

Public private cooperation in sustainable city development - the case study of public-private partnership in railway station area regeneration project

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Key words: public private cooperation, urban regeneration, sustainable city development

SUMMARY

Degradation of urban areas is a typical problem of many cities. The activities included in the process of regeneration are aimed at solving the problem in its social, economic and urban planning dimensions. The city is a cultural space of different values, an area of business life and a product of planners and architects, therefore successful regeneration must result in better quality of life for the residents, stimulate the economy and restore spatial order. As the city stakeholders comprise local community, entrepreneurs and companies as well as the local government, public-private partnership and social participation should be regarded as essential factors of urban regeneration.

The paper shows the dimensions of public private arrangements based on various models and their application in the process of urban regeneration, exemplified by railway area regeneration in the Polish town of Sopot and Australian town of Melbourne.

Basic research methods include the methods of comparison, logical concluding, case study description and analysis of documentation.

The results of the study can be useful for public real estate managers and private investors.

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1. INTRODUCTION – STUDY JUSTIFICATION, AIM METHODOLOGY

As metropolitan economic activity has been decentralizing, central cities and inner areas have been losing employment and population (Malizia 2003). The decline of central city is connected with economic, physical and social problems (Couch et al. 2003). The study of the subject is then primarily justified by the actual problems of cities: shortage of investment funding, deterioration of buildings, social pathologies and the citizens dissatisfaction of the amount and quality of infrastructure. The response to these problems should be urban regeneration. Urban regeneration (HM Treasury 2007) is a concept that summarizes the perception of decline in inner city economies, in the quality of the environment and in social life. It incorporates the process of renewal to establish a basis for economic growth and social well-being (McGreal et al. 2000). Urban regeneration focuses therefore on problems and new demands created by physical, social and economic change. Property development requires only material results and it is not synonymous with successful regeneration. Physical renewal should be perceived as a tool of delivering wide regeneration benefits. These benefits are sustainable city development incorporating economic, social and environmental concerns.

The second justification of the study is the potential represented by public and private sectors cooperation that respects the principles of sustainable development. Managing a city, with its investment, real estate, infrastructure, is an essential issue in shaping its sustainable development. Participants in this process include the public sector (represented by local governments, community-based organizations, foundations, neighbourhood and other advocacy groups) and the private sector (represented by real estate developers, investors, commercial banks, tenants and their brokers) (Malizia 2003). All of them together are city stakeholders. They should be able to create economically feasible projects that generate greater public benefits and reduce the risk involved in urban development (or increase returns). Private sector perspective is sharply focused on perceived total return and security of investment (spreading of the risk), however these are not all the criteria for evaluating investment in urban regeneration projects (Adair et al. 2000), as the public sector is equally concentrated on intangible effects. In this setting, it is necessary for the public and the private sectors to cooperate at various levels as implementation of successful city regeneration projects has been dependent on public and private cooperation (Wojewnik-Filipkowska 2011). There are two interrelated problems that emerge. Firstly, public budget is limited. Secondly, successful cooperation requires identification, understanding and respect of the partner's motives and behaviour, so that feasible regeneration project can be created. It is assumed in this paper that public private cooperation is only possible when the problem of mutual understanding has been resolved. The proper form of cooperation incorporates mutual understanding of risk and return expectations, helps to overcome public budget constraints

and finally allows to attract private investment capital to redevelopment projects.

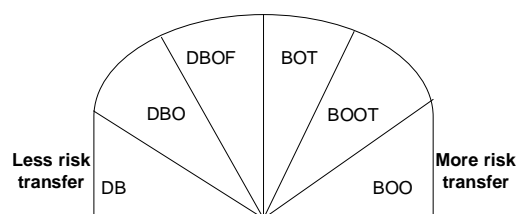
The general aim of the study is to identify the dimensions of public private arrangements and show their application in the process of urban regeneration on the example of two railway area regeneration case studies in Sopot (Poland) and Melbourne (Australia). For the purpose of the article, the author has studied the literature of urban economics, real estate markets, spatial planning and development. The research included studies of proper regulation and projects documentation. Research methods consisted of logical concluding, induction and comparison. This research was conducted as qualitative research with interviews, with a review of international cases. The choice of case studies was determined by four simultaneous factors: the type of the project (regeneration), procurement (public private cooperation), former use profile of the site (railway station) and future use profile of the site (railway station and commercial facilities). These conditions are granted in both case studies.

