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*Original Citation:*

*Availability:*

This version is available at: 11577/3219703 since: 2017-02-16T10:01:54Z

*Publisher:*

Elsevier

*Published version:*

DOI: 10.1016/j.sbspro.2016.05.343

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2nd International Symposium "NEW METROPOLITAN PERSPECTIVES" - Strategic planning, spatial planning, economic programs and decision support tools, through the implementation of Horizon/Europe2020. ISTH2020, Reggio Calabria (Italy), 18-20 May 2016

## Social capital and public policies for commons: bottom up processes in public real estate property valorization

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### Abstract

Valorisation of public real estate property has been lately matter of political and administrative discussions at national level. The policies currently promoted by public administration are oriented to simplify patrimonial and planning procedures. Recently, new valorisation forms of public property took place. In Italy, following relevant international examples, self-organized communities promoted profit and no profit activities in abandoned or undeveloped public real estate assets. The aim of the research consists in the analysis of the conditions for the successful value creation generated by bottom up, self-organized processes in the public real estate valorisation. Two hypothesis have been tested: the first one concerns the role of social capital as a premise of these initiatives; the second one regards the public policies supporting bottom up valorisations. The multivariate statistics have been used to analyze data and three clusters emerged from the empirical survey. The findings confirm the initial hypothesis of the research. Social capital is crucial for the development of bottom up public property valorisation. Nevertheless, where social capital is lacking, public policies appear to be relevant to support local bottom up entrepreneurship in cultural activities, welfare, and profit activities.

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Peer-review under responsibility of the organizing committee of ISTH2020

*Keywords:* bottom up valorisation; cluster analysis; social capital; public policies; public real estate property.

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## 1. Introduction

Valorization of public real estate property has been lately matter of political and administrative discussions at national level. The policies currently promoted by public administration are oriented to simplify patrimonial and city planning procedures (Agenzia del Demanio, 2015; Camagni et alii, 2014), ensuring that the process of value creation in real estate property is as quick as possible and providing it more attractiveness for private investors. Up till now, public policies were focused on the supply side, aiming in particular at all the administrative procedures, but the large amount of stalled real estate operations shows that these policies are not able to ensure an effective creation of financial and economic value in public real estate.

Recently, new forms of valorisation of public property took place. In Italy, following relevant international examples, self-organized communities promoted profit and no profit activities in abandoned or undeveloped public real estate assets. This bottom-up approach represents a reaction to a radically changed market (Antoniucci and Marella, 2014; Campagnoli, 2015; Colomb, 2012; Inti, 2011; 2014, Németh and Langhorst, 2014). New forms of coalescence of demand have been growing, transforming public properties in containers of activities in different areas, generating values for citizenship and for local authorities with no connection with the traditional development activity (Coscia et alii, 2015; Finan, 2014; Inti, 2011; 2014).

The aim of the research consists in the analysis of the conditions for the successful value creation generated by bottom up, self-organized processes in the public real estate valorisation. The paper is organised in three parts. The first one shows the relevant features of these new valorisation processes promoted by the grass-roots participation. The second one presents the research methodology, moving from a large survey of the Italian experiences and adopting the multivariate statistics tool of the cluster analysis. The third one points out the determinants of these processes with particular concern to the social capital and to specific policies for the urban commons.

## 2. The bottom-up valorisation of public real estate: where it starts from and the role of policies

For years public authorities promoted a valorisation strategy of their real estate assets based on essentially two pillars: flexible zoning rules and simpler and more effective procedures to access the market. In other words, public entities on one hand allowed any type of zoning rule according to the highest and best use principle; on the other hand, they set the simplest rule in order to sell real estate asset, eventually identifying the financial vehicles for the most effective valorisation (i.e. the funds). A large number of initiatives set by the local and national public administrations have largely failed, leaving a vast portion of the public real assets underused or abandoned. This unsatisfying result is relevant for the local policies: public authorities have to move to radically new strategies to create value on the real estate assets and to prevent the externalities typically deriving from abandoned properties, namely vandalism and social insecurity.

To date, a significant number of urban regeneration experiences relies upon self-organized social and economic processes. A new development strategy takes place, employing public real estate assets for alternative uses. Start-ups, no profit initiatives in subsidiary welfare, co-working offices, artists' ateliers and cultural productions and laboratories: the emerging demands transform the abandoned public real estate properties in locations to develop a wide range of profit and no profit entrepreneurial activities. Most of these processes took place valorizing abandoned – often for years - real estate properties, without a specific valorization tentative promoted by the administrations. In other cases these bottom-up processes are the response of countless valorization tentatives launched by public authorities that did not find a response by the market. In this scenario, when traditional public policies do not prove to be successful, social innovation contribute to a new type of property valorization.

