New Urbanism on a Grand Scale:  
The Challenges for Large-Scale, Multi-Phase  
Master Planned Developments

by

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Submitted to the Program in Real Estate Development in Conjunction with the  
Center for Real Estate in Partial Fulfillment of the Requirements for the  
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ABSTRACT

New Urbanism has been described as an urban design movement promoting the master planning
and development of communities that have walkable, human-scale neighborhoods while
integrating the necessary elements of modern life such as vehicular traffic and parking, wide-
ranging retail offerings, and diverse employment centers. As its core, New Urbanism attempts to
counter the multitude of problems stemming from the rise of automobile transport and resulting
mass migration to the suburbs in the 20th Century, including sprawl, a lost sense of local
community, lack of diversity, untenable housing and transportation costs, arduous commuting
times, negative environmental impacts, and harmful effects to individuals’ physical health.

There have been a number of smaller – “town-scale” – New Urbanist developments built since
the movement gained traction and formal organization in the 1980s. These communities have
proved their mettle not only as positive social engineering experiments, but also as profitable
business models for real estate entrepreneurs. The context for New Urbanism has changed
greatly over the past several decades. Today, design and development firms are undertaking the
construction of secondary cities and urban nodes with housing units numbered in the tens of
thousands and areas measured in hundreds of acres. These “city-scale” developments carry risks
and uncertainties that eclipse the rather controllable and largely foreseeable nature of small town
development by requiring exponentially larger amounts of capital over periods typically
extending more than a decade. The phasing in of the wide array of product types call for clear
vision, steady leadership, and stalwart relationships, despite the real challenges of fickle political
support, unpredictable economic cycles, and increasingly opportunistic labor pools.

The thesis will primarily focus on Miasteczko Wilanów, a master planned community in
southern Warsaw, Poland. Supplemental research, through comparisons to Kentlands, Maryland
and Pinehills, Massachusetts, will be presented. Through on-site interviews and analysis of
historical documentation, the thesis will aim to 1) present the initial considerations and intentions
of Miasteczko Wilanów; 2) chart the development’s progress and evolution from ground-
breaking to present day; and 3) present conclusions and potential solutions towards better
planning and implementation of similar “city-scale” projects.

Thesis Supervisor: Dennis Frenchman
Title: Leventhal Professor of Urban Design and Planning
Acknowledgments

As is often the case in life, it was a series of fortuitous events that presented me with the opportunity to venture out to Warsaw, Poland in the summer of 2011 and witness first-hand the culmination of over a decade’s worth of planning, negotiation, investment, coordination and construction, resulting in the expansive mixed-use community known as Miasteczko Wilanów. It was an MIT Center of Real Estate alumnus Michael Kazmierski that initially suggested that I look into the community after I mentioned my deep interest in new urbanism and the manner in which developers are integrating its principles in new international projects. I would like to thank Guy Perry, without whom this thesis would not have happened. Guy and his wife, Anna Mirska-Perry were incredibly gracious and kind in inviting me into their firm, IN-VI, for a month and facilitating the data gathering and interviews needed to make this study a reality. Guy’s personal perspectives in community planning, design and development have been tremendously educational and inspirational, and will assuredly stay with me throughout my career in real estate.

To my family, I owe a great deal of gratitude. A special thanks to my wife, Sheila, who has always offered me unwavering support, but perhaps even more so during this rigorous academic year. I thank my parents, Joseph and Anna Olchowicz, who chose to forego numerous personal luxuries throughout their lives so that their children might have the opportunities that they themselves never had.

Finally, I’d like to thank all of the professors, lecturers and staff at the CRE that have been responsible for enriching my life and my passion for real estate.
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Chapter 1 Introduction to Miasteczko Wilanów

The name “Miasteczko Wilanów” literally translates into Wilanów Village. It is a relatively new master-planned community located in the southern part of Warsaw, eight kilometers south of the city center (Śródmieście). As recently as the year 2000, the 169 hectares, upon which Miasteczko sits, were greenfields. The land had been held for decades by a national agricultural university and although many uses were envisioned for the tract through the years, zoning changes were never authorized and it remained barren fields overgrown with wild grass.

A series of events in the 1990s – initiated by Warsaw city leaders and accelerated by capitalistic builders – set in motion the course for a large-scale development at the site. Today, Miasteczko is home to roughly 20,000 people that have chosen it for its convenient location, high quality of life, appealing contemporary architecture, and integration of many everyday necessities into a safe, walkable, and sophisticated community. The developers’ aim from the beginning was to deliver on the principles of New Urbanism, while tailoring the design to respect the historical, cultural, and ecological characteristics of its specific location. A walk through the neighborhood reveals many of its successes, evoking terms such as multi-generational, human-scale, ecologically-responsible, and vibrant. In the background, cranes and dump trucks continue to operate during regular business hours reminding one that Miasteczko is still only 60% completed, with the vast majority of retail, office, and public-use offerings yet to come. It is estimated that the development will require another five to six years to reach fully built-out status.
Despite its numerous accomplishments, Miasteczko Wilanów’s journey to this point has been far from an easy one. As with any project or career that nearly spans a generation, there have been internal ups and downs, as well as plenty of external factors that have proven particularly challenging for the greater vision of the community. Meanwhile other subplots within the project have certainly lent themselves more to a television soap opera than a world class development. There were many instances in which precarious political alliances, short-sighted investment groups, and the far-reaching effects of the global financial crisis nearly turned Miasteczko into a self-fulfilling prophesy. For these reasons, chief planner and development advisor Guy Perry submitted Miasteczko Wilanów to the Urban Land Institute as an entry for its prestigious Award For Excellence in 2010. It was, in Perry’s own words, “a need to pull the project back together” that led to the submission – a reason for the individual stakeholders to leave behind their differences and unite for the greater good. That year brought an unprecedented amount of cooperation as the ULI committee put Miasteczko under the microscope through the various stages of its competition.

The Urban Land Institute saw through the turmoil in the end and viewed Miasteczko Wilanów for what it was: the embodiment of new urbanist principles, a tour de force of contemporary architecture, an incredible achievement of cooperation from many disparate development groups, and a resounding financial success. Perhaps most importantly, the award to Miasteczko was meant to serve as a precedent of smart growth in burgeoning emerging markets across the globe: an immediate example that reasonable density can be combined with mixed uses and environmental considerations to produce strong profits.

This study attempts to document the various forces at play in the planning, development, and evolution of Miasteczko Wilanów. In the process, this report will try to dissect the successes and shortcomings of the project, while providing two other large-scale mixed-use developments as comparables. It will conclude with recommendations and solutions to address similar challenges with future city-scale, new urbanist developments.
1.1 Relevance and Purpose of the Development

It is difficult to sum up Poland’s history in a few paragraphs. One could postulate that great novels, movies and academic careers have been dedicated to the subject, and still they fall short of explaining the many influences at play since the nation’s founding over a thousand years ago. On the one hand, Poland’s rich cultural heritage in the arts is seen in the numerous international accolades bestowed on its composers, poets, and writers. The ground-breaking discoveries by its scientists, astronomers, and intellectuals have had profound impacts on the greater body of technical knowledge. The nation’s ties to democracy dates back to the American and French revolutions, in which top Polish military minds strategized and fought in the efforts to overthrow self-serving monarchies.

On the other hand, Poland has experienced incredible tragedy over its history and even today continues to have an identity crisis with its western allies. It is a country that has twice disappeared off the world map, falling to marauding and conspiring neighbors when its nascent freely-elected governments and democratic ideals threatened the very core of its enemies’ regimes. Poland lost a sixth of its population in the Second World War, and its land was the site of many of the most abhorrent atrocities of the last century. Although its armed forces served under Allied Command and were victorious in toppling fascism in Europe, the nation was effectively surrendered to Russian imperialism at the Treaty of Yalta. Even after battling and emerging from Communism, joining the NATO alliance, and subsequently being accepted as a European Union member, Poland is often mistakenly called an Eastern European country – a clear reference to its Soviet Bloc past – even though the country sits at the center of the continent.

*Aerial photographs of Warsaw, Poland in 1935, 1948 and 2010, respectively*
All this is to acknowledge that there were and continue to be many emotional factors surrounding the planning, design, and construction of Miasteczko Wilanów. Most pressing was the need for the development to be a definitive move away from the characterless communist block housing littering many of the country’s urban landscapes. Simultaneously, it couldn’t be so modern as to render irrelevant the historical significance of its specific Wilanów location. From the start, Miasteczko was meant to be a precedent for mixed-use building not only in Warsaw, but greater Poland, and perhaps even the whole of emerging Europe.
1.2 The Context: Warsaw Poland

Warsaw is the largest city in Poland (38 million inhabitants), and is the ninth largest city in the EU by population. It has 1.7 million residents, and its greater metropolitan area numbers 2.6 million people. Warsaw lies on the Vistula, one of the few remaining wild rivers of Europe, and is equidistant from the Baltic Sea to the north and the Carpathian Mountains to the south. It is one of several major cities in Poland: Kraków (1.3 million residents), Łódź (1.2 million), Gdańsk (1.1 million), Poznań (1.0 million), Wrocław (1.0 million), and Szczecin (0.9 million). Upper Silesia, which is comprised of ten different cities including Katowice (0.3 million), is Poland’s largest metropolitan area with roughly 2.7 million residents.