2. DIMENSIONS OF PRIVATE PUBLIC COOPERATION

Partnership in a broad economic sense, seen as cooperation, is the relation between the public authorities, NGOs, business entities and business environment organizations (Nelson 2001). The European Commission defines Public-Private Partnership (PPP) broadly, as any form of cooperation. PPP perceived in this way is a form of cooperation between the public and the private sectors in order to implement a project or provide a service that has traditionally been rendered by the public sector. The nature of PPP is that benefits are derived by both partners, proportionately to their involvement in the tasks performed. In this way, public services and infrastructure are provided in the most productive way as each of the partners does what it is best capable of doing, and a given risk is borne by the party which can control it most effectively (European Commission 2003). Public-Private Partnership should therefore lead to a win-win situation (Koryczyński et al. 2009).

Public-private partnership is based on contracts strongly influenced by different historical legal traditions. Some of them fall under civil law, especially private and company law. The agreements are based on a simple "design-build" (DB) contract for a public utility, but may take a number of variations (Buljevich et al. 1999; Yescombe 2003). DB is a plain contract to design and deliver and all the risks (financial, operational, market and others) are incurred entirely by the public sector. It is its modifications, adding new elements like financing and management to the DB contract, that bring more variations in the distribution of responsibility and thus the distribution of risk between the sectors (figure 1, table 1, table 2). In this way the public sector makes use of the greater expertise of the private partner.

Figure 1: Risk transfer in public and private sectors cooperation contracts



Source: Own elaboration based on European Commission 2003.

Table 1: Public and private involvement in various forms of PPP

Scope of contract	DB	DBO	DBFO	BOT	BOOT	BOO
Design*	private	private	private	public	public	public
Build	private	private	private	private	private	private
Finance	public	public	private	private	private	private
Operate	public	private	private	private	private	private
Own	public	public	public	public	private – throughout the contract	private

*Design in BOT projects has been assumed to be the responsibility of the public sector

Source: Own elaboration.

Table 2: Various contracts between public and private sectors and their characteristics

Type of contract	Characteristics
DB (design-build)	<ul style="list-style-type: none"> – the private sector designs and builds a facility, which is financed, operated and owned by the public sector; in fact it is the purchases of design service and construction; – this model is suitable for projects in which the public sector wants to maintain control of project operations, which do not pose sophisticated requirements, like toll-free roads, bridges and tunnels that remain publicly owned throughout the duration of the contract; – the weakness: there is practically no room for a private investor in the sense of an entity that will engage its capital; a DB contract does not attract private investors, as their responsibilities but also profits are limited; the designer and contractor are not interested in reducing costs of construction and operation since their role is limited to design and build;
DBO (design-build-operate)	<ul style="list-style-type: none"> – an extension of a DB contract, whereby the private sector is also responsible for the operation of the project public utility for a specified period of time; finance and ownership rest with the public sector; – DBO contracts are usually applied for projects of high functional requirements, so day-to-day management rests with the private partner, who is paid directly by the users or by the owner of the facility, i.e., the public sector; – the weakness: like DB, there is hardly any room for private capital investment;
DBFO (design-build-finance-operate)	<ul style="list-style-type: none"> – the contract with the private sector involves the design, construction, financing and management of the facility which remains publicly owned (such contracts were introduced in British projects within the Private Finance Initiative – PFI programme); – the strength – private capital is attracted, so these contracts are appropriate for projects requiring significant, one-time capital spending that the public sector may not be able to make; – the return of the capital engaged and the operating expenses is through payments by the public sector or direct user charges;
BOT (build-operate-transfer)	<ul style="list-style-type: none"> – construction of the facility is performed by the private investor, who upon the termination of the operating period reverts the facility to the public sector usually with no charges; the facility ownership remains public throughout the contract; – unlike in DB and DBO models, the financing rests with the private sector, while the design is the responsibility of the public sector – unlike in the DBFO model; – the operating period is necessary for the private partner to recover the project-related expenses and operational costs and obtain the expected rate of return agreed in the contract, project payback is made by the users of the facility; – application: functionally complex projects, e.g., water, sewerage & waste removal installations, in which management may involve special knowledge and sophisticated technologies;

