



# A DEMAND-BASED APPROACH TO AREA DEVELOPMENT

Seven practical business park restructuring cases in Overijssel

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restructuring cases in Overijssel

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# Foreword

## Successful regeneration

High vacancy rates, rundown sites, soil contamination, and asbestos are typical spatial and physical issues plaguing business parks that are often the focus of attention. And they are what makes restructuring a business park such a challenge. Because, let's be honest, no one wants to own such problems. That goes for local authorities and certainly also for businesses. No surprise then, that business park regeneration initiatives and projects often fail to yield results.

## Economic perspective

Is it really not happening anywhere? Oh, but it is. And quite successfully. In 2009, the Overijssel provincial authority created Herstructureringsmaatschappij Overijssel (HMO, the Overijssel Restructuring Company). Initially intended to be a kind of private equity fund for outdated and rundown business estates, HMO soon developed its own unique approach. Central question: how do we get the market to invest?

Because the issue of tired and outdated business parks is simply too extensive to tackle using only public funds. Full of entrepreneurial zest, creativity, and taking its lead from existing demand in the market, HMO engaged with businesses to find solutions. HMO aligned public objectives with business ambitions, taking a more economic approach to business park improvement.

## Supplementary role

Getting business interests involved in area improvement created scope for private investment. And that led to opportunities! Opportunities that HMO has created and seized over the past 9 years! By assuming whichever supplementary role was needed to move a process forward, ranging from that of investor, developer, lender, and urban planner to

that of process manager and project leader. And sometimes even by tackling an outdated business park itself. But in most cases, HMO's role was that of creative and flexible partner in the thought process. In the end, HMO has helped overcome the overall restructuring challenge in the province of Overijssel. Not by becoming the problem owner of each and every rundown business park, but instead by developing thriving areas where new business prospects have been created for formerly rundown business parks.

## Learn and let learn

HMO has meanwhile broadened its scope, focusing not only on business parks, but also on office vacancy levels, inner city decline, and the development of top business sites. HMO has done a lot of learning over the past nine years. Our aim now is to pass on this knowledge and allow others to learn from us.

And that's where this practical book comes in. Seven HMO projects that together provide a fine overview of our working method, our approach, and our result-driven attitude, as analysed in great detail by Saxion University of Applied Sciences' Business and Industrial Park Development research group, under the leadership of Kjell-Erik Bugge and Margot Slood.

HMO will continue to work on regenerating business and industrial parks across Overijssel in a way that is both resourceful and result-driven. I hope our practice-based book will inspire you.

Han Wiendels  
Director of HMO N.V.

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# Introduction

When it comes to developing and redeveloping business and industrial parks, a demand-based approach is the best approach. This is the bold statement that this book intends to validate through a showcase of seven successful business park restructuring projects. In each and every one of these cases, the results of effective application of the demand-based approach were extremely positive. Strong combinations of business cases and value cases were developed that have manifestly helped create socially and economically thriving and future-proof business and industrial parks. The effects achieved were unequivocal, including improved business location factors, new economic activity, job creation, and reduced vacancy levels.

This book will describe the long-term process that was completed in each case, from the initial situation to identifying opportunities and developing business and value cases, and ultimately culminating in implementation. Each case includes specific focus on the main lessons learnt. The cases presented in this book are all unique, meaning that each involved a variety of processes and experiences that offer specific leads for application in a wide range of different real-life area development situations. This book is intended to inspire a broad group of (future) professionals in the spatial/economic domain.

On the one hand, this book has set out to show the value added by a demand-based approach. Governments want, or perhaps they are forced, to change the way they think and operate. They need to look more at needs in their local community, and particularly at the level of motivation among local actors to take initiatives and to invest. This way of working now features prominently in government policy on a national level in the Netherlands, as shown by the newly adopted Environment and Planning Act ('Omgevingswet'). A second reason behind this book is a very specific one. Herstructureringsmaatschappij Overijssel (HMO), i.e. the Overijssel Restructuring Company, wants to make its projects and its demand-based

approach to business park restructuring broadly accessible for society as a whole. To make this happen, HMO recruited the help of the Business and Industrial Park Development research group at Saxion University of Applied Sciences. This research group, which comes under the university's readership in business and industrial park development, has studied a selection of cases and process data from documentation and interviews, which has ultimately resulted in this book. This is a first step in raising awareness of the value added by the demand-based approach. Work on the second step is currently ongoing. Experience gained in the cases provide a basis for development of a compact and practical toolbox, which will contain effective demand-based working methods with associated competency profiles and manuals for the change process.

## Structure of the book

In the first chapter, this book starts off with an explanation of the two core concepts around which this book revolves, i.e. 'the demand-based approach' and the development of 'business and industrial parks.' There is a specific focus on how important a demand-based approach is – and can become – in ensuring that business parks become thriving and future-proof sites of economic activity. Chapter 2 will subsequently outline how Herstructureringsmaatschappij Overijssel (HMO) and the Business and Industrial Park Development research group played specific roles in the demand-based restructuring of business parks across Overijssel province. This book highlights seven real-life examples of restructuring processes. These examples and general lessons learnt in terms of effective demand-based working methods will be described briefly in Chapter 3. Next, Chapters 4 through 10 go into each individual case in great detail. The emphasis in these case descriptions is on HMO's approach and lessons learnt on the effectiveness of this approach in different situations. The book will close with a reflection on the research results in Chapter 11, while the final chapter will go into the significance of these results for the future.

# Ch.1 Business and industrial parks and the demand-based approach

## 1.1. The challenge: thriving and future-proof

Business and industrial business parks are home to numerous companies, making them hugely important for our economic prosperity. Only if a specific business park offers good value for money will companies decide to keep or move their operations there. If the quality of a site starts to dwindle over time and is consequently no longer in sync with a company's needs, the chances of that company moving away increase. In other words, business and industrial parks need to keep their quality levels in line with the needs of all its stakeholders, and businesses in particular. The business climate, being an attractive place to do business, and business location factors are all quality aspects from a company's perspective. In making policy for business parks, local authorities often use terms such as 'thriving' and 'future-proof' to define their targets, where the former reflects the degree of economic activity at a business park. Is it sufficiently dynamic in terms of economic activity? Are there high vacancy rates? Is the site falling into decline? 'Future-proof' says something about how the current quality of business location factors relates to the level of flexibility. Does the business park offer sufficient scope for growth? Is there sufficient scope for mixed-use development and/or does the business park actually offer sufficient security for the future for companies with a greater environmental impact.

## 1.2. Decline, restructuring, and the role of the authorities

Lack of investment makes it harder for a business park to thrive and stay relevant in the future, which, in turn, makes it more likely to become outdated. Decline can manifest itself in various ways. Overdue maintenance of buildings and infrastructure, general decline, and parking problems are some of the tell-tale signs that a business park no longer meets the demands of modern times. Other manifestations are less visible, but certainly just as important. New knowledge and a need to get certain risks under control may, for example, lead to the

authorities implementing stricter legislation, which leads to more and more (high-risk) companies suddenly finding themselves based at a business park where, according to a revised zoning plan, their operations are prohibited. There can also be a decline in the quality of key business location factors, such as when local expansion options or accessibility are reduced as a business park is gradually geographically boxed in by the development of surrounding residential areas. In practice, these kinds of mechanisms that turn a business park into an outdated site often occur simultaneously, accelerating the downward spiral.

One possible response to this kind of decline is restructuring, which consists in an interconnected whole of one-off activities that are intended to make a certain business park a more attractive place to establish a company. A facelift, regeneration, and repositioning can all be considered forms of restructuring, ranging from 'light' (facelift) to 'heavy' (repositioning with a different combination of functions). Transformations, where the current primary commercial function of the business park is scrapped altogether, are generally not considered a form of restructuring. Needless to say, transformations of sub-areas can still be part of large-scale restructuring projects.

When it comes to restructuring, the authorities and private-sector parties with business interests in the area have a joint responsibility. When both public-sector and private-sector parties take this joint responsibility, this means that they are willing to invest in a restructuring project. This is the ideal situation, one where the authorities and the businesses in question both invest to a sufficient degree in their own property and are also willing to invest in joint business and value cases.

## 1.3. The demand-based approach: hype or necessity?

The relationship of mutual dependency between the authorities and

private-sector parties often turns integrated restructuring processes into complex challenges. When local authorities invest in public areas and infrastructure at a business park, they may expect something in return in the form of investments by private-sector parties in their sites. In the past, these kinds of quid-pro-quo expectations often led to disappointing results for local authorities. It has also turned out that improvements to the physical environment through restructuring have not had any empirically proven effect on local economies (Ploegmakers, 2015). It has, therefore, become increasingly clear that a different approach to restructuring processes is needed.

The new approach revolves around knowing and prioritising the interests and investment appetite of private-sector parties. In this book, we refer to this approach as a “demand-based approach.” It is a way of thinking and a course of action that follows on from previous appeals for a more business-based and economic perspective on area development (Task force for Herstructurering Bedrijventerreinen, 2008; Pasmans and Pen, 2015). The focus is on joint development of methods that authorities and private-sector parties can adopt in developing attractive business cases (Nicis, 2009) and in demand-based development, linked to a professionalisation process and culture change (Pen, Petit, Rooijen and Pasmans, 2013; Krabben, van der, Pen and de Feijter, 2015). Ultimately, it is about making choices that are based more on the requirements and bottlenecks of businesses (Ploegmakers, 2015).

The demand-based approach is aligned with the new Environment and Planning Act (‘Omgevingswet’), which is the result of a development that seeks to return responsibility for the design and structuring of local environments to society, leaving room for initiatives and exploring the different interests within an area to ultimately find the most sustainable solution. The demand-based approach is clearly no hype, it is a way of working and thinking that is perfectly aligned with today’s policy context and practices.

#### 1.4. The ingredients of the demand-based approach

The demand-based approach is certainly not a fully mature concept yet. Above all, demand-based means that demand comes first. But where does it differ from other commonly used terms such as ‘business-based’ and ‘demand-driven’? ‘Business-based’ can be defined as a demand-based approach with a specific target group, i.e. ‘businesses,’ meaning that there is no fundamental difference between these two terms. There is only a difference in that ‘business-based’ refers to a specific target group-based approach. However, the emphasis in the cases presented in this book is on the development of effective combinations of business cases and value cases, which automatically means that they involve different



target groups. And what about the term ‘demand-driven’? The reason for not using the term ‘demand-driven’ is that the word ‘driven’ could be interpreted as ‘the demand side is in charge’ or that the approach is a purely reactive one that comes in response to demand. It is with these connotations in mind that we opted to use the broader concept of ‘a demand-based approach.’

In further fleshing out this concept of a demand-based approach, key guiding ambitions and building blocks were the aforementioned appeals for a more business-based perspective, the development of new modes of collaboration in business cases, and the intention to put the requirements and bottlenecks of businesses centre stage. The challenge is primarily to capture these ambitions in specific, situation-dependent, straightforward, and instantly applicable practical guidance.

But has this not been done already? Do we not already have sufficient knowledge on the ingredients of the demand-based approach? Have we not already gained plenty of relevant experience through experiments and studies of concepts such as ‘organic area development,’ ‘facilitative planning,’ ‘the spontaneous city’ and as part of the Dutch Ministry of Infrastructure and Water Management’s ‘Nu al Eenvoudig Beter’ programme, which showcases projects that comply with the recently implemented Environment and Planning Act (‘Omgevingswet’)? What we have found is that the transition to concrete ‘working methods’ has not yet materialised to a sufficient degree. There is, for example, still little knowledge on good ways to adequately harness public-sector and private-sector parties’ willingness to invest in area development business and value cases and specifically the redevelopment of business and industrial parks. Effective working methods are needed to realise quick access to the required information and resources, and to be able to use information and resources effectively to stimulate investment. The working methods to use can be varied in terms of their nature and complexity, but they do, in our view, always involve more than one action by one actor.

Screening the creditworthiness of a company is an example of an action.

Using the expertise of multiple parties to combine different kinds of information (including creditworthiness) into a business case for a specific company relocation is an example of a complex procedure. Effective working methods are the ingredients of the demand-based approach, and we believe that they are, if formulated in specific terms, also applicable universally. It is valuable knowledge, therefore, which we want to capture in clear terms. In this book, we will also present lessons regarding effective working methods that we have learnt during seven successful cases.

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# Ch.2 The Overijssel context and approach

All seven cases presented in this book are set in the Dutch province of Overijssel. What they also have in common is the policy context for business park restructuring and the fact that HMO was involved in all of them. To make sure the cases are easy to understand, this chapter will first provide some insight into the policy background and founding of HMO. It will then go on to outline how HMO developed its own unique strategy for the demand-based approach and present some of the results HMO has achieved using this strategy.

## 2.1. Challenge, policy, and instruments

Back in 2009, the Overijssel provincial authority made the restructuring of business parks across the province one of its priorities, aiming for spatial and physical improvement of such sites. The need and reason to pursue an active provincial policy in this area are clear: a growing section of all jobs in the Dutch labour market are based at business parks, Overijssel's economy is highly sensitive to economic cycles due to its one-dimensional and traditional structure, and roughly 15% of Overijssel's business parks are outdated (Overijssel provincial authority, 2009).

Restructuring is also on the national policy agenda. The Dutch government's administrative agreement framework regarding business parks for the 2010 - 2020 period includes the agreement that provincial and local authorities must all have restructuring programmes in place by 2020. The challenge on a national scale is to regenerate 15,800 hectares of business park.

In 2009, the Overijssel provincial authority launched the provincial 2009-2015 Multi-Annual Programme for Thriving Activity ('Meerjarenprogramma Vitale Bedrijvigheid 2009-2015' (MJP-VB)) (Overijssel provincial authority, 2009). This programme incorporates a

range of different recommendations by the Noordanus Committee (Task force for development and redevelopment of business parks, 2008), which conducted an enquiry into the restructuring of business parks in the Netherlands. The programme sets the following specific objectives (Overijssel provincial authority, 2009, p. 18):

- "To restructure 1,200 hectares of business park;
- To regenerate existing outdated sites;
- To free up 200 hectares of space."

To be able to realise these restructuring objectives, the Overijssel provincial authority has created three different implementation instruments, i.e.:

- Kwaliteitsscoresysteem bedrijventerreinen Overijssel (KSS, Overijssel business park quality scoring system);
- Uitvoeringsbesluit Subsidieregeling bedrijventerreinen (UBS, Business park subsidy scheme implementation decree);
- Herstructureringsmaatschappij Overijssel (HMO NV, the Overijssel Restructuring Company).

The purpose of business park quality scoring is to gain insight into the existing and potential quality of several selected business parks using a star-based scoring system. A business park's quality rating based on an assessment of various quality aspects can range from 0 to 5 stars. The business park quality scoring system also provides direction on how to fulfil a business park's quality potential through a step-by-step plan. The provincial authority intends to use the scores produced by the quality scoring system at the front end of the process to enter into consultation with local authorities about how to approach certain restructuring challenges.

Aside from that, the scoring system is also intended as an instrument to enable objective assessment, after completion of the restructuring,

of whether a quality improvement is a lasting one. The implementation decree issued by the provincial authority saw it amend the existing business park restructuring subsidy scheme. The amended scheme is focused exclusively on restructuring projects in the public domain. The implementation decree furthermore explicitly links the subsidy scheme to the quality scoring system, making the quality scan before and after a restructuring project obligatory. Grants under the scheme are available to cover the costs involved in the quality scan, making and implementing a restructuring plan, and the required public measures.

## 2.2. Herstructureringsmaatschappij Overijssel

The third implementation instrument from the Overijssel provincial authority's Multi-Annual Programme for Thriving Activity is HMO, the Overijssel Restructuring Company, which was set up by the provincial authority to accelerate the restructuring of business parks. The total restructuring need for the province of Overijssel spans over 1,200 hectares, spread over 49 business parks. The provincial authority expects HMO to be able to sink its teeth into roughly 25% of the total restructuring

task with its initial share capital of €7.5 million, which means they are expected to regenerate 300 hectares of business park using €7.5 million. Realising that the costs involved in restructuring business parks (which were estimated at approx. €2.5 million per hectare of severely outdated business park at the time) are a major obstacle to achieving the objective, HMO starts out by looking for a way to achieve the targeted result with the means available. Based on the market forces at play in the business park sector, HMO develops a demand-based working method where the main focus is on feasible business cases and being a catalyst for private investment. In terms of the process, HMO's role in restructuring projects can be outlined as follows (HMO, 2010, p. 21):

- Reducing the mismatch between supply and demand;
- Working bottom-up: assuming the perspective of people, companies, and business activities;
- Striking a balance between public and private investment;
- Targeting more attractive prospects for business and industrial property.



After accepting this working method, the provincial authority adds €15 million to HMO's share capital in late 2011, putting the total area for restructuring at 900 hectares. HMO's method is formally ratified through the adoption of its business plan (HMO, 2012).

### 2.3. HMO's impact

Since its founding in 2009, HMO has been facing the challenge of tackling a total area of 900 hectares of outdated business park across the province of Overijssel before the end of 2018. In tackling these business parks, HMO can invest directly, be a catalyst for additional private investment, and/or secure coherent public investment in public areas and infrastructure.

#### *The restructuring mission has been accomplished!*

From 2009 onwards, HMO has been actively involved in over 60 restructuring processes and played an active role in tackling business parks with a total area of 480 hectares. This figure of 480 hectares breaks down as follows:

1. Direct investment by HMO: approx. 100 ha.
2. Catalyst for private investment: 340 ha;
3. Securing public investment for regeneration of public areas and infrastructure: 53 ha.

For the remaining approx. 400 hectares from its initial mission, HMO has assessed the extent to which these business parks could be considered to be thriving and future-proof over the 2014 - 2017 period, ultimately concluding in consultation with the relevant local authorities that these business parks are still sufficiently functional. At the end of 2017, HMO is able to conclude with great satisfaction that the mission has been accomplished: the total restructuring task had been completed successfully. The Overijssel provincial authority draws the same conclusion.

#### *A welcome side effect: jobs*

Although job creation is not a specific objective for HMO, HMO's projects have turned out to have had a significant positive effect on employment levels. To get a clearer idea of this welcome side effect, HMO has had eleven projects monitored through three independent assessments from 2013. As it turns out, approx. 1,000 new jobs have been created as a result of these 11 projects alone, without requiring any additional public investment.

#### *Revolving investment*

Over the 2009 - 2017 period, HMO has invested a total of over €33.5 million in business parks. HMO's approach has led to it accomplishing its mission and creating welcome side effects, without impairing its budget and its operating capital. In other words, HMO has operated in an entirely revolving manner.

HMO's investments have furthermore sparked or supported a total of at least €400 million in private investment.

#### *Success leads to a change of course and new challenges*

During the final stages of its restructuring mission, HMO sees its role change. The Overijssel provincial authority decides to broaden HMO's remit. Instead of focusing purely on business parks, HMO is also tasked with stimulating investment in the quality and future-proofing of all types of business and industrial parks across Overijssel, adding office parks and inner city areas to HMO's scope. At the end of 2017, HMO's operating capital stands at €55.9 million.

### 2.4. Knowledge access and sharing

There is no denying that HMO has done a lot and achieved a great deal. As early as in 2013, a quick scan (Bugge, 2013) provided the first evidence of what has turned out to be the primary success factor in HMO's operations: the combination of professionalism, effective methods, and a focus on interests and investment appetite. In a nutshell: "WHO is the solution ... and not WHAT is the solution" (Bugge, 2018, p.21).

Based on its role in society and its sense of responsibility, HMO wants to make the knowledge and experience it has gained in the area of business and industrial park development broadly accessible. In 2015, this ambition leads to the creation of a new readership at Saxion University of Applied Science, the Readership in Business and Industrial Park Development.

As a knowledge partner to HMO, this research readership has been set three objectives (HMO and Saxion, 2015):

1. To share HMO's insights, experiences, and working methods (lessons learnt) and make them accessible to relevant target groups;
2. To research how to roll these insights and working methods out on a broader and more general scale;
3. To contribute to the transition from a supply-based to a demand-based approach in area development projects.

HMO and the research group at Saxion University of Applied Sciences have subsequently captured these three goals in the following ambition:

*To identify and share effective working methods for the authorities, so as to foment situational and demand-based development of future-proof and thriving business and industrial parks.*

This book is the first specific product of our joint ambition. The emphasis is on sharing insights and experiences in the area of situational working methods, as well as results of specific projects. This book thus intends to contribute to the transition to a demand-based approach to area development.

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# Ch.3 The showcase

## 3.1. Diversity as the basis for selection

Each restructuring process is unique. A demand-based approach to restructuring consequently always involves customisation, or, in other words, effective combination of methods that have been proven to work well with working methods that are suited to specific challenges.

This kind of diversity and the associated customisation is certainly present in the over sixty restructuring processes that HMO has been involved in. It comes to the fore in the scale of the developments, which range from small business expansions within a local business park to regional relocations of large companies. Aside from that, there are great differences in the duration and intensity of HMO's involvement, ranging from a period spanning several years and structural involvement to short-term involvement on a consulting basis. There are also major differences in the number and types of parties involved. Across the various development projects, HMO has worked side by side with a wide variety of parties, including property developers, local entrepreneurs, municipal authorities, the Overijssel provincial authority, associations, and citizen groups.

A desire to illustrate the diversity of restructuring processes and working methods used is what has led to the showcase presented in this book. The result is a selection of seven different examples of real-life restructuring processes.

## 3.2. Brief outlines of the seven cases

Covering projects in the municipalities of Zwartewaterland, Hardenberg, Raalte, Zwolle, Olst-Wijhe, Wierden, and Hengelo, the seven cases are spread across the province of Overijssel.



Each case is focused on improving the business climate, both in terms of spatial quality and economic development. They involve companies that want to expand their existing site, companies that are looking for a better site, and companies that want to diversify their operations. In many of these cases, there are dependencies. After all, expansion is subject to availability of an adjacent plot, while relocations generally depend on the sale of the former site for the financing of the relocation

and new construction. This results in a kind of ‘carousel.’ The fact that all cases are set at existing business parks also comes with other kinds of challenges. To be able to sell land, the land must be ready for building and fit for the intended purpose, which often means that the soil has to be cleaned up and buildings redeveloped. The existing infrastructure and access roads may also be of inferior quality. Table 1 will specify for each case which of these key aspects it involves.

*Table 1. Aspects of the seven cases*

	Zwartewater Logistics Centre	Former Wehkamp site	MBI site	Zwolle Business Park	De Enk	Hogelucht	High Tech Systems Park
Redevelopment of one large vacant or soon-to-be-vacant site	✓	✓	✓	✓			✓
Business expansion onto adjacent plot		✓				✓	
New economic activity	✓	✓		✓	✓	✓	✓
Company relocation within a business park		✓		✓	✓		
Company relocation to another business park	✓	✓	✓			✓	✓
Redevelopment of existing buildings	✓	✓		✓			✓
Demolition / clean-up	✓	✓			✓		
Road access improvement	✓	✓	✓	✓			

The table gives an impression of the cases from the moment HMO first gets involved (generally from 2009/2010) through to the end of the period covered by the HMO documentation studied for the 7 different cases, which runs through to the end of 2017. Beyond 2017, HMO often still continues to play an important role in the various cases. Therefore, the final situation in terms of the end of HMO's involvement has in most cases not yet been reached.

### 3.3. Case presentation structure

The seven cases are presented in Chapters 4 through 10 of this book. The structure of each case presentation is firstly based on the process followed in each case, i.e. it is chronological (see Figure 1). The process consists of a number of phases. The launch of the initiative is followed by identification of opportunities and the building and implementation of business and value cases. Each process phase produces an outcome: opportunities, business cases, value cases, tangible results, and the

associated effects. The description of the process and the outcomes is supported by timelines, photos, maps, and visualisations of the opportunities and the business and value cases.

The visualisation of the process in Figure 1 is, in fact, a simplified representation of the process in reality. Opportunities, for example, can be identified at different times throughout a project, while such opportunities may not always lead to the implementation of a business case. This is why the descriptions of the various phases of the cases sometimes overlap in time.

A second important element of the case presentation structure is the emphasis it places on the role and effectiveness of the working methods used by HMO. Effectiveness is linked to provisional lessons learnt on the impact that certain working methods have on process progress and results achieved.

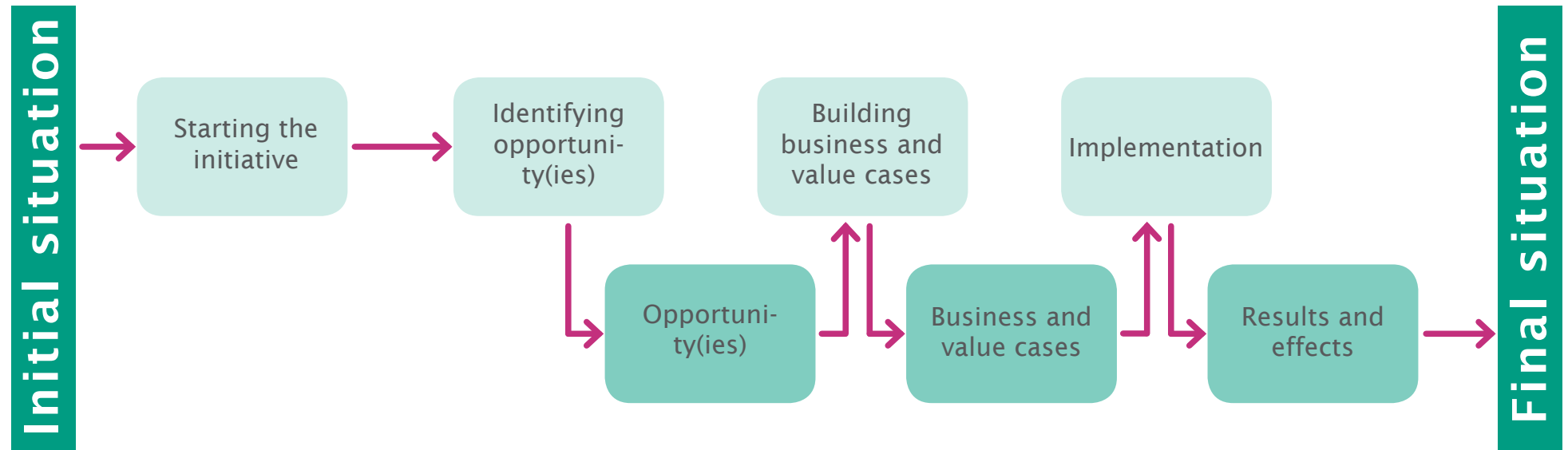


Figure 1. The process model used as the basis for presentation of each case.

### 3.4. Lessons learnt on the effectiveness of working methods

The diverse nature of the cases makes it hugely challenging to make adequately substantiated statements on the effectiveness of HMO's working methods. Fortunately, HMO's policy objective provides a clear framework for this. HMO considers working methods to be effective when they help develop and implement combinations of business cases and value cases that demonstrably facilitate the restructuring. This relationship between working methods and objective is used as the basis for analysis of the processes in the individual cases and, therefore, the lessons learnt as formulated in Chapters 4 through 10.

An initial analysis of the lessons learnt and, with that, of effective working methods shows that a number of HMO's working methods are actually used in multiple cases (Bugge, 2018). These methods are often like guiding principles that provide initial insight into the key 'ingredients' of the demand-based approach.



#### *1. Begin and end with the interests and investment willingness ... of private-sector parties*

Continuously stimulating investment is the number 1 success factor in all cases, where willingness to invest is always based on the interests at stake and potential motives for investing. Private-sector parties will be willing to invest when they believe that a development will have a sufficiently positive effect on the continuity of their business. Public-sector parties will be willing to invest when a development comes with added value for the local and/or regional community. The demand-based approach consists in being a catalyst for investment through insight into the relationship between motives and investment capacity on the one hand and the feasibility and effects of specific developments on the other. Without investment willingness among private-sector parties, none of the cases presented in this book would have materialised. Private-sector parties' willingness to invest should, therefore, be used as the starting point for possible public involvement.

#### *2. Formulate a targeted and location-specific strategy ... and make clear choices*

The fact that authorities have a broad social responsibility often leads to them formulating non-specific visions for area development. This approach can be combined with the development of specific opportunities with a positive snowball effect on the total area development task. One key starting point in this respect is dialogue with both the local authority and businesses. The local authority knows which local issues and bottlenecks need to be prioritised. Local businesses have a clear picture of specific plans and the business community's willingness to invest in them. Combining these insights in a targeted and location-specific strategy, with an eye for specific opportunities, has turned out to be a successful approach, providing a solid basis for clear choices on actions based on value added for progress and the intended strategic result.

#### *3. Use opportunity maps ... and update them continuously*

Opportunities draw the first contours of a business case. When, for



example, one party is looking for a new plot to expand onto and build a new unit, while another party is willing to sell a suitable plot, there is an opportunity that is often much more complicated to seize in practice than it initially seems. What would be needed here is a combination of the right timing for the transfer, a suitable price, and a solution that is to the satisfaction of all parties concerned. This opportunity also includes quite a bit of uncertainty: future prospects for the individual businesses involved, financing, and, in particular, often the need for proceeds from the sale of the 'old' plot. The complexity is often compounded further by the availability of multiple plots at various sites and the fact that there may be multiple potential buyers who may be interested.

The cases show that dynamic opportunity maps are a powerful tool in finding the right match at the right time. An opportunity map provides an overview of various parties' willingness to take part in developing solutions. Keeping a finger on the pulse of private-sector and public-sector parties will provide insight into these dynamics, based on which you can keep updating the opportunity map. An up-to-date opportunity map makes it possible to creatively, flexibly, and purposefully tap into changes in the spatial situation at the business or industrial park, as well as into the various parties' investment willingness and capacity. It will show new opportunities that arise, 'old' ones that can be revived, and when the right time is to further work on business cases and value cases.

#### *4. Make interests and roles explicit ... and then work on the basis of complementarity*

The various interests and responsibilities of private-sector and public-sector parties reverberate in role perceptions, the available expertise, and input. Although area development is a joint responsibility, each party involved will primarily focus on its own interests. Let's say an entrepreneur wants to relocate his business. He will then have to find a suitable new location, sell the old site, and develop a business case. In doing all of this, the entrepreneur's primary concern will not be the consequences the relocation will have for the area, while this does happen to be the primary concern for the local authority. This focus mismatch is very likely

to lead to a lack of mutual understanding, delays, and even opportunities being missed. An intermediary (i.e. HMO in the cases presented here) can play an important supplementary role in this process.

Firstly by redirecting the focus to the shared interests of all parties involved. The cases show how important this role of 'bridge-builder' between the various private-sector and public-sector parties is for progress and results. Secondly, the intermediary can lighten the load for the local authority and the private-sector parties involved by taking on activities that are not part of their 'core business.' The intermediary can, for example, deliver the expertise needed to collect and share supporting information for the decision-making process, arrange soil analyses and clean-ups, as well as building renovations. Insight into developments at various business and industrial parks across the province enables the intermediary (HMO) to match supply and demand. The final component is that of financial complementarity. The intermediary (HMO) can also contribute to developments financially to fill a financing gap in a business case.

#### *5. Build win-win combinations .... of business cases and value cases*

HMO operates within a clear policy framework. All its activities are focused on creating social value, measured primarily as the number of hectares regenerated at business parks across Overijssel province. The goal is therefore always to develop 'value cases.' A value case is, for example, a business relocation that has a positive total impact on the restructuring of the area.

Although HMO puts value case development first, all seven cases show that private investment willingness is linked to business cases. As a result, an effective demand-based approach is about continuously building combinations of business and value cases with fair distribution of costs, benefits, and risks over the stakeholder parties. Each individual business case must contribute to the growth model for the overall business park. Individual developments can, therefore, be used as budding growth drivers and incorporated into the improvement process. Careful comprehensive

assessment of value added at each decision point is needed. Targeted use of a growth model sometimes also calls for a radical change of course. If a bottom-up approach turns out to be ineffective, introducing a vision that moves the process into a specific direction may offer the businesses more certainty (for the future). Certainty lays a basis for trust and can help revive a stalled process towards development of new (or amended) business and value cases.

*6. The demand-based approach works ... provided that individuals and organisations are competent.*

The connecting thread that binds all the above lessons learnt on the effectiveness of working methods together are the competencies of the stakeholders. Working methods can only be effective when individuals, teams, and organisations are able to apply them effectively. The development and implementation of the solutions described in the seven cases in this book calls for a broad competency profile: having the right expertise; an ability to mobilise knowledge through a network; a broadly oriented mindset; being innovative, to the point, and pragmatic; an ability to work in a proactive, result-driven, and solution-driven manner; being an intermediary between companies and other parties; strong mediation and negotiation skills; an ability to join other parties' thought process; being cooperative and flexible; and being committed (Bugge, 2013).

Demand-based does not mean that you have to possess all the expertise needed yourself. It is primarily about being able to use the right expertise at the right time to stimulate investment.

### 3.5. The showcase in practice

The presentation of the seven cases illustrates a diversity in challenges and working methods used in area development. Anyone working in area development will find the case descriptions interesting, and they can be used to get a better handle on adopting a demand-based approach in general. Specific cases may inspire and provide specific guidance in tackling similar situations within one's own work environment.

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# Ch.4 Zwartewater Logistics Centre

On an empty plot measuring 14 hectares, in a central location with road and waterway access, a waterside logistics centre is to arise. HMO acquires the land, takes care of the soil clean-up and construction of a new access road, and makes the plot available to businesses, ready for development. Scania and Westerman Logistics are two of the companies that ultimately decide to move some or all of their operations to the site. These new companies setting up business at the site also prompts an upgrade to the quays. HMO subsequently sells a large part of the development to an investor. The total combined public-private investment amounts to approximately 30 million euros and the development creates somewhere in the region of 300 jobs.



## Contents:

- > Facts & Figures
- > The initial situation
- > Starting the initiative
- > Identifying opportunities
- > The opportunity map
- > Building business and value cases
- > The business and value cases
- > Realisation and results

*The value of a strategic location*

# Facts & Figures

## Project

Redevelopment of a plot and new premises for Scania and Westerman Logistics

## Total investment (public-private)

Approx. €30 million

## Result

14 hectares regenerated, new port, approximately 300 jobs



## The project shows:

- the importance of an integrated approach to a project; one solution to multiple challenges (economic dynamism, the excess water issue, infrastructure);
- how to use a development prospect, i.e. new waterside economic activity, to reinforce the profile of a site;
- how one specific and viable project that fits within the development prospect can be a catalyst for an overall quality upgrade to an outdated business park;
- the importance of public-private partnerships and alignment of deployment of public-sector and private-sector resources;
- the need to be able to offer temporary funding.

# The initial situation

**Whereas the Zwartewater business park used to be the driving force behind the local economy in Hasselt, by the year 2011 it is a site with soaring vacancy levels and dated-looking buildings and public areas. The ultimate aim of the restructuring mission for the Zwartewater business park is to put it back on the map.**

## The site

The Zwartewater business park is an 80-hectare mixed-use business park just south of the town of Hasselt. It is home to a wide range of different kinds of economic activity, including logistics, construction, industry, and manufacturing. The economic activity here is mainly oriented on the local and regional area. The N331 and N377 trunk roads make the site accessible from the A28 motorway. Given that these trunk roads run through a residential area in Zwolle and through the town of Hasselt respectively, Zwartewater's road access is not ideal.

The site does, however, offer excellent accessibility by water thanks to multiple port basins off the Zwarte Water river. The Zwarte Water river connects to Lake IJsselmeer via Lake Zwarte Meer, and is navigable by barges of up to 110 metres long. Its situation on the water is an important factor for this business park's regional positioning. The IJssel and Vecht delta around Hasselt acts as a hub between major sea ports in the west and the hinterland of the eastern Netherlands and Germany.

## The run-up

Since its creation in the mid-1900s, the Zwartewater business park has been an important driver of the local economy in Hasselt. However, this driver function has been waning over the past few decades. Due to work extensification and a decrease in heavy industry, the site has become less relevant. Starting in the 1990s, various initiatives have been launched to improve environmental quality and the quality of the public areas at the Zwartewater business park to try to regenerate the business park. The recent economic crisis, however, has put the brakes on these initiatives.

Both private investment appetite and the financial clout of public-sector parties has declined of late, which, in turn, makes restructuring even more necessary.

When it comes to restructuring, getting clarity on the problems that exist at the site is an important first step. In this context, the Zwartewaterland local authority commissions DHV to conduct a quick scan of the business park to gain insight into the current and potential quality of the Zwartewater business park. On a scale of zero to a maximum of five stars, the site scored zero stars, while improvement up to three stars is deemed feasible.

Given the multifaceted nature of the required improvement, actually achieving this improvement is considered complicated.

The criterion of 'Spatial layout and visual quality' is the one that requires the most attention. According to the advice on how to improve the site, the focus points should be the road structure that needs changing, the site's negative image (which includes the current look of the public areas), and environmental zoning of companies with high environmental impact.

In October 2010, the Zwartewaterland local authority agrees several performance targets with the Overijssel provincial authority for the restructuring of the public areas at the municipality's four business parks. For the Zwartewater site, this means that a total area of 44.3 hectares will need to be restructured. Aside from that, the local authority adopts the Zwartewaterland Business Park Vision in December 2010, which includes as its primary recommendation that restructuring is necessary to reinforce the economic functioning of the municipality's business estates. The Zwartewater business park is prioritised for restructuring, which is supposed to take place over the 2010-2011 period.

The Zwartewaterland local authority has the option to apply for

a restructuring grant from the province (for improvement of the public areas), for which the local authority has to compile a detailed restructuring plan. Besides that, the provincial grant is also conditional on the local authority agreeing to co-finance the project. In collaboration with Ontwikkelingsmaatschappij Oost Nederland NV, the local authority draws up a draft restructuring plan in 2011. To be able to enter into specific financing agreements, this plan needs to be worked out in greater detail.

In 2011, the Zwartewater business park is, owing to its location outside the dikes, selected as a pilot project as part of the IJssel and Vecht delta implementation programme, which was set up to support projects involving issues relating to the removal of excess water to prevent flooding. The Zwartewaterland local authority intends to integrate the measures needed to deal with excess water into the restructuring project. Its focus is on the southern part of the business park, because numerous large plots have been freed up there.

*See map of initial situation on the next page >>*

### **Situation by mid-2011**

Spanning a total area of 44.3 ha, the restructuring challenge for the Zwartewater site is considerable and multifaceted. The site suffers from poor accessibility, is outdated, and looks cluttered. The quality of both the buildings on site and the public areas leaves much to be desired. On top of that, vacancy levels are rising and there are numerous unused and undeveloped plots. In total, approximately 20 hectares are vacant, which means that approximately 25% of all plots at the business park are unused. To compound the situation, several companies have indicated that they intend to terminate their operations in the near future. Further job losses loom, which would put severe pressure on Hasselt's social and economic vitality. After all, job losses will make the town less attractive for residents and facilities. The local authority has little funds available for the required restructuring.

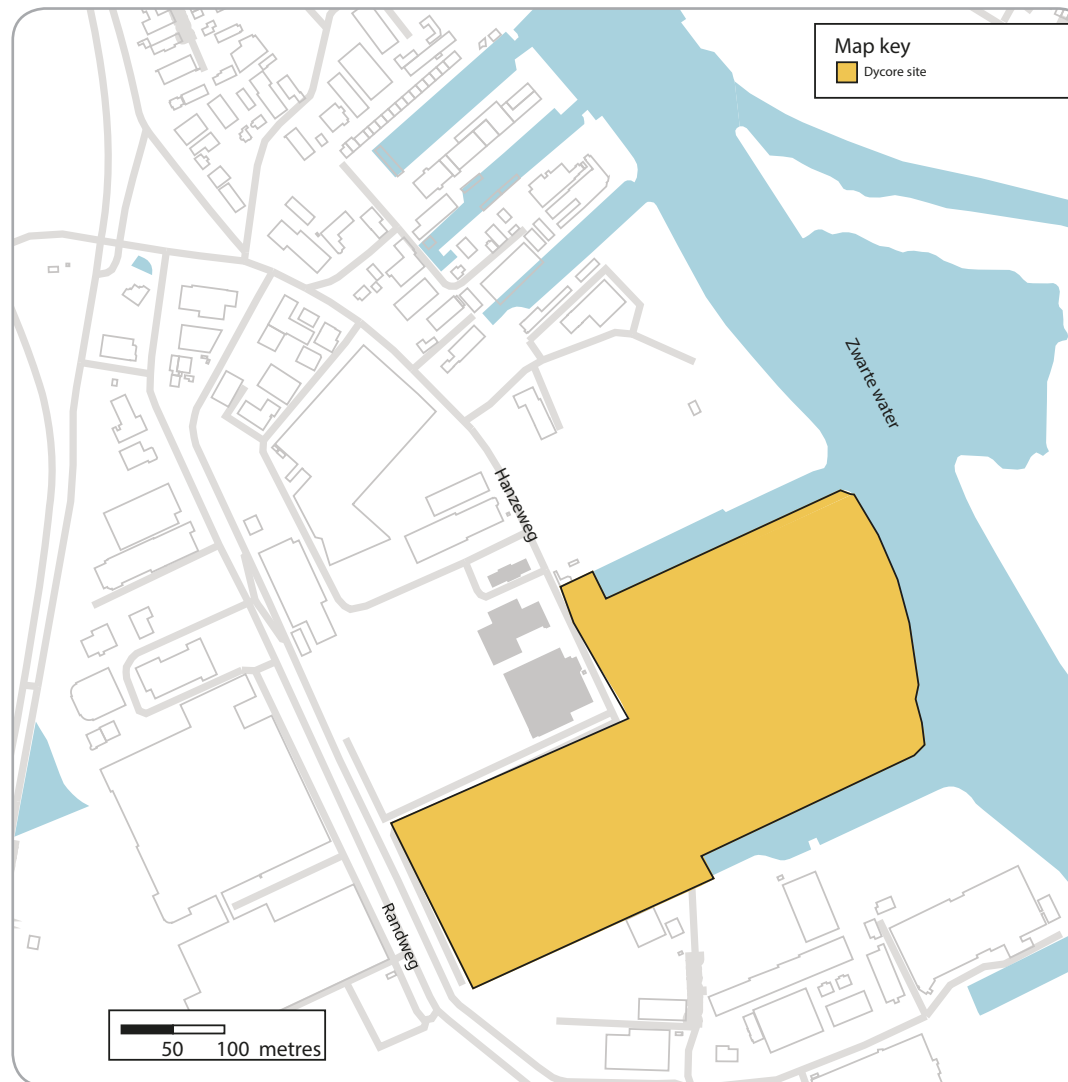
Besides these negative trends, there are also positive developments and initiatives. Recent vision building on the site's potential shows that there are several companies that have specific intentions to set up operations at the business park or to expand their current sites. And the N331 trunk road is set to receive a significant upgrade from 2015, including the construction of a new roundabout to provide access to the Zwartewater business park. There are also plans to improve the business park's sewerage system, while the provincial authority is helping to find solutions to excess water issues in the area (as part of its implementation programme for the IJssel and Vecht delta). And finally, there are several initiatives and subsidy schemes that can provide support in the transition to sustainable energy consumption, while there are also resources available that are intended for quality upgrades to rural-urban fringe areas.

Within this context, the Zwartewaterland local authority wants to put together a specific restructuring plan. This plan must provide a coherent overview of public investment options that will help improve the local business climate and boost economic activity. The basic idea is to use the limited public funds in a way that ensures optimum support for private investment and achieves maximum job creation. This is in line with the performance agreements signed with the Overijssel provincial authority.



# Map of the initial situation

[<< Back to the relating text](#)



# Starting the initiative

The outdated Zwartewater business park faces a sizeable and complex restructuring challenge. The stakeholders agree that this challenge can only be tackled through an integrated approach and solid public-private collaboration. HMO is willing to take on an intermediary role between the parties, but also between the various aspects of the challenge. This integrated approach is intended to improve quality and revive economic activity on the site.

## Triggers & Initiators

The Zwartewaterland local authority acknowledges the absolute need to restructure the Zwartewater business park and agrees specific performance targets for the restructuring with the Overijssel provincial authority. However, the local authority lacks the (financial) means to take real action. Plus, the available public means are generally earmarked for specific purposes. The public-sector parties involved feel that the sizeable and complex restructuring challenge can only be tackled if both public-sector and private-sector parties contribute. The local and provincial authorities conclude that they have little grip on the plans of and potential investments by local companies. There is a disconnect between the local authority and businesses. To stimulate private investment, the provincial authority gets HMO involved in the Zwartewater site project. After all, HMO is an organisation that was set up to stimulate privately-funded redevelopment of existing business parks under the province's long-term plan for the regeneration of business parks across the province (which also covers the Zwartewater site). On top of that, HMO has also identified opportunities owing to the Zwartewater site's unique location on the water and the various upcoming developments that will have a positive effect on the site. Based on these facts, HMO decides to accept the challenge.

## From individual to shared interests

The shared interests of the Zwartewaterland local authority, Overijssel provincial authority, HMO, and local businesses become clear in early

2012. There is a need for integrated redevelopment of the severely outdated Zwartewater site, while making the most of the willingness to invest in the site among both public-sector and private-sector parties. This redevelopment must capitalise on the various opportunities, including the site's unique waterside location, so as to revive the business site, which will also benefit local businesses.

## Starting point for the integrated redevelopment of an outdated site

Catering to the shared interests, HMO explores various avenues for a development prospect and gauges willingness to invest in the Zwartewater site among private-sector parties. HMO also actively works to strengthen ties between businesses and the local authority, with a view to achieving the much-needed alignment of public and private investment.



## Lessons learnt

*LL4-1 Adopt an integrated development approach, tackling multiple challenges (public and private) at the same time and making the most of investments made*

The restructuring task for the Zwartewater site is an extensive one that comprises various different aspects affecting both public and private interests. Public-sector stakeholders' willingness to invest is limited, meaning that private investment will be needed to successfully tackle this highly complex restructuring project. Plus, the available public means are generally earmarked for specific purposes. By aligning the various aspects of the challenge and the associated investments, the parties try to get an integrated development going, which makes the most of the limited (financial) means and that serves the shared public-private interest (i.e. to have a thriving business park).



# Identifying opportunities

**HMO finds itself facing the challenge of, in close consultation with public-sector and private-sector parties, coming up with a clearly defined development prospect for the outdated Zwartewater site. The central focus is on stimulating private investment.**

## The exploration

HMO gets to work in late 2012, launching an exploratory analysis of the Zwartewater site, in consultation with the Zwartewaterland local authority and the Hasselt Business Association (Bedrijvenkring Hasselt (BKH)). This exploration includes interviews with twenty local entrepreneurs, giving HMO valuable information. HMO sees that local entrepreneurs initially adopt a wait-and-see attitude when it comes to the restructuring project. They basically expect the local authority to take the lead. However, these local entrepreneurs still want a say in defining future prospects for the Zwartewater site. In the interviews, the entrepreneurs also confirm the disconnect between them and the local authority. They expect HMO to be able to play a role in changing that.

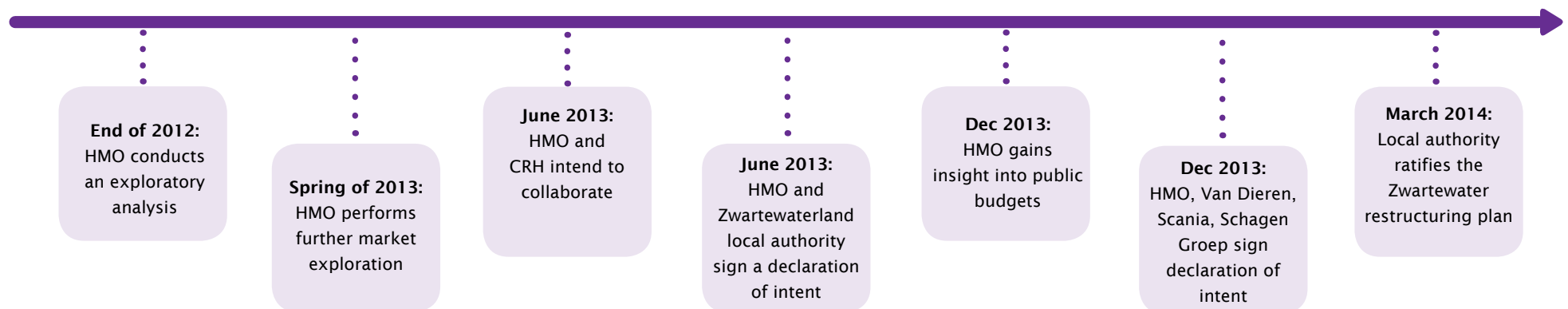
The exploratory analysis also shows that there will be several changes at the Zwartewater site that will have major impact (including growing vacancy rates) on the local business park. First of all, there is the dismantling of the premises of concrete floor manufacturer Dycore,

which will free up approximately 14 hectares at the business park in June 2013. Another change that HMO has identified is the drastic downsizing of other major companies at the park and widespread unregistered vacancy.

The exploration confirms the complexity and extent of the restructuring challenge and the business park's poor accessibility (due in part to the fact that Hanzeweg is not a through road). Integrality and collaboration between the public sector and the private sector are highlighted as important building blocks for an approach that offers a realistic prospect of successful implementation of the provincial authority's restructuring programme.

*Development prospect and the first signs of willingness to invest among private-sector parties*

HMO takes, in consultation with the local authority, the lead in the needed next steps, starting with a market exploration in the first quarter of 2013. This market exploration comes after the initial exploratory analysis and results in an integrated development prospect. The integrated development prospect is focused on stimulating waterside economic activity at the Zwartewater business park, and is endorsed by the Zwartewaterland local authority. HMO has furthermore managed



to get a private-sector party at the Zwartewater business park, CRH Structural Nederland (CRH), to back this prospect. CRH is the parent company of Dycore and owner of the waterside Dycore site, which will be vacated in June 2013. This site of approximately 14 hectares offers prospects for waterside economic activity, although this is conditional on an upgrade to the quays of the two port basins. CRH has previously explored redevelopment options for the site, but has found no viable options. They now welcome collaboration with HMO. In June 2013, HMO and CRH make a number of specific agreements; both parties confirm that they want to work on redevelopment of the site, with HMO taking the lead in terms of developing a suitable planning concept. CRH does, however, make its collaboration in the project conditional on one thing. They want to prevent that a competitor (a concrete plant) establishes operations on the Dycore site.

#### *Securing local authority commitment*

Given the need for optimum alignment of the use of public and private funds in tackling the extensive restructuring challenge, HMO considers local authority commitment essential with respect to the Dycore site. The local authority is positive on this redevelopment and shows a willingness to facilitate the required planning processes, expecting the redevelopment with increased waterside economic activity to buck the negative trend at the business park and help achieve the performance targets.

HMO and the Zwartewaterland local authority sign a declaration of intent in June 2013, with a term of 2 years, and set themselves the target of making a feasible plan for redevelopment of the Dycore site. The parties agree on HMO taking the lead in developing a planning concept. The planning concept must provide insight into the kind of activity that is to be established on the Dycore site and how this relates to developments on other sites at the business park. An analysis of the (financial) feasibility is also part of this concept. The first step in the planning concept is to draw

up an action plan. HMO develops this plan and covers the costs involved. Based on this action plan, further agreements are made on budgets and the division of tasks between the local authority and HMO.

#### *Pooling of finances*

By the summer of 2013, HMO has managed to get both the Zwartewaterland local authority and a private plot owner to commit to a specific initiative, for which HMO will make an action plan. Given the importance of alignment between public and private investment, HMO wants to gain insight into the funds available for the Zwartewater site. By the end of 2013, HMO has taken stock of all sources of funding available to the project, which includes funds from the provincial restructuring budget, the municipal restructuring budget, the provincial budget for the stimulation of goods transportation by water, a possible BDU government grant, and HMO's own funding available to boost private redevelopment projects.

A more detailed picture of private investment willingness pans out in late 2013 when a major international company that is already based in Overijssel announces its expansion plans. The company in question is Scania, which builds (to measure) and sells trucks, buses, and other commercial vehicles. Scania has a large and modern assembly plant in Zwolle, where they assemble trucks from parts shipped in from all over the world. Scania now intends to expand its knock-down (KD) and cross-docking operations. The company's knock-down operations consist in the assembly and shipping of so-called knock-down kits containing the parts of a vehicle for assembly elsewhere, much like a do-it-yourself kit. These kits are loaded into sea containers that are subsequently shipped to Rotterdam by river barge. From Rotterdam, these knock-down kits are shipped to local companies in various countries, where the trucks are assembled from the parts in the kit.

Scania's cross-docking operation is a logistics process where incoming goods are shipped out directly (without storage) after having come in.

For these operations, Scania is looking for a building (approximately 20,000m<sup>2</sup>) on a site situated on a sufficiently deep waterway near Zwolle on a 10-year lease. Scania expects to be able to ship approximately 20 kits in containers from that site every day. Scania has also gotten Westerman Logistics from Nieuwleusen involved in its expansion plans. This is because Westerman Logistics takes care of logistics for Scania, making it a key partner in Scania's expansion plans. Westerman Logistics is enthusiastic about Scania's plans and calculates that it would need a barge terminal measuring roughly 20,000m<sup>2</sup> for the logistics required by Scania. Aside from that, Westerman Logistics is a prominent player in the bike logistics market and is itself considering to consolidate these specific logistical activities at a new waterside site. As a result, Westerman Logistics also needs a unit of approximately 12,000m<sup>2</sup> on a 10-year lease. Scania asks a subsidiary of Schagen Groep Beheer B.V., a construction firm with which they regularly work together, to work out

the technical requirements for the intended expansion of Scania. Scania is one of the largest industrial employers in the Zwolle area and does as such regularly liaise with the Overijssel provincial authority's department of economic affairs. At one of these meetings in 2013, Scania shares its ambitions with the provincial authority. In response, the provincial authority asks Scania to consider the Zwartewater site, which seems to meet Scania's requirements and where, so it seems, real development potential is being created thanks to the involvement of HMO. The provincial authority puts Scania in contact with HMO. In the fall of 2013, HMO, Scania, Westerman Logistics, and Schagen Groep meet to discuss development planning possibilities at the Zwartewater business park. There seems to be a shared willingness to build new premises for Scania and Westerman Logistics on the Dycore site. This new development would be a waterside logistics centre. Upgrading the quays is an essential focus point as part of this new development.



In December 2013, the parties involved (HMO, Scania, Westerman Logistics, and Schagen Groep) agree to conduct further analysis of the feasibility of the intended development. Based on a draft declaration of intent, they enter into verbal agreements on this feasibility study (a 'gentlemen's agreement'). The parties agree for this study to assess the building of new warehouses with approximately 30,000m<sup>2</sup> of floor space (including docking stations) and port facilities on the southern part of the Dycore site. The plan must also leave space for phased expansion to 60,000m<sup>2</sup>. The study must result in a Schedule of Requirements and a financial plan for the development and construction of the new buildings. The parties also enter into consultation with public-sector parties to secure optimum alignment with municipal restructuring plans and to be able to qualify for a provincial grant for the upgrade to the quay of the southern port basin. And finally, they explore the options for acquisition of the plots that are needed. Each party is responsible for one part of the feasibility study and covers its own costs incurred for this work. HMO assumes responsibility for negotiations with CRH (the owner) regarding the possible acquisition of the required plots. And HMO also runs point on alignment with municipal restructuring plans. The parties agree that if the development is deemed feasible, they will enter into further development agreements and leases.