In 1992, the newly democratically-elected Council of Warsaw (chief city legislative body) adopted the “Greater Warsaw Development Plan”, which sought to reorganize the city’s zoning and development guidelines to facilitate capital investment in real estate projects. This had several major impacts on the eventual site of Miasteczko Wilanów. First, it allowed the expansion of Warsaw’s formal borders from the original seven central districts in 1994 to all eighteen districts of greater Warsaw by 2002. The District of Wilanów, which always considered itself part of Warsaw despite its autonomous town government and budget, was hence placed under the jurisdiction of the Warsaw city legislature. Second, the Council of Warsaw saw
to it that each district kept its own administrative body so that a local level of representation remained intact and directly answerable to its immediate constituency. Third, the city approved large-scale zoning changes that created a development belt extending southward from the traditional city center to the outer-lying towns of Konstancin and Piaseczno. This was meant to direct much-needed residential construction to the most sensible, buildable locations, as seen by city planners. As the District of Wilanów was right along this southern band, the long-held parcel by the university could now be recast as a new development property and sold to private parties.
The Greater Warsaw Development Plan was an attempt to spur growth and settlement to the south of the city’s center. Whereas Wilanów was historically a sparsely-populated farming community with vast, underutilized fields, it was now looking at the prospect of significant commerce growth from the waves of new Varsovians that would be relocating to populate its future communities. To provide a means of comparison, Wilanów was the fourth largest of Warsaw’s eighteen districts by land mass; however, it ranked last in terms of population and had by far the lowest density of all Warsaw districts at less than 500 persons per square kilometer. As stated by Andrzej Krzyspiak, vice-mayor of Wilanów district council in the early-2000s, “we consider the (Miasteczko Wilanów) project a model for the district’s growth…an area of 36.2 square kilometers until only recently 15 percent zoned for development, now almost 80 percent rezoned for redevelopment.” (Perry, 2001)
1.3 Wilanów Palace and the Royal Route

Wilanów may have been a sleepy farm town for most of its existence, but it was also steeped in culture and history due to its centuries-old ties to Poland’s nobility. The formidable presence of Wilanów Palace, directly to the site’s east, and the final stretch of the Royal Way, running along its northern boundary, demanded that the future development of Miasteczko Wilanów be truly remarkable. Although the Palace and Royal Route may have been considered marketing and sales points down the road, there was no doubt that the sensitive nature of these landmarks needed to be respected and worked into the greater feel and design of Miasteczko Wilanów.

Towards the end of the 17th century, Wilanów Palace was built for Polish King Jan III Sobieski as a summer residence – like many other European manors – removed from Warsaw’s busy city center. The estate is representative of baroque architecture and blends elements of French royal court and garden, Italian suburban villa, and Polish aristocratic mansion. The interior of Wilanów Palace is decorated with antiquities and tributes attesting to the grandeur of the royal family and King Sobieski’s significant military conquests. Over the years, the palace has been owned by a number of Polish magnate families and statespersons, who have preserved the historical integrity of the property and opened the estate to the general public with a variety of cultural events, including classical music concerts and artwork displays. Wilanów Palace is considered a national treasure to the Poles; in 2006, it formally became a member of the European Royal Residences association.
The Royal Route, or Royal Way, is a lengthy line of boulevards that commence at the heart of Warsaw’s Old City and conclude at Wilanów Palace (please refer to map on page 10). The approximately 15-kilometer long route is yet another archetype from Poland’s regal past, lined with classically designed landmarks of royal, aristocratic, academic, and cultural significance. Beginning at the first avenue, Krakowskie Przedmieście showcases the Royal Castle, Castle Square, historical churches, and other landmarks.

The next avenue, Nowy Świat, is lined with old world street cafes and restaurants interspersed with national museums and exquisitely restored parliamentary buildings.
The route then turns into Ujazdowskie Avenue, which runs through the historical church and luxury retailers of Place of Three Crosses Place as well as several art and military museums.

The boulevard next turns into Bewederska, a tree-lined avenue with the presidential residence of Belwedere and the exquisitely manicured parks of Łazienkowski.
The route continues south as Jana Sobieskiego through the District of Mokotów before bending east as Aleja Wilanowska and coming upon Wilanów Palace.
Chapter 2  Procurement of the Site

The land, upon which Miasteczko Wilanów sits, had been held for decades by SGGW (Warsaw School of Agriculture), even though it wasn’t utilized for any specific purpose during that time. Under Soviet control, the site was intended to be used as a Communist Party resort since at least the 1950s; however, the necessary building permits were never attained by hopeful bureaucrats. The passage of the Greater Warsaw Development Plan in 1992 was the first government action that conjured any real development at the site. Soon after the legislation was enacted, initial planning studies were conducted for the Wilanów area.

In late 1995, city authorities announced a nationwide planning competition, based on the preliminary studies’ recommendation that development should be concentrated in the area delineated by the three main access roads of Wilanowska (from Royal Route east to Wilanów Palace), Klimczaka (a east-west boulevard through the center of current Miasteczko), and Królewska (a north-south thoroughfare also cutting though Miasteczko). Polish design firm, DJiO, won the competition and began planning work on the eastern half of Miasteczko (directly across from Wilanów Palace and Gardens) in 1997. Soon afterwards, design firm BPRW commenced work on the land that is currently the western part of the development and accelerated the planning of the area. It was at this point that several new business entities emerged as the new proprietors and advisors that would shape and fulfill the vision of what would become Miasteczko Wilanów.
2.1 Parties of Interest

SGGW had been trying to sell its Wilanów land parcel for several years, even through the City of Warsaw-commissioned studies and planning work. In the late 1990s, a Polish company by the name of Prokom Group initiated a series of negotiations with the college and district government. Prokom’s real estate subsidiary, Energobudowa, had successfully built a few smaller residential projects in Poland’s major cities and it was exploring the possibility of a gated-community development in Warsaw. In 1999, a settlement was reached and the company became owner of 169 hectares of SGGW’s land holdings.

For Prokom, this was a bold move into unchartered territory given the unprecedented size and strategic location of the parcel. Perhaps more importantly, the company had very limited experience in large-scale real estate development, as was the case with most builders in Central Europe at the time. At its core, Prokom Group was an investment vehicle for K.R. (name withheld), a former military official described as “a serial entrepreneur” in the newly liberated and capitalistic Poland. An early endeavor for K.R. was in the pharmaceuticals industry. Although not an engineer, he started a company that was successful in creating a new formulation of insulin on an industry-wide scale. The entity, Bioton, was extremely profitable and its subsequent offering on the Warsaw Stock Exchange generated a massive profit for K.R. Meanwhile, another Prokom subsidiary was producing proprietary software for the Polish defense and intelligence ministries, government sectors in which K.R. had extensive relationships. Suffice to say that Prokom was no stranger to diversification. K.R. was now looking to pursue yet another significant but uncorrelated opportunity: the growing real estate market in the south of Warsaw.

Prokom paid roughly $110 million for the Wilanów site, using some of the proceeds from the Bioton IPO as well as a loan from a Polish commercial bank for the remaining 75% of the purchase price. The job of leading the development project fell to Zbigniew Okoński, a top ranking official at Prokom that by his own admission had an undefined role at the company up to that point. According to Okoński, K.R. basically told him: “ok, this is now your role, figure it out.” Okoński was, in any case, extremely well-suited to lead Prokom’s newly formed real estate group. He had studied economics at the University of Gdańsk and business administration at
Michigan State University. He had previously served as Poland’s Minister of Defense in Lech Walesa’s cabinet and had already led several other new enterprises in the country’s nascent capitalistic economy.

K.R.’s initial idea was to subdivide the Wilanów land and resell the smaller plots as quickly as possible. K.R.’s short-term approach to monetizing investments worked with his past startups and he hoped Prokom would be equally successful in Wilanów. However, Okoński quickly realized that no homebuilder would want to buy small plots in a tract of this magnitude. Besides, he knew that attaining the zoning changes was absolutely necessary to make the parcels saleable to other builders. Additionally, there was no way the District of Wilanów authorities would grant approvals to a master plan that didn’t respect and incorporate the cultural significant of the neighboring Palace, Gardens, and Royal Route. Furthermore, Prokom suffered from a lack of knowledge in large-scale community development and it simply didn’t have the financial means to drive a project of this size on its own. The Wilanów strategy needed to be reconsidered as it was beginning to look more and more like a multi-year, billion dollar project. By this time Prokom was already exploring other options and making inroads with some of the top real estate advisory firms in the world.

In 1999, Prokom hired TrizecHahn (TZH) as its chief planning and development advisor. TZH Founder and President Peter Munk introduced Okoński to Guy Perry late that year, and thus began the business relationship that would produce the vision, design standards, and leadership for Miasteczko Wilanów over the next decade. Guy Perry was Senior Vice President at TZH and had a formidable resume entering this project: dual architecture and planning degrees from Harvard’s Graduate School of Design; early career work under world-renowned architect Ricardo Bofill (Barcelona Olympics; the Antigone district of Montpelier, France; SWIFT headquarters in Brussels); seven years in a global advisory capacity for Kajima Corp; numerous presentations on smart growth before the United Nations, MIPIM, ULI, and other international bodies; an Emmy Award for a Smithsonian Institute documentary; and numerous design awards, including two for his redevelopment of the Palma de Mallorca port, one of which was leading a Harvard University group of graduate design students. It was his strict adherence to sustainable
building and New Urbanist principles that proved most instrumental for the future of Miasteczko Wilanów.

