Public real estate development projects and urban transformation

The case of flagship projects

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Abstract

Analysis of real estate development should not limit its considerations to the direct and indirect effects associated with physical or functional spatial development but rather encompass also catalytic effects in addition to the spatial distribution of benefits and costs. The development of public cultural facilities is increasingly legitimized as primarily flagship architectural projects, which are capable of drawing a large number of visitors not just to the facility in question but also to the city at large. Beyond city beautification and urban renewal, such public investments in the development of physical space aim at re-positioning cities on regional and international economic circuits. This chapter argues that a multi-scalar approach is needed to understand the range of impacts associated with such projects. In the context of increasing competition between cities and the struggle of particularly small- to medium-sized cities to remain on the radar of competitive places, cities will increasingly be pressured to resort to spectacular measures to attract and retain attention to their localities. This will include architectural measures and dramatic changes to the physical spatial environment. Huge financial investments are associated with such risky endeavors, whose impacts are speculative. If we become more knowledgeable about how flagship architectural projects “work” and what drives their impacts, we can use increasingly scarce public financial resources more effectively. Adopting a multi-scalar analytic approach assists in identifying a wider net of potential winners and losers in the game of urban transformation.

Introduction

This chapter discusses the role that public real estate development projects play in steering urban transformation. Urban transformation is not just change, but rather fundamental change; it is about spatial relationships and how changes in these relationships transform spatial characteristics and the plethora of specificities – social, economic, functional, and so on – associated with them. We specifically focus in this chapter on flagship architectural projects that have been
developed by public authorities. By flagship architectural projects, we are referring to cultural facilities that are conceived as urban generators and for the design of which star architects have been commissioned. Beyond city beautification and urban renewal, such public investments in the development of physical space aim at re-positioning cities on regional and international economic circuits. We argue that while such initiatives are frequently criticized for aiming at clandestine short-term real estate development gains – resulting in gentrification and so on – we have to understand such initiatives beyond local urban regeneration to include notions of urban competitiveness as well. We argue that a multi-scalar approach is needed to understand the range of impacts associated with such projects. In the context of increasing competition between cities and the struggle of particularly small- to medium-sized cities to remain on the radar as competitive places, increasingly cities will be pressured to resort to spectacular measures to attract and retain attention to their localities. This will include architectural measures and dramatic changes to the physical spatial environment. Huge financial investments are associated with such risky endeavors, whose impacts are speculative. If we become more knowledgeable about how flagship architectural projects “work” and what drives their impacts, we can use increasingly scarce public financial resources more effectively. This is not a plea for or against the development of cultural facilities as flagship architectural projects, but rather an effort to highlight the limitations and effectiveness of such particular real estate development projects in steering urban transformation.

In the following, we provide first a short review of some of the prevailing academic perspectives that investigate urban transformation through flagship projects. Second, we present a framework with which to analyze and assess the role of flagship architectural projects in urban transformation. Third, we discuss the externality effects associated with real estate development in general on a neighborhood and city scale and the real estate market. In the fourth section, we elaborate on spatial incidence analysis as a method that captures the spatial distribution of benefits and costs. The chapter concludes that analysis of real estate development should not limit its considerations to the direct and indirect effects associated with physical or functional spatial development but rather encompass also catalytic effects. Adopting such an approach assists in identifying a wider net of potential winners and losers in the game of urban transformation.