#### *Materialisation of administrative commitment*

In line with the provincial performance agreements and the declaration of intent signed by the Zwartewaterland local authority and HMO in June 2013, the local authority has a restructuring plan in the works for the Zwartewater business park. In order to ensure alignment with developments by private-sector parties, HMO plays an advisory role in this context. The restructuring plan is ratified by the local authority on 18 March 2014. By ratifying the plan, the local authority confirms that the total amount available through provincial co-financing under the Performance Agreements for Business Park Restructuring scheme will be used exclusively for the restructuring of the Zwartewater business park. After all, considering the existing situation, this business park needs

the most drastic overhaul. And the local authority has insufficient funds available to also tackle other sites at the same time. In the restructuring plan, the local authority makes retention and expansion of economic activity on the Zwartewater site the primary objective. To this end, the local authority targets market-driven redevelopment of newly available plots, improvement of accessibility and road safety, and increasing water safety. The local authority wants to use its (limited) public resources in a way that ensures optimum support for private investments. The Dycore site is mentioned specifically in the restructuring plan. The local authority expects this particular redevelopment to create a lot of jobs and have a positive effect on the business park as a whole.

Improvement of accessibility and the layout of plots is, for the local authority, an important prerequisite for this development, which is why it aims to ensure optimum incorporation of these aspects in the restructuring measures. In specific terms, this translates into plans to extend Hanzeweg across the Dycore site and create a new access road from the Werkerlaan roundabout (N331) via Euroweg.

Following ratification of the restructuring plan, the Zwartewaterland local authority enters into administrative agreements with the provincial authority in March 2014 regarding the grant for the restructuring of the Zwartewater business park.



## Lessons learnt

### *LL4-2 Focus on a sub-project as a catalyst for an extensive restructuring challenge*

The Zwartewater business park faces a sizeable challenge that cannot be tackled in one go. After local explorations and a quest for a development prospect, HMO quickly decides to focus its efforts on a specific development option (the Dycore site) that fits within the broader development prospect. HMO is confident that this specific development can be a catalyst for the greater restructuring task at hand.

### *LL4-3 Use the profile of a site*

The development prospect is focused on reinforcing the Zwartewater site's profile as a waterside business park with excellent accessibility by water.

### *LL4-4 Pool the finances and policy objectives for public-sector clout*

The public resources available for restructuring of the Zwartewater business park are limited and have to come out of several different budgets that are linked to separate policy objectives. To increase public-sector clout in this project, HMO takes stock of the shared public interests, based on which the available funds can be pooled together and targeted public investment can be provided for the much-needed upgrade.

### *LL4-5 Make clear arrangements on the parties' responsibilities and expectations for the collaboration and record these in an agreement*

HMO works commitments made by both public-sector and private-sector parties out into specific arrangements in declarations of intent and collaboration agreements, boosting the commitment of the parties involved and securing it for the long term.

### *LL4-6 Getting and securing early administrative commitment is essential to align the use of public and private resources*

Right from the start, it is clear that optimum alignment of private and public investment is a key prerequisite for a successful approach to the sizeable restructuring challenge. HMO makes sure the Zwartewater local authority is kept up to date on potential private investment appetite and verifies the local authority's commitment and, with that, public-sector willingness to invest in these developments.

### *LL4-7 The importance of open consultation with businesses*

There are two (groups) of businesses showing a willingness to invest in redevelopment of the Dycore site, namely CRH and the group made up of Scania / Westerman Logistics / Schagen Groep. Constructive and open consultation with these businesses, initiated by HMO and/or the provincial authority, has in both cases been the first step in stimulating private investment.

# The opportunity map

Close collaboration between public-sector and private-sector parties, which is to conduce to both sides developing a willingness to invest in the restructuring of the Zwartewater business park, is an important prerequisite in tackling this sizeable and complex undertaking. HMO acts as the intermediary between both parties, working on a shared development prospect for the site, which is to stimulate waterside economic activity. This is to be a prospect that is endorsed by public-sector parties, but which also turns out to be supported by the private sector. After all, several private-sector parties turn out to be willing to invest in one specific part of the business park, the former Dycore site. The parties that have shown an interest in that particular site have plans to build a waterside logistics centre on it. HMO works to align public investment in this site development project, creating prospects for a feasible business case.

## Opportunity 1 CRH

The waterside Dycore site is set to be vacated and CRH (the owner) sees no possibilities for redevelopment. HMO considers the site a promising prospect for fulfilment of the development prospect for the Zwartewater business park, as it could potentially accommodate the desired waterside economic activity. The parties sign a collaboration agreement confirming their intention to come to a suitable planning concept. CRH is willing to sell the site.

## Opportunity 2 Scania's expansion plans

Scania Nederland B.V., based in Zwolle, has plans to expand to accommodate and consolidate its knock-down (KD) activities (assembling and shipping trucks as 'DIY kits') and cross-docking activities (a logistics system that allows incoming goods to be forwarded directly to outgoing goods without storing them first). Scania is, therefore, looking for a warehouse (2 ha) on a waterside site near Zwolle with sufficient water depth. The Dycore site offers both the space they need and water access. Still, the condition of the quay in the southern of the two port basins would require further attention. Owing to the proximity to Scania's existing assembly plant in Zwolle, the site is

also situated ideally for Scania. Scania is willing to lease the warehouse for a period of 10 years.

## Opportunity 3 Westerman Logistics' expansion plans

Westerman Logistics from Nieuwleusen takes care of logistics for Scania and will also handle KD for Scania, meaning that Westerman Logistics will continue to be in charge of shipping the truck assembly kits. As a result, Westerman Logistics needs a barge terminal (approx. 2 ha), while it is also considering consolidating its logistics activities (including cross-docking) for bicycle makers Union (Nieuwleusen) and Gazelle (Dieren) on the Dycore site. For these activities, Westerman Logistics needs a 1.2-hectare warehouse on a 10-year lease. Together with the warehouse for Scania, this lays the basis for the development of a waterside logistics centre at the Zwartewater business park.

## Opportunity 4 Improvement of infrastructure, public areas and port facilities

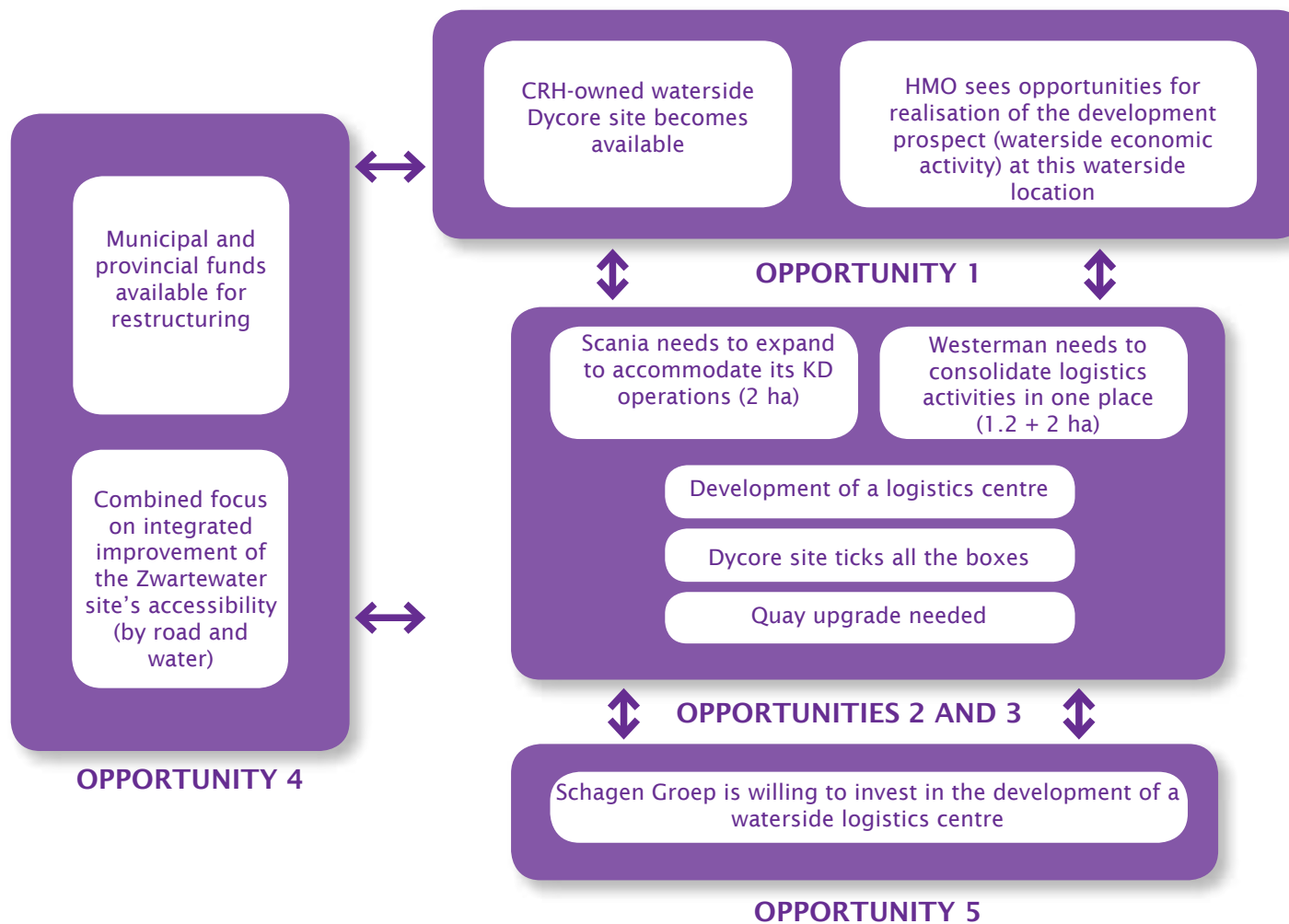
The Overijssel provincial authority is prepared to allocate the entire budget it has available for the restructuring of public areas across the Zwartewaterland municipality to the Zwartewater business park project. A large part of the upgrade to the public area consists in extending Hanzeweg and creating access to the business park to the Werkerlaan roundabout (N331) via Euroweg. Both these infrastructure changes will significantly improve the Dycore site. Aside from that, further funding may be available from a provincial pot for the stimulation of water-based transportation to improve Zwartewater business park's port facilities, including the much-needed upgrade to the quay walls. The provincial authority also intends to improve access to the site by, in partnership with the Zwolle local authority, building a new road (N331) between Zwolle and Hasselt. The provincial authority attaches great importance to the positive impact that development of the Zwartewater business park will have on the greater region and the jobs that will be created at the logistics centre.

## Opportunity 5 Schagen Groep

Scania regularly works with one of Schagen Groep's subsidiaries. Schagen Groep is prepared to invest (knowledge and resources) in the construction of a waterside logistics centre on the Dycore site.

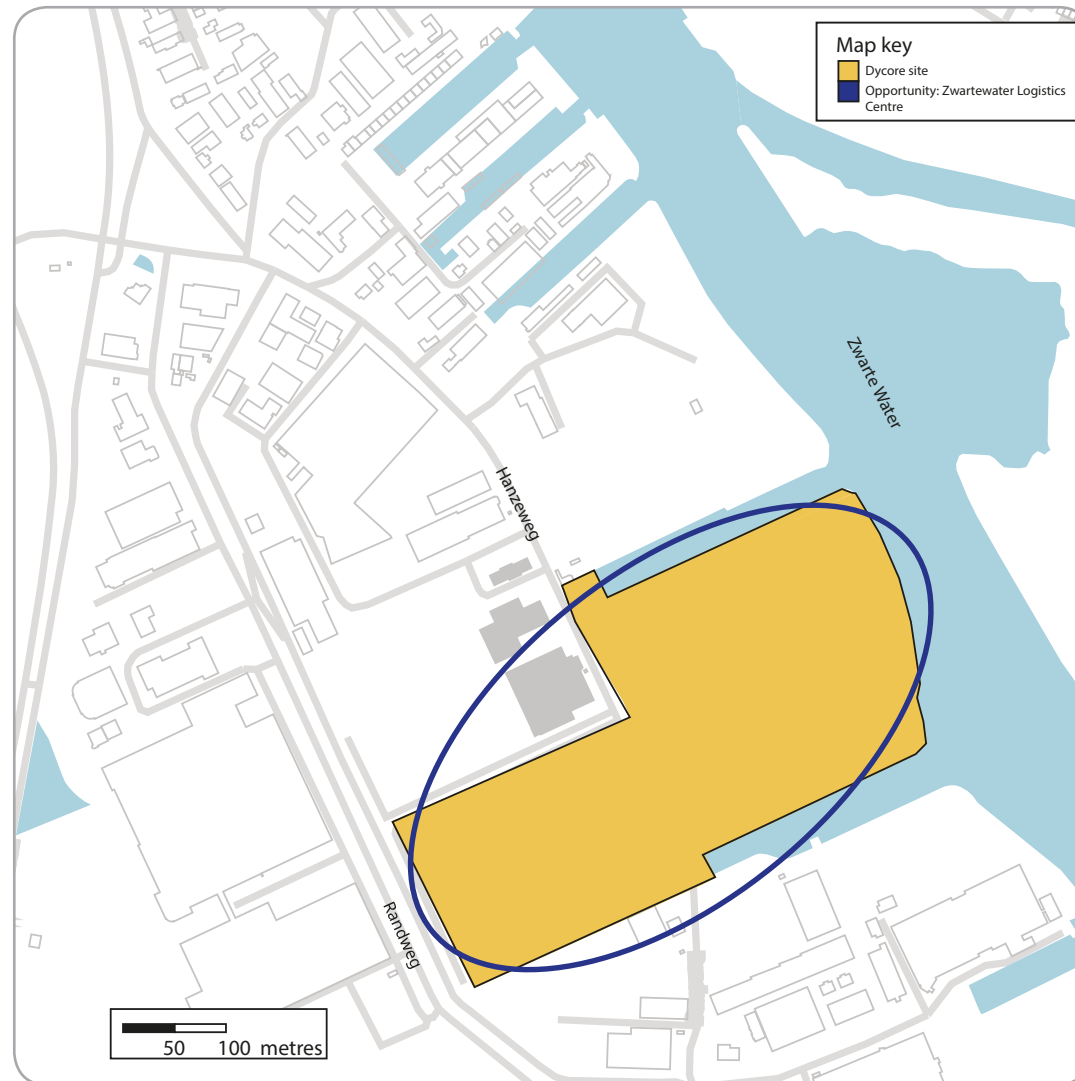
*See the Opportunity map on the next page >>*

**Integrity, a promising development prospect and public-private collaboration are the success factors in developing the waterside logistics centre**



# Opportunity map

<< *Back to the relating text*





# Building business and value cases

**Developing a logistics centre that makes the most of the Dycore site's unique location on the water is an opportunity. To seize this opportunity, plans need to be worked out further and feasibility studies will have to be conducted. In particular, the parties involved will have to agree on the acquisition and leasing (by private parties) of the Dycore site, and enter into formal agreements. The Dycore site also offers room for additional waterside economic activity.**

**The parties, therefore, continue to look for additional investment to strengthen the business case. Based on the declarations of intent that have been signed, the above tasks are the shared responsibility of the private-sector parties involved. HMO also focuses on careful alignment with municipal restructuring plans.**

## *Gentlemen's agreement results*

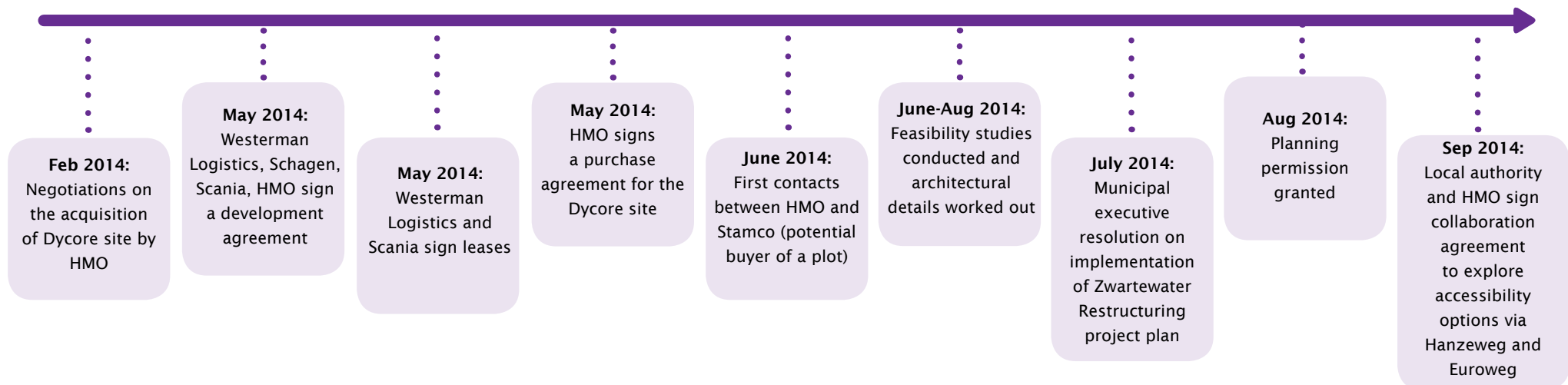
In the spring of 2014, the private-sector parties involved (HMO, Scania, Westerman Logistics and Schagen Groep) implement the gentlemen's agreement of 2013, concluding based on the analysis results that development of a logistics centre is feasible and stating their willingness to invest in the development process. Scania and Westerman Logistics

show a willingness to sign leases to guarantee that the planned buildings and port facilities will be used (for a fixed term at least). In line with the gentlemen's agreement, HMO has looked into the options for acquisition of the Dycore site. However, none of the private-sector and public-sector parties involved are interested in acquiring the whole site. HMO subsequently decides to negotiate with the current site owner (CRH) and ultimately to acquire the site. One important remaining focus point is the date that the Overijssel provincial authority has set for dissolution of HMO as an organisation. There is no certainty that HMO will still exist after 2018, meaning that HMO cannot take on any commitments that extend beyond 2018.

## *The development agreement*

To enable the creation of the logistics centre, HMO, Schagen Groep, Westerman Logistics and Scania follow the gentlemen's agreement up with a development agreement.

The objective of this agreement is to further work out the development planning process, which is to lead to the acquisition of specific land and



the signing of leases. As part of this agreement, the parties also explore the option to set up a partnership. The idea is to put the acquired land in this partnership, which would then be the lessor. HMO would then withdraw from this newly created partnership in 2018, which is when HMO is set to be dissolved. This is conditional, however, on the parties being willing to purchase HMO's shares if no other investor were to be found.

Under the development agreement, each party is assigned specific duties and carries the costs incurred in fulfilling these duties. For Scania and Westerman Logistics, this means that they will focus mainly on designing and drawing up leases. They also take care of applying for a provincial grant for the quay upgrade. Schagen Groep is put in charge of the planning permission process and approaching investment bodies. HMO's job is to acquire the land and liaise with the local authority on planning the restructuring of the public areas. The parties run a joint study into the possibilities with respect to setting up a partnership.

For the purposes of this development process, the parties put together a project group that is authorised to make decisions regarding progress and engaging external advisers. The agreement furthermore sets 1 October 2014 as the target date for completion of the development phase, for which the parties make a joint schedule.

#### *Lease and purchase: securing guarantees*

To mitigate the financial risks attached to HMO's sizeable investment in acquiring the land, HMO considers it key that contracts be signed in the right sequence. HMO, therefore, wants leases signed before it proceeds to the actual purchase of the Dycore site.

As required by HMO, Scania and Westerman Logistics each sign a lease with HMO in May 2014. The lease with Scania is for a warehouse (of approx. 2 ha) on a 3.34-hectare plot. Separate leases are signed with

Westerman Logistics for the rental of a warehouse (of 0.85 ha on a 2-hectare plot) and a port facility (2.4 ha). All these leases take effect on 1 March 2015 and have a term of 10 years. The leased property can only be used as a logistics centre and port facility.

With these leases signed, HMO proceeds to sign the purchase agreement with CRH in late May 2014. Under this agreement, HMO acquires the Dycore site, which consists of two plots of 9.3 hectares and 4.7 hectares respectively (total area of 14 ha, of which 12 hectares of land and 2 hectares of water - the port basin). HMO and CRH are aware of the fact that the site's soil is severely contaminated (with mineral oil, among other substances). The parties agree that HMO will arrange the required soil clean-up and deduct the costs from the site's purchase price.

#### *Prospective additional investment*

In June 2014, a new party enters the frame, a party that is interested in investing in the Dycore site. It is Stamco, a party with which HMO has worked together on other projects. Stamco shows an interest in acquiring 3.3 hectares of land in the north-eastern corner of the Dycore site, situated on the northern port basin. Stamco sees potential in this part of the site for Klink Bekistingen B.V., a new business entity coming out of Staphorst-based metal processing company Dulasta. The idea is to use an existing unit on this part of the Dycore site for the manufacturing, among other things, of steel wall and tunnel formwork for construction projects. As this concerns waterside manufacturing activity, the request ties in with the overall development prospect for the Zwartewater business park. Due to the absence of a quay along the banks of the northern port basin, access by water is, however, still a focus point.

Aside from that, Schagen Groep owns the plot to the north of this part of the Dycore site, and, therefore, the northern half of the northern port basin, meaning that Schagen Groep will have to be included in the decision-making process for the quay development project. Like in the

case of the southern port basin, the upgrade to the northern port basin is believed to be very likely to qualify for a provincial grant.

#### *Preparations for planning permission: feasibility and design*

An important step in the realisation of the logistics centre for Scania and Westerman Logistics is to obtain planning permission. In June 2014, the project group conducts various analyses of environmental impact, acoustic impact, asbestos, and soil quality. The costs involved in these analyses are borne by the private-sector parties involved and will, provided the project goes ahead, be offset against the other development costs. A soil clean-up plan is compiled to deal with the severe soil contamination. Clean-up work is scheduled to take place towards the end of 2014.

In the meantime, Schagen Groep takes care of the architectural side in close consultation with Scania and Westerman Logistics. It becomes clear that Scania's warehouse will have 2.09 hectares of floor space and will be 10 metres tall. Westerman Logistics' warehouse will provide 0.85 of a hectare of floor space and will be 7 metres tall.

After a preparatory survey with the local authority to broadly assess the planning permission application, Schagen Groep submits the application for planning permission for the construction of the warehouses for Scania and Westerman Logistics on 1 July 2014. The Zwartewaterland local authority grants planning permission for the logistics centre in late August 2014.

#### *Materialisation of administrative commitment*

In July 2014, administrative commitment to restructuring the Zwartewater site materialises further following submission of the grant application to the Overijssel provincial authority. The provincial authority awards the grant, albeit on the condition that it is spent on the restructuring plan that was submitted. The local authority subsequently proceeds to work the restructuring plan out into a municipal project plan that specifies the



various municipal sub-projects, scheduling, and project organisation. These sub-projects mainly relate to infrastructure, including the construction of the southern Randweg ring road (Euroweg, including a cycle lane), the link road between Hanzeweg - Randweg (crossing the Dycore site) and upgrades to Industrieweg, Productieweg, and Randweg (including the creation of a cycle lane). The local authority also wants to upgrade the sewerage system across the whole business park wherever necessary. On the request of the private-sector parties and HMO, an external and experienced project manager is appointed.

To further flesh out the municipal restructuring plans and specifically the alignment thereof with private investment, HMO enters into further talks with the Zwartewaterland local authority in September 2014. They agree for the Hanzeweg - Randweg link road (which crosses the Dycore site) to be prioritised. HMO is willing to build this road, or have it built and subsequently transfer the required land to the local authority. The value of this land will then be offset against HMO's costs in the Dycore site redevelopment. This new access road is supposed to considerably improve the Dycore site's accessibility, as well as that of the Zwartewater business park as a whole.

#### *Negotiation round for the sale to Stamco*

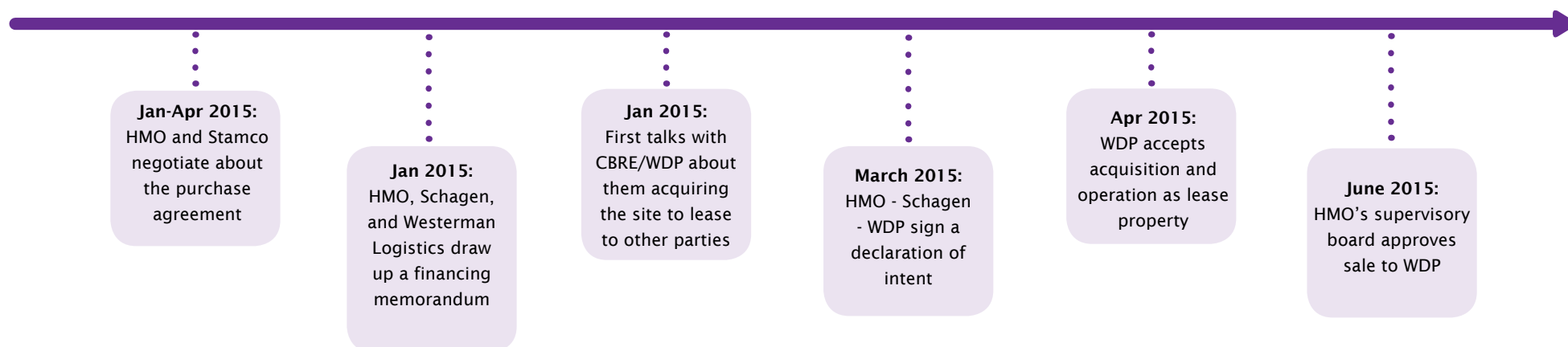
In early 2015, it becomes clear that Stamco will be awarded the provincial grant. Stamco and HMO subsequently enter talks to agree on a purchase agreement for the acquisition of the 3.3-hectare plot. In consultation with CRH, it is agreed that the sale will not be subject to a perpetual clause that the plot cannot be used as a concrete plant. This is because Stamco wants to be able to base concrete-related operations on the site without risks. Given that the 3.3-hectare plot is not big enough for a fully-fledged concrete plant, CRH accepts. During the talks, it turns out

that Stamco needs financing to be able to acquire the plot on the Dycore site. HMO is willing to grant Stamco a loan with a term of 2 years.

#### *Investor wanted ... and found!*

For the financing of the logistics centre (on the plots for Westerman Logistics and Scania), Westerman Logistics, Schagen Groep, and HMO draw up a financing memorandum in January 2015. This document offers a basis for the financing structure. After establishing that additional funding is required, the parties speak to two Dutch banks and a US-based party. These parties turn out to be willing to grant a loan, for which a new entity will have to be set up. HMO would, together with Schagen Groep and Westerman Logistics, have to be part of this entity and put the land it owns in this entity. This would mean that HMO would be tied into the entity for some time, which, partly given HMO's expiry date at the end of 2018, not be the preferred option.

Ultimately, HMO manages to get an investor interested, Warehouses De Pauw (WDP), which HMO has worked together with on another project. WDP is interested in acquiring the entire logistics centre and operating it as a lease property. Their interest is based on the strong business case.



After all, lessors have already been found for the logistics centre, which has also already been granted planning permission. In March 2015, HMO and WDP sign a declaration of intent, giving WDP a certain time span to complete a due diligence process. Based on the results of the due diligence, WDP agrees to acquire and operate the logistic centre in April 2015.

#### *Schagen Groep port basin*

With the Dycore site sold to WDP and Stamco, a small strip of the site (0.48 ha) that is mainly made up of water is still owned by HMO. This northern strip borders directly on the Schagen Groep property to the north of the Dycore site. Schagen Groep would like to acquire this strip of water, as it would make them the owner (and put them in sole control) of the complete northern port basin. Besides, it is connected to Schagen Groep's existing property. HMO and Schagen Groep subsequently enter into further agreements on the sale of this small plot.





## Lessons learnt

### *LL4-8 Sharing development costs lowers the risk.*

Dividing the development costs needed to work out the business case between the parties will lower the investment burden for each individual party. This lowers the project's risk profile.

### *LL4-9 Making (public) funds available on a temporary basis makes all the difference for the feasibility of the project.*

HMO has invested in the acquisition of the Dycore site. The question is whether the whole development would have materialised if HMO had not purchased the land. None of the other parties involved was willing to do so. Other than that, HMO has granted a loan to one of the private-sector parties involved.

### *LL4-10 The importance of alignment of public funds for restructuring and private investment.*

In consultation with private-sector parties, a decision is made to prioritise construction of the Hanzeweg - Randweg link road. This benefits the accessibility of the future logistics centre and gives the whole business park's profile as an attractive place to do business a serious boost.

### *LL4-11 The importance of a fully worked-out and attractive business case in getting an investor to commit to a project.*

Owing to the facts that two long-term leases have already been signed for the site and planning permission has been granted, the business case for the Dycore site is an attractive proposition for investors and banks as contributors to the financing of the project.

### *LL4-12 The importance of agreements as a process tool*

To agree specific arrangements with public-sector or private-sector parties, HMO generally uses a draft agreement as the basis. In some cases, such an agreement is, due to time pressure or another reason, never formally signed. The tasks and responsibilities for each party as specified in the agreement do, however, help get clarity on the parties' positions and mutual dependencies. A great basis for a 'gentlemen's agreement'.

# The business and value cases

## The Dycore site

### General aspects:

- HMO sees potential in the development of a waterside logistics centre on the former Dycore site and invests in the acquisition of the site.
- Scania and Westerman Logistics are interested in leasing the logistics centre, for which leases are subsequently signed.
- Stamco buys a plot on the Dycore site to build premises for the metal-processing company Dulasta.
- HMO finds an investor, WDP, willing to take over the logistics centre, including the leases.

	Business case	Value case
<b>Value prospect</b>	<ul style="list-style-type: none"> <li>• Businesses need a location for waterside logistics activities for their strategic market development;</li> <li>• At the Dycore site, various logistics activities can be brought together.</li> </ul>	<ul style="list-style-type: none"> <li>• The logistics centre is the first step (the catalyst) in the restructuring of the whole Zwartewater business park;</li> <li>• The development will benefit the social and economic vitality of the village of Hasselt and the greater Zwolle area.</li> </ul>
<b>Parties involved</b>	Scania, Westerman Logistics, Schagen Groep, Stamco, WDP, HMO, Zwartewaterland local authority, Overijssel provincial authority, CRH	Overijssel provincial authority, Zwartewaterland local authority, HMO
<b>Costs</b>	<ul style="list-style-type: none"> <li>• Acquisition of the Dycore site (14 ha);</li> <li>• Preparing the site for construction (demolition and soil clean-up);</li> <li>• Logistics centre development costs;</li> <li>• Construction of access road and mains services.</li> </ul>	<ul style="list-style-type: none"> <li>• Provincial grant for restructuring and quay upgrade.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Fixed-term leasing of logistics centre (first part of Dycore site) to Scania and Westerman Logistics;</li> <li>• Sale of logistics centre to WDP (9.8 ha);</li> <li>• Sale of second part of the Dycore site to Stamco (3.3 ha);</li> <li>• Sale of third part of the Dycore site to Schagen Groep (0.48 ha);</li> <li>• Sale of access road to the local authority.</li> </ul>	<ul style="list-style-type: none"> <li>• A future-proof local business park with improved accessibility by water and road;</li> <li>• Reduction of vacancy levels on the business park by 14 ha;</li> <li>• Improved soil quality;</li> <li>• Job preservation and creation on a local and regional scale (100 new jobs in the first year);</li> <li>• Likely to attract other companies to the site.</li> </ul>

	<b>Business case</b>	<b>Value case</b>
<b>Financing</b>	<ul style="list-style-type: none"> <li>• HMO's own funds for acquisition of the Dycore site;</li> <li>• HMO grants Stamco a loan;</li> <li>• Investments from own funds by businesses involved and a private investor;</li> <li>• Provincial grant for quay upgrade.</li> </ul>	<ul style="list-style-type: none"> <li>• Provincial grant for restructuring and quay upgrade;</li> <li>• Municipal restructuring grant.</li> </ul>
<b>Risks</b>	<ul style="list-style-type: none"> <li>• Not finding investors / buyers;</li> <li>• Disappointing lease uptake for plots / buildings.</li> </ul>	<ul style="list-style-type: none"> <li>• Disappointing use of plots / buildings leads to further decline of the Zwartewater business park and loss of local jobs.</li> </ul>
<b>HMO risk management</b>	<ul style="list-style-type: none"> <li>• Active search for investors;</li> <li>• Making the most of public-sector and private-sector networks;</li> <li>• Signing leases and purchase agreements as early into the process as possible;</li> <li>• Making adequate arrangements regarding environmental liability in a purchase agreement;</li> <li>• Bring in legal, financial, and environmental hygiene expertise in time.</li> </ul>	



# Realisation and results

**The integrated business case is made up of various developments on the Dycore site. Due to the fact that Scania and Westerman Logistics have already signed leases for the waterside logistics centre, the development project has a rather tight deadline (March 2015). Seeing as the additional funding needed for construction of the logistics centre has not yet been formalised, the project is at risk of not making the deadline. While HMO focuses on arranging the financing, Schagen Groep turns out to be willing to make a pre-investment and get started on the construction so as to make the deadline after all.**

## 2014 - 2017

Given that HMO is the owner of the Dycore site until mid-2015, HMO assumes the initiator role in building the logistics centre for Scania and Westerman Logistics. To this end, HMO draws up five building contracts from September 2014, awarding them to Schagen Groep (subsidiaries). Schagen Groep was awarded these contracts based on the experience and expertise it contributed during preparations for the project. The contracts involved are for preparation and clean-up of the site for construction, building the warehouse for Scania, development of the cross-docking unit and barge terminal for Westerman Logistics, development of parking facilities, and construction of a link road (Hanzeweg). The completion dates for these sub-projects range from 1 March 2015 (Scania) to late October 2015 (Hanzeweg). Under these contracts, Schagen Groep is made responsible for coordination of the various sub-projects.

As additional financing turns out to be needed for construction of the logistics centre, HMO is forced to postpone the formal signing of the contracts until there is greater certainty on the financing. Schagen Groep, however, does not want to wait for that and decides, as soon as planning permission has been granted irrevocably, to start the building work in September 2014 and bear the costs itself. In the end, the contracts are signed by HMO and Schagen Groep in mid-2015, when there is greater certainty on the investor.

Thanks to the pre-investment by Schagen Groep, the Scania warehouse is completed on schedule, early in the spring of 2015. Scania commences its logistics operations on the site from April 2015. Scania's logistics centre is opened officially in May 2015. Before the summer of 2015, the purchase agreements are signed. The first concerns the sale of 3.3 hectares to Stamco, for which Stamco takes out a loan with HMO. And HMO subsequently also formally signs the purchase agreement with WDP in July 2015. This agreement is split up into 3 parts:

1. Cross-docking plot (including warehouse) with 3.2 hectares of floor space, leased to Westerman Logistics. Completion of the plot and acquisition by WDP is projected to be formalised in October 2015.
2. Barge terminal plot (port facility) with 2.3 hectares of floor space, leased to Westerman Logistics. At the time of acquisition by WDP in July 2015, this plot is already in use.
3. Warehouse plot (including the actual warehouse building) with 4.3 hectares of floor space, leased to Scania for its knock-down operations. This plot is already in use when it is acquired by WDP in July 2015.

In the purchase agreement, the parties have agreed that WDP will honour the leases that HMO has signed with Scania and Westerman Logistics. The road is built at the same time as the logistics centre is developed. In December 2015, the land on which the new access road to Hanzeweg has been built is transferred to the Zwartewaterland local authority.

## Settling investments

As soon as HMO has received the purchase sums payable by WDP and Stamco, it is able to pay back the pre-investment by Schagen Groep. The project, as it was intended based on the development agreement of May 2014, is completed in 2016. In the development agreement, HMO has agreed with the other private-sector parties involved that revenue from the development will be shared equally. To finalise financial obligations,

HMO signs a settlement agreement with these parties in 2016, recording agreements with respect to the distribution of the revenue. The sale of the northern strip of the former Dycore site, which consists mainly of water, to Schagen Groep will be settled in this final transaction. This strip of mainly water is formally signed over to Schagen Groep in early 2017, making Schagen Groep the owner of the complete northern port basin.

### **The situation by mid-2017**

The figure on the next page shows the situation of the ownership and use situation in early 2017.

*View the plan of the final situation on the next page >>*

The waterside logistics centre has been built and is used by Westerman Logistics and Scania. Kink Bekistingen B.V. operates out of an existing building on the plot owned by Stamco. The provincial grant made it possible to upgrade the quays along both port basins. The new link road (Hanzeweg) is constructed and is owned by the Zwartewaterland local authority.

### **The effects of redevelopment**

Thanks to the Dycore site project, 14 hectares of the Zwartewater business park have been taken care of immediately and access to the site by water and road has improved significantly. The project has also become the intended catalyst for improvement of the rest of the business park. The development has had immediate impact on the adjacent unused Konosch site (to the north-west of the Dycore site) that measures 6 hectares. Neptune Shipyard has decided to establish operations in the industrial units on this site, partly on account of the proximity to the port basins. HMO is involved in the development of this site in an advisory role in late 2017.

Development of the Dycore site and the Konosch site, combined with the results of the municipal restructuring measures (improved access by road, cycling lanes and water, and an upgrade to the sewerage system) has given the entire Zwartewater business park such a boost that there are no further restructuring needs by mid-2017. The total 44.3-hectare area for restructuring at the Zwartewater business park that was identified in the Multi-Annual Programme for Thriving Activity has, therefore, been dealt with, including 5 hectares of public area. The indirect impact of the redevelopment on private land therefore comes in at  $(44.3 - 5 - 20 =) 19.3$  hectares of private land.

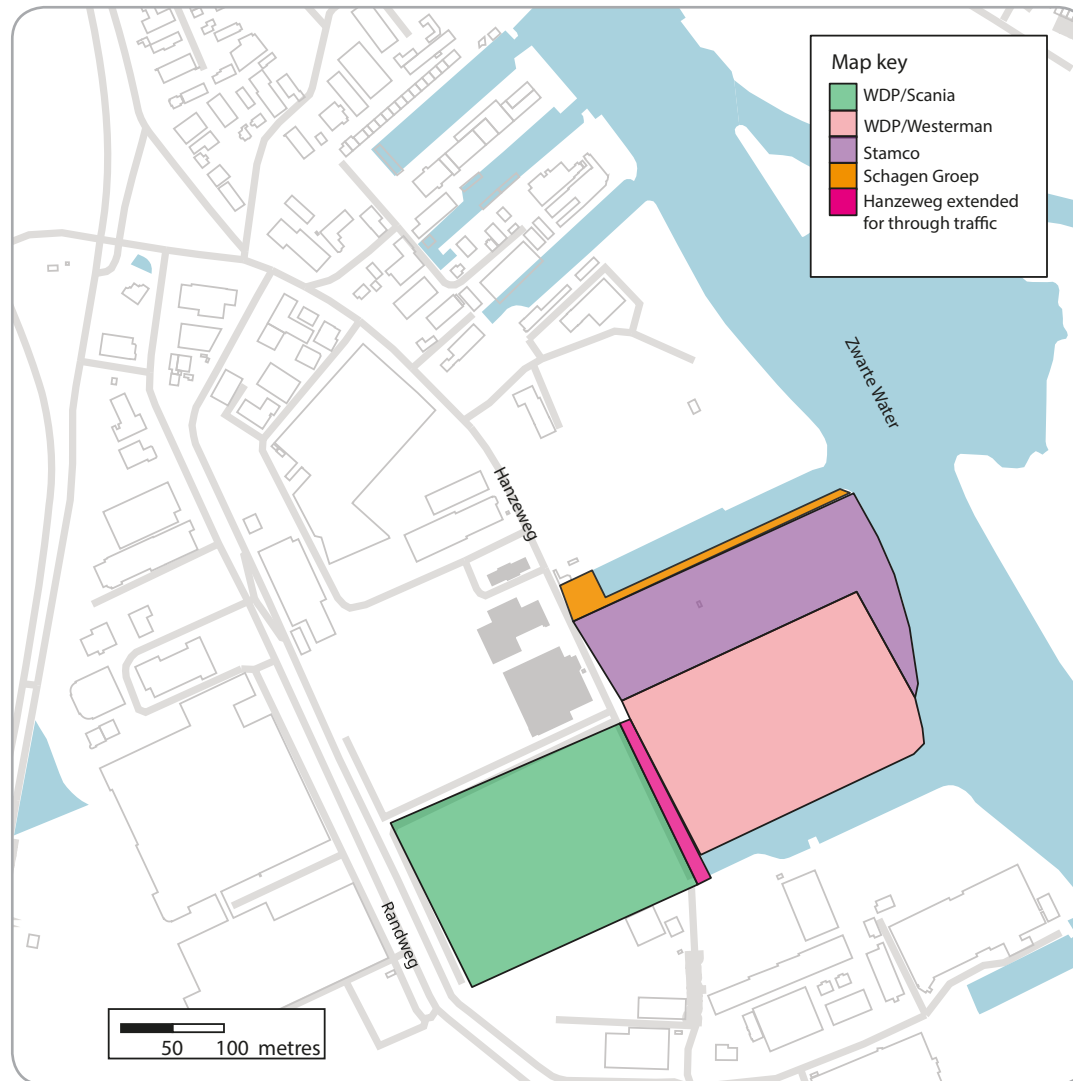
To maintain all the upgrades and developments for the long term, the local authority has teamed up with private-sector parties to put together a management plan for the Zwartewater business park. This management plan will be implemented over the coming years, whereby results will be monitored.

HMO's investment has ultimately turned out to be 100% revolving. And HMO has also earned a return on its investment. The local authority has been able to keep implementation within the financial frameworks defined beforehand. Both parties look back on good and productive collaboration, both between them and with private-sector parties.

When it comes to jobs, 90 have been created at Scania and 100 at Westerman Logistics. Aside from that, the initiatives of Dulasta (Stamco) and Neptune Shipyard will create a total of 110 jobs, putting the total number of jobs created at 300.

# Map of the final situation

<< *Back to the relating text*



## *A flawless process*

The mayor of Zwartewaterland, Mr Bilder, has called the development of the logistics centre “the example of a process that went off flawlessly.” He was particularly positively surprised by how fast this sizeable development was completed. “Truly unique; I’ve never seen anything like it during my tenure as mayor,” says Mr Bilder. The responsible member of the municipal executive, Mr Speksnijder, praises the decisiveness with which the parties involved have operated. “It all became very dynamic, which I look back on with a positive feeling.”

HMO’s role has, according to both gentlemen, been “invaluable” in the development of the logistics centre, but also in ensuing projects (redevelopment of the former Konosch site and expansion of the carpet factory) and, with that, for the redevelopment of the Zwartewater business park as a whole. The value added by HMO lies in its energetic way of working, its creativity, and its perseverance. HMO gets the right people from the relevant parties, including potential initiators, to the table quickly. This led to the formation of a determined team, where public-sector and private-sector parties have made the development a reality through co-production. Team members shared the same focus and were fully aware of their role in the greater whole. HMO kept encouraging them to think in terms of opportunities and solutions, telling everyone that “if it can’t be done one way, perhaps it can be done in another way.” Besides

this role in the process, HMO has also made a significant financial contribution. After all, HMO was able to acquire the 15-hectare Dycore site, which was an investment that went well beyond the local authority’s investment capacity.

Mr Bilder and Mr Speksnijder point out that the development not only relied on support from within town hall, but was also broadly supported across the local community. Not one objection was raised against the development of the logistics centre, and even the regular and very noisy pile driving throughout the building project met with positive response. This completes the success story.



## References

Herstructureringsmaatschappij Overijssel (2017), Full (confidential) documentation on the development of the Zwartewater Logistics Centre and HMO's role in the process mid-2009 - April 2017

Sloot, M.J.W. and K.E. Bugge (2018), Interview with Mr Bilder, mayor, and Mr Speksnijder, member of the municipal executive, held on 25 March 2018 in Hasselt

# Ch.5 Former Wehkamp site redevelopment

Wehkamp has decided to relocate from Dedemsvaart to Zwolle, freeing up a 6.6-hectare plot at the Rollepaal business park in Dedemsvaart for redevelopment. From 2016, HMO assumes full responsibility for redeveloping this site, starting with acquiring it. What follows is a complex process involving both businesses and private individuals, resulting in a sale, acquisition, expansions, land exchange, and rerouting of an access road. By the end of 2017, the remaining area for redevelopment has been reduced to 1.2 hectares.



## Inhoud:

- > Facts & Figures
- > The initial situation
- > Starting the initiative
- > Identifying opportunities
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*The value of local entrepreneurial spirit*

# Facts & Figures

## Project

Redevelopment of the Wehkamp site in Dedemsvaart in combination with construction of new premises for Wehkamp in Zwolle.



## Investment by HMO

€3.7 million

## Other private investments

Over €115 million (including new development for Wehkamp in Zwolle)

## Result

6.6 hectares regenerated, rising employment, 12 hectares developed in Zwolle

## The project shows:

- the need for adequate alignment of local and regional interests in business park development;
- the importance of finding local parties willing to invest in the redevelopment of existing sites;
- the importance of timely and close consultation with the local environment;
- the value of the principle of 'quid pro quo';
- how progress and results are affected when HMO decides to change the financial strategy; ranging from limited (agreeing to be a guarantor) to intensive (acquiring the Wehkamp site).

# The initial situation

**In mid-2013, distribution company Wehkamp sees possibilities for a regional relocation of its business from its existing site in Dedemsvaart to a new-build site in Zwolle. Although this relocation comes with numerous opportunities on a regional level, there are potential adverse effects on a local level.**

## The site

The existing Wehkamp site is situated in the eastern part of the village of Dedemsvaart, occupying the northern part of the low-noise Rollepaal business park. The site measures 6.6 hectares and is accessed from the N377 and N48 trunk roads, which lead to the A28 motorway, which is the main motorway that connects the Netherlands' Randstad area in the west to Northern Germany. With a total area of approximately 75 hectares, the Rollepaal business park can be considered a large-scale, regular mixed-use business park.

## The run-up - private sector

Operating a distribution centre in Dedemsvaart (Hardenberg municipality) since 1956, Wehkamp has shifted its focus to e-commerce in recent years. Owing to the projected expansion of its operations, Wehkamp needs to build a new, centrally located and modern distribution centre. Wehkamp has looked at various sites across the Netherlands. After intensive negotiations, Wehkamp announces that its preferred option is a new development with 6.6 hectares of floor space at the Hessenpoort business park in Zwolle. The Zwolle local authority welcomes this development, partly on account of the regional interests, such as preservation (and creation) of jobs in the region. The Zwolle local authority and Wehkamp have signed a Letter of Intent (LoI) in July 2013. Besides Zwolle's offer of a building plot at the Hessenpoort business park, this LoI includes agreements on collaboration between the Zwolle local authority and Wehkamp regarding the redevelopment and transfer of Wehkamp's existing distribution centre in Dedemsvaart (i.e. an exit scenario for the Wehkamp site). The Zwolle local authority has committed to collaborating

in this exit scenario to, together with other regional partners, relieve Wehkamp of the burden of redeveloping its former site.

*See map of initial situation on page 50 >>*

## The run-up - public sector

For some time now, the Rollepaal business park has been a focus point for the Hardenberg local authority. From 2003, the local authority has been working on future-proofing the existing, outdated business park, and it has designed a restructuring vision for the Rollepaal and other sites. Based in part on this vision, the public areas at the Rollepaal business park have been regenerated over the 2006 - 2007 period, with a view to improving the local business climate, the use of space, and the environmental situation. This regeneration was funded through a provincial grant.

The need to tackle outdated business parks has been a firm focus point for the Overijssel provincial authority since 2007. As part of efforts in this area, DHV was commissioned in 2008, in part by the Overijssel provincial authority, to conduct quality scans of dozens of business parks across Overijssel, including the Rollepaal site. The scan of the Rollepaal business park returns a score of 2 stars out of 5 (DHV, 2009). The site has subsequently been included in the provincial 2009-2015 Multi-Annual Programme for Thriving Activity as a 'current area for restructuring'.

In 2010, the Hardenberg local authority adopts a business park vision. This vision shows that the local authority has great ambitions for its business parks in terms of their restructuring, but also that some projects have already been completed. The restructuring of the Rollepaal business park is referenced as an example of a completed project where no further involvement of the local authority is needed. The approach to this restructuring project is considered to have been a successful one (Hardenberg local authority & Stec Groep, 2010).





### Situation in mid-2013

With Wehkamp relocating to the Hessenpoort business park in Zwolle, a high-value company and the associated jobs are preserved for the Zwolle region. For the Hardenberg local authority, however, this relocation means a potential increase in vacant business premises and business plots at the recently regenerated Rollepaal business park by 6.6 hectares.

The Zwolle local authority and Wehkamp have shown a willingness to contribute to the successful redevelopment and transfer of the former Wehkamp site. The idea is to prevent the site being left vacant.

# Map of the initial situation

<< *Back to the relating text*



# Starting the initiative

**Wehkamp is growing and sees opportunities for a new state-of-the-art distribution centre at a development location in Zwolle. This valuable regional relocation is made conditional on the redevelopment of Wehkamp's former site at the Rollepaal business park in Dedemsvaart. HMO and the Zwolle local authority jointly commit to unburdening Wehkamp with respect to this redevelopment.**

## Triggers & Initiators

Active public-sector involvement in the redevelopment and transfer of the Wehkamp site in Dedemsvaart ensues from the precondition set by Wehkamp for its potential relocation to the Hessenpoort business park in Zwolle. By setting this requirement, Wehkamp wants to prevent that its relocation from Dedemsvaart will leave a vacant site at the Rollepaal business park. The Zwolle local authority considers keeping Wehkamp in the region of such importance that it, aside from offering Wehkamp a plot in its own municipality, is willing to assist in the redevelopment of the former Wehkamp site in Dedemsvaart.

The expectation is that Wehkamp's leaving will have major impact on this business park's vitality. This leads the Zwolle local authority to ask HMO to provide support in redeveloping the Wehkamp site in Dedemsvaart. Given that the Rollepaal site has just come through a restructuring, HMO does not have any formal involvement with the Rollepaal business park. HMO does, however, recognise the importance of rapid redevelopment for Rollepaal's vitality.

On top of that, successful relocation of Wehkamp will trigger significant private investment in Zwolle, which HMO wants to foment. HMO considers this a project that fits in with its statutory mission and is willing to take on the catalyst role. In September 2013, HMO informs the Hardenberg and Zwolle local authorities that it is positively inclined towards this redevelopment project. HMO confirms its full willingness to, in collaboration and consultation with the various parties, see through

the redevelopment in Dedemsvaart. If the stakeholder parties (the businesses and local authorities involved) start assuming financial and risk-bearing commitments, HMO will even be prepared to also bear some of the risk.

The Hardenberg local authority recognises that there is a need to redevelop the site but does not want to free up additional resources for it.

## From individual to shared interests

In October 2013, Wehkamp and the Zwolle local authority sign the purchase agreement for Wehkamp's new site at the Hessenpoort business park. At the same time as signing this purchase agreement with Wehkamp, the Zwolle local authority and HMO sign a collaboration agreement. This collaboration agreement specifies the basic principles and prerequisites based on which the Zwolle local authority and HMO will work together with other regional partners in redeveloping the Wehkamp site in Dedemsvaart. The most important part of the agreement is that the Zwolle local authority and HMO will unburden Wehkamp and actively look for parties that are willing to take over the former Wehkamp site in Dedemsvaart. Given that HMO is still formally set to be dissolved after 2018, the Zwolle local authority commits to paying the agreed sale amount to Wehkamp no later than on 31 December 2018. HMO guarantees 50% of this amount. From the moment Wehkamp goes live in Zwolle, the Zwolle local authority and HMO can start redeveloping the Wehkamp site in Dedemsvaart (which includes demolition) or lease or sell (parts of) it, for which Wehkamp has officially authorised the Zwolle local authority and HMO through a notarial deed.

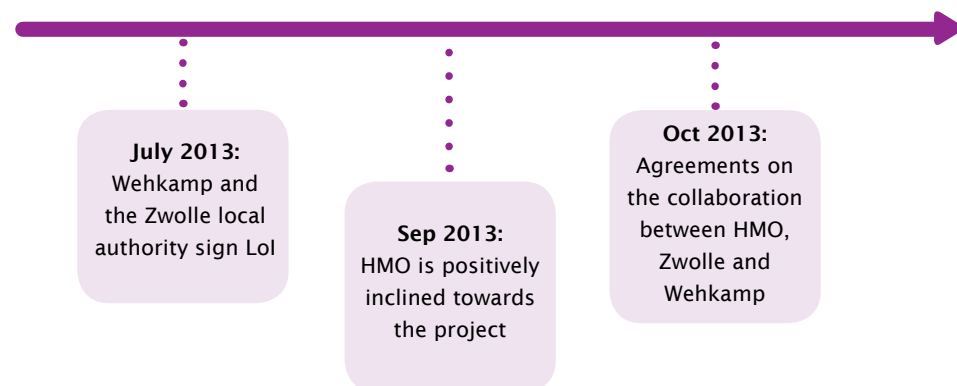
One significant limitation is that the site, without prior consultation with Wehkamp, cannot be sold to third parties operating in the e-commerce domain that want to set up a logistics centre on the site.

HMO and the Zwolle local authority bear the development costs themselves. HMO and the Zwolle local authority agree, in the form of a gentlemen's agreement, to keep a record of costs incurred and to offset them afterwards against the proceeds from the sale of the Wehkamp site.

In terms of the environmental aspects involved, the parties agree that Wehkamp, as the current owner of the site, will have an exploratory soil, groundwater, and asbestos analysis performed before 1 January 2014. If this analysis shows that the site does not comply with the required level for business parks, Wehkamp will be under an obligation to bear the costs of the clean-up within 6 months.

HMO considers its role as guarantor to be a low-risk role. After all, Wehkamp will assume responsibility for the performance of the exploratory environmental analysis and has taken a write-down on the value of the Wehkamp site.

The collaboration agreement signed in the fall of 2013 makes the shared interests of the Zwolle local authority, Wehkamp, and HMO crystal clear: to facilitate a successful regional business relocation, in combination with a dynamic redevelopment and transfer of the existing Wehkamp site.



### HMO: focus on redevelopment of the Wehkamp site

Although HMO recognises the regional economic importance of Wehkamp's relocation, its focus in this case is more on stimulating successful redevelopment and transfer of the former Wehkamp site in Dedemsvaart. This is a challenge that is entirely in keeping with HMO's objectives.





## Lessons learnt

*LL5-1 Put the regional interest first, without losing sight of the local interest.*

Although Wehkamp's leaving might not be welcomed on a local level (Dedemsvaart), it is important to keep this valuable partner in the Zwolle region, mainly on account of the company's importance for regional jobs.

HMO recognises this importance and answers the Zwolle local authority's call to unburden Wehkamp in this relocation. This ultimately creates a win-win situation. Efforts will be dedicated to the redevelopment of the existing Wehkamp site to provide security for Wehkamp, prevent vacancy and decline of the business park, and to preserve jobs for the region.

