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The valuation of housing in low-amenity and low purchasing power city districts: social and economic value entangled by default

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ABSTRACT

Urban development projects are based on both calculative practices, in order to render investments in new housing profitable, and on a broader assessment of the value of amenities, qualities associated with housing units such as access to parks and shopping facilities, while not directly being included in presumptive buyers' prices or rents but still affecting the prices or rents paid because amenities affect market demand. This condition is particularly cumbersome in low-income city districts, and/or in city districts with "negative" amenities, such as visible street crime and a substandard quality of schooling. A study of an urban development project in a "particularly socially vulnerable" city district in Sweden shows how municipally-owned real estate companies and private construction companies need to collaborate with authorities (e.g. the police) and municipal boards (e.g. the education board) to advocate investment in amenities. In order to increase housing stock evaluations, local housing market attractiveness, and the housing welfare of residents in blighted city districts, urban development projects must include, in substantive ways, a variety of perspectives, competencies, and formal decision-making authorities.

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Urban development; valuation; amenities; new housing production

Introduction

The principal challenge facing construction companies is how to justify investment when there is uncertainty regarding outcomes, as is the case with the low-end housing markets dominated by households with limited budgets. Construction projects are commonly managed on the basis of calculative practices and closely-monitored project budgets: However, the market pricing of the new housing units being produced is a more complex affair, which includes an understanding of local housing market conditions more broadly, as well as how the housing welfare that such projects are intended to generate is premised on the outcomes of cross-sectional collaborations. To reduce exposure to uncertainty, which complicates the ability to calculate project returns accurately, construction companies forge relationships, with companies and organisations, that provide a variety of expertise important to project outcomes. That is to say, housing welfare is a socio-economic accomplishment that emerges at the intersection between private business activities and public sector administration, not least when low-end housing

markets are being targeted. Conventional housing market practices, such as the calculation of projected revenue streams following investment and contracting, have resulted in a noticeable level of segregation in housing markets, i.e. groups with a low degree of economic self-sufficiency due to limited labour market inclusion, as is the case with immigrant groups, younger people, or disabled individuals, who have a problem finding affordable, quality housing. This in turn results in both housing welfare differentials and wealth differentials that demand concerted actions.

This article addresses how conventional calculative practices and valuation theory (discussed shortly) need to be combined to create housing welfare in disadvantaged city districts. More specifically, when examining how and under what conditions amenities are developed and valued in urban development projects, calculative practices and valuation practices need to be combined to generate housing welfare for residents. The article thus includes the following research questions: (1) How are amenities, and "negative amenities" in particular, handled during an urban development

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project?; (2) How are valuation practices introduced in order to complement more regular urban development projects; (3) How do cross-sectional collaborations become a part of urban development projects aimed at increasing the housing welfare of residents in blighted city districts? The purpose of the article is thus to contribute to construction management scholarship by emphasising the concept of amenities in terms of being central to housing welfare, and by introducing valuation theory as an analytical model supportive of the more detailed analysis of urban development projects.

From a theoretical perspective, it is useful to make a distinction between the *valuation* of, for instance, project activities, and outcomes such as housing units, and the *pricing* of such housing units (Aspers 2018). In differentiated, advanced economies, the pricing of commodities and services is dependent on what has been referred to as *economic valuation* (Fourcade 2011) or *social valuation practices* (Zuckerman 2012), oftentimes based on professional expertise and the authority to determine the economic and social value of, for example, a commodity. On the basis of such assessments, the price of the commodity is set (Beckert and Aspers 2011). Studies of valuation practices include a variety of assets and resources, e.g. nature reserves (Fourcade 2011), human lives (Hood 2017), labour (Ruef 2012), children's lives and the contribution made by their work efforts to the household economy (Zelizer 1985), human gametes such as ova or sperm, used in reproductive medicine (Almeling 2011), and what Fourcade (2011) more broadly speaks of as "peculiar objects" being "singular objects" (in Karpik's 2010, formulation) such as art objects (Coslor 2016), or more mundane objects such as thrift shop items (Degenshein 2017).

On real estate markets, housing is a "peculiar good" inasmuch as its value is simultaneously derived from its practical use (e.g. as a family residence), as a storage of wealth for the family (Jordà *et al.* 2019), and as an asset holding for finance market traders (Punwani 1997, Hui *et al.* 2011, Pattillo 2013, Ansell 2019). Consequently, access to housing is simultaneously subject to policymaking and plays a key role in the broader credit formation process due to housing being near-perfect collateral in the credit formation process that is used in the finance industry (Favara and Imbs 2015, Fernandez and Aalbers 2016). Furthermore, the economic valuation of real estate stock is dependent on what housing market studies scholars refer to as *amenities* (Tyrväinen and Miettinen 2000, Rappaport 2008, Banzhaf and Farooque 2013), i.e. tangible or

intangible qualities which are not directly included either in the rent or in the cost of purchasing a house in a specific neighbourhood, but which still affect the valuation of either the housing unit (by the potential tenant or owner) or the real estate stock (by the real estate company) because amenities affect market demand. Amenities include, for example, access to nature reserves such as parks and recreational areas, the perceived safety and security of the local neighbourhood or city district, access to local businesses and cafés and restaurants, the quality of public transportation, and the similar perceived benefits of the immediate geographical area (Brueckner *et al.* 1999, Diamond 2016). Based on these propositions, amenities, regardless of how complicated it is to calculate their social value, matter to how investment is made in a city district. Moreover, the social valuation of positive, as well as the absence of negative, amenities is of particular importance in cases where actual tenants and the projected residents of the private housing units currently being planned have thin household budgets. To date, a small number of studies have provided first-hand evidence of how investment in urban development projects is contingent upon social investment in amenities (e.g. Brueckner *et al.* 1999, Tyrväinen and Miettinen 2000, Diamond 2016). Furthermore, empirical research should shed more light on how such investments are premised on the capacity of municipally-owned companies and private companies to negotiate this kind of investment with the authorities and municipal boards handling the public resources that can be invested in amenities.