The goal of the research consists to examine how, and to what extent, both the social capital and the public policies effectively contribute to these processes and if they are determinant for their development. Bottom-up valorisation processes appear to be based upon the social capital (Gastaldi, 2011; Putnam, 1993; Sdino and Castagnino, 2014), meaning: the presence of an active local community attached to local resources and involved in public choices. The presence of an active citizenry, self-organized in an open and flexible community, seems to be the essential premise for the successful results of the bottom up initiatives (Branca, 2011; Della Spina and Calabrò, 2014; Fusco Girard, 2011).

The development of these bottom-up processes intersects the issue of the temporary use. Usually, the assets are

granted to these communities for a short period, going from several months to few years. The temporary use allows the community to transform a property no longer considered interesting by the real estate market, while rediscovering a future possible function (Andres, 2013; Antonucci et alii, 2015; D'Alpaos and Marella, 2014; Campagnoli, 2015; Colomb, 2012; Inti, 2014; Németh and Langhorst, 2014).

Bottom up initiatives have been extensively recognized by the regulation in force. In the *Sblocca Italia* decree<sup>1</sup>, clause 24 was entirely dedicated to the “facilitation of measures for the local grass-roots participation on the defense and valorisation of the territory”, a clear signal that public decision maker understood that bottom up initiatives can represent a valid alternative to traditional policies for the real estate asset valorization. Through this decree, the State allowed all municipalities to freely entrust the citizenry of the management of abandoned or underused public real estate assets. Moreover, each public authority is entitled to pass specific deliberations to regulate bottom up processes. Up to now, 153 Italian municipalities<sup>2</sup> have promoted guidelines for these new commons, regulating procedures and schedules for the launching of bottom-up valorization processes (Arena and Iaione, 2012; Moroni, 2015).

### 3. A survey of bottom-up valorisation experiences in Italy

Fifty case studies<sup>3</sup>, representing almost the totality of the Italian experiences on this matter, are evaluated to understand whether the presence of a social capital and of specific public policies were crucial for the successful outcome of these processes. The large number of these case studies offers a reliable and relevant overview taking into consideration the vast heterogeneity of these initiatives. Multivariate statistics have proved to be the most appropriate methodology to analyze and categorize a large number of experiences. The cluster analysis, in particular, appears to be effective in order to organize data by outlining the groups sharing the same – or most similar - features. An algorithm forms clusters grouping similar data by a hierarchical approach. So, the final result is a partition of data grouping clusters by their similarity. All the affine units are included into a cluster, potentially grouped into a bigger one until the final cluster include all data (Coscia and Piccolo, 2012; Sarstedt and Mooi, 2014).

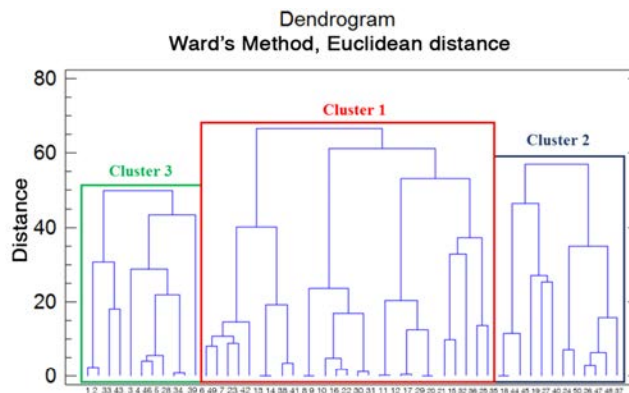


Figure 1: Dendrogram emerged from the cluster analysis.

<sup>1</sup> Art. 24 L.D. 12 September 2014, n.133, *Misure urgenti per l'apertura dei cantieri, la realizzazione delle opere pubbliche, la digitalizzazione del paese, la semplificazione burocratica, l'emergenza del dissesto idrogeologico e per la ripresa delle attività produttive*, converted in the law 11 November 2014, n. 164.

<sup>2</sup> To display the complete list of the municipalities that adopted guidelines for the commons, please refer on Labsus website, available on the following website: <http://www.labsus.org/2015/04/i-comuni-de-regolamento-per-i-beni-comuni-di-labsus/>.

<sup>3</sup> The fifty cases study came from an intense desk research activity, interviews and fieldworks. All the considered assets are property of public administrations abandoned for years. For the majority of the case studies, the administration did not provide any valorization specific instrument. Nevertheless, in a relevant fraction of the case studies, the administrations unsuccessfully promoted traditional valorization techniques. The research assumed a random sample of bottom up valorizations: authors were not concentrated on a precise geographical area and did not select on the size or the economic and social relevance of these experiences. To facilitate the reading of the paper, authors did not report the total cluster matrix. Nevertheless, database is available upon request at any moment.