BOOT (build-own-operate-transfer)	<ul style="list-style-type: none"> – the private investor finances, builds, owns, manages facility and transfers its ownership to the public sector at the project termination; – the role of the public sector is regulation and supervision; – application: large, greenfield projects requiring massive capital expenditure, like transportation or energy projects or ones that are operationally demanding; the size and nature of an infrastructural project often cause it to be funded by international financial institutions, commercial banks and capital markets, while management of the facility is usually commissioned by the SPV company to an experienced operator; – the main strength: raising external funding becomes easier as lenders are more likely to accept a mortgage than an assignment under a BOT contract;
BOO (build-own-operate)	<ul style="list-style-type: none"> – unlike BOOT, ownership of the facility is not transferred back to the municipality or the state; – provides for long-term ownership and management by the private investor; – if a concession is required, the role of the public sector is regulatory only; – application: mainly greenfield projects.

Source: Own elaboration based on Buljevich et al. 1999; Yescombe 2003; European Commission 2003; Department... 2000.

3. INTERNATIONAL EXPERIENCE & OPPORTUNITIES OF PUBLIC PRIVATE COOPERATION

The idea of private sector financial participation in delivering public infrastructure has developed thanks to the United Kingdom's Private Finance Initiative programme from the early 1990s. Such projects have been usually recognized as public-private partnerships (PPP), although according to British Government, the PFI is a procurement tool, and PPP as an ownership structure. The majority of PFI contracts represent a liability for a stream of long term payment payable by the Government. In a PPP deal by contrast, the Government owns an equity stake in a company, an asset, and this is therefore different in kind from a PFI transaction (HM Treasury 2003). Nevertheless, since early 1990s, the infrastructure investment is increasingly being delivered by the PPP approach. Many countries initially develop PPP in the transport sector and soon after widen their use to other sectors, as the value for money benefits have been proven and public sector has gained experience. While still, the main driver of the projects are state of infrastructure together with insufficient public funds, there are also additional aspects to be take under consideration, such as risk transfer, whole-life costing, innovation. Thus, different form of PPP are emerging in various sectors in Europe. The selected countries have been listed along the criteria of the most advanced state of PPP projects (table 3).

Table 3: Summary of PPP activity and project status by selected country and selected sector

Country/Sector	Roads	Urban railways	Heavy Railways	Housing	Accommodation	Sports and leisure
United Kingdom	C/O	C/O	-	C/O	C/O	C/O
France	C/O	P/C	P/C	-	P	P
Spain	C/O	P	D	-	P	D
Hungary*	P/C	D	-	P/C	P/C	P
Italy	C	P/C	-	P	P/C	P
Germany	P/C	D	D	-	P/C	P
Latvia*	P	-	-	P/C	D	-
Estonia*	D	D	-	P/C	-	-

Greece	C	-	-	-	P	P/C
Poland*	P/C	D	D	D	D	D
Czech Republic*	P	D	D	P	P	P
Slovakia*	P	-	-	D	D	D
Lithuania*	-	D	D	-	-	P
Austria	P	-	P	-	D	-
Ukraine**	P	-	D	-	-	-

Legend: “-“ - lack of projects or lack of data; D - ongoing discussion; P- projects in procurement; P/C- a number of procured projects, some closed; C- substantial number of closed projects; C/O- substantial number of closed projects with majority in operation; * - European Union New Member State, ** - non European Union Member
Source: Own elaboration based on PricewaterhouseCoopers 2005, 2008.

The UK market has reached maturity and continues to grow in all sectors. There are a substantial number of closed projects, majority of them in operation. In reference to selected New Member States, the interesting fact to observe is that among upcoming projects, along to data gathered and published by PricewaterhouseCoopers in 2008, there are regeneration urban railways projects only in Poland. In Poland there is also a desire from the public sector to outsource some of the projects perceived as less strategic, as sports stadia, urban housing and light rail. The upcoming European Football Championships are giving the particular impulsion to investments procured by public and private sector jointly, at least in Poland. There has been the need for sustained infrastructure investment also outside Europe. The most active PPP market has been Australia (table 4).

