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To which extent public lands will be commodified? The Cornelian dilemma of the Milanese local government

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Abstract

Public land has proved to be an irreplaceable asset for several large-scale urban projects throughout Europe during the last decade. The two main drives of this trend, both taking place in the context of state restructuring, are (i) the revenue-raising solutions to ever growing budgetary constraints affecting state organizations, and (ii) the interest of the local governments for these areas viewed as potential key hosting sites for the implementation of their urban policies. In order to provide a tentative portrait of the decision process concerning the commodification of public land, this article draws a few selected points from a case study which focuses on the city of Milan, Italy. The negotiation for the redevelopment of the railway depot areas of this city is based on an agreement implying a Cornelian dilemma for the local government. This case provides a unique opportunity to improve our understanding of how local governments react to the real estate strategies of other public entities and are able to shape the process of public land divestment. First, the article demonstrates how, even in front of a public-owned company seeking to maximize its rental yields, local politics influence the redevelopment process and its outcomes. Second, it highlights how the local government viewed the process of converting public land into marketable items as a mean for an other purpose, an end in itself, or a process that must be limited, depending particularly on how local officials apprehend the qualities of these spaces and their future land use.

Keywords: state restructuring, railway, public real estate, local government, Milan.

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Introduction

Public real estate properties are increasingly considered as an issue by European states. Under conditions of financial constraints, they have emerged as a *policy problem*, regardless of the functions and uses they hold, as well as a likely *resource* for public administrations and state-owned companies. In parallel to privatization and administrative reforms, state organizations have changed their management's rationales and their practices toward their real estate properties (Artioli, 2012a).

The transformations affecting the public real estate encompass various branches of the state, diverse levels of government and different categories of real estate, however the most substantial are possibly that of public lands which fall within the perimeter of large-scale urban redevelopment projects. Arguably, these strategic sites of creative destruction processes have partly shifted from derelict industrial areas to spaces belonging to state's spaces, such as military areas, hospitals, postal sorting centres, railways sites, ports, etc. In short, splitting the process of economic restructuring, that of state restructuring makes available land resource for the redevelopment of European cities.

Interestingly, the drive behind the involvement of public land in the state restructuring process is somehow two-faced. On the one hand public entities and state enterprises reportedly pursue property redevelopment as an opportunity to engender new capital gains and reduce their functioning costs by means of a "re-territorialisation" and rationalization of their own assets. The notion of 'capital merger' coined by Logan and Molotch (1987) in order to name the firms that transform the acreages of their core-business in more valuable uses through their redevelopment can thus be applied to many state's organizations. On the other hand local governments may regard public properties, and especially dismissed or under-used public lands, as potential hosts for the implementation of urban policies. The public land development process then, implies the confrontation of at least two organizations of the state apparatus with distinctive drives and interests: public entities which own the properties, and local governments which control the land use.

The way the relationship between these 'protagonists' is built and developed, as well as its main outcomes does constitute a worthwhile field of inquiry for whom aims to grasp the drives behind the shifting landscapes of the European cities. This paper aims to contribute right in this direction, through a detailed case study taken from the city of Milan, Italy. The distinctive features of the public real estate redevelopment process that occurred in Milan allow us to effectively highlight this juxtaposition of values and goals, which is embodied by two main players: the Municipality of Milan and the Italian Railways corp. On this regard, the paper will tentatively portray how the public land properties seized by real estate development strategies of a largely privatized public company – namely the *Ferrovie dello Stato Italiane* – has been grasped by the local government of Milan.

Section two brings this question closer to the 'land as a financial asset' argument, discussing the hypothesis that state restructuring process could fuel public real estate commodification. The third section presents the organizational resources that Italian railways developed for two decades in order to extract real estate and create asset portfolio from the large-technical system they inherited. A clear parallel between the privatization of this sector and the way in which it manages its properties is evidenced. Introducing the Milanese context, section four reports the transformations of the government of the large-scale urban development projects in this city where they became a major issue of the entrepreneurial urban policies

launched by the local government at the end of the 90s. The fifth section details the arrangements forged in 2005 by FS and the local government in order to unlock the railway land. It consists in the reinvestment in the Milanese railway node of the capital gains obtained by FS when the firm will sell the areas and the development right allowed by the municipality. This arrangement is portrayed as a possible Cornelian dilemma for the local government since it implies to make a choice between a balanced urban development and the improvement of the Milanese railway node, that are two options both perceived as a duty of the municipality. Section six shows how the three municipal majorities that succeeded each other since 2005 have interpreted and modulated this agreement, according to the view of railway land and the purpose of their redevelopment they had.

The results are based upon a twofold qualitative research fieldwork, which was mainly carried between December 2012 and March 2013. On the one hand, it consisted of the collection and extensive reading of published and unpublished documents. These notably include planning documents, professional publications and local editions of the national newspapers. On the other hand, 23 semi-directed interviews have been carried out with members of the FS subsidiaries, RFI and Sistemi Urbani, elected representatives, chief administrative officers, planning and transport experts of the municipal, provincial, and regional levels of government, as well as Milanese scholars. Most of them are or have been directly involved in the negotiation process. In other words, the interviews have been selected following the relevant actors of the process. The questions addressed to the actors were related to the account of the different phases of the negotiation, their specific role and that of their organization in the process, and the relationships between the stakeholders.

Conclusion

This paper intended to contribute to the understanding of the modalities of the urban development of public lands, that is to say, one of the main forms of urban change in European cities. It questioned how a local government faced the process of public properties enhancement and divestment and to what extent it has contributed to their commodification. The paper demonstrates that the local and political variables are of importance in the future of state spaces. More precisely, it highlights how the administrations which have succeeded at the municipality since 2005 have modulated an agreement, itself the outcome of the interplay between a sector of the state and a territorial authority. In the simplest form, each administration viewed the commodification of Milanese railway lands in a different way. During the 2004-2006 period, the local administration considered the commodification as a *means* to transform derelict areas into a new rail infrastructure. Between 2006 and 2011, the urban development has been viewed as a way to make the city growth, thus the commodification was, in a sense, an *end* in itself. Since 2011, the local administration has searched to find the conditions making feasible a balanced development and judge the rent-maximizing strategy of the railway firm, as not appropriate and *a matter of conflict* due to the public and territorial value associated to these properties.

The purpose of this paper is not to overestimate the control of the local government on the whole process of public real estate enhancement and divestment. Indeed, attention has been paid to the organizational resources carried out upstream by the *Ferrovie* in order to extract valuable asset from their technical system. Further, according to the local and railway actors, as soon as the development rights will be definitively acquired, the properties will be inserted in an investment fund in order to attract capital for the development of the areas. Following previous

Milanese cases (e.g. Gaeta 2011) and in particular the railway areas of the Varesina and Porta Vittoria unlocked at the beginning of the 2000s, the areas are likely to enter in a cycle of land trading. Consequently, while emphasizing the political and local variable, this paper does not conclude that public lands seized by the process of state restructuring escape financialisation. Instead, we argue that during the process of liminality in which state spaces are involved, the local governments, and in particular the political leaders, react and shape their future. In other words the local, or better still, the intersection between the local and the state's sector are a place of production and regulation of the commodification of state spaces.

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