

## Funding the Cooperative City. From knowledge network to local action.

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### Abstract

Negli ultimi anni gli spazi culturali, sociali, comunitari ed educativi sono diventati laboratori per nuove forme di vita, lavoro, apprendimento e scambio collettivo. Tuttavia, questi spazi affrontano molte difficoltà nel costruire strutture economiche stabili, o mancano di ammortizzatori finanziari che garantiscano loro un'operatività sul lungo termine oltre a una relativa autonomia. Questo libro riunisce una varietà di attori, pratiche, modelli e meccanismi che affrontano queste difficoltà: il nostro proposito è quello di usare queste esperienze per aiutare e ispirare iniziative civiche nell'accedere al patrimonio comunitario, costruendo modelli finanziari stabili, rafforzando le economie locali mantenendo i profitti all'interno dei territori stessi ed assicurando gli spazi dall'oppressione e dall'economia estrattiva.

In recent years, cultural, social, community and educational spaces have become laboratories of new forms of living, working, learning and collective exchange. However, these civic spaces face many difficulties in establishing stable economic structures, or lack financial buffers to secure their long-term operations and relative autonomy. This book brings together a variety of actors, practices, models, mechanisms and opinions that address these difficulties: our intention is to use these experiences to help and inspire civic space initiatives in accessing community capital, building stable financial models, strengthening local economies by keeping profits in neighbourhoods and ensuring spaces against public oppression or the extraction economy.

**Parole Chiave:** Economia collaborativa, Proprietà condivisa, Occupazione locale, Trasferimento di conoscenza, Cooperazione di molteplici stakeholder

**Keywords:** Collaborative economy, Shared ownership, Local employment, Knowledge transfer, Multi-stakeholder cooperation

### 1. Introduction

For centuries, urban planning and development, had been an exclusively top-down process: the hegemony of modern state planning in organising environments according to pre-established principles, and the non-recognition of non-governmental contribution to shaping space has often provoked conflicts between public, private and civic actors. The increasing role of capital in the production of space gradually turned urban development into a lucrative enterprise, often with the close cooperation of a central power and private developers and financiers, such as in the case of Haussmann's reconstruction

of Paris in the second half of the 19th century: the production of space and urbanisation have become « one of the key ways in which the capital surplus is absorbed» (Harvey, 2010). With the crises of the 1970s including deindustrialisation and the growth of unemployment, and as a consequence of national policies forcing decentralisation and reduction of the welfare state, municipal administrations, traditionally the main clients and managers of major urban works, have gradually lost their leading role in planning and developing cities. This transformation, often described as neo-liberalisation, brought along a shift from «distributive policies, welfare considerations, and direct service provision towards more market-oriented and market-dependent approaches» (Waterhout, Othengrafen and Sykes, 2013:143).

In the context of increasing pressure on public administrations to become entrepreneurial, financial capital has had a growing role in shaping cities across the world. Easier access to mortgages provided by the relatively unrestrained financial markets prompted a boom in constructions in and around European cities, resulting in vast areas of new housing and office units, conceived more as investment opportunities than as places to live or to work. In the financialised city, buildings are «no longer something to use, but to own (with the hope of increased asset-value, rather than use-value, over time) » (de Graaf, 2015). When the exchange-value of buildings gains prominence over their use-value, they lose all relationship with actual needs and become acting «similarly to how financial products are being created and sold that have lost any connection with real production or a real economy» (Vanstiphout, 2012:94). Becoming targets of speculation, many former sites of welfare and cultural services (hospitals, schools, parks, theatres, cinemas) have become endangered species, calculated as potential buildable square meters instead of potential contributions to life quality. As a result, entire neighbourhoods in cities like London have become completely inaccessible for lower and middle classes, not only due to the rising rents but also because of the disappearing public amenities.

In this process, many urban functions have lost their status as a «social good, part of the commonalities a society agrees to share or to provide to those with fewer resources: a means to distribute wealth» (Rolnik, 2013:1059). Fed by pension funds, private equity and hedge funds, large sections of the real estate stock

(including housing) have become “fictitious commodities,” in a movement that has «transformed a ‘sleeping beauty’ — an asset owned by traditional means — into a ‘fantastic ballet,’ with assets changing hands through constant and rapid transactions». Under pressure from financial actors, many public bodies also began venturing out in affairs often unrelated to their responsibilities and capacities. Municipal departments and public companies began to perform as if they were financial actors themselves: Dutch housing associations began investing their capital at the stock exchange, while Berlin’s Bankgesellschaft got involved in speculative real estate investments. On the other hand, the complete domination of the public sector over economic life in Hungary led to real estate privatisation processes serving a small circle of oligarchs situated close to the government and local administrations.