Table 4: Summary of PPP activity and project status by country and by sector outside Europe

	Roads	Urban railways	Heavy Railways	Housing	Accommodation	Sports and leisure
Australia	C/O	P	C	P	P	P/C
Canada	P/C	P	-	-	P	P
Japan	D	D	D	P	C	P/C
United States	P	P	D	D	-	D

Legend: the same as for table 3.

Source: Own elaboration based on PricewaterhouseCoopers 2005, 2008.

Some of the selected countries have been implemented PPP projects without particular PPP legislation, as United Kingdom, Germany, Slovakia, Austria and Australia exclusively, however a well prepared legislation is a sign of political commitment to the process, give a sound base for project implementation and comfort investors in terms of the legality of the process. If it is about the European countries, the legislation has been proposed in Italy, Lithuania, Estonia, Hungary. The comprehensive legislation has already been drafted or there is some sector specific legislation in place in France, Czech Republic, Latvia. Finally, the comprehensive legislation has been in Poland (PricewaterhouseCoopers 2005, 2008; Global... 2007). Finally, it may be worth to add, that as up to date experience has proved the applicability of public private partnership in infrastructure delivery and service connected with infrastructure, the recent European Union initiative named ARTEMIS implements the concept of public-private partnership for research and development (Artemis 2012).

4. FOCUS ON RAILWAY STATION AREA PROJECTS

Effects of investing in infrastructure include the direct and indirect effects and is often a politician decisions, which do not always match up with city plans and strategies of development and citizen benefits. Moreover, as infrastructure purpose is to deliver public goods, its characteristics make the process of investing in infrastructure complex and risky, finding the proper investor might not be easy. Well prepared plans and strategies, making sure that the investments are in agreement with idea of sustainable development might not be also efficient to attract private partner to infrastructure development. The process of private investor encouragement should include the research of proper incentives and preferred types of cooperation. The research should also incorporate gathering information about investors, their activity and economic condition. Finally, the financial profitability of the project should be proven to attract these investors for the projects. These are investment railway stations projects in particular, which can be profitable real estate, realized and co-financed by public and private as proven by experience of some countries (table 5).

Table 5. Railway station financing in chosen European countries

	Central budget	Local budget	Private funds	European Union funds
Austria	yes	-	yes	-
Czech Republic*	-	yes	yes	-
France	yes	yes	yes	-
Germany	yes	yes	yes	-
Poland*	yes	yes	yes	yes
Slovakia*	yes	-	yes	yes
Hungary*	yes	-	yes	-

Legend: “-“ lack of projects or lack of data; * - European Union New Member State.
Source: Based on Raport... 2011.

The profitability of railway projects is achieved through localizing there the most important and the biggest institutions, service suppliers, huge-scale commercial objects, such as shopping centres, hotel, leisure and entertainment facilities. European and worldwide experience prove, that railway stations can play the role of the „city heart” with success. The great example of these are Golden Terraces (Złote Tarasy) in Warsaw (completed in 2007), Southern Cross Station in Melbourne (completed by the end of 2005) and Umeda railway station in Osaka (competition of single projects 2008-2011). Such real estate often transform into a kind of hybrid huge scale objects and become a place to have fun, make shopping and business deals. What is more, the investment in Sopot and Melbourne are regeneration projects. The unquestioned condition of the success of such a project is huge number of potential users and huge capacity of the railway station. Hopefully the Sopot railway station will also meet this demand, as Southern Cross Station in Melbourne did.

5. PUBLIC PRIVATE COOPERATION IN AUSTRALIA

5.1 Legal and financial determinants of cooperation

PPPs in Australia have been used to deliver economic infrastructure such as toll-roads,

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7/15

Anna Wojewnik-Filipkowska

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with the private sector taking full market risk, and social infrastructure such as hospitals, prisons and schools (PricewaterhouseCoopers 2005). There is no specific legal or statutory framework in relation to PPP procurement - most States have legislation which is intended to facilitate delivery of complex projects by centralizing and streamlining planning approval and land use processes, eg. The Project Development and Construction Management Act, 1994 (Victoria). Specific legislation has been passed for certain major projects, eg. Mitcham-Frankston Project Act 2004 (Victoria) for EastLink toll road. Simultaneously, each of the major jurisdictions have used relevant government policies and guidelines on PPP procurement, therefore precise policy details may differ between jurisdictions, but the procurement process is essentially the same across the country (State... 2001).

