

SF 51: Alternative criteria and procurement procedures for real estate property

Fr	B	C	NY	S	T	Total
6	7	2	1	0	0	16

Example:

In Berlin, a new concept for the awarding of municipal real estate was introduced by a Senate resolution at the end of 2012. When selling public plots of land, the sales price should no longer be the only thing that plays a role, but the social, environmental and urban planning concept should, too. (The only exceptions are plots of land owned by state-owned companies.) The point is not to give the property to the highest bidder, but to determine the best overall design in a competition. The plots of land are offered at their fixed minimum selling price and, besides submitting a purchase offer, applicants have to provide a detailed use and design concept. At present, the first competition to convert the Old Police Station in Lichtenberg is taking place (Liegenschaftsfonds Berlin 2013 # 19)).

1. Differentiated description of the key field

These days, municipal real estate is being sold in large part through bidding processes. Instead of selling them to the highest bidder, the real estate will, in the future, be sold to those bidders that have the best concept, which means that, alongside the monetary aspect, further criteria play an equal role. This tendering procedure should be applied to at least a certain percentage of real estate sales.

Alternative award procedures will be introduced to do more justice to the individual requirements of each location and to promote social and ecological urban development. It also gives smaller companies or citizens' groups and interest groups the opportunity to acquire pieces of real estate and also reminds large investors of their duty to develop sustainable concepts. Moreover, this type of land allocation is characterized by transparency, making things easier for the general public to understand.

In the course of the procurement process, a competition commonly takes place first, during which a use and design concept for the property must be submitted. A matrix can be used to make the different criteria more comparable and thus facilitate their evaluation. The best overall concept wins.

Furthermore, it is important to define the correct criteria to ensure a sustainable approach. One key success factor for the positive impact of this award procedure is the definition of the criteria used to evaluate the sustainability of the projects submitted. For this purpose, a uniform catalogue of criteria could apply, which applicants could use for guidance and to increase their chances when complying

with it. The following points could be taken into consideration, for example: energy (smart grid, integration of renewables), design (in the urban context), building materials (recycling, durability), transport infrastructure (public transport bus stops, route concept) structure of residents (social mix, multi-generational living) (Freiburg im Breisgau # 20)).

The following objectives can be pursued within the framework of this concept:

- Social urban development: the sale of inner-city areas can be linked to restrictions regarding permissible tenants, thus promoting a stable social mixture, e.g. through multi-generational living.
- Promotion of the local economy by favouring regional small and medium-sized businesses
- Promotion of sustainability by favouring applicants that act in a socially and environmentally responsible way
- Stable price developments thanks to contractually specified maximum rents.

2. Reference to sustainability:

The alternative way of awarding of property is aimed at social and ecological urban development. It reduces the monetary aspect to just one partial aspect of an overall concept, thereby increasing the social component. Moreover, one can expect the design of the land or building to be tailored to its location and differentiated.

Risk if ignored:

If ignored, the rental rates for the properties sold might shoot up, because the high sales price might cause correspondingly high rents to be charged. This will probably result in the squeezing out of vulnerable neighbourhood residents and, instead of social diversity, urban districts will become increasingly homogeneous. The city administration should, in advance, ensure a price guarantee on the basis of certain criteria.

3. Relevance to industrial sectors?

Mobility:	Medium
Energy:	Medium
Production & logistics:	Low
Security:	Low
ICT:	Low
Water infrastructure:	Low
Buildings:	High
Governance:	High

Brief description of the high level of importance:

For city administrations and political decision-makers, the alternative procurement procedures offer more ways by which they can influence the sustainable development of a piece of real estate or a building even after its sale.

Thanks to a higher proportion of alternative procurement procedures, companies and project developers can expect to focus on sustainable building and neighbourhood development with an increasing number of invitations to bid for projects in both the private and public sectors, since appropriate requirements as regards sustainability have already been specified via the procurement procedures.

4. Impact:

Positive:

- Targeted fostering of the local economy
- Differentiated building design
- Mixed neighbourhoods
- Deliberate exertion of influence by the city administration on the social, economic and environmental development of the land it has sold

Negative:

- It may be more difficult to find any prospective buyers for less attractive plots of land
- Shrinking cities with a less attractive real estate market have less room for negotiation

5. Implementation measures:

- 1.) Identification of useful criteria for the award of the respective locations
- 2.) The drawing up a list of criteria and weighting of the criteria
- 3.) Introduction of alternative procedures for the awarding of real estate
 - Check appropriate procedures
 - Create a legal framework

6. Actors: Who can shape things? With whom?

The city administration will decide which method it will use to sell its own real estate. It can consult the political sphere and research facilities to help it make its decision. In addition, citizens can be involved in the definition of sustainability criteria during the participation procedure and thus significantly influence the long-term development of their district.

7. Prerequisites:

Structural: the city must own real estate

8. Obstacles/barriers:

- No maximum profit from the sale of real estate
- Risk due to the possible financial uncertainties of smaller companies

9. Indicators:

- Does the city own real estate? (y/n)
- Is the city unhappy with the current situation of the real estate sold? (y/n)
- Do any guidelines on procurement procedures already exist? (y/n)
- Which award procedures are already being applied?
- What is the ultimate aim of the urban development?
- What criteria regarding the awarding of the real estate are crucial for sustainable urban development?
- How attractive is each plot of land for potential investors?

10. Special features/remarks:

Even if alternative award procedures are being discussed in many cities, it is still exception that anything other than the tendering procedure is used.