*LL5-2 Make clear arrangements on parties' responsibilities and expectations with respect to the collaboration and record these in an agreement.*

Wehkamp officially authorises the Zwolle local authority and HMO to take charge of redeveloping its former site. Wehkamp sets one clear condition, and that is that they do not want a competitor (a logistics centre operating in the e-commerce domain) on its former site in Dedemsvaart. The Zwolle local authority and HMO mitigate the risks involved in this redevelopment project by making clear agreements on the sale amount (including a write-down) and environmental analyses.

# Identifying opportunities

By signing the collaboration agreement in the fall of 2013, HMO has committed to a best-efforts obligation for redevelopment of the Wehkamp site. HMO targets intensive process-based involvement, with the ultimate goal being to sell the site as soon as possible. Guaranteeing 50% of the sale amount, HMO's risk exposure is limited for the time being. Besides, environmental liability has been settled, and HMO has stated that it will make further risk-bearing involvement conditional on financial and risk-bearing commitments from other stakeholders (businesses, local authorities). The question is what (investing) role these stakeholders are willing and able to take on. And what this would mean for HMO's position and approach.

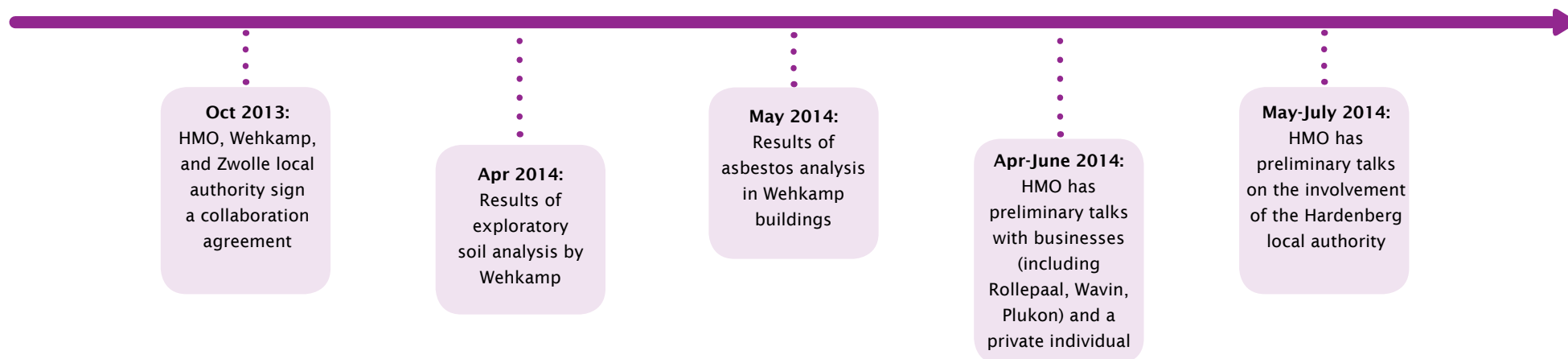
## *Curtailling environmental liability risks*

As per the collaboration agreement, Wehkamp has an exploratory soil, groundwater, and asbestos analysis performed. The results are announced in the spring of 2014. The conclusion is that soil quality on the Wehkamp site does not pose a public health risk and/or an environmental risk, and the site is, therefore, fit to accommodate economic activity. The analysis does, however, also recommend having several asbestos-containing materials removed. Wehkamp subsequently has this additional work done. In June 2014, an analysis certificate is issued, which shows that

no visible asbestos residue has been found in the soil. As far as the existing buildings on the site are concerned, an asbestos analysis (type A, performed by Wehkamp) shows that there are asbestos-containing materials in these buildings. The asbestos found must be removed by a certified asbestos removal company. A supplementary asbestos analysis (type B) is recommended before proceeding to the demolition of the buildings.

## *Initial talks*

In the spring of 2014, HMO takes the lead in initial talks at the Rollepaal business park. HMO starts to actively look for opportunities for redevelopment of the Wehkamp site, launching talks with neighbouring businesses and private individuals. After gauging potential interest among these parties, HMO starts to look for specific development options. In doing so, HMO uses various maps (of the site layout and floors of buildings) and parcelling studies of the area covered by the plan. Besides looking at the opportunities, HMO also takes stock of the conditions set by potential investors and makes a (rough) assessment of their feasibility.



### *Insight into investment appetite among local businesses and private individuals*

The first exploratory talks soon show that many local private-sector parties are willing to invest.

Machine manufacturer Rollepaal B.V., for example, which is based on a site to the south-east of and bordering on the Wehkamp site, turns out to need space to expand its operations. This makes Rollepaal B.V. a serious potential buyer of the existing Wehkamp offices and parking area (total of 0.6 ha).

Another potential buyer is a company called Plukon, a major player in the poultry market. Their current site is situated immediately west of the Wehkamp site. A municipal access road marks the border between the Plukon site and the Wehkamp site. Plukon wants to expand its production capacity, for which it needs a plot of approximately 2 hectares on the Wehkamp site. As part of the deal, however, Plukon also wants to buy part of the public road that runs between its site and the Wehkamp site from the Hardenberg local authority, so as to join up the two sites. One consequence of this condition is that the Hardenberg local authority would have to reroute the current road to make sure that the Rollepaal business park is still accessible. HMO takes the initiative in talks with the Hardenberg local authority on the sale of the access road and the search for alternative access options.

Besides businesses, a local resident also shows an interest in acquiring part of the Wehkamp site. This individual is interested in a piece of grassland of approximately 0.1 hectare. HMO makes this private individual aware of Plukon's expansion plans. If sold the field, the private individual agrees not to object to these expansion plans.

To facilitate Plukon's expansion, HMO explores options for an alternative access road into the business park. HMO finds possibilities on a site

owned and occupied by Wavin, a global market leader in plastic pipe systems. Wavin's site is situated immediately to the east of the Wehkamp site. Although Wavin has previously stated not to be interested in the Wehkamp site, Wavin does turn out to be interested in the land exchange deal that HMO proposes. The strip of land (0.025 ha) that Wavin would exchange as part of this deal can be used by HMO to build a new access road to the business park. Wavin will get a larger plot (0.11 ha) in return. So, under this land exchange deal, Wavin basically expands its site without having to pay anything.

### *Collaboration with the Hardenberg local authority*

Although the Wehkamp site is located in the Hardenberg municipality, the Hardenberg local authority has so far not made any kind of active contribution to the intended redevelopment. This is mainly due to financial reasons. The Hardenberg local authority's role is therefore initially limited to regular administrative activities on a local level, taking care of things such as the public-law aspects.





## Lessons learnt

### *LL5-3 Harness local strengths and ambitions*

An initial round of talks involving businesses and private individuals who were already interested and who are based on or near the Rollepaal business park shows that there are numerous local opportunities and development options for satisfactory redevelopment of the Wehkamp site.

### *LL5-4 Listen to and respect the conditions of interested parties*

Interested parties often set specific conditions for the acquisition of plots. They, for example, want certainty on accessibility or future development possibilities. HMO actively works to fulfil these conditions, so as to serve interested parties and lighten the load for them.

### *LL5-5 Honesty is the best policy*

Be open about the intended developments on the site and make clear agreements about them with potential investors. This is an important control measure when it comes to the risk of objections to legal and planning procedures.

### *LL5-6 Redevelopment is not conditional on active involvement of and contributions from the local authority*

Although the Hardenberg local authority is not actively involved in redevelopment of the Wehkamp site, this does not have any adverse effects on the quest for opportunities.



# The opportunity map

**Wehkamp makes a great addition to the Hessenpoort business park in Zwolle, but its relocation also comes with a challenge in terms of the redevelopment of its former site in Dedemsvaart (Hardenberg municipality). HMO and the Zwolle local authority jointly accept this challenge. In 2014, HMO identifies multiple opportunities for the establishment and/or expansion of local businesses on the Wehkamp site in Dedemsvaart. There soon turns out to be considerable interest in nearly half of the Wehkamp site. The opportunities help achieve sustainable redevelopment of the Wehkamp site, which will prevent the business park falling into disrepair and suffering high vacancy levels, while preserving jobs for the local area.**

## **Opportunity 1. Wehkamp relocation**

Wanting to expand its operations, Wehkamp is looking for a site to build a new, centrally located, state-of-the-art distribution centre. The Zwolle local authority has a suitable plot for sale at the Hessenpoort business park. After the relocation, a valuable company and the associated jobs will have been kept in the region. Wehkamp agrees to buy this site for its new development on the condition that it will not have to take care of redevelopment and transfer of its existing distribution centre in Dedemsvaart. HMO and the Zwolle local authority are prepared to take care of this for Wehkamp, albeit subject to certain conditions.

## **Opportunity 2. Rollepaal**

Machine manufacturing company Rollepaal B.V., situated to the immediate south-east of the former Wehkamp site, is interested in acquiring the Wehkamp offices and car park (total area of 0.6 ha).

## **Opportunity 3. Plukon**

Plukon is an existing company that is based on a site that is adjacent to the Wehkamp site, to the north-west. Given its objective to expand

its production capacity, it needs a plot that links up with its own and measures approximately 2 hectares. The Wehkamp site could provide this space.

The intended expansion is expected to create jobs. An important and non-negotiable condition for Plukon is that it must also be allowed to buy part of the public road that runs between its site and the Wehkamp site from the Hardenberg local authority. This means the connecting road to the business park needs to be diverted.

## **Opportunity 4. Field**

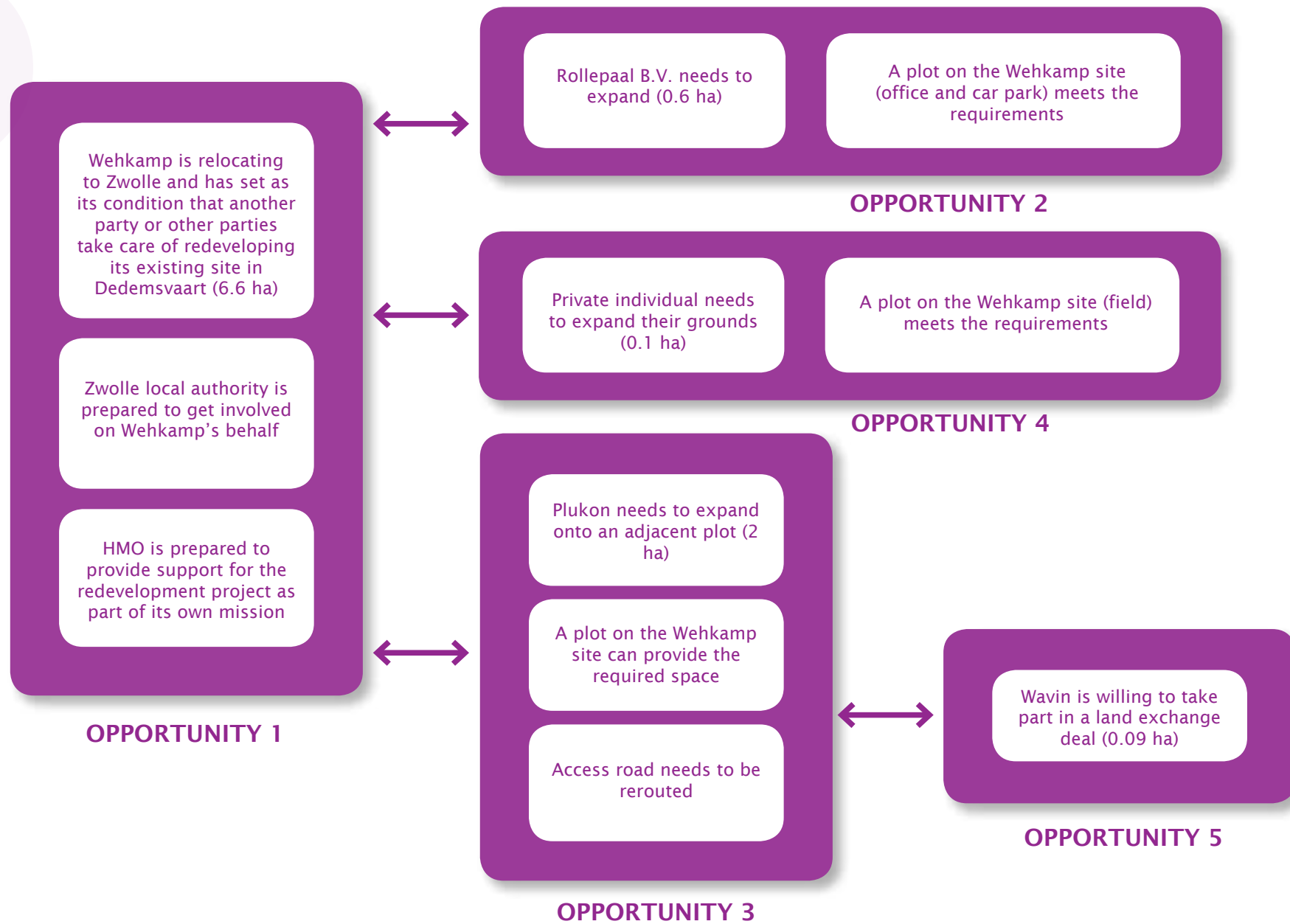
A private individual who resides to the north of the Wehkamp site wants to buy a field (0.1 ha) that covers the northernmost part of the area covered by the plan. HMO is willing to sell this field. The sale value is based on the fact that the field has been designated for business use, and not for agricultural use. HMO makes the sale conditional on the private individual not objecting to Plukon's expansion plans.

## **Opportunity 5. Wavin and accessibility changes**

Wavin, an existing company located east of the area covered by the plan, initially shows no interest in the Wehkamp site. It is, however, interested in a land exchange deal that will see Wavin secure a small net expansion of its site (by  $0.11 - 0.025 = 0.09$  ha) without having to pay anything. This land exchange deal offers opportunities to build a new link road to the business park in order to meet Plukon's condition.

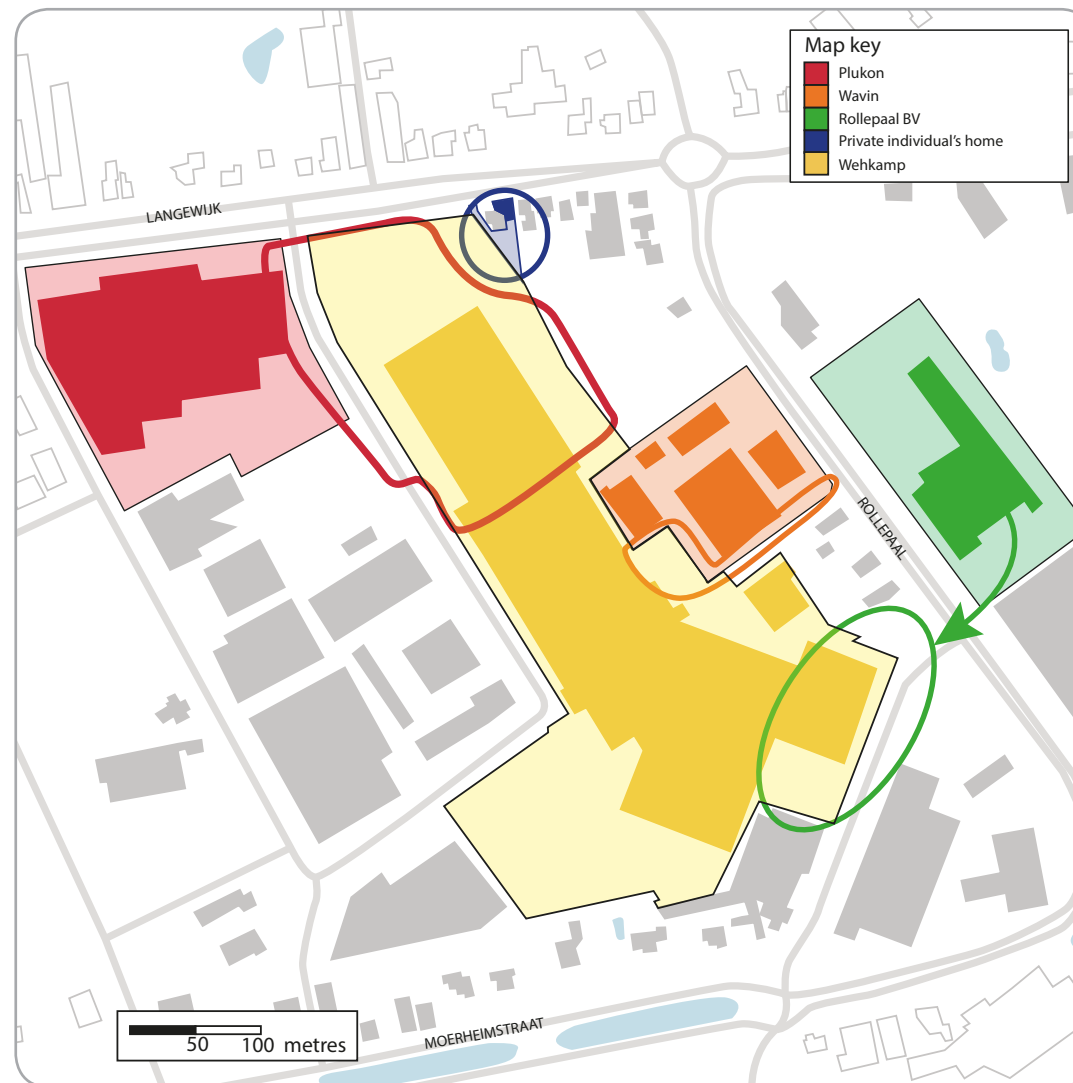
*See Opportunity map on page 59 >>*

## Local strength as success factor for sustainable redevelopment



# Opportunity map

<< *Back to the relating text*



# Building business and value cases

Many opportunities have been identified. These opportunities are expected to contribute to sustainable redevelopment and use of a large part of the Wehkamp site. To be able to actually seize these opportunities, the various transactions will have to be worked out and formalised further. Further detailing of the transactions will have to lead to a feasible development for the various parties involved (each with their own interests) without losing sight of the public interest. And HMO will continue its search for investors.

## *Information, information, information*

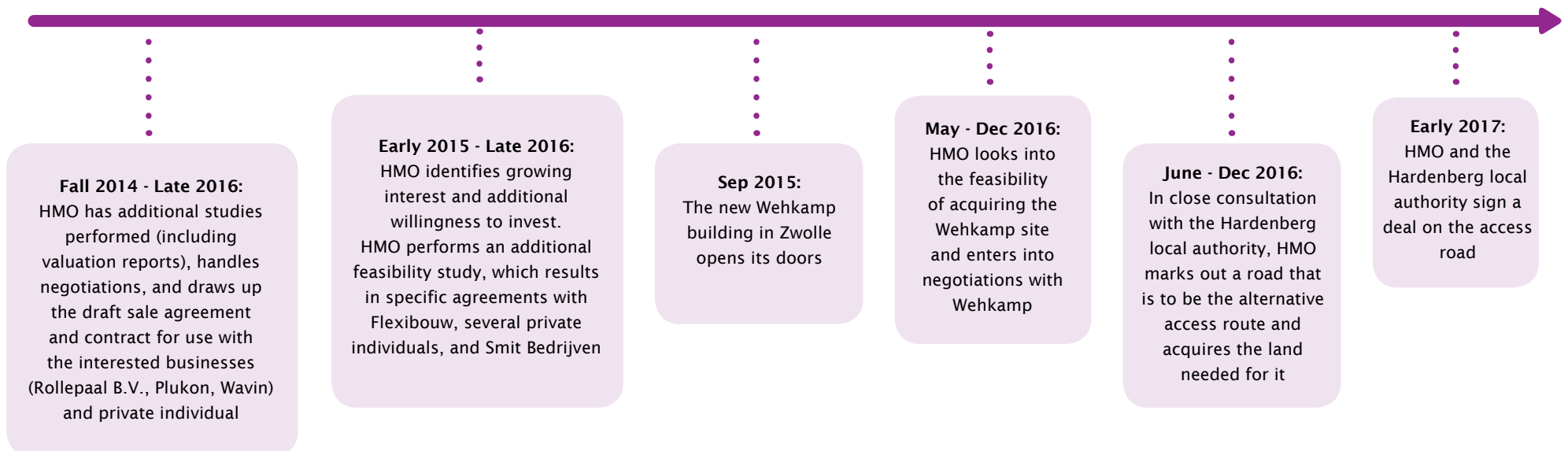
A key step in building a feasible business case is to obtain location-specific financial and environmental information. With this in mind, HMO has valuation reports drawn up for the sale of the plots to Plukon, Rollepaal, and the private individual. HMO also, as necessary, has additional analyses performed of things such as soil quality at the plots for sale. These analyses do not show any contamination that would impede the intended future use of the plots. The costs involved in these additional feasibility studies are covered by HMO and will ultimately be offset against proceeds from the sale of the Wehkamp site.

## *Making agreements official*

Based on information obtained from 2015 onwards, HMO starts negotiations with the interested businesses and the private individual in order to come to specific agreements on selling the plots.

The results of these negotiations are documented in draft sale agreements or land exchange agreements. The parties have agreed on things such as the sale price, the date for the transfer of ownership, the condition in which the sold property will be handed over (such as whether or not the seller will take care of demolition), the need to have further environmental studies performed, the division of additional costs, resolute conditions, and agreement on the intended developments on the Wehkamp site.

Aside from that, there is agreement on the option of buyers starting to use the plots on a provisional basis over the period between the signing of the sale contract and official legal transfer of the property sold. This provisional use is possible because Wehkamp's new distribution centre in Zwolle went live in September 2015 and Wehkamp has therefore already left the business park in Dedemsvaart.



### *Growing interest*

At the start of 2015, approximately half of the Wehkamp site is yet to be redeveloped. However, the opportunities found and plans on how to seize these opportunities make that other parties, mainly local ones, learn about and engage with the site development project. Certain parties ultimately proceed to officially show an interest in investing in redevelopment of the Wehkamp site.

The first is a local contracting firm called Flexibouw, which is based on a site (0.1 ha) west of the Wehkamp site. The current access road to the Flexibouw site is set to disappear due to the potential deal with Plukon. The owner of Flexibouw therefore initially feels that redevelopment of the Wehkamp site goes at the expense of Flexibouw, prompting the owner to enter into talks with HMO in 2016.

HMO is committed to finding a solution that is acceptable for both parties. The idea is for Flexibouw to move to new premises on a plot on the Wehkamp site that offers good accessibility, in exchange for its current premises. A crucial point for HMO is that the contractor must not object to the proposed redevelopment, including the rerouting of the access road. On top of that, HMO expects that the current Flexibouw site, given its situation right next to Plukon's site, might at some point in the future be an interesting proposition for Plukon. This lowers the risk that HMO is exposed to as part of the land exchange deal with Flexibouw. In the end, a plot with an existing industrial unit on the eastern part of the Wehkamp site (0.16 ha) turns out to be suitable for Flexibouw. The land exchange for no consideration can, therefore, proceed, provided that Flexibouw takes care of demolition of the building on the plot and a possible soil clean-up for its existing plot. This will ensure that HMO can release the former Flexibouw plot as building land for business and industrial purposes. Furthermore, Flexibouw agrees not to submit any objections to redevelopment of the Wehkamp site.

There are four private individuals residing south of the Wehkamp site whose respective gardens back up against the Wehkamp site. In 2016, HMO learns of their concerns with respect to possible future uses of the Wehkamp site and the associated change to the access road, and that they are considering filing an objection against the plans.

HMO enters into talks with these private individuals, where it turns out that they specifically want a larger buffer area between their homes and the economic activity on the site. To meet their wishes, HMO offers the four private individuals land (0.24 ha in total), so that they can extend their gardens and thus create a green buffer along the edge of the Wehkamp site. HMO offers them the land at a reduced price, albeit on the condition that they refrain from any further objections against developments on the Wehkamp site.

In 2017, a company called Smit Bedrijven contacts HMO. Nieuwleusen-based Smit Bedrijven is looking for a site in the local area for storage of machines for the poultry-processing industry. Through Plukon, Smit learns of HMO's involvement. Smit Bedrijven is interested in an existing building with exterior space with a total area of 1.7 hectares on the southern part of the Wehkamp site. HMO is willing to sell the building to Smit. Again, HMO makes the deal conditional on Smit Bedrijven consenting to the development plans for the Wehkamp site, so as to ensure that further redevelopment of the site will not be blocked.

Apart from these successes, HMO has also gone down avenues that have not led to investments. When, for example, a local business based in an outlying part of Dedemsvaart came to HMO saying that it wanted to relocate and expand, HMO entered into talks with this company that ultimately led to nothing because of the disappointing sale of the company's existing site. Needless to say, HMO also gets to work for the interested parties that have been found (Flexibouw, Smit Bedrijven, and private individuals) on an additional feasibility study (including valuation



reports) and on documenting agreements in draft sale and land exchange contracts.

#### *Financial support*

Two of the private-sector parties that are interested need financing to be able to acquire the desired plot (and/or property) on the Wehkamp site. HMO is willing to give both a loan with a term of 5 years, with monthly repayments. As security for the loans, HMO establishes a mortgage right on the property sold as part of the loan agreements.

#### *Change in strategy*

Although the collaboration agreement with the Zwolle local authority and Wehkamp from October 2013 gives HMO total freedom to sell the Wehkamp site (after a possible redevelopment), HMO still has to render account to the other two parties, which reduces HMO's clout and ability to act fast. In mid-2016, HMO decides to change its strategy. Instead of guaranteeing 50% of the sale amount, HMO now considers acquiring the whole Wehkamp site itself. Besides the fact that this would create a more straightforward ownership situation and give HMO full control, acquisition of the site also comes with the added benefit that it would release the Zwolle local authority from the awkward situation of having a stake in a property in another municipality, i.e. Hardenberg. HMO enters into talks with Wehkamp on this deal, recording all items on which the parties reach agreement in a sale contract. The sale price matches the amount specified in the collaboration agreement of October 2013.

HMO and Wehkamp also reach agreement on the condition of the property sold (with buildings on part of it and largely as building land), the sharing of demolition and clean-up costs incurred for the supply of building land, and the results of the environmental surveys performed and the associated liability for possible additional contamination. Besides the sale contract with Wehkamp, HMO agrees on an arrangement with the Zwolle local authority on how to end the Zwolle local authority's involvement

in the Wehkamp site project under the collaboration agreement. This arrangement includes a financial settlement that the Zwolle local authority will pay HMO to cover (development) costs incurred and to compensate HMO for taking on the full development risk. HMO aims for the project to be cost neutral. If the Wehkamp site redevelopment were to yield a profit, the agreement also includes provisions on the Zwolle local authority's share of this profit.

HMO underpins the financial feasibility of its investments by putting together an investment framework, which is updated on a continuous basis and provides an overall view of costs (including acquisition, demolition, and development costs) and revenue (such as from the sale of plots).

#### *Collaboration with the Hardenberg local authority*

From the moment that Wehkamp leaves the Rollepaal business park and the various opportunities become increasingly tangible, talks between HMO and the Hardenberg municipal executive are stepped up. Halfway into 2016, the municipal executive stresses how important it is to them that the Wehkamp site be redeveloped to a high standard and sustainably, so as to prevent the site falling into disrepair and vacancy levels rising, as well as to preserve jobs. To show its commitment to the project, the local authority states that it is willing to facilitate expansion of the Plukon site. This is partly based on the fact that expansion of the poultry processing plant fits within the economic vision and implementation agenda for the Hardenberg area, which has named agribusiness one of the spearhead industries.

In concrete terms, the local authority's facilitatory attitude translates into a willingness to sell part of the road in question, Fahrenheitstraat, to Plukon, a willingness to cooperate in the construction of a new access road, and a willingness to proceed to the inevitable revision of the zoning plan. In determining a new route for the access road, HMO and

the Hardenberg local authority discuss various options. The route they choose means that the new road cannot be situated entirely within the boundaries of the Wehkamp site, meaning that additional land needs to be acquired to accommodate the new road. Towards the end of 2016, HMO buys two plots adjacent to the Wehkamp site, which are ready to be built on and measure a total of 0.42 ha, from the owner Precisiemetaal Dedemsvaart B.V. These plots had been for sale since 3 years ago, when Precisiemetaal Dedemsvaart B.V. ceased its operations. Ahead of this purchase, HMO commissions an additional soil, groundwater, and asbestos analysis, which shows that the environmental condition of the two plots is suited for the intended use.

HMO and the Hardenberg local authority agree on further (financial) arrangements for the planning and construction of the access road. As part of these arrangements, the Hardenberg local authority will receive compensation from HMO to cover the costs involved in the required revision of the zoning plan. The Hardenberg local authority, in turn, will contribute financially to the rerouting of the access road by using revenue from the sale of the former road to Plukon and a grant from the Broad Special-Purpose Fund ('Brede Doeluitkering' (BDU)). HMO agrees to see to it that the new access road be built in time, while observing municipal requirements for the technical features of the road. HMO will, therefore, run point on this sub-project. After the road diversion has been completed, ownership of the road is transferred to the Hardenberg municipality.



## Lessons learnt

### *LL5-7 Offer flexibility and customisation in purchase agreements*

Every party has its own preferences and requirements when acquiring a plot. HMO listens to parties and takes care of making all the agreements official.

### *LL5-8 Making (public) funds available on a temporary basis can make all the difference for the feasibility of the project*

HMO grants a loan to two of the parties involved. And HMO invests its own funds (by acquiring a site) to boost the project's scope for action and to speed things up.

### *LL5-9 Consultations with businesses ensures demand-based use of public restructuring resources*

Municipal resources are, partly thanks to HMO's efforts in an intermediary capacity, used to divert the access road. This new road will improve the layout of the business park and access to the various company premises, making the business park a more attractive place to do business.

### *LL5-10 Think in terms of possibilities and make them clear*

To consider investing, parties generally need an idea of the return in terms of value added they can expect on their investment; this goes for both public-sector and private-sector parties. HMO provides such insight by performing plot structure studies showing the future situation (such as with respect to accessibility) of a business park.

### *LL5-11 Quid pro quo*

HMO engages with the local business and residential community at an early stage, including with parties that object to the intended redevelopment. Together with these parties, HMO looks for win-win situations, going by the principle of 'quid pro quo.' What HMO gains from this is that possible objections are eliminated and private investment in the Wehkamp site is stimulated. And the local community benefits because plans now take their interests into account. In this case, this has led to local residents getting a larger buffer between their property and the Wehkamp site, and to a local entrepreneur getting better access and a larger site than his current one.

### *LL5-12 The focus must be on the intended project results, not on the project organisation*

In 2016, it turns out that the original project setup, where three parties share responsibility for the project, stands in the way of efficient realisation of the intended project results. As soon as this becomes clear, the three parties involved show a willingness to adjust the development strategy and it is decided that HMO will take the lead.



# The business and value cases

## Wehkamp site redevelopment

### General aspects:

- Wehkamp sees opportunities to build a new state-of-the-art distribution centre at a development location in Zwolle.
- The Zwolle local authority and HMO initially jointly assume responsibility for redevelopment of Wehkamp's former site (6.6 ha) in Dedemsvaart.
- In 2016, HMO decides to acquire the entire Wehkamp site to amplify its scope for action and ensure quicker completion.
- Many local parties are willing to invest.

	Business case	Value case
<b>Value prospect</b>	<ul style="list-style-type: none"> <li>• Better prospects for the future for local businesses through the facilitation of expansion ambitions</li> </ul>	<ul style="list-style-type: none"> <li>• A thriving and future-proof Rollepaal business park</li> <li>• Job preservation and creation on a local and a regional scale</li> </ul>
<b>Parties involved</b>	HMO, Wehkamp, Hardenberg local authority, Rollepaal B.V., Plukon, Wavin, Smit Bedrijven, Schipper, Flexibouw, private individuals	HMO, Hardenberg local authority, Zwolle local authority, Overijssel provincial authority
<b>Costs</b>	<ul style="list-style-type: none"> <li>• Wehkamp site acquisition (6.6 ha)</li> <li>• Development costs</li> <li>• Preparing the site for building (including demolition and soil clean-up)</li> <li>• Transfer of land to Flexibouw</li> <li>• Construction of access road and mains services</li> <li>• Transfer of new access road to local authority</li> <li>• Land exchange deal with Wavin</li> <li>• Purchase of two adjacent plots (0.42 ha) from Precisiemetaal Dedemsvaart B.V.</li> </ul>	<ul style="list-style-type: none"> <li>• Grant from the Broad Special-Purpose Fund (BDU)</li> </ul>

	<b>Business case</b>	<b>Value case</b>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Sale to Plukon</li> <li>• Sale to Rollepaal B.V.</li> <li>• Sale to Smit Bedrijven</li> <li>• Flexibouw land made available</li> <li>• Sale to private individuals</li> <li>• Grant from the Broad Special-Purpose Fund (BDU)</li> <li>• Write-down by Zwolle local authority</li> <li>• Sale of access road facilitated by local authority</li> </ul>	<ul style="list-style-type: none"> <li>• Improved spatial and economic situation at Rollepaal business park</li> <li>• Prevention of vacancy</li> <li>• New economic developments</li> <li>• Development opportunities for companies</li> <li>• Improved business park layout in plots</li> <li>• Improved infrastructure and road safety</li> <li>• Improved soil quality</li> <li>• Wider buffer between business park and residential properties</li> </ul>
<b>Financing</b>	<p>HMO:</p> <ul style="list-style-type: none"> <li>• acquisition, demolition, and clean-up costs for Wehkamp site</li> <li>• acquisition of two adjacent plots</li> <li>• Loan to two private-sector parties</li> <li>• Private-sector parties:</li> <li>• Investment from own funds</li> <li>• Public-sector parties:</li> <li>• Investment by Zwolle local authority</li> <li>• Grant from provincial authority (BDU)</li> </ul>	
<b>Risks</b>	<ul style="list-style-type: none"> <li>• Disappointing plot sales</li> <li>• Demolition and clean-up costs exceeding projections</li> <li>• Private-sector parties struggling to repay loans</li> </ul>	<ul style="list-style-type: none"> <li>• Disappointing plot sales may lead to Rollepaal business park falling into disrepair and local job losses</li> </ul>
<b>HMO risk management</b>	<ul style="list-style-type: none"> <li>• Active search for interested parties</li> <li>• Active commitment to meeting interested parties' conditions</li> <li>• Making arrangements official by signing agreements as soon as possible</li> <li>• Environmental liability settled when collaboration agreement is signed in October 2013</li> <li>• Offsetting a write-down in the value of the Wehkamp site</li> <li>• Establishing the first mortgage right on a property as part of a loan to the owner</li> </ul>	

# Realisation and results

**The business case covers various developments on and around the Wehkamp site, with considerable interdependencies between some of the developments. The rerouting of the access route, for example, is a crucial prerequisite to be able to sell a large part of the Wehkamp site. The challenge for HMO, as the owner of the whole site, is to get this process off the ground and keep it moving forward. At same time, HMO needs to keep looking for additional and suitable parties to invest in the site. After all, HMO still has plots on the site available for sale.**

## 2015-2017

The relocation of Wehkamp in September 2015 gives HMO and the Zwolle local authority formal freedom of action with respect to redevelopment and transfer of parts of Wehkamp's former site in Dedemsvaart. Upon signing a purchase agreement for the site with Wehkamp in December 2016, HMO becomes the sole owner of the site and the sole project initiator. Under the purchase agreement, HMO and Wehkamp have agreed that Wehkamp will provide the site mainly as building land. This requires the performance of several demolition and clean-up jobs, which are completed in the spring of 2017.



In 2016 and 2017, HMO signs various sale contracts with interested stakeholders. Up to December 2016, HMO signs such contracts on Wehkamp's behalf. The first one is with Plukon, which signs the agreement in January 2016. The agreement contains the resolute condition that if there is no certainty by mid-December 2016 on whether or not Plukon will be able to buy a stretch of public road from the Hardenberg local authority, Plukon will be able to pull out of the deal. Plukon ultimately got the certainty it wanted at the end of 2016. The plots in question were subsequently transferred to Plukon in January 2017. Rollepaal B.V. also signs a purchase agreement with HMO, in November 2016 to be exact. The plots in question were subsequently transferred to Rollepaal B.V. in January 2017.

The land exchange deal with Wavin was formalised by the signing of an agreement in December 2016. The land is exchanged in January 2017. At that moment, HMO is also the owner of the Precisiemetaal Dedemsvaart B.V. plots following the signing of a purchase agreement in November 2016. As a result, HMO can get started on the design and realisation of the access road diversion in 2017.

In August 2017, HMO signs a sale contract with a private individual who very early on into the project showed an interest in buying a vacant field that is part of the Wehkamp site. Shortly after that, title to the field is actually transferred to the private individual.

The plot exchange deal with Flexibouw is formalised through the signing of an agreement in October 2017, which stipulates that the parties will proceed to the exchange of the two plots in the short term. In October 2017, the four local residents living along the southern edge of the Wehkamp sign a sale contract, under which they will acquire additional land. And finally, Smit Bedrijven B.V. officially purchases several former Wehkamp buildings in December 2017.

## The situation in late 2017

The map of the final situation shows which parties own the various parts of the Wehkamp site in late 2017. At that time, HMO has just completed construction of the new access road and has transferred it to the Hardenberg municipality.

*See map of the final situation on the next page >>*

By the end of 2017, some of the business plots are already actively used by their new owners. Smit Bedrijven B.V., for example, uses the former Wehkamp buildings for goods storage purposes. And Rollepaal B.V. has moved into the existing office building. The Plukon plots are still undeveloped, but construction is expected to start in the short term.

At the end of 2017, there is still 1.2 hectares of HMO-owned land available for sale on the site, spread over various plots. These plots are largely undeveloped, and HMO continues to look for parties who may be interested in these plots.

## The effects of redevelopment

With Wehkamp's relocation to the Hessenpoort site in Zwolle and the various developments on and around the former Wehkamp site, Overijssel creates thriving business and industrial sites spanning over 12 ha. This figure of 12 hectares breaks down into over 6 hectares for the new distribution centre in Zwolle and over 6 hectares of redeveloped and sold sites in Dedemsvaart.

Only the remaining 1.2 hectares of land that is still owned by HMO will have to be sold to fully complete the task. Aside from that, diversion of an access road in Dedemsvaart has seen HMO regenerate 1 hectare of public space.

# Map of the final situation

<< *Back to the relating text*



## *Professional teamwork by directors and administrators*

An exceptional case that stands out because of the “professional teamwork by directors and administrators” is how Mr Snijders, the mayor of the Hardenberg municipality, describes the project. According to him, the provincial and local officials involved have managed to closely support each other and engage in concerted action in the regional interest, which is to facilitate businesses in their growth opportunities and thus preserve them for the Zwolle area.

This regional interest initially clashed with local interests. After all, the leaving of a major player such as Wehkamp “has real impact on the municipality and the community in Dedemsvaart in particular.” By getting local businesses involved in the process at an early stage and offering them development prospects (i.e. expansion opportunities), the redevelopment project managed to win broad support. This strategy fits perfectly in the local authority’s account management philosophy, which is to facilitate the municipality’s businesses in their growth opportunities to the maximum degree possible.

Mr Snijders is satisfied with the end result. The former Wehkamp site has, except for approximately 1.2 ha of remaining land, been regenerated in full. The footprint of important local companies, such as Plukon and Rollepaal, has been expanded, making it

more likely that they will stay in the municipality. On top of that, new use of the site is expected to lead to job creation.

These are all results that the local authority could not have achieved without HMO’s involvement. By guaranteeing part of the sale amount of the former Wehkamp site for the Zwolle local authority, HMO played a key financial role. This role became even greater when HMO decided to buy the site, which the local authority could never have done, given the size of the site and the associated risks.

And finally, HMO contributed extensive valuable area development experience and, as an external party with a social objective, was able to enter into adequate agreements with local parties. This has ultimately resulted in an attractive value case and a sound business case.



## References

Herstructureringsmaatschappij Overijssel (2017), Full (confidential) documentation on the development of the Wehkamp site and HMO's role in the process mid-2013 - April 2017

Sloot, M.J.W. and K.E. Bugge (2018), Interview with Mayor Snijders, held on 6 April 2018 in Hardenberg

# Ch.6 Zwolle Business Park

During the economic crisis, De Vrolijkheid, a business park in Zwolle, is hit with rising vacancy rates. The former Wezo site at this business park is just one example. Jansen Vastgoed wants to redevelop this site (3.8 ha) and turn it into Zwolle Business Park, consisting of six buildings. Two of these buildings will be built first on an area of 2.5 hectares, one of which is to accommodate Sligro, a company that is currently based on an existing site nearby and that is in need of bigger premises. HMO provides support in developing Zwolle Business Park and redeveloping the former Sligro building, both financially and in terms of process management. The results are positive. By late 2017, the two new buildings and the former Sligro building are leased in full. The project has also created development prospects for the four other buildings planned at Zwolle Business Park, and new access to the site has been created. All in all, a successful regeneration project that has resulted in job preservation and creation, and that has become a catalyst for further development.



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- > Facts & Figures
- > The initial situation
- > Starting the initiative
- > Identifying opportunities
- > The opportunity map
- > Building business and value cases
- > The business and value cases
- > Realisation and results

*The trigger for new economic dynamism*



# Facts & Figures

## Project

Site redevelopment into Zwolle Business Park + redevelopment of former Sligro site



## Investment by HMO

€1.8 million

## Other private investments

At least €15 million

## Result

4 hectares regenerated

## The project shows:

- The importance of temporary (public) funding; you have to spend a penny to make a pound;
- How one specific and feasible project can be a catalyst for overall quality improvement at a business park;
- The importance of bringing end user, investor, and public-sector parties together;
- The successful strategy of financial support in combination with process support in a project.

# The initial situation

**Contrary to what the name might suggest, the situation at De Vrolijkheid, which is Dutch for ‘cheerfulness’, is not very attractive in mid-2010. Even a concrete private initiative that initially seemed viable and successful ultimately failed. As a result, Zwolle could lose an important employer based at the business park, Sligro.**

## The site

De Vrolijkheid (37 ha) is located in the eastern part of the city of Zwolle and is enclosed by four roads, Ceintuurbaan to the west, Boerendanserdijk to the south, Rechterland to the east, and the A28 motorway to the north. Professional football club PEC Zwolle’s ground is located across Boerendanserdijk to the south of the site, and there are green areas east of the site. The site’s close proximity to the A28 motorway ensures good accessibility. Most of De Vrolijkheid dates back to 1992 and is mixed use. It is home to a car dealership, offices, large retail outlets, several large industrial companies, and sports facilities (Zwolle local authority, no date).

Over the years, businesses operating in different industries have left De Vrolijkheid and vacancy levels have increased. A former sheltered workshop in the southern part of the business park (the so-called Wezo site) is one example of an organisation that has left. Situated on Boerendanserdijk, the Wezo site measures 3.8 hectares and was jointly owned by Wezo and the local authority until 2007. In mid-2007, part of this site is home to a petrol station (in the south-west corner) and the rest is vacant.

## The run-up - private sector

In 2007, a private-sector party becomes interested in the unused Wezo site. The party in question is Jansen Vastgoed, a project developer that has the ambition to develop this site into a high-quality business location. The redevelopment that Jansen Vastgoed has in mind includes the construction of a total of six buildings (buildings A to F), including a new building for Sligro. Sligro is at that time still based on a site of

approximately 1 hectare just north of the Wezo site and needs to expand. Sligro’s current site does not offer the space it needs. Jansen Vastgoed’s development plan includes a new and larger building for Sligro.

The first phase of the Jansen Vastgoed project extends to the construction of buildings A and B on the northern part of the Wezo site. Building B is largely (87%) allocated to Sligro. To be able to get started on the first phase, Jansen Vastgoed decides to buy the northern part of the Wezo site (approx. 2.5 ha) from Wezo in 2007. The remaining approximately 1.3 hectares of the Wezo site will continue to be owned by the Zwolle local authority for the time being. To make it possible for Sligro to relocate, Jansen Vastgoed also acquires the existing Sligro site (approx. 1 ha) in 2007. For Sligro, this acquisition is an important condition for the relocation. Aside from that, Sligro wants the new building (Building B) completed no later than in October 2012. Partnering with several other private-sector parties, Jansen Vastgoed sets up a new development entity called Businesspark Zwolle B.V. to run the redevelopment project.

After its founding, Businesspark Zwolle B.V. actively gets to work on planning the development and implementing the plan for the first phase. By mid-2010, the project has considerably fallen behind schedule, primarily due to economic setbacks, including dwindling interest in leasing space in buildings A and B. The project has seen various parties, despite concrete (lease) commitments and contracts in the preliminary stages, pull out at a later stage. Construction work on building A has already started at that point. Given that lease revenue will not be enough to cover the investments made in building A, Businesspark Zwolle B.V. lacks the financial means to build building B. Due to the difficult economic situation in 2010, financial parties (including banks) are reluctant to finance commercial property development projects. The development of building B fails. Sligro threatens to pull out if building A is not completed in October 2012 as agreed.

*See map of the initial situation on page 76 >>*

## The run-up - public sector

Besides interest from the private sector, De Vrolijkheid has also made it onto the public agenda. In 2009, De Vrolijkheid is included in the 2009-2015 Multi-Annual Programme for Thriving Activity, which specifies that a total area of 17.6 hectares at this business park needs restructuring. The Framework Policy Document on Business Parks that is subsequently adopted by Zwolle's local council further details this restructuring need. In this policy document, the local authority expresses its dedication to offering sufficient (complementary) possibilities for economic activity at both existing and new business parks. Balancing supply and demand and preventing existing business parks falling into disrepair and suffering high vacancy levels are the focus points. When it comes to De Vrolijkheid specifically, the policy document highlights that there are several unused sites and that the part along Ceintuurbaan (which includes the Wezo site), which is particularly outdated, requires specific attention.

In restructuring De Vrolijkheid, the Zwolle local authority has a specific responsibility for the restructuring of the public areas, which includes tackling infrastructural issues and an upgrade to public green areas on the site. The local authority has funds available for these sub-projects



and can also rely on the provincial subsidy scheme (co-financing). A grant under this scheme has been applied for in 2009 and is awarded that same year (Zwolle local authority, 2009). Aside from its own funding, the local authority relies heavily on the private sector for this large restructuring task (17.6 ha). After all, the local authority owns only a small section of the land at De Vrolijkheid and has no financial leeway to play a meaningful role in specific development projects by private-sector parties. The local authority therefore aims to facilitate private development projects that are subsequently realised by private-sector parties themselves. This leads the local authority to enter into agreements with the association of local businesses.

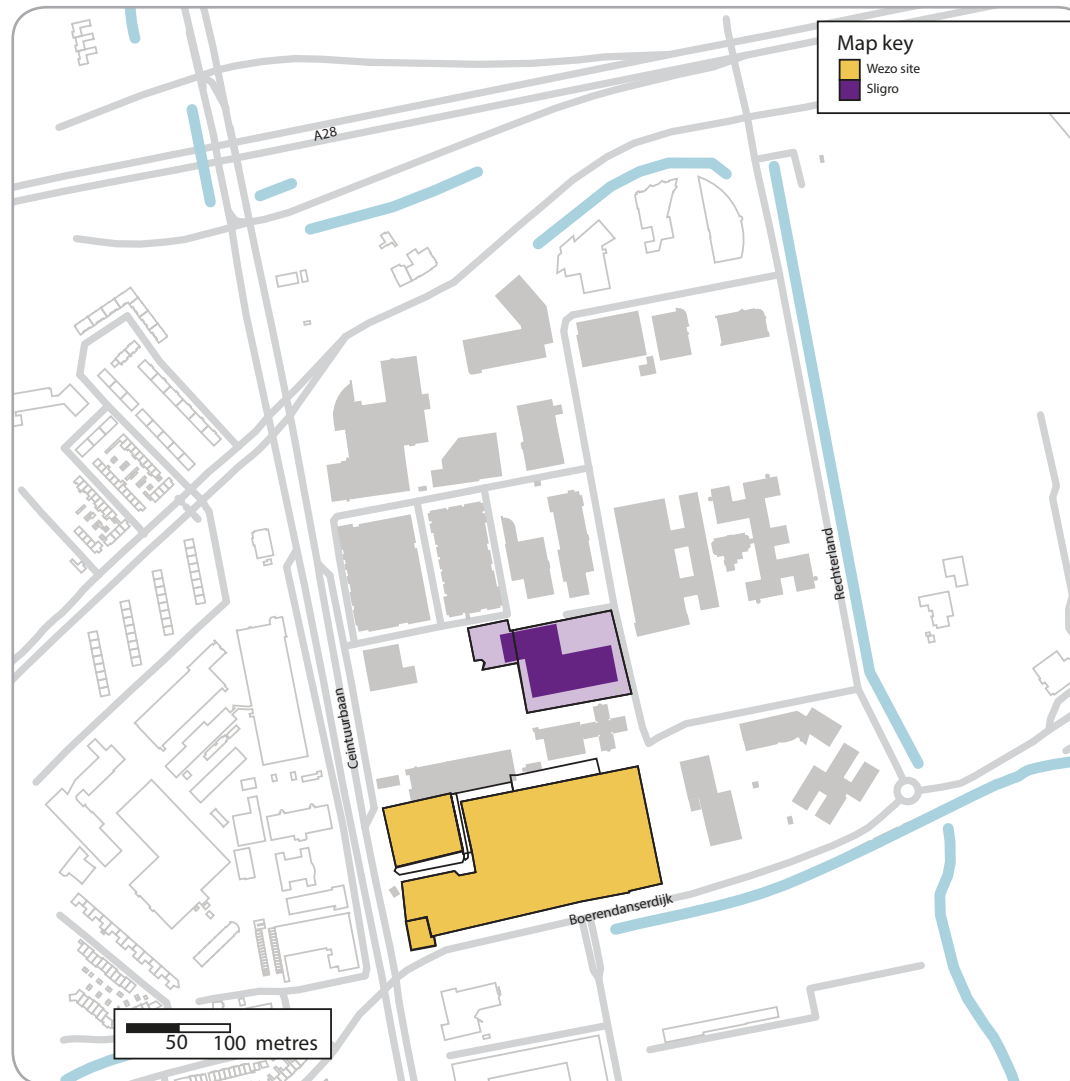
To stimulate regeneration, the local authority adopts a new zoning plan for De Vrolijkheid in late 2010. This new zoning plan turns De Vrolijkheid into a mixed-use business park, designating different uses for a large number of the sites, including the Wezo site. The zoning plan thus offers flexibility and more room for other uses, including sports and education, alongside the business and industrial activities up to category 3.2. This makes it easier to change the business park's profile. The new zoning plan does, however, include clear restrictions with respect to retail use and independent offices. Aside from that, leisure is (provisionally) not permitted either (ruimtelijkeplannen.nl, 2011).

## The situation in late 2010

De Vrolijkheid has officially been identified as a business park that is in need of restructuring. Several plots are unused or undeveloped, a number of buildings are vacant (long term), and access to the business park is cause for concern. Due to its limited financial means, the local authority relies on private initiatives for this restructuring job. An important private development on the former Wezo site, which was also to provide space for the new Sligro building, stalls. In response to this serious delay, Sligro indicates that it will look for an alternative location, possibly outside Zwolle.

# Map of the initial situation

[<< Back to the relating text](#)



# Starting the initiative

The stalling of an important private development at the outdated De Vrolijkheid business park creates an unwelcome situation for the private developer, but also for the Zwolle local authority. After all, a big-name company may end up leaving the business park (and Zwolle) as a result. HMO starts to look for parties that could reignite the project.

## Triggers & Initiators

The Zwolle local authority acknowledges that restructuring De Vrolijkheid is necessary and desirable. For the public areas at the business park, the local authority applies for and is awarded a grant from the Overijssel provincial authority. However, the Zwolle local authority lacks the financial leeway and/or does not own enough of the land at the business park to be able to help private development projects prosper. The local authority adopts a facilitatory attitude with respect to private initiatives.

One such large-scale private initiative concerns the development of Zwolle Business Park on the former Wezo site, which includes construction of a new store for Sligro. Due to a funding shortage, this particular project is now seriously at risk of failing, prompting Sligro to indicate that it will start looking for an alternative location. The project developer behind this project, Jansen Vastgoed, asks HMO to assess the project.

Needless to say, the Zwolle local authority wants to keep Sligro and the associated jobs in Zwolle but has no alternatives available. The local authority subsequently also turns to HMO, owing to the fact that HMO was created to stimulate private redevelopment of business parks designated for restructuring by the 2009-2015 Multi-Annual Programme for Thriving Activity. After agreeing to get involved, HMO decides to, entirely in line with its mission, focus its efforts on getting the new-build project for Sligro back on track. HMO expects successful relocation of this high-profile company to be a catalyst for further development of the Wezo site. On top of that, it is expected to stimulate nearby businesses,



based on plots that are also seeing high vacancy levels and falling into disrepair, to take action as well. All in all, this will create better prospects for De Vrolijkheid as a whole, accelerating regeneration and creating an attractive and economically interesting business park in the short term. In a nutshell, the new building for Sligro is expected to be a traffic generator, drawing economic dynamism to the site.

## Specific project as a trigger for further restructuring

The building of a new Sligro store on the Wezo site creates opportunities for new uses for the existing Sligro building (1 ha) and further development of the total Wezo site (3.7 ha). This private sub-development is, therefore, an important trigger for further restructuring of De Vrolijkheid, which has officially been designated as a business park with a restructuring need spanning 17.6 hectares. Thanks to its excellent accessibility, as well as the public funding poured into regeneration of its public areas, the development prospects for De Vrolijkheid are good. HMO considers this first private sub-development promising and essential in triggering economic dynamism at the business park.



## Lessons learnt

### *LL6-1 Prioritise keeping existing companies at the business park*

Sligro is a company that has been doing business in Zwolle for years and is also a major employer locally. Sligro is based at a business park that is in dire need of restructuring and has numerous unused plots. On top of that, Sligro needs a bigger store, as its current store simply cannot accommodate its growth. A local store relocation to a new and larger building on one of the unused plots leads to a win-win situation for Sligro and the local authority. Sligro can expand by moving into a new building and retain its current workforce. The Zwolle local authority prevents job losses in the area, and there are even prospects of job creation as Sligro's operations grow and new businesses move into the existing Sligro building.

### *LL6-2 Use one project as a catalyst for a large-scale restructuring operation*

De Vrolijkheid is a business park in a strategic location, which gives it good development prospects. Despite the limited size of the site, the scope of the restructuring task at hand is relatively extensive. Completing one smaller project at a strategic part of the business park first could potentially be an economic trigger for the whole business park. This way, a relatively small investment would be a catalyst for larger-scale restructuring.