The creation of a Special Project Vehicle (SPV), with no pre-existing assets or liabilities is typical for Australian PPP. The SPV signs all project agreements, starting from project agreement with Government (State), which provides service payments in exchange for the project financing, development and operation. Then, SPV deals with a constructor for the design and construction, and a facility manager for the operation. Simultaneously, the State enters into direct agreements with these contractors to ensure it has step-in rights in case a default occurs, that State is capable to mitigate. SPVs are financed partly by sponsor equity, although the majority of social infrastructure finance (up to 90%) is financed by debt in the form of loans or bonds. The projects usually last between 20 to 30 years. At the end of the contract, the assets are generally transferred to State ownership (Global... 2007).

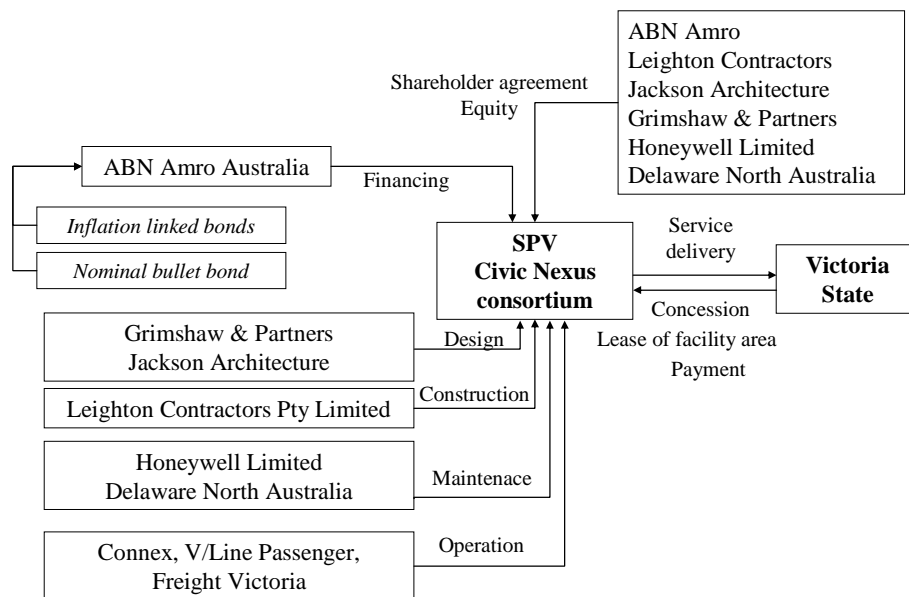
5.2 The Southern Cross Station in Melbourne - case study

Victoria, one of Australian States and Territories, is located in the south-east of the country. Geographically the smallest mainland State, Victoria is Australia's most densely populated State, and has a highly centralized population. Almost 75% of Victorians lives in Melbourne (with total population of over 4 milion), the State capital and largest city (Australian...2011). The Southern Cross Station (former Spencer Street Station) is Melbourne and Victoria gateway for regional and inter State rail and coach travelers. Special events at Colonial Stadium, Docklands, Melbourne Showgrounds, and Flemington Racecourse are also serviced by the station. Therefore, the station redevelopment project was assumed as opportunity for renewal and growth in the economic and social life of Victoria. The major elements of the project were rail modifications, signaling upgrade, commercial development (shopping plaza, a supermarket, offices, apartments and a hotel). In addition, the concessionaire had to ensure that it had fully investigated all heritage issues at the site prior to commencement of any demolition or construction, as relocation, modification or repositioning of any building or objects may be subject to approval by Heritage Victoria (State... 2002). The project was implemented under the State Government's Partnerships Victoria policy. The State required the concessionaire to design, construct, finance, maintain and operate a facility. The area required for the facility have been leased to the concessionaire. Services payments have been made by the State to the concessionaire in return for the delivery of the services. The facility will revert to the State for a nominal residual value at the end of the contract term (State... 2012).