**Urban transformation through flagship projects**

Hiring the best contemporary architects for the design of public cultural facilities is not a new phenomenon. Although the majority of architects who have designed buildings, including public buildings, throughout history are anonymous, the history of the architectural profession is ample, with references to individual architects whose names rose to fame because of exceptional public buildings they designed. In more recent history, public recognition of architecture and the built environment as identity-generating elements that help transmit cultural identities from one generation to another, legitimizes the importance of public investment in contemporary architecture (Heynen, 1999). What is new though is the legitimization of the conception of public cultural facilities first, as primarily flagship projects and second, the association of “flagshipness” with the fame of “star” architects. Flagshipness refers to the ability to draw a large number of visitors not only to the facility but also to the city at large. “Star” architects are recognized as leaders in their field, not necessarily for their professional merit, but for their “mass appeal” (Adler, 1985: 208) and celebrity status; they are public personas associated with artistic genius, aesthetic innovations, and public quirks (McNeill, 2009). This undoubtedly relates to “media’s newfound consciousness of architecture”
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(Klingmann, 2007: 246) and architecture’s endorsement of an “aesthetic of expendability” (Banham, 1981), in a “world in which the difference between mass culture and high culture, good and bad taste, popular culture and avant-garde has almost become irrelevant” (Klingmann, 2007: 246). Architects’ increasingly “flirt with fame” (Bayley, 2005: ix) and the development of the image of the architect (Saint, 1983) in a “winner-take-it-all society” (Frank and Cook 1995) is well documented (Davies and Schmiedenknecht, 2005).

Patterson (2012) argues about an affinity between public institutions and star architects by drawing attention to the fact that the top employers of winners of the prestigious Pritzker Architecture Prize and RIBA awards are indeed public authorities. This points to a new relationship between the state and architecture. On the one hand, architecture is abandoning its social engagement and becoming fully instrumentalized in the pursuit of capitalist urbanization. On the other hand, the state is transforming its conception of public cultural buildings from purely public goods – to be primarily collectively consumed – into positional or status public goods – to primarily boost competitiveness. The transformation of public cultural buildings into status goods is linked to the shift of governance of cities from managerialism to entrepreneurialism and the emergence of the “entrepreneurial city” (Hall and Hubbard, 1998; Harvey, 1989). It begs us to interrogate the logics that drive public sector engagement with star architecture by investigating the roles that these projects play in urban transformation.

Within this context, the Guggenheim Museum in Bilbao designed by architect Frank Gehry has been a well-discussed example. Building on its supposed success, the promise of urban transformation through star architecture’s capacity to boost tourist numbers and local optimism has been coined as the “Bilbao or Guggenheim effect” (Plaza et al., 2009). Plaza et al. note that there are clearly positive effects triggered by the Guggenheim museum in Bilbao, namely, 12 years after its inauguration, boosting the number of visitors and tourists, contributions to the development of landmark and economic restructuring of the region. However, Plaza et al. (2009) warn that effects of flagship architectural projects cannot be guaranteed. Klingmann states that “strategic and deliberate use of architecture as a catalyst to set off economic and social transformations … cannot be attained by a mindless repetition of a formula (that only worked once, anyway) … it would be a great mistake to think that the Guggenheim effect is a generic recipe that can be duplicated” (2007: 250). This risk is accentuated if we take into consideration that effects are related to international attention, which as Thierstein cautions, is a highly volatile good whose use is short-lived (Thierstein, 2013). Hence, the “Bilbao effect” is a controversial concept. Indeed, some argue that such interventions have hardly created any jobs for those who have been hit hard by de-industrialization. In a twist of words this has been termed the “Bilbao defect” (Girgert, 2011).

Critical literature questions whether the intended impacts of flagship architectural projects are ever declared or publicized. For example, Patterson (2012) states that organizations in charge of public cultural institutions need to attract outside support and donations necessary to support themselves. This dependency motivates these organizations to hire star architects to capitalize on “perceived notions of success and acceptability among clients of architecture and their external stakeholders” (Patterson, 2012: 3301). Such motivations to establish public legitimacy will hardly be made explicit or publicized. They need to be uncovered by qualitative research involving interviews, discourse analysis, and so on.