# Identifying opportunities

**HMO thinks it can play a role in supporting Businesspark Zwolle B.V. But what would be the best strategy in this situation? The question is how to get the intended development off the ground without excessive exposure to (financial) risk, as well as how to launch a project that will help solve the overall restructuring need for the whole business park.**

## *Information, information, information*

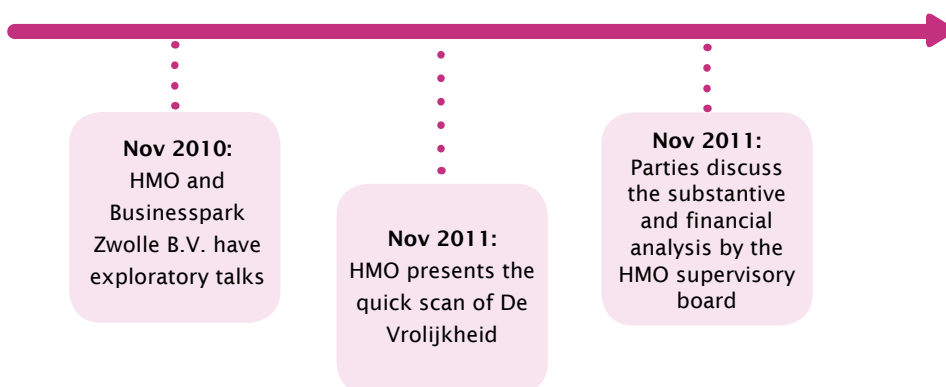
HMO starts out in late 2010 by entering into exploratory talks with Businesspark Zwolle B.V. Through these talks, HMO gains information on the various parties involved (Businesspark Zwolle B.V., Zwolle local authority) and their respective interests in the development of the plots owned by Businesspark Zwolle B.V. HMO subsequently looks into the financial position of the private-sector parties that have joined forces in Businesspark Zwolle B.V. Besides that, HMO pays visits to the site, conducts a document review, and speaks to local businesses and the local authority to get a better picture of the current situation at De Vrolijkheid. These explorations also form a basis for the quick scan that HMO compiles in November 2011. The quick scan provides insight into De Vrolijkheid's key features (including its central location, good accessibility, types of businesses) and the current status of development of the plots owned by Businesspark Zwolle B.V. Aside from that, the quick

scan provides an overview of potential developments at De Vrolijkheid and the private-sector and public-sector parties involved. HMO concludes from its analysis that these potential developments have stalled, despite the parties' commitment to making them happen. According to HMO, this is down primarily to the fact that the parties involved are waiting for greater clarity on what will happen to the plots owned by Businesspark Zwolle B.V.

## *Getting a grip on the Businesspark Zwolle B.V. situation*

Based on the exploratory talks and the quick scan, HMO formulates a clear vision on Businesspark Zwolle B.V.'s development plans, including the plans for the construction of a total of six buildings on the former Wezo site. The first phase of the development project on the Wezo site consists in completing buildings A and B for, among other parties, Sligro. The first phase also includes preparing the existing Sligro building for a new user. Businesspark Zwolle B.V. owns all the land and buildings for the first phase. The second phase will include building four further buildings on the Wezo site, i.e. buildings C to F. The land for these buildings has not yet been acquired by Businesspark Zwolle B.V. and there are no specific potential tenants or buyers either. HMO expects a successful first phase to precipitate the second phase, and therefore decides to focus solely on the first phase.

As at November 2011, the status of the first phase is that building A is under construction and 60% of it has already been leased. It will be completed in the short term. Building B will house the new store for Sligro, and part of it will be designated for leisure use. Sligro has already contractually committed to leasing its part (87%) of building B, provided it is completed on schedule (in October 2012). A tenant for the leisure part has also been found. This is subject, however, to a change to the designated use in the zoning plan, which currently does not allow leisure use on the site. As far as the existing Sligro building is concerned, Businesspark Zwolle B.V. already seems to have a potential tenant,



namely Djambo Kidsplay, which intends to use it to create an indoor playground. Again, this is also considered leisure use, and therefore subject to amendment of the zoning plan.

HMO sees that the development of building B in particular has run into some problems. This is due to the financing issue described earlier, as well as to the uncertainty on the local authority's willingness to make the required amendments to the zoning plan to allow the new uses. And finally, the project area is located within the so-called 'windmill biotope' of the nearby listed De Passiebloem windmill. This windmill biotope restricts the permitted building height in the immediate vicinity of the windmill to ensure the windmill can catch enough wind to remain operational. The application for the planning permission needed for building B and the associated change to the use designation (partly to allow leisure use) has been submitted in November 2011, but planning permission is still pending. Not only the development of building B has come into some difficulty, building A is also still a specific cause for concern, due to the financial consequences of it not having been leased in its entirety yet.

#### *HMO's ambition and strategy*

HMO sets itself the goal of preventing further stagnation of the first phase of Businesspark Zwolle B.V.'s project, aiming to make the deadline (for completion of building B in October 2012) and keep things moving forward. The idea is to make this happen by, in partnership with the Zwolle local authority, closely supervising and intensively managing the development process. In late 2011, the Zwolle local authority lets HMO know that it is committed to this objective. The local authority's commitment is prompted by the importance of keeping Sligro in Zwolle and the opportunities the project will create for the development of the greater surrounding area.

On top of that, HMO is willing to invest and thus help get all the financing in place for the first phase of the project. HMO sees potential in terms of

attracting more tenants and expects Businesspark Zwolle B.V. to, with a loan for a maximum of 5 years, be able to get the project back on track. In further fulfilling this investment commitment, HMO considers various collaboration formats with the associated financing. HMO bases the various financing options on, among other things, the investment budget for the construction of building B, the potential leases for buildings A and B, the investment value of buildings A and B, and the existing offer by one bank (the primary financier) to provide a large part of the financing needed for the construction of building B. HMO also sees an opportunity in selling building A and using the proceeds from this sale to finance building B. The proceeds from a possible sale could also be used by Businesspark Zwolle B.V. to repay a possible loan from HMO.

Needless to say, HMO also factors the risks involved in investing in the project into its considerations. One risk is that building A may not be leased in its entirety. In that case, Businesspark Zwolle B.V. will not have sufficient funds available to pay for development of building B, which would have consequences for its ability to repay external investments in building B. Further delays in the development process for building B (due to planning permission and/or financing difficulties) and the collapse of the parties involved are also identified as risks. HMO considers 'forging a relationship' to be a key control measure in this respect, a relationship between the local authority, a reliable building contractor, and the end user (Sligro in particular). HMO expects to be able to forge this kind of relationship based on the previously obtained municipal commitment and its own lead role in the process.

#### *HMO's investment proposal*

In late 2011, HMO puts a specific investment proposal to paper. This comes, of course, on top of the considerable investment that has already been offered by the primary financier (a bank). HMO subsequently engages with Businesspark Zwolle B.V. again to reach specific agreements.





## Lessons learnt

### *LL6-3 Place a private development in a broader perspective*

In its quick scan, HMO highlights the importance of facilitating one crucial private development for the overall restructuring task. HMO makes this clear by detailing which developments in the project's immediate vicinity it expects to be set in motion by this one specific project. This bolsters the local authority's commitment and its willingness to make headway in, for example, planning permission procedures.

### *LL6-4 Split large projects up into phases and secure extensive purchase and lease commitments for each phase*

Phased development with extensive purchase and lease commitments boosts the feasibility of the total large-scale project. The proceeds from the sale of one phase can be used to invest in the realisation of a subsequent phase.

### *LL6-5 Make a careful financial estimate and risk analysis, and consider adequate control measures*

HMO is willing to invest in projects, provided the risks can be controlled and HMO has a say in control measures. Commitment from the Zwolle local authority and the fact that HMO can take the lead in the development process (to forge 'a relationship' between the parties involved) are what mitigate the risk profile for HMO in this case.

# The opportunity map

Collaboration between Businesspark Zwolle B.V., the Zwolle local authority and HMO forms an important building block for this particular area development project. HMO's role is focused specifically on securing financial support for development of the first phase of the Zwolle Business Park project. During this first phase, HMO will also actively look for tenants and investors for the property. The expectation is that HMO's efforts will help ensure completion of the first phase of the project and set several projects on surrounding sites at De Vrolijkheid in motion.

## Opportunity 1 Tenants for building A

Building A is an office building with 6,250m<sup>2</sup> of floor space. When HMO gets involved, the building is under construction and 60% has been leased to Triflex, Noordhuis and Wbooks. HMO wants to help Businesspark Zwolle B.V. attract further tenants.

## Opportunity 2 Construction of building B

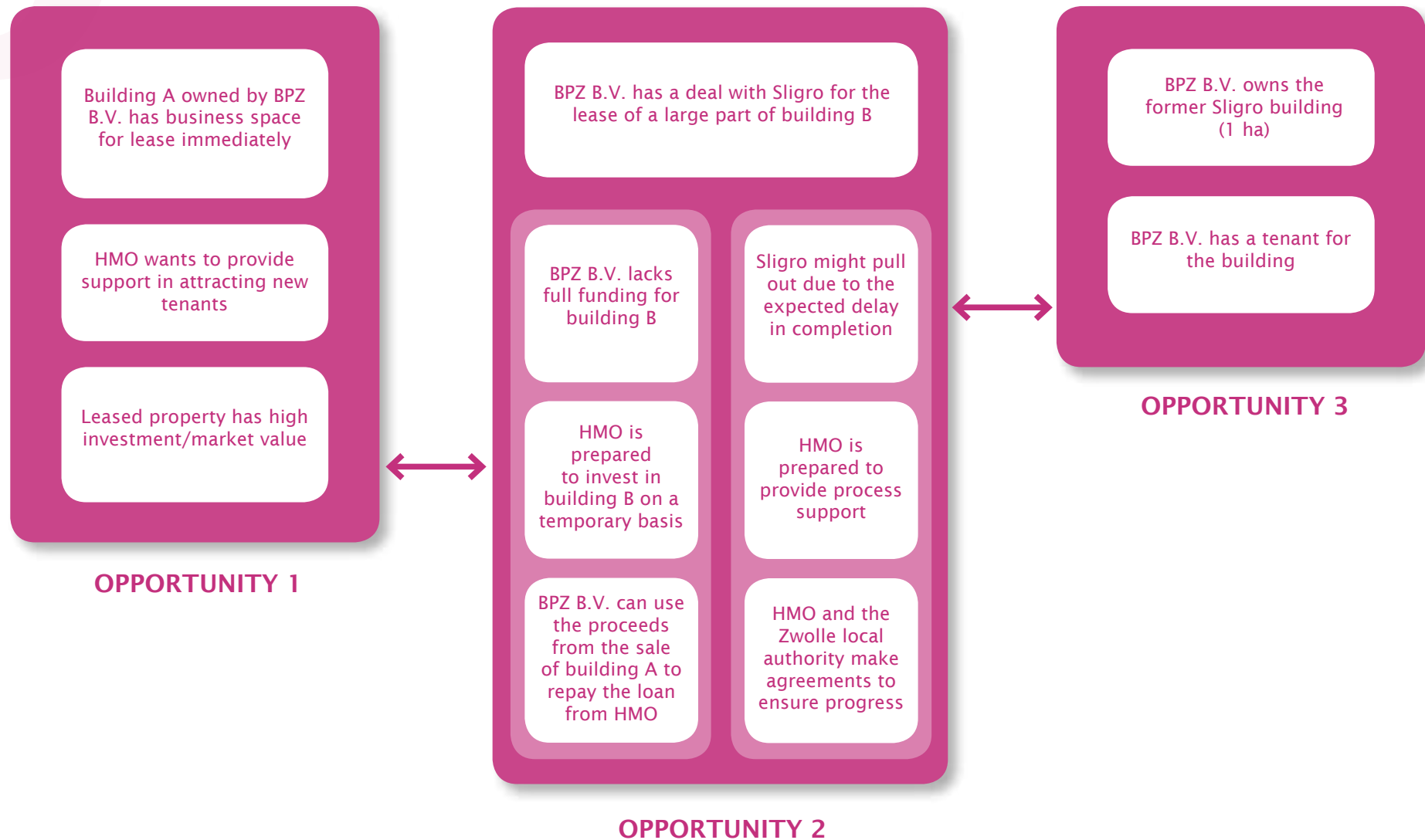
Building B offers 15.600m<sup>2</sup> of floor space. Sligro has already signed a deal to lease the ground floor and part of the 1st floor, which adds up to 87% of total floor space, albeit on the condition that the building is completed on time (before the end of October 2012). A potential tenant (Urbana) is interested in leasing the leisure space (2,100m<sup>2</sup>, 13%) on the building's first floor. The development of building B has, partly due to a lack of funding, run into difficulty. Although Businesspark Zwolle B.V. does have a primary financier (a bank), this financier is not prepared to put up the full investment amount needed. HMO considers providing the funding to fill this funding gap, so as to ensure the building is built. HMO sees an opportunity in using the proceeds from the sale of building A to finance the construction of building B. Businesspark Zwolle B.V. could use these funds to repay a possible loan to HMO in the short term. And HMO has also identified potential benefits in providing process support. HMO expects to be able to, in close collaboration with the Zwolle local authority, make sufficient progress.

## Opportunity 3 Solution for the former Sligro building

As part of Sligro's relocation to building B, Businesspark Zwolle B.V. was supposed to buy the former Sligro building, which stands on a plot of 1 hectare. The former Sligro building offers 5,320m<sup>2</sup> of floor space. After purchasing this site in 2007, Businesspark Zwolle B.V. has meanwhile found a potential tenant for a large part of it (2,560m<sup>2</sup>; 48%), namely Djambo Kidsplay. This potential lease is an important guarantee for HMO in providing the funding for building B. Djambo Kidsplay has stipulated that it intends to open its doors on 1 April 2013.

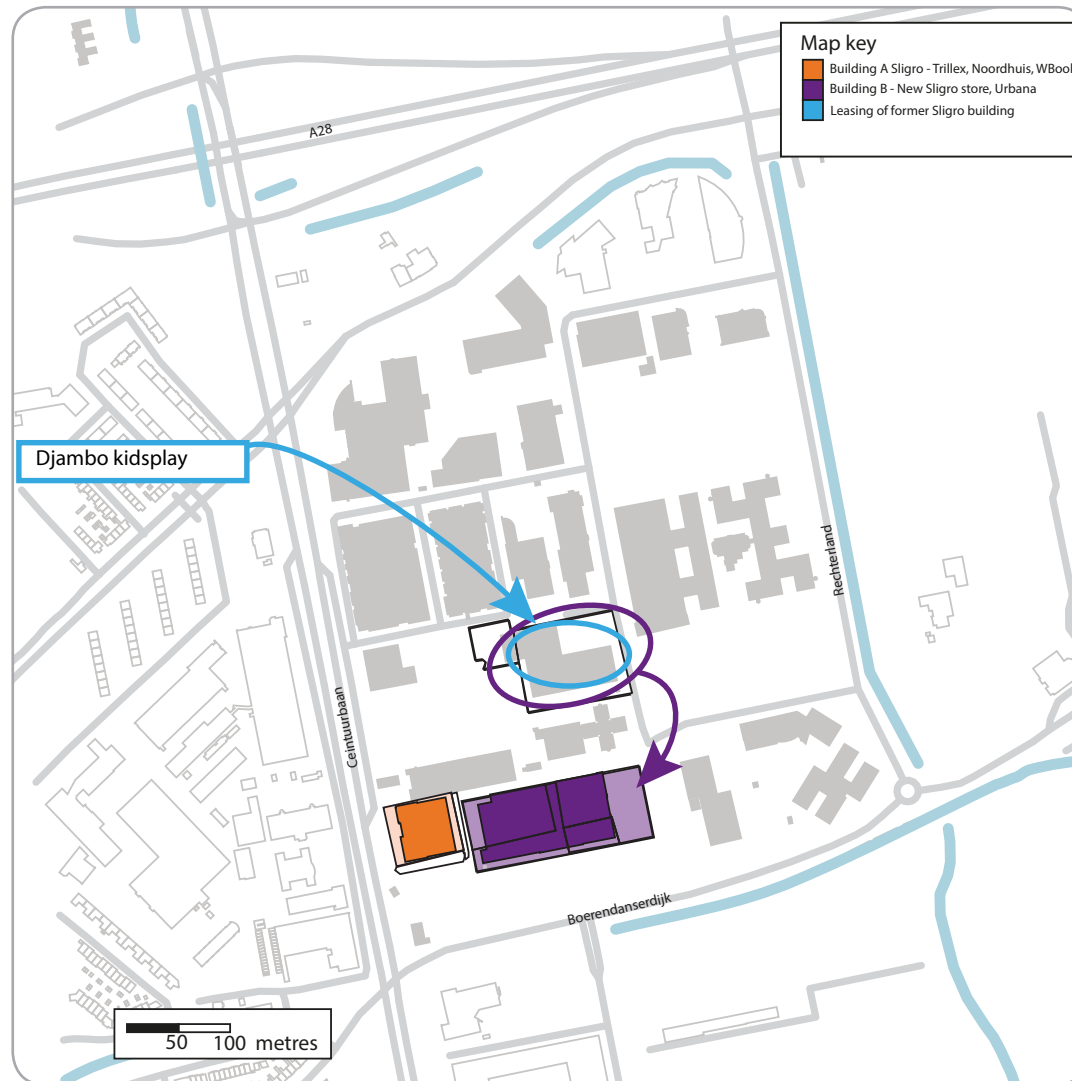
*See the Opportunity map on page 84 >>*

## Control, relationship, and financing as success factors



# Opportunity map

<< Back to the relating text



# Building business and value cases

The development of the first phase of Businesspark Zwolle B.V.'s project has created specific opportunities. In order to seize these opportunities, Businesspark Zwolle B.V. adds to its plans in order to lay the basis for planning permission applications to the Zwolle local authority and specific financing proposals from HMO. HMO faces the challenge of providing support in attracting the right businesses to move into the leasable space within the project property to get the business case back on track. HMO also provides process support to try to help get building B completed on schedule.

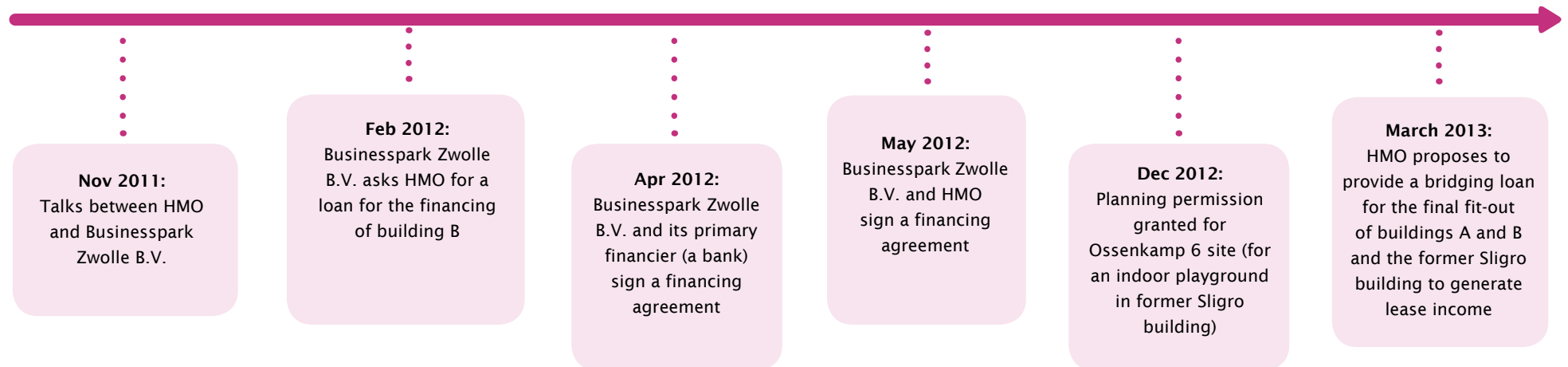
## Getting assurances

Talks between HMO and Businesspark Zwolle B.V. following HMO's investment proposal are very constructive in late 2011. They result in HMO being willing to invest in the construction of building B, communicating its willingness to Businesspark Zwolle B.V. in writing. HMO does, however, set a few conditions for its financing. First of all, it agrees to provide a loan for a maximum period of 5 years, at a rate of interest that is in line with current market conditions. Secondly, before signing a contract for a loan, HMO wants full disclosure from Businesspark Zwolle

B.V. on the leases that have already been signed (with Sligro, Urbana, and others). A third condition that HMO sets is that the financing agreement between Businesspark Zwolle B.V. and its primary financier (a bank) must be signed first. By way of security, HMO requests a second right of mortgage and pledge. Businesspark Zwolle B.V. agrees to the conditions and gets to work.

## Forging a relationship with the Zwolle local authority

One key requirement for HMO is that the Zwolle local authority commit to facilitating the intended development to the maximum degree possible. After all, the Zwolle local authority's cooperation is hugely important in getting the project completed successfully, especially when it comes to planning permission (for changes to the designated use of sites). And the project furthermore needs an investment in the public area for improved access to the new site. To begin with, HMO is confident that the commitment made by the local authority in the fall of 2011 confirms to a sufficient degree that the local authority is indeed willing to adopt this facilitatory attitude. In early 2012, HMO enters into further talks with the relevant member of the municipal executive and municipal project



manager. They give HMO clarity on the so-called ‘windmill biotope’ and the scope this leaves for the total development, but also on municipal investments in the public area. The local authority is willing to build a new road from Boerendanserdijk to provide access to buildings A and B.

#### *Acute financing need for building B*

In February 2012, Businesspark Zwolle B.V. faces a limited but acute need for financing for the construction of building B. Businesspark Zwolle B.V. decides to ask HMO for a loan in anticipation of the larger investment in the development costs for building B. The project’s go-ahead depends heavily on this financial contribution. At that time, HMO already knows that Businesspark Zwolle B.V. has signed a lease with Sligro and that there is a verbal agreement with Urbana for the lease of part of the building. This information gives HMO sufficient guarantee that building B can actually be realised. Given the urgency of the financing need, HMO

decides to grant Businesspark Zwolle B.V. a small loan to fill the acute financing gap in February 2012, even though all the conditions set by HMO for the larger financing have not yet been met.

The larger financing agreement between HMO and Businesspark Zwolle B.V. is subsequently signed in May 2012, after Businesspark Zwolle B.V. signed the financing agreement with its primary financier (a bank) in April 2012.

#### *Costs precede benefits*

Leasing uptake of building A remains unchanged for some time, meaning that, up to 2013, 40% of the building is still available for new tenants. In early 2013, things change as a potential tenant is found. However, this potential tenant wants Businesspark Zwolle B.V. to invest in the final fit-out of the building. Businesspark Zwolle B.V. is not able to finance



this work at that time. Banks and other private-sector parties are not willing to put up the required funds either. As a result, the lease deal falls through.

A similar issue arises with respect to the potential leasing of the leisure part and several remaining units (of 150m<sup>2</sup> each) in building B and the leasing of the former Sligro building to Djambo Kidsplay. To go ahead, these potential deals also require additional investments that Businesspark Zwolle B.V. is unable to provide. The potential tenants could pull out as a result, which would stifle lease revenue from the three buildings (or parts of those buildings).

In the absence of lease revenue due to liquidity issues at Businesspark Zwolle B.V., development of Zwolle Business Park is at risk of grinding to a halt, which would thwart HMO's objective of investing in building B as a way to contribute to the restructuring of the whole Wezo site and sparking further development in the immediate surrounding area. And HMO runs the risk of losing the investment it has already poured into the project, while job creation in the area will stall. And all of this despite the fact that the development offers healthy prospects. After all, there are good prospective tenants and chances that building B will, after a large enough part of it has been leased, be sold to investors are also good.

As early as in late 2011, HMO told Businesspark Zwolle B.V. that it would be willing to provide support in attracting new tenants for the first phase of the project. Based on this commitment, but mainly given what is at stake for HMO, HMO subsequently starts to explore ways to resolve the financial problems. HMO finds banks and other private-sector parties entirely unwilling to invest in commercial property. These parties no longer provide loans, neither to have buildings fitted out, nor for new developments, not even when they come with an attractive business case. In March 2013, HMO decides to grant a bridging loan to fill the financing gap. Thanks to this loan, the building can be fitted out for the

(intended) tenants, which will get lease revenue going and improve the marketability of buildings A and B and the former Sligro building. HMO does, however, set a few conditions for this bridging loan. HMO wants to manage the building fit-out itself and pay the relevant contractors directly, i.e. without going through Businesspark Zwolle B.V. This means that the loan is made available in phases (based on each individual tenant) and as and when needed (at HMO's discretion). Furthermore, Businesspark Zwolle B.V. is required to repay the loan within a very short term. On top of that, HMO and Businesspark Zwolle B.V. agree to sell at least one of the buildings so that the loan issued by HMO can be repaid as soon as possible.



## Lessons learnt

*LL6-6 Making (public) funds available can make all the difference for the feasibility of a project*

When other financiers pull out, HMO grants Businesspark Zwolle B.V. loans to cover financing needs. These loans make it possible to complete a specific (sub-)project that subsequently generates new income that can be used to repay the loan.

*LL6-7 Combining financial and process support turns out to be a successful strategy*

HMO provides financing, for which it stipulates certain conditions. These conditions are generally prompted by the preferences / requirements of end users (such as with respect to the final building fit-out). Aside from that, HMO secures local authority commitment before providing the financing.

# The business and value cases

## First phase of the development of the Wezo site by Businesspark Zwolle B.V.

### General aspects:

- Businesspark Zwolle B.V. has acquired part of the Wezo site (2,5 ha) to build two buildings (A and B) to lease to (local) businesses, including Sligro.
- To enable Sligro's relocation to building B, Businesspark Zwolle B.V. has purchased the former Sligro building.
- Due to a lack of funding, the planned development by Businesspark Zwolle B.V. initially fails to get off the ground. As a result, Sligro could end up leaving Zwolle altogether.
- In partnership with the Zwolle local authority, HMO provides process support.
- HMO fills the remaining funding gap.

	Business case	Value case
<b>Value prospect</b>	<ul style="list-style-type: none"> <li>• To offer specific development options for local and regional businesses, including Sligro.</li> </ul>	<ul style="list-style-type: none"> <li>• The first step in the regeneration of an outdated and partly vacant but strategically located business park;</li> <li>• To create room for new uses;</li> <li>• To preserve and create local jobs.</li> </ul>
<b>Parties involved</b>	HMO, Businesspark Zwolle B.V., Sligro, other businesses (tenants), Zwolle local authority	HMO, Zwolle local authority, Overijssel provincial authority
<b>Costs</b>	<ul style="list-style-type: none"> <li>• Acquisition of former Sligro building (1 ha);</li> <li>• Acquisition of land for buildings A and B (2.5 ha);</li> <li>• Preparing the site for construction;</li> <li>• Development costs for buildings A and B;</li> <li>• Sligro building refurbishment costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Municipal investment in access road and utility connections;</li> <li>• Provincial grant for restructuring;</li> <li>• HMO's process costs.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• Lease income from businesses in buildings A and B and the former Sligro building.</li> </ul>	<ul style="list-style-type: none"> <li>• Immediate occupation of vacant building and unused sites measuring a total of 2.5 ha;</li> <li>• Improved accessibility of the business park;</li> <li>• Sligro, a major employer, stays in Zwolle;</li> <li>• New businesses opening up at the business park, including businesses in the leisure sector;</li> <li>• Job creation;</li> <li>• A basis has been laid for further development of the Wezo site.</li> </ul>



	<b>Business case</b>	<b>Value case</b>
<b>Financing</b>	<ul style="list-style-type: none"> <li>• Primary financier (bank)</li> <li>• HMO</li> <li>• Businesspark Zwolle B.V.</li> <li>• Tenants</li> </ul>	<ul style="list-style-type: none"> <li>• Zwolle local authority</li> <li>• Overijssel provincial authority</li> <li>• HMO</li> </ul>
<b>Risks</b>	<ul style="list-style-type: none"> <li>• Disappointing lease uptake of commercial property;</li> <li>• Delay in the development process;</li> <li>• Inability of Businesspark Zwolle B.V. to repay the loan.</li> </ul>	<ul style="list-style-type: none"> <li>• Disappointing lease uptake leads to rising vacancy levels and job losses at De Vrolijkheid.</li> </ul>
<b>HMO risk management</b>	<ul style="list-style-type: none"> <li>• Actively forging a relationship between the relevant stakeholders (Zwolle local authority, Businesspark Zwolle B.V., contractor, and tenants);</li> <li>• Checking the financial situation of the private contract parties involved;</li> <li>• Loan agreement based on previously signed leases and ensuring sufficient security (agreement on being jointly and severally bound, 2nd right of mortgage and pledge).</li> </ul>	

# Realisation and results

The realisation phase comes with multiple challenges for HMO, relating mainly to keeping the financial risks to which HMO is exposed in this project under control. The first challenge is to ensure the project makes sufficient progress throughout the construction phase, so that buildings are completed and available to the end users on schedule. At the same time, HMO needs to keep working to find further tenants, as that will benefit the development and boost the investment and market value of the buildings. Businesspark Zwolle B.V. needs to increase the value of the property as much as possible, because that will enable it to repay the loan provided by HMO. And finally, there is the challenge of finding parties interested in investing in the acquisition of the finished buildings.

## 2011-2017

The realisation process for all three buildings (A, B, and the former Sligro building) is split up into two phases. The first phase (2011 - 2013) is all about the building process, following which the first tenants can move into (part of) a finished building. The subsequent phase (2013 - 2017) is a slightly more passive one. Parts of the buildings will remain vacant during this period. There is meanwhile mention of potential tenants for these available parts of the three buildings (who generally want final building fit-out work completed first). This makes the total project increasingly attractive for investors. These phases are described in greater detail for each building in the following paragraphs.

### *Building A*

Building A will be completed in December 2011. By mid-2013, a large part of the building (40%) is still not leased, which makes it harder to sell the building. Partly thanks to the bridging loan issued by HMO in August 2013, the final fit-out for several potential tenants can be completed. This is a loan that will have to be repaid in full in a lump-sum payment after 2 years and is intended solely for the fit-out of immovable property. The loan pays off. From 2014, more and more units in building A are



leased, until 2016 when the building is fully leased. Tenants include consultancy firms (synthetic materials, office equipment), a publishing company, an accounting firm, and a property management firm.

### *Building B*

Based on the financing agreement signed by HMO and Businesspark Zwolle B.V. in May 2012, HMO issues a loan. This loan is intended to fund the construction of building B, and it has to be repaid in full in one lump-sum payment after 2 years. The new Sligro store subsequently opens its doors on 22 October 2012. Businesspark Zwolle B.V. has, therefore, held up its end of the bargain with Sligro, meaning that the lease for 87% of building B to Sligro can go ahead. The opening of the new Sligro store is marked by an official ceremony that is organised partly by HMO. With this ceremony, HMO intends to draw attention to developments at De Vrolijkheid, hoping to get local parties interested and stimulate them to develop new projects in the immediate vicinity to the new Sligro site. The event is largely intended to stir up interest.

In late 2012, there is still 2.100m<sup>2</sup> (13%) of space available for leisure use. The initially interested leisure party (Urbana) has meanwhile pulled out. In mid-2013, a new party states an interest, one that wants to open a bowling, glow golf, and snooker centre (Bowlen en Zo). Again, an additional investment will be needed to make it possible for the building to accommodate such a centre. HMO provides a bridging loan for it in August 2013. In the end, the bowling, glow golf, and snooker centre does not open its doors until mid-2017. The delay is due to the objections lodged during the planning permission procedure for the required amendment to the zoning plan to allow leisure and hospitality on the site. These objections came from a local hospitality business that objected to the large scale of the newly permitted hospitality use. However, the administrative court did not agree, which made planning permission irrevocable in 2017.

#### *Former Sligro building*

The former Sligro building has been owned by Businesspark Zwolle B.V. since 2007. In December 2012, Businesspark Zwolle B.V. signs a lease with Djambo Kidsplay. Under this 10-year lease, Djambo Kidsplay has 2,560m<sup>2</sup> of commercial floor space available in the former Sligro building, where it intends to open an indoor playground. One key condition in this lease is that Djambo Kidsplay will receive a contribution from Businesspark Zwolle B.V. towards the required architectural upgrades to the building. In the spring of 2013, HMO issues a bridging loan for this purpose. This loan is intended solely for the fit-out of the former Sligro building, and it will have to be repaid in full in a lump-sum payment after 6 months. The fit-out is performed immediately, allowing the indoor playground to open its doors in mid-2013.



With the indoor playground up and running, there is still 2,760m<sup>2</sup> of floor space (52%) available. In 2016, Businesspark Zwolle B.V. enters talks with an international investment company that wants to operate a trampoline park in the building. This plan does indeed materialise (called Rebound World Zwolle) and is, with 1,500m<sup>2</sup> of trampolines, the Netherlands' largest trampoline park at the time.

### **The situation by mid-2017**

The illustration on the next page shows the situation of the first phase of Businesspark Zwolle B.V. in late 2017.

*See the map of the final situation on the next page >>*

By then, the three buildings are still owned by Businesspark Zwolle B.V. and fully leased. Businesspark Zwolle B.V. has meanwhile been able to repay two of the four loans to HMO in full.

The primary financier of the project (a bank) has expressed a willingness to refinance the entire first phase of the project. This creates financial room for Businesspark Zwolle B.V. to, in the short term, also repay the other two loans it received from HMO.

### **The effects of redevelopment**

With the first phase of Businesspark Zwolle B.V.'s project completed, HMO seems to be on track to hit its original targets by early 2018. Besides successful development of an unused site, a 'carousel' of surrounding projects at De Vrolijkheid has been set in motion.

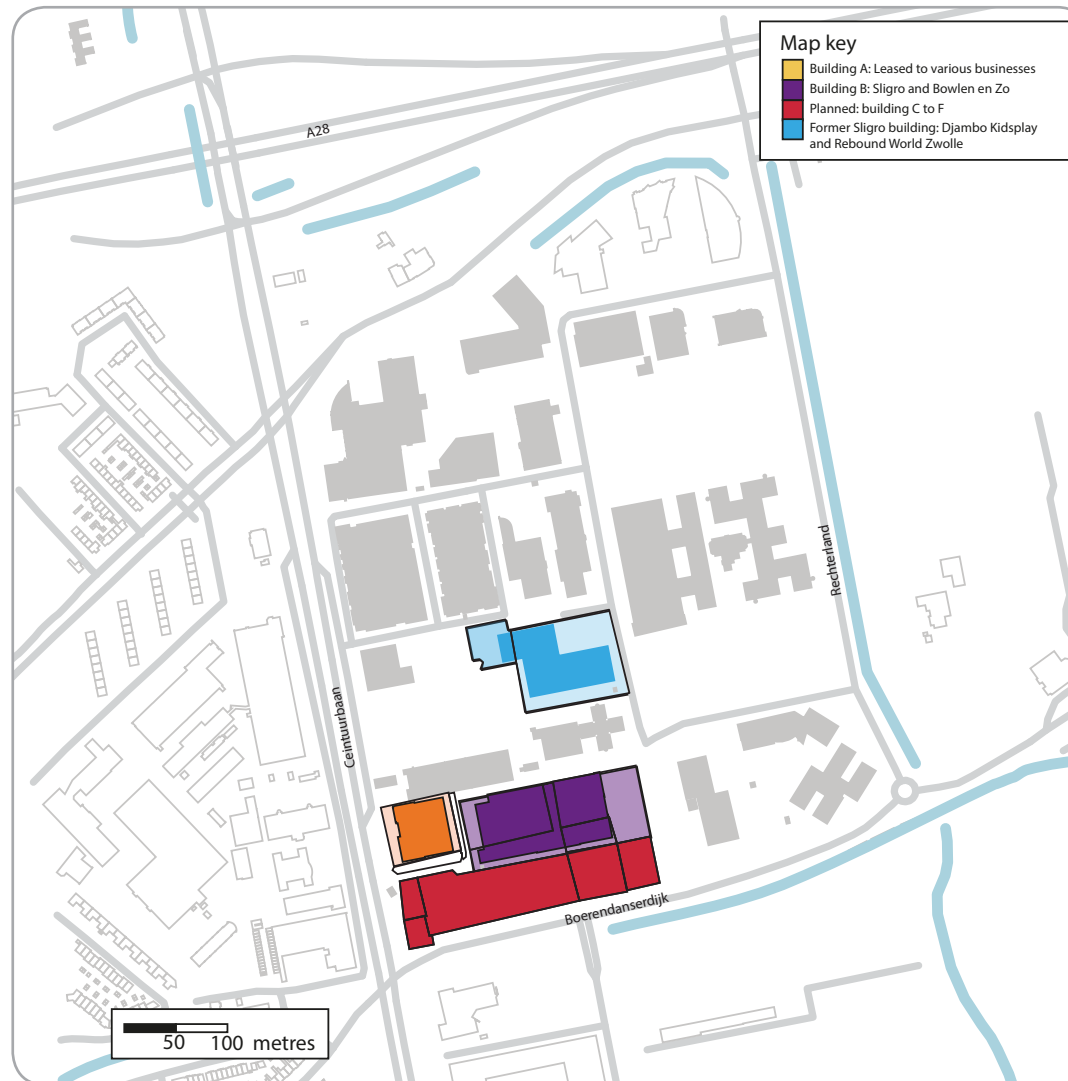
The direct result of the redevelopment is a regenerated business and industrial park of 3.5 hectares, thanks to construction of two new buildings (A and B; 2.5 ha) and redevelopment of the former Sligro building (1 ha). All three properties are fully leased from 2017. There is also clear indirect impact, as seen first and foremost in the projected second phase

of the development (the four buildings C to F) on the southern part of the Wezo site. For this part of the project, Businesspark Zwolle B.V. buys the southern part of the Wezo site (1.3 ha) from the Zwolle local authority in August 2017. And a building on a plot that borders on the Wezo site has recently received an upgrade for new activities.

As far as the public areas are concerned, a new access road to the Wezo site from Boerendanserdijk has been built. The Zwolle local authority has furthermore invested in a general upgrade to the public areas. The four loans that HMO has made available for the project since 2011 have been paid back in full within a short time span. The investment made was therefore entirely revolving. The combination of investing and providing process support has, therefore, according to HMO, been a factor in the project's success. HMO does emphasise based on this project, however, how unpredictable development projects are and how important it is for investors to be prepared to persevere. The initial term that HMO had stipulated for its financing (repayment within a maximum of 5 years) has, however, been exceeded to a small degree.

# Map of the final situation

<< *Back to the relating text*



## *The gift of HMO*

“A great gift during complex urban projects,” that is how the responsible member of the Zwolle municipal executive, Mr De Heer, typifies HMO’s position based on his experiences with the Zwolle Business Park project. “A critical, businesslike partner that you want every local authority to have by their side during difficult development projects, such as business parks or other urban developments,” according to De Heer.

Strong words of praise that underline HMO’s crucial role in this project. Without HMO’s involvement, it would, according to the member of the municipal executive, have been uncertain if and how the project would have been completed. Would the Zwolle local authority have been able to keep Sligro in Zwolle? What is undeniable is that the local authority would have had to fork out. Just think of the costs it would have incurred if much more of the land would have remained undeveloped, and not to forget the interest charges and the costs of the administrative decision-making process with respect to a new ‘problem area.’

Where HMO added value to this area development project is, according to De Heer, in its unique nature and role compared to other stakeholders. HMO is a party that is able to take an objective look at a case, detached from specific municipal (political) interests, albeit while never losing sight of the overall

provincial restructuring task that HMO has been set. Aside from that, HMO has the resources to be able to provide a financial injection. But besides funding, HMO provides knowledge and advice. This combined working method makes it possible to better structure the process. The member of the municipal executive has furthermore found HMO to be a reliable partner. When it comes to expertise in the area of money, risks, and knowledge, HMO “is the party you want to have at the table.” A party that does not throw in the towel when there turns out to be a deficit in the business case. That is precisely when HMO engages with private-sector developers, looking for investment. Still, HMO always maintains its critical attitude. Whenever an adequate feasible case turns out to really not be possible, they are not afraid to pull the plug on it either; too bad. And that is when you, as a local authority, know enough.



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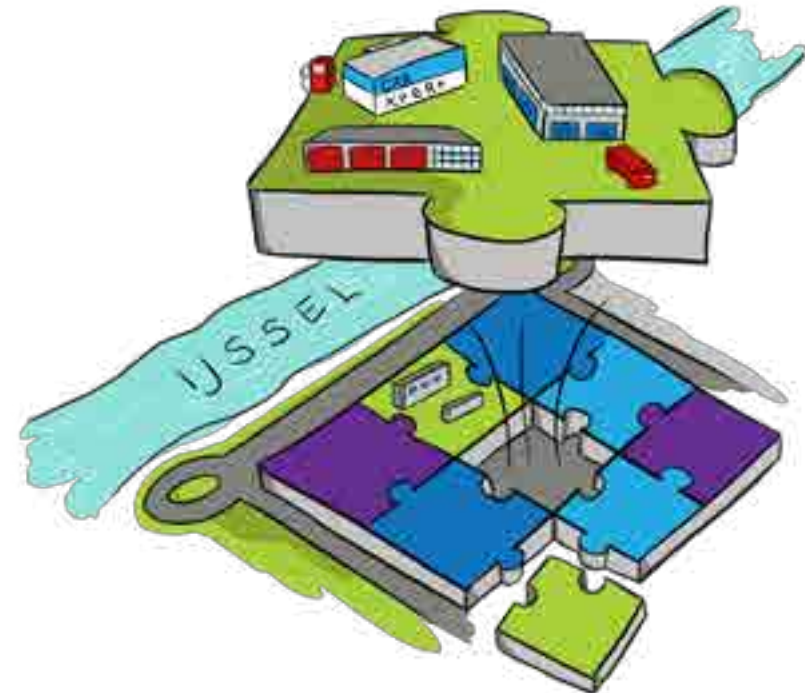
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# Ch.7 De Enk

De Enk is a business park that measures 18 hectares. The need for extensive restructuring becomes clear in 2008. The layout of plots and the road structure are in need of an upgrade and there are several undeveloped plots and vacant buildings that need to be dealt with. At the end of 2009, HMO becomes involved in the drafting of an investment strategy, where the emphasis is on striking a balance between business relocations and tackling vacancy rates. Over the years that follow, there is increasing clarity on specific opportunities for a 'carousel' of business relocations. One specific plot is centre stage in this development project. To seize the various opportunities, HMO acquires this plot, arranges demolition of the building on the plot, has the soil cleaned up, and subsequently sells the plot for the construction of a multi-tenant commercial property with lock-up garages and a new building for Autobedrijf van Gurp (used car dealership and garage). The end result is better utilisation of space, new economic activity, new jobs, and resolution of specific zoning plan-related problems.

## Content:

- > Facts & Figures
- > The initial situation
- > Starting the initiative
- > Identifying opportunities
- > The opportunity map
- > Building business and value cases
- > The business and value cases
- > Realisation and results



*Smart combination of  
company relocations, vacancy  
reduction, and redevelopment  
of available sites*



# Facts & Figures

## Projects

Relocation of Kluin Wijhe and CarXpert Van Gorp, redevelopment of their former sites, and relocation of Autobedrijf Nienhuis.



## Investment by HMO

€1.6 million

## Other private investment

At least €5.3 million

## Result

3.5 hectares regenerated (transformation, repositioning)

## The project shows how to:

- Find customised solutions for two businesses on a small unused site of 0.7 ha;
- Speed up a restructuring process by adopting an active facilitatory and intermediary role;
- Make company relocations viable by balancing the sale of the former site with the acquisition of a new site;
- Adopt the long-term perspective and commitment needed to achieve results.

# The initial situation

**Everyone understands the need for extensive restructuring, but as yet there is insufficient willingness to invest in specific solutions.**

## De Enk business park

De Enk is situated in the western part of the village of Wijhe. To the west, the business park borders on Rijksweg and the river IJssel, while there are residential areas to the east and the north of the business park, and agricultural land to the south. Allocation of land at De Enk started back in the late 1970s. Today, De Enk is a mixed-use business park of over 18 hectares, where all the land has been allocated and the companies based there have strong local roots. The business park is intended for companies up to environmental impact category 4, and it is also home to a number of sites where residential and commercial use are mixed. The primary access road into the site runs via Omloop from the Rijksweg (N337) trunk road, which ensures good access to the nearby towns of Deventer and Zwolle. For transportation by water (River IJssel), there is an unloading quay available at De Enk.

## The run-up

In late 2006 / early 2007, the viability of sustainable reinforcement of De Enk receives a serious boost following a quick scan by Oost NV. Talks are held with land owners, companies, and representatives of the local authority. In 2007, the results of this quick scan are used as input for the development of a vision for the future of the Olst-Wijhe municipality. The parties involved point out that the layout of plots and road structure at De Enk is below par, and that there are some vacant buildings and undeveloped sites. The Olst-Wijhe Future Vision entitled 'Versterken van een dijk van een gemeente,' which loosely translates as 'reinforcing a cracker of a municipality,' is published in April 2008. When it comes to De Enk, the vision states that this business park will undergo a smart restructuring process that is intended to recover approximately 2 hectares of land. The northern part of the business park is to be transformed, while the central area will be retained as a business park. Strips of land

along the edges of the business park will be repurposed to better blend into the surrounding area. The southern part of De Enk is considered an ideal location for the two car-related businesses, while the eastern part (bordering on the residential area) is prioritised for residential use.

In 2008, the local authority teams up with local businesses, residents, and Oost NV in further working on sustainable reinforcement of the site. DHV performs a quality scan over the period from June to October 2008. The baseline assessment of the business park returns a score of 0 stars on a quality scale of 0 to 5. The scan concludes that De Enk offers potential for development up to a quality level of 3 stars. Apart from improving the road structure and finding solutions for the unused sites, the focus must be on energy performance, sustainable construction, digital accessibility, management structure, and collective facilities. In parallel to the performance of the scan, a restructuring plan is developed for the area and ultimately adopted on 19 October 2009.

*See map of the initial situation on the next page >>*

## The situation in late 2009

The restructuring plan offers a clear starting point and framework for work on a business park with approximately 50 companies and approximately 560 jobs. Improvement of the road structure and future possibilities of having companies with a higher environmental impact rating on the site are considered complex challenges. The plan offers specific solution avenues for the following challenges: The right company on the right plot; Undeveloped plots; Vacant plots/buildings for lease and for sale; Commercial properties with low visual quality, external storage needs, and fronts; (Company) houses; Green areas and plot boundaries - differentiation between publicly and privately owned land. Given that many of the intended developments have spatial impact, the starting points from the restructuring plan need to be laid down unequivocally in a (new) zoning plan.

# Map of the initial situation

[<< Back to the relating text](#)



# Starting the initiative

## Triggers & Initiators

The restructuring plan (with the corresponding realisation chapter) paints a clear picture of the interests and objectives of the various stakeholders.

As a business park, De Enk is of enormous social and economic importance for Wijhe. Sustainable reinforcement of this business park is, therefore, important to the Olst-Wijhe local authority. The local authority has set clear goals for the profiles of the sub-areas and development of



the transitional areas between the business park and the surrounding area and (primarily) wants to invest in the public areas. The business community is unhappy with the quality of the business park and wants certainty on the future of economic activity on the site (especially heavy industry) in light of their own investment plans. The business community wants to invest in, for example, space for business expansions, new buildings, or concentration of certain types of economic activity on one site. Both for companies and for the local authority, improving access to the business park is an important point. Local residents want good quality of life. In the 2009-2015 Multi-Annual Programme for Thriving Activity, the Overijssel provincial authority has identified a total restructuring need spanning 12.6 hectares of land at De Enk, awarding a €1m grant for sustainable reinforcement of this business park in the fall of 2009. And finally, Herstructureringsmaatschappij Overijssel (HMO) has been put in charge of realising the restructuring task specified in the multi-annual programme, giving HMO a specific reason to get involved in the project at De Enk.

## From individual to shared interests

Over the period from 2006 to late 2009, the individual interests and objectives of the Olst-Wijhe local authority, local residents and businesses currently based at De Enk become increasingly clear. Simultaneously, forecasts provide better insight into the shared interests. Bringing interests together is paramount in identifying willingness to invest in customised solutions. In late 2009, talks between HMO and the Olst-Wijhe local authority lead to HMO accepting a specific role in the project.

## Focus on private investment appetite

HMO's brief is to gauge willingness to invest among private-sector parties. Insight into investment appetite is needed to be able to assess whether investments from the private sector and the public sector can be mutually reinforcing. This exploration of investment appetite is intended to lead to the formulation of an investment strategy.

# Identifying opportunities

**There are various (partially) unused plots and vacant buildings at De Enk and a number of businesses are looking to relocate to better accommodation. Matching private-sector interest to the available space at De Enk itself is a considerable challenge. The first step is to gain greater insight into plans, specific needs for buildings and sites, and parties' willingness to collaborate on specific developments.**

## *Market prospects and investment strategy*

HMO wants a clear starting point to enter into talks with individual entrepreneurs in the area. A preparatory meeting with the local authority is used to get an idea of the local authority's assessment of current and intended economic activity at De Enk. Together with the local authority, specific objectives are formulated for the gauging of interest among private-sector parties and a list is compiled of relevant private-sector parties for talks in January / February 2010.

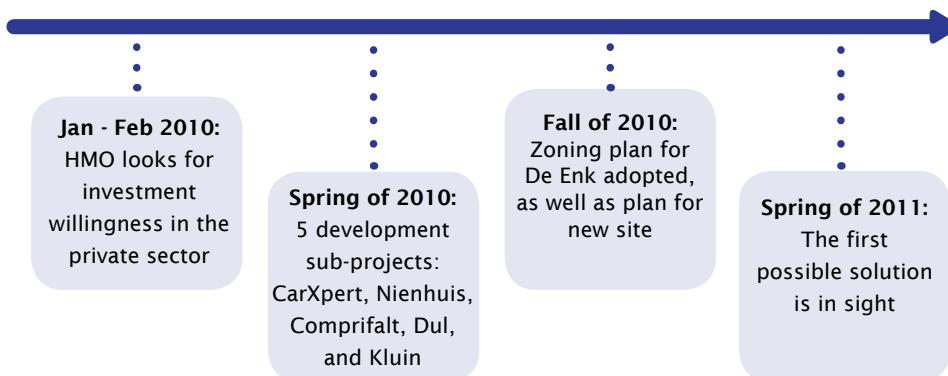
## *10 meetings with entrepreneurs*

At each meeting, HMO's primary focus is on assessing the interests of the individual entrepreneur. These meetings are consequently mainly about ambitions and investment appetite, and the conditions on which the entrepreneur would be willing to invest.

The result of the first (limited) stakeholder analysis is insight into the correlation between interests, i.e. how the various plans of the entrepreneurs (and other parties) could reinforce each other or potentially clash. This analysis confirms most of the choices that have already been made in the vision for the future and the restructuring plan, while providing additional information on preferences and specific plans for new developments and relocation. In many of these cases, it is clear that the quality of the current building and/or site impedes further development of the businesses. The business park offers room for further development. Some plots are vacant, while others are only used partly. Examples include a garage on a plot of approx. 2,800m<sup>2</sup> that is available for lease and two sites owned by Kluin Wijhe B.V. that are only used partly and measure 0.7 hectare and 1 hectare respectively. The available space is not only an interesting proposition for a relocation, it is also considered as a site for new activity, such as a multi-tenant commercial building. The entrepreneurs wonder whether there would be opportunities to exchange plots.

The southern part of De Enk is particularly interesting for companies in the car industry, as the road along the southern boundary, Omloop, is the only route for through traffic. A key prerequisite for this is, however, that the entrepreneurs operating in this industry are willing to consolidate their operations. The northern part of the business park is under development. The fact that a new town hall will be built there has consequences for the room for growth for the businesses that are currently based in the Raalterweg area.

Another point to come out of the meetings is that development possibilities for companies with a higher environmental impact rating is also something that needs to be taken into consideration. Developments along the edges of the business park and the presence of company houses on the business park itself lead to increasing spatial limitations. *What's next?*



Although the meetings have identified possibilities for company relocations, they have also shown that there is still a great deal of uncertainty. Going forward, it is important that the zoning plan be adopted at least and that the local authority start work on the public areas as part of the implementation of the restructuring plan. The entrepreneurs can then assess for themselves to what extent they can join in with their own plans. HMO is willing to provide input for the development planning and will assess its possible financial contributions based on financial and spatial impact. Initially, HMO sees three specific possibilities for De Enk: redevelopment of one of the sites of Kluin Wijhe B.V., relocation of CarXpert van Gulp with redevelopment of its former site, and relocation of Autobedrijf Nienhuis.

#### *Redevelopment of the Kluin site: opportunity for Comprifalt?*

The first opportunity concerns a possible relocation of the company Comprifalt, which currently leases space in a unit behind the site where the new town hall is to be built. HMO provides process support in explorations for the possible acquisitions and redevelopment of the Kluin site in combination with relocation of Comprifalt. There are various complicating factors, such as the possible acquisition of the adjacent unused land owned by Arva, improvement of access to the Kluin site, and the considerable time pressure. In the end, it proves impossible to align the various developments within the available time, and this particular attempt was abandoned in July 2010.

#### *Autobedrijf Nienhuis to Dul site?*

The second development revolves around Autobedrijf Nienhuis, which is also currently located next to the yet-to-be-built town hall. Given that the new town hall may have an impact on the company's further development, Nienhuis is looking for a (different) high-profile location with development prospects and good accessibility. A site that would suit Nienhuis is currently lying vacant in the southern part of De Enk and has been for several years. Relocation of the Nienhuis used car dealership

and garage would be an opportunity, provided the businesses involved make good arrangements between them and with the local authority. HMO explores the possibilities for such arrangements. However, there is one important difference of opinion. Nienhuis wants to buy the site, while Dul only wants to lease it. HMO concludes that there is no basis to continue down this particular avenue (yet).

#### *Focus on CarXpert van Gulp*

The third development avenue is all about CarXpert van Gulp, a company that includes a petrol garage, bus rental operation, and company house on Enkweg. Areas along this road, Enkweg, have already been redesigned for the purposes of residential use. Both the vision for the future and the restructuring plan focus on further reinforcing residential use of this side of De Enk. Relocation of CarXpert van Gulp would free up a plot of 0.4 ha. The soil of this plot is contaminated. Relocation of the company means finding a new site, transforming the current site to accommodate residential use, and consolidating the plans in one business case.

#### *Development planning by the Olst-Wijhe local authority*

In mid-August 2010, the zoning plan for De Enk is adopted. At the same time, planning permission from the Overijssel provincial authority for the creation of the new Noordmanshoek business park is being debated. This new business park seems to offer good development options for the businesses that are currently based at De Enk. These options are taken into consideration in the search for solutions to the spatial issues that several companies at De Enk are grappling with, but ultimately there turns out to be insufficient interest in the new business park. Plans for the Noordmanshoek business park are subsequently abandoned in May 2011.

#### *HMO continues the search for specific opportunities*

In May 2011, HMO deems two combinations of relocations and sites particularly promising: Relocation of CarXpert van Gulp to the Dul site

and relocation of Comprifalt to the vacant Kluin site. Both developments potentially lead to redevelopment of unused plots and accommodate both these two companies and new companies at more suitable sites. For both these options, HMO looks into whether HMO itself would be able to contribute (financially) to the process.

#### *Solution for Autobedrijf Nienhuis?*

The plan to relocate Nienhuis gains momentum in 2011. The Olst-Wijhe local authority buys a plot of land to the south of the southern access road to De Enk (Omloop) and offers Nienhuis the opportunity to buy part of it. HMO plays a key role in getting Nienhuis interested in this relocation, while also playing an advisory role towards the local authority in the valuation of the former Nienhuis site.