The proceeding of cluster analysis can be summarized in four steps whose outcome is a dendrogram (see Figure 1). The diagram displays with growing ordinates the coalescence level of clusters (Sarstedt and Mooi, 2014). The vertical axis indicates clusters' aggregation while their positions pinpoint distances among their different unions.

The first step consists in the selection of cases and variables, setting a data matrix. The following variables were surveyed to best describe the experiences: the regional location - north, centre and south of Italy; the size of the city - large or small if more or less than 50.000 inhabitants; the building size - small (less than 5.000 sqm), medium (between 5.000 and 20.000 sqm) and large (over than 20.000 sqm); the economic resources to refurbish the buildings - self-financing, external fundings (such as donations, public funding, charitable gifts, i.e.) or both; the political capital and social participation<sup>4</sup>, two proxy variables measuring the social capital of each Italian region (Putnam, 1993); the presence, or the absence, of municipal public policies to promote commons. The second step regards the methodology to measure the similarity between variables. At this stage, we selected the Euclidean distance. Then, the Ward method was chosen to aggregate clusters. The method is based on the association of variables by the reduction of their deviance: when the deviance between clusters is 0, all cases are separated, when it is maximum -1-, they belong to a sole group. Designed the dendrogram, in the fourth and final step, data were grouped into the clusters best describing the different typologies of experiences (Sarstedt and Mooi, 2014).<sup>5</sup>

#### 4. The determinants of bottom-up valorisation: social capital and public policies

Three clusters emerged from the analysis (see Table 1) confirming the relevance of the social capital in the bottom up valorisations, nevertheless pointing out the role of public policies where social capital is lacking.

The first cluster, formed by 27 members (52% of the cases), is the most significant one. The property assets of this group are located in regions with an important social capital, mainly in major cities (92,59%) of Northern Italy (77,88%) and for a good part in the central areas (44,44%) or close to it (33,33%). A large fraction of the cases regards small-size buildings (55,56%) and self-financed operations (62,96%), promoted in cities that passed guidelines for the commons (97,3%).

Three cities in the North of Italy - Milan, Bologna and Turin - emerge as the most active of the sample. Major cities are full of fertile relations between groups with different backgrounds. The social capital present in these regions and cities allows communities to share knowledge and skills and to promote relevant self-sustained and self-organized initiatives. Moreover, all these cities passed specific regulations to enable the citizenry to make use of abandoned or underused public property providing an important juridical frame to further bottom-up initiatives.

The second cluster, including 12 case studies (24%), can be considered a subset of the first one. As in the previous one, most of the cases take place in areas with a relevant social capital in the Northern part of the country (83,33%), mainly in central urban areas (75%). The refurbishment of the properties usually regard small buildings (66,67%), the initiatives are self-financed (50%) or partially supported by external partners (41,67%). The main difference from the first cluster is given by two variables: the commons are mainly located in small cities (75%) and there are no specific public policies passed by local authorities on the issue (100%). This cluster shows that, even if less frequently, bottom-up valorisation processes can rise in relatively small size cities. In these experiences, local authorities did not pass guidelines to manage bottom up participation and did not support financially such initiatives. The liveliness of the local communities may foster the re-use of neglected real estate assets in case local authorities show their incapacity. In Gualtieri, small town close to Reggio Emilia, the citizenry volunteered to give new life to

<sup>4</sup> Istat report *BES-Benessere equo e sostenibile in Italia 2015*, sections *Relazioni Sociali*, referring to 2014 data. The political capital includes people from 14 and more years old 14 that speak or inform themselves about policy at least once a week, people that took part on web consultations or votes on social and political questions, people that read and wrote about social and political problems on web in the last three months. The social participation (percentage) analyse people from 14 and more years old that in the last 12 months carried out at least one of social participation activity (such as: taking part at associations meetings –cultural and recreational, ecological, civil rights, for peace -; people that took part to union organization meetings or professional associations; people that participate on political party meetings and/or conducted a free activity for the party; people that pay a periodical for a society or a sport club.

<sup>5</sup> The most meaningful indicator to choose the number of cluster is given by the observation of the distance (y-axis) at witch all elements (x-axis) are organized. Longer is this distance, more different and representative are the clusters of data. Three clusters emerged observing the dendrogram, because they represent the greatest distance between all elements. The choice of the number of clusters is based on the features of the sample, avoiding clusters with a scarce number of elements and above all clusters must be homogenous between all data and different among them.

the main theatre, after repeatedly asking the municipality for its refurbishment without receiving any positive response.