In the context of urban transformation, we focus on declared and intended impacts to which public officials can be held accountable. Hence, the more pressing question would be whether the declared intended impacts are really delivered. In other words, if the commission of a star architect for the design of a public cultural facility is intended to result in long-term
fundamental changes of spatial relationships and the social, economic, and functional specificities associated with them, are these changes really delivered? Do these projects really become urban generators contributing to urban transformation? Beyond pitting the declared intended impacts against some socio-economic indicators of change proving thus the degree of (in)-effectiveness of these projects, the full spectrum of effective impacts is rarely presented. Indeed, investigations of effective impacts remain in the domain of government-funded reports that rarely make it outside the bureaucratic drawers. Evans (2005) argues that lack of access to “hard evidence” and decision-making processes limit scientific analysis. Even when this evidence is made available, frequently, “the underlying assumptions, subtleties, and potential error sources associated with economic-impact studies” (Crompton, 2006: 79) pose another layer of haze for the comprehensibility of these impacts. Therefore, in order to understand urban transformation through star architecture it is important to uncover the (lack of) consistencies between intended and effective impacts of flagship architectural projects. To do so, it is imperative, first, to open the bureaucratic drawers to get “hard facts” and second, to scrutinize these facts beyond their “political payoffs” (Crompton, 2006: 79).

To assist us in identifying what we should be looking for it is important to structure our understanding of what these impacts might be and how they are connected to each other and to flagship architectural projects in a causal relationship. The following section presents an impact model that organizes our understanding of how flagship projects “work.”

A conceptual framework of the impacts of flagship projects

A defining characteristic of flagship projects designed by star architects is their particular capacity to attract media attention and to become identity (re-)-generating agents that disrupt or reorient the evolution of the inward and/or outward image of their respective cities. Public authorities’ declared rationale for the commission of star architects to design public buildings is based on the hypothesis that due to these particular capacities, buildings designed by star architects have significant long-term effects on the economic and social performance of their cities. We propose an impact model that describes the hypotheses that underlie the interconnected workings of complex effects associated with flagship architectural projects. These effects include urban economic impacts and social effects. These effects are linked to the accentuation of media exposure and the drama associated with a changed urban morphology.

We use an impact model in order to identify the most important inter-relationships between driving or influencing factors (Figure 4.1). The impact model starts from a premise that the development of flagship projects is related to a city’s underperformance and the intentions of a city’s decision-makers to address this underperformance. Underperformance is meant as a situation in which a city is experiencing either levels of decline or unsatisfactory levels of growth. Levels of decline can be related, for example, to loss of an employment base due to urban restructuring and deindustrialization. On the other hand, unsatisfactory levels of growth relate to the idea that a city is believed to have the capacity to perform better. Pressure groups’ awareness of this state of underperformance triggers initiatives for change. Champions of these projects are the spearheads of pressure groups to whom they are accountable. In democratic political contexts, these pressures could emanate from the party’s members, city managerial apparatus, or an electoral base. Hence, to understand the underlying intentions of the champions of these projects requires going beyond the declared intentions, uncovering the origin of the pressures to (pro-)act, and identifying to whom decision-makers are accountable.

At the onset of these projects, and as a response to pressures, city officials take a decision to allocate public resources for the development of a flagship architectural project. The declared
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The rationale is that such public investment is needed because cities are in competition for residents, businesses, and tourists. These have pre-mediated tastes, representational needs (Ronneberger et al., 1999) and “thematic predispositions” (Sternberg, 1997: 957). Sklar (2006) links today’s unprecedented accentuated architectural iconicity to the search of uniqueness or difference by the agents and institutions of an emergent transnational capitalist class.

The process of developing these projects usually takes many years; it is accompanied by media exposure from its onset. Unlike most buildings that are simply ignored, these buildings “arouse public attention causing disputes and controversies” (Yaneva, 2009: 8), an attention that accentuates along this process. In addition, the “social life” (Arjun Appadurai, quoted in Yaneva, 2009) of these buildings yields dynamic identities, which shape and are shaped by dynamic actor networks (Yaneva, 2012); they are “not a static object but a moving project” (Latour and Yaneva, 2008: 80) in a state of continuous flow. This means that even after being implemented and appropriated, the dynamic nature of these projects demands their continuous management. For these projects to sustain effective impacts, they must be conceived as continuously ongoing projects and not as finished products.