The article presents empirical material from a study of an urban renewal project in a "particularly socially vulnerable" suburban city district (using police terminology) of a major Swedish city. The city district is a so-called blighted area inasmuch as it was built during the period 1965–1975, when Swedish cities were undergoing rapid restructuring, with one million new housing units, mostly rental units, being built as a result of a large-scale political initiative (Turner Center for Housing Innovation 2017, p. 12, Thörn and Thörn 2017, p. 294). Thereafter, only limited investments have been made in that area, apart from basic maintenance and minor renovation work. In 2017, a new project to reinvigorate the city district was initiated, with the project plan including four major pillars. Three of these pillars related to construction management activities: (1) refurbishing the current rental unit stock; (2) creating opportunities for privately-owned units (e.g. when rental units are transformed into privately-owned apartments, so-called community

housing units); and (3) building new housing units, preferably detached houses that might attract more affluent local residents (i.e. individuals with a predictable income). These three activities, essentially economic in their orientation due to being associated with financial investment and thus also risk-taking, were supported by a campaign targeting social issues, including the perceived security of residents, improving the quality of local schooling, and enforcing police activities in order to prevent, for example, street-corner drug-dealing activities. However, because the decision-making authority that would affect the value of the amenities (or, alternatively, reduce the costs and other externalities of “negative” amenities) was in many cases located outside of the project team, e.g. on municipal boards, or in state-controlled agencies, the project team needed to continuously collaborate with these actors. This finding is consistent with the claim that the construction industry is a “loosely coupled” one that routinely relies on cross-sector collaborations (Dubois and Gadde 2002, Harty 2008).

The implications for management practice and policymaking, thus, are that, in order to render the existing and planned housing stock more valuable (which generates a variety of benefits for the different stakeholders), to optimise the return on new housing investment, or to jointly generate new housing market niches benefitting low net-worth households—these being three activities consistent with construction company interests—real estate companies and their collaborators would need to forge broad alliances with the authorities and municipal boards making investments in amenities that indirectly affect the valuation of the housing assets being held or developed.

The process of valuation during pricing

In order to understand how new housing project activities include investment in amenities, in order to optimise housing welfare under specific conditions, valuation theory and the concept of valuation, as developed in the economic sociology literature, are introduced. As most people intuitively recognise, there is a difference between the price and value of, for example, a commodity (Beckert and Aspers 2011). Some people may value an artefact very highly, and yet the market price could be fairly low, or vice versa. In the economic sociology literature, the valuation process precedes pricing inasmuch as valuation is concerned with people’s preferences, whereas pricing is a matter of defining the nominal monetary worth of the item against the backdrop of such preferences and

the supply and demand situation on the market (Karpik 2010). Aspers (2018, p. 140) defines valuation as the process whereby “values are ascribed to actors or things based on peoples’ views (preferences).” Furthermore, there is a difference between *valuation* and *evaluation* inasmuch as evaluation is based on “standards that exist and are in use independent of individuals’ views or preferences,” whereas valuation is based on “non-standardized information”; “valuation is about differentiation and evaluation is about uniformity,” writes Aspers (2018, p. 140). Consequently, an individual is able to make an evaluation on the basis of standards, whereas a valuation process is a result of “mutual adjustment in a process in which many actors take part” (Aspers 2018, p. 140).

In practical terms, valuation is oftentimes based on verification by expertise, with expertise primarily being granted to professional groups or communities. Gourevitch (2011, p. 88) remarks that there are many fields wherein verification is of key importance, including “efficacy in medicine, safety in cars, or energy use in appliances.” More generally, Kornberger (2017, p. 1759) speaks about intermediaries such as “experts, critics, consultants, matchmakers and others,” who all play “an important role in valuation practices.” The proposition that valuation is a matter of the professional assessment of economic worth on the basis of preferences and beliefs is consistent with John Dewey’s ([1939] 1991) view of processes of valuation as a form of “criticism.” Here, objective value is determined by the active criticism being part of the valuation process, being a self-reflexive assessment, not only of the artefact being valued per se, but also of the wider social context wherein the artefact is located and appreciated (Putnam, 2002, p. 103). Kornberger (2017, p. 1759) recognises this self-reflexivity, and emphasises the performative nature of valuation, whereby “[v]aluation practices do not merely mirror or bring to the fore pre-existing values, but that valuation practices are actively involved in the constitution of values.” The process of valuation also includes a number of heuristics and devices, e.g. commensuration, categorising, and visualisations, which are all constitutive of value (Kornberger 2017, p. 1760). Seen in this light, valuation is an epistemologically complex process whereby a broader number of conditions are recognised and taken into account. Once the valuation has been completed, the price of an artefact needs to be determined in order to render it tradable on a market. Prices are in many cases volatile, and/or negotiable, as they include a large variety of concerns and information: “Prices are never the result of purely

mechanistic market forces, but instead are shaped by complex social processes,” writes Hood (2017, p. 444).

Taken together, the concept of valuation underlines the fact that economic activities are inextricably bound up with the broader social context associated with the object or artefact being valued and priced. This general proposition applies to the housing and real estate market, on which so-called *amenities*, the proximity of natural, social, or historical resources that local residents can benefit from and take advantage of, but pay for only indirectly, are included in both the valuation and pricing processes, even though access to amenities is not included in contracts written between, for example, the buyer and seller, or the tenant and landlord. In this view, amenities may not simply be additional, or complementary, to the housing facility, they may also, in fact, be constitutive of the value of the real estate stock, not least if they are defined in negative terms, i.e. as the absence of, for example, low-quality schooling or street crime.