*S.W.I.F.T. Headquarters - Brussels*  
*Antigone District - Montpellier, France*

*INEF – Barcelona Olympics*  
*Corvin Setany - Budapest*
2.2 The Goals
Guy Perry began by coordinating the existing planning work into a greater scheme of a self-supporting mixed-use development. By that time, a newly privatized state agency, BPRW, had taken DJiO’s ground work and advanced it to near permitting status. Perry left the scale and organizational features of DJiO and BPRW’s plans intact, but defined the programmatic and phasing elements for the first time. Of significance, he was successful in changing K.R.’s mindset by showing how Miasteczko could be much more profitable if the emphasis was shifted toward a long-term rollout of a greater integrated community. What Poles truly desired, he explained, was a mid-sized town that would incorporate the various elements of residential, retail, office, and community facilities on one site. His vision was one that harkened back to the beauty of pre-war Warsaw: a mid-rise city of tree-lined streets and classic architecture that historians likened to a Paris of Central Europe. It was this Warsaw that was leveled in the 1940s and replaced by Communist central planners’ monolithic designs and vast barren spaces devoid of any character. Guy Perry argued that it was nonsensical to repeat the mistakes of the past by throwing buildings up simply to meet short-term goals. Rather, this was an opportunity to create a truly unique development in line with the ideals of old Warsaw.

Perhaps most importantly, Perry viewed the construction of a New Urbanist development as the perfect expression of democracy and this was what was vitally needed in Poland. In his mind, Poles had battled Communist repression for years and now in the haste of capitalistic success, the wealthy were once again separating themselves from the masses with high gates and private communities. A simple reallocation of power – in this case, money – was causing a new generation to repeat the same mistakes once again. However, a new urbanist development, with its mix of uses, generations, social classes, and income levels, kept everyone involved with the community. The focus in new urbanism was not on the dividing walls, but on making the streets everyone’s business. It represented individualism, civic involvement, inclusivity, and mutual respect.

Finally, Perry’s own multi-cultural background was very influential in his approach to Miasteczko. Being of both French and American descent, Perry grew up in the suburbs of Saint Louis, Missouri, and travelled each summer with his mother to her native Nancy, in the northeast
of France. Nancy, itself, had a significant historical relationship to Poland. In the early 18th century, exiled Polish King Stanislaw’s was granted the Duchy of Lorraine by his son-in-law Louis XV. The capital city, Nancy, had seen significant damage through several wars and Stanislaw immersed himself in its reconstruction with many leading French artists and architects. Under his guidance, some of finest squares in all of Europe were built in Nancy, eclipsing even the beauty and harmony of those in Paris.

Perry was inspired by Nancy’s Place Stanislas from an early age, and certainly the irony was not lost on him: a Pole was responsible for some of the most beautiful urban design in all of France. Unfortunately, once he arrived in Warsaw he found that Poles were not only unaware of this fact but they were totally ambivalent to its cultural relevance. In fact, Polish developers wanted to forge ahead and put a gated community of single-family homes directly across from some of Warsaw’s most exquisite architecture, the Wilanów Palace and Gardens. Changing the mindset of local developers was a challenge and a necessity. Miasteczko was a unique site and Perry greatly desired to be a part of its development. This was a major factor in his choosing to take on and stay with the development over the following decade.
2.3 The Case for Smart Growth

Guy Perry’s American roots also made him plenty aware of the perils of building for the here and now. In Saint Louis, as with many U.S. metropolitan areas, the affordable automobile – easy-to-attain and accessible to the masses – greatly altered the landscape of America in the middle of the 20th century. Travel became convenient and location became less relevant. The creation of the Interstate Highway System had the dual effect of facilitating national commerce and opening up the country to new residential and commercial settlements that had previously been concentrated around city centers. Factories could now locate pretty much anywhere, no longer constrained to waterways and ports for shipment of materials and export of finished product. Individuals were more than happy to buy into newly constructed subdivisions with cheap tract housing and spacious backyards. Who would want to live in overcrowded and polluted inner cities when suburban utopia was for sale en masse? The “American dream” of land ownership and freedom of movement was seemingly satisfied overnight.

In the wake of the great exodus to the suburbs, U.S. urban centers were vacated and soon were facing a cataclysmic fate of their own. Many cities could not afford to maintain their existing infrastructures with a diminished population and lower tax base. Roads, parks, schools, and cultural offerings went by the wayside. To boot, urban conflict brought on by racial strife, a controversial foreign war, a deep economic depression, and rampant unemployment further evacuated the remaining bits of life in formerly proud cities during the 1970s. New York City nearly defaulted on its debt and was infamously derided as “murder capital of the world” during
the decade. In a sense, suburbs became more than just a better alternative; they became the great escape from the crime, corruption, and bedlam rife across the U.S.’ inner cities.

However, suburban life was an easy solution. As with many quick fixes, it took some time to realize the problems inherent with the new way of American life. The low density of subdivisions meant that the car became more than just a convenience to take care of basic everyday tasks – it was an absolute necessity. As more people moved into the suburbs, the limited amount of roads that were used for shopping and work commutes became capacity constrained. Furthermore, the lack of a truly coordinated central planning effort led to sprawl: single family housing developments in one location, office buildings and industrial complexes in another location, and retailers occupying any available space along the roadways between them. Traffic became the norm with an increasingly large part of the average day dedicated to transportation.

The suburban model had numerous secondary issues as well. Whether it was the Levittowns of the 1950s or the McMansions or the 1990s, there was little if any differentiation in the housing within the new subdivisions. The result was a loss of identity across those communities.
Then there were the sustainability concerns, questioning if this was really the new way of life that would replicated for generations to come. For one thing, suburbanites were not any healthier living in their single family homes. As auto transport became the only way to get anything done, health standards declined as well: waistlines grew, hypertension set in, and the rate of diabetes and other chronic diseases skyrocketed. (Howard Frumkin, 2004) Then there was the rising cost of living in such an individualistic, scattered manner. High oil prices made car transportation more expensive. Perhaps most importantly was the fact that the single family house was an incredibly energy inefficient, fossil fuel demanding structure. (Howard Frumkin, 2004) All of this suggested that the utopia that suburban America originally appeared to offer was conflicted and presented its own dilemmas.

In answer, Guy Perry saw many of the answers in his French roots and familiarity with Western European cities. “Europeans have long been leaders in shaping cities for the long term. The cities, treasured by their residents and admired by people worldwide as integrated places to live, work, and play, use their resources efficiently and already have proven their longevity,” Perry posed. “Planning policy throughout Europe today consistently follows the mixed-use, high-density formula that has characterized European cities for centuries. The reasons for this are: 1) Population Density: Density creates a dimension of social dynamism, interaction, and cohesion that is the exception rather than the norm in American cities. 2) Urban Culture: European cities remain the center of employment, culture, and power – and most people want to be close to them. 3) Preservation of the Countryside: Ecological issues have broad-based support because of perceived limitations of space and natural resources. 4) Transportation Infrastructure: Density in
Europe allows for transportation options that often are not viable in the low-density North American suburbs.” (Perry, 2001)

In Wilanów, Perry saw parallels to the Saint Germain-en-Laye neighborhood outside Paris that he became familiar with in his youth. The Parisian suburb had a palace at the center of the town, much like Wilanów. He saw that context as a suitable model for the new Warsaw community, rather than disparate elements haphazardly thrown together across many U.S. metropolitan areas. “In Saint Germain-en-Laye, you got around on foot or by public transport. In Saint Louis you couldn’t get anywhere except by car.” (Stephens, 2003)
2.4 Program

With Guy Perry’s involvement in Miasteczko Wilanów, it was established early on that the project would have an overriding New Urbanist philosophy that would draw on the numerous international developments he had worked on throughout his career: “A well thought-out project may create a more sustainable community, one which supports long term value through a careful mix of uses, humanly proportioned public spaces and safely conceived streets. The needs and comforts of people who will soon find themselves in these surroundings is our foremost consideration.” (Ciemniewska, 2002)

Opinion polls were conducted in the Wilanów district inquiring into residents’ consumer and commercial needs, favorite ways to spend free time, and views on the evolving Miasteczko planning and design. Evaluations of potential impacts on local ecological and historical sites were commissioned. Traffic pattern studies, particularly focused on ways to extend the existing Royal Route access points down through the site, were carried out. A program considering municipal transportation additions, including the possibility of a new tram line from Miasteczko to the Warsaw city center, was examined.

In 2000, Guy Perry branched off and created a new design and development advisory firm, Investment Environments (“IN-VI”), to further his mission of creating sustainable community environments in emerging markets. TrizecHahn was already beleaguered by extensive partnership difficulties with its “Eisenbahn” project in Frankfurt, Germany, and it was soon reevaluating its international platform, including its presence in Poland. Through negotiations, IN-VI was able to take on the entire Miasteczko advisory role by the middle of the year.