The budget achieved approximately 430 million Euro. It has been calculated as NPV (Net Present Value) for June 2002 and equals the net cost to government (State... 2012). The Civic

Nexus consortium was selected in 2002. Project organizational scheme is presented below (figure 2).

Figure 2: The Southern Cross Station project organizational scheme



Source: Own research based on: State... 2012, PricewaterhouseCoopers 2005 .

The PPP had a number of innovative features. The project have been delivered in single package of railway accommodation, systems upgrade and commercial development. Moreover, full train services could continue to operate throughout the redevelopment and the SPV was responsible for negotiating contracts with the rail operators on behalf of the public sector. Furthermore, a number of risks which had been transferred to the private sector have materialized, such as raw material costs. Although the Victorian Government chose to step in to help, as the public sector had passed the risks to the private sector, the public sector has not had to meet extra payments and have continued their facilitating role. The project was practically completed in 2006 with approximately 6 months delay. The other commercial and retail developments would have been continued over time (State... 2012, PricewaterhouseCoopers 2005).

6. LEGAL & FINANCIAL PUBLIC PRIVATE COOPERATION DETERMINANTS IN POLAND

6.1 Legal and financial determinants of cooperation

In Polish circumstances, the public private cooperation may merely be based on Municipal Management Act, which allows cooperation along with basic regulations: Real Property management Act, Public Procurement Act, Concession Law and Commercial Companies Code. Also, as have been mentioned above, there is a comprehensive legislation for public-private partnership in Poland. Hence, the relatively new legal framework include Public-

Private Partnership Law (The Public-Private Partnership Act, 2008), which is a framework law, containing guidelines on partnership establishment and performance; and Concession Law (The Act on Concessions for Construction Works or Services, 2009), which is a procedure-defining legislation. These new two regulations shows a number of advantages for cooperation of public and private entities. The most important is the broader possibility of involving a private partner, the transfer of part of the risk to the private partner, flexibility in private partner selection, explicitly stated possibility of public assets ownership rights and taxation preferences (Investment Support 2009; The Public-Private Partnership Act ... 2008; The Act on Concessions ... 2009; Korczyński at al. 2010). Concluding, the PPP Act and Concession Law together with other Acts of Parliament, make a coherent whole and enable the cooperation in realization of tasks connected with public real property. Regeneration projects can therefore be co-financed by private investors, public budgets and the resources of EU structural funds allocated for regeneration, which lowers the cost of raising external funding. In this way, implementation of regeneration projects does not solely depend on municipal financial resources. Thanks to the possibility of financial cooperation with the private sector created by public and private sector SPVs can autonomously use the external sources of commercial and/or public finance. This is exemplified by the project of railway area regeneration in Sopot (Poland).

6.2 The regeneration of railway area in Sopot - case study

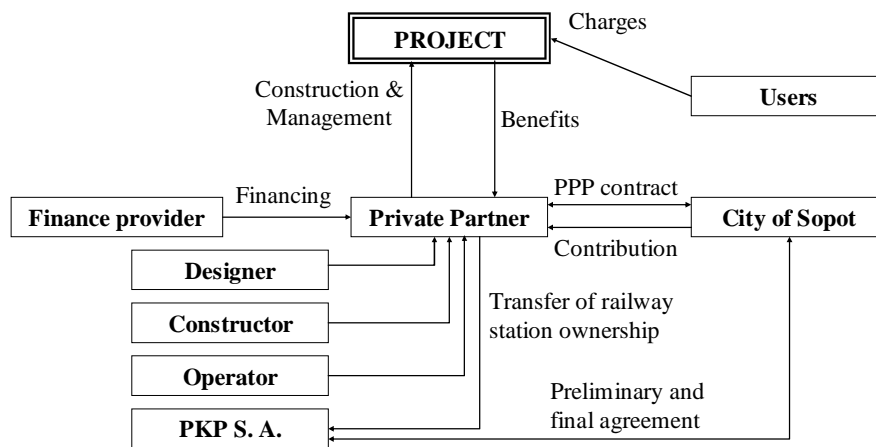
Sopot is a beautifully situated town: surrounded by a strip of afforested hills inland and by the Hel Peninsula across the Gulf of Gdańsk. Sopot is called the summer capital of Poland and is a seaside resort with a spa status. Together with Gdansk and Gdynia it creates an agglomeration with a population of over one million. The natural scenery as well as attractive sport and leisure facilities and numerous cultural and other events, coupled with Sopot's good accessibility, cause it to be visited by over two million tourists and holiday-makers a year (Sopot 2012). The town of Sopot has ample experience of cooperating with the private sector. Privatization of a production company, numerous projects with private capital participation are examples of successful cooperation which also include utility management and a regeneration programme that has identified railway neighbourhood as an area to be regenerated (Ogłoszenie... 2010; Lokalny... 2005). Hence, the town of Sopot, together with the Polish Rail (PKP S.A.) are planning regeneration of the passenger terminal with the nearby area.