Urban renewal programs, housing prices, and the role of amenities

Housing is, on the one hand, a welfare provision, stipulated by policymakers on the basis of international agreements, while on the other, real estate is a class of financial asset in its own right (Pattillo 2013). In fact, what Fligstein *et al.* (2017) refer to as the “housing-finance nexus” indicates the central role of housing, real estate, and housing finance in the economic system. Even though housing assets serve as high-quality collateral during the credit formation process (Fernandez and Aalbers 2016, p. 72), it is not a trivial operation to translate land and real estate into tradable financial assets. As land and real estate are highly illiquid assets, financial engineering serves to render such assets tradable; Searle (2018) argues:

[R]eal estate assets are fixed in place; unique, and thus difficult to compare and value; indivisible; costly; and time-consuming to build ... [O]vercoming the fundamentally illiquid nature of land and real estate is complex; it takes work to make real estate into finance. (Searle 2018, p. 525)

Financial assets are traded on the basis of the rationale that asset holdings are associated with a plausible future revenue stream (e.g. monthly rents paid by tenants), and such projected revenue streams are assessed on the basis of a combination of “valuations, forecasts, investment prospectuses, contracts and financial instruments” (Searle 2018, p. 528). In most cases, a real estate stock is subject to financial

transactions (i.e. it is not for sale), and yet the valuation of the real estate stock, in terms of the book value being reported to its owners and a variety of stakeholders, is of key importance. The value of real estate stock is determined by the quality of the housing facilities, by the ability of the owners to generate a predictable revenue stream on the basis of rental payments, and by other conditions. Furthermore, neither the quality of the housing facilities per se nor the projected rental payments are determined in isolation from ongoing investment in what urban development and housing market scholars refer to as amenities.

The term amenity is defined as a desirable or useful feature or facility of a building or place. Diamond (2016, p. 484) identifies “six broad categories”: “retail amenities, transportation amenities, crime amenities, environmental amenities, schooling amenities, and job quality amenities.” Brueckner *et al.* (1999, p. 94) define three types of amenities, i.e. *natural amenities*, which are generated by an area’s “topographical features, including rivers, hills, coastline, etc.,” *historical amenities*, which include “monuments, buildings, parks, and other urban infrastructure from past eras that are aesthetically pleasing to current residents of the city,” and *modern amenities*, which include access to shops, cafés and restaurants, and other forms of services that are appreciated by residents. While natural and historical amenities are premised on exogenous conditions that are complicated or costly to modify or amend, modern amenities are endogenous, i.e. providers of this class of amenities can be incentivized to invest in a neighbourhood if the conditions are favourable. For instance, the process of gentrification is a primary example of how modern amenities are introduced into formerly blighted neighbourhoods (as in the case of former working class neighbourhoods acting as sites where urban culture thrives, manifested in the form of boutiques, microbreweries, cafés, etc.). Gentrification processes are debated by urban studies scholars (e.g. Zukin 2010, Stein 2019), some of whom are critical of the process whereby poor neighbourhoods are gradually being taken over by more affluent socio-economic groups, consequently pushing former residents to the margins. Furthermore, even though natural and historical amenities are exogenous, this does not entail that they are protected from erosion. For instance, Brueckner *et al.* (1999, p. 105) argue that one of the reasons for Paris being widely regarded as a liveable and charming city is that high net-worth households have decided to stay in the city centre, rather than move to the suburbs, and that the net value invested on the basis of this tax-base on

maintaining historical buildings has effectively preserved historical amenities. Seen in this way, the historical amenity is a public good that also generates positive externalities such as income from tourism. Similarly, natural amenities such as parks and recreation areas need to be protected from economic exploitation to preserve them for the benefit of current residents.

The valuation and pricing of amenities

There is a considerable body of literature that estimates the value or price of amenities, and the conventional wisdom is that amenities are reflected in housing prices, even though households self-reporting the value of their housing unit may not recognise their full value (e.g. Banzhaf and Farooque 2013). Rappaport (2008) examines the correlation between population growth and “quality of life,” operationalised as access to “consumption amenities” (similar to what Diamond 2016, refers to as “retail amenities”), finding that population growth is “strongly positively correlated” with “several exogenous consumption amenities.” This result is indicative of how households value “quality of life,” which in turn drives urban population density and results in higher costs for financing housing, argues Rappaport (2008). Expressed differently, the production of a variety of amenities makes a region or city district more attractive, and consequently increases its population growth. These tendencies are in turn associated with a positive economic spiral as, for example, the tax-base expands, something which may justify further investment in amenities. On the household level, Tyrväinen and Miettinen (2000) have calculated how the economic value of natural amenities (operationalised as the distance to a forest) is reflected in housing prices in Finland. Tyrväinen and Miettinen (2000, p. 206) calculate that the value of “a forest view” corresponds to 4.9% of the total value of the housing unit. In addition, an increase in distance of 1 kilometre to a forest “reduced the average price of a dwelling by 5.9 percent” (Tyrväinen and Miettinen 2000, p. 220). Economists refer to calculations measuring how housing value is associated with differences in “public goods and taxes” as “hedonic prices,” i.e. housing prices are regarded as a proxy for how much households are willing to pay for amenities (Banzhaf and Farooque 2013, p. 635). However, Banzhaf and Farooque (2013, p. 644), who examine the community housing price indices of 99 communities in the Los Angeles area, find that households have difficulties

assessing the economic value of amenities, i.e. they fail to recognise the “components of their property values capitalizing local amenities” (Banzhaf and Farooque 2013, p. 636). Consequently, Banzhaf and Farooque (2013, p. 644) propose that “actual transaction prices appear to better capture local amenities than do self-reports, perhaps because households do not consider these factors.”

It is noteworthy that the concept of amenities is mostly defined in positive terms, i.e. their presence is associated with higher official real estate valuations and documented housing prices and rents. However, it is also possible to consider an amenity as the absence of an undesirable quality in a neighbourhood or city district, including the *absence* of street crime, manufacturing facilities that pollute, or noise or similar undesirable disturbances, etc. (Diamond 2016). Consequently, the decision to invest in new housing production in a city district is not strictly based on projected revenue streams, or on returns on investment or equity, it is also bound up with broader initiatives pertaining to, for instance, quality of schooling, local labour market inclusion projects, and activities that reduce both visible and covert street crime (Colic-Peisek and Tilbury 2006, Bernhardt 2012). This valuation of, for example, new housing production projects is particularly important when investing in neighbourhoods and city districts with, primarily, low net-worth residents, who are more vulnerable to labour market disturbances. In these households, the economic margins are already thin due to the stipulated buyers of, for example, newly-produced housing having limited purchasing power, not least on the basis of less access to financial capital, serviced through the mortgage-lending channel (Hsu *et al.* 2018, Ansell 2019). Furthermore, undesirable local conditions (e.g. limited retail amenities) would reduce the level of interest in investing in such city districts and, as a second-order effect, dampen the market valuation of new housing stock, making it more difficult for prospective buyers to be granted a mortgage. In the end, the lack of a credit supply in the form of mortgage lending would potentially further suppresses housing prices in the neighbourhood. The concern here is that urban development projects may include private companies and municipally-owned companies that have the authority to make investments in housing stock, or in the production of new housing units. At the same time, these housing market actors need to collaborate with the authorities and municipal boards that make investment decisions which either reduce negative amenities (say, investments in schooling