By autumn 2000, a master plan for the western and eastern parts of Miasteczko was submitted to the Wilanów District Council. The plan envisioned 2,000,000 square meters of total buildable space once completed divided across mixed-uses of multi-family, single-family, office/research, retail, private and public schools, government buildings, places of worship, and a hotel. A significant part of the site was dedicated to green space, which should not have been unexpected given Perry’s mantra of incorporating existing plant life and waterways into developments:
“Plazas, canals, parks, and landscaping are the organizing features of the community – those common areas are the trademark of any world class city or neighborhood.” (Perry, 2001)

Additionally, a higher floor-area ratio (FAR) density of just under 2.0 would provide an easily walkable, pedestrian-friendly community. Additionally, Miasteczko’s structures would have to meet two building regulations in its design and construction. The first requirement was that a minimum of 50% of total land would have to be set aside and protected as biologically active areas. The second involved residential building heights, specifically that the fourth floor of each housing complex would be set back at least one meter from the lower stories, and that only 50% of the highest fifth floor would be buildable. The latter regulation was an outright attempt at social engineering as it forced developers to be creative in working top floor villas into their designs. These rooftop villas would be critical to attracting a wealthy subset of the Warsaw population into the community, which in turn would elevate the prestige and marketability of the new development. Furthermore, the overall height restriction of residential buildings would intentionally subjugate them as “role players” to Wilanów’s “main stars” of the Palace & Gardens, Temple, and escarpment at the western border.

Miasteczko would provide a higher concentration of multi-family residential buildings at the center of the site, which themselves would have retail and service offerings throughout their ground floors. Each block would be built along the perimeter, leaving a common space at the center open to the elements and for private use of its residents. The center courtyards would have vegetation, plant life, and typically a small playground for young children. Each multi-family building was also required to construct at least 1.5 underground parking spaces per
apartment unit to satisfy the goal of putting 90% of neighborhood vehicles in private residential garages.

Miasteczko Wilanów residential orientation

Miasteczko Wilanów master plan
At the north-eastern end of the community directly across from Wilanów Palace and Gardens, would be the new District of Wilanów Town Hall, with a public square fronting the palace, creating an urban ensemble. This would be a major upgrade of the existing government offices and serve as a testament that municipal representatives and officials are a real and prominent part of the new Wilanów. This area would also have several smaller plazas that could have secondary uses, such as a local farmers market and a public playground for children.

On the eastern side of Miasteczko just south of the Town Hall would be a large and diverse retail center with: a Royal Plaza such as found in many European squares, a Water Plaza that would serve as a local meeting and gathering point, and a grand outdoor shopping plaza. Importantly, this commercial area was intended to be a major shopping center not only for Miasteczko Wilanów, but for the whole of southern Warsaw. Retail options were sorely missing in the Wilanów vicinity up to that point. Many local residents had to travel considerable distances either into the city center or south to the outer-lying town of Konstancin to conduct everyday purchases. For this reason, the retail plaza intended to satisfy a functional need and also be a landmark for the district in reflecting the status of the Palace. Contemporary designs for storefronts were meant to engage and invite browsers into the shop.
The southern part of Miasteczko would be the employment center of the development with a mix of office, research, and medical facilities. Since a future Warsaw ring-road, the A-2, was planned to cut through this section of Miasteczko, the design team strategically placed the office park there to 1) create a noise and pollution barrier for the rest of Miasteczko and 2) capitalize on the visibility and marketability of its future signature corporate offices from the highway. Furthermore, an office park with convenient highway access could potentially draw from the labor pool of nearby communities, in addition to its own local Miasteczko residents. This commercial area would be a complement to the other residential and retail areas of Miasteczko, again accessible by foot and reflecting a contemporary style. Talks were already underway to locate a top-ranked hospital to the site. Additionally, some multi-family and high-end single family homes would be placed on the outskirts of this area.
The center and western side of the development were set aside for the core cultural institutions of new community: a place of worship, public elementary and high schools, and private international schools. The most prominent building in this complex would be the National Temple of Divine Providence, located at the intersection of two main byways: Rzeczpospolita and Klimczaka. Although the temple could be viewed as yet another shrine in the predominantly Catholic country, the 40-meter high structure goes far beyond being a singularly-focused place of worship. Over 200 years ago, an idea was originally proposed for a national landmark that gave thanks to Poland’s first democratic Constitution. The concept was revived in the early 1990s by Warsaw primate Cardinal Glemp and he specifically pushed for a Wilanów location as the district was being repurposed by Warsaw’s city leaders. At the time of this writing, the temple has taken on other meanings, including the celebration of Poland’s victory over Communism – an archenemy of the church throughout its regime – and the remembrance of the late Pope John Paul II. Importantly, going forward all Polish Presidents will be laid to rest in the temple’s catacombs, entitled Pantheon of the Great Poles. Already buried at the site is Poland’s last President in exile Ryszard Kaczorowski.

The north-western part of Miasteczko was zoned for additional multi-family residential development. However, it bears mention that this particular section was built into a conservation zone that had several ponds and a small lake. The ecological sensitive nature of this parcel required construction of a canal around one building footprint. IN-VI’s landscape architects were also able to craft two wooded parks in this area, one larger and one smaller.
An escarpment runs north-south just beyond the western boundary of the development. This provides an additional scenic feature to the development: a natural topographic incline densely populated with beech, oak and pine trees. As this area is prone to erosion and flooding, it is protected as a conservation zone by the City of Warsaw. The strip of land at its base, which is contained within the limits of Miasteczko Wilanów, is wet and considered ecologically-sensitive as well. The master plan denoted that this area be reserved for single-family housing that is designed and built in a fashion respectful of this environment.

The Miasteczko Wilanów master plan also set aside land for common spaces and recreational activities. The thoroughfares of Royal Axis and Klimczaka would both lead to the Wilanów Palace & Gardens while presenting landscaped canals and wide medians for walks, sports, and casual gatherings along their routes. Every street in Miasteczko would have a separate sidewalk and bicycle path. Just west of the temple and schools would be dedicated recreational grounds for soccer, tennis, and basketball. An ice skating rink would find a home at the Royal Plaza, near the town hall. Lastly, equestrian trails, which dated several centuries back to Poland’s nobility and ran from the stables of Wilanów Palace to two other historical palaces situated at the top of the western escarpment, would be preserved as an important historical element of Wilanów.

Zoning approvals for IN-VI’s community-wide master plan were granted in January 2001 by the Council of Wilanów. The changes were subsequently registered with the City of Warsaw development authority that spring.
2.5 Phasing
Prokom Group and Zbigniew Okoński envisioned that the Miasteczko Wilanów development would be constructed over a ten to twelve year timeframe. The total price of the entire project, once completed, was estimated at approximately one billion Euros. It was acknowledged that other developers would have to be pulled in to realize the project. Miasteczko was simply too large and expensive for a relatively new builder in an emerging market to complete on a solo basis. By the time the master plan was submitted and ratified, Prokom had already been courting outside construction companies, including several major international developers, to purchase land parcels in the project.

Guy Perry was satisfied with his new firm’s position as master planner of Miasteczko and he embraced IN-VI’s role as rule-maker and supervisory body for the subsequent design of individual project elements. New investors wanted leeway to build according to their own designs and specifications, and Perry was happy to oblige. “When they were building the most beautiful European cities there were very strict urban design guidelines and the architects collaborated to make sure the city was going to look coherent,” he stated. “To me, it’s a 20th century notion that one firm designs these big projects.” (Stephens, 2003) Going forward, Perry stressed innovation in the development’s build-out. “We will purposefully be picking young architects who will have to live with what they do for the next 50 years,” he posed. “It’s not about making an architectural statement but about making an appropriate building for the location near the Palace.” (Stephens, 2003)

As part of the land procurement and rezoning process, Prokom had also been talking with local authorities to obtain guarantees and concessions on public infrastructure needs. The Council of Warsaw agreed to an arrangement whereby Prokom would build the public roads and service connections of the community, but would be repaid by the government over a long-term basis. This allowed Prokom to bridge the gap to needed land divestitures since new builders would not buy into the project without having basic services in place and operational.

Furthermore, Prokom was able to reach a compromise for the future site of the Temple of the Divine Providence. The company entered into a land swap with the Catholic Church, which
effectively was a tax write-off for the developer. Much more importantly, the Church would assist Prokom in its efforts to attain zoning approvals on an expedited basis, something a private entity would not be able to do on its own in Poland’s bureaucratic environment. One secured, planning and design for the cultural landmark could commence and serve as proof that the redevelopment of Wilanów was underway. It bears mention that an agreement with the church was significant for Prokom in two additional ways: 1) it pressured subcontractors to set up infrastructure in an expeditious manner since the temple was located at the center of the 169-hectare site and not a single road or bit of public service had been run there yet; and 2) local politicians sought affiliation with the temple project since it ensured the positive opinion of the religiously-devout and patriotic constituency.

In light of these developments, Prokom prepared for the first building phase. Private construction activity would commence in the northeast – nearest Wilanów Palace – with the new Town Hall, public plazas, and several multi-family residential buildings. In the next phase, the outdoor shopping center would be constructed in addition to several multi-family structures uniting the temple site to the Palace. As the project gained traction, other parts of the development would be gradually phased in. The final stages of Miasteczko’s development would see the office park in the south and the single family homes along the western escarpment build-out.
Chapter 3  Project Development

In retrospect, Zbigniew Okoński admitted that getting the rezoning and master plan approved in a year and a half timeframe was something close to setting “a world record”. For one thing, this was Poland: a country with a nascent democratic system that had been mired in bureaucracy for decades. The whole notion that the former farm town of Wilanów was now part of the City of Warsaw was still very new and the dynamic forces at play were a culture shock to many.