## **2. Economic crises and the down-scaling of urban governance**

The social costs of the financialisation of cities, most tangible in the lack of affordable housing and the cutback of social services, became even more amplified with the 2008 economic crisis and the public bailout of banks. While the millennium’s real estate crisis made its appearance at diverse segments of the cities across the world, touching housing, office buildings, retail spaces, community venues and public buildings, the austerity measures introduced after the eruption of the crisis by national governments and European institutions sought to reduce budget deficits by spending cuts, minimising labour costs, privatisation, downsizing local administrations and the reconfiguration of public services. Facing declining revenues and not allowed to run deficits, therefore struggling with significantly reduced operative budgets, many municipalities were forced to make budget cuts disproportionately impacting «the poor, the young, racialised communities and the elderly leading to the intensification of social-spatial segregation at the neighbourhood, city and inter-city levels» (Donald, Glasmeier, Gray and Lobao, 2014:4). The crisis also brought many speculative urban development projects to insolvency, turning buildings and entire complexes obsolete before they were even finished, leading to mass abandonment and vacancy.

In the context of the crisis, many local and cultural communities witnessed their spatial and economic resources diminishing with

the drainage of funding and the withdrawal of institutional support. Communities in disadvantaged and deprived neighbourhoods across Europe were particularly affected by austerity measures and the suspension or abandonment of key local services such as social care, childcare, education, health and the maintenance of communal spaces and infrastructures<sup>1</sup>; as a response, many of these communities set themselves to create spaces and services on their own. Giving up on expecting help or cooperation from municipalities in some cases, or establishing new frameworks for cooperation with local administrations in others, these initiatives became proactive forces in shaping European cities by creating new community spaces and launching new social services through the establishment of a parallel civic infrastructure, addressing local needs with local solutions. While in many cities in Southern and Eastern Europe that struggled to maintain even some of their most basic infrastructures as the crisis hit national and local economies, community actors set themselves to fill the vacuum left by municipalities and states, many cities in Northwest Europe managed to weather the recession relatively well and “share” their services with communities in more coordinated, contractual forms of “governance-beyond-the-state.” (Swyngedouw, 2005:1991–2006).

These new forms of governance contributed to the formal or informal extension of the field of actors in urban development and to the outsourcing of «former public tasks and services to volunteer organisations, community associations, non-profit corporations, foundations, and private firms» (Purcell, 2009:145). This process supplied «individuals and collectives with the possibility of actively participating in the solution of specific matters and problems» through the «down-scaling of governance to ‘local’ practices and arrangements» (Swyngedouw, *Ivi*:1998) and the consequent responsabilisation of these individuals and collectives who set themselves to organise their own services and venues, often in formerly vacant buildings, underused areas and neglected neighbourhoods. The engagement of non-institutional and non-profit actors in renovating, operating and managing civic spaces brought participation to a new level:

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1 For instance, the city of Rome lost about € 860 million of State subsidies between 2010 and 2013. This cut corresponded to a 10% decrease of cultural budgets, a € 222 million cut of the healthcare budget, and consequentially, a 46% price increase of public kindergartens (Comune di Roma, 2015).

instead of expressing consent or dissent related to a planned development project, or even contributing to the program or design of a new urban area, many communities took the initiative into their own hands and became developers – urban pioneers, spatial entrepreneurs or city makers – themselves.

### **3. The financial consolidation of civic spaces**

One of the key dimensions of down-scaled governance is the community-led development and management of urban spaces. While in many countries, the economic recession culminated in a devastating foreclosure crisis<sup>2</sup>, the corresponding escalation of non-residential property vacancy created possibilities in many European cities for alternative models of user-generated, community-led urban development processes, often through the adaptive reuse of empty buildings, spaces or land. In cities where a strong alliance of various actors created the right conditions and assurances, long-lasting structures and opportunities were created. In others, user-generated regeneration projects were instrumentalised and incorporated in institutional or for-profit development processes. Yet in others, in the absence of credible public actors, the non-profit private and civic sectors became guardians of public values, functions and services.