facilities to raise the quality of schooling) or, alternatively, make investments in positive amenities such as shopping facilities and recreational areas such as parks. This means that urban development projects are premised on actors' capacities to forge broad coalitions that include companies, authorities, and municipal boards that jointly make investments in housing stock, as well as in the supportive amenities that render such new investments justifiable on the basis of current calculative practices. As will be discussed with regard to the empirical material presented below, such coalitions demand qualified actors that see the benefits and long-term effects of concerted and cross-organizational collaborations.

Study method

In this section, the design of the study, the data collection methods, and the data analysis approaches are presented.

Design of the study

The study reported on in this article is based on a case study methodology (Stake 1996, Gillham 2000). Gerring (2004, p. 342. Original emphasis omitted) defines a case study as “[a]n intensive study of a single unit for the purpose of understanding a larger class of (similar) units. A unit connotes a spatially bounded phenomenon ... observed at a single point in time or over some delimited period of time.” Interpretivist studies, such as case studies, are premised on the scholar’s presentation of a “faithful and authentic representation of people’s perceptions of their lived experience” (Eisenhardt *et al.* 2016, p. 114). More specifically, studies of urban development oftentimes use case study methodologies, both when it comes to classic studies, such as William F. Whyte’s ([1943] 1993) *Street corner society*, and when it comes to more recent studies of the urban renewal of city districts in, for instance, London (Beswick and Penny 2018), Berlin, New York (Fields and Uffer 2016), and Paris (Guironnet *et al.* 2016). In the metropolitan area being studied, there are currently six city districts labelled as “particularly socially vulnerable” by the police. Particularly socially vulnerable districts are characterised by a lower degree of labour market inclusion, a high degree of street crime, and other social and economic risks. The city district being studied is one of six particularly socially vulnerable districts in this metropolitan area. At the time of the study (2020–2021), the specific city district served as a pilot

project regarding how to cope with the socio-economic challenge of removing these city districts from that list, i.e. increasing housing welfare on the basis of cross-organizational collaborations. In the autumn of 2020, the major municipal real estate company owning a significant proportion of the rental units in these six districts introduced a new 10-year strategy, largely consistent with the work ongoing in the specific city district being studied and reported on in this article. The single case study method is thus justified on the basis of being one exemplary case of how to renew a blighted city district wherein households have limited budgets, and wherein public investment in amenities is a precondition for investment in new housing facilities and for the creation of community housing units. To avoid any further stigmatisation of the city district, it has been anonymized in this article.

The case being studied is a cross-organizational urban renewal project in an inner suburb of a Swedish metropolitan area. The current project was initiated and managed by a major municipal real estate company owning about 94% of the rental units in the city district. The project included municipal real estate companies, private real estate developers, and city administration representatives. The city district has about 8000 residents and is characterised by households of medium to low net-worth (with the majority at the lower end), i.e. the median purchasing power of these tenants is comparably modest. Furthermore, the city district also has tenants with a significant level of ethnic diversity (one municipal real estate company representative claimed that “97 nationalities” live in the district). As the municipal real estate company puts significant investment into cleaning services, to ensure that public spaces and housing facilities are well kept, one’s first impression of the city district is far from alarming. Yet, local schools are underperforming and inclusion in the labour market is markedly lower than the average for the city and the nation, with unemployment rates being in the range of 13% and poverty rates being higher (estimates indicate that 58% of children are living in poor families in statistical terms).

The policy context of the urban development project is of key importance. Sweden is widely regarded as a welfare state, with a high proportion of its GDP consisting of taxes serving to redistribute economic wealth. Despite this elaborate welfare state model, the shortage of a supply of affordable housing remains an issue for many policymakers and scholars (e.g. Hedin *et al.* 2012, Thörn and Thörn 2017, Törnqvist 2019). Furthermore, since the turn of the millennium, the

proportion of Sweden's population born outside its borders has doubled (from 10% to 20%) due to immigration and the generous reception of asylum seekers (Statistics Sweden, 2021). Since the 1950s, Sweden has been receiving immigrants and guest-workers, originally from Southern Europe and neighbouring Finland, primarily: However, during the 1990s and after 2000, in particular, the proportion of non-European immigrants has been increasing markedly (Statistics Sweden 2021). According to Swedish migration law, enacted in 1994, but subject to modification in 2020 due to the perceived difficulties of complying with that law, newly-arrived immigrants have the right to choose where they live, as long as they can find housing. The primary consequence of this policy was the concentration of immigrant groups into suburban areas in the major cities. Many of these suburban areas were constructed during the period 1965-1975, when the government launched its ambitious "one million housing units" program (Terner Center for Housing Innovation 2017, p. 12, Thörn and Thörn 2017, p. 294), which has been widely debated ever since, but is largely an adequate response to inner city population density problems, population growth, and urbanisation more widely. The so-called million unit city districts have basically been in operation on the basis of their original design and organisation for more than five decades. Several episodes of shootings in public places among criminal groups being a part of their drug dealing activities (Statista, 2021), widely covered in news reports and debated in political discussions, resulted in a political consensus across party-lines regarding the need to take action against the so-called "ghettofication" tendency. Urban renewal initiatives was part of this reform agenda.

This specific case is of relevance to a valuation studies framework as it underlines how the economic valuation of the district's real estate stock is dependent on the social valuation of the broader socio-economic situation in the area. Only when combining renovation and new production activities with wider social initiatives, aimed at increasing the quality of schooling and reducing street crime, investments made will be able to generate a sufficient return. Urban renewal projects in blighted and socially vulnerable city districts are thus not only determined by financial interests (as much of the scholarly literature indicates; see, for example, Pacewicz 2012, Weber 2010), they are also bound up with the capacity to engage and mobilise municipal real estate companies, private companies, municipal boards, and other

authorities of relevance to implementing urban renewal projects.