#### *New plans for (re)development of two Kluin sites*

In assessing its options for a relocation, Kluin Wijhe, an operating company owned by Aalberts Industries, enters talks with HMO to discuss its plans. Kluin initially intended to sell a site it owns on Nijverheidsweg and use the proceeds to upgrade its main premises on Industrieweg. Recent market developments, however, have made it more attractive for the company to go for the 'reverse' option, i.e. to sell its 0.7-hectare site on Industrieweg and develop the slightly larger site of 1 hectare on Nijverheidsweg to build new premises there.

An added advantage is that operations up to environmental impact category 4 are allowed on this site, and Kluin needs this clearance to be able to operate. HMO discusses the plans with the company and the local authority.

#### *Increasing urgency for CarXpert van Gorp as a new option arises*

CarXpert van Gorp is increasingly 'stuck' at its Enkweg location and makes it clear in talks with the local authority, HMO, and property developer Onis Vastgoed that they urgently need to choose between renovation and a new building. Earlier attempts to find a suitable site were unsuccessful. In October 2011, the newly arisen option of the Kluin



site that may become available is discussed. This 0.7-hectare site is too big for CarXpert van Gorp alone, meaning that a combined solution needs to be found, involving other economic activity. Might this site be interesting to the engineering services provider Jansen Venneboer? HMO tries to develop a suitable construction for Van Gorp.

In late November 2011, HMO, the Olst-Wijhe local authority, and Kluin discuss the situation. It is now clear that Kluin will relocate to the Nijverheidsweg site and sell its site on Industrieweg. The vacated site and part of the existing buildings there could be redeveloped for CarXpert van Gorp and Jansen Venneboer. It has recently turned out that Onis Vastgoed, too, is interested in part of the site. In concrete terms, Jansen Venneboer could buy part of the office building (0.15 ha), while CarXpert and Onis Vastgoed could acquire 0.4 ha and 0.15 ha respectively. A new opportunity has been found.



## Lessons learnt

### *LL7-1 Carefully choose which parties to talk to during initial explorations*

In consultation with the Olst-Wijhe local authority, HMO opts to have only a limited number of talks with private-sector parties. What is important is to get an idea of the situation at the business park as quickly as possible. Talks are held with entrepreneurs who are expected to offer keen insights into the situation at the business park, have experienced bottlenecks, and/or can have significant influence on the targeted development of the business park, such as through the realisation of their own plans.

### *LL7-2 Always take an entrepreneur's individual interests as the starting point*

Business continuity is always an entrepreneur's first priority. All threats and opportunities are weighed based on their impact on continuity. HMO therefore takes the individual interests of these entrepreneurs as the starting point in looking for restructuring opportunities. Does the current (spatial) situation impede growth of the business? Are there any trends or developments that will alter the interest in or urgency behind change? Could collaboration with specific other entrepreneurs offer real prospects for the future?

### *LL7-3 Make an opportunity map*

HMO uses its newly gained insights into individual plans and bottlenecks to make an opportunity map. An opportunity map shows where individual plans potentially reinforce each other (synergy) or clash (antagonism). HMO's well-considered and targeted tactic is to identify synergy and to resolve conflicts, preferably within one well-chosen solution.

### *LL7-4 Combine 'old' and 'new' in one business case*

Business cases for company relocations almost always include costs and benefits for both the old and the new site. Proceeds from the sale of the old site are often needed to purchase the new site and build new premises on it. Right from the start, HMO takes this spatial and financial dependency into consideration in the quest for opportunities.

### *LL7-5 Assume an active role as intermediary*

Companies focus on their core business. HMO speeds up the process of identifying opportunities for developments such as company relocations by assuming an active intermediary role between entrepreneurs and between entrepreneurs and the local authority.



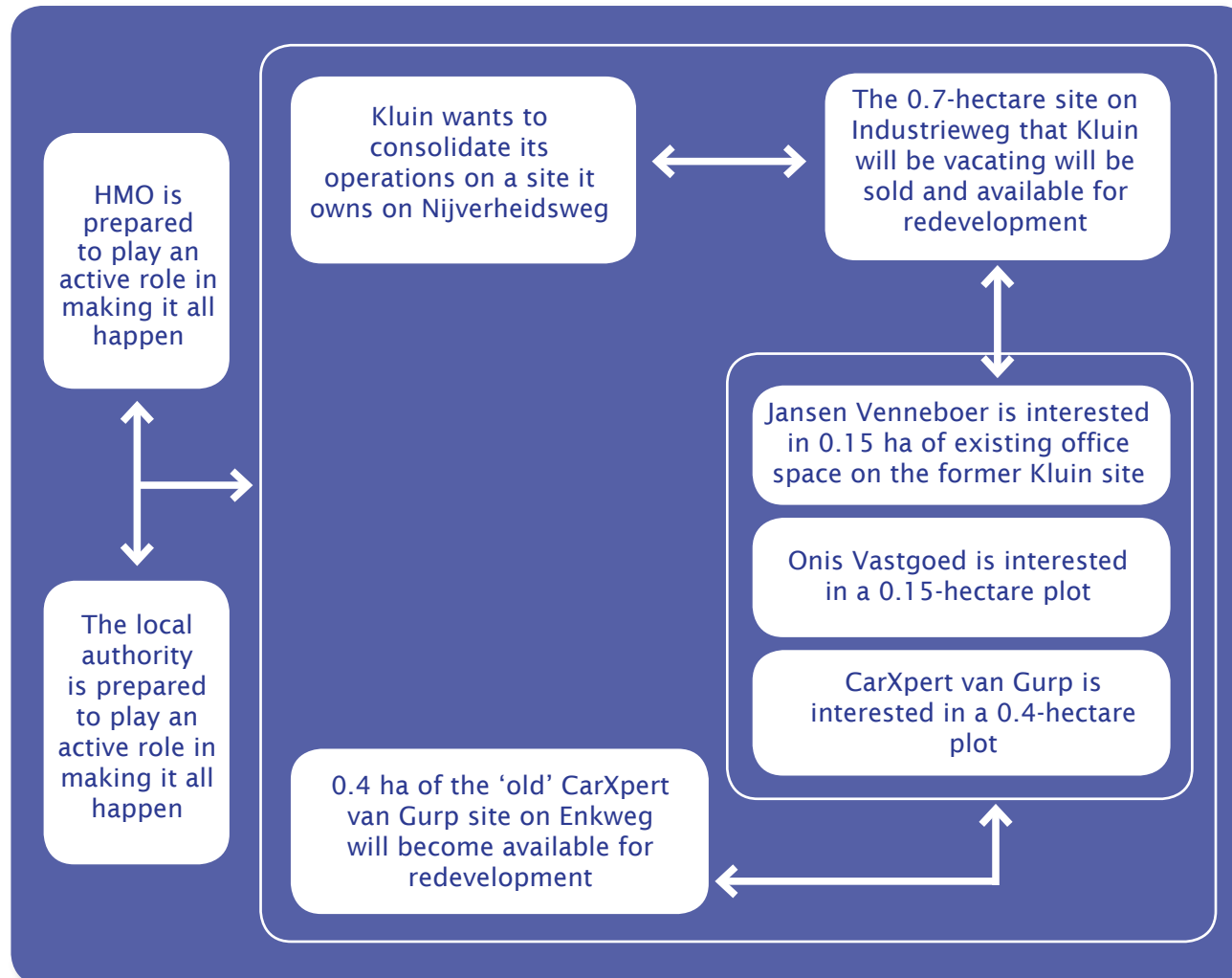
# The opportunity map

## Redevelopment of 2.1 hectares in one combined solution?

Consolidation of Kluin's operations on the site on Nijverheidsweg, redevelopment of the old Kluin site on Industrieweg, and subsequently finding a good solution for the current CarXpert site on Enkweg could

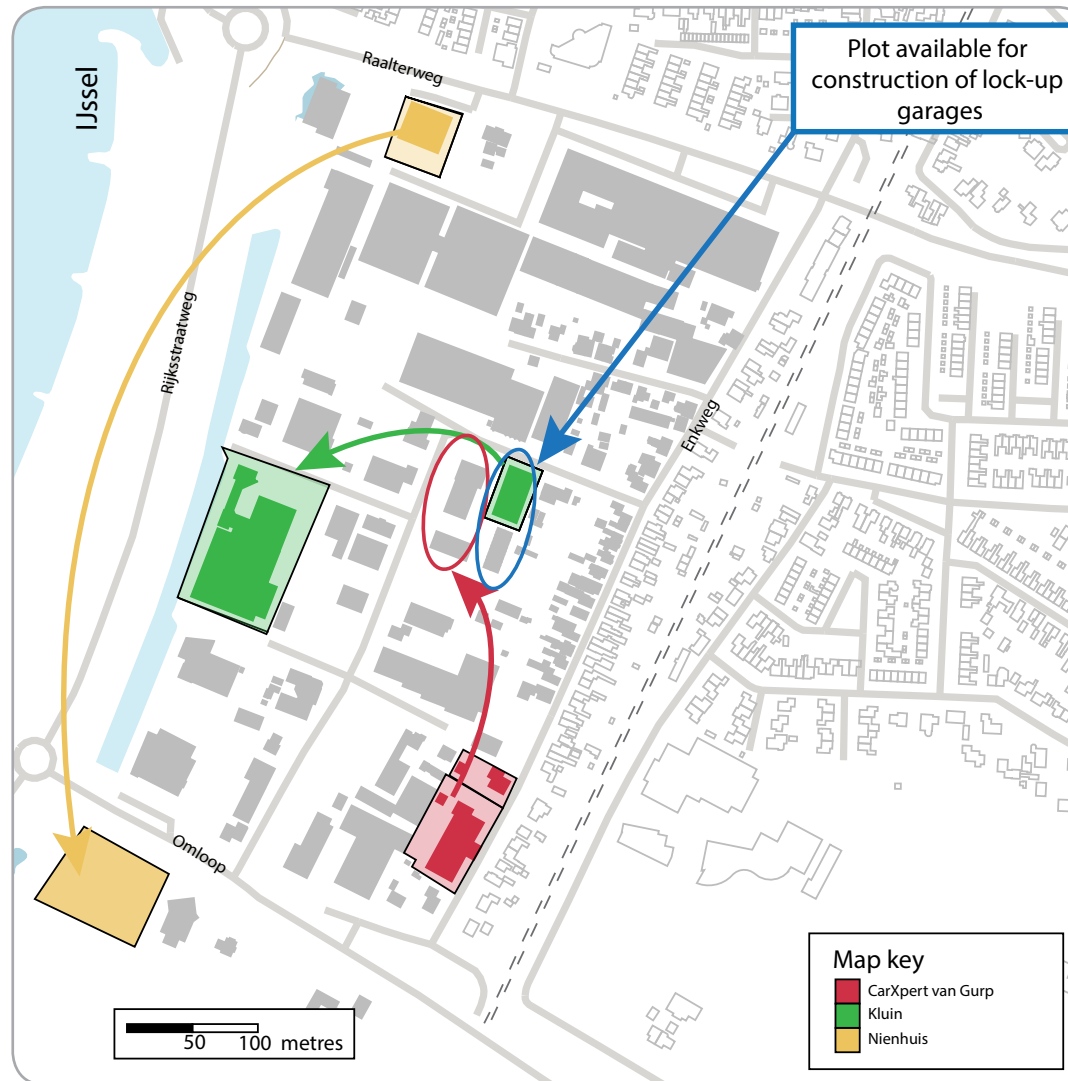
create a win-win situation for multiple individual entrepreneurs and their businesses, as well as for the overall vitality and future-proofing of De Enk.

*See the Opportunity map on the next page >>*



# Opportunity map

<< Back to the relating text



# Building business and value cases

**This complex opportunity can be seized only if good solutions are found for all parties involved. Individual plans for new buildings or relocation to existing ones must be feasible and the various developments need to be aligned properly. Only then will the parties be able to come to an airtight business case (or a combination of business cases). HMO, the Olst-Wijhe local authority and four entrepreneurs are actively involved in the developments. Ultimately, there turns out to be sufficient willingness to invest and a set of suitable financing arrangements are found.**

*The starting point of the process: Focus on the Kluin site on Industrieweg*  
In 2012, HMO has multiple rounds of talks with the various parties involved. The whole undertaking hinges on the sale of the site that Kluin will be vacating. This is because Kluin Wijhe intends to use the proceeds from the sale of this site to fund refurbishments and make production-related investments for its Nijverheidsweg site, while also keeping its options open for a possible merger of all its operations with those of a sister company based in 't Harde. There are various challenges attached to the sale: suitable interest from the parties involved to invest in it; demolition or reuse of existing buildings; the presence of contaminated soil. The Olst-Wijhe local authority's priority is the relocation of CarXpert van Gulp.

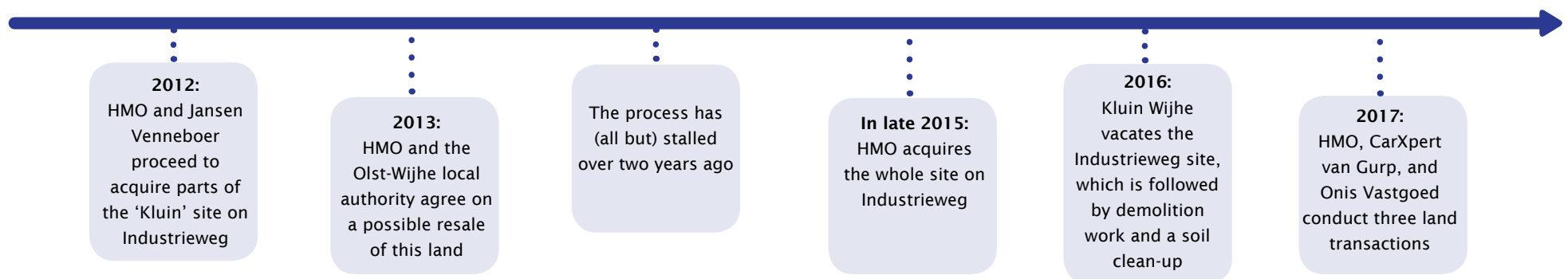
In November 2012, the local authority states that it will grant planning permission for this relocation. If this relocation does indeed go ahead, the local authority will also be prepared to contribute to it financially.

*Active focus on gaining insight into costs and benefits*

HMO tries to accelerate the process in various ways, whereby gaining insight into the costs and benefits of the intended redevelopment is the top priority. With this in mind, HMO works to reach an agreement on the land price (in euros/m<sup>2</sup>) and engages experts to design an approach and make a cost estimate for the soil clean-up. It is Kluin Wijhe's responsibility to make sure the site it sells is ready for development (and the soil has been cleaned up), and so it is important that clean-up costs be incorporated into the sale in an appropriate manner.

*HMO actively joins the redevelopment process*

The general economic situation in 2012 is not favourable. Most of the entrepreneurs involved have very specific ideas for their relocation and the building of new premises, and are willing to invest in that, but developing solid business cases turns out to be difficult. One of Van Gulp's business units goes into liquidation around that time, forcing Van Gulp to put its plans for new premises on hold (for the moment). Given that Onis Vastgoed wanted to build these new premises, they pull



out. HMO is left with the ambitions of Kluin and Jansen Venneboer and decides to purchase Kluin's Industrieweg site to secure progress on the plans for Kluin and Jansen.

In December 2012, HMO and Jansen Venneboer sign purchase agreements with Kluin Wijhe for 0.55 hectare and 0.15 hectare of Kluin's Industrieweg site respectively. The idea is for the soil to be cleaned up in the short term and several of the buildings to be demolished. Jansen Venneboer will then be able to move into the remaining office building, while HMO can work on further redevelopment of the rest of the plot and Kluin Wijhe can relocate to their second site on Nijverheidsweg.

#### *Snag*

Things turn out differently. Kluin Wijhe and Jansen Venneboer have a dispute over the purchase agreement that pushes the planned developments into a deadlock. In the meantime, HMO and the Olst-Wijhe local authority keep working on the combination of the business and value case for the redevelopment. HMO is a temporary organisation that will exist up to the end of 2018, meaning that it cannot take on any obligations that would see it own property beyond that point. Therefore, in 2013, HMO and the local authority agree on a possible resale of the land. As part of this deal, HMO accepts a best-efforts obligation with respect to getting the redevelopment completed before the end of 2018. And if this fails, the local authority will buy the land.

#### *Breaking the deadlock*

Kluin Wijhe continues some of its operations at its Industrieweg premises, while also working on the required adjustments to its Nijverheidsweg site. In the course of 2014, it becomes clear that Kluin does not expect its phased relocation to be finalised until mid-2016. At the same time, the dispute over the purchase agreement between Jansen Venneboer and Kluin Wijhe continues to have a delaying effect on the developments. In the end, the purchase agreement is dissolved.

HMO still sees prospects in the development of the Kluin site, despite the fact that both Van Gorp and Jansen Venneboer have now pulled out. In late 2015, HMO buys the remaining 0.15 hectare of land (which was originally intended for Jansen Venneboer) from Kluin Wijhe. With this deal, HMO is now the owner of the whole plot. Secondly, HMO assumes responsibility for the demolition work and soil clean-up, including responsibility for successful completion of the approval procedure for the clean-up work. Kluin Wijhe and HMO have agreed on solid financial arrangements for the soil clean-up.

#### *Old plans become increasingly viable*

2016 is the year of 'who perseveres wins.' Demolition and clean-up work are completed and the plot on Industrieweg is now ready for development. CarXpert van Gorp, the Olst-Wijhe local authority and HMO together develop a framework for CarXpert van Gorp's relocation from its Enkweg site to Industrieweg. In preparation for planning decisions, this framework is laid down in a pre-agreement for the land development. Planning permission is granted in September 2016. One key point in the restructuring of the business park is that the car dealership, garage and petrol station be relocated to the Industrieweg site. The 'old' site on Enkweg, which borders on a residential area, will subsequently be made available for mixed residential and commercial use. In parallel to these developments, Onis Vastgoed has also resumed its plans to develop a multi-tenant commercial property. The intention is now to realise a combination of a multi-tenant commercial property and a number of lock-up garages.

#### *Three key steps*

At the end of 2016 and the start of 2017, the various developments gain real momentum. CarXpert van Gorp and Onis Vastgoed respectively buy 0.4 hectare and 0.3 hectare of the site at Industrieweg 1 from HMO, while HMO buys the former CarXpert van Gorp site on Enkweg. There is nothing that can stop the various businesses' plans now.



## Lessons learnt

### *LL7-6 Target critical decision drivers*

Willingness to invest is always driven by interests. HMO, therefore, focuses primarily on the essential factors (ambitions, objectives, problems) driving the interests of entrepreneurs and the Olst-Wijhe local authority: enabling the plans of the entrepreneurs involved; reducing vacancy; redeveloping plots; demolition and soil clean-up; relocating companies to sites that are better aligned with area development ambitions; and offering solutions to specific problems.

### *LL7-7 If it can't be done one way, try another way*

HMO initially only intends to be a catalyst in getting the business and value cases off the ground. When the process threatens to grind to a halt, HMO switches roles and decides to invest by buying the whole plot in two steps, increasing its scope for action as HMO can now negotiate on the business cases with interested parties directly.

### *LL7-8 Facilitate companies in activities that are not their core business*

Entrepreneurs want to run their businesses, and the various challenges involved in company relocations are not part of their core business. HMO 'unburdens' entrepreneurs by taking on an active facilitatory role in arranging the demolition work and soil clean-up, as well as in ongoing consultations with the local authority and other private-sector parties.

### *LL7-9 Who perseveres wins: keep focusing on ambitions and willingness to invest*

Ultimately, redevelopment of the plot on Industrieweg has taken several years to complete, partly due to the economic crisis that hit over the same period. To a certain extent, it has been a process of setbacks and breakthroughs. HMO intervened, kept its finger on the pulse of local entrepreneurs and managed to get all the stakeholders together at exactly the right time to commit to a 'package' of interconnected business cases.

# The business and value case

## Company relocations and redevelopment

### General aspects:

- HMO is willing to buy the 0.7-hectare site on Industrieweg from Kluin;
- HMO is willing to organise the demolition and soil clean-up, so that Kluin can maintain its focus on building its new premises and consolidating its operations;
- CarXpert van Gulp is willing to buy 0.4 hectare of the plot to establish (relocate) its car dealership, garage, and petrol station;
- Onis Vastgoed is willing to buy 0.3 hectare of the plot to develop a multi-tenant commercial property and lock-up garages;
- The Olst-Wijhe local authority is willing to contribute to the company relocations;
- HMO is willing to buy the plot on Enkweg that CarXpert van Gulp will vacate.

	Business case	Value case
<b>Value prospect</b>	<p>The total redevelopment is made up of a number of separate, but partly mutually dependent business cases:</p> <ul style="list-style-type: none"> <li>• sale of the plot by Kluin Wijhe to HMO (including demolition and soil clean-up) gives the company the financial leeway it needs to consolidate and further develop its activities at its (second) site on Nijverheidsweg;</li> <li>• the purchase of part of the Industrieweg site offers Onis Vastgoed the opportunity to develop a combination of a multi-tenant commercial property and lock-up garages;</li> <li>• the purchase of the second part of the Industrieweg site in combination with the sale of its former site on Enkweg enables CarXpert van Gulp to realise its plans for new premises for a state-of-the-art car dealership, garage, and petrol station.</li> </ul>	<p>Redevelopment fulfils a central role in the implementation of the restructuring plan for De Enk. Companies are facilitated in realising their ambitions and the project has extensive positive social, economic, spatial, and environmental impact. The combination of all the changes turns the business park into a thriving and future-proof business park, while ensuring a better transition to and alignment with developments in the immediate surroundings.</p>
<b>Parties involved</b>	Kluin Wijhe B.V., CarXpert van Gulp, Onis Vastgoed, HMO, Olst-Wijhe local authority, Overijssel provincial authority	HMO, Olst-Wijhe local authority, Overijssel provincial authority

	<b>Business case</b>	<b>Value case</b>
<b>Costs</b>	<ul style="list-style-type: none"> <li>• CarXpert van Gurp: Enkweg plot demolition and clean-up; land acquisition on Industrieweg; new building;</li> <li>• Kluin Wijhe: vacating the Industrieweg plot, leaving it ready for development;</li> <li>• Onis Vastgoed: acquisition of land on Industrieweg and construction of new building;</li> <li>• HMO: acquisition of plots on Industrieweg and Enkweg;</li> <li>• financial contribution (from restructuring budget) by Olst-Wijhe local authority to relocation of CarXpert van Gurp;</li> <li>• all parties: transaction costs involved in the above operations.</li> </ul>	<ul style="list-style-type: none"> <li>• process costs incurred by HMO and Olst-Wijhe local authority, to the extent that these are not covered in the business case;</li> <li>• financial contribution (from restructuring budget) by Olst-Wijhe local authority to relocation of CarXpert van Gurp; contributions to soil clean-up of Industrieweg and Enkweg plots from the 'Business Sites Soil Remediation Scheme' (2005 Soil Remediation (Financial Provisions) Decree).</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• CarXpert van Gurp: proceeds from the sale of its plot on Enkweg;</li> <li>• Kluin Wijhe: proceeds from the sale of its plot on Industrieweg;</li> <li>• Onis Vastgoed: proceeds from the sale and/or leasing of business units in the multi-tenant commercial property and lock-up garages;</li> <li>• HMO: proceeds from the sale of the plot on Industrieweg and future sale of the plot on Enkweg.</li> </ul>	<ul style="list-style-type: none"> <li>• the positive impact of the relocation of Kluin Wijhe and preparation of the Industrieweg plot for development is threefold: reduced vacancy levels, cleaned up soil, and resolution of a zoning plan issue with respect to the maximum permitted environmental impact rating;</li> <li>• relocation of CarXpert van Gurp fits in with the desired development along Enkweg: a petrol garage has been moved away from the vicinity of a residential area; soil has been remediated; a new opportunity has been created for a new development that is better suited to the nearby residential area;</li> <li>• the construction of new premises for CarXpert van Gurp, the multi-tenant commercial building, and lock-up garages on Industrieweg have a positive effect on the vitality and future-proofing of the business park as a whole and the development of new economic activity in particular.</li> </ul>
<b>Financing</b>	<ul style="list-style-type: none"> <li>• HMO and companies have invested their own funds;</li> <li>• The Olst-Wijhe local authority has invested from the budget available for the restructuring of De Enk.</li> </ul>	<p>Financial contributions by HMO are mostly of a temporary nature and always intended to be revolving and a catalyst to enable, accelerate, and facilitate various company relocations and the associated demolition and soil clean-ups.</p>

	<b>Business case</b>	<b>Value case</b>
<b>Risks</b>	<ul style="list-style-type: none"> <li>· A potential loss for HMO on the overall development (including future resale of the plot on Enkweg);</li> <li>· Disappointing financial yields from developments for specific companies.</li> </ul>	<ul style="list-style-type: none"> <li>· uncertainty with respect to future dynamism in the business community and consequences for the utilisation rate of the available space and the business park's vitality;</li> <li>· potential loss for HMO on the overall development (including future resale of the plot on Enkweg).</li> </ul>
<b>HMO risk management</b>	<ul style="list-style-type: none"> <li>· HMO mitigates (financial) risks by locking in the (possible) resale of a plot to the Olst-Wijhe local authority, maintaining close consultation with the various entrepreneurs about developments and investment willingness;</li> </ul>	



# Realisation and results

**The various developments at De Enk are highly interdependent. For several companies, the will or ability to relocate and invest in a new development hinges on the sale of their former sites to create the financial leeway they need. The challenge is, therefore, to set this whole process in motion, to keep it moving forward, and to convert investment willingness into actual investment at the right time.**

## 2010-2017

The development of the site unfolds in clear phases. The 2010 - 2012 period sees mostly preparatory work, with HMO ultimately acquiring two (of the three) plots on the Kluin Wijhe site on Industrieweg. The third plot is initially bought by Jansen Venneboer, but this sale ultimately falls through. HMO buys this final plot on the site as well, thus becoming the owner of the whole site.

In early 2016, Kluin Wijhe relocates, following which the soil on the vacated site is cleaned up and the buildings are demolished. Kluin Wijhe does, however, not consolidate all its operations on the Nijverheidsweg site, as initially intended. In fact, due to developments in the oil and gas industry, it is forced to cease its original operations (long hole drill bits). Some of Kluin's operations are relocated to 't Harde and its sister company Mogema. However, Aalberts Industries, which owns Kluin, comes up with an alternative for the Nijverheidsweg site. The company Flamco IMZ B.V. settles on the site, integrating some of Kluin Wijhe's operations there as well, and so the whole 1-hectare plot on Nijverheidsweg is used in full after all.

In early 2017, HMO sells land, which has been prepared for building, to Onis Vastgoed and CarXpert van Gulp. Soon after this sale, work on the new buildings for the car dealership and lock-up garages gets underway.

## The situation in late 2017

The lock-up garages and new premises, including a petrol station, for

CarXpert van Gulp have been completed. The plot on Industrieweg has been redeveloped successfully. The basis for redevelopment of CarXpert van Gulp's former site, which is now owned by HMO, was laid by CarXpert van Gulp vacating the site and the commencement of work on the soil clean-up. This site offers excellent possibilities for residential use or combined residential/commercial use (see map of the final situation on the next page).

*See map of the final situation on page 115 >>*

## Look back and summary

Almost 10 years after publication of the Olst-Wijhe Future Vision entitled 'Versterken van een dijk van een gemeente,' which loosely translates as 'Reinforcing a cracker of a municipality,' many of the desired developments have become reality. The restructuring has indeed led to better utilisation of the available space at De Enk, complete with a positive spin-off to new economic activity, more jobs, and resolution of specific problems. Besides all of that, the edges of the business park have been repurposed to make them better blend in with the business park's immediate surroundings by consolidating car-related businesses at the southern part of the business park, while space for residential use has been created along the eastern edge, which borders on a residential area.

What is fascinating to see is that HMO's three 'predictions' going into the process in 2010 have all come true: one of the two Kluin sites has been redeveloped, and both Autobedrijf Nienhuis and CarXpert van Gulp have relocated. The former Nienhuis site, next to the new town hall, is now home to a health centre, which is in line with original plans for the area.



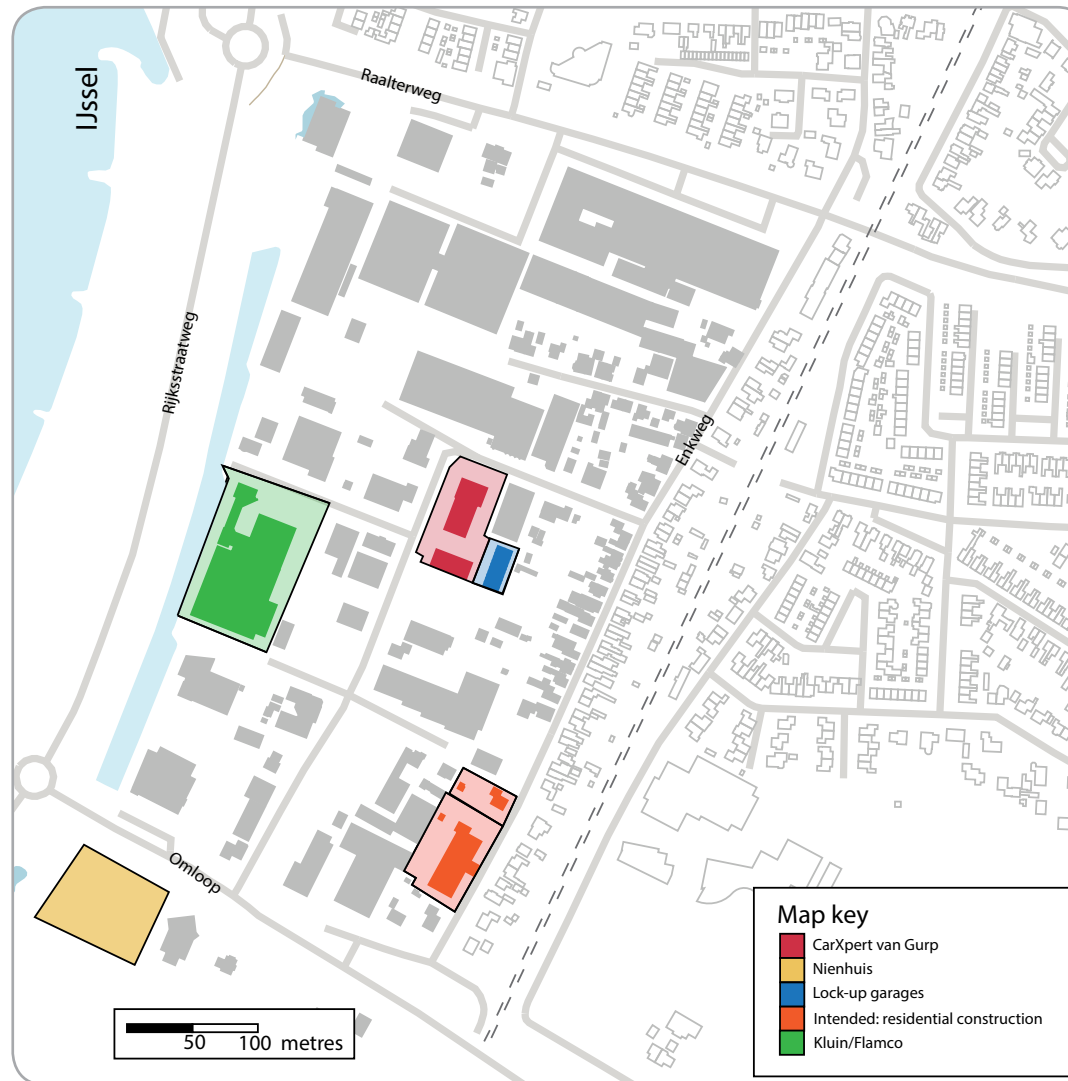
## Lessons learnt

*LL7-10 The development of a business park is never 'done'*

Although the various restructuring activities over the past years have turned De Enk into a more thriving and future-proof business park, the fact that the whole process took a long time has also shown that the impact of interventions is always temporary. The dynamic nature of the process means that quality development must always be top of mind. This means smart combination of a long-term programme and a process with specific targeted projects, i.e. exactly what HMO has done since it first got involved in the restructuring of De Enk back in 2010 and which turned out to be required for a successful final redevelopment phase for the former CarXpert van Gulp site on Enkweg.

# Map of the final situation

[<< Back to the relating text](#)



## *HMO: an equal partner with great problem-solving capacity*

Based on the partnership that developed during the restructuring project at De Enk business park, the responsible member of the Olst-Wijhe municipal executive, Mr Bosch, describes HMO first and foremost as “an equal partner with great problem-solving capacity.”

The restructuring was prompted by the local authority’s vision and intended to enable new developments along the edges of the business park by creating room for residential construction, social use, and light industry. This meant offering a number of companies suitable accommodation at alternative locations in Wijhe. The whole undertaking also included extensive soil clean-up work and revision of the zoning plan.

Partly due to the fact that the credit crisis hit during the same period and had significant impact on the property market, (re) development of the planned business and industrial parks in the Olst-Wijhe municipality ran into some difficulty. The economic situation made the project more challenging, both for the businesses involved and the local authority. This led to a relatively lengthy and intensive process of talks between the parties involved.

Implementation of viable business cases for the developments at De Enk called for an objective partner that could operate on an equal footing with all the stakeholders. HMO entered the frame as a potential partner in this process and ended up being the initiator that drove the process forward and helped

design a sound and widely supported business case. Winning each other’s trust, creating clarity on the required procedures, identifying tasks and responsibilities, and making temporary external funding available are, according to the local authority, the success factors that made this restructuring project a success.

Thoroughly satisfied with the end result, the various entrepreneurs involved have also sung HMO’s praises. Olst-Wijhe municipal executive member Bosch’s ultimate conclusion is therefore that “HMO has played an exceptionally useful role in this whole process. Without the risk capital, but certainly also the knowledge and expertise of HMO, this development in Olst-Wijhe would simply not have been possible.”

Prompted by lessons learnt during the project at De Enk, the local authority has meanwhile appointed a permanent business liaison officer as a fixed point of contact for local entrepreneurs. “This kind of low-threshold one-stop service helps forge effective and open collaboration between the business community and the local government. In practice, the municipal government sometimes turns out to not be very accessible.” The local authority now also organises regular sessions for local entrepreneurs to discuss developments, preferences, and bottlenecks. “Inspired by our positive experience, the Olst-Wijhe local authority certainly intends to involve HMO in new restructuring tasks at business parks or inner-city areas in the future,” the member of the municipal executive concludes.



## References

Full (confidential) documentation on the restructuring of De Enk and HMO's involvement in the process from 2009 to mid-2017, Herstructureringsmaatschappij Overijssel (HMO)

Hofsté, S. and K.E. Bugge (2018), Interview with Mr Bosch, member of the municipal executive, on 29 March 2018 in Wijhe

# Ch.8 MBI site redevelopment

The currently unused MBI site in Raalte, which used to be home to MBI Beton BV, is located at the Spoorzone-Oost business park. The MBI site measures approximately 4.5 hectares. HMO, the owner, and the local authority are working on a promising development prospect for the site and are arranging the demolition and clean-up of buildings and soil. In early 2018, the local Stöppelkaters carnival association begins construction work on a new building at an attractive location.



## Content:

- > Facts & Figures
- > The initial situation
- > Starting the initiative
- > Identifying opportunities
- > The opportunity map
- > Building business and value cases
- > The business and value cases
- > Realisation and results

*The first step towards integrated restructuring and repositioning of Raalte's Spoorzone-Oost business park*

# Facts & Figures

## Project

Restructuring of MBI Beton site



## Investment by HMO

€800,000

## Other private investments

Not yet known

## Result

4.5 hectares regenerated

## The project shows how:

Redevelopment of an outdated and unused site produces a site where asbestos has been removed, the land is ready for construction, a cycle lane is being created, and a launching customer (with a social purpose) wants to establish its base.

# The initial situation

The situation at the Spoorzone-Oost business park has taken on worrying proportions. Both the public areas and the business plots suffer from poor to bad visual quality and large parts of the business park are severely rundown.

## Spoorzone business park and the MBI site

The first plots at the 'Spoorzone' business park were allocated in the 1970s. Today, it is a mixed-use business park measuring approximately 22 hectares where all plots have been allocated, and which caters to the local market. The business park is centrally located in the town of Raalte, with residential areas to the north, south, and east. Wedged between the N35 trunk road and the Zwolle-Almelo railway line, the Spoorzone business park is made up of two parts, Spoorzone-Oost (18 ha) and Spoorzone-West (4 ha), which are separated by the Overijssel Canal that runs through the middle of the business park. The MBI site at the centre of this chapter is located at the Spoorzone-Oost business park, to the south-east of the Overijssel Canal. This particular site, which used to be the home of MBI Beton B.V., a company specialising in concrete, is situated along the north-western edge of Spoorzone-Oost. The former MBI site spans roughly 4.5 hectares. The site can be accessed from Kanaaldijk Oostzijde, which is the road that runs parallel to the canal.

## The run-up

In 2008-2009, The situation at Spoorzone-Oost shot up the agenda following a so-called 'quality scan' of the business park by DHV. This scan focused on layout, visual quality, facilities, environmental performance, economic viability, organisation, and management. Spoorzone-Oost scored a dismal 0 stars out of 5, and without a drastic repositioning of the site, a score above 1 star (which is still sub-standard) is not deemed feasible. In 2008, the local government publishes its Land Use at Business Parks policy framework, which identifies a mixed-use option as a potentially promising one for Spoorzone-Oost. The location next to the N35 trunk road offers opportunities for the development of





high-visibility sites, and edge-of-town retail in particular is permitted at this business park. And an exemption is granted for large-scale retail trade. Further development of the N35 is, however, a focus point due to the business park's poor accessibility. And finally, Spoorzone-Oost is included in Overijssel province's 2009-2015 Multi-Annual Programme for Thriving Activity as one of the business parks for restructuring (see map of the initial situation on this page).

*See map of the initial situation on the next page >>*

### **Situation in mid-2009**

According to the 2009-2015 Multi-Annual Programme for Thriving Activity, Spoorzone-Oost has an area of 7.2 hectares that needs restructuring. According to the quality scan, the site is only up to par in terms of digital accessibility, the local authority's facilitatory role, parking facilities, and rainwater drainage. However, other aspects, such as vacancy levels and the business park's poor accessibility, drag the total score down significantly. The fact that the business park has been included in the Overijssel provincial authority's 2009-2015 Multi-Annual Programme for Thriving Activity makes it more likely to receive grants for improvement of the public areas. To be eligible for such grants, the local authority will have to meet two requirements. First of all, there is the aforementioned quality scan, which has already been conducted. And secondly, the local authority must develop a vision statement with respect to business parks and have it adopted by the local executive and council. This vision statement must be aligned with those of neighbouring municipalities and subsequently be ratified by the provincial executive.

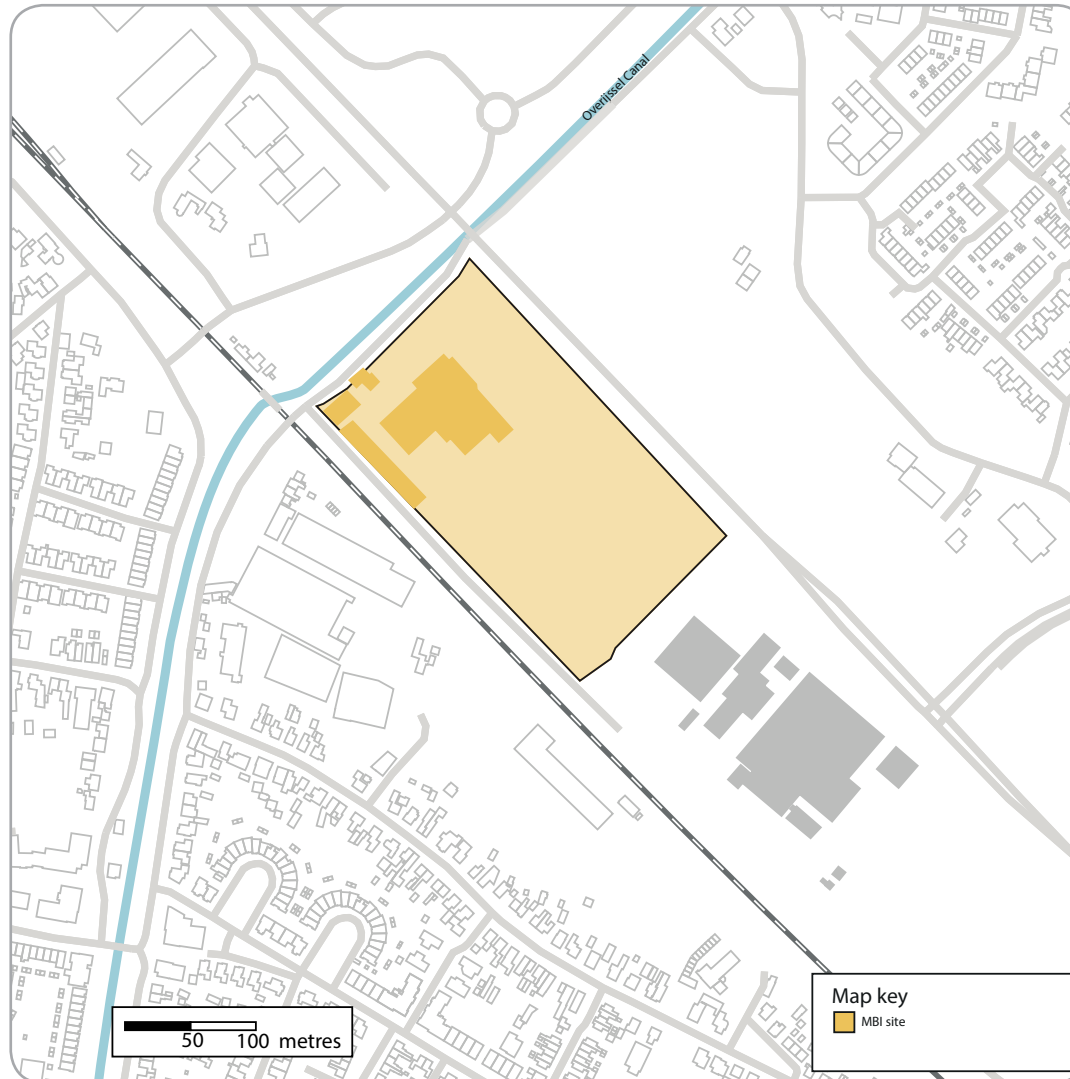
The overall restructuring task for Spoorzone-Oost is not only a sizeable one, it is also fairly complex. In 2009, there is, for example, uncertainty as to the further development of the N35 trunk road (which will either be widened or turned into a road that runs below ground level), which complicates accurate assessment of the viability of better accessibility of the business park from the N35. A second, all too common, complicating

factor is the fact that nearly all plots at the business park are privately owned. These private-sector parties will therefore need to be on board to be able to proceed to a drastic restructuring and repositioning of the area.

The MBI site is considered the biggest challenge in the area. The company that used to be based on this site, MBI Beton B.V., ceased its production activities here back in 1990, and the site has been unused since 1998. The remaining buildings on the site will probably have to be demolished (at least partly). And a soil analysis has shown that the site is contaminated, meaning that the soil will have to be remediated.

# Map of the initial situation

<< *Back to the relating text*



# Starting the initiative

## Triggers & Initiators

The Raalte local authority wants to reposition Spoorzone-Oost and tackle the high vacancy levels and poor state of repair of the business park, but it has, as yet, not developed any specific plans for it. The grants available as part of the 2009-2015 Multi-Annual Programme for Thriving Activity provide an extra incentive to get started with this restructuring project. MBI Group B.V. has a stake in the redevelopment of its own site in that this will enable them to sell or lease it to another party. As things stand, the site yields them absolutely nothing. In its 2009-2015 Multi-Annual Programme for Thriving Activity, the Overijssel provincial authority confirms that Spoorzone-Oost needs restructuring, while the Herstructureringsmaatschappij Overijssel (HMO) has, based on its mission, a specific reason to get involved.

## From individual to shared interests

In mid-2009, HMO and the Raalte local authority enter into talks to explore opportunities for the development of a joint strategy for the revamp of Spoorzone-Oost, and the MBI site in particular. Both the Raalte local authority and HMO realise that the market has now shown sufficient interest in tackling this redevelopment. HMO and/or the Raalte local authority need to take the initiative.

## Starting point for collaboration between HMO and Raalte local authority

The local authority and HMO reach an agreement in principle on their collaboration and their respective roles. HMO analyses the MBI site and sounds out the owners. The local authority, in turn, provides the required information and develops a regeneration plan for Spoorzone-Oost. It is deemed expedient that the issue of the business park being outdated be redefined in terms of functional quality, so as to better align it with the business community's perspective on development of the site.

The regeneration plan can serve as a basis for development of a long-term investment strategy. The central challenge for the investment strategy is to stimulate public and private investment.

One particular focus point for HMO is whether acquiring land at the business park could create a higher-quality development prospect. This is all on the condition that the business park's internal and external accessibility be improved drastically. The local authority can play an important role in making this happen.



# Identifying opportunities

## The challenge

The Spoorzone-Oost business park is a 'blind' or forgotten spot in the overall development of the town of Raalte. Although it is on the Overijssel provincial authority's list of business parks that need restructuring, there is no real sense of urgency locally. HMO does see potential in the Spoorzone-Oost business park and wants, based on its mission, to tackle the particularly rundown MBI site. The challenge that HMO faces in doing so is to get the improvement process off the ground, which requires a combination of a clear vision and a specific opportunity.

### *Broadening the scope?*

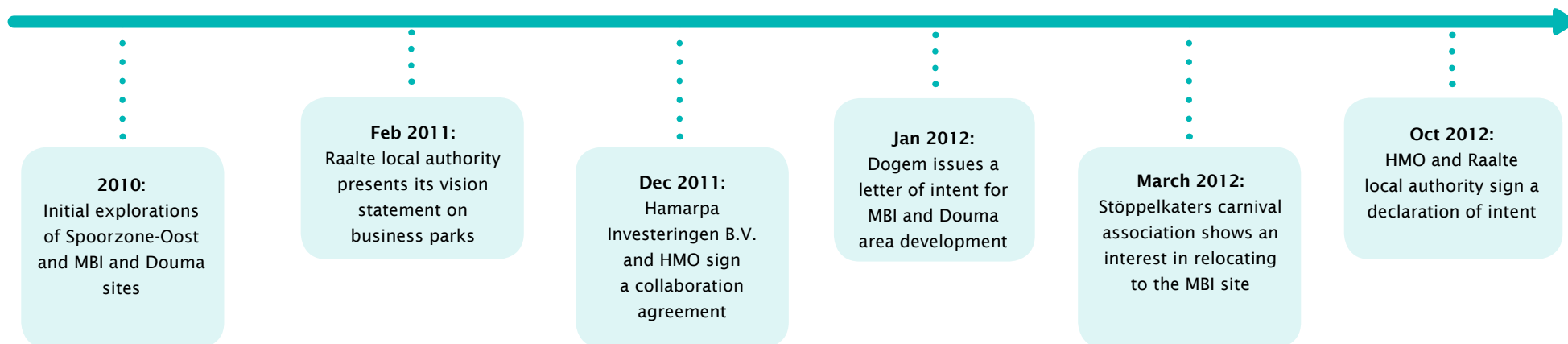
HMO gets started right away, meeting with the property adviser to the owner of the MBI site, MBI Group B.V. (represented by Hamarpa Investerings B.V.), which is working on the redevelopment of the site.

The adviser has already had exploratory talks with Triodos Real Estate & Development (Triodos RED) and Volker Wessels/Systabo about the redevelopment. As a champion of sustainability, Triodos RED is interested in developing the MBI site in conjunction with the Douma Deuren site (approx. 2.3 ha). This latter site is located next to the MBI site (to the

south-west) across the railway line (just outside the boundaries of the Spoorzone business park). Talks are also held with another local company, Beaphar, which is based on the other side of the canal. A better connection between both sides of the canal would improve accessibility of the western part of the Spoorzone business park.

### *Greater insights needed*

What is clear at this point is that more information is needed about the current situation, plans, and preferences of the various stakeholders to be able to put together a viable regeneration plan for the area and a solid business case for the specific plot development projects. MBI's property adviser, Hamarpa, gathers information on the spatial planning, environmental and market aspects relating to redevelopment of the MBI site and shares it with HMO. In 2010, the Spoorzone business park is actually an obstacle rather than a smooth transition into and connection between the surrounding areas. However, regenerating and repositioning the business park could give it the coveted role as an interface between different areas.



It goes without saying that good accessibility of the business park is crucial for this development. In 2010, there is still no clarity on the future of the N35 trunk road. There are two options for a ring road around Raalte on the table. Selection of the southern option will probably mean that the N35 stretch along the MBI site will not get a facelift.

There are also several development options for (local) access to Spoorzone-Oost. Along the western boundary of the site runs a small road (Parallelweg) that could be developed into a larger access route. Further development of Kanaalstraat Oostzijde seems like a less promising option, as the local authority has already indicated that it intends to reduce traffic along this road. And finally, a bridge over Overijssel Canal could enable access to Spoorzone-Oost via Spoorzone-West. However, this option is only a partial solution to the accessibility issue, because Spoorzone-West is not accessible from the N35 trunk road either. A combination of several of these options would, of course, also be a possibility.

Feasibility of the various options for better accessibility depends partly on the local authority's ambitions and plans for the Spoorzone area. This is certainly important for the aforementioned option of joint development of the MBI and Douma Deuren sites. In its draft vision statement for the Kanaalzone area (which does not include the MBI site and Spoorzone), the Raalte local authority indicates that it plans to change the zoning plan for the Douma Deuren site, and have it developed into a residential area with lots of green spaces.

At the time, the MBI site is cleared for industrial activity with an environmental impact rating of 5, and a current exemption even allows category-6 industrial activity. A key question is, partly given the plans for the area, which market segments could be accommodated at the business park and which competing developments should be taken into consideration. The local authority's advanced plans for a new

business park of approximately 15 hectares, De Zegge VII, are certainly an important factor to consider. Parallel development of new business parks tends to have a negative impact on the regeneration of existing ones. Residential construction at Spoorzone-Oost is, owing to the noise produced by the N35 trunk road and the Zwolle-Arnhem railway line, not an option. Mixed-use is, however, still an option for the redevelopment.

#### *Vision statement for business parks provides (clearer) direction*

In February 2011, the Raalte local authority formulates a new vision statement for business parks. In it, the local authority concludes, among other things, that the commercial property market in Raalte is largely locally oriented, and it, therefore, wants to focus on bolstering and controlled expansion of existing economic activity, while stimulating job growth in the Raalte municipality. The local authority also highlights in its vision statement that it works closely together with the business community to create optimum enabling conditions for a better business climate.

The local authority has not (yet) made any specific arrangements with the Overijssel provincial authority with respect to the planning and execution of the Spoorzone-Oost restructuring. The vision statement identifies the option of partnering with HMO in this restructuring process, while also projecting total space recuperation of 5-10 hectares for De Zegge and Spoorzone-Oost. The local authority ultimately concludes that access to Spoorzone-Oost is poor and that this deserves extra attention in planning the N35 upgrade.

#### *Customisation for development for the short and long term and for separate sub-locations*

HMO, Loostad Projectontwikkeling (a Volker Wessels subsidiary) and Triodos RED jointly invest in a quick scan to assess the viability of redevelopment of the MBI site. Conducted by HMO, the quick scan shows that it all hinges on getting the development underway. With

this in mind, HMO launches the first ideas for a phased development, based on talks with local parties. The short-term plan is to visually revamp the site, prepare it for temporary leasing as exterior storage space, for example, and to demolish the buildings on the site. These are developments that can be kicked off in the short term and could draw the attention of potential investors. In the long term, this could lead to investment options in collaboration with the Raalte local authority and market parties. The Raalte local authority is prepared to look into the possibilities with regard to revising the site's designated use.

There is now also greater clarity on the extent of the contamination of the MBI site's soil. Commissioned by HMO, TTE Consultants analyses the situation in 2012, while also assessing analyses conducted in previous years and looking at correspondence with the relevant authorities. Back in 2001, the Overijssel provincial authority initially classified soil contamination on the site as severe and urgent due to the risk of spreading. In 2011 and contrary to the initial assessment, a soil clean-up is not deemed urgent (Overijssel Province, 2011).

Depending on future use of the site, a use-based soil clean-up may, however, be required. The provincial authority develops five clean-up options (with associated rough and highly divergent cost estimates). Given that the site was signed up for the 'Business Sites Soil Remediation Scheme' (2005 Soil Remediation (Financial Provisions) Decree) on time, an application for a grant for the soil clean-up (and demolition work) will be accepted. The Raalte local authority emphasises that it can as yet not give a final verdict on the soil situation of the MBI site, because not everything has been analysed yet.

#### *Shared interests, collaboration, and HMO as the initiator*

HMO intends to achieve closer collaboration with the primary stakeholders and therefore designs specific separate collaboration agreements with Hamarpa Investerings BV, Douma Onroerend Goed- en



Exploitatiemaatschappij BV (Dogem, as the representative of the owner of the plot) and the Raalte local authority respectively. The first collaboration agreement between HMO and Hamarpa for the redevelopment of the MBI site is signed in December 2011. HMO will, in close and open consultation with the owner, work on redevelopment of the site, whereby

the parties will jointly develop the planning concept for the area. The planning concept comprises identification of the area for development, objectives for future uses, an outline of area exploitation, a feasibility analysis, design for the area organisation, schedule/phasing. HMO takes the lead and ensures adequate collaboration and coordination with the Raalte local authority. In particular, HMO expresses a willingness to invest in the demolition of buildings, cleaning up the soil, and development planning. Hamarpa, in turn, is willing to compensate HMO in full for its investments and costs incurred.

All plans for redevelopment of the MBI site factor in the intended redevelopment of the adjacent Douma Deuren site (although this site is actually situated outside the boundaries of the Spoorzone-Oost business park). Alignment with this project is important especially given the current plan to build residential properties on this site. In early 2012, Dogem states in writing that it intends to further shape and implement the development in partnership with HMO. In parallel to the above progress, talks with the Raalte local authority provide increasing clarity on the ambitions and frameworks for a declaration of intent.

The local authority lacks a sense of urgency with respect to tackling the MBI site and wants to maintain the current designated use of the MBI site (as per the structure vision). Furthermore, the local authority wants to join the thought process to identify options for future uses, albeit that it emphasises that it will be up to HMO and the owner to design a planning concept. The local authority has no intention whatsoever to do this itself. HMO stresses that, owing to the difficult market situation, flexibility is required in this area development operation, drawing particular attention to the importance of regular coordination with and cooperation from the local authority throughout the development. The outcome of the talks is recorded in the 'Declaration of Intent for the Redevelopment of the MBI site in Raalte' that HMO and the local authority sign on 8 October 2012. The intention is to come up with a viable planning concept for the entire area development, which is to serve as the basis for further

decision making on further details and implementation. HMO, Hamarpa, and Dogem (under the direction of HMO) jointly make the planning concept, and the Raalte local authority checks the concept against its own policy framework. The policy framework assumes 'business park' as the designated use for the site. Additional uses are open to discussion, provided they do not compete with the town centre facilities, are appropriate in the greater area, and the limited accessibility and adjacent residential use are taken into account. Ideas that are floated include a creative breeding ground for start-ups, education linked to the business community, and sustainability facilities such as solar panels.