The decision of public authorities to allocate public funds for these projects is weighed against other alternative investments. Hence, uncovering the particular capacities of these projects related to their particular characteristics is important for understanding why these projects are chosen and how they are instrumentalized to achieve a purpose. The impact model identifies these particular characteristics of star architectural projects. They include, first, the iconicity of their architectural form, second, their spectacularity associated with the avant-gardism of their architectural style, their costs and surrounding controversies, and third, the

Figure 4.1 Impact model of how flagship architectural projects “work”
recognition value of the architect’s signature associated with the fame of their persona and the brand value of his/her other artefacts. These particular characteristics contribute at varying levels to the capacity of these projects to help their respective cities tap into the image economy, termed the “iconomy” (Smith, 2008: 4), the “economy of attention” (Franck, 1998) and the “experience economy” (Pine and Gilmore, 1999). Human attention in the information age is a scarce resource that the providers of services or products compete for (Franck, 1998); experiences have become new economic offerings for which demand exists as for services and goods (Pine and Gilmore, 1999). Thus, these projects will effectively trigger the intended economic and social impacts.

The impact model illustrates that direct, indirect, and induced economic effects are related to the function of these projects. Towards contributing to the re-positioning of cities on regional and international economic circuits, what counts is the wide-ranging catalytic effects. If these projects are indeed conceived as urban generators, they need to become catalysts for change. Such effects are related to soft factors associated with image, brand, and spectacle. Indeed, for such wide-ranging effects, function does not have a primary importance. This is particularly true for cultural facilities that do not draw an overwhelmingly large number of visitors, such as museums or galleries. The impact model also illustrates the centrality of the role allocated to media exposure in driving impacts. Indeed, these projects cannot be read at ground level, instead, the media is their primary site (Foster, 2008). This suggests that the net of positive and negative externality effects associated with urban transformation through flagship architectural projects has a much wider cast.

**Externality effects of real estate development through flagship architectural projects on a neighborhood and city scale**

In economics, “externality” or “external effect” describes a situation in which social costs differ from private costs, i.e. economic actors do not fully take into account the consequences of their actions for third parties (cf. Laffont, 2008). Such externalities can be positive or negative, depending on whether the third parties derive advantages or disadvantages from the actions.

Urban development is rife with such externality situations. The classic example is a newly constructed polluting enterprise that does not compensate nearby residential landowners for noise, smell, or toxic emissions. Were the enterprise to include financial compensation for the landowners in its budget calculations to “internalize” the effect, its production might become unviable – in this case, the combined private and public costs are higher than the overall benefits. Since the establishment of market mechanisms for the resolution of spatial externality situations (such as “cap-and-trade”) suffers from high transaction costs, municipalities often resort to land use planning as an instrument to mitigate unwanted negative or encourage positive externalities (Klosterman, 1985: 7–8).

In the case of merit goods, externalities are also closely linked to another market deficiency. The characteristics of public goods, non-rivalry in consumption, non-excludability of users, and in turn non-chargeability for its use, lead to an under-provision by private agents in market equilibrium. Hence, public authorities use this justification to tax market agents and provide public goods themselves, if they deem the overall social merit greater than the cost (Musgrave, 1987). However, the provision of public goods and services has side effects, and is often localized; hence, advantages and disadvantages always have a spatial component.

Publicly funded flagship architectural projects are a good example for the mechanisms outlined above. The direct benefits of these public buildings’ use – such as educational or recreational – only reflect a small share of the overall benefits, and the costs incurred by the
operator do not account for external costs. Typically, municipal administrations deliberately try to place these flagship projects in economically deprived neighborhoods to encourage local “revitalization” besides city- or region-wide effects. Locally, visitors and tourists attracted by the project mean increased pedestrian frequency and spending in the surrounding streets, or the main street between the flagship building and other existing pedestrian destinations, such as a traditional core city, a transport hub, etc. This creates a positive local externality for shopkeepers and landowners, but not necessarily for the current residents (e.g. higher rents, dangers of gentrification, and so on). On the other hand, more people mean more noise and pollution, leading to disadvantages for residents and owners at the main access roads. On a city scale, added consumption of the visitors, e.g. as hotel and restaurant guests, creates a benefit for the local economy, resulting in employment and income effects. Flagship architectural projects are also aimed at disrupting established narratives about the city or region in which they are located and creating positive image effects. These yield effects that are wide ranging.