Data collection

The data collected came from three sources. First, interviews were conducted with representatives of the companies and organisations participating in the urban renewal project. These interviews were conducted *in situ*; in most cases, in the offices of the interviewees. The interviews were structured on the basis of an interview guide, being recorded and lasting for a median duration of approximately 1.5 h. Twenty persons were interviewed, with the sample including the project leader and the project management team, business development directors of private and municipal real estate companies, the CEOs of municipal real estate companies, and other expert groups participating. The bulk of the interviews were conducted during the period January-June 2020: However, the COVID-19 pandemic resulted in one interview with two executive managers being postponed until March 2021. More broadly speaking, the COVID-19 pandemic delayed the project activities, but the project still proceeded at a slower pace. Table 1 below lists the interview subjects.

Second, the research team participated in project meetings at which either the contractual conditions or the agreements pertaining to project activities were determined, or at which specific project activities were discussed. During such participative observations, field notes were written in order to account for the issues being addressed, and the topics being debated by the project team. Project meetings provided the research team with the opportunity to listen to how the project participants were jointly addressing and defining project goals and challenges, as well as how certain interests were being articulated at various points in time (e.g. commercial real estate companies frequently referred to the need for specific accounting information in order to make decisions). Thirdly and finally, internal documents and reports issued by the participant organisations were retrieved and used as input material in order to better understand how large-scale urban renewal projects are managed and handle a variety of interrelated project goals. For instance, the long-term strategy of the major municipally-owned real estate company indicates how economic and political (i.e. social) goals are intended to be mutually supported over the coming period. Table 2 summarises the data acquired.

Table 1. Data collected during the project.

Interview subject	Organisation	Project role or wider urban development role
Project pre-study planners, two persons, Female	Private construction company	To provide the project team with relevant data and information to enable them to make informed decisions.
Main project leader, Male	Municipally-owned real estate company	To lead and coordinate all project activities.
Senior business developers, two persons, male and female	Private real estate company	To participate in project team to contribute expertise and potentially secure a construction contract.
Senior managers, two persons, Male	Science Park Organisation involved in urban development project	To bring expertise into urban development projects.
Senior business developer, Male	Municipally-owned real estate company	Top manage several local projects to increase tenant welfare, including activities for elderly tenants in the local city district.
Senior business developers, two persons, Male	Private real estate company	To participate in project teams to add expertise and potentially secure a building contract.
CEO, Female	Municipally-owned real estate company	To manage a significant proportion of the stock of rental units in the city, and in suburban city districts in particular.
Senior business developer, Male	Municipally-owned real estate company	To participate in project teams to add expertise and potentially secure a building contract.
Senior business developer, Male	Private real estate company	To participate in project teams to add expertise and potentially secure a building contract.
Chief Financial Officer (CFO), Male	Municipally-owned real estate company	To be accountable for the financial performance of a significant stock of rental units
City agency officer, Female	Real Estate Development Bureau, City administration agency	The agency determines how the available land owned by the city is used. Handles all contracts with construction companies.
CEO and senior manager, Male and Female	Municipally-owned real estate company	To manage the rental unit stock of a suburban city district, previously labelled "particularly socially vulnerable," but recently taken off the police's list.
City agency officer, Female	City administration agency	The agency manages commercial real estate units in, for example, town squares, shopping centres, and malls.
Academic researcher, Male	Local University	Well established senior researcher who has recently published a study of the challenges facing suburban city districts.
City agency officer, Female	Real Estate Development Bureau, City administration agency	The agency determines how the available land owned by the city is used. Handles all contracts with construction companies.

Table 2. Data collected during the project.

Data collection method	Total time
Interviews	23h
Project meeting participation	5.5h
Informal conversations with project team members	3.5h
In total:	32h

Data analysis

The empirical data, e.g. interview transcripts, was coded in accordance with a standardised procedure. Gioia *et al.* (2013, p. 20) distinguish between first- and second-order coding, whereby first-order coding (which Strauss and Corbin 1998, refer to as "open coding") quite broadly introduces empirical categories for labelling or describing interview excerpts. During the second-order coding procedure ("axial coding" in Strauss and Corbin 1998), theoretical codes which are broader and more inclusive than the first-order codes are introduced in order to reduce the number of codes down to "a more manageable number" (Gioia *et al.* 2013, p. 20). Based on these second-order codes, the theorising process is intended to formulate new theoretical categories, ultimately connected in a logically-consistent and plausible manner, consistent with the empirical data and fitting with other theoretical concepts (Table 3).

The interviews were transcribed verbatim by a professional writing bureau, with each interview being coded by two senior researchers. Based on these first-order codes, interview excerpts were co-located under theoretically-induced second-order categories, in the next instant being subject to theorising. By conducting this coding procedure strictly, and by following the credo that the research should render a "faithful and authentic" account of the empirical data, the empirical material reported on below serves both ends in demonstrating how the project objectives were approached as well as the theoretical significance of these activities and decisions.

The valuation of housing in low-amenity and low purchasing power city districts

In the sections below, the project activities aiming to develop a suburban city district are examined. In order to change a precarious situation, the urban development project team were convinced that the city needed, in addition to the new housing production and renovation activities being planned, to also invest in amenities. When combined in a meaningful way so

Table 3. First- and second-order coding exemplified on the basis of quotes included in the article.