The third and the last one, formed by eleven members (22% of the case studies), groups valorisation processes in cities with low social capital that nevertheless promoted guidelines for the new commons (72,73%). All the experiences of this cluster are located in the South of Italy (100%), mostly in the center of major cities, so taking advantage of a better accessibility and of good infrastructural connections. The majority of the assets features a small dimension (81,82%). In a relevant fraction of the experiences (45,45%), external fundings supported the asset's refurbishment.

Table 1: Summary of descriptive statistics of the variables in each cluster.

Clus.	Mem.	Perc.	Reg.Loc. %	City%	Urb.Loc. %	Dim. %	Fin. %	Pol.Cap.	Soc.Pa	Guid. %
1	27	54	North 77,88	Big 92,59	Center 44,44	Little 55,56	Self. 62,96	Over 67,5%	Over 24%	Yes 97,3
			Center 22,22	Little 7,41	Semic. 33,33	Medium 29,63	Fin. Est. 14,81			
2	12	24	North 83,33	Big 25	Center 75	Little 66,67	Self. 50	Over 68%	Over 21%	Yes 0%
			Center 16,67	Little 75	Mid-cent. 8,33	Medium 8,33	Ext.Fin. 8,33			
3	11	22	North 0	Big 72,7	Centre 63,64	Little 81,82	Self. 36,36	Until 57,2%	Until 18,2%	Yes 72,73
			Center 0	Little 27,3	Mid.cent. 27,27	Medium 18,18	Ext. Fin. 45,45			
			South 0		Extra-urb. 3,7	Big 14,81	Both 22,22			
			South 0		Extra-urb. 0	Big 25	Both 41,67			
			South 100		Extra-urb. 9,09	Big 0	Both 18,18			

**Legend:**

Cluster: number of cluster analysed; Members: number of cases for each cluster; Perc.: percentage of each cluster incidence on the total cases; Reg. Loc.: localization at regional level between north, centre and South of Italy; City: localization at urban level between big (over 50.000 inhabitants) and smaller cities ; Urb. Loc.: position of the buildings, between middle centre, suburbs or extra-urban; Dim.: dimensions of the buildings - little (less than 5.000 sqm), medium (between 5.000 and 20.000 sqm) and big dimensions (over 20.000 sqm); Fin.: self-financing, external financing or both ; Pol. cap.: political capital (proxy for social capital); Soc. Part.: social participation (proxy for social capital); Guid.: presence (yes) or absence (no) of a guidelines for commons

The cities located in the Puglia Region are a good example highlighting the relevant role of public policies: ISTAT (report BES-2015) data point out that the social capital of the region is below national average (18,2% vs 23,3%); nevertheless, to support young citizens and to favor these self-organized processes, since 2005, the Puglia Region launched a program called *Boiling Spirits*<sup>6</sup>. In such a context, the regional project *Laboratori Urbani* has fostered, since 2008, the refurbishment of 100.000 sqm of public property transformed into commons, dedicating more than 54 millions of euros to these interventions.

## 5. Conclusions

The conditions ensuring the success of bottom up, self-organized public real estate valorisation represent the goal of the research. Two hypothesis, in particular, have been tested: the first one concerns the role of social capital as a premise of these initiatives; the second one regards the public policies supporting juridically and economically bottom up valorisations. The cluster analysis has been used to analyze data and three clusters emerged from the vast empirical survey carried out throughout the country.

<sup>6</sup> To examine in depth the Boiling Spirits program: please refer on official website, available on the following website: [http://bollentispiriti.regione.puglia.it/index.php?option=com\\_k2&view=item&layout=item&id=4915&Itemid=422](http://bollentispiriti.regione.puglia.it/index.php?option=com_k2&view=item&layout=item&id=4915&Itemid=422)

The findings confirm the initial hypothesis of the research. Social capital is crucial for the development of bottom up public property valorisation: the success of the new commons is based on communities capable of transforming social and economic links into profit and no profit enterprises. Nevertheless, where social capital is lacking, public policies appear to be relevant to support local bottom up entrepreneurship in cultural activities, welfare, and profit activities. Future research projects could still probe a lot on this topic. In particular, on one hand, specific assessments of the value generated - social, economic and financial - could be the object of future investigation; on the other, the effectiveness of the public policies could be furtherly analyzed. Policies effectively support bottom up valorisations only in some areas and to highlight the reasons of their success - and of their failures - represents a relevant issue to investigate.

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