Second, it was difficult to get the entire Wilanów District Council on the same page and see the greater vision that IN-VI, and now Prokom, were pursuing. There were considerable trust issues given that other parts of Warsaw were being reconstructed rapidly, often unattractively, for short-term gain. The citizens of Wilanów were concerned about their bucolic fields and historical sites being swallowed up by new housing blocks. Finally, there were outside agents already conspiring against the new master plan. Two big commercial retail groups – Carrefour and Metro Group – were looking to advance their own shopping mall plans in the south of Warsaw. They lobbied local officials to block the Miasteczko retail plaza, which they claimed would over-saturate the market and cause disaster for all. Perry viewed the debate as something to akin to “a beauty contest” and appealed that the authorities “tame the big box mentality” by outright denying the hypermarkets the unattractive, fully-enclosed blueprints they sought to force on the community. In the end, the Wilanów Council sided with Miasteczko in only allowing one retail center in the entire district.

To Okoński, those first two years were truly spent on solidifying key relationships for the following decade. With approvals for the master plan in place, Prokom could now proceed with selling off pieces of the massive project to other developers. Concurrently, Prokom agreed with the Wilanów and Warsaw councils to commit another $50 million for the construction of power lines, water supply, rainwater drainage and sewers, and water treatment capacity. Of important note, the company would actually have to build two separate water treatment plants as Miasteczko was built out: the first plant would temporarily serve the early buildings, while the second one would be centralized and capable of handling the entire development. This duplicative effort significantly added to the costs and complexity of the project. Okoński estimated that total cost of infrastructure improvements, implied value to lands surrendered to the
municipality, and interest on the purchase loan was in the $100-110 million range.
3.1 Successes and Challenges in the Early Years: 2001-2003

By the end of 2000, Prokom had transferred land for the temple and had begun preliminary talks for the sale of two hectares adjacent to the temple to a German private school. While neither of these actions were material monetarily, they did indicate that Miasteczko would be improving the cultural offerings of Wilanów. The following year brought a land sale that provided Prokom its first significant return on investment and established a new partnership structure that the master developer would replicate throughout Miasteczko.

In mid-2001, Prokom sold an 8.4 hectare residential-zoned parcel, abutting the future town center and retail plaza sites, to Israel-based Robyg Development for roughly $20 million. While the land claim (roughly 5% of Prokom’s total land) was sold outright to Robyg, the purchase agreement also created a new “venture for development” entity, in which Robyg would have 51% control and Prokom would remain a 49% minority partner. This is to say that Prokom sold the land free and clear to Robyg, but signed on to be half of the construction, financing, marketing, and sales company that would develop that parcel.

This was a brilliant, if not self-serving, structure by Prokom. In one transaction it was monetizing its land holding, reducing its balance sheet exposure, and signing on for 50% of the upside with rather limited downside on the subsequent building development and sale. The benefit for Robyg was that Prokom facilitate building permitting through its established local relationships and familiarity with the master plan parameters. Prokom would also finance half the development, although it could be argued that its funding requirements would be drawn from proceeds of Robyg’s land purchase as well as a construction loan. The downside for Robyg was that if the development took longer than anticipated, it could be stuck holding a non-performing asset over an indeterminable timeframe. If the project were to fail, then Robyg could potentially lose its Wilanów parcel to creditors. For Prokom, the downside was limited to the money it invested in the new construction project; it did not provide any other guarantees.

From the capital investment perspective, Prokom’s return on the Robyg parcel was tremendous. 

(All numbers are kept at a constant US dollar-Polish Zloty exchange rate of 4.0 over this timeframe.) Prokom bought the Wilanów site at an average of $65 per square meter and
subsequently added roughly $25 per square meter in land improvements. It sold the land to Robyg at approximately $250 per square meter. Considering that Prokom borrowed 75% of the Miasteczko purchase price, the economics were tremendous over a relatively short two-year timeframe. Not to mention that Prokom was still invested in this 8.4 hectare tract as a 49% development partner.

To its credit, Robyg had the first residential building site at Miasteczko Wilanów and was receiving plenty of press coverage as a result of it. By autumn 2001, Robyg acquired construction permits for the site and planned an upscale contemporary multi-family building at the location. The “Queen Marysieńska New Residence” was expected to house 1,300 new Miasteczko residents at completion. The first 60-unit section of the building complex was to open by the end of 2003. Robyg reported in February 2003 that 20% of the Queen Marysieńska project had been pre-sold; by July, the number jumped to 85%. (Wrobel, 2003)

Prokom quickly moved on similar land sale / development partnership agreements. It entered into a joint venture agreement in the same 51% / 49% structure with Wilanów Investments, a new real estate builder co-owned by Poland’s largest bank PKO. This deal was for a comparably sized and priced residential plot next to Robyg’s parcel. Exact terms and conditions were not offered.
Soon afterwards, a contract was reached with the local subsidiary of Spain-based Fadesa Group for a more centrally located and considerably larger parcel. With Fadesa Polska, Prokom secured the sale of 16 hectares north and west of the temple. Okoński acknowledged that these negotiations were considerably tougher than the first two deals since it had a considerable area considered environmentally-sensitive. As a result, Fadesa paid a lower rate than Robyg and Wilanów Investments; the exact figure was undisclosed. Eventually, 2.5 hectares of that parcel was set aside for two separate parks; one larger and heavily-wooded and the other smaller with a canal.

The three residential land deals to Robyg, Wilanów Investments, and Fadesa amounted to a sale of roughly 20% of Prokom’s total land holdings in Miasteczko, estimated at a total price of
around $75 million. As mentioned earlier, Prokom conducted each transaction with the same 51%/49% equity split in the newly-formed development company partnerships.

As for the commercially-zoned areas, Prokom reached a preliminary agreement with Auchan Polska, a subsidiary of the France-based shopping center owner-operator in late 2001. The transaction was for the 14.8 hectares (8.7% of its Miasteczko holdings) directly across from the Wilanów Palace and Gardens. This placed the retail plaza’s fate in the hands of Auchan, an international developer of hypermarkets (big box retailers), supermarkets, and small specialty retailers. Auchan’s plan for the commercial premises included roughly 100,000 square meters of total space, comprised of an 18,000 square meter anchor Auchan hypermarket, 150 additional shops, a winter garden, and 4,000 underground parking spots. Auchan was in search of a foreign investor to co-development the retail town center throughout 2002, but the scale and cost of such a grand project, particularly in a new Central European market, made finding a suitable partner difficult. (Lemańska, 2007)

At the same time, public concerns with the size and location of the big box retailer and greater commercial project started to come to the forefront. Citizens groups organized and protested Auchan’s intentions in the press and petitioned various government authorities to stop the hypermarket. Specifically, Wilanów residents worried that the big box outlet and shopping plaza would destroy the historical and cultural character of the neighboring palace and gardens. Okoński admitted that a more concentrated effort should have been made to meet with those disparate parties and dispel their concerns directly. He mentioned that the original commercial plans were quite respectful of the location but Prokom relied too much on the press as a means of countering the misinformation.

Prokom and Auchan reexamined their plans and negotiated a compromise with the Warsaw building authorities to obtain the necessary permits in November 2003. First, the size of the entire commercial district was reduced by 30% to 70,000 square meters. Second, Auchan agreed to downscale its anchor hypermarket by a third to 12,000 square meters. Third, Prokom guaranteed another $5 million investment towards infrastructure improvements in Wilanów. Fourth, the developers promised to market the retail plaza under the name and theme of historic
Wilanów, eschewing the growing trend of brand-driven namesakes. Finally, Prokom agreed to build a world-class mammography center elsewhere at the Miaszczko site. Although this last concession was admittedly totally unrelated, the Warsaw authorities were looking opportunistically to conjure a public good while answering other critics’ complaints about the lack of modern healthcare facilities in the capital. Auchan and Prokom both appeared set to begin construction in the middle of 2004. (Wilanów Town - A Step Forward, 03)

By 2004, Miasteczko was visibly coming together. Work had begun on the temple at the center of the development and the first residential buildings that would ring the town hall, public plazas and outdoor retail strips were up and welcoming their first residents. The offices at Robyg, Wilanów Investments, and Fadesa were busy and accepting apartment downpayments at faster-than-expected rates. The concept of a large-scale, mixed-use development in the south of Warsaw appeared to be a major financial success. Prokom was profiting handsomely on its initial land purchase and subsequent developers were registering price points at the top end of Warsaw’s residential market.

Soon, new developers were coming into the mix in pursuit of their own residential and office projects. In 2005, Israel Land Development Company (ILDC) entered Poland through its new local subsidiary, Mill-Yon. It bought seven hectares without entering into a partnership arrangement with Prokom. The complex, titled “Aura Park”, targeted the construction of 1,000 apartments across eight buildings. Units would range from 46 to 146 square meters and list at PLN 6,000-7,500 per square meter. Aura Park would be built over four stages starting in 2006. (PMR, 06)
A Polish bank, BRE, purchased three hectares in Miasteczko in 2006 and formed a real estate entity, Skarbiec TFI, to co-develop with Prokom. The residential complex, named “Wilanów - Królewskie Przedmieście” (Wilanów – The Royal Suburb), sought to build 430 apartments in two stages over a three-year period. "The prices of flats depend on numerous factors and will range from PLN 4,740 to PLN 7,900 per sqm," Skarbiec President Andrzej Bartnik said at the time to the purchase. (WBJ, 2006)

In 2008, Acciona Nieruchomości, the local subsidiary of the Spain-based developer, purchased 3.4 hectares directly east of the temple for an undisclosed sum. Its residential complex, entitled “Apartamenty Atmosfera” (Apartment Atmosphere), planned to deliver 258 apartments, 592 underground parking spots, and 1,640 sqm of retail space in its first stage by end 2010. Apartment units would range in the PLN 6,900-11,100 band, while parking spaces would be offered at PLN 13,400 each. (Zdrodowski, 2008)
Hines Interests also entered Wilanów around the same timeframe. It planned its own seven residential buildings named “Impresja Apartments” on roughly four hectares overlooking the Royal Axis. The complex would construct 290 units and a 464-car underground garage, in addition to ground floor retail.