First-order analysis, First step: Individual quotes	First-order analysis, Second step: co-location of quotes	Second-order analysis: Theoretical categories introduced
<p><i>Quote 1 (cited in empirical section below)</i> “These additional projects with job market initiatives and the social work and quality of schooling, and the police including all the security and criminality issues that need to be the main concern, to put all these things straight. Then we can make investments in new housing over time.” (Business manager, Municipally-owned housing development company, Male)</p> <p><i>Quote 2 (cited in empirical section below)</i> “There’s a need for investment in social activities . . . A number of the collaborating parties need to move in lockstep,” she argued (Project pre-study coordinator #2, Female).</p>	<p>Shared theme: Construction projects needs to be anchored in concern for social welfare.</p> <p><i>Quote 1</i> “These additional projects with job market initiatives [etc.]” (Business manager, Municipally-owned housing development company, Male)</p> <p><i>Quote 2</i> “There’s a need for investment in social activities [etc.]” (Project pre-study coordinator #2, Female).</p>	<p>Theoretical proposition: Economic value is predicated on social welfare (and valuation), as substantiated by Diamond (2016) and Brueckner <i>et al.</i> (1999 in the case of the built environment, and in formal theoretical terms by, for instance, Aspers (2018).</p>

that it changes local residents’ expectations regarding the value of the local housing market, making them take pride in their city district, combined investment in housing and amenities will have several benefits, including a higher valuation of the real estate stock and an increased appetite for risk-taking in terms of new housing purchases occurring among both old and new residents. Such activities are stipulated to jointly generate a virtuous social circle that increases the quality of life and the welfare of the residents in the targeted city district.

Urban development in low net worth city districts

All of the interviewees were committed to urban development activities and regarded the current initiative as being highly socially relevant and urgent, especially given the recurrent negative media coverage of soaring street crime and gang- or clan-based organised crime in several Swedish metropolitan suburbs. At the same time as the project participants were calling for new initiatives, they were also aware of the difficulties involved in making the city district a more attractive neighbourhood, where current and future residents would be willing to invest in newly-built housing facilities, or in community housing units. One of the municipal real estate company project participants argued that the aim should lie within what is actually possible to accomplish, given the current conditions:

The project can raise the city district to level three on a five-point scale [in terms of its attractiveness], and make it stay there. It will never be high status [living in the suburbs]. We mustn’t think that. People from [more affluent city districts] would never think this is a superior place to settle. (Business Developer, Municipal Real Estate Company, Male)

Another project participant, a business developer at a private real estate development company, argued that the city district had many benefits and valuable amenities already, not the least the short distance to the city centre and attractive nature reserves, arguing that the suburban milieu was widely regarded as a markedly different milieu for many Swedes with no prior experience of living in metropolitan suburbs. The city district has “a great location,” argued the business developer, “with only a few minutes to the city center,” but “the mental distance is considerable,” he added (Business Developer, Private Real Estate Developer, Male). The project team members also emphasised the nature reserves and recreational areas that were in close proximity as a valuable amenity. Important project goals included investment in renovating rental units, creating opportunities for apartment ownership in so-called community housing units, and building new housing facilities, preferably both rental housing units and private homes, in order to increase the degree of “mixed housing” (a widely-endorsed urban development policy objective, derived from a United Nations report) in the city district. There was also the idea that student housing facilities could be built in the city district in order to better mix individuals of differing backgrounds. Such economic activities would demand financial investment in both amenities and the socio-economic infrastructure: In order to make these project plans materialise, cross-organizational collaborations were the way forward, argued the project participants.

Investing in amenities

The project participants were confident of their joint capacity to organise and manage a variety of renovation and new housing project activities, but they were

concerned that the socio-economic problems defined in the particularly socially vulnerable city districts could not be eliminated on the basis of such initiatives alone. One business developer at a municipally-owned housing development company, specialising in building affordable private homes, argued that what is oftentimes portrayed as the “sideshow” (i.e. that which is additional or complementary to regular housing production activities) would now be better located at the centre of the project activities: “If you examine the project team, the focus is on the production of new housing ... Most [participants] are real estate developers ... But the sideshow is actually the main act,” said the business developer (Municipally-owned Housing Development Company, Male). This business developer listed a number of activities pertaining to quality of schooling, the reduction of street crime and perceived insecurity, labour market inclusion initiatives, and after-school club activities as being important factors to deal with in order to support the stipulated project goals:

These additional projects including job market initiatives, and social work and quality of schooling, and police work, including all the security and criminality issues that need to be the main concern, [demanding attention] to get all these things straight. After that, we can make investments in new housing over time. (Business manager, Municipally-owned Housing Development Company, Male)

The project pre-study coordinator, with experience of similar project activities in other parts of the city, argued that “the broader perspective” is very important for project outcomes, consequently calling for a variety of actors to be involved in the process: “You cannot bury [these social issues] under new buildings ... There is a need for investment in social activities: Listen to the tenants! A number of the collaborating parties need to move in lockstep,” said the project pre-study coordinator (#2, Female), here referring to a long-standing tradition at municipally-owned real estate companies to actively engage with tenants during the planning stage when making changes to the local built environment. Formally speaking, negative amenities such as substandard schooling, visible criminal activities, and underdeveloped retail amenities were the responsibility of the city education board, the national police authority, and another municipal board, respectively. That is, the project team could only create collaborative relationships with such municipal boards and authorities in order to jointly improve the situation over time.

In the original planning documents, the project team defined three principal amenities to improve: (1)

quality of schooling; (2) the perceived safety of the city district; and (3) commercial amenities, including local shops, stores, cafés and restaurants. Of these three amenities, the first two were regarded as critical to the urban development project, while the third was supportive of increased housing welfare. One project participant representing a science park organisation, specialising in urban development and new housing facilities development, argued that a local “housing career” in the city district demanded qualitative schooling, which foregrounded the role of the local education board: “If the quality of schooling increases, the residents are more likely to stay and make a ‘housing career’ by buying a community housing apartment or a small house. If schooling doesn’t work, that won’t happen,” he argued (Science Park Representative #1). The Chief Financial Officer (CFO) of the municipal real estate company, having the final overall responsibility for project costs, argued that the quality of schooling was critical to all the other project goals:

The key to the problem is the quality of schooling, for sure ... It’s all about engaging actors with the competence to run education in a good way. We can act as some kind of facilitator of all this ... but we definitely cannot accomplish these things on our own. So we need to enroll City Hall and the education board, and so forth. That’s of key importance. (CFO, Municipal Real Estate Company)

The concern is that the education board is managed on the basis of legislation, political objectives, and professional norms that create few incentives, or possibilities, for agency officials to commit specific resources to certain school districts, even in case of, for example, an urban development project in a particularly socially vulnerable city district benefiting from such concessions, and potentially serving as an exemplary case for all city districts if successful. The project pre-study coordinator remarked that the education board acts on the basis of an “individualized perspective” on the basis of current legislation and policies, i.e. professional norms prioritise the individual pupil’s welfare over broader socio-economic interests. Therefore, education board officials would presumably say: “We mustn’t treat individual students differently because we serve individuals, not geographical areas” when asked to reallocate additional resources to certain school districts said, the project pre-study coordinator. “There is a variety of equal rights policies, and so forth, involved here,” she clarified (Project pre-study coordinator #1, Female). Additionally, the science park representative accounted for these administrative and legal conditions thus: “The new education board

director manages 178 school leaders and schools. Why would he invest extra money in this particular school? That's the challenge. How can we incentivize the city administration to prioritize *this* city district?" (Science Park Participant #1).