The first draft ideas for the area concept are designed by Schipperdouwesarchitectuur, commissioned by HMO (and coordinated with Hamarpa and Dogem), and called 'Op de Enk.' On the one hand, the designs accentuate the differences between the two sites: residential and possibly healthcare on the Douma Deuren site versus industrial and business activity on the MBI site. On the other hand, the designs highlight the potential for synergy in a joined-up concept, such as with people living on one site and working on the other.

#### *Launching customer?*

In 2012, another development emerges with potential impact on redevelopment of the MBI site. The Stöppelkaters carnival association turns to the Raalte local authority in March. The association currently shares two buildings on a site near Raalte railway station and would like to move into a single multifunctional building. They present a coherent and specific concept that shows what they are looking for in terms of building type and surface area of land and indoor space. Although the initial intention is to build a new building on their current site, the association also identifies the former MBI site as an option. The association subsequently gets into contact with HMO and the parties have positive talks. This is the first real opportunity for redevelopment of the MBI site.



## Lessons learnt

### *LL8-1 Phasing, small scale, and sowing the first seeds for a scale-up*

HMO consciously chooses to first focus on finding a stepping stone to kick start redevelopment of the MBI site. The Stöppelkaters carnival association potentially provides this stepping stone. The Raalte local authority and HMO also assess the consequences of having a carnival association settle on the site. On the one hand, it constitutes a redevelopment opportunity, while on the other steering and limiting further restructuring and repositioning of the area.

### *LL8-2 Combined development of sites*

The integrated approach to two sites (Douma Deuren and MBI) enables designation of multiple uses (business, residential, healthcare, education) in the area covered by the plan, creating several angles for redevelopment and stirring up interest in the site among a larger group of parties and potential project partners.

### *LL8-3 Customisation in collaboration*

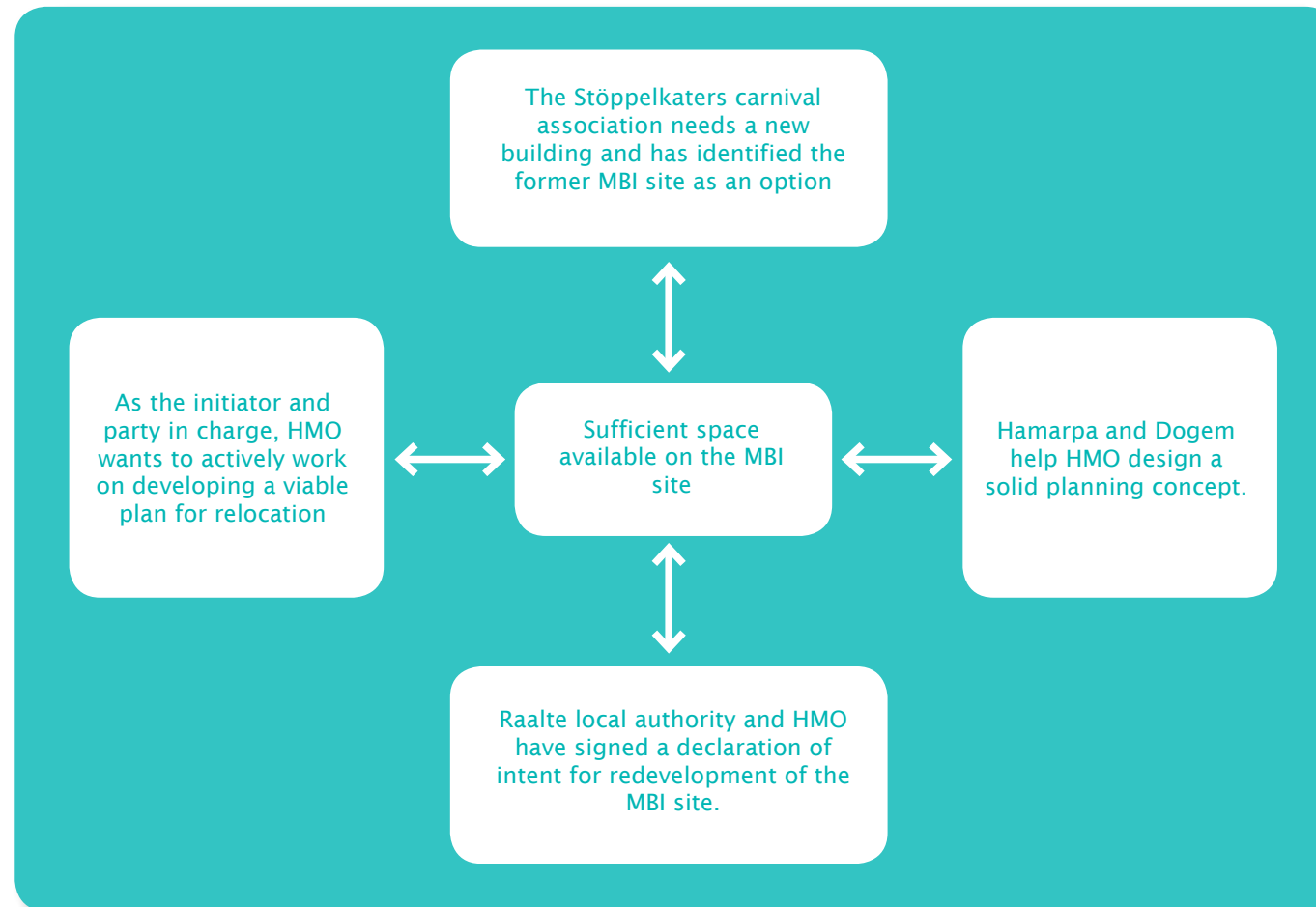
HMO opts to enter into separate declarations of intent or collaboration agreements with each of the primary stakeholders. Each of these agreements captures specific bi-party agreement on shared objectives and the division of tasks, responsibilities, risks, and use of resources between the parties. The 'sum' of these agreements places HMO at the heart of the process, as a trigger and 'bridge builder', while charting the strategic course for the development and HMO's room for manoeuvre.



# The opportunity map

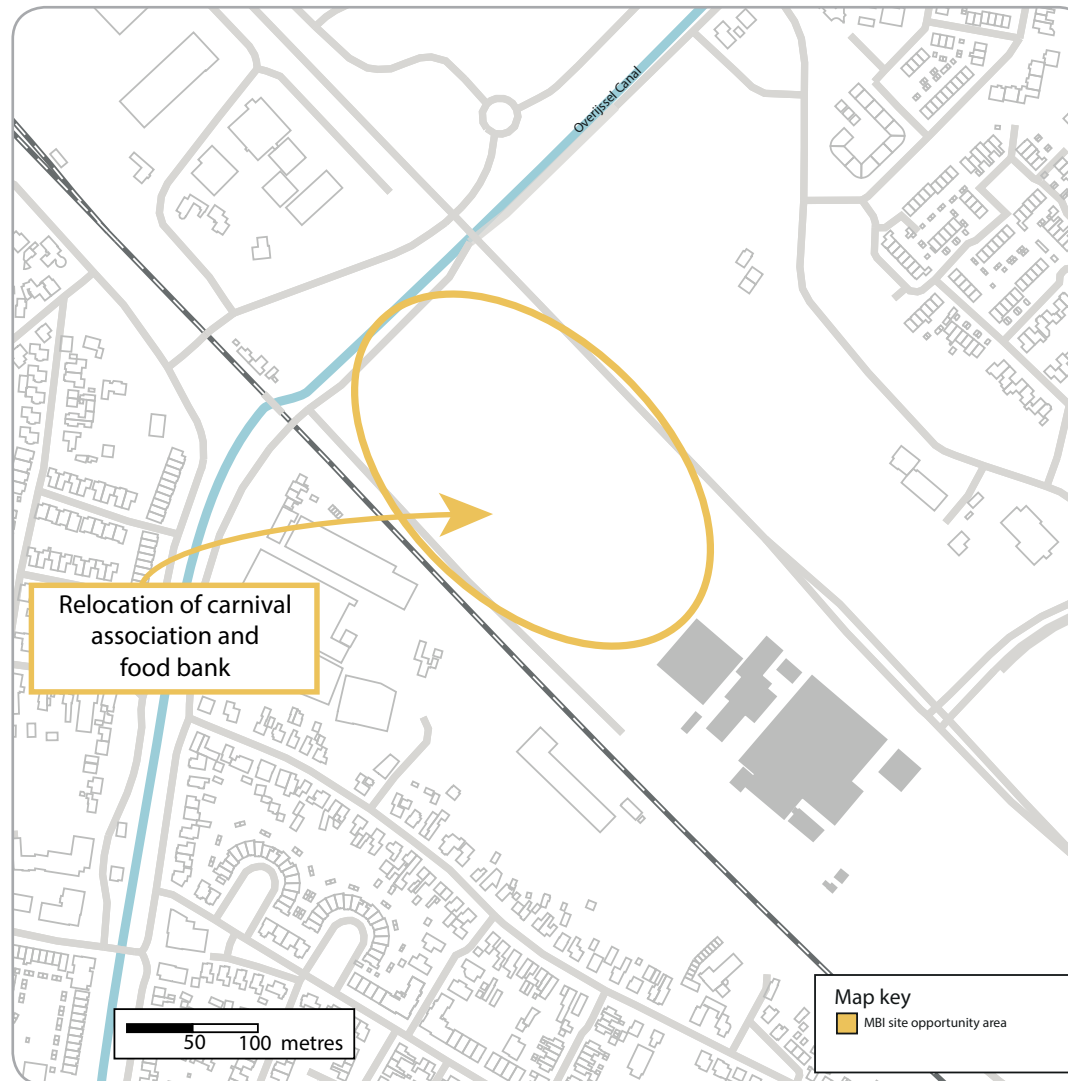
## Do the activities of a carnival association fit within the redevelopment?

Redevelopment of the site calls for customisation. The fact that the association has shown an interest in the site is a good start, but there is still uncertainty as to the specifics and how the local authority feels about it. *See the Opportunity map on the next page >>*



# Opportunity map

<< *Back to the relating text*



# Building business and value cases

**Relocating the Stöppelkaters carnival club to the MBI site can be a first step towards complete redevelopment of the area. Re-accommodation is possible only if the Raalte local authority approves the planning concept that HMO is working on for the area, and in particular relocation of the carnival association to the site. Financially and socially feasible solutions need to be found for the relocation, the existing buildings, the soil clean-up and site accessibility.**

## *What's next?*

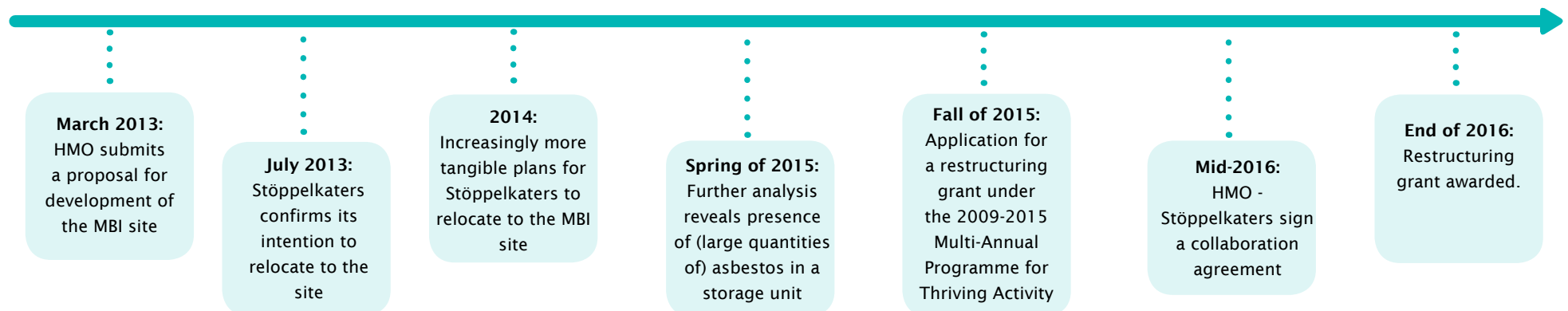
The Raalte local authority, MBI, Hamarpa, Dogem, and HMO discuss the conditions that would have to be attached to the Stöppelkaters carnival association moving its HQ to the MBI site. HMO subsequently develops a proposal for the next step. This proposal first highlights two specific focus points for the spatial development, i.e. the need for a restructuring plan for the public areas and exploration of the possibilities for development of Parallelweg (along the railway line and on the plots) to turn it into a proper access route. Two further important steps are to elaborate an investment and operating budget for Stöppelkaters' accommodation and to conduct an extensive (social) feasibility analysis for this development. And finally, what is also needed is clarity from the local authority on how to tackle the soil clean-up, while it is also deemed useful to explore the possibilities offered by the 'temporary use' idea for the financing of the overall redevelopment of the site.

## *Intention expressed*

In July 2013, the board of the Stöppelkaters carnival association confirms in writing that the association intends to relocate its activities to the MBI site. HMO welcomes this statement. The Stöppelkaters carnival association has its eye on the south-eastern corner of the MBI site. The advantage of that part of the site is that it will not hinder redevelopment of the rest of the site in any way. The carnival association has approximately 300 active members and needs specific accommodation in the form of a building (2 floors, 7 metres high) with 1,000m<sup>2</sup> of floor space and 2,500m<sup>2</sup> of exterior space for goods receipt, issue, and storage, as well as parking space. Due to the nature of activities and the coming and going of persons of all ages outside business hours, public safety is an important aspect.

## *Location, location, location*

A good location is very important to the Stöppelkaters carnival association. In 2014, Stöppelkaters also develops two other scenarios alongside their plan to relocate to the back of the MBI site. The second of these scenarios revolves around redevelopment of the association's current premises at Spoorzone-West. The third scenario would see Stöppelkaters move to the front end of the MBI site, which would include renovation, sustainabilisation and use of the former MBI Beton office building.





The advantage of this third option is that it provides easy access via Kanaalstraat Oostzijde.

The three scenarios are discussed with HMO and the parties make arrangements about follow-up steps. The parties schedule a joint site visit to get an idea of how attractive each scenario is. HMO continues talks on possible changes to the plan with the owner. During the talks, MBI Group B.V. says it is willing to help design a viable plan. Stöppelkaters makes an appointment with the Raalte local authority to discuss the three scenarios. The idea is to get both the municipal executive and the council to commit to the development. HMO considers there to be limited scope for heavy industry on the site and therefore favours a mixture of

social uses and light business activity that will help strengthen the site's connection with Raalte's town centre. In October 2014, HMO emphasises that having the Stöppelkaters carnival association at the MBI site fits in nicely with this long-term development outlook.

#### *The quality of the soil and buildings: new challenges*

The site needs to be fit for purpose not only in spatial terms, but also in terms of environmental quality. In 2015, additional analyses are conducted of the quality of the soil and the buildings. That the soil is contaminated is a known fact. What matters now is to find out to what extent (and where exactly on the site) the soil allows construction of new buildings. The analysis shows that there are factors all over the site that

could complicate construction work: large objects, cavities, and pipes in the ground. An additional asbestos analysis is also performed. Following the discovery of asbestos, the building is sealed pending a clean-up. All construction and demolition work is postponed until after the clean-up. Meanwhile, HMO gets offers for the soil clean-up at the front and back end of the site, as well as for asbestos removal.

#### *Time for action*

In the spring of 2015, while developments surrounding the soil quality and asbestos situation unfold, HMO and the local authority discuss how to proceed. One important point to consider is that 2015 is the final year for submission of applications for a grant under the 2009-2015 Multi-Annual Programme for Thriving Activity. The parties agree for HMO to take the lead in applying for a grant for process management and execution of the site restructuring project. HMO engages in preliminary consultations with the Overijssel provincial authority, develops the project plan for the restructuring, and works on a business case for and with Stöppelkaters.

HMO and the local authority jointly take on the co-financing required to get the grant. In preliminary talks with the provincial authority, it soon becomes clear that the provincial authority would in principle be prepared to award the grant, provided that the local authority has fulfilled the co-financing requirements. In September 2015, HMO urgently advises the local authority to ring-fence an amount for this in its budget for 2016. HMO also points out that certain contributions from MBI Beton may also be eligible to be considered part of the local authority's co-financing.

#### *HMO and the Stöppelkaters carnival association intensify their collaboration*

Over the same period, the situation is also increasingly urgent for Stöppelkaters. Developments in the area around Raalte railway station are basically forcing the association to find another site. In mid-2016,

this leads to HMO and Stöppelkaters signing a collaboration agreement for a period of two years to lay down tasks and responsibilities for further elaboration of the planning concept for relocation to the MBI site. In this agreement, HMO assumes an active initiator role. HMO commits to earmarking a plot of approximately 2,500m<sup>2</sup> as the Stöppelkaters' new base, and keeping this plot available throughout the term of the collaboration agreement, while working with the local authority to promote the planning measure that is needed to allow the carnival association to move to the site. Furthermore, HMO intends to assume responsibility for demolition and clean-up work, as well as for coordination with the site owner, and to bear the costs and risks involved. The aim is to have the site ready for use by the end of 2017. It is the Stöppelkaters carnival association's responsibility to work the planning concept out into a draft building plan. This detailed plan needs to provide a solid basis for the Raalte local authority to be able to take the required planning measure.

#### *The building blocks for the business and value cases gain shape*

In 2016, it becomes increasingly clear how the parties involved (the Raalte local authority, HMO and MBI Group B.V.) intend to contribute to the restructuring of the Spoorzone-Oost business park and, in particular, to improving accessibility and redeveloping the MBI site. At the end of 2016, the Overijssel provincial authority announces its decision(s) regarding grants to cover process costs, development planning, and the restructuring of public areas.



## Lessons learnt

### *LL8-4 Facilitate the redevelopment process by 'unburdening'*

One crucial aspect in redeveloping plots at outdated business parks is to prepare the soil for building work. Such soil preparation work is not within the scope of a local authority's or land owner's core competencies. HMO unburdens both these parties by taking on this part of the process. In terms of the MBI site, this means arranging a soil analysis to find contamination and asbestos, bringing in external expertise for demolition work and a soil clean-up, as well as to apply for a financial contribution under the 'Business Sites Soil Remediation Scheme' to pay for it. The advantage of this approach is that one party (HMO) is able to manage the process effectively based on insight into costs and suppliers. This ultimately results in greater cost and risk control in the business case for the redevelopment.

### *LL8-5 Keep a constant eye on information, motivation, and resources*

Building a combination of business and value cases always means stimulating investment and working on viability. HMO does this by continuously working towards an increasingly specific picture of what the parties want and what they are willing to invest on what conditions. HMO collects and also shares information about the physical features of the area and the site (including spatial quality and environmental quality), while combining and recording the information in collaboration agreements and planning concepts. At the same time, HMO stimulates and motivates the various parties involved, thus directly influencing their willingness to invest. Through these efforts and by applying for grants, sufficient resources are obtained to build the business case. The strength of this approach lies in the fact that it simultaneously works on each aspect separately and on all three together to ultimately build a total package of sufficient information, resources, and investment willingness.

# The business and value cases

## First phase of the repositioning of the Spoorzone-Oost business park and redevelopment of the unused MBI site

	<b>Business case</b> First phase of MBI site redevelopment	<b>Value case</b> Restructuring of public areas at the Spoorzone-Oost business park
<b>Value prospect</b>	MBI Group B.V. has the opportunity to ‘cash in’ on its land holdings, paving the way for redevelopment of the MBI site and specific options for the establishment and growth of light economic activity and social activity.	The restructuring of public areas and redevelopment of the MBI site are the first steps towards repositioning the Spoorzone-Oost business park and creation of a high-quality suitable connection and transitional area between Raalte town centre and the outlying residential areas.
<b>Parties involved</b>	MBI Group B.V. (through Hamarpa Investerings B.V.), HMO, Raalte local authority, Overijssel provincial authority, the Stöppelkaters carnival association	Raalte local authority, HMO, Overijssel provincial authority
<b>Costs</b>	<ul style="list-style-type: none"> <li>• demolition, soil clean-up, asbestos removal;</li> <li>• land and materials;</li> <li>• project costs.</li> </ul>	<ul style="list-style-type: none"> <li>• restructuring of public areas (including improving accessibility);</li> <li>• process costs (which cannot be allocated to the business case).</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• grant from ‘Business Sites Soil Remediation Scheme’ for demolition, soil clean-up, and asbestos removal;</li> <li>• long(er) term effect for MBI Group B.V.: proceeds from the sale of land.</li> </ul>	<ul style="list-style-type: none"> <li>• reduced vacancy levels;</li> <li>• improved accessibility of the area;</li> <li>• asbestos removed;</li> <li>• improved soil quality through a clean-up based on future use of the site;</li> <li>• improved quality of life in the area and job creation (in the long term).</li> </ul>
<b>Financing</b>	HMO invests in soil clean-up, asbestos removal, and demolition to give the restructuring a boost. MBI Group B.V. compensates HMO for the investments. The Raalte local authority chips in by building / upgrading the public road and MBI Group B.V. supplies the paving bricks.	
<b>Risks</b>	Little interest in the site from the market.	
<b>HMO Risk management</b>	HMO always works with specific agreements with the parties involved. These agreements provide clarity on commitment to plans and investments by HMO. HMO invests only when there is clarity on private-sector parties’ willingness to invest as well.	

# Realisation and results

## 2010-2017

Over the period 2010 - 2015, most of the work goes into developing a viable concept for both the restructuring of the Spoorzone-Oost business park and the specific redevelopment of the MBI site. In early 2016, the intention is to start by demolishing the old MBI Beton buildings. But this is delayed due to the discovery of (large quantities of) asbestos. Demolition and clean-up work is subsequently rescheduled and to be completed before the construction industry summer holiday period in 2017.

## The situation by mid-2017

Following the demolition and clean-up activities on the site, the area is turned into an attractive place to set up business. The next step is a particularly important one: execution of restructuring work on the public areas. The Raalte local authority agrees to upgrade Kanaalstraat

Oostzijde and pave the semi-paved cycle lane (which runs from the MBI site along the canal, underneath the viaduct, towards Raalte-Noord). The paving stones are supplied by MBI Group B.V. Furthermore, the Stöppelkaters carnival association intends to start building its new home from 1 January 2018. By the end of October 2017, all plans are ready and sufficient cover is secured for the investments. One minor point of uncertainty remains, namely the leasing of the property, which is also a condition that needs to be fulfilled for building work to be able to start. The board of the Stöppelkaters carnival association indicates that it needs rental revenue from a tenant with whom they intend to share the building to be able to repay the loan and mortgage they have taken out to fund the project. This tenant has already been found, being the local food bank.

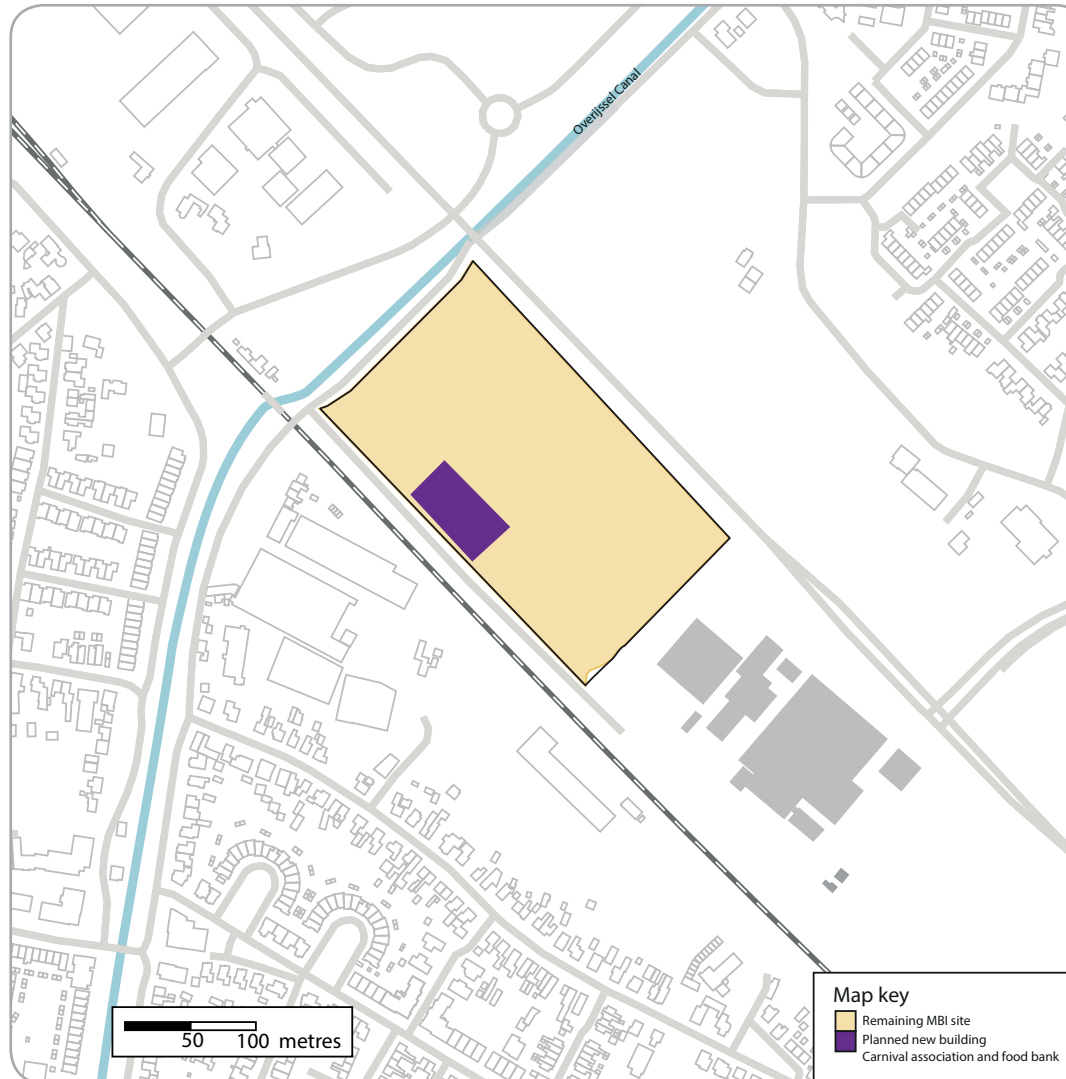
*See map of the final situation on the next page >>*





# Map of the final situation

<< *Back to the relating text*



### *HMO has played a key role as a catalyst and unifier in creating room to experiment on the former MBI site for social initiatives by the local community in Raalte*

The responsible member of the Raalte municipal executive, Mr Wagenmans, looks back on a period of pleasant collaboration with HMO. The task at hand on the MBI site was far from straightforward, neither in terms of the characteristics, nor in terms of the process. There were problems with the soil, and the former owner was still the party that both the local authority and HMO had to go through whenever a developer emerged who wanted to do something with the site. Mr Wagenmans: "We needed something to get it all started. We had to support each other." The first real opportunity that presented itself was to use part of the site as a new home for the local carnival association. This association was based on a contaminated site near the railway station at the time, which was an untenable situation.

Relocation to the MBI site, which offers plenty of space, would finally give this local institution that is so important to the Raalte community a good home base. From that moment onwards, other interested parties started to emerge as well, such as the local food bank. For the town of Raalte, it is important to have a place for experimentation within its boundaries. There is room for that on this site. With the help of HMO, we can actually seize the opportunities that are there. "HMO is a fantastic catalyst, I think it's great that we have this independent organisation in our province," says Wagenmans.



## References

Herstructureringsmaatschappij Overijssel (2017), Full (confidential) documentation made available by HMO on the restructuring of the MBI site in Raalte and HMO's involvement in the process from 2009 to mid-2017

Korthals-Altes, H.J. and K.E. Bugge (2018), Interview with Mr Wagenmans, member of the municipal executive, held on 11 April 2018 in Raalte

# Ch.9 Hogelucht

The Hogelucht business park in Wierden spans a net area of 12.2 hectares. In 2009, it has relatively high vacancy levels and is plagued by overdue maintenance. HMO's involvement is off to a flying start thanks to a clear idea of the market prospects, willingness to invest, and the various spatial opportunities. Over the next few years, HMO makes process-based and financial contributions to various developments. The threat of a tennis centre on the site falling into disrepair and being left vacant is averted as a new operator / owner is found. And then there is the concept of 'The Business Village' that is created for the business park, which would see small, affordable units realised for self-employed professionals and small businesses in three new buildings at a high-visibility location near the centre of Wierden. Alongside The Business Village, the Corex company will be able to consolidate its operations in recently renovated business units. HMO also helps the Van Heteren Wegen Waterbouw company relocate to a more suitable site in the nearby town of Hengelo, which frees up space at the Hogelucht business park, creating much-needed expansion space for its former neighbour HP Well Screen.

## Content:

- > Facts & Figures
- > The initial situation
- > Starting the initiative
- > Identifying opportunities
- > The opportunity map
- > Building business and value cases
- > The business and value cases
- > Realisation and results



*The value of a well-defined vision: The Business Village*

# Facts & Figures

## Project

Integrated redevelopment (company relocations, expansions, implementation of the Business Village concept) of the Hogelucht business park.



## Investment by HMO

€200,000

## Other private investments

At least €4 million

## Result

12 hectares regenerated (integrated upgrade)

## The project shows how:

- development of a business and guiding vision is used to stimulate private investment;
- keeping a finger on the pulse' is the best way to identify and seize new opportunities at the right time;
- merely giving someone a (good) idea can be all it takes;
- results are achieved by playing multiple hands.

# The initial situation

**The situation in late 2009 reflects a combination of conclusions from recent studies, the policy pursued, and, of course, the characteristics of the business park at that time.**

## The site

The Hogelucht business park is located in the town of Wierden, north of the railway line and at a short distance from the town centre. In terms of road access, the main local artery, the N35/A35 trunk road, is reached by taking Stouweweg or Hogeluchtsweg from the site to Industrieweg and then on to Nijverdalsestraat. The site covers a net area of 12.2 hectares and all plots have been allocated. This business park can be typified as a so-called mixed-use park that is primarily intended for local activity.

## The run-up

Over the 2006-2010 period, the quality of the business park is analysed on several occasions. As early as in 2006, the advice is to restructure the business park. A year later, another analysis shows that the business park is outdated in an economic sense and also slightly in a spatial/technological sense. Later, the need for sweeping regeneration of the business park is confirmed once again by a survey among businesses located on the site. The conclusion is that over 50% of local entrepreneurs rate Hogelucht as 'inadequate to mediocre' and that businesses based there are poorly organised. The Wierden local authority wants to improve collaboration with the business community and takes the initiative to strike closer ties with the local business community.

The first move is to set up a project group made up of representatives from the local council and businesses based at the Hogelucht business park. A business liaison officer is appointed and instantly gets to work on getting businesses involved in the development of the vision statement for business parks for the 2010-2020 period. Adopted in March 2009, the vision statement stresses the importance of preserving high-quality business and industrial parks and identifies more intensive use of the

available space and construction on (partly) unused sites as a promising development. In early 2009, the Hogelucht business park scores 2 stars on a scale of 0 to 5 in a quality scan, whereby improvement up to a 3-star rating is deemed feasible. The upgrade advice specifies, among other things, that a clearer profile for the business park is needed (see map of the initial situation on this page).

*See map of the initial situation on the next page >>*

## The situation in late 2009

Vacancy levels at the business park are relatively high, while there is also quite a lot of overdue maintenance of both public and private areas. On top of that, accessibility is not great either. Businesses based at the Hogelucht business park and the local authority are equally unhappy with the situation. The new vision statement for business parks provides a general basis for an improvement process.



# Map of the initial situation

<< Back to the relating text



# Starting the initiative

HMO's active involvement in the development of the Hogelucht business park starts with HMO exploring and identifying shared interests, along with the shared sense of urgency and a clear focus on a key business location factor, namely space.

## Triggers & Initiators

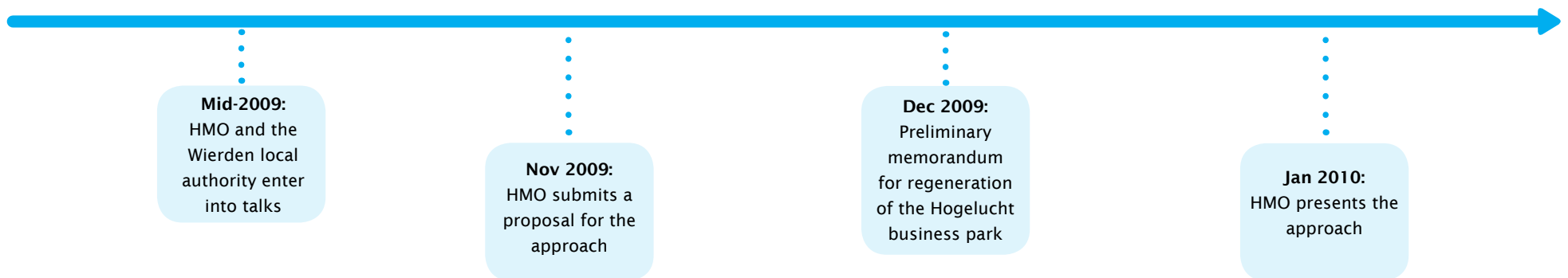
The urgency and need for an integrated upgrade to the Hogelucht business park is captured in the 'Preliminary memorandum for regeneration of the Hogelucht business park.' While the Wierden local authority wants to tackle the public areas at the business park itself, it feels the businesses should upgrade their own plots and buildings. Subsequent analysis to formulate a more specific vision and get support for changes is an important aspect of the planned approach. Analysis is needed because the local authority has little insight into the specific bottlenecks and plans of local entrepreneurs. HMO, too, has a good reason to want to tackle the Hogelucht business park, since it is one of the business parks targeted by the 2009-2015 Multi-Annual Programme for Thriving Activity, identifying it as a site where an area of 6.1 hectares of outdated business park needs to be restructured.

## From individual to shared interests

The shared interests of the Wierden local authority, local businesses and HMO are becoming increasingly clear in the fall of 2009. Each of these parties is committed to improving the situation at the Hogelucht business park. It also becomes increasingly clear what roles the parties can and are prepared to play in the upgrade process. In late 2009 / early 2010, development of the Preliminary memorandum on the regeneration of the Hogelucht business park and HMO's involvement are integrated, creating the basis for the assignment for HMO.

## Focus on the use of space

The assignment for HMO is clearly demarcated. The objective is to explore ways in which private investment by individual businesses in specific spatial developments can result in the restructuring and upgrade of the business park as a whole. In more specific terms, this consists in a market exploration with a focus on local businesses' need for space. HMO also has the option to continue its involvement beyond the initial exploration. During this post-exploration phase, however, HMO's involvement must be a catalyst in a financial and spatial planning sense, while HMO's investments must then, in principle, serve to stimulate private investment.







## Lessons learnt

### *LL9-1 Seize the moment*

The moment that urgency, interests, focus, and a solution avenue converge is the moment to launch an initiative. In Wierden, local entrepreneurs' dissatisfaction with the quality of the business park, the spatially formulated restructuring need for the business park, the preliminary memorandum for regeneration, and HMO's proposed approach all come together at the right time. This is no coincidence for HMO, as this is exactly what their efforts are aimed to achieve.

### *LL9-2 Use a keen focus for explorations*

HMO and the Wierden local authority opt for clear demarcation and focus for the exploration: the quality of a crucial business location factor, namely space. This allows local entrepreneurs to quickly and specifically identify bottlenecks and indicate their preferences and conditions for solutions.

### *LL9-3 Put interests first*

Each entrepreneur defines the need for change and the feasibility and effects of investments primarily based on the continuity of his or her own operations. HMO's approach is focused specifically on the crucial connection between interests and investment appetite among private-sector parties. HMO, therefore, looks for opportunities that strike a balance between costs, benefits, and risks.

# Identifying opportunities

In some cases, opportunities are already there, but have not been identified yet. Opportunities can, however, also be developed. HMO actively explores both routes, playing a key role in finding and galvanising a surprising mix of specific win-win opportunities for businesses at the Hogelucht business park and for the local community.

## The challenge

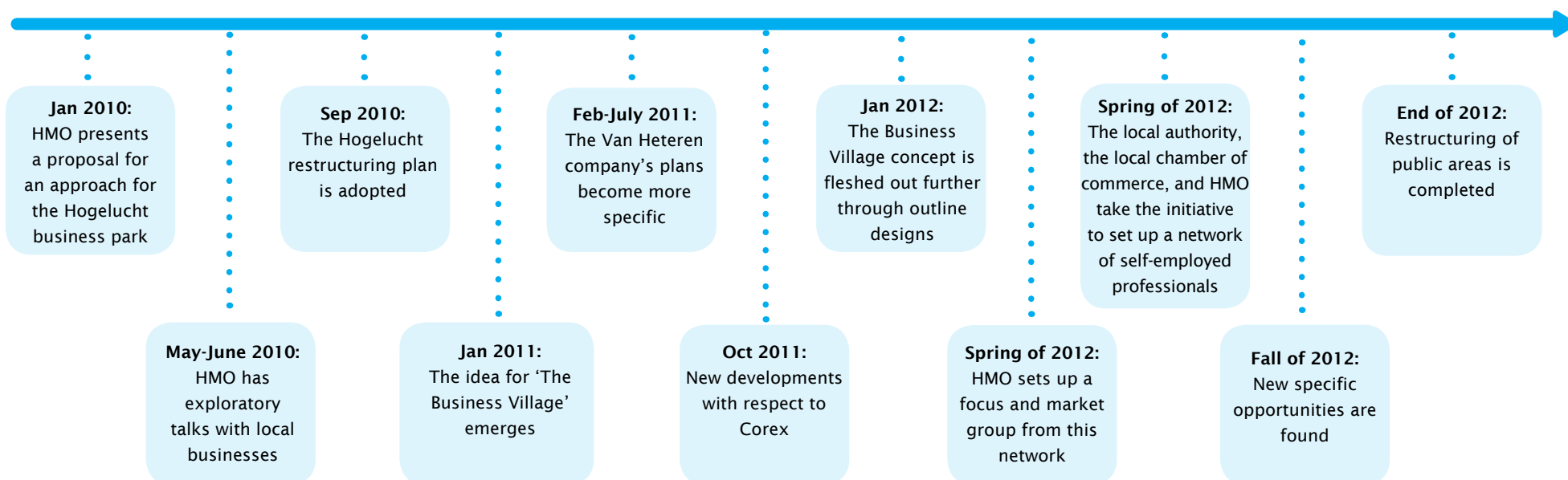
HMO sinks its teeth into a targeted assignment, albeit that it is also one that includes a number of uncertainties. What do the private-sector parties want? Are there real opportunities there? Can the individual interests of the businesses be brought together in shared interests? The initial assignment is, therefore, primarily a clearly defined starting point for a complex process challenge. Success will depend greatly on striking a balance between flexibility, a sense of purpose, and progress throughout the process.

## Key choices for the initial exploration

The Hogelucht business park is home to a large number of companies and HMO's initial exploratory assignment has a limited scope. Having talks with all businesses at the business park to discuss the relevant topics is simply not doable. HMO and the Wierden local authority therefore have some key choices to make. Unfortunately, there is no blueprint for this choice process. Plus, every working method for an exploration comes with pros and cons. Speed, thoroughness, comprehensiveness, and forging commitment can simply not be merged effectively into one working method. So, given the conditions, what would be the best approach?

## Market prospects and investment appetite

HMO presents a specific proposal for an approach to the exploration. Looking for market prospects is a key aspect of this approach, asking what activity needs to be preserved at and brought to the Hogelucht



business park to make it an attractive proposition for the market. When it comes to the use of space, HMO seeks to match market prospects to the individual interests of local businesses. Improved accommodations, higher rental income, and a positive development of property value are specific investment motives for private-sector parties. There also needs to be a sense of urgency behind the change. The redevelopment strategy will then revolve around the process of uniting individual interests. In simple terms: to match 'surplus space' to 'lack of space', while at the same time exploring how the pieces of the jigsaw can lead to effective overall development of the business park.

HMO's proposal for the exploration approach is ratified by the local authority in January 2010.

#### *Being selective in engaging in talks*

With the approach accepted, the thing now is to make choices on how to implement it. Which businesses will be invited to enter talks and why? Not inviting a specific entrepreneur can create risks in terms of commitment to the rest of the process and acquiring an overall view of the opportunities.

#### *The strategic value of space*

HMO uses the information available from the local authority and, in consultation with the local authority, selects several companies that could potentially play a key role in developing the site. The selection is based on information about these companies' current use of space, on what is known about their needs for space, on the strategic location of these companies at the business park, and on the potential impact of a change in the use of space on the overall business park upgrade.

#### *First round of talks: a complex jigsaw puzzle*

HMO first has talks with the operators of De Stouwe, the tennis centre on the site, followed by talks with the companies Braamhaar Ankoné

Hoveniers, Corex Nederland, Kruiskamp Staalbouw, Aannemersbedrijf Schipper, HP Well Screen, and Van Heteren Weg- en Waterbouw. With all these parties, HMO discusses issues, ambitions, possible solutions, and investment appetite. The focus is on the situation of each individual business, albeit that each situation is also contextualised in the overall site development and the quality of the collaboration between businesses and between the local authority and the businesses. Willingness to invest in the business park is, as a result, scoped much broader than merely in terms of money, including certainly also a willingness to join the thought process in coming up with ideas for improvement of the business park.

The talks are all highly constructive and focused. The operators of the tennis centre have indicated that they want a smaller and better-quality centre, and they have already developed plans. HMO notes that further operation of De Stouwe is uncertain. It is important to find a good solution to prevent 2 hectares of space falling into disrepair or even being abandoned.

Perhaps part of the indoor tennis courts could offer possibilities for Braamhaar Ankoné or HP Well Screen. After all, Braamhaar Ankoné needs more exterior space, including a larger building. Braamhaar Ankoné does state an interest in De Stouwe's indoor tennis hall. Corex is confident that it will be able to realise all its growth ambitions on its current site, and therefore does not have any plans to relocate or expand. Steel building contractor Kruiskamp Staalbouw has its primary site in the nearby town of Almelo, as well as one building at the Hogelucht business park. It is willing to sell this plot including the buildings, albeit on the condition that the current tenant can stay. Aannemersbedrijf Schipper came to the Hogelucht business park relatively recently, but it already has plans to also develop a currently undeveloped plot that it owns. HP Well Screen is based just south of the indoor tennis courts. As the company is enjoying steady growth, it is proactively looking for available space nearby. Van Heteren Wegen Waterbouw is a company based at the Hogelucht

business park that is looking to relocate to a new site, which will have to be a plot with water access. To finance this ambition, Van Heteren Wegen Waterbouw's current plot will have to be sold.

#### *The first contours of an opportunity map*

HMO builds on results from previous talks. This way, the enabling conditions and (im)possibilities for developments become increasingly clear. The first contours of an opportunity map for the business park emerge gradually.

#### *Working in parallel and together*

In parallel to talks held in the spring of 2010, the Wierden local authority develops, in partnership with businesses based at the Hogelucht business park, a draft restructuring plan for public areas at the business park. This plan includes a focus on businesses' willingness to invest in upgrades to their own buildings and plots. The local authority is permanently involved in the restructuring task in an official and administrative capacity.

#### *Starting close to the town centre and railway station*

HMO puts forward the idea to start at Nijverheidsstraat in the southern part of the business park. This part of the business park is located close to the railway station and will benefit from the new tunnel under the railway line that separates the Hogelucht business park from the town centre. The situation of this site offers opportunities for greater flow of persons and uses such as office space, sports, and leisure.

#### *No real opportunities yet, or are there?*

In early 2011, HMO delivers a presentation to the local authority and representatives of businesses based at the Hogelucht business park. At first glance, the results of HMO's initial exploration seem to give little ground for optimism. Although a sufficient number of entrepreneurs are looking for options for their business, HMO concludes that a real sense of urgency is lacking and that there is no coherence between the various

plans of the entrepreneurs. In this light, the initial exploration does not lead to any real opportunities that could trigger an overall area upgrade. On closer look, however, stronger business prospects for the tennis centre, the new tunnel under the railway line, and demand for 'lighter uses' provide good starting points for area development at the Hogelucht business park.

#### *Turn the challenge around*

Instead of waiting and hoping for dynamism to emerge out of thin air, HMO assumes a more enterprising role. First of all, HMO starts to actively look for opportunities for better operation and development prospects for De Stouwe. After HMO's advice to merge Wierden's two tennis clubs fails to garner sufficient support, HMO starts to look for a new operator / owner for the tennis centre. The new owner that is ultimately found gives the tennis club a positive boost, averting the threat of the centre falling into disrepair and being abandoned.

Next, HMO introduces a new development concept that it calls 'The Business Village,' which is in keeping with the profile of the Hogelucht business park. This concept incorporates the various wishes and preferences of the businesses, while also providing the desired vision for the long-term development of the site.

The basic principle (and prerequisite) underlying HMO's concept is that it must be attractive to investors. The area can be developed for local small businesses and self-employed professionals. Small-scale and affordable accommodations, a good service concept, and sufficient flexibility for growth and various designated uses are the key features of HMO's concept. The concept is very well received, both by the businesses and the local authority. The first opportunity has been found!

#### *New concept creates dynamism*

To cater to self-employed professionals, the local authority, chamber

of commerce, and HMO take the initiative to set up a network for self-employed professionals. HMO then goes on to form a focus and market group from this network.

One business based at the Hogelucht business park is the first to see the potential in the concept for its own plans. Van Heteren Weg- en Waterbouw tells HMO that the concept has triggered the company to engage in further talks, since the concept creates redevelopment prospects for its current site. Van Heteren expects the creativity needed to develop good solutions to come from parties such as HMO. The company understands that collaboration with HMO must be set in a purely business context.

HMO offers to support Van Heteren in its search for a suitable new site and in redeveloping its current site. HMO and Van Heteren agree to jointly design the specifics of this support with a view to the risks involved in the development. HMO points out that given its overall mission, its preferred option will always be to find a new site at a business park that is in need of restructuring. This leads HMO to explore options in Goor, Markelo, Hengelo and other towns. The first half of a second opportunity has now been found. What remains to complete this opportunity is to find a potential buyer for the site that Van Heteren will vacate.

#### *Seeing is believing*

HMO gets architectural firm Schipperdouwesarchitectuur involved in the development of The Business Village to bring additional expertise to the table and, specifically, to get the process one step ahead. In January 2012, the first outline designs for The Business Village are presented. These are all inspiring and very specific designs that illustrate what the area and the buildings there can look like, making the picture of the future even more tangible for the entrepreneurs. It shows what The Business Village can be: functional, flexible, sustainable, and future proof.

#### *Developments pick up steam*

Following the above advances, the developments pick up steam. Aannemersbedrijf Schipper's office building and industrial unit on Nijverheidsstraat might be a good fit for Corex Nederland's plans, which presents a new opportunity. Later in the year, HP Well Screen comes forward, stating an interest in the Van Heteren plot that is adjacent to their plot. Another opportunity has been found. By selling its former site to Corex, Aannemersbedrijf Schipper acquires the space needed to implement the Business Village concept on its own unused plot, with units for self-employed professionals and small businesses, as well as a business unit for Schipper itself. After Schipper secures the funding needed from its own network, Schipper and HMO sign a declaration of intent to seal their joint commitment to further development planning for the Business Village concept.

#### *Formalising opportunities*

HMO enters follow-up talks with Aannemersbedrijf Schipper and HP Well Screen, focusing specifically on identifying the building blocks needed to develop the two opportunities into business cases.

#### *Completion of the public space restructuring*

On 5 November 2012, the F. van Kregtentunnel between the town centre and the Hogelucht business park is officially opened. Besides a tunnel for motor vehicles and bicycles, it also includes a tunnel for pedestrians. There have also been other improvements to the site: a more attractive look thanks to more greenery, better infrastructure on the site thanks to the new layout of Stouweweg and the replacement of brick paving with asphalt, and fibreglass cabling for high-speed internet. The success of the restructuring of the public areas by the local authority is confirmed by a monitoring scan performed by DHV. The business park's quality rating is up to 3 stars on a scale of 0 to 5, which confirms that the quality improvement of the site that DHV deemed feasible back in 2009 has actually been achieved.



## Lessons learnt

### *LL9.4 Introduce new prospects .... at the right time*

In early 2010, HMO concludes that the first exploration does not produce any real results. At the same time, HMO introduces new prospects in the form of plans for The Business Village, turning the development from a bottom-up one into a clear vision for area development. The timing is perfect. The prospects for (re)development create an incentive for parties to consider investing. The next step follows in early 2012. HMO adds another twist to the prospects, giving Schipperdouwesarchitectuur the opportunity to design further specifics of the Business Village concept to bring it to life. Willingness to invest in the project is also increasingly likely and found mainly in Aannemersbedrijf Schipper's own network, which is a further motivating factor for the parties involved.

### *LL9-5 Focus on certainty and investment appetite at the same time*

Early on in this process, local businesses indicate that certainty on long-term developments of the site is crucial for investment decisions. HMO consciously draws on this longing for certainty by fleshing out the specifics of The Business Village, while at the same time helping the businesses develop specific plans for their own plots and buildings.

### *LL9-6 Make a dynamic opportunity map*

In 2010, Corex and HP Well Screen indicate that they had no need to expand or relocate. But over a year later, they do need more space. HMO stays in contact with the companies based at the Hogelucht business park and puts together a picture of the possibilities and prerequisites for the development of the business park. This makes it possible to bring the pieces of the jigsaw together on the opportunity map at the right time. The pieces of the jigsaw are Corex's and HP Well Screen's respective needs for more space and the available space of Aannemersbedrijf Schipper and Van Heteren Weg- en Waterbouw, which can be brought together to form two real opportunities.

### *LL9-7 Quid pro quo: take a businesslike approach*

The whole story of seeking and building opportunities for development of the Hogelucht business park is basically one of business considerations and decisions. At the same time, it is a story of ambitions and visions for the future, about how spatial developments could impact on companies' and business parks' continuity and vitality. This is how ambitions, visions, and business consideration come together. HMO always makes its involvement conditional on there being a restructuring need. A development will only be considered an opportunity if a business is willing to invest in an expansion, relocation, or change in business activity, and this change has the potential to contribute to the overall upgrade of outdated sites. This way of working that HMO uses creates clarity and creates leverage for targeted and business-driven seizing of an opportunity to build a business and value case.

### *LL9-8 What is an opportunity?*

HMO's involvement in the restructuring of the Hogelucht business park shows how hard it is to clearly define beforehand what exactly constitutes an 'opportunity'. There are, however, characteristics to target in developing opportunities. The core of an opportunity is always that it must offer a good substantial solution.

One that, within the framework of HMO's overall restructuring mission, provides real possibilities for a win-win solution to spatial developments. Needless to say, an opportunity also involves willingness to invest. An opportunity exists when the parties involved are willing to at least invest their time in exploring the viability and attractiveness of the solution(s). In other words, the opportunity shows the first contours of a business case.

# The opportunity map

The development of a site is never done. Opportunities can make a positive contribution to the vitality and future-proofing of a business park and they are always a product of their time. HMO has contributed to finding and developing three specific opportunities during the 2010-2012 period in various ways.

## Opportunity 1. Van Heteren Weg- en Waterbouw and HP Well Screen

Van Heteren Weg- en Waterbouw wants to relocate to a new site with water access. Relocation is conditional on the sale of the company's current plot. Van Heteren's neighbour at the Hogelucht business park, HP Well Screen, wants to expand and is willing to purchase Van Heteren's plot.

Based on its mission, HMO can, in principle, provide support for the intended spatial development for both companies. HMO can in particular play a role in finding a suitable location for Van Heteren Weg- en Waterbouw, whereby HMO prefers a site at an existing business park that

is being restructured or in need of restructuring. HMO is also prepared to finance HP's purchase of the Van Heteren site.

## Opportunity 2. The Business Village

Development of the southern area of the Hogelucht business park into what is to be known as The Business Village fits in with the preferences of the businesses, while this concept also offers greater certainty as to the business park's future development. As a result, businesses are more likely to invest. Aannemersbedrijf Schipper considers this concept a real opportunity for redevelopment of its own plot.

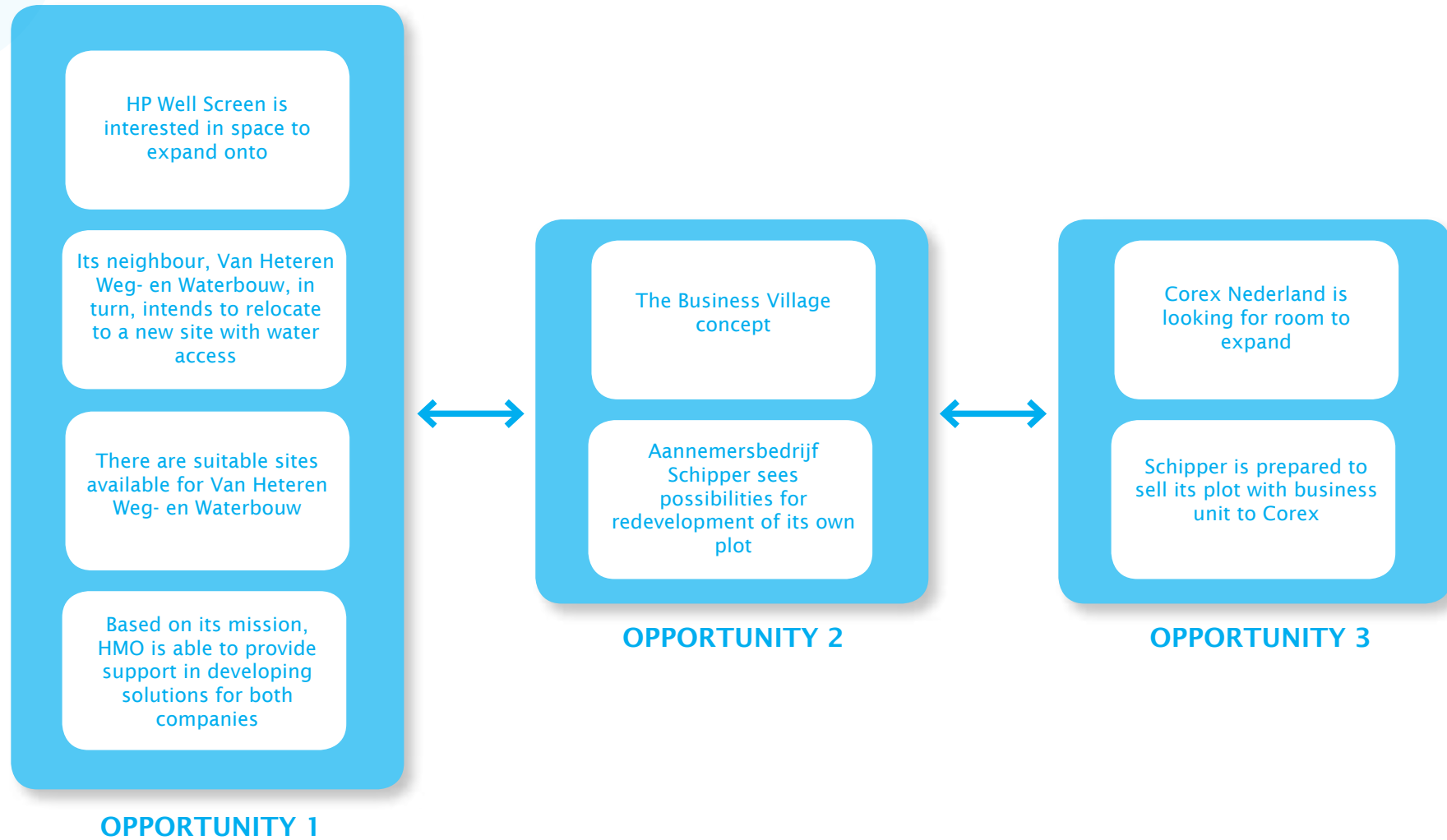
## Opportunity 3. Aannemersbedrijf Schipper and Corex Nederland BV

Corex Nederland would like to consolidate its operations on a single site in Wierden. Selling its current site is a prerequisite for relocation of operations and construction of a new building. The relocation needs to be completed by mid-2013. Schipper has a vacant plot available.

