe ziet u dit voor u?
- 6) Denk u dat de nieuwe Omgevingswet een goed instrument zou zijn om het systeem te implementeren?
- 7) Losse vraag: Waarom zijn grondexploitatiekosten die 'anderszins verzekerd' zijn aantrekkelijker dan exploitatieplannen?
- 8) Heeft u verdere opmerkingen of vragen?

Dank u voor uw tijd en medewerking!

Appendix B5: Interview guide expert in the working field in the Netherlands

Interview guide Theo Stauttener

Mijn naam is Sanne Bonekamp, masterstudente Planologie aan de Radboud Universiteit Nijmegen. Momenteel ben ik bezig met het afronden van mijn masterscriptie over een Canadees financieringssysteem, namelijk het Tax Increment Equivalent Grants (TIEG) systeem. Het doel van mijn onderzoek is om na te gaan of dit financiële instrument getransplanteerd zou kunnen worden naar Nederland om zo de hedendaagse problematiek in de Nederlandse ruimtelijke planning op te lossen.

- 1) Mag ik naar u verwijzen in mijn scriptie of wilt u graag anoniem blijven?
- 2) Wat is uw mening over het TIEG systeem in het algemeen?
- 3) Denkt u dat het TIEG systeem succesvol naar Nederland getransplanteerd kan worden?
- 4) Denkt u dat bedrijven geïnteresseerd zullen zijn in een dergelijk instrument/ subsidie?
- 5) Onder welke voorwaarden kan het TIEG systeem geïmplementeerd worden volgens u?
 - a. Ziet u kansen?
 - b. Ziet u bedreigingen?
 - c. Wat vindt u van het individuele beloningsaspect van de subsidie?
- 6) Vindt u het TIEG systeem een goed stimuleringsinstrument voor de Nederlandse gebiedsontwikkeling (uitnodigingsplanologie)?
- 7) Wat voor consequenties zou implementatie van TIEG in Nederland met zich meebrengen?
- 8) Welke rol zou de omgevingswet kunnen spelen bij het implementeren van TIEG of andere (plan)economische instrumenten?
- 9) Heeft u verdere opmerkingen of vragen?

Dank u voor uw tijd en medewerking!

Appendix B6: Interview guide governmental institution in the Netherlands

Interview guide Paul Matthieu

Mijn naam is Sanne Bonekamp, masterstudente Planologie aan de Radboud Universiteit Nijmegen. Momenteel ben ik bezig met het afronden van mijn masterscriptie over een Canadees financieringssysteem, namelijk het Tax Increment Equivalent Grants (TIEG) systeem. Het doel van mijn onderzoek is om na te gaan of dit financiële instrument getransplanteerd zou kunnen worden naar Nederland om zo de hedendaagse problematiek in de Nederlandse ruimtelijke planning op te lossen.

- 1) Mag ik naar u verwijzen in mijn scriptie of wilt u graag anoniem blijven?
- 2) Wat is uw mening over het TIEG systeem in het algemeen?
- 3) Zou het TIEG systeem, aangepast aan Nederlandse context, een goed stimuleringsinstrument voor de Nederlandse gebiedsontwikkeling kunnen zijn?
- 4) Past het TIEG systeem binnen de huidige/toekomstige doelstellingen en beleid van de gemeenten volgens u?
 - a. → Trapsgewijze subsidie via belastingen of andere manieren
- 5) Onder welke voorwaarden kan een (soort) TIEG systeem geïmplementeerd worden volgens u?
 - a. Ziet u kansen?
 - b. Ziet u bedreigingen?
- 6) Wat voor consequenties zou implementatie van TIEG in Nederland met zich meebrengen?
- 7) Welke problemen zou een dergelijk systeem in Nederland kunnen oplossen?
- 8) Heeft u verdere opmerkingen of vragen?

Dank u voor uw tijd en medewerking!