In view of the public and commercial functions of the project and its capital intensity, the form of public-private partnership is planned. The public partner and project initiator is the Municipality of Sopot. The duration of the PPP contract will cover the construction period and three years (warranty period) of operation (the warranty period will not cover the transport network). The length of the contract will be subject to negotiations during the selection procedures. All the construction and operation costs of the project facilities will be borne by the private partner. Under the PPP contract, the private partner will undertake to complete a project that comprises (Ogłoszenie... 2010):

- building twin-storey underground car parks with access roads and a street-level car park;
- modernizing the existing road network, including the construction of two roundabouts;

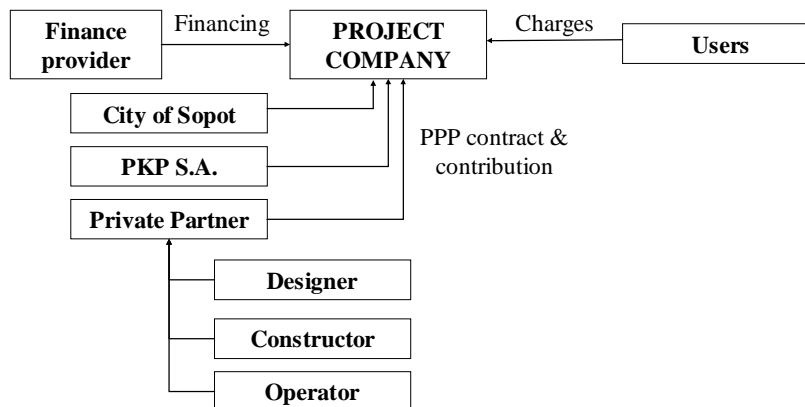
– redeveloping the green areas and landscaping the roof surface of the underground car parks;
 – building a two- or three-star hotel and another six facilities (retail and services).
 The Municipality will sell the land of the project site to the private partner, in return for agreed cash payment and construction of specified in the contract work. Finally, the private investor will transfer the ownership to the rail passenger terminal to the Sopot Municipality.
 The project is worth approximately 60 million Euro. The project is expected to be financed by equity, debt and European Union Funds. Debt will be repaid form the project operating cash flows after project completion. The source of operating cash flow will be hotel earnings, office space rental and the sale of commercial space.
 Project organizational scheme is presented below. The alternative structures are PPP with and without SPV (Special Purpose Vehicle) (figure 3, figure 4).

Figure 3: Public-Private Partnership organization without SPV



Source: Own research.

Figure 4: Public Private Partnership organization with SPV



Source: Own research.

7. SUMMARY AND CONCLUSIONS

Worldwide, public private partnership projects are growing in size as governments cannot afford to finance all necessary investment. The government in such conditions restricts itself to supervisory role and concentrates on creating new opportunities and profitable conditions for private investors. Although partnership is not a cure for investment gap, it might be a chance. Partnership cannot guarantee the success of a project, but it is an alternative method of investment project organization and finance with prospects. What is more, partnership (cooperation) is necessary for the success and sustainability of regeneration projects. Hence, also in the case of railway station regeneration projects, the financing of investment projects and operations of railway stations should be diversified, considering of course, their passenger traffic functions. In the current economic situation of both the state and railway companies, identification of a single source of funding is not possible. All investment expenditure and operating costs of railway stations are unlikely to be fully financed by the state budget, carriers' fees or the resources of the managing entity. Various sources of funding should be taken into account, including the resources of the railway company, the budget (ultimately from the contract for the maintenance of rail infrastructure), proceeds generated by commercial operations within the passenger terminals, carriers' fees, local government subsidies and public-private partnership, indeed. This have been exemplified in this study by two case studies.