On the commercial side, Skanska announced its own intentions in May 2004. The Scandinavian building giant had purchased a 3.8 hectare plot at the eastern entrance to Miasteczko, within the retail plaza area. It planned two office mid-rises, at roughly 13,000 sqm each, and a 4-star hotel at the site. Skanska expected to commence construction the following year and conclude the first building by the end of 2006. (WBJ, 2004)

International developers snapped up the residential parcels and their new apartments sold very well to Warsaw’s emerging middle class. Land, which was originally purchased by Prokom at $65 per sqm in 2001, was changing hands at roughly $500 per sqm by 2007. Even the
commercial side seemed to gaining traction with Auchan attaining retail building permits and international heavyweight Skanska joining the development. However, not all was right in Wilanów. Several serious issues emerged during this timeframe that would have long-lasting implications for the greater development of Miasteczko, specifically in regards to its phasing.

The first of these was exposed by leading Polish newspaper, Rzeczpospolita (The Republic), in mid-2004. Rzeczpospolita ran an investigative piece on an emerging corruption scandal involving the former deputy mayor of the Wilanów District and Turkish construction company Deniz. The article uncovered that the government official had accepted a $30,000 bribe from the builder in exchange for his assistance to help Deniz win the new Town Hall project in Miasteczko. The payment occurred in August 1999 and the contract award was announced in 2000. Additionally, the same official had signed over two hectares of prime Miasteczko property in August 2002 at no cost to Deniz. The newspaper implied money laundering and tax evasion activity as the deputy mayor was paid repeatedly by Deniz as a “construction advisor”, despite no publically-known role at the firm. At the printing of the story, the individual had ascended to the position of mayor in Wilanów, which served to further damage Miasteczko’s reputation. (WBJ, 2004)

Seeing a potentially crippling investigation on the horizon, Deniz evacuated the half-finished town hall and office buildings. The mayor of Wilanów was soon indicted, sentenced, and imprisoned. Polish authorities subsequently fined Deniz several million Euros for failing to complete the town hall on time, which was really an administrative reaction meant to hasten the unwinding of Deniz’ contracts. In the U.S.’ well-developed and functioning bankruptcy system, the courts would have declared a default and accelerated the asset recovery process. Conversely, Poland’s nascent legal system left a question mark over the properties and placed them in judicial limbo for the foreseeable future. It did not help that Deniz’ joint partner in this specific project was the City of Warsaw. Bureaucratic finger-pointing ensued, followed shortly thereafter by intransigence. The buildings were left as steel and concrete carcasses, directly across the boulevard from the historical palace and gardens.
With building licenses in hand, Auchan also appeared positioned to commence construction of the retail plaza in 2004. However, finding commercial investment partners proved to be very difficult. For one thing, potential partners were concerned about recent permitting difficulties in Wilanów and the chance that the emboldened historical preservation society, local environmental groups, and citizen action committees could once again present development delays. The town hall scandal left the project across the street as another major question mark; the deserted building quickly became a graffiti-littered eyesore, further repelling potential retail partners. Perhaps most importantly, the whole concept of an outdoor shopping plaza did not fit easily into mindset of many European retail developers for Central Europe. Many were set in their ways of producing fully-enclosed indoor malls, reminiscent of the regional mall model built throughout the U.S. in the latter half of the 20th century. Although “the mall” had been scrapped decades earlier in the U.S. in favor of more natural walkable outdoor shopping villages, the idea was a tough sell in Central Europe, even though there was no shortage of evidence supporting its better economics and longer-term sustainability. For one thing, the most successful shopping plaza – as measured by retail sales and rental rates – in Poland was Galeria Mokotów, situated in a neighboring district of south Warsaw and no more than 10 kilometers from the Miasteczko site. Mokotów was a massive upscale indoor mall built in the late 1990s, similar in style to Natick Collection in Massachusetts. Despite its nondescript design, the mall benefitted tremendously from its location in a very densely populated area of Warsaw, its proximity to multiple public transportation lines, and the lack of competing shopping venues near its vicinity. Furthermore, a brand new 205,000 sqm indoor shopping, entertainment, and office center, “Złoty Terasy”
(Golden Terraces), was undergoing construction right in the center of Warsaw at an estimated cost of 500 million Euros.

Guy Perry continued to reiterate the many advantages of the outdoor plaza in the local press. He cited Easton Town Center in Columbus, Ohio as a prime example of an outdoor retail that could thrive in a winter climate harsher than Warsaw. “When Steiner (co-developer of the project) was looking for financing (in the 1990s) he couldn’t get any. People thought he was nuts to put shops outside,” Perry stated. “Now it’s driving the highest rents (in the state of Ohio).” Still, investors were slow to sign on to Auchan’s plans and the start date for the retail plaza construction languished. (Stephens, 2003)

In another blow to the town center development, Skanska pulled out of its office and hotel project in the middle of 2008. The Scandinavian builder sold its 3.8 hectare parcel to Canada-based Capital Park for €11.4 million, booking a €9.1 million gain over its four-year holding period. Despite the attractive profit, Skanska remained unhappy with the direction of Miasteczko and voiced its concerns to the press. “We are selling these building rights because the Wilanów area is turning into a residential area with elements of retail. That is outside our
focus, which is developing commercial premises with a high environmental profile. In recent years, the price of building rights in Poland has developed strongly and we will receive excellent returns from the sale of the land, which we acquired in 2004,” said Lars Vardheim, president of Skanska Commercial Development Europe, in a press release. For its part, the new owners acknowledged the difficulties in deflecting the criticism. “We’d like to create an alternative to the dominant residential function of the area,” stated Artur Pietraszewicz, Director of Capital Park Marketing and Sales. “A critical mass of residential development has now been reached in Wilanów, so it’s going to need some complementary functions.” (CiJ, 2008)

Yet another drag on Miasteczko’s timely roll-out of product types involved the lead developer Prokom. The company was experiencing phenomenal success with Miasteczko, but its investments were largely concentrated in the one Wilanów project. Prokom desired to diversify within the booming Polish property development market and it viewed a complementary merger with another engineering or construction company as the quickest way to achieve that goal. By 2004, Prokom Group had built a substantial stake (31% equity interest) in fellow Polish builder, Polnord SA. Although the companies had held discussions about combining their development efforts several times in the past, both finally to merge in the mid-2000s. The agreement was as follows: Prokom Group (the parent company of development subsidiary Energobudowa) would put all of its real estate activities and investments, including all Miasteczko Wilanów holdings, into Polnord. In exchange, Prokom would receive 51% of Polnord’s equity and account for it as a passive financial investment. Going forward, Polnord would manage all of Prokom’s former real estate operations, including the build-out of Miasteczko.

The initial proposal took about three years to pass through shareholder and regulatory approvals. By 2007, the agreement was finalized and the new master developer of Miasteczko Wilanów was Polnord SA. According to Okoński, the merger allowed Prokom to “gain critical mass…it was nothing (short of) success.” Polnord’s share price rose from PLN 30 before the proposed link-up to over PLN 320 afterwards. The merged company was now an industry titan and ranked amongst the top twenty companies on the Warsaw Stock Exchange by valuation. Polnord was awash in cash and K.R. was now a billionaire. However, there were major problems with Miasteczko that were overlooked, if not ignored, as a result of the drawn-out merger process.
The retail plaza and the city center continued to show no progress during those years. The focus was diverted to capital gains rather than an orderly completion to Miasteczko.

Okoński felt that the former Prokom was a much changed company by 2007. K.R. lost his desire to complete the city center and instead gravitated towards the simplicity of the residential development partnership model. Additionally, K.R. adopted more of the go-it-alone strategy for the completion of the office and retail centers, repeatedly turning away recommendations for joint ventures, once it became apparent that Auchan would not be following through with retail construction. The sheer size of Polnord allowed the company to believe it could build everything by itself and pocket all of the profits. The truth of the matter was that Polnord simply didn’t have the personnel and internal know-how to properly deploy its expanded capital base.

In a very telling admission, Okoński opined that “Polnord did not grow up to the leadership role it had in the project.” Throughout 2007, there were a stifling amount of advisors in the Polnord office, numerous meetings that extended deep into the night, and ongoing quarrels that hardly ever produced a resolution. Okoński was beginning to lose his passion for the development when finally K.R. acquiesced and gave approval to find new partners for the retail plaza. It was, however, too late. The U.S. real estate crisis was growing in size and soon the global banking system grinded to a halt. There was no capital to be found. Existing investors in Miasteczko retrenched and slowed their pace of residential building and sales. The opportunity was lost on Polnord. Okoński left the company soon afterwards.
3.3 Stagnation, the U.L.I. Award For Excellence and the Comeback: 2009-2011

The global financial crisis did not shut down any single project in Miasteczko. It did, however, have far-reaching secondary effects, such as constraining the construction loan market, hampering Poland’s budding consumer mortgage industry, and throwing into question developers’ working capital credit lines. While parent companies of the Miasteczko builders experienced some dire situations – as exemplified by Spanish developer Fadesa’s bankruptcy - the local Polish subsidiaries remained adequately-capitalized and operational through the downturn.