*See the Opportunity map on page 153 >>*



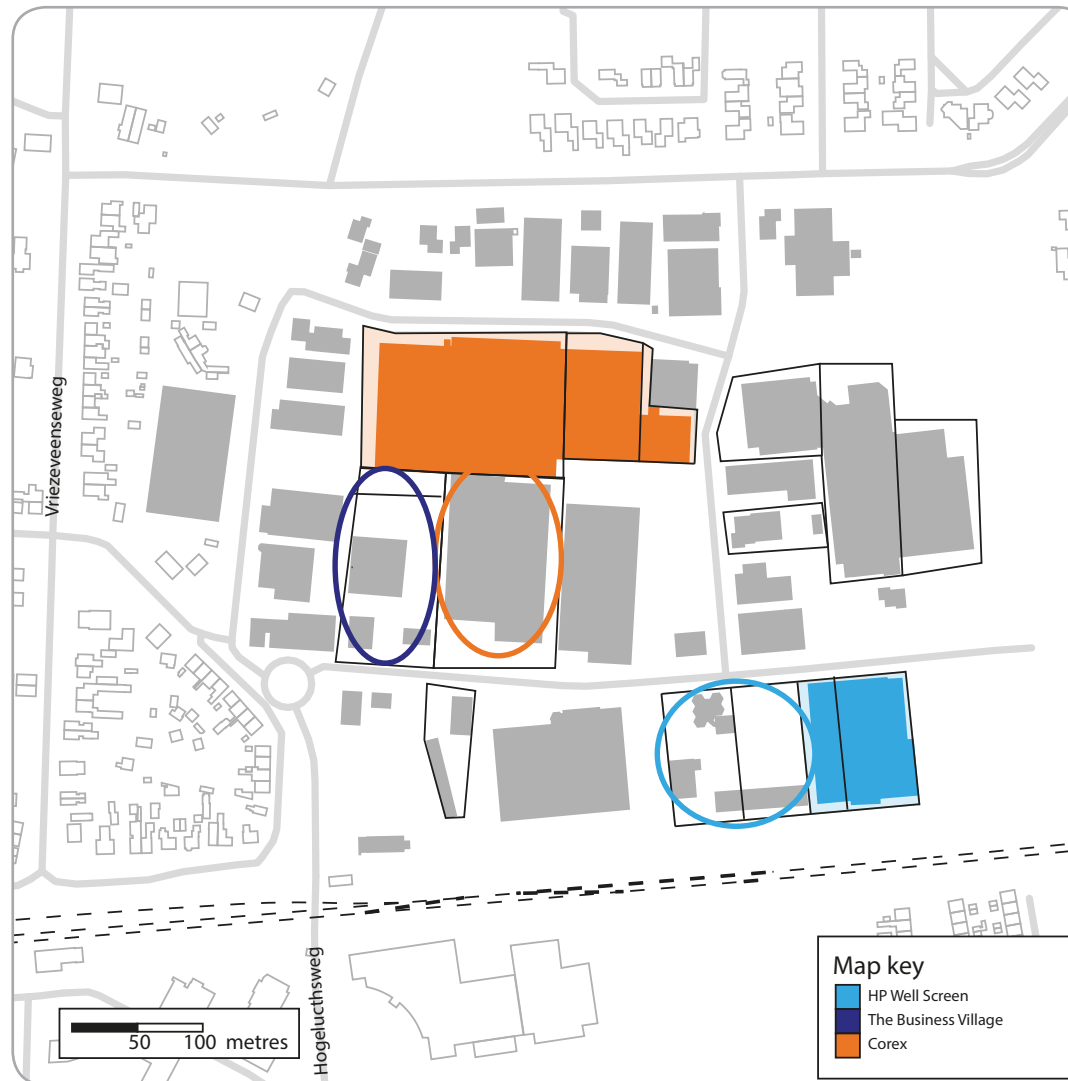
## The Business Village as a unifying element





# Opportunity map

<< *Back to the relating text*



# Building business and value cases

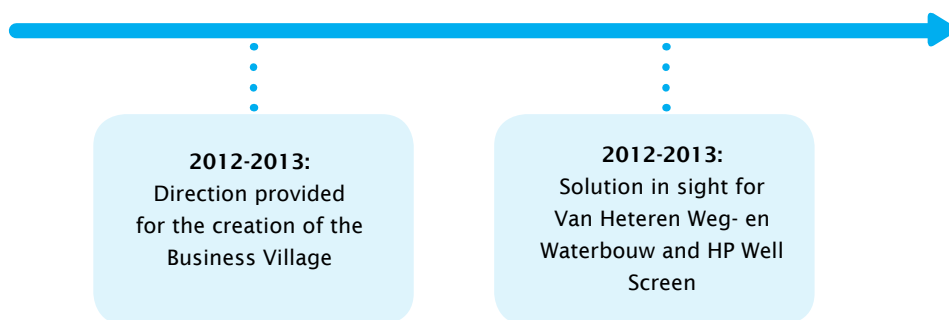
**Seizing opportunities is all about making choices. Together with the parties involved, HMO works out customised solutions for the business cases. Each business case makes a positive contribution to a value case, and all value cases jointly detail the specifics of the restructuring.**

## The challenge

De Opportunities have been found. The challenge now is to translate plans for relocations, expansions and new developments into effective solutions that are aligned with the requirements and preferences of Corex, Aannemersbedrijf Schipper, HP Well Screen, Van Heteren Weg- en Waterbouw, HMO, and the Wierden local authority as closely as possible.

### *Increasingly more tangible*

The next step is to seize the opportunities. Each restructuring process is unique. The parties involved have different needs, different (financial) possibilities, and they are not all equally willing to invest. Choices about what to do next have to be made, particularly with regard to HMO's involvement.



### *Flying solo*

HMO has played an active role in promoting and developing the opportunity for Corex. The company now wants to continue developing this opportunity by itself.

### *Will The Business Village become reality?*

The declaration of intent for redevelopment of the Schipper site provides a good basis for creation of The Business Village. HMO is given a clear role in working out the business case. HMO ensures adequate collaboration and coordination with the Wierden local authority. HMO and Schipper together work out a planning concept for creation of The Business Village. HMO takes the lead and coordinator role in the development process. HMO and Schipper get to work together in 2012. The area for redevelopment is clearly demarcated and the parties formulate specific targets for new uses of the new site. The plan is based on a feasibility analysis and provides a good basis for the final design and investment decisions.

### *Finding and matching*

In parallel to development of The Business Village, good progress is made on a suitable solution for the spatial plans of HP Well Screen and Van Heteren Weg- en Waterbouw.

Van Heteren finds a plot that meets its requirements on the former Akzo Nobel chlorine company site in Hengelo. The purchase date for this plot will also be the date on which Van Heteren's 'old' plot in Wierden will be sold to HP Well Screen. The three parties first enter negotiations on land prices. Whether or not Van Heteren's relocation is feasible depends on the purchase and development costs, as well as on the proceeds from the sale of its current plot. For HP Well Screen, feasibility depends on the expansion costs.

HMO and the two businesses regularly discuss the need and options for HMO to become financially involved. During these meetings, the businesses give progress updates on negotiations and their impact on the feasibility of the planned developments. The business cases gradually become more detailed. In the end, these talks lead to HMO deciding to make a contribution to Van Heteren's relocation. Since the financing needed for the expansion of HP Well Screen is provided by a bank, there is no need (anymore) for HMO to get financially involved in that part of the operation.



## Lessons learnt

### *LL9-9 Carefully consider the benefits of and need for a contribution from HMO*

The three opportunities for the Hogelucht business park show that HMO does not always need to get involved, at least not always in the same way. HMO fulfils the 'catalyst' role, sometimes by firing on the process and sometimes by (committing to) making a financial contribution to healthy business cases. When there is a bank that is willing to provide the necessary funding and businesses are willing and able to handle the development themselves, HMO does not need to get involved. HMO has then been the catalyst that set the process in motion.

### *LL9-10 Trust, trust, trust*

HMO has the capacity to contribute to a business case financially. Without full disclosure, HMO is unable to act adequately, while without trust, HMO will get insufficient access to information on crucial financial data. The deal between Van Heteren and HP Well Screen is an example of this: HMO gets regular updates from both parties on the negotiations, allowing HMO to clearly define and substantiate its own role in the deal.

### *LL9-11 Win-win situation for company and society*

HMO continuously and simultaneously works on the development of good business and value cases. Without a business case, an opportunity will never be seized. And without adequate progress in its restructuring mission, HMO will not contribute to business case development.

# The business and value cases

The Wierden local authority, HMO, and many of the businesses based at the Hogelucht business park play a role in restructuring the business park. HMO has played a tangible role in the development of three business cases with accompanying value cases.

## The Business Village

### General aspects:

- Aannemersbedrijf Schipper wants to build The Business Village on its own site;
- HMO has developed the concept and worked closely together with Schipper in building the business case for it.

	Business case	Value case
<b>Value prospect</b>	The Business Village concept is based on insights into the local market and preferences of local entrepreneurs. The forecast is that there is sufficient demand for (and growth potential in) flexible, recognisable, small-scale, relatively economical lease property for self-employed professionals and small businesses. Planned completion: before the end of 2012.	Het concept Ondernemersdorp past in een breed gedragen lange termijn visie voor de ontwikkeling van Hogelucht. Het concept draagt in die zin positief bij aan zekerheid voor de ondernemers met betrekking tot investeringen in het gebied.
<b>Parties involved</b>	Aannemersbedrijf Schipper, HMO	HMO, Wierden local authority
<b>Costs</b>	<ul style="list-style-type: none"> <li>• development planning;</li> <li>• new construction;</li> <li>• operation.</li> </ul>	HMO's investment in the development of the Business Village concept.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• revenue from leasing / sale of units.</li> </ul>	The Business Village will help create a clear and recognizable profile for the business park and make it a thriving and future-proof site. It will also reduce the spatially formulated restructuring need.
<b>Financing</b>	<ul style="list-style-type: none"> <li>• investment from Schipper's own funds;</li> <li>• contribution by HMO to development planning.</li> </ul>	
<b>Risks</b>	<ul style="list-style-type: none"> <li>• degree of success of the market concept.</li> </ul>	<ul style="list-style-type: none"> <li>• effects of degree of success of the market concept on the overall Hogelucht area development project.</li> </ul>
<b>HMO risk management</b>	Joint development of a planning concept with HMO being the lead and coordinator.	

## Corex relocation

### General aspects:

- Aannemersbedrijf Schipper wants to sell business units on its own plot
- Corex Nederland wants to buy these business units
- HMO provides process support

	Corex business case	Value case
<b>Value prospect: market and society</b>	Corex is a company with various sites at the Hogelucht business park and in Germany. Owing to its growth, the company expects consolidation of its operations at one single site of approximately 2.5 hectares to have a positive effect on its business.	Accommodating Corex in units that have recently been done up by Schipper can have a positive long-term effect on the overall area development.
<b>Parties involved</b>	Aannemersbedrijf Schipper and Corex Nederland	HMO and Wierden local authority
<b>Costs</b>	<ul style="list-style-type: none"> <li>· acquisition of plot with buildings;</li> <li>· transaction costs;</li> <li>· operating costs.</li> </ul>	Area development process costs covered by HMO.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>· value of the plot to be acquired, including buildings;</li> <li>· proceeds from the sale of its own 'old' plot(s);</li> <li>· business-related benefits of centralisation of operations.</li> </ul>	In the short term, positive value development and increasing vitality and quality of part of the business park through the renovation of buildings by Schipper, followed by the purchase and use of these buildings by Corex and (partly as a result of this) reduction of the overall restructuring need.
<b>Risks</b>	<ul style="list-style-type: none"> <li>· unknown</li> </ul>	<ul style="list-style-type: none"> <li>· the extent to which the development fits into the further development of the sub-area and with The Business Village in particular.</li> </ul>

## Van Heteren Weg- en Waterbouw relocation and HP Well Screen expansion

### General aspects:

- Van Heteren wants to acquire a plot that is currently owned by Akzo Nobel at the Twentekanaal business park in Hengelo.
- AkzoNobel is willing to sell the plot.
- Van Heteren wants to sell its current plot at the Hogelucht business park.
- HP Well Screen wants to buy Van Heteren's plot.
- HMO is prepared to contribute financially to making the Van Heteren relocation and HP Well Screen expansion happen.

	Van Heteren business case	HP Well Screen business case	Value case
<b>Value prospect: market and society</b>	The company expects the combination of a 1-hectare site on the water and better facilities thanks to new construction to have a positive effect on its market position in the road and hydraulic engineering market.	The company's plot borders on Van Heteren's plot. HP Well Screen is in the process of building a new unit on its own site. Acquisition of the adjacent site will improve its operations thanks to better access to the new unit from the side.	Van Heteren's relocation can, in one go, improve the situation at two business parks that need restructuring, and which are both part of HMO's overall restructuring mission. For the longer term, this could have a positive effect on jobs, as well as on the spatial and economic quality of both business parks.
<b>Parties involved</b>	Van Heteren Weg- en Waterbouw, Akzo Nobel, HP Well Screen, HMO	Van Heteren Weg- en Waterbouw, HP Well Screen	HMO, Wierden local authority, and Hengelo local authority
<b>Costs</b>	<ul style="list-style-type: none"> <li>• acquisition of the Akzo Nobel plot;</li> <li>• transaction costs.</li> </ul>	<ul style="list-style-type: none"> <li>• acquisition of the Van Heteren plot;</li> <li>• transaction costs.</li> </ul>	HMO is willing to help HP Well Screen with a loan. In the end, HMO does not need to get involved financially on the HP Well Screen side of the deal, as the company has found a bank willing to provide the full financing. HMO's role as a catalyst (covering only the process costs) proved to be sufficient. HMO contributes to the realisation of the underground infrastructure and the paving of the plot in Hengelo that is to be acquired by Van Heteren.

	<b>Van Heteren business case</b>	<b>HP Well Screen business case</b>	<b>Value case</b>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>· sale of Van Heteren's 'old' plot at the Hogelucht business park to HP Well Screen.</li> </ul>	<ul style="list-style-type: none"> <li>· the value of the plot that is to be acquired.</li> </ul>	<p>Positive effect on the business continuity (and possibly growth) of the companies involved and indirectly also on jobs. Tangible contribution to the restructuring and, in particular, a positive effect on the spatial quality and profile of the area.</p>
<b>Financing</b>	<ul style="list-style-type: none"> <li>· company's own funds;</li> <li>· contribution by HMO.</li> </ul>	<ul style="list-style-type: none"> <li>· company's own funds;</li> <li>· loan.</li> </ul>	
<b>HMO risk management</b>	Analyses of the various companies' market position and financial situation and the building of the building case.		

# Realisation and results

## Realisation and Results

Building a business case takes time. The challenge is primarily to properly align partially parallel developments. This is something that requires collaboration, constant effort, commitment, trust, and expertise from the parties involved. The improvement process can thus produce a good result for all stakeholders.

*See the map of the final situation on the next page >>*

## 2010-2014: many visible results

In 2013, Aannemersbedrijf Schipper implements the Business Village concept by constructing three small buildings and a business unit on a high-profile site near Wierden town centre. The Business Village offers small, affordable units measuring 40 m<sup>2</sup> upwards for lease to, for example, self-employed professionals and small businesses. The

buildings at The Business Village have been built with flexibility in mind; the units can be converted into apartments if required.

On the adjacent plot, Schipper sells the refurbished business unit of approximately 3,050 m<sup>2</sup> with approximately 345 m<sup>2</sup> of office space to Corex Nederland B.V. in the same period. Corex relocates all its operations from Germany to Wierden.

A bit further down the road, HP Well Screen continues to expand. The adjacent plot with buildings is purchased from Van Heteren. Van Heteren Weg- en Waterbouw relocates to a suitable waterside plot of approximately 0.9 hectare at the Twentekanaal business park in Hengelo. The new construction is completed in 2013.





# Map of the final situation

<< Back to the relating text



## *HMO is a partner with a clear vision who speaks entrepreneurs' language*

By 2018, the Hogelucht business park in Wierden has been turned into a business park that is ready for the future. The involvement of HMO in restructuring this area has really kick-started the whole process. *“One key success factor is that HMO is an expert partner with a clear vision who speaks the entrepreneurs' language,”* according to the responsible member of the municipal executive, Mr Slagers.

In 2009, we had a brainstorming session with businesses based at the Hogelucht, Kluinveen, and Violenhoek business parks on a new vision on business and industrial parks in the Wierden municipality. The Hogelucht business park was designated for restructuring after the then responsible member of the municipal executive issued a strong signal that this business park really needed to be regenerated. This sense of urgency was also felt by the businesses there, based on the value of their property.

The local authority set up a project group and appointed a liaison to take stock of the preferences and ideas of all the businesses. This created fertile breeding ground for a successful process. Following adoption of a municipal preliminary memorandum, HMO was appointed as the external knowledge and advice partner.

*“The initiative to regenerate the area in combination with the appointment of the external party HMO was hugely important in getting all the stakeholders to buy into the process. These kinds of jobs demand active teamwork by all parties involved. The local authority was permanently involved in an official and administrative capacity. It is impossible to get something like this properly off the ground without pulling together,”* according Mr Van Triest (policy officer). HMO's role was the driving force

behind the intensive process of turning ideas into solid business cases. It was based on a specific vision, namely 'The Hogelucht Business Village'. To implement this concept, the local authority took care of redeveloping the public areas, while the businesses invested in the development and upgrade of their respective sites. HMO was willing to co-finance, if necessary, to supplement private investments.

Based on excellent talks on the preferences and interests of all the businesses involved, a win-win situation was created. HMO's knowledge, expertise, and independent steering role was highly important in integrating plans within the overall concept. According to Mr Slagers, the collaboration has produced a result that all initiators can be proud of: *“Companies of different sizes have come together and are still motivated to keep coming up with new ideas and initiatives. And new businesses have meanwhile also moved to the Hogelucht business park.”*

The Hogelucht project has helped create an active network where entrepreneurs and the local authority discuss the business climate on a regular basis. The local authority has also appointed a business liaison officer for businesses to turn to with questions and initiatives. Despite positive economic developments, the business park's vitality continues to be a focus point. *“Considering the positive process and result of the regeneration of the Hogelucht business park, it is regrettable that the stimulation programme for the restructuring of business parks has meanwhile been ended by the Overijssel provincial authority. After all, this is an issue that will continue to be equally prominent in the future, also in Wierden. And we would have liked to again be able to partner with HMO in dealing with it,”* the municipal executive member concludes.



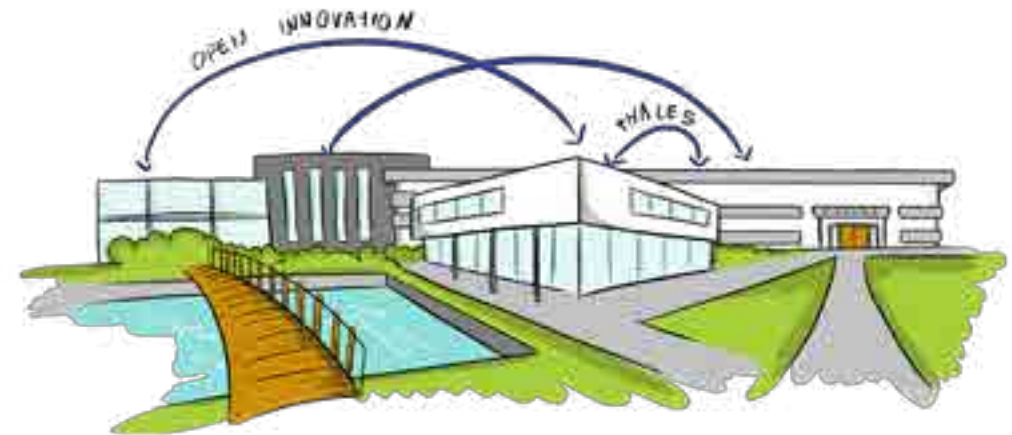
## References

Full (confidential) documentation on the development of the area and HMO's involvement in the process from mid-2009 to March 2017, Herstructureringsmaatschappij Overijssel

Hofsté, S. and K.E. Bugge (2018), Interview with Mr Slagers, member of the municipal executive, and Mr H. van Triest, policy officer, held on 3 April 2018 in Wierden

# Ch.10 High Tech Systems Park

Thales wants to consolidate its operations in one single location at the Twentekanaal-Zuid business park in Hengelo, which means that approximately 20 hectares of space will become available for redevelopment. HMO and Thales work together in finding and facilitating companies that fit into the 'open innovation' concept in relation to the 'high-tech systems' profile. Their joint efforts result in the companies Norma MPM, HP Valves, and Opra Turbines, as well as a number of smaller companies, establishing operations at the High Tech Systems Park. In 2017, HMO purchases a building, the so-called 'Building N', from Thales. This building is subsequently renovated and redeveloped into a multi-tenant commercial property with business incubators and field labs. (Re)development of the former Thales site has a positive impact on spatial quality, as well as on job and talent retention for the region. The HTSP is turned into a proper top business site.



## Content:

- > Facts & Figures
- > The initial situation
- > Starting the initiative
- > Identifying opportunities
- > The opportunity map
- > Building business and value cases
- > The business and value cases
- > Realisation and results

*From outdated and vacant to clear market prospects based on open innovation*

# Facts & Figures

## Projects

New construction for Norma MPM and development of HTSP.



## Investment by HMO

€10 million

## Other private investments

At least €100 million

## Result

40 hectares regenerated

## The project shows how:

- redevelopment of a site owned by one party can be propelled by an increasingly clearly defined profile for the site;
- a growth model enables development of specific business and value cases for individual companies that match the targeted overall identity of the site.

# The initial situation

**The Twentekanaal Zuid business park suffers high vacancy levels in 2010, but there are ambitious plans for a much-needed upgrade to the business park. Of these plans, redevelopment of one half of the Thales site is among the most promising ones.**

## The Twentekanaal business park and Thales

Thales, one of Europe's biggest electronics companies, is based at the Twentekanaal business park in Hengelo. The Thales site's boundaries are Haaksbergerstraat to the west, Twente Canal to the north, and Diamantstraat to the south. Access from the site to the A35 trunk road is via Haaksbergerstraat. The part of the business park where Thales is based can be characterised as a mixed-activity area. In 2009, Thales' site measures approximately 40 hectares, although only just under half of it is being used.

## The run-up

Redevelopment of the 20 hectares of the Thales site has been on the table since as far back as 2003. The association of local businesses sees an opportunity to reposition the site as a specialist business park for tech companies and gear development towards alignment with Thales' operations.

Over the subsequent years, a lot happens at the Twentekanaal business park. In 2004, the local council adopts the Master Plan for the Twentekanaal Business Park Upgrade. This plan specifies objectives for improvement of the business environment and climate, as well as for the creation of space for existing and new companies. The initial ideas of the association of local businesses for the redevelopment of the Thales site are incorporated into the master plan. An important first step towards realising the ambitions from the master plan is the creation of a park management organisation by the Hengelo local authority and the Twentekanaal Business Park Interest Group in 2005. The Twentekanaal Business Park Interest Group and the park management organisation are focused mainly on ways of facilitating successful business practices. This leads to, among other things, the presentation of the Safe Business Practices Quality Mark for the Twentekanaal

business park in March 2006. In 2009, the Twentekanaal Business Park Interest Group explores the options for the creation of a Business Investment Zone. However, when they gauge support for this plan, it turns out there is (just) not enough support to set up the Business Investment Zone.

In a role that is complementary role to that of the Twentekanaal Business Park Interest Group and the park management organisation, the Hengelo local authority works on the master plan and, therefore, focuses primarily on the physical upgrade to the business park. Reconstruction of Diamantstraat and linking it to Haaksbergerstraat, which leads to the A35 trunk road, as well as to Boekeloseweg, are two projects that will improve the business park's accessibility by road. Transport by water is not forgotten either. The policy adopted in 2008 for the development of inland ports and waterways provides a basis for improvement and expansion of the quays along Twente Canal, offering particular opportunities for Container Terminal Twente (CTT).

In late 2008, Thales sells its mechanical engineering department to Norma. As part of the deal, Norma agrees to relocate the operations of the Mechanical Parts Manufacturing (MPM) business unit. The idea behind this is that it could give the site upgrade a boost.

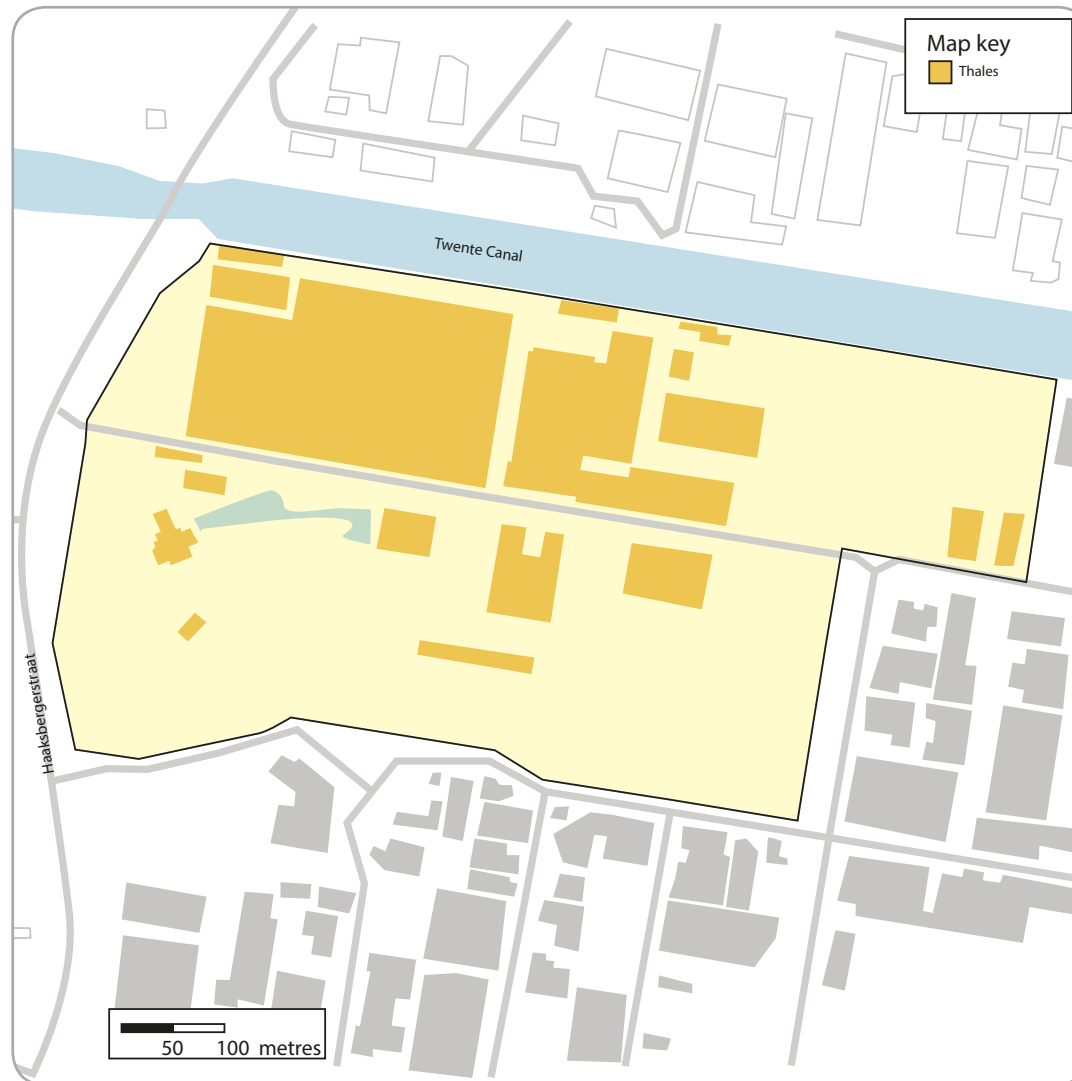
*See the map of the initial situation on the next page >>*

## The situation in 2009/2010

In 2010, an updated version of the master plan (Arcadis, ultimately adopted by the Hengelo local authority in March 2011) outlines the current situation based on a number of challenges for the Twentekanaal business park for the 2011-2015 period. One of these challenges is redevelopment of 20 hectares of the Thales site. Thales itself could consolidate its operations on the northern part of the site on the banks of Twente Canal, and develop the southern and north-eastern part of its site into a high-tech campus. Modernising its outdated site has been an ambition of Thales' for some time, but such a substantial investment in Hengelo hinges on broad support across this international group of companies.

# Map of the initial situation

[<< Back to the relating text](#)



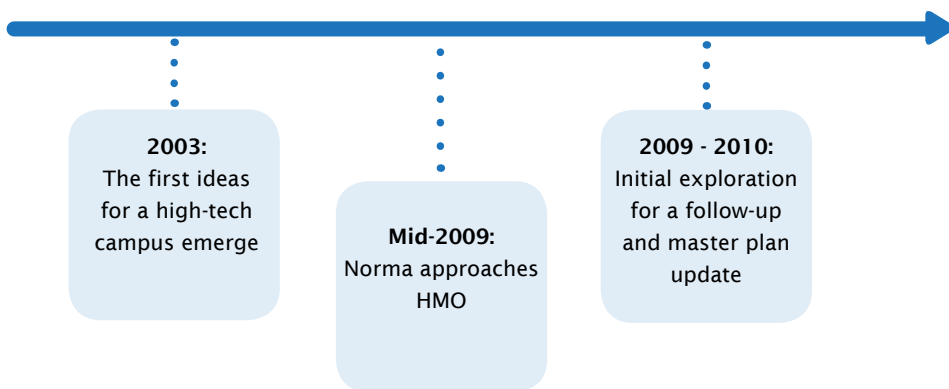
# Starting the initiative

The company Norma would like to build a new building on the Thales site. This initiative provides a real boost for a joint redevelopment effort for part of the Thales site.

## Triggers & Initiators

In 2009 and 2010, the redevelopment ambitions for the Thales site are becoming increasingly visible and tangible. The Hengelo local authority would like to see vacancy levels reduced and believes that the available space offers opportunities for new economic activity. The Twentekanaal Business Park Association expects redevelopment to lead to an overall improvement of the business climate at the park. Thales will not need the vacant part of its site, while it could use the proceeds from a redevelopment to upgrade its own premises.

The restructuring mission for Herstructureringsmaatschappij Overijssel (HMO) includes the restructuring of nearly 90 hectares of land at the Twentekanaal business park. Although the Thales site is not among the most outdated parts of the business park, HMO believes that the freeing up and redevelopment of part of the site could serve as a catalyst for development of the entire area. In 2009, the company Norma approaches HMO with plans for a new building on the Thales site. Looking for ways to finance these plans, Norma asks whether HMO would be able and willing to contribute to this development.



## Lessons learnt

### *LL10-1 Understand and use the value of a clearly defined initiative*

Ambitions and a vision for the redevelopment had been on the table for as long as six years. The foundation of HMO and Norma seeking HMO's help brought two promising and targeted initiatives together. HMO sees the potential impact of Norma's plans on the long-term area development process, recognising in particular how this initiative can lead the process into a certain direction and speed it up at the same time.

## From individual to shared interests

Making better use of the available space through the construction of a new building for Norma on the current Thales site matches the ambitions of Thales, the association of local businesses, the Hengelo local authority, and HMO for the redevelopment of the site. The shared interests clearly come to the fore thanks to the initiative.

## Starting point for area redevelopment

Norma's initiative highlights more than only the shared interests. The redevelopment of nearly 3 hectares of the Thales site through the construction of a new building by Norma can be the starting point for a greater area development process, with Thales as the central player. HMO sees potential in this prospect and, therefore, engages with Norma, Thales, and the Hengelo local authority on the area development process and what HMO can do for this process.



# Identifying opportunities

A starting point has been found. The challenge for HMO now is to choose a position and role for itself in the process. What can HMO do for Norma's new construction? And how far is HMO willing to go? What should the collaboration between HMO and Thales look like? What will the Hengelo local authority's role be in all of this? Besides designing adequate collaboration arrangements, there is also a complex challenge in the area development task itself, which is to pursue a step-by-step process for new construction on the site while at the same time properly slotting it into realisation of an increasingly clearly defined target situation for the whole site.

## *Specific need and specific demand*

In 2008, Norma acquires Thales' Mechanical Parts Manufacturing (MPM) business unit. Finding a new building for MPM is part of this deal with Thales. Given that Norma will continue to work closely together with Thales, it wants to be based close to Thales. It has specific plans for a new building on a high-visibility plot of approximately 2.3 hectares on

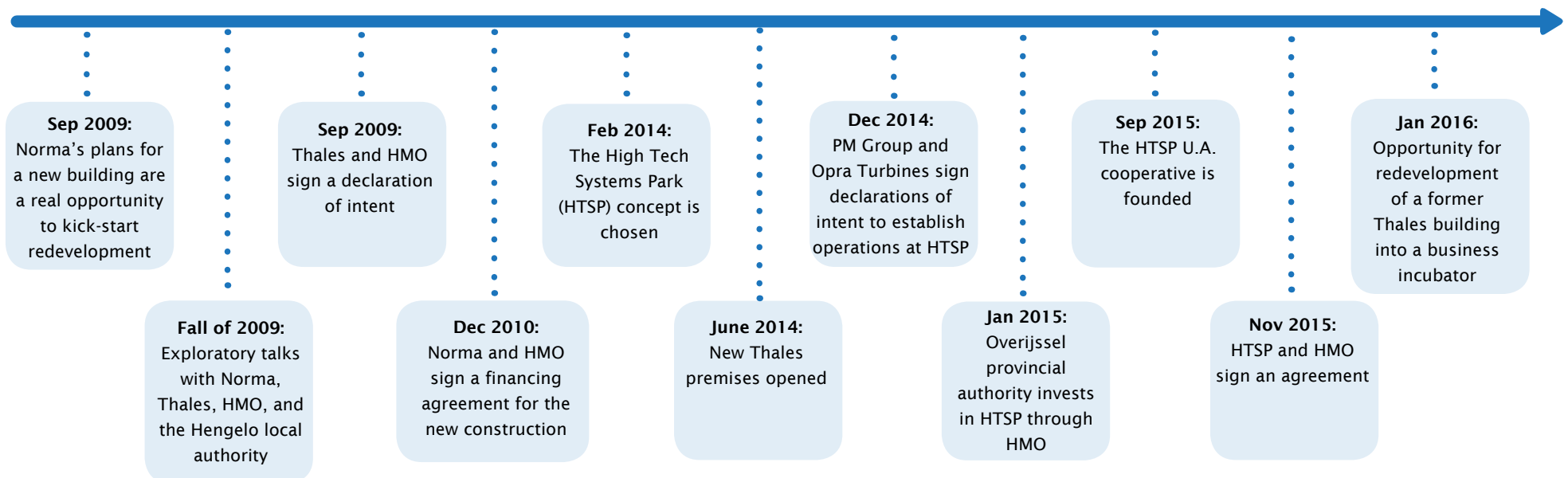
the Thales site, in the corner between Opaalstraat and Robijnstraat. The intention is to have the new building ready by late 2010. The question now is what role HMO is able and willing to play in developing a business case for construction of the new premises.

## *Strategic consideration leads to flying start*

HMO realises that the development can be used as a first step in a long-term redevelopment process for the Thales site and, with that, for a significant section of the total restructuring need at the Twentekanaal business park. A contribution by HMO can, in particular, help lower the threshold for other potential financial backers and thus make the process easier and faster. HMO, therefore, decides to get involved and help Norma. HMO and Norma agree to jointly explore options for HMO's involvement.

## *Broad collaboration required*

In October 2009, HMO subsequently approaches Thales with a specific



area development proposal. This proposal combines three strategic building blocks. The first building block is a clearly defined redevelopment concept with the working title 'Radar Park.' This concept builds on previously announced (in 2003/2004) intentions and new insights, putting synergy with Thales' core business first. Companies that, in terms of knowledge and capacity, are complementary to Thales and each other make up a business cluster. The idea is for newly recruited companies to not only provide services and products to Thales, but to ultimately develop through growth and innovation into strong strategic partners for Thales. All companies can work together in developing and conveying a recognisable and powerful brand. The second and third building blocks are a partnership with Thales and the Hengelo local authority and HMO's proposal to take care of managing further development of the concept and the planning process.

#### *Further candidates?*

Over the subsequent years, Thales, HMO, and Norma increasingly pull together. In December 2009, they jointly enter talks with 5 companies with a potential interest in establishing operations at the Thales site: Galvano Hengelo, Jonkman Coating, Opra, Aemecs, and Demcon. Information is shared about the Radar Park concept, Thales's and Norma's respective plans, and finally also about HMO's support role in the process, as the active search for opportunities for a match between supply and demand continues.

#### *HMO - Thales declaration of intent*

Thales and HMO have both experienced their collaboration in the fall of 2009 as positive. On 25 February 2010, the next milestone is reached. Thales and HMO sign a declaration of intent: a major opportunity for a long-term partnership for redevelopment of the Thales site. The declaration of intent provides clear frameworks and targets for the collaboration. The parties want to design a planning concept for the redevelopment together. They want to make the required choices

together on the demarcation of the area to (re)develop, objectives for the kind of activity on the site and the specifics thereof in a plan, area organisation, and feasibility and operation analyses.

#### *New construction for Norma gains shape*

Work on making Norma's new construction happen also continues. Thales is willing to sell the plot in question, which means that an important prerequisite for further development has been met. The purchase and preparation of the plot of approximately 2.3 hectares is the first major expense. Norma and the Hengelo local authority discuss the possible role that the local authority could play in this land transaction. The local authority is aware of the importance of the new construction on the site for the company's future and also sees this development as a valuable contribution to creating an attractive business climate in the area. As a result, the local authority decides, in January 2010, to acquire the land, have it prepared for construction, and subsequently lease it to Norma under a ground lease deal that is signed in March 2010. Talks between Norma and HMO are equally productive. In December 2010, the parties sign a declaration of intent for the financing of Norma's new construction. The first real opportunity for redevelopment of part of the Thales site has been found.

#### *Active Thales*

At the same time, Thales also works on the development of its own site and buildings, taking the first steps towards construction of a new building and demolition or renovation of existing ones.

#### *New impetus*

In 2013, multiple parties are working on creating even more clearly defined market prospects for the redevelopment. These joint efforts ultimately lead to the parties deciding on a profile and a name, High Tech Systems Park (HTSP). In February 2014, the project plan outlines the area development ambitions, linking them to statements that

provide direction for the organisational setup, business development, and the steps to take to make the complete development possible financially. The plan identifies a potential role for HMO in supporting private-sector parties (financially), for example for the construction of buildings. In October 2014, a Committee of Wise Men issues advice on the development of Technology Base Twente. This advice stresses the importance of adequate alignment of the development of various prime locations for the HTSM industry in Twente, including the HTSP.

#### *HTSP's increasing pulling power*

2014 and 2015 turn into years of tangible results. In early June, Thales opens its new building, the High Tech Campus, which houses its head office with 800 flexible workspaces. The High Tech Campus also includes



a Shared Facility Center (SFC). This centre is available to Thales and other companies based at the HTSP.

In December 2014, two companies, PM Group and Opra Turbines, sign declarations of intent to set up operations at the HTSP. The HTSP offers the PM Surface business unit the opportunity to centralise production and obtain space for a new building and growth. PM Surface specialises in the development and application of complex coatings for high-grade purposes. Collaboration with Thales and other high-tech companies will be a lot easier thanks to their close proximity, and the location on the banks of Twente Canal makes it an ideal site in terms of logistics. Opra Turbines, too, sees that the High Tech Systems Park offers good opportunities for growth, expecting the available facilities to help them attract and retain engineering talent. The presence of a high-pressure gas pipe on the site is vital for the testing of the turbines that Opra manufactures. In 2015, another company enters the frame, HP Valves. HP Valves wants to build new offices and production facilities at the HTSP.

#### *The provincial authority recognises the importance*

As developments at the HTSP unfold, a proposal for a contribution from the Overijssel provincial authority to the HTSP is also in the works. In February 2015, the provincial executive agrees to invest 3 million euros in the development of the HTSP. This investment comes as part of the Twente Investment Triangle programme. The provincial authority sees the HTSP as one of the four prime business locations in Twente for companies operating in the High Tech Systems and Materials (HTSM) domain.

#### *HMO is given a specific role (again)*

The Overijssel provincial authority opts to invest in the development of the HTSP through HMO. HMO is tasked with stimulating and/or facilitating private investment in the business park. HMO furthermore has a role to

play in further defining and upholding the desired profile and shaping acquisition for the HTSP.

#### *Getting to work right away*

In late February 2015, HMO enters talks with Thales, HTSP, and the Overijssel provincial authority about how to proceed. The provincial authority's decision allows HMO to further flesh out its role in the second phase of its involvement (after its active involvement in 2010 and 2011) in the area development task. There are various options on the table. Will HMO invest in the acquisition of a specific plot? Would it be wiser for HMO to spread its funds more broadly? Would investing in energy supply be a good option? The key thing is that the development of HTSP must be reinforced, which calls for customisation. This also means alignment with developments at three other prime business sites for HTSM companies in Twente: Kennispark, Technology Base Twente, and the XL Business Park. In May 2015, Buck Consultants presents the tech profiles for all four business parks. The profile for the HTSP gradually gains shape: emphasis on systems, R&D campus, small scale (compared to other locations), and the (potentially) strong ties with Thales.

#### *Formalising collaboration at HTSP*

Over the subsequent few months, hard work goes into further designing the organisation of the HTSP. In September 2015, the HTSP cooperative is founded. This cooperative is intended to take care of long-term area and building management, promotion of interests, security, facilities and services, as well as to stimulate open innovation.

#### *Formalising the HTSP - HMO partnership*

Two months later, HMO and HTSP sign a collaboration agreement. Thales and HMO will together take care of HTSP branding and marketing, as well as the required acquisitions. The short-term idea behind the agreement is to produce a business plan. This business plan must, in principle, contain a number of individual business cases that jointly foment development of the HTSP. HMO furthermore seeks to spark a catalyst effect by, for

example, making a contribution to the redevelopment of 'old' sites to create more space where companies can invest in new constructions at the HTSP.

#### *HTSP: Ambitious*

Over the first few months of 2016, the parties work hard together on the specifics of the business plan. Plans for a sustainable, innovative, and smart energy system (called 'Bronnet') that supplies heating and cooling to companies are developed and ambitions for new economic activity are defined in greater detail. The expectation is that ten companies will choose the HTSP for their place of business over the coming years, and that all plots at the park will be occupied by 2024.

#### *Setting the tone*

The fact that three companies, PM Services (part of PM Group), Opra Turbines, and HP Valves, have advanced plans to open sites at HTSP is an important step towards realising this ambition. Their plans seem to have a positive effect on the interest shown by other companies that are looking for a new location to establish a place of business. Such a new place of business does not necessarily mean building new premises. Redeveloping existing buildings is also very much an option for many companies. In 2016, one of these existing buildings ('Building N') enters the frame as a real opportunity for development of a business incubator, a multi-tenant commercial property for start-ups. The idea of a business incubator fits in perfectly with the objective of stimulating open innovation and having a Shared Facility Center at the business park.

#### *Role for HMO?*

HMO explores options for its own role in facilitating PM Group and Opra Turbines moving to HTSP and in the redevelopment of 'Building N' into a business incubator. HMO's continued involvement creates new - and broader - prospects with respect to these opportunities for the HTSP.



## Lessons learnt

### *LL10-2 Quick, specific, and targeted action*

A lengthy (re)development process for a large area, such as the HTSP, offers only a relatively small number of key moments at which progress, direction, and results can be influenced. Good timing and targeting of actions is, therefore, a crucial part of a successful approach. Businesses want to receive and discuss information at the right time and in an appropriate (business) format. HMO consciously uses keen timing in submitting specific business proposals for a role in the collaboration with Thales/HTSP and in companies' individual accommodation issues.

### *LL10-3 Great certainty with one owner with its own investments and vision*

Development of the HTSP illustrates that selection of an approach to the redevelopment of a site needs to be well-aligned with the property ownership situation. Redevelopment of a site that is owned by one party comes with specific possibilities to steer the process into the desired direction. Thales, HMO, and other partners in the HTSP project are able to define a long-term vision

and strategy for the redevelopment quicker than they would otherwise have been able to. The choices made subsequently create a clear framework for the marketing of the business park and attract companies to the park, while offering interested entrepreneurs greater certainty on investments in the area.

### *LL10-4 Targeted use of USPs*

Entrepreneurs need a good place to do business. Companies that have identified the HTSP as a suitable location for them have often come to that conclusion after comparing various business parks. In its marketing, the HTSP makes targeted and effective use of its unique selling points: access to open innovation; opportunities for close customer-supplier partnerships with companies in the high-tech systems domain; the presence of the Shared Facilities Center; the sustainable and smart grid for energy supply. The possible creation of a business incubator would be another excellent addition to this list of USPs.

# The opportunity map

**Collaboration between Thales and HMO is an important building block for development of the area. Between 2010 and 2017, multiple opportunities emerge, as multiple individual businesses are found to be interested in establishing operations on the site. All of these opportunities contribute to the continued development of the High Tech Systems Park.**

## **Opportunity and quick development: Norma MPM**

Given that Norma MPM and Thales are two companies that work closely together, and the former wants to stay near Thales, Norma MPM has developed specific plans to build new premises in a high-profile location of approximately 2.3 hectares. Thales, the Hengelo local authority, and HMO are all prepared to help make this happen. This opportunity is subsequently developed into a business case. The Hengelo local authority purchases and improves the site and then leases it to Norma under a ground lease deal. HMO contributes €3 million to the financing for the new construction. The new building is completed in 2012.

## **Opportunity: Thales - HMO partnership for development of the HTSP**

Thales only uses roughly half its current site and plans to consolidate its operations on the part of the site north of Zuidelijke Havenweg, which means that approximately 20 hectares of space will become available for redevelopment. Redevelopment of this area can potentially generate revenue for Thales' own building upgrade and new construction. During the initial phase (2009/2010), HMO proposes an area development concept that appeals to Thales. Thales is, therefore, prepared to work out a planning concept for the redevelopment with HMO. HMO thinks the partnership with Thales can be a stimulus for redevelopment of the Thales site and, with that, a contribution towards meeting the overall restructuring need of the Twentekanaal business park. Collaboration between Thales and HMO is given a new boost and becomes more specific as they commit to the High Tech Systems Park project and the provincial authority decides to invest in the development through HMO.

## **Opportunity: PM Surface**

The High Tech Systems Park is an ideal location for PM Surface for various reasons. It offers space to centralise production, a new building, and scope for growth. In terms of logistics, the site's location near Twente Canal is ideal. Being situated close to Thales also greatly facilitates collaboration between Thales and PM Surface. In short, PM Surface's move to the HTSP makes good business sense not only for PM Surface itself, but also for Thales, HMO and the other HTSP partners.

## **Opportunity: Opra Turbines**

Opra Turbines expects the High Tech Systems Park to offer good opportunities for growth, and also feels that the available facilities will help them attract and retain engineering talent. The presence of a high-pressure gas pipe on the site is a vital piece of infrastructure for Opra Turbines, which they need to be able to test the turbines they manufacture. Having Opra Turbines on the site also fits in with the objectives of Thales, HMO and the other HTSP partners.

## **Opportunity: Business incubator / multi-tenant commercial building**

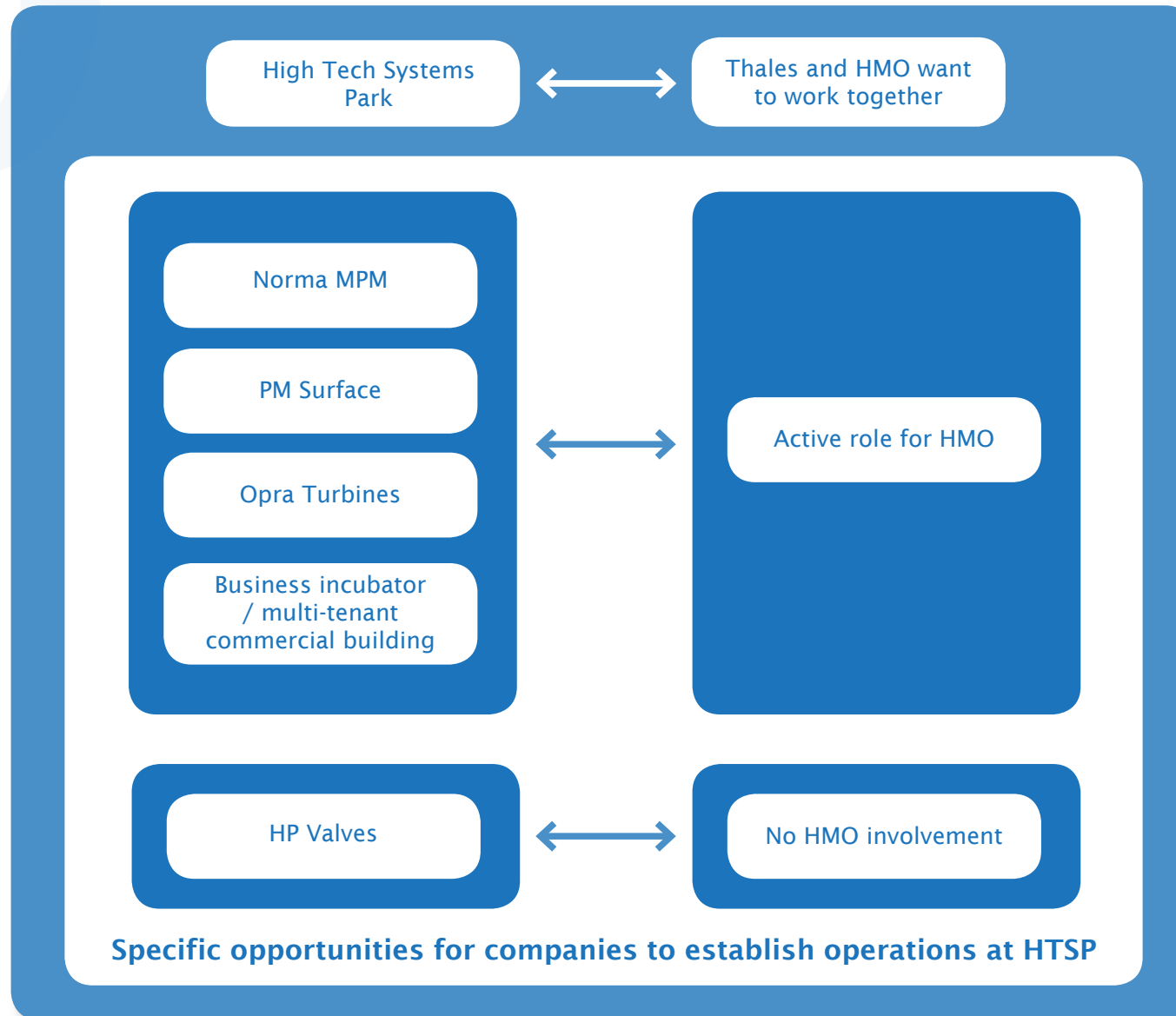
'Building N' is a vacant building on the Thales site, which can be converted into a multi-tenant commercial property with space for start-ups. This is a development that ties in with the ambitions of the High Tech Systems Park (and the parties directly involved) to facilitate open innovation.

## **Opportunity: HP Valves**

HP Valves wants to build new offices and production facilities at the HTSP. The site offers enough space for growth, and the company also expects the HTSP to offer knowledge sharing and shared innovation opportunities. Welcoming HP Valves at the HTSP fits in with the vision for the development of the HTSP.

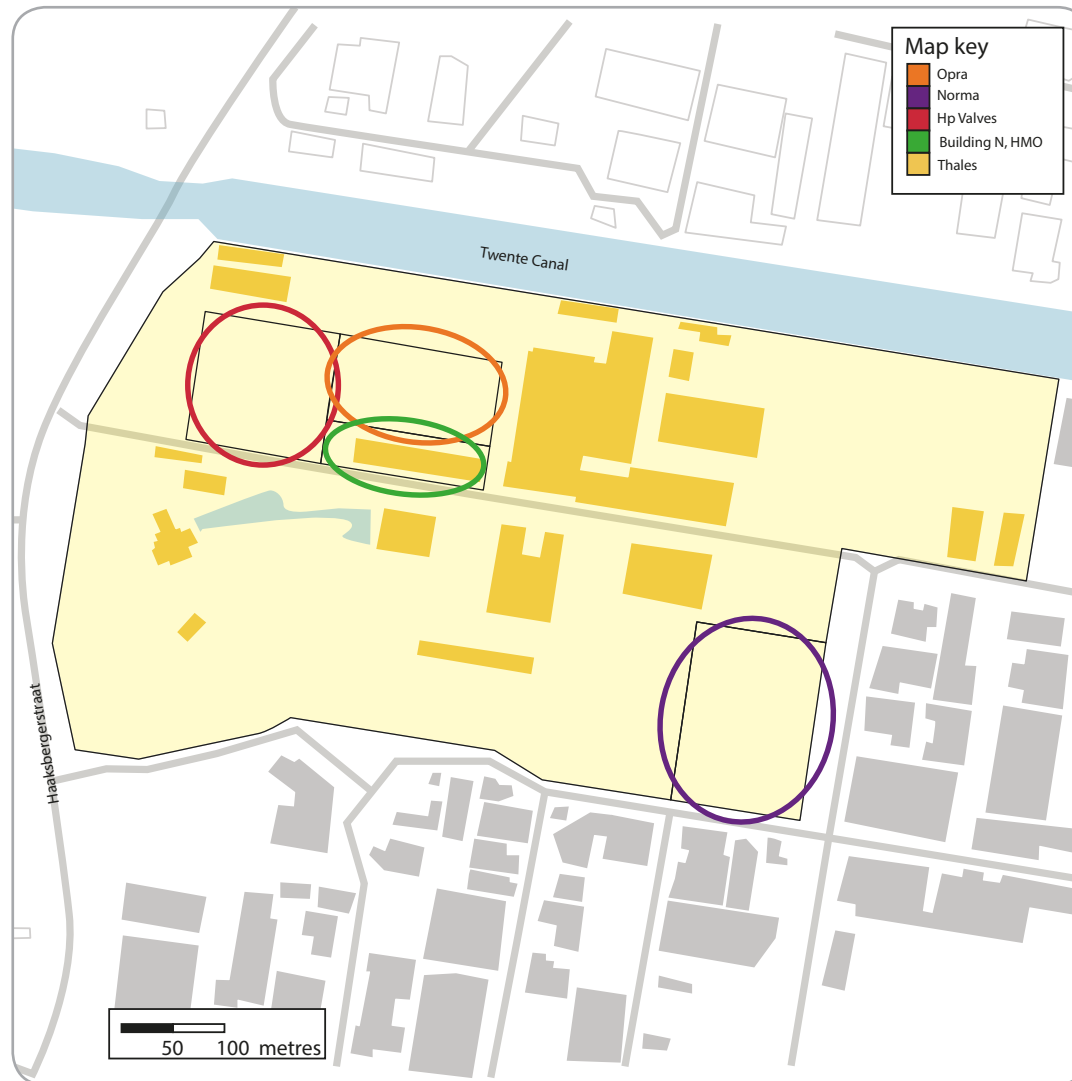
*See the Opportunity map on page 176 >>*

## Shared area development: Opportunity for the long term



# Opportunity map

<< *Back to the relating text*





# Building business and value cases

Three types of opportunities can be developed further: collaboration in the total redevelopment of the business park into the High Tech Systems Park; attracting new companies to the business park; revamping and reusing the existing 'Building N' as a multi-tenant commercial property and business incubator. The next step is to seize each of these opportunities, i.e. to develop viable tailored solutions for each party involved, while also factoring in the impact of each change on the intended long-term development of the HTSP.