The analyzed projects are two unique examples, as they both simultaneously are: regeneration investment projects, realized in public private cooperation (BOOT models), on the site of railway stations and their neighbourhood, with expansion of the site use from only transportation function to transportation and commerce .

In case of Sopot, this is a special case of public private cooperation. The relations between the local authority and the private investor are largely based on procedures resulting from the Polish system of legislation. Basing on existing possibilities, which are set by PPP law, the public partner transfers land ownership to the private partner, who is going to build the planned facilities and operate them. The main motive of PPP application is limited financial possibilities of the local government and risk division. The project is an element of municipal policy document (local regeneration plan). Thanks to the realization of commercial and non-commercial goals, Sopot will gain new investment, which will attract tourists to the town.

In case of Melbourne, this is also a particular case of public private cooperation. Despite the fact, that there is no PPP law, there are guidelines, which focus on whole-of-life costing and full consideration of project risks and optimal risk allocation between the public and private sectors as in Polish PPP law. It is a clear approach to value for money assessment and maintaining the public interest. Due to lack of PPP law which may create boundaries, in their PPP cases, Australian government maintain a more flexible approach in relation to the structure, duration and ownership plan of the project with respect to can the type of project and needs of its stakeholders.

In both cases the scope of the projects should be noted. The completed (in case of Melbourne) and planned (in case of Sopot) regeneration project cover a number of different tasks varying in terms of the risk involved in financing them. The Sopot municipality has already gained similar experiences through an earlier regeneration project "Redevelopment of the Centre of Sopot" (Wojewnik-Filipkowska 2008, 2011). That was also public-private partnership. Due to the diversity of investment task (different real estate to construct and operate), the original

SPV established in 2001 split into four SPVs – each for single real estate. Based on this experience, such scenario seems likely also in the case of railway area regeneration. Each individual task within the project carries a different risk and it may be difficult to find an investor and a lender ready to accept the entirety of such risk. At the same time, it is still not sure whether this PPP will be realized with SPV or without SPV. Simultaneously, the Melbourne project involved also multiple different real estate and have been completed within single SPV, while, moreover, some of the risks assumed have materialized. One may ask whether that have been the advantage of lack of the PPP comprehensive legislation.

In terms of financial determinants of public private cooperation, PPPs in both countries are generally highly geared. Private finance, both through debt (loans and bond issues) and through equity, has been a key feature of the Australian case study, while in Poland the senior financing components will comprise of equity, debt and European Union funds, which of course are unavailable in Australia.

Finally, well prepared PPP law, experienced and well resourced public sector officials responsible for investment projects development and implementation, ready to support the government and the private investors, are supportive to better structured deals and may contribute to a more reliable, transparent and efficient process; however, as Melbourne case proved, PPP law is not a condition for public private cooperation. The different countries, different legal and financial determinants lead similarly to public private cooperation, however the detailed solutions have been different. At the same time, in both cases the regeneration have been perceived as a chance to respond to the strategic status of the transport and to be a catalyst to encourage city sustainable development that comprise economic, social and environmental concerns.

Public-private partnership meets the needs of certain cases, but is not an ultimate or universal solution. Cooperation between the public and the private sectors in effecting an investment project requires innovative solutions (Jadach-Sepioło 2009) – a form of cooperation of all the local stakeholders of a regeneration project can be the cluster (Porter 2008). The cluster consists in the creation of a network of various connections between entities and is to facilitate exchange of information and ideas, while avoiding mistakes through mutual control. Although the cluster concept has been developed for enterprises in creative industries, it may, by analogy, be used in the management of a town or city. The clusters approach of innovative policies and practices has already been implemented in urban project (Dynamic of Urban Change, 2011). After all, in view of its urban planning, economic and social arrangements, a regeneration project can be treated as an innovative undertaking.

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