Poland, itself, fared relatively well through the depths of the crisis. The country was the only one of the 27 European Union members to not record a recession in 2009. In fact, while the emerging Central European economies of Czech Republic (-4.1%), Hungary (-6.7%) and Slovakia (-4.8%) suffered sharp contractions in 2009, Poland recorded modest growth (+1.7%). This was hardly the result of good fortune or a confluence of extraordinary factors. It was largely attributable to the finance ministry adhering to a responsible fiscal budget and conservative borrowing strategy for more than a decade in a concentrated effort to bridge the significant gap in wealth and standard of living between Poland and other EU economies. In 2004, following its admittance into the EU, Poland embraced additional domestic reforms and proactively pursued privatization efforts to spur economic growth. The results were seen in Poland’s steadily increasing GDP, an unemployment rate that mirrored the leading EU nations, and a local currency that has held its value against the US dollar and Euro since the mid-2000s.

The broader economic context is brought up to disprove any notion that the development was thrown into despair by global financial events. While Poland’s banks were impacted by global events, the project itself was relatively well insulated from the debacle ravaging U.S. and Western European financial institutions. Put even more succinctly, Miasteczko’s haggard appearance in 2009 was largely self-inflicted. What had originated from an entrepreneurial land purchase by K.R., a fantastic mixed-use vision and development plan by Guy Perry, and steadfast leadership by Zbigniew Okoński had yielded to greed, conceit, and complacency. K.R. had amassed a true fortune through the Prokom-Polnord merger and was already pursuing investment opportunities in foreign lands and new industries. IN-VI’s development advisory
contract with Prokom had ended and Perry had since taken on an ad hoc, pro bono role to serve the community’s interests and help guide Miasteczko through to completion. Okoński took on the position of President of Robyg Group, one of the initial and oldest developers in Miasteczko Wilanów. The community wilted through the turmoil of leadership changes and now faced indefinite stagnation as the world’s financial system underwent a monumental recapitalization.

Many of the promises made to the community went unkept. A major north-south thoroughfare and several secondary roads had not been built, leaving the greater population of Miasteczko reliant on a single east-west road (Klimczaka) to enter and exit the development. There were no elementary schools, neither private nor public, for the many young families that had planned to enroll their children locally. Although there were storefront retailers at the ground floor of many residential buildings that offered everyday concessions and services, most other consumer shopping needs required an arduous trip by auto or public transport to the shopping centers of neighboring districts. Yet another shortcoming was that there was no central gathering place for respite or entertainment in a community that had always posed itself as a self-sufficient, centralized village. Finally, the public spaces and greenery were apportioned and well-intentioned, but were barren in most areas and conversely, wildly overgrown with weeds and wildflowers in other places. During inclement weather, the development would be reduced to a giant mud pit.

Miasteczko’s blighted landscape, spring 2010

Some of the problems were due to builders focusing first on pre-sales and product delivery, while leaving the details of finishing common spaces and landscaping until the absolute last step.
Part of the blame was attributable to a blurred definition as to who – Polnord, project developer, or district government - was to complete and/or compensate for roads, public green spaces, and other neighborhood features and at what point. Meanwhile, other shortcomings could be pinned on a Wilanów district government that claimed a lack of finances to properly maintain the roads, parks, and green spaces that were already handed over to it. Since the developers and government had already fallen short on various agreements to one another numerous times, their disagreements turned into stalemates, followed by malaise, and eventually ambivalence. There was a considerable amount of finger-pointing, but it was the new residents and business owners of Miasteczko Wilanów that truly bore the burden of the development’s incompleteness.

To Guy Perry, Miasteczko was considerably more than a mixed-use project that he and his firm, IN-VI, were commissioned to plan, design, and oversee. It was the largest, most comprehensive New Urbanist master plan he had orchestrated in a career dedicated to facilitating sustainable communities. Miasteczko was to be the future model for Emerging Europe’s reconstruction and it was becoming the victim of circumstance. He was acutely aware of the development’s difficult situation; he was intrinsically tied to it and compelled to see it through to proper completion. As author of the very rules and parameters that were now being ignored and cast aside, Perry began to think that some sort of a rallying cry – a greater purpose perhaps – was needed to pull Miasteczko back together.

Perry had consistently championed the development’s cause for the previous decade, throughout its many challenges. In late 2008, he presented the project at the ISOCARP (International Society of City and Regional Planners) annual conference that was themed “Growth Without Sprawl” and was awarded the organization’s Award for Excellence on behalf of Miasteczko Wilanów. ISOCARP, a non-government organization, commended the development’s comprehensive mixed-use vision and adherence to smart growth principles. The award was a significant honor and it was well received by the Polish press and Miasteczko’s residents. However, Perry viewed this as a bigger opportunity – the first step in organizing the community at a grassroots level towards that greater cause. To that end, he eyed Miasteczko Wilanów as a potential entrant for the Urban Land Institute (ULI) Award for Excellence, the most prestigious global prize in real estate design and development.
The ULI Award differed from the ISOCARP Award in several major respects. First, ISOCARP was an organization primarily focused on urban planning, while ULI additionally had significant representations from the complementary areas of real estate construction, design, economics, marketing, and management. Criteria for the ULI Award reflected that constituency in specifically stating that entries “must achieve a high standard in all (those) areas.” Also, while ISOCARP concentrated on the development vision and implementation, ULI went further in considering the economics of the project as a significant tenant of success or failure: “Entries must be in stabilized operation and financially viable.” Finally, and perhaps most importantly, the ULI Award competition and judgment of entries was an exhaustive process that required the coordination and participation of many disparate groups invested in the development: planners, designers, builders, owners, residents and government. Entries were first organized into the three regions of the Americas, Europe-Middle East-Africa, and Asia-Pacific, each of which has its own jury and schedule. Regional winners would then advance to the Global Award for Excellence and be subjected to probing on-site visits by ULI judges as well as extensive interviews with parties involved in the development.

Perry and his staff at IN-VI completed Miasteczko Wilanów’s application for the ULI Award and submitted it with entry fee in February 2010. Perry included himself, Okoński, and new Polnord President Wojciech Ciurzyński as representatives and authorities on the project. The “basis” for the entry was summed up in five points stating that Miasteczko:
- Replaced what was to be a planned gated residential community with an open, inclusive, mixed-use district;
- A neighborhood that began with a church, hospital and parks, rather than purely commercial activities;
- Dense, human scaled, pedestrian oriented, project, which allows for the creation of parks and protection of wetlands;
- An authentic architectural harmony brought about by the coordinated participation of 20 local architectural practices; and
- Successful for many investors with short term and high return objectives without public sector financial support.
As a means of quantifying the financial and economic success of the project, the following facts were offered to ULI under “market acceptance”:

- Land value appreciation: $50/sqm in 2000 to $470/sqm in 2010;
- Developer-specific Return On Investment: Robyg: 2001-2010: 17%-30% annual return; Fadesa Polnord: 12%-25%; Wilanów Investments: 10%-25 %;
- Many international (often first time investors to Poland) and Polish investors have chosen to locate within or on the border with MW: Skanska, Robyg, Fadesa, Acciona, Wilanów Investments, Medicover, the Archbishop of Warsaw, Skarbiec, Mill-yon, Hines, Pirelli PKO, Bouygues Immobilier, Deniz, etc.

Additional information established that the project was roughly 60% built and targeting completion in 2016. The breakdown by product type was as follows:

<table>
<thead>
<tr>
<th>COMMERCIAL SPACE</th>
<th>sqm completed</th>
<th>sqm at buildout</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office space</td>
<td>28,500</td>
<td>240,500</td>
</tr>
<tr>
<td>Retail/restaurant/entertainment space</td>
<td>7,000</td>
<td>68,000</td>
</tr>
<tr>
<td>Industrial space</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RESIDENTIAL SPACE</th>
<th>units completed</th>
<th>units at buildout</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single family units</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>Multifamily units</td>
<td>10,900</td>
<td>19,500</td>
</tr>
<tr>
<td>Hotel rooms</td>
<td>0</td>
<td>250</td>
</tr>
<tr>
<td>Parking spaces</td>
<td>16,350 (85% u.g.)</td>
<td>29,250</td>
</tr>
<tr>
<td>Maximum number of storeys</td>
<td>3 (7%); 4 (30%); 5 (60%); 6+ (3%)</td>
<td></td>
</tr>
</tbody>
</table>

Finally, the application noted the cultural and historical relevance of Miasteczko Wilanów, its adherence to new urbanist principles, its efforts in furthering the public-private partnership agenda in a former communist country, the availability of multiple transportation options on site, and its standalone profitability.

The regional ULI jury viewed the Miasteczko entry very favorably and informed Perry in the spring that it was chosen as a Finalist. This meant that ULI representatives would be traveling to Warsaw in the months ahead to visit, examine, and question the development in person.
Miasteczko’s rough appearance needed to be cleaned up if it was going to survive the tough critics. On the other hand, this was a fantastic opportunity for the many parties involved in Wilanów to shine and further their own agendas, regardless whether it was political, capitalistic, or other. Perry saw to it that each one of them was aware of the stakes and working towards the common goal.