## Collaboration HTSP/Thales - HMO

Development of the business case and the business model for the HTSP runs in phases. In 2003, the foundations are laid and the development gains momentum in 2009 and 2010, partly on the back of the collaboration agreement that HMO and Thales have signed. In 2014, an important next step follows as the parties put together a project plan. This plan sets out an ambitious business development programme for what is to become the Netherlands' leading innovation campus in the field of high-tech systems. Within ten years, this campus will have to create jobs for 2,500 people on the site, ten spin-offs every year, and attract investment to the tune of approximately 200 million euros from

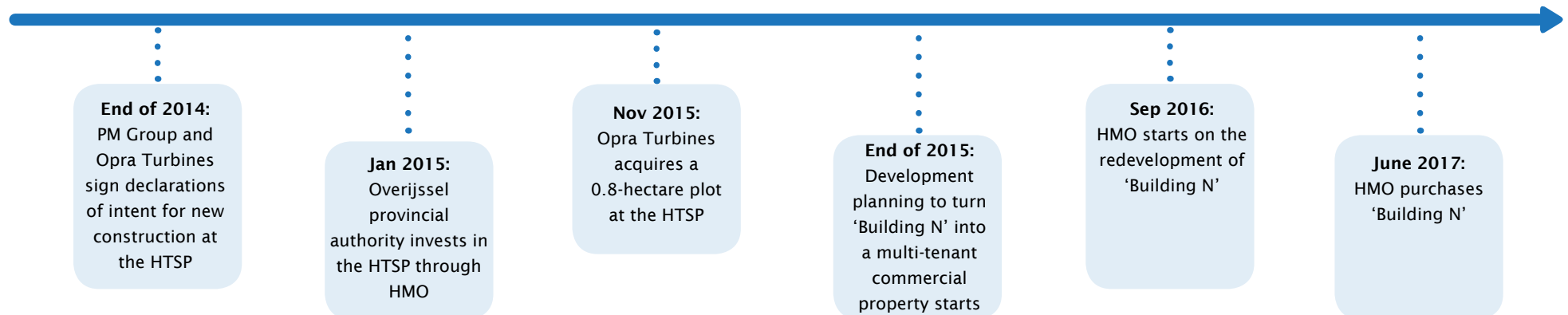
the public and the private sector. At the same time, the parties realise that there is insufficient funding available to realise the total plans, but that there is a small budget available to be able to make a targeted start on several specific parts that are yet to be selected.

### *Provincial authority invests in the HTSP*

In early 2015, the provincial authority decides to invest €3 million in the development of the HTSP through HMO. This financial leeway enables HMO to play a role in developing the business plan. HMO can also make specific contributions to individual business cases for companies that will raise the HTSP's profile, which want to set up operations at the business park and/or for redevelopment of existing Thales-owned buildings. One specific prerequisite for collaboration with Thales is the investment ratio: Thales' investment (on top of previous investments) must at least match the provincial authority's contribution of 3 million euros.

## PM Surface

PM Group has close ties with Thales. PM Surface is one of PM Group's companies. This company leases space in one of Thales' buildings. As this lease is set to expire, PM Surface will have to look for a new site.



Thales is also PM Surface's most important customer. A new building at the HTSP is, therefore, the obvious choice for PM Surface. In late 2014, PM Group signs a declaration of intent for this project.

#### *Financing*

In November 2015, Thales and PM Surface sign a purchase agreement for a plot of 2.8 hectares. PM Surface finances this acquisition from its own funds. The intention is to build a new coating facility on the plot, which is to be operational by late 2016. PM Surface still needs financing to build this new facility. The bank involved agrees to grant a loan but requires collateral that covers part of the loan amount. PM Surface turns to HMO for help. HMO is confident that having PM Surface at the business park can have positive effects on the overall restructuring task and create 60 to 80 jobs. During the first nine months of 2016, PM Group, the bank involved, and HMO jointly draw up a financing agreement. In early October 2016, HMO stands surety for 300,000 euros as part of the financing deal for the new building for PM Surface.

#### *Major changes*

In the second half of 2016, the situation changes for PM Surface. The number of orders from Thales declines sharply, and it is feared that order numbers may drop even more sharply in 2017. This prompts the company to postpone work on its new building. PM Surface also faces another kind of setback. After leaving their previous premises, the company was temporarily based on another site, but working conditions there were not compliant, causing the company to be closed by the Dutch Labour Inspectorate in February 2017.

#### *Major consequences*

As a result of these developments, PM Surface ultimately goes out of business in March 2017. This bankruptcy is a setback for the Hengelo local authority and Thales with respect to the intended new construction at the HTSP. Since work on the new construction had not started yet, there are no financial consequences for HMO as the guarantor.



## Opra Turbines

Since 1991, Opra Turbines has been based at another business park in Hengelo. In late 2014, Opra Turbines signs a declaration of intent to set up business at the HTSP.

### *Exploring collaboration on a business case*

In 2015, Opra Turbines continues to work on further fleshing out its plans. At the same time, HMO collects and analyses information about the company's market position and growth expectations. The aim is to come to a decision with regard to a (potential) contribution to Opra Turbines' relocation to the HTSP. In early November 2015, HMO lets the board of the company know that it is willing to play a role in putting together a feasible and suitable business case. HMO does note, however, that the need for HMO's involvement still has to be determined. If this need does indeed exist, the parties will have to agree on what HMO's role will be, as well as on the conditions. HMO can provide support either in redeveloping Opra Turbines' current site or by co-financing the new construction.

### *Acquisition of a plot for new construction*

Shortly after that in November 2015, Opra Turbines purchases 8,000m<sup>2</sup> of land at the HTSP to build a new production and test facility. The intention is to have the new building ready by mid-2017.

### *Financing*

In developing a business case for Opra Turbines, the focus is on two aspects: financing the purchase of the new plot and the new construction, and the future of Opra Turbines' current site. In 2016, HMO and Opra discuss various options for a (financial) contribution by HMO to the new construction or redevelopment. Ultimately, the financing/co-financing need is covered by the bank in full.

## Turning 'Building N' into a multi-tenant building

Spatial consolidation of Thales' operations, creation of a Shared Facility Center (SFC), and the arrival of new (larger) companies are all building blocks in the growth model for the HTSP. A multi-tenant commercial property, which also serves as a business incubator, is potentially a good addition to the business model. Redevelopment of the empty 'Building N' on the campus offers a real opportunity in that respect.

### *Features of 'Building N'*

'Building N' is situated in a park-like environment at the HTSP, immediately adjacent to the Shared Facility Center. Its total gross floor space is approximately 7,500m<sup>2</sup>, spread over three floors (including a basement).

### *Initial development partners*

In late 2015, Kadans Science Partner (KSP) signs a declaration of intent for acquisition and redevelopment of 'Building N'. KSP is a specialist in creating and providing flexible accommodation concepts for knowledge-intensive companies, developing environments that stimulate face-to-face meeting, innovation, creativity, and entrepreneurship. KSP subsequently brings in the architectural firm LKSVDD Architecten and the consultancy firm DWA Adviseurs to develop an outline design for the building. From the spring of 2016 onwards, HMO, too, is involved increasingly closely in this process. Together with HTSP (and Thales in particular), various roles for HMO, HTSP, and KSP are explored in business cases.

### *Towards greater insight into redevelopment costs and benefits*

Exploration of collaboration options runs in parallel and is linked to the first estimates for the required building upgrades and potential lease revenue. In early 2016, the total costs for development planning, renovation, refurbishment, land acquisition, and the construction of parking spaces are estimated at over 7 million euros, which amount is

subsequently used to calculate how much revenue the leases would have to generate.

#### *The importance of healthy market prospects*

Redevelopment of the building must produce good market prospects and lead to the building housing businesses that match the HTSP's profile. With this in mind, KSP conducts a feasibility study, which provides insight into regional and national developments in the area of HTSM, campuses, and the office leasing market, offsetting these developments against the current situation and ambitions of the HTSP. This leads to a more specific idea for the profile, layout, and use of the building.

#### *Major step: HMO purchases 'Building N'*

The development starts to gather some serious steam from mid-2016. Following termination of the partnership with KSP, HMO takes on an active role in managing the redevelopment. In October 2016, a firm called SOM= is engaged to, on behalf of HMO, oversee and manage development of the building.

HMO subsequently invests, in stages, 7 million euros in the acquisition, renovation, and development of Building N. This is a 4-million-euro investment on top of the 3 million euros provided by the Overijssel provincial council. HMO makes its own assessment and provides the additional funds on account of the greater regional economic interest.

The building is renovated and redeveloped, with 'The Garden' as an important part of the building. 'The Garden' is intended as a breeding ground for collaboration between SMEs in the high-tech sector, as a place where they can meet up, innovate, inspire and be inspired. The multi-tenant building is intended to stand out thanks to the emphasis on knowledge sharing. The idea is for the building to be leased in full within a period of 3 to 5 years.



## Lessons learnt

### *LL10-5 Use a growth model*

As time progresses, the picture of what the HTSP will ultimately look like becomes increasingly clear. A 'system' profile within the HTSM domain is chosen for the business park, providing bespoke spaces for individual companies and developing shared facilities. HMO and Thales use a growth model to direct the project towards the desired outcome, designing a number of individual business cases that jointly stimulate development of the HTSP.

### *LL10-6 Flexible and always focused on the targeted catalyst effect*

HMO flexibly explores multiple options for a financial contribution to the new construction and/or redevelopment of Opra's former site. On the one hand, this exploration produces more information and better substantiation of the business case. On the other, HMO's willingness to contribute financially is a sign of faith in the business case. At the end of the day, the business case is completed financially without a financial contribution from HMO. HMO's efforts throughout the process have had the desired effect.

### *LL10-7 Balance ambitions and risks*

Development of a multi-tenant commercial property with business incubator space is considered a strategically important catalyst for open innovation and growth of the HTSP. In this sense, a delay in the 'Building N' redevelopment process poses a risk to the success of the HTSP. An initiator is needed, one that combines in-depth knowledge of and interests in the area with focus, high ambitions, and a realistic attitude. HMO takes on this role for the redevelopment.

# The business and value cases

HMO and Thales have actively worked together in developing business cases for both the HTSP and individual companies.

## Development of the High Tech Systems Park

### General aspects:

- Thales is willing to sell 20 hectares of land and allow it to be redeveloped for the HTSP;
- The Overijssel provincial authority decides to invest in development of the HTSP through HMO;
- Thales and HMO are prepared to team up in making the HTSP happen through a growth model;
- The Hengelo local authority sees redevelopment as part of the master plan for the development/restructuring of the Twentekanaal business park as a whole.

	Business case	Value case
<b>Value prospect</b>	The HTSP wants to be the Netherlands' leading innovation campus in the area of high-tech systems. In 2014, the expectation is that the HTSP will create 2,500 jobs, produce ten spin-offs every year, secure 200 million euros in investment from public-sector and private-sector parties, and be full within ten years.	As one of the four prime HTSM sites in Twente, the High Tech Systems Park has the potential to be a major value-added social factor in the long-term development of the city of Hengelo and the Twente region.
<b>Parties involved</b>	HTSP / Thales and HMO	HMO, Hengelo local authority, Overijssel provincial authority
<b>Costs</b>	<ul style="list-style-type: none"> <li>• for Thales and HMO: (joint) development planning;</li> <li>• for Thales: Investments in the Shared Facilities Center and other projects;</li> <li>• for HMO: transaction costs and financing of specific development(s).</li> </ul>	Process costs for the Hengelo local authority and (insofar as not included in the business case) HMO, and in the integrated development of the greater Twentekanaal business park and the HTSP.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>• for Thales: proceeds from the sale of land and buildings;</li> <li>• for HMO: (degree of) revolving investments.</li> </ul>	The integrated development and growth of a powerful high-tech cluster and open innovation campus helps boost the overall quality of the area, preserve jobs and talent for the region, thus contributing to the prosperity of the local and regional area.

	<b>Business case</b>	<b>Value case</b>
<b>Financing</b>	<ul style="list-style-type: none"> <li>· HMO has 3 million euros to invest in the HTSP;</li> <li>· Thales finances the Shared Facility Center and other projects;</li> <li>· Thales can use the proceeds from the land to build new and/or renovate existing buildings.</li> </ul>	The 3-million-euro investment in the HTSP by the Overijssel provincial authority (through HMO) is important in realising the intended social development in the HTSM domain in Twente.
<b>Risks</b>	<ul style="list-style-type: none"> <li>· disappointing development of HTSP with associated consequences for the SFC business model and ‘The Garden’;</li> <li>· disappointing operating results and innovation for companies at the HTSP.</li> </ul>	The fallout of disappointing development of the HTSP for the public-sector members of the HTSP consortium, the quality of the area, and jobs.
<b>Risk management/ conditions for HMO’s involvement</b>	The investment framework for the Overijssel provincial authority’s contribution through HMO is subject to three conditions: HMO’s contributions must be based on agreements with terms and conditions	

## Opra Turbines

### General aspects:

- Opra Turbines has identified the HTSP as a suitable place to set up operations;
- Having Opra Turbines at the HTSP also fits in with the objectives of Thales, HMO and the other HTSP partners;
- Thales is prepared to cooperate by selling part of its land to Opra Turbines;
- HMO is willing to contribute to the financing needed to build Opra Turbines' new premises and/or redevelop its former site.

	Business case	Value case
<b>Value prospect</b>	Opra Turbines expects the High Tech Systems Park to offer good opportunities for growth, and also feels that the available facilities will help them attract and retain engineering talent. The presence of a high-pressure gas pipe on the site is a vital piece of infrastructure for Opra Turbines, which they need for the testing of the turbines they manufacture.	Opra Turbines' presence at the HTSP furthers the growth and integrated development of a powerful technology cluster, while also boosting the overall quality of the area, creating jobs, and bringing prosperity on a local and a regional scale.
<b>Parties involved</b>	Opra Turbines, bank, Thales	HMO, Hengelo local authority
<b>Costs</b>	<ul style="list-style-type: none"> <li>· all parties: transaction costs;</li> <li>· Opra Turbines: costs to acquire land and build new premises.</li> </ul>	Process costs for HMO in developing various options for financial contributions to redevelopment of Opra's former site and/or the new construction.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>· Opra Turbines: effects of better-quality premises on the quality of operations;</li> <li>· Thales: sale of land;</li> <li>· the bank involved: interest on (and repayment of) loans.</li> </ul>	In concrete terms, the development helps reduce the overall restructuring need for the area, reduce vacancy levels, realise a long-term plan for the Twentekanaal business park, and design the growth model for the HTSP.
<b>Financing</b>	<ul style="list-style-type: none"> <li>· bank loan.</li> </ul>	HMO has contributed to the development of a solid business case, which ultimately leads to the bank providing the full financing needed. The desired catalyst effect has been achieved, without HMO having to use the funds available for investment in the HTSP.
<b>Risks</b>	Effects of market developments on operating results.	Uncertainty with respect to development of the HTSP and jobs.
<b>HMO risk management</b>	HMO ultimately played no financial role in the business case. As a result, risk management was focused primarily on developing a good combination of business and value cases.	

## 'The Garden': Multi-tenant commercial property, Business incubator, and Field lab

### General aspects:

- Thales wants to sell the vacant 'Building N';
- HMO wants to sell the building and play an active role in developing 'The Garden': a combination of a multi-tenant commercial building, business incubator, technology areas, and field labs.

	Business case	Value case
<b>Value prospect</b>	The proximity of Thales and other high-tech companies creates a promising environment for operation of 'The Garden' as a lease property.	Getting 'The Garden' off the ground is a key aspect of the growth model towards creating a comprehensive and efficient innovation campus with potentially huge impact on local and regional society.
<b>Parties involved</b>	HMO, Thales	HMO
<b>Costs</b>	<ul style="list-style-type: none"> <li>· Thales: transaction costs;</li> <li>· HMO: transaction costs; acquisition of land and building; renovation / refurbishment; creation of parking spaces;</li> <li>· operation of the building</li> </ul>	Process costs for HMO incurred during initial development planning (prior to HMO's active involvement) for the redevelopment.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>· HMO: revenue from leasing and (perhaps) sale of the building in the long term;</li> <li>· Thales: proceeds from the sale of land and building.</li> </ul>	Having a multi-tenant commercial property with a business incubator at the HTSP creates specific opportunities for high-tech business development and, with that, associated job growth and retention of talent for the region. In the long term, the redevelopment can reduce vacancy levels, as 7,500m <sup>2</sup> of office space currently stands empty.
<b>Financing</b>	HMO	
<b>Risks</b>	<ul style="list-style-type: none"> <li>· disappointing lease revenue</li> </ul>	Uncertainty with respect to the development of the HTSP and, with that, 'The Garden'



## New construction for Norma MPM

### General aspects:

- Norma MPM wants to build new premises on the Thales site;
- Thales is prepared to cooperate by selling part of its land to Norma MPM;
- The Hengelo local authority sees this redevelopment as part of the master plan for development of the overall Twentekanaal business park, and is willing to help out by acquiring the land and leasing it to Norma MPM;
- HMO considers a contribution to the new Norma building a first step in the long-term redevelopment of part of the Thales site that is about to become available and is willing to contribute (financially) to Norma's new construction.

	Business case	Value case
<b>Value prospect</b>	Norma MPM works closely together with Thales. New premises close to Thales fits in with the ambition to maintain, reinforce, and possibly expand the partnership.	Norma MPM setting up operations at the HTSP is one of the first real building blocks in the development of the HTSP and the overall area upgrade.
<b>Parties involved</b>	Norma MPM, Hengelo local authority, Rabobank, HMO, Thales	Hengelo local authority and HMO
<b>Costs</b>	<ul style="list-style-type: none"> <li>· all parties: transaction costs;</li> <li>· Norma: new construction and operation;</li> <li>· Hengelo local authority: purchase and preparation of the plot.</li> </ul>	Process costs incurred by HMO (insofar these are not part of the business case) to spur on and facilitate the process between the stakeholders and for alignment with the overall development of the Twentekanaal business park and the (future) HTSP.
<b>Benefits</b>	<ul style="list-style-type: none"> <li>· for Norma: revenue from operations and the intangible benefit of having better-quality premises;</li> <li>· for Thales: proceeds from the sale of land;</li> <li>· for the Hengelo local authority: revenue from ground lease;</li> <li>· for HMO and Rabobank: interest on (and repayment of) loans.</li> </ul>	In concrete terms, the development helps reduce the overall restructuring need for the area, reduce vacancy levels, realise a long-term plan for the Twentekanaal business park, and design the growth model for the HTSP.
<b>Financing</b>	<ul style="list-style-type: none"> <li>· loan from HMO with an interest rate that is in line with current market rates;</li> <li>· loan from Rabobank, Central Twente branch;</li> <li>· ground lease deal for the plot with Hengelo local authority.</li> </ul>	As banks have been reluctant to grant loans, HMO has provided the loan. If HMO had not done so, the new construction may not have gone ahead.
<b>Risks</b>	<ul style="list-style-type: none"> <li>· Disappointing operating results for Norma.</li> </ul>	<ul style="list-style-type: none"> <li>· Uncertainty with respect to the development of the HTSP and jobs.</li> </ul>
<b>HMO risk management</b>	Loan granted by HMO with second mortgage as collateral.	

# Realisation and results

It often takes a long time to put a business case together. The challenge is primarily to properly align developments that partially run in parallel. This way, the HTSP's growth process can produce a good result for all stakeholders.

## The High Tech Systems Park: clear identity and business model

The mission of the High Tech Systems Park is to create an attractive business climate where knowledge-intensive businesses can work together on open innovation, and do so effectively and without wasting time. The official opening of the innovation campus and the Shared Facility Centre (SFC) in 2014 gives this process a significant boost. The SFC offers facilities such as conference rooms, a virtual reality room, catering and a restaurant for guests. The strategic collaboration between businesses is constantly promoted and by mid-2017, two new field labs are active. The Security in Smart Industry field lab focuses on the development of products and services for cybersecurity and secure online collaboration. 'Het Bronnet' grid supplies buildings at the HTSP with heating and cooling, while also offering the opportunity to develop and test innovations in relation to, for instance, big data and monitoring in a live network.

*See the map of the final situation on page 188 >>*

## More and more companies at the HTSP

### *Norma MPM*

Norma MPM's new premises on a 2.3-hectare plot in a high-profile location are completed in 2012. In 2014, Norma MPM acquires Doetinchem-based engineering firm Mecon. With a workforce of 450, the company is back at its pre-crisis level from 2012. In mid-2016, Norma is taken over by Eindhoven-based NTS Group. According to both Norma and NTS, this takeover will have little impact on staffing levels.

### *HP Valves*

In mid-2015, HP Valves purchases a 2.2-hectare plot at the HTSP. This company, which has 110 employees, invests 10 million euros in the construction of a new complex made up of an industrial unit of over 8,000m<sup>2</sup> and 4,000m<sup>2</sup> of office space. This new building is completed in 2016.

### *Opra Turbines*

In 2015, Opra Turbines also purchases a plot (0.8 ha) at the HTSP. Its new building is completed in 2017. The company's new head office has a state-of-the-art production facility for product assembly and testing. The front of the building contains a transparent strip of offices on two floors, covering a total of 1,000m<sup>2</sup>. After completion of the new building, assembly, work, and warehouse spaces measuring a total of approximately 2,500m<sup>2</sup> are created.

### *Smaller businesses*

The recent arrival of a number of smaller businesses fits in nicely with the growth model for the HTSP: CoBlue Cybersecurity specialises in cybersecurity technology; Parthian Technology is a production expert in the field of composites; Senovi specialises in 3D printing.

## Recently picked up steam: 'The Garden' development

From the summer 2017, HMO takes the lead in renovating and redeveloping Thales' former 'Building N' to turn it into 'The Garden'. The layout of the building is entirely geared to ensuring effective facilitation and promotion of innovation and business development for high-tech SMEs. The grand opening of the building is expected to be in June/July 2018.



## Lessons learnt

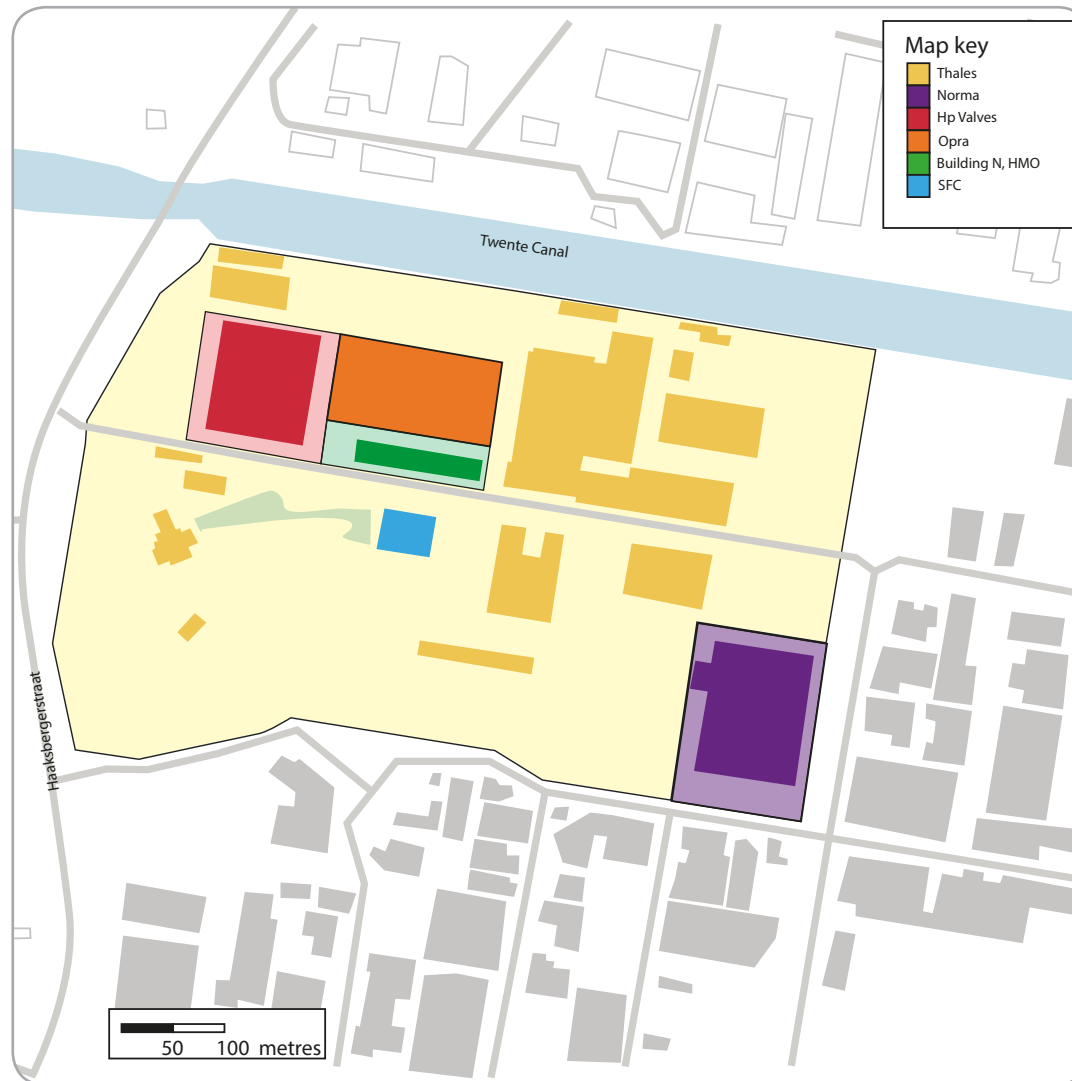
### *LL10-8 Practice what you preach*

Development of the HTSP as an open innovation campus is, in itself, an example of an open innovation process. The long-term vision is always the guiding light, but there has also been sufficient room for flexibility and creativity to enable new opportunities and development of business cases.



# Map of the final situation

[<< Back to the relating text](#)



## *Norma was an important first high-profile step*

The Hengelo local authority is, in the words of the responsible member of the municipal executive, Ms Ten Heuw, “*extremely pleased with the result,*” even if the process was not always plain sailing. Ten Heuw points out that, over the years, several initiatives had been taken to tackle vacancy levels at the Twentekanaal business park. A very important first step came when Norma announced its plans to build new premises on part of the 40-hectare Thales site, and managed to turn these plans into a specific project with the help of HMO. This basically kicked off the restructuring process to reduce vacancy levels and preserve jobs.

*“HMO’s strength was that they always continued to view the Twentekanaal business park’s potential from a broadly oriented area development vision,”* says municipal executive member Ten Heuw. This was crucial for the proportionality of the overall restructuring need in Hengelo in combination with dynamic developments along the banks of Twente Canal and in the region as a whole. Talks between the Hengelo and Enschede local authorities ultimately led to a joint decision to create a knowledge park: ‘High Tech Business Park Hengelo’ has helped make that happen. The region’s potential and the new dynamic

developments are what made Thales choose to stay in Hengelo.

Ten Heuw adds that the fact that HMO took on a clear role “*where HMO itself approached parties and was clear on what they would and would not do*” was another quality that HMO showed throughout the process. The Hengelo local authority was involved less prominently, because it was not the owner of the land in question. This gave the local authority a different role, one where it was further removed from other talks that went through HMO, such as preliminary talks with other companies that showed an interest in the Thales site. The upside to this distance may have been that it created more room for other activities. If the local authority had been more closely involved, it would probably have prioritised canal-related activity on the site to justify earlier investments. But, as said, Ten Heuw is, on behalf of the city of Hengelo, extremely pleased with the result.



## References

Herstructureringsmaatschappij Overijssel (2017), Full (confidential) documentation on the development of the Thales site and HMO's role in the process mid-2009 - March 2017

Bus A.G. and K.E. Bugge (2018), Interview with Mariska ten Heuw, member of the municipal executive, and Harrie Vranken, project manager, held on 3 April 2018 in Hengelo

# Ch.1 1 Reflection

## *A first step: no more, but certainly no less either*

The seven cases presented in this book jointly illustrate one shared perspective on a demand-based approach within one clearly demarcated context. This perspective comes from the focus on one specific party that was involved in all these cases, HMO, and on the specific methods that HMO uses to achieve the policy objective (whereby effectiveness is primarily measured by the number of hectares of restructured business park). The context is shaped by the cases that were selected. All cases deal with restructuring processes for business parks in the province of Overijssel as part of the province's overall restructuring need as identified in the 2009-2015 Multi-Annual Programme for Thriving Activity. This combination of perspective and demarcation is both a strength and a weakness.

The main strength is that the cases are relatively comparable as a result, owing mainly to the focus on the working methods used by one party within one policy context. The word 'relatively' in the previous sentence qualifies the comparability. The cases are not comparable in an absolute sense, due also to other situational features, such as the local governance structure, organisation, and competencies of local private-sector and public-sector parties, as well as the macroeconomic context (such as the recent economic recession). These situational features were subject to change as the cases progressed.

The main weakness is the 'mirror image' of the main strength. The effectiveness of the working methods has only been described for a limited number of cases and based on the role played by one central player. This is why the term 'provisional' is used with respect to all the

lessons learnt on the effectiveness of the working methods. It is as yet not clear how effective the approach will be elsewhere, i.e. when used in different combinations of policy context and main initiator.

Therefore, the descriptions and initial analyses of the cases represent, on the one hand, no more than a first step towards greater insight into the 'demand-based approach' and in particular into the effectiveness of working methods used as part of this approach. At the same time, the result is certainly promising. A significant step has been taken en route to well-substantiated insight into the value added by the working methods that revolve around the success factors of active stimulation of (private) investment, facilitating decision making, 'unburdening' during implementation, and taking the lead in developing powerful combinations of business and value cases. The value added by a restructuring company, which has the capacity to provide specific knowledge, expertise, and financial contributions for restructuring processes is becoming increasingly tangible.

# Ch.12 The future

This book contributes to debate and knowledge development on how to approach spatial and economic planning processes, introducing the demand-based approach as the key to creating thriving and future-proof business and industrial parks.

What are the next steps? What challenges are there for future research into, development, and implementation of the demand-based approach? The various cases, and the lessons learnt in particular, highlight four central focus points (factors): working methods, competencies, organisational features, and how to measure effectiveness. In the following, we will first briefly outline the challenges with respect to each of these factors. After that, we will go into how these four factors are interconnected and impact on implementation of the demand-based approach. And finally, we will conclude with an outline of the specific plans and long-term ambitions of the Business and Industrial Park Development research group at Saxion University of Applied Sciences for further knowledge development.

## Factor 1: Working methods

### How do private-sector parties experience the working methods?

Given that the working methods are used to develop business and value cases, both private-sector and public-sector parties need to be happy with the process and the outcomes. Surveys held among private-sector parties involved in the cases to gauge their experience with the approach provide additional input for further optimisation of the working methods.

### Have the working methods been effective elsewhere?

What is equally important is that the findings from the seven cases be shared with parties outside Overijssel, parties that are active in business and industrial park restructuring processes. What is their restructuring approach? What experiences do they have in terms of the effectiveness of specific working methods in spurring on processes, connecting



parties, lightening the load for the parties involved, and taking charge of the process? How are know-how, information, and funds used in identifying opportunities and building business and value cases? The answers to these questions will potentially both enrich and substantiate the provisional lessons learnt.

## Factor 2: Competencies

Surveys held among private-sector parties and other restructuring companies to find out how they experienced the approach can also provide information on the competencies needed to be able to adequately implement the working methods. The importance of a 'professional attitude' and 'entrepreneurial spirit' as success factors is something that often comes to the fore in the lessons learnt and in the reflections of the local authorities involved in the cases. A professional attitude and entrepreneurial spirit mean that individuals, interdisciplinary collaborating (project) teams, organisations, and networks need to



have the right competencies and skills. The challenge is to define these competencies more clearly in the form of competency profiles.

### Factor 3: Organisational features

Working methods are selected and applied based on organisational features. HMO is a private-sector party, with the Overijssel provincial authority as its sole shareholder, while it has a mission that is set in the public domain. These features are not only important for HMO's course, but also, in two ways, for broader exploration of the effectiveness of working methods. Firstly, it goes without saying that gauging the experiences of similar organisations will allow accurate comparison. In practice, such similar organisations should preferably be other restructuring companies. And secondly, it is interesting to explore to what extent the working methods can be 'exported' to local and/or regional governments. Which working methods could they use (equally) effectively? Which working methods could they use in an adapted form or cannot be used by them at all? How important is HMO's specific position between the market and the public sector?

### Factor 4: Effectiveness

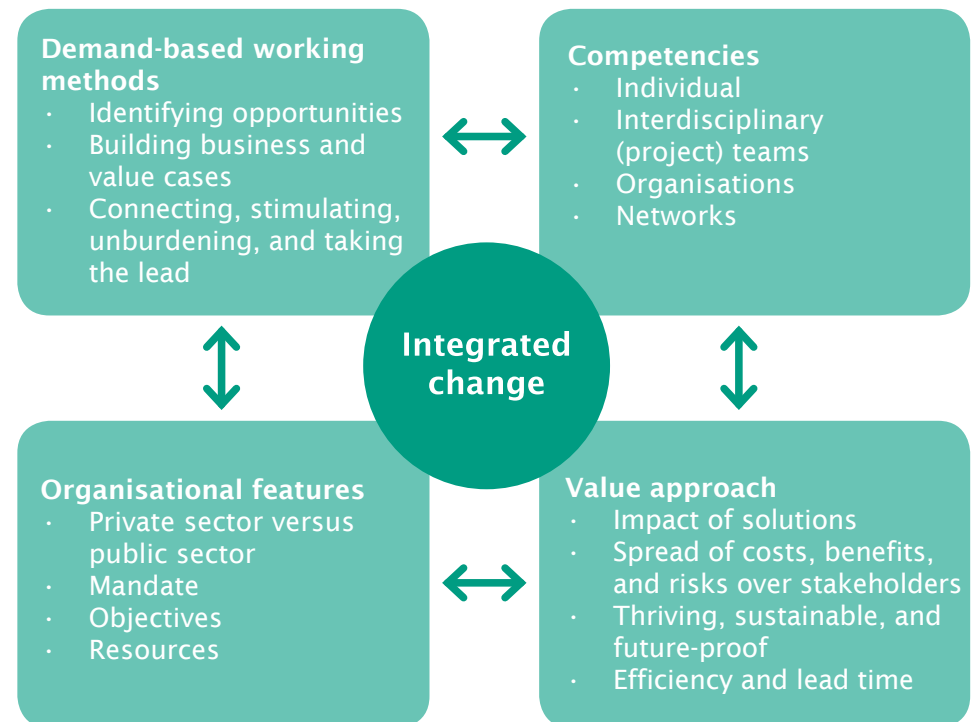
The last of the four factors is how to measure effectiveness. In simple terms, a working method is considered effective if it helps realise objectives.

In this book, the success of each case is measured based on one predefined policy objective: the number of hectares of business park that has been restructured. A working method is, consequently, effective if it helps achieve the target square meterage. The question then is to what degree this kind of 'narrow' definition of effectiveness does sufficient justice to the restructuring process and the value of the results for the private-sector parties involved and for society as a whole. This leads to a number of follow-up questions. How important are other effects (such as jobs) and how should these be factored into effectiveness measurements?

When is a business park considered to be sufficiently thriving, future-proof, and sustainable for both private-sector and public-sector parties? Is effectiveness indeed the best yardstick, or do efficiency and lead time also play a role?

### Integrated change towards a (more) demand-based approach

The above descriptions give us specific focus points for further knowledge development on working methods, competencies, organisational features, and effectiveness / value approach (see visualisation on this page).



All four factors are interconnected. Development and application of competencies and working methods in relation to organisational features cannot be detached from the definitions of value that are used. Implementation of a (more) demand-based approach, therefore, always means implementing an integrated change process.

*To illustrate the value added by the dashboard that we intend to develop, we can refer to a specific example. An important development in the area of spatial planning is the introduction of the Environment and Planning Act, which is a piece of legislation that prioritises the use of demand-based working methods where public-sector parties give private initiatives scope to develop. This represents a clear task within the 'Demand-based working methods' factor. The dashboard will show that this, too, will have consequences for the organisational structure (such as the resources used and the mandate), but also for the competencies of the individuals and teams involved. The factor of Value Approach also requires further detailing. After all, to be able to assess whether private initiatives fit in, it first needs to be clear what exactly a local authority aims for in terms of values and effects. The dashboard helps gain insight into the difference between the current situation and the target situation for all four factors, which results in a change strategy with an accompanying planning cycle (Plan-Do-Check-Act).*

## The role of the Business and Industrial Park Development research group in further knowledge development

The research group has, based on the results of the cases presented in this book, started to develop a 'Demand-Based Approach Toolbox.' This toolbox will combine effective working methods with competency profiles and practical and specific implementation guidance.

In the longer term, the research group would like to focus more on questions regarding the influence of organisational features and the value approach. The ultimate goal is to develop a dashboard for business and industrial site development, a dashboard that is intended to provide support in developing a vision on the value approach (formulating specific, measurable fulfilment of concepts such as 'vitality,' 'future-proofing,' and 'sustainability'), in measuring the effects within this context, and in selecting management interventions. Management interventions can relate to competencies, working methods, and organisational features. The dashboard will, therefore, be focused both on all four factors separately, as well as on interconnections between them.

And finally, the Business and Industrial Park Development research group has set itself the goal to explore the extent to which it is possible to generalise the effectiveness of working methods used in business park restructuring processes within the broader scope of area development.

*The most exciting and complex challenge we face is, in other words, to explore the degree to which the demand-based approach can become the standard way of working for all future planning processes in area development.*

# Afterword

It would have been impossible to write this book without HMO's active collaboration. And collaborate they did, for which we owe them a great debt of gratitude.

HMO gave us full access to all its documentation on the approximately 65 restructuring processes it worked on between 2009 and late 2017. This is documentation that contains several thousand memos, letters, agreements, plans, and reports, adding up to over 10GB of data. It was the kind of unprecedented disclosure that enabled us to get stuck into a vast body of material for our research! Looking back on the past three years, we can conclude that HMO and the Business and Industrial Park Development research group have both effectively fulfilled our roles as knowledge partners. Real synergy.

Aside from that, we would like to quote a phrase used by Han Wiendels in the foreword to this book: "HMO has done a lot of learning over the past nine years. Our aim now is to pass on this knowledge and allow others to learn from us. And that's where this practical book comes in."

We, as a university research group, have a role and responsibility in society in developing, scientifically substantiating, and subsequently sharing practice-based knowledge. With this book, we have sought to do exactly that by making knowledge acquired through HMO accessible in a structured manner. The cases and lessons learnt on effective working methods are now available for use in learning processes for both current and future professionals in the spatial planning/economic domain, and perhaps in other domains as well.

As we did the research and wrote this book, our belief in the value of the demand-based approach has only grown stronger. Now the time has come for the next step: to take up the challenge to further flesh out and raise awareness of demand-based thinking and working, and to do so together with our knowledge partners and private-sector parties.

# About the authors

## Dr Kjell-Erik Bugge



Kjell-Erik Bugge is Reader in Business and Industrial Park Development and the person who has ultimate responsibility for the research and projects pursued as part of this programme. He specialises in effective application of process management by authorities in complex interactive decision making in business and industrial park development.

### Biography

Kjell-Erik graduated from the University of Oslo in Norway in 1986. After working in the manufacturing industry for five years, he has meanwhile built a career spanning 25 years in education, interactive process management, and (international) research for (semi-)public-sector and private-sector parties. He obtained a doctorate from Radboud University Nijmegen, where he researched ways to speed up and improve the decision-making process as part of restructuring projects for business parks, which continues to be a topic on which he regularly gives presentations and publishes articles, both in the Netherlands and internationally. Bugge was the chairman of the jury for the annual Best Business Park awards, member of the editorial board of the professional journal BT and of the EFRO experts committee for the east of the Netherlands, and responsible for the 'Business and Industrial Sites' and 'Working together on the City' master classes as part of the Urban and Area Development Master's programme.

## Margot Slood, MSc



As a researcher and member of the Business and Industrial Park Development research group, Margot Slood's focus is on analysing processes completed in business and industrial park development projects. Her overriding aim is to, based on shared lessons learnt by public-sector and private-sector parties, identify effective demand-based approaches.

### Biography

Margot has been part of the Business and Industrial Park Development research group since September 2015. With a master's degree in spatial planning from Radboud University Nijmegen (2007), Margot has a background in spatial planning. She subsequently worked as a spatial planning consultant for seven years, at the SAB consultancy firm in Arnhem and the Projectburo B.V. consultancy firm in Ede. As a consultant, her role was mainly one of giving strategic advice to both public-sector and private-sector parties on legal and planning procedures, as well as on the associated (policy) documents. From January 2014, she was a Spatial Planning lecturer at Saxion University of Applied Sciences for four years. On 1 January 2018, she joined Arcadis as an area development consultant. While working at Arcadis, she will continue to be involved in the Business and Industrial Park Development research group on a part-time basis.

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Seven practical business park restructuring cases in Overijssel

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# Appendix 1. Methodology used

This book is the result of nearly three years of research and development. During the first phase, we studied and organised all of HMO's confidential documentation (HMO, 2009-2017) on its over sixty restructuring processes (hereafter referred to as: 'cases'). The data was organised based on the process, i.e. the development in time. Next, we used a concise subject-based text analysis to identify important elements of each individual case and the working methods and operations used in each case.

The text analysis provided a basis for our selection of seven cases. On the one hand, this selection was based on the quality and quantity of the information available on each case, and on the other hand on the principles of 'case diversity' and 'working method diversity.' This selection was made together with HMO.

In the second phase of the research, the cases that were ultimately selected were 'reconstructed' in greater detail based on the available HMO data. The basis for this reconstruction was the terminology that HMO itself uses for the process and its own role in the process. The core concepts of HMO's approach are the following: 'looking for opportunities,' 'being a catalyst for the process,' 'expanding into a business case,' while always seeking to find and boost 'willingness to invest.' Based on these concepts, we put together the process model (*Figure 1, page 15*) and described the seven cases.

Further text analysis of the documentation of the individual cases subsequently led to identification of provisional lessons learnt on the effectiveness of working methods. These text analyses were performed by two researchers independently from each other, following which we

proceeded to compare their respective analysis results. In several cases, this ended up leading to us formulating lessons learnt in more specific terms.

All reconstructed cases were subsequently submitted to HMO to be fact-checked. After correction following the review by HMO, the cases were also submitted to the local authorities involved in the cases for a second round of fact-checking. Any required corrections were implemented.

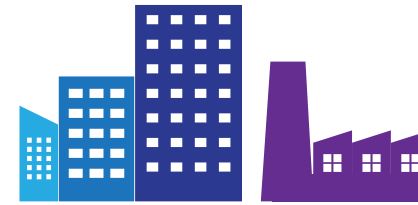
We also interviewed local officials in the seven municipalities about their experiences with the process, HMO's working methods, and their satisfaction with the outcome. This ultimately led to the brief sections at the end of each case with reflections on the case.

# Appendix 2. Readership in Business and Industrial Park Development

The Business and Industrial Park Development research group conducts practice-oriented research, develops tools, and shares knowledge and expertise on the development of business and industrial parks, while specialising in the ‘demand-based approach.’ The demand-based approach is a way of working that puts the interests and investment appetite of both private-sector and public-sector stakeholders centre stage. Effective demand-based working methods lead to strong combinations of business and value cases.

A demand-based role for the authorities constitutes a paradigm shift in local authorities’ planning practices. With this in mind, the research group wants to explore how to implement new ways of thinking and working; changes to working methods, competencies, culture, and responsibilities.

The Business and Industrial Park Development research group is a knowledge partner to Herstructureringsmaatschappij Overijssel (HMO).



The Business and  
Industrial Park  
Development  
research group



# Appendix 3. Business park restructuring by HMO

Over the 2009 - 2018 period, HMO has been active at numerous business parks across Overijssel, providing intensive process support in all projects (based on a demand-based approach). In various cases, results were achieved without HMO having to invest a single euro.

The table in this appendix lists HMO's activities in each of the municipalities (excluding projects at business parks containing only offices, and excluding projects set in inner cities), specifying the type of involvement and the ultimate result. HMO's involvement consisted in any or a combination of the following activities:

**A: acquisition and/or redevelopment of property**  
**C: contribution**  
**F: financing**  
**G: being a guarantor**  
**K: knowledge and advice**

In all cases, HMO conducted (intensive) process management. In each of the municipalities listed, HMO first assessed the situation at the business parks. Wherever no specific work was done on a site, this was because HMO was unable to find a clear business case, while the ultimate conclusion in various municipalities was that (despite an initial assessment showing that a site is outdated) the sites in question were indeed sufficiently functional and thriving.

Municipality /site	HMO's involvement	Result
Almelo, Turfkade	Acquisition, demolition, clean-up, and redevelopment of former chips factory (A)	1.8 hectares restructured, catalyst effect for further development of 8 ha, €1.5 million investment
Almelo, Koedijk	Exploration of transformation opportunities (K)	Transformation is feasible based on private investment
Borne, Molenkamp	Exploration of redevelopment options for Jonge Poerink sites (K)	Owner not willing to cooperate in transformation
Borne, Veldkamp	Exploration of redevelopment options for CRH site based on green waste recycling business case (K)	Business case not economically feasible
Dalfsen, 't Febriek	Exploration of relocation and redevelopment options for Tielbeke site (K)	Support for redevelopment of Aluminium Hardenberg site (K)
Deventer, Bergweide	Exploration of relocation and redevelopment options for Tielbeke site (K)	Relocation not feasible
Deventer, Zutphenseweg	Redevelopment of Akzo Nobel site (K)	Planning process for redevelopment of 11 hectares completed (S/Park)
Deventer, Bergweide	Redevelopment of De Gasfabriek site (K)	Restructuring through private investment
Dinkelland, De Mors	Redevelopment of various sites (K)	1 hectare restructured, catalyst effect for further development of 6 ha
Enschede, Binnenhaven	Acquisition and demolition of site (A), redevelopment of various sites (K)	4.8 hectares restructured, catalyst effect for further development of 8 hectares, improvement of 5 hectares of public space, €234,000 investment
Enschede, Rigtersbleek/Tubantia	Exploration of restructuring opportunities (K)	2 hectares restructured, catalyst effect for further development of 5 hectares through private investment
Enschede, Vliegveld	Support in the development of various TecBase sites/ initiatives (K)	Development of concept for a dismantlable factory
Haaksbergen, 't Varck	Exploration of restructuring opportunities, abattoir relocation study (K)	Abattoir relocation not feasible
Hardenberg, Nieuwe Haven	Support in the redevelopment of Aluminium Hardenberg site (K)	3.6 hectares restructured through private investment

Municipality /site	HMO's involvement	Result
Hardenberg, Rollepaal	Complete restructuring of Wehkamp site (A, F, G, K)	See case description in practical book
Hellendoorn, 't Lochter	Exploration of development options for Serbonne site (K)	1.5 hectares restructured
Hellendoorn, 't Lochter	Expansion of Euromouldings site (K)	Restructuring through private investment
Hellendoorn, Nijverdal-Noord	Redevelopment of Ten Cate site (K)	Planning process is being prepared
Hengelo, Twentekanaal-Zuid	Redevelopment of Thales site (K), new development for Norma (F)	See case description in practical book
Hengelo, Twentekanaal-Zuid	Relocation of Van Heteren to former Akzo Nobel chlorine factory site (K, C)	1 hectare restructured, contribution of €80,000
Hengelo, Twentekanaal-Zuid	Development of HTSP (K, A, G)	See case description in practical book
Hof van Twente, Haven Goor	Redevelopment of Eternit site (K)	Owner unwilling to cooperate in redevelopment
Hof van Twente, divers	Assessment of expansion/redevelopment of sites at De Whee and Haven Markelo business parks (K)	Business case not economically viable
Kampen, Haatland	Restructuring of Kampri site (K, A, F)	2 hectares restructured, catalyst effect for further development of 6 hectares, €790,000 investment
Kampen, Spoorlanden	Restructuring of Spoorlanden, IJsselmuiden, various sites (K)	4 hectares restructured through relocations to Spoorlanden II
Losser, stand-alone site	Assessment of redevelopment options for Smitsbreeweg site (K)	Redevelopment through private investment
Oldenzaal, Eekte-Hazewinkel	Redevelopment of Geldermanfabriek (K, F)	1 hectare restructured, catalyst effect for further development of 5 hectares, €400,000 investment
Oldenzaal, Eekte-Hazewinkel	Exploration of restructuring options for TNT Fashion site (K)	3 hectares restructured through continuation of activities and private investments

Municipality /site	HMO's involvement	Result
Ommen, De Strangen	Exploration of redevelopment options for Pacton site (K)	Relaunch of business activity though private investment
Olst-Wijhe, De Enk	Complete restructuring of De Enk business park (A, F, G, K)	See case description in practical book
Olst-Wijhe, Herxen	Study of relocation options for a transport company (K)	Relocation of transport company not feasible
Raalte, Spoorzone-Oost	Restructuring of MBI Beton site (K, A)	See case description in practical book
Rijssen-Holten, De Mors	Redevelopment of Nijhuis site, demolition and parcelling of site (K, C)	1.5 hectares restructured, catalyst effect for further development of 12 hectares, contribution of €147,000
Rijssen-Holten, De Kol	Process support for Enkco relocation (K)	2 hectares transformed through private investment
Staphorst, De Baarge	Restructuring of waste processing company site (K, A)	1 hectare restructured, catalyst effect for further development of 5 hectares, €1.5 million investment
Steenwijkerland, De Weijert	Restructuring of various sites (K)	1.2 hectares restructured through private investment
Steenwijkerland, De Weijert	Restructuring of Rondal site (K)	Not a viable business case
Tubbergen, Boskamp	Exploration of expansion options for fitness centre (K)	Business case not economically viable
Twenterand, Oosteinde	Assessment of relocation options for Holland Meel (K)	Business case not economically viable
Twenterand, Weitzelpoort	Redevelopment of former petrol garage (K)	2 hectares restructured through private investment
Wierden, Hogelucht	Complete restructuring of Hogelucht (K, C)	See case description in practical book
Wierden, Kluinveen	Assessment of relocation options for a steel construction company (K), exploration of various sites (K)	Relocation of steel construction company not feasible, two privately funded redevelopment projects

Municipality /site	HMO's involvement	Result
Zwartewaterland, Kranerweerd	Assessment of relocation options for a recycling company (K)	No need to relocate
Zwartewaterland, Zwartewater	Restructuring of Dycore site (A, F, G, K)	See case description in practical book
Zwartewaterland, Zwartewater	Restructuring of Konosch site (A, F, K)	5 hectares restructured, catalyst effect for further development of 10 hectares, €6.8 million investment
Zwartewaterland, stand-alone site	Shipyard transformation (K)	1 hectare transformed, planning process is being prepared
Zwartewaterland, Genemuiden	Process support for carpet business cluster (K)	Planning process is being prepared
Zwolle, De Vrolijkheid	Development of Businesspark Zwolle (F, G, K)	See case description in practical book
Zwolle, De Vrolijkheid	Development of TGDC (K)	Business case not economically viable
Zwolle, Marslanden	Redevelopment of Enexis site and Pack2Pack site (K)	15 hectares redeveloped through private investment
Zwolle, Voorst C	Redevelopment of DMI, Hilhout, and Hanos sites (K)	7.5 hectares restructured
Zwolle, Voorst C	Redevelopment of Moes site (F, K)	0.5 hectare restructured, €550,000 investment
Zwolle, Voorst A	Restructuring of Shell/BP site to accommodate a Hornbach DIY store (F, G, K)	4 hectares restructured, catalyst effect for further development of public areas spanning 4 hectares, €1.4 million investment
Zwolle, Voorst B	Redevelopment/expansion of Scania production site (K)	3.5 hectares redeveloped through private investment
Zwolle, stand-alone site	Redevelopment of the site of a sheltered workshop (F, K)	14 hectares transformed
Zwolle, Polymer Science Park	Redevelopment of Vishay site (F, K)	7 hectares restructured, PSP development planning, €4 million investment

For the business parks listed below, HMO assessed the situation and, in consultation with the relevant local authority, concluded that they are sufficiently functional and doing sufficiently well.

That said, several sites have been identified for further monitoring by HMO for possible promising redevelopment or restructuring in the future.

### **Municipality / site**

Dinkelland, De Mors

Dinkelland, Echelpoel

Dinkelland, Kloppendijk

Enschede, Rigtersbleek/Tubantia

Haaksbergen, 't Varck

Hellendoorn, Nijverdal-Noord

Hellendoorn, 't Lochter

Hengelo, Twentekanaal-Noord

Hof van Twente, Haven Markelo

Ommen, De Strangen

Raalte, De Zegge

Rijssen-Holten, Noordermors

Staphorst, De Baarge I - IV

Steenwijkerland, Dolderkanaal

Steenwijkerland, Groot Verlaat

Steenwijkerland, Boterberg

Steenwijkerland, De Weijert

Twenterand, Weitzelpoort

Twenterand, De Sluis

Wierden, Violenhoek

Zwartewaterland, Meppelerdiep/Kranerweerd