Second, as regards the safety of the city district as perceived by the residents, largely premised on street crime and gang-related criminal activities, the regional and local police authorities were informed about the project activities, but asserted their authority to make decisions regardless of local project goals and related activities. In fact, the city district was not particularly hard hit by criminal activities in comparison to some other city districts: However, the project participants were concerned that housing prices, especially in newly-produced units, would be negatively affected by the presence of street crime, e.g. drug dealing, ultimately rendering the city district unattractive to invest in for private companies acting on the basis of current market rules. Discussions were maintained between the project leader and the local police station regarding how to handle the situation, and the integrity of the police authority, making the decision on how to allocate resources over the whole metropolitan area an issue that remained for the project team.

Thirdly and finally, the relatively low level of commercial amenities was targeted as a concern for the urban development project. A local shopping mall was in a bad state, and had gradually become a location where local groups of boys and young men socialised, with several members of the project team perceiving this to be a safety concern. With commercial facilities being closer to the regular day-to-day activities of the project participants than educational affairs and police work, the city district's commercial centre was widely regarded as underdeveloped: However, this issue was within the domain of the decision-making authority of the municipality-controlled real estate companies. Unfortunately, the outbreak of the Corona virus epidemic in the spring of 2020 did not improve the business climate, and the project team was concerned about how to amend the situation.

The benefits of amenities: higher real estate stock valuation, increased risk-taking among residents, and the virtuous spiral

Urban development projects are inevitably rooted in economic and financial interests, with amenities being part of the housing-related assets being valued and priced. Improved amenities, including advanced

educational services, perceived safety, and an attractive supply of commercial services, were expected to increase the welfare of the residents, in turn raising the valuation of real estate and thus benefiting all agents, and presumably also generating a virtuous spiral that increases economic and social welfare. Representatives of the municipal real estate companies, e.g. the CFO, argued that the standard valuation methods for the housing stock were a key concern as they largely determined the bottom line, and the solidity of the corporations:

The [housing stock] evaluation is very important. It affects all of our key performance indicators, how we perceive risks, and so forth. What is our leverage, how much can we borrow in relation to the value of the housing stock, and so forth? (CFO, Municipal Real Estate Company)

The project leader, representing the municipal real estate company that owned the majority of the rental units in the city district, also underlined this financial accounting model as the ultimate performance measure of a successful urban development initiative:

In terms of real estate valuations, if we can move [the city district] up a few steps on the ranking scale, then we can increase the market value of the housing stock. Historically, we have done a few of these transitions ... Automatically, the value of the real estate stock appreciates. (Project leader, Municipal real estate company Male)

The centrality of amenities, both in term of "positive" amenities (e.g. parks and recreation areas, quality of public transportation, etc.) and the absence of "negative" amenities, is particularly pronounced in city districts dominated by low net-worth households with limited purchasing power, not least because the level of risk-aversion can be expected to be considerable in such market segments. The creation of new housing, renovated housing units, and the amenities affecting the market valuation of the housing stock favourably is a form of "market making activity," argued one of the project representatives, here cited at length:

If I examine the economic potential of the project [itself], it's rather meagre. That's fairly obvious. During the start-up meeting, the [municipal board representative] addressed which performance metric we would regard as the most important. For [the municipal board] it is the quality [of housing]. But for us and [other private real estate developers], it is clearly the financing. Everything that's included in the building plan risks driving costs and thus undermining the whole project. The financial headroom is quite low: In the best case scenario, there would be a small

return. In principle, this is a break-even project for us. (Business developer, Municipally-owned Housing Development Company, Male)

In their specific roles, municipal real estate companies respond to political objectives, while at the same time being managed on the basis of commercial performance metrics so that they generate a net return for the tax payer. This means that, in the entire portfolio of assets and projects, some activities can be subsidised when this is, for example, politically motivated. That is, higher returns from more affluent city districts can be transferred to city districts with lower economic margins. In contrast, when it comes to private companies, each new construction project needs to cover its own costs in full. "For quite a few years now, there haven't been any subsidies in new housing production, but a few do remain, though. It's basically a market [today]," said one private company business developer (Business Developer #1, private company, Male). Consequently, new construction projects need to be developed on the basis of actual market demand, and the purchasing power of the potential buyers, not on the basis of some fictional ideal case situation, as stipulated by, for example, policymakers. Another private company developer, representing a cooperative building society in business since the 1920s, argued that making a return on new housing projects is beset by substantial challenges, a concern that was particularly accentuated in weakly developed "micro-markets" in the individual city districts, characterised by low purchasing power, as in the case of the specific city district:

You may think there are considerable returns from new housing production projects. But things change this quickly [makes a gesture with her hand] ... If you've experienced a few downturns ... [you'll know that] it doesn't take a long time for these [projected] revenues to be consumed. (Cooperative Building Society Representative, Female)

At the same time, regardless of all these concerns, urban development project participants are aware of the need to take a long-term perspective, i.e. to also act as "market makers" in city districts where market demand is currently weak, or under-developed: "We've been given this assignment to help create a market," remarked one business developer (Municipally-Owned Housing Development Company, Male).