As space is a crucial component of community organising, social cohesion and cultural exchange, civic spaces accommodating gatherings and events of socialisation, activities of education, sport or work are key ingredients, “foundational institutions” of the public city (Rossi, 2013:1067–74). The buildings reclaimed for community functions vary in their profiles from “free spaces” through “houses of culture” to “co-working spaces,” and differ from each other in their organisational and management principles, accessibility, financial sustainability and political dimension. Certainly, it is not evident how to define “civic spaces” and to combine empty office buildings turned into incubators, theatres, school buildings, cinemas, gyms, social kitchen in a single framework, and to identify spaces that are situated between public and private, between spaces of living and spaces of work, without losing the critical perspective on the emergence and establishment of these spaces. What links them is that they all address the lack of existing facilities for

<sup>2</sup> The foreclosure crisis provoked significant political movements like PAH in Barcelona that gave the city’s mayor in 2015

social activities, welfare services, independent work and cultural exchange; participate in the discourse about reusing urban space for community purposes; acquire skills related to the renovation, management and governance of spaces; generate processes of cooperation and conflict with public and private property owners; and share their practices, models and tools through the multifaceted movement of “space pioneers,” “spatial entrepreneurs,” “city makers” or “commoners.”

The self-organisation of new spaces of work, culture and social welfare was made possible by various socio-economic circumstances: unemployment, solidarity networks, changing real estate prices, and ownership patterns created opportunities for stepping out of the regular dynamics of real estate development – as many cases in this book demonstrate. However, despite the growing institutional and public recognition of citizen-led urbanism and the values created by civic spaces in terms of social cohesion, welfare services and local employment, many community initiatives struggle to establish financial, economic and organisational models that would enable them to operate on a stable, sustainable, long-term basis. The many attempts across Europe to establish civic spaces through the occupation or the temporary use of vacant properties, for instance, face the challenges of eviction, instrumentalisation by institutional development processes, or exhausted resources and human capacities. This book aims at offering a variety of paths and models for those in search for solutions to these challenges.

Seeking to consolidate their presence in the regenerated spaces, many initiatives are increasingly looking into the power of the local community, the dispersed crowd and new financial actors to invest in their activities. In some cases, shared and cooperative ownership structures exclude the possibility of real estate speculation, in others, new welfare services are integrated in local economic tissues, relying on unused resources and capacities. The new cooperative development processes also witnessed the emergence of new types of investors, operating along principles of ethics or sustainability, or working on moving properties off the market.

While, in some cases, the public sector plays an important role in strengthening civil society in some European cities, by orchestrating emerging public-civic cooperation and providing start-up or match funding to community initiatives, many other

cities witnessed the emergence of new welfare services provided by the civic economy, often without any help by the public sector. In some occasions, community contribution appears in the form of philanthropist donation to support the construction, renovation or acquisition of playgrounds, parks, stores, pubs or community spaces. In others, community members act as creditors or investors in an initiative that needs capital, in exchange for interest, shares or the community ownership of local assets, for instance, shops in economically challenged neighbourhoods.

#### **4. Models to share, the dilemmas of Big Society and questions of accountability**

The civic spaces emerging across Europe that use experimental resources, structures and mechanisms to finance and sustain their operations, vary greatly in their positions to embrace or reject market dynamics, various forms of ownership or cooperation with political actors. However, there are many attempts to connect these dispersed sites to larger tissues of urban self-organisation: a great variety of events, discourses, cooperations, joint actions, policies and solidarity funds shape the emerging networks that increasingly challenge the status quo of urban governance and real estate development. Funding the Cooperative City is one of them.

Within these networks, some experiences proved to be particularly inspiring. First implemented in 2009 by ExRotaprint, an organisation successfully purchasing the compounds its members rented before, the model of ownership shared with anti-speculation organisations offered responses to dilemmas of gentrification, speculation and precariousness and has since been replicated by many other organisations, becoming an inspiration for initiatives aiming at changing the general policies of privatisation. The strategy to turn privatisation into an advantage for a civic space has proven a feasible path for many initiatives in Berlin as they were facing similar threats from the side of the municipality's real estate policy and large institutional investors and developers.

By the time the ExRotaprint model became internationally known and began inspiring citizen initiatives across Europe, the possibilities opened in the real estate market through the crisis began to close. With the end of the crisis, at least concerning the availability of financial capital, real estate markets began to

return to their pre-crisis dynamics. While this recovery signalled the end of a missed opportunity in some cities to exploit weaker demand and lower prices to build a more accessible property system, the return of investment capital brought about a housing crisis in Berlin and a return to the classic, investor-driven development mechanisms in many other cities. With less need for city makers who invested their energies during the crisis when vacant buildings were mushrooming, the much hailed extended governance of the crisis-time that included citizen initiatives as legitimate players in planning and development processes was partially dropped.