The market value of land typically reflects the discounted future income stream generated by the best theoretically possible use. A real estate project with positive external effects will thus lead to a rise in land values of the surrounding plots, since their use prospects for retail or residential purposes are improved and the demand is increased, while negative external effects will lead to a decline. Owners of land that happens to be in the vicinity of a project generating added social value enjoy windfall profits without investments. Hence, landowners are one of the driving forces behind “growth machine” coalitions identified in studies of local power distributions (Molotch, 1976: 311). Despite recent attempts at value capturing taxation or levies, externalities created by public goods are rarely fully internalized.

While political solutions to internalize spatial externalities on the land market still leave room for improvement, they are actively exploited by a growing strand of research in urban economics and planning. Using a hedonic pricing model – under the premise that at any point in time a spatial equilibrium of land values exists, i.e. that welfare is equalized across space (Glaeser and Gottlieb, 2009) – it becomes possible to decompose the land values according to the locational characteristics and quantify an individual externality. This method of compensating differentials has long been used in cost–benefit analyses for infrastructure projects. It is now also applied to identify the value that the “iconicity” of a building creates for its surroundings by comparing their land values before and after the intervention with a similar area (“control group”) with equal starting characteristics (e.g. Ahlfeldt and Holman, 2015; Ahlfeldt and Kavetsos, 2014; Ahlfeldt and Maennig, 2009; Ahlfeldt and Maennig, 2010; Ahlfeldt and Mastro, 2012; Franco and Macdonald, 2015). These studies find a significant premium in the willingness to pay that landowners enjoy for land close to iconic buildings, such as sports stadia or conservation areas. For the difference-in-differences method, it is crucial to define a space where the changes in land values are expected to occur prior to the assessment, as well as a carefully chosen control space. We have seen, however, that different externalities occur on various scales, and they often occur spatially close to positive externalities. A simple treatment and control group approach might be too crude.

Capturing changes in land value, however, falls short in providing evidence about how such projects can indeed become urban generators. Land value might go up near the project and down in another area of the city. In other words, there might be a redistribution but not a net change in the overall performance of a city. Hence, it is important to investigate external effects that are not reflected in the immediate land market – this relates to social and ecological externalities, such as the added utility of the image effect. This utility is associated with the iconicity and narratives that accompany “signature buildings” and “iconic landmarks.” The building’s iconography and the sign/brand value of its architect both contribute to the
circulation of its images and narratives. The brand value of the architect relates to his/her established professional standing and reputation and its contribution to the hype and marketability of the building and by extension the setting in which the building is erected. These brands are detached from their use value and linked to image, symbolism, and experience produced by the media (Klingmann, 2007). Hence, there is a “marketing weight” (Fuerst et al., 2011: 167) associated with these projects inducing economic effects that are not captured immediately in the land market. Overall utility and overall land values are therefore not the same. Most importantly, some external effects occur immediately, while others only appear in a long-term view. Thus in order to increase transparency and ultimately equalize misallocations, it is necessary to utilize tools that take into account the fine-grained nature and differences in scale of externalities, differences between payment flows and utility, as well as the change of effects over time.

**Spatial incidence analysis**

As described in the previous section flagship architectural projects can cause various positive and negative impacts. The impacts can be diverse and are not always quantifiable or measurable in a monetary sense. Therefore, it is necessary to consider which effects – that contribute to the urban regeneration of a city – are actually caused through these public real estate development projects and how these can be measured or assessed. It is also important to clarify where these effects occur in space in order to measure their contribution to urban regeneration, that is, do the impacts occur where the regeneration is intended. Investigating the spatial distribution of effects is important because public real estate development projects are public goods. An important characteristic of public infrastructures in a federalist state is a distribution of infrastructure investments between nation state, the county, and the local community. Thus, for the investigation of the spatial distribution of these effects it is important to answer the question relating to which institutional level profits through these projects and who pays for them. This question is politically charged, especially against the background that flagship projects do not guarantee benefits or use; they also create enormous costs and are associated with critical public discourse. As public real estate development projects with public functions and utilizing public funds or public subsidies, the question of use and costs, beneficiaries and benefactors is relevant for the public.