The Swedish housing market and its market-making model are based on the collaborative efforts of municipal real estate companies and private developers, all subject to the legislation regarding the allocation of land parcels. A key actor here is the Real Estate

Development Bureau, the municipal board assigned the role of servicing all contracts and legal agreements pertaining to new housing projects and urban development activities. In this model, real estate valuation cannot be functionally separated in a meaningful way from the amenities related to a specific housing stock. Urban development projects in city districts dominated by low net worth households are, consequently, more complicated to manage as the project participants cannot assume that the potential buyers of new housing facilities can afford to cover the costs of amenities that collectively raise the attractiveness and market valuation of the housing stock. Under such conditions, costs have to be either covered by other actors (i.e. City Hall re-allocating resources, or municipal real estate companies negotiating rents in ways that *de facto* transfer financial capital from more affluent city districts to less affluent ones), or be in the form of direct funding from state agencies, or philanthropic donors. In the end, housing stock valuation is closely entangled with amenities that are either overlooked in the conventional calculation of urban development project costs, especially if negative amenities such as the presence of street crime are expected to be handled by state-controlled agencies and financed by tax revenues rather than rents, or being too costly to include in project plans. Despite these conditions, urban development projects need to be managed as though amenities matter to both short-term housing stock valuations and medium to long-term housing market-making activities. This generates a number of challenges for project teams, which are now forced to forge meaningful relations with a variety of organisations in order to generate new housing units in markets dominated by households with limited purchasing power.

Discussion

The project team, composed of a consortium that includes representatives of municipal real estate companies, private companies, and city boards, regarded the urban development project not only as a matter of new housing production, as well as the creation of cooperative housing units and the renovation of the housing stock, but also as anchoring such activities in the broader project aim of improving the housing welfare of current and future city district residents. Of particular interest is the presence of "negative amenities," such as "crime amenities" and "substandard schooling amenities" (see Diamond 2016, p. 484). In this view, hard economic calculation and the more "soft side" of

economic affairs are entangled in ways that makes them complicated to fully separate. In practical terms, when investing in housing markets dominated by low net-worth households with limited purchasing power, profit margins are slim. This creates incentives for market actors to externalise their costs to produce these kinds of amenities for tax payers under certain conditions. For policymakers, the externalisation of production costs in order to generate local markets with mixed housing, something which is stipulated as generating positive welfare effects like the tax-base of the city district becoming broadened, is tolerable under certain conditions if this kind of public investment generates net economic and social welfare. To what extent, and on what scale, this “subsidizing” of amenities can be justified vis-à-vis the tax payer is a political matter, as indicated by the empirical case, and it is beyond the scope of this article to outline a model, or rules, for such housing policies.

To enable the joint creation of a lively low-end housing market in socially vulnerable city districts too, the urban development project participants represented a variety of interests and perspectives. Such cross-sectional urban development projects are complicated to manage as they include a great number of participants and interests, and yet, without this variety, the project team would not be able to generate the housing welfare that the project itself intends to generate (ultimately removing the city district from the Police Authority’s list of particularly socially vulnerable districts). As the empirical material indicates, the principal challenge facing the project organisation is that not all the representatives on the project team (e.g. from the regional police authority, and the education board) always have full decision-making authority, instead needing to negotiate project-specific issues with decision-making managers in their home organisations. This means that the project organisation needs to operate in an iterative manner, whereby policy decisions and practical problems are handled in a stepwise manner that requires a certain degree of patience on the part of the urban development project participants.

In the valuation theory perspective applied to the specific case, the line of demarcation between a more strictly economic calculation (based on either market prices or stipulated costs) and the valuation of resources, premised on the “mutual adjustment” of several actors’ “preferences and interests” (Aspers 2018, p. 140), underlines the fact that the creation of local low-end housing markets, as well as investment in housing welfare, is difficult to accomplish on the basis of

formal calculative practices alone. Instead, real estate and construction companies, primarily governed on basis of formal calculative practices, need to collaborate with regional authorities and municipal boards that recognise issues and conditions (e.g. “perceived safety” in the city district, in the case of the police authority, and “quality of schooling,” in the case of the municipal education board) as investment in such amenities are not part of formal project cost calculations. In this view, urban development projects are based on the proposition that economic valuation “does not stand outside of society” (Fourcade 2011, p. 1769): Instead, economic valuation “[i]ncorporates in its very making evaluative frames and judgments that can all be traced back to specific politico-institutional configurations and conflicts.” In terms of urban development projects, market actors may be incentivized to create local housing markets, even when profit margins are thin due to the limited purchasing power of the intended clients: However, the materialisation of such housing markets is oftentimes premised on housing policymaking that is politically determined. “The politico-institutional configurations and conflicts” become salient when local schooling and security issues are addressed in terms of being central to all other project activities, albeit outside of the jurisdictional authority of the project team.

Conclusion

As a well-documented institutional condition, affordable housing is a social provision in the welfare state model simultaneous with real estate assets and mortgage lending being key components of the credit formation process that propels the financialized global economy (e.g. Pattillo 2013). This dual nature of housing, being both a stipulated “citizen’s right” and a financial asset, puts pressure on the state, the cities and the municipalities, as well as municipally-owned real estate companies, to provide advanced yet affordable housing, albeit under the influence of the profit motive. These challenges are particularly pronounced in city districts that primarily host low net-worth households with more limited possibilities of borrowing money to purchase homes under current conditions. A key policy question is why affordable housing appears to be a very complicated issue to handle for a variety of welfare states over a considerable period of time. Concepts such as gentrification and “renovation” (renovation activities that substantially increase rental costs, resulting in tenants looking for new housing facilities, and thus being treated as a

form of “eviction” by default) are indicative of far-from-optimal housing markets. Further scholarly research may shed light on the causes and effects of a low level of housing welfare, not least in terms of how market-based pricing may disfavour certain social groups.

The current case provides a more positive case regarding how municipally-owned real estate companies can improve housing welfare in a collaborative project setting. The empirical study of an urban development project in a blighted city district shows that a local low-end housing market demands cross-sectional collaborations, and that investment in amenities is a *sine qua non* for the creation of such housing markets. Furthermore, the decision to make such investments often rests with authorities and municipal boards, which have representatives on the project team but still lack any decision-making authority. The study contributes to construction management scholarship by providing a case wherein low-end local housing markets are contingent on investment in public good assets, especially in the case of negative amenities tending to suppress housing prices and reduce the economic and social welfare of the local community. Furthermore, valuation theory, separating valuation and price-setting, is introduced as a fruitful approach to studying how investment in amenities is justified because it makes low-end housing markets more attractive and robust.

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