Although the real estate market's return to "normal" endangered many civic initiatives, many of them were equipped with tools and skills that enabled them to take the next step towards stability. The end of the crisis in Dutch cities and the Berlin real estate boom brought up the question of autonomy and ownership even stronger: how can initiatives without much capital move beyond the vulnerability of short-term tenancies and changing prices? In contrast with the ethos of urban living in Berlin or Dutch cities in the last decades of the 20th century, where renting enjoyed higher popularity, many initiatives found the answer in ownership or very long-term leasehold, but excluding private profit.

Although following the example of ExRotaprint, many civic initiatives across Europe began to contemplate cooperation with anti-speculation foundations and ethical finance organisations in order to buy their buildings, the model cannot simply be implemented anywhere: its adaptability depends on the ideal combination of low real estate prices, relatively transparent public real estate management, stable and suitable legal environment and high purchasing power. In addition, scaling up the work of ethical and community finance organisations, by extending solidarity fund networks to an international level might compromise the very principles of these organisations: personal connection with and overview of supported initiatives. Furthermore, the intervention of these foundations in privatisation processes at the invitation of various public administrations in Germany raises additional dilemmas: what are the accountability criteria for private organisations that act in defence of public values, services and non-marketable spaces but operate outside of democratic processes and public rules of transparency? What gives them legitimacy as safeguards of

civic spaces against private and public pressure? What makes their properties civic spaces and how can they, in cooperation with other actors, ensure the long-term sustainability of public values and spaces?

These questions inevitably generated important discussions about the role of various sectors in the “public city,” that is, a disposition that offers similar opportunities to all social groups: can civic actors or communities better manage spaces and services that traditionally belonged to the public domain? Or is the involvement of civic actors in providing public services just another way of privatising services and dismantling the public domain and its welfare services according to the “Big Society”<sup>3</sup> model of the UK Tory government? Are civic spaces a competition for public spaces or an extension to them?

## 5. Conclusions

For principles of accountability, the extension of the public realm towards speculation-free spaces provided by private-civic cooperation should be joined by, but not overwhelmed by public administrations and public funds. If regulations of public-civic cooperation in the context of traditionally strong public administrations have been limited to right of use and have not yet created applicable shared ownership models, shared administration, as a way to share public responsibilities and resources with community organisations, citizen groups and public-minded private developers may prove to be an important model in creating community co-ownership over local assets and keeping profits to benefit local residents and services to ensure more resilient neighbourhoods and more autonomous civic spaces.

There are also converging aspirations at the European level. In the 2014-2020 period of European funding, new financial instruments and policies have been put in place to improve how EU funds may respond to societal needs on the ground. Because most of the population in Europe currently lives in cities, part of this attempt has been the increasing connection of the European Commission with urban areas, as the EU Urban Agenda seeks

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<sup>3</sup> “Big Society” was a slogan by former UK prime minister David Cameron with which he suggested that civil organisations take many social responsibilities off the shoulders of the state.

to do. The 2014-2020 ERDF Regulations<sup>4</sup> identify the so-called articles 7 and 8, foreseeing forms of direct funding to cities, which should be co-managed with local stakeholders. With article 7, the EC has foreseen direct European funding coming to cities and no longer being managed by Regional intermediary authorities. For the shared administration of urban spaces and services, particularly relevant is Community-Led Local Development, an instrument foreseeing the co-management of European funding amongst a wide range of stakeholders, from public to private and civic, as it is currently being tested in the city of Lisbon. Another opportunity is provided by cities applying for grants to co-create activities amongst many stakeholders under the Urban Innovative Actions program: an example for this is the way the Turin Municipality works together with Cascina Roccafranca and the rest of the Rete delle Case di Quartiere. Although there is still a strong limitation in the adoption of such programs in many cities across Europe, their existence and the increasing awareness of stakeholders could provide an opportunity for their further spreading and effectiveness towards societal needs.

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<sup>4</sup> European Regional Development Fund Regulations available online: [http://ec.europa.eu/regional\\_policy/en/information/legislation/regulations/](http://ec.europa.eu/regional_policy/en/information/legislation/regulations/)

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