The confusion as to the spatial distribution of the economic impacts produced by flagship architectural projects fuels much of the controversy over effects or defects associated with them. For example, Girgert (2011) argues that they might create jobs but not necessarily for the local population. Flagship architecture projects also cause positive local externalities and benefits, while the costs are not fully paid locally, but include partial state compensation. Hence, understanding the spatial distribution of effects, the spillovers in terms of costs and benefits, is important. A simple cost–benefit analysis does not capture the spatial distribution of these benefits and disadvantages. We argue that spatial incidence analysis can be an appropriate method to investigate a wider range of effects related to flagship architectural projects on various spatial scales, which considers more than just the direct neighborhood or the district scale, and at the same time takes account of the time component. The spatial incidence analysis also contributes to the question of effectiveness of public real estate development projects as urban regenerators as mentioned earlier, by comparing the intended and the effective impacts.

Spatial incidence analysis is a method first used in the finance sector to analyze the impacts of public infrastructure (Musgrave et al., 1977; Musgrave et al., 1993) and was adopted for the analysis of spatial impacts of regional infrastructure projects and their operation (Frey and
Häusel, 1982). This method has been applied in regional economic studies (Thierstein and Wilhelm, 2000). Incidence analysis is a systematic analysis of benefits and disadvantages for different sections of the population, caused by fiscal regulations, a project or an action (Frey and Häusel, 1982; Frey, 1990; Musgrave et al., 1993; Zimmermann and Henke, 2001). Spatial incidence analysis is based on a multiplier model and the Keynesian multiplier theory expanded by the basic idea of the regional economic export-base theory. The fundamental expectation is that a region receives payment flows from outside due to the realization of a publicly funded project, that is an infrastructure, event, or public facility. Caused by the implementation of a publicly funded project, the demand for local goods and services increases and entails an increase in production and rising employment. These are the primary effects of such projects. If the project is infrastructure, then the project itself can contribute to a rise in production to the region. For example, in the case of traffic infrastructure, the implementation of the project results in enhanced accessibility, which in turn can generate a rise in production in the region. The above-mentioned primary effects cause further effects, termed secondary effects. These secondary effects are usually captured by a specific regional multiplier, which is based on input–output calculations and the analysis of economic interdependencies. On the one hand, primary effects raise the demand of enterprises for intermediate inputs; on the other hand, additional incomes are created and spent, they raise the demand for goods and services again. This process, caused by additional income in the region, is continuous, but the demand diminishes with every repetition, because of drains on purchasing power in other regions, imports, taxes, or money that is not used for commerce but for saving, for example. In the end, these effects can by far exceed the primary effects, depending on the regional multiplier (Giuliani and Berger, 2009; Kronthaler and Franz, 2003; Zimmermann, 1981).

Hence, spatial incidence analysis is similar to a cost–benefit analysis but with an important distinction in that it regards the spatial distribution and redistributions (also described as “external effects” or “spillovers”) of different impacts, which are not only monetary impacts of public action. It systematically investigates spillover effects in the form of benefits – that is, use – and disadvantages – that is, costs (Fischer and Wilhelm, 2001; Frey and Häusel, 1982; Scherer et al., 2002; Scherer et al., 2012; Zimmermann and Henke, 2001). Distributional effects always occur if the spatial distribution of beneficiaries does not match the spatial distribution of the benefactors (Scherer et al., 2002; Scherer et al., 2012). These spillovers can be cost spillovers or use spillovers. In the case of cost spillovers, regions bear costs but do not claim benefits. In the case of use spillover, a region claims use without bearing costs (Frey and Häusel, 1982; Frey, 1990).

Besides the regional analysis of payment flows, spatial incidence analysis investigates the spatial distribution of goods and services as well as the utility of these public investments. Through mapping these impacts the balance sheet is drawn, highlighting which institutional level profits from these three categories of effects and which institutional level pays more than it receives (Frey and Häusel, 1982; Frey, 1984; Giuliani and Berger, 2009; Scherer et al., 2002; Scherer et al., 2012; Thierstein and Wilhelm, 2000; Zimmermann, 1981).

The strength of the spatial incidence analysis is based on the registration and spatial mapping of payment flows. The analysis of the effects on the use level – for example image effects caused through a spectacularly designed museum by a star architect – is much more difficult because these effects are mainly intangible, meaning not measurable. They have to be described and valued qualitatively and the underlying expectation, hypothesis, and consideration have to be revealed (Frey and Brugger, 1984; Thierstein and Wilhelm, 2000). These intangible effects have to be investigated with methods for the special case and questions (e.g. personal interviews, network analysis, and media analysis).
A comprehensive spatial incidence analysis includes all institutions, persons, and actions that are linked inseparably with the public investment project; hence, at the very beginning of the research it is vital to define what should be included. Furthermore, the temporal and the regional frame of investigations have to be determined (Frey and Häusel, 1982; Frey and Brugger, 1984; Thierstein and Wilhelm, 2000). Typically these impacts are examined at different spatial scales ranging from, first, the local municipality of a project – that in a federalist, decentralized nation state takes the largest chunk of related infrastructure investments – to second, the wider defined region – the agglomeration, the county – third, the space of the nation state, and fourth, the rest of the world (Thierstein and Wilhelm, 2000).

An analysis undertaken by the University of St. Gallen in 2012 (Scherer et al., 2012) to study the regional economic impact of the Culture and Congress Centre in Lucerne (KKL) utilized a spatial incidence analysis in an exemplary way to demonstrate the initiated payment flows caused through a private–public flagship project. Commissioned by the Kultur- and Kongresszentrum Luzern Management AG, the study concluded that a purchasing power inflow of CHF50–52 million in the region is created by the KKL and the events held there. It is assumed that this purchasing power effects increase by externalities (such as intermediate consumption, increased tourist numbers, increased income, and in turn, increased consumption) by another CHF20–24 million, so that the whole region accrues CHF72–74 million in total (Scherer 2012: 25–26). Thus, the measurable economic effects go far beyond the direct environment of the project (Scherer 2012). Additional to that, the KKL generated a media value calculated as a derivative of the accounts in the media of CHF6.6 million in 2011.

**Conclusion**

Pointing to a gap between public rhetoric and effective impacts, Kunzmann declares that “Each story of regeneration begins with poetry and ends with real estate” (Kunzmann in Evans, 2005). In another take at the danger of mistaking the activity of building physical structures with achieving effective impacts, Glaeser cautions that

for centuries, leaders have used new buildings to present an image of urban success … General Grigory Potemkin created a prosperous-looking fake village to impress Empress Catherine the Great. Today urban leaders love to pose at the opening of big buildings that seem to prove that their municipality has either arrived or come back … The tendency to think that a city can build itself out of decline is an example of the edifice error, the tendency to think that abundant new building leads to urban success … Building is the result, not the cause, of success.

(Glaeser, 2011: 61–62, emphasis added)

This calls for an urgency to evaluate the increased involvement of the public sector in the development of cultural facilities as flagship architectural projects. It will be a waste of much needed public resources to continue unabatedly what Rocco (2014) calls “museum madness” and keep the rush to develop even more cultural facilities worldwide. In order to identify the successes or failures of such projects we need to compare their intended and effective impacts. To do so, we need to dig deeper into the internal value chain of ambitions, interests, and objections. We have to open the archives of these public facilities and conduct interviews with key stakeholders who were involved with these projects at their very inception. We also need to cast the net much wider than the direct spatial vicinity of these projects. If indeed these
projects were intended to contribute to urban competitiveness and urban regeneration, we need to identify the short-term and long-term winners and losers beyond the direct and indirect impacts associated with these projects.

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