Perry notified the district mayor and council that the ULI jury would be visiting. He demanded that the long-ignored maintenance of Miasteczko’s public spaces be addressed immediately, specifically that grass and trees be planted and work on public squares commence. Mud-covered construction equipment and vehicles that were strewn about the development needed to be moved immediately. To further pressure the district to action, Perry and his wife Anna Mirska-Perry – also an officer at IN-VI – began organizing the existing residents’ groups at Miasteczko towards a series of citizens’ actions. The first of these “Move Yourself and Plant” actions was scheduled on a weekend in May 2010 and invited the community’s residents to volunteer an afternoon to beautify the neighborhood with tree-planting, weeding, and other upkeep. Another problem was the hundreds of unauthorized rogue advertisements – small wooden signs to large billboards – that were littering the Miasteczko’s landscape.

Guy and Anna pressed numerous developers for monetary donations, which were then used to purchase plants and basic landscaping tools. Small businesses provided refreshments and snacks for the young professionals and families that would comprise the workforce. Advertising was done by word-of-mouth, online forums, email distributions, and printed placards that were left in
strategic locations inside the neighborhood shops and each residential building’s ad boards. Furthermore, Anna, a former journalist and editor, tapped into her contacts at Warsaw’s major newspapers and ensured that the press was covering the event. The first “action” was a resounding success with more than a hundred volunteers planting and landscaping along the Royal Axis’ canal. Perry estimated that more than five hundred signs were taken down and replaced with over five hundred hedges. In the following week, Anna located and distributed newspaper and internet coverage of the “action” to all those involved – residents, business owners, district representatives – to embolden Miasteczko’s citizens to demand more accountability from the developers and local government. Hence, a grassroots movement was born.

At the same time, Guy Perry was working his own channels to improve the dismal appearance of Miasteczko. He announced that as part of the presentation to the ULI jury he would be naming a top five list of exemplary builders and shop owners that embraced and promoted the community vision and values of Miasteczko. He continued that in the spirit of fairness he, unfortunately, would also have to nominate a bottom five list of residences and stores that cut corners or audaciously flaunted the rules at the expense of the greater community. Perry emphasized that the residents were getting more frustrated with the non-performers, particularly in light of the ULI bid. Specifically, he was targeting a wide range of misdeeds including developers that provided no landscaping and put up fences around their residences in a misguided attempt to create false exclusivity; storefront retailers that completely covered their windows with print

Miasteczko’s residents taking down billboards
advertisements in a ragtag effort to promote weekly specials; builders that repeatedly dirtied roads and sidewalks with their construction machinery; and advertisers that set up make-shift signs on public grounds. Perry’s aim was to make each individual personally responsible for their actions, provide a greater sense of ownership for Miasteczko’s wide range of stakeholders, and add transparency across the community. The shortcomings of Miasteczko were due to many people putting their own agendas first. Now everyone would have come back in line to deliver on the original vision and promise of Miasteczko.

In another effort, Perry put pressure on Polnord and the local government to accelerate work on building and finishing additional roads. This would alleviate traffic congestion by dispersing auto flow to the development’s other access points and allow bus lines to begin service along the central Rzeczpospolita corridor. New boulevards and avenues would also promote a needed cohesiveness across the development. Several television interviews and newspaper articles served to highlight residents’ disappointment with the speed of the build-out, putting Polnord and the district representatives under additional scrutiny.

By the time the ULI jury arrived at Miasteczko Wilanów in the summer of 2010, the development had made great strides towards returning to the magnificent new European city designed by IN-VI and promised by Prokom a decade earlier. The public green spaces and canals were landscaped, rogue advertisements were removed, fences and other barricades were largely dismantled, and new thoroughfares were reaching completion. While Perry still produced a list of the lagging five developers/business owners, he admitted that a dialogue had been initiated with those parties and efforts at reconciliation to the development’s vision had been made. Finally, the ULI jury was highly impressed by the number of citizens’ actions and ongoing activism of local residents; this proved that Miasteczko had achieved a sense of true local democracy, in line with its original ideals of openness, accessibility, and inclusivity.

In August 2010, IN-VI and its development partners were informed that Miasteczko Wilanów had received the ULI Award for Excellence in its EMEA edition, which covers Europe, the Middle East and Africa. The EMEA regional competition started with 43 entries from 17 countries, was narrowed down to 14 finalists, and concluded with four winners. Those four
recipients, along with winners from the Asia-Pacific and Americas regions, now qualified for the ULI Global Awards for Excellence competition, which would be held in Washington D.C. in October. The new ULI Global jury was comprised of international land planning and design experts and had the mandate of selecting up to five winners from the three regions.

A small group of Miasteczko representatives, including Perry, Okoński, and other development partners, made the trip to the ULI Fall Meeting and Land Expo and presented before the international panel that fall. On October 14th, the jury announced that it had chosen Miasteczko Wilanów as one of the five ULI Global Award for Excellence winners. The international competition had started in February with 240 entries and Miasteczko stood alone as the sole honoree from the EMEA region. The other winners were LA Live (Los Angeles, USA); Thin Flats (Philadelphia, USA); Rouse Hill Town Centre (New South Wales, Australia); and Southern Ridges (Singapore).

From the start, Perry believed that Miasteczko was a strong entrant and that it fulfilled ULI’s mission of providing leadership in the responsible use of land, in addition to creating and sustaining thriving communities across the world. However, he was admittedly surprised that it had achieved such high recognition from the organization for other reasons. For one thing, ULI typically bestowed the Award for Excellence on planners, designers, and developers that had spent a lifetime addressing the needs of smart growth and responsible building. On the contrary, Miasteczko was the product of a consortium of disparate and relatively new developers in an emerging economy. Then there was the question of future leadership: IN-VI was the visionary and chief advisor behind the project, but its service contract ended in 2008 leaving the development without a central planner or designer. It would be up to the people of Wilanów to take the ULI Award as their inspiration and combine it with their new found organizational might to petition Polnord, its development partners, and the district government to produce the Wilanów neighborhood that they had long been promised. That was all fine and good because already several recent events transpired in Miasteczko that could potentially have significant ramifications for the neighborhood.
In March 2010, Israel-based shopping mall developer Global Trade Centre (GTC) purchased the 7.5 hectare retail-zoned parcel near the town center. Auchan had previously made a down-payment on the land rights, but walked away from the deal in favor of other south Warsaw locations after it became apparent that it would not be able to build a hypermarket in Wilanów to its desired specifications. GTC’s agreement with Polnord was once again under the 51%/49% development partnership, in this case named Centrum Handlowe Wilanów. GTC pledged to invest a total of Euro 170 million to the 60,000 sqm project and announced its intentions to break ground in the second half of 2010. (WBJ, 2010)

While the news looked to resolve the long-standing absence of a retail center at Wilanów, the fact that GTC was the new developer gave local residents pause. GTC had been successful in building a number of profitable retail centers in Poland, Romania, Bulgaria, and Croatia. The problem, however, was that GTC historically developed enclosed indoor shopping malls in nearly all of its locations. This flew in the face of Miasteczko’s original master plan, which called for an outdoor shopping plaza that would be integrated into the rest of the town center. A standalone mall could potentially upset the dynamics of the Miasteczko residential community and serve to undermine the prestige and cultural significance of the neighboring Wilanów Palace and Gardens.

Separately, Polnord had announced progress towards the construction of the office park at the southern end of Miasteczko. In early 2009, international real estate consultancy Cushman & Wakefield (C&W) became the exclusive leasing agent for the office park. Polnord broke ground the following year and by the time of the ULI Award announcement in October 2010, the first commercial building was well underway and another two were scheduled for ground breaking. The first three buildings would offer a combined 21,600 sqm of gross leasable office space in a complex that aimed for 18 buildings and 140,000 sqm at completion. While the construction of the office park was not necessarily seen as a negative, there was still only one paved road leading into that area of Miasteczko. The local residents were again concerned about the impact of additional construction-related vehicles and, shortly thereafter, new office tenants on their capacity constrained roadways.
The ISOCARP and ULI Awards were major victories for all those involved in Miasteczko Wilanów. The process brought the residents, developers, and district representatives back together towards the common goal of finishing the development. However, it remained to be seen if the international honors would prove to just be footnotes, or if they would be strong enough influences to keep Miasteczko focused on its original New Urbanist principles. In any case, Guy Perry and the residents of the community were not planning to let up on Polnord or the district officials.
Chapter 4  Snapshot of Miasteczko Wilanów: Summer 2011

Nearly a year after the ULI jury journeyed to Wilanów to assess the development, the site remains a massive work in progress. Construction is once again proceeding at a normal rate with cranes running during the daytime on the new office park and temple. Work is also being done on several new residential buildings with some projects in initial groundbreaking stages while others are opening their doors to new residents. Meanwhile new roads have been finished and opened up to auto and bus traffic.

The cohesiveness that IN-VI and Prokom targeted in their early designs is quite apparent from a quick drive through the complex. There is an attractive mix of individually-styled contemporary residential buildings with ample ground floor restaurant, café, provisions, and services options. The temple – although years from being completed – has already opened its catacombs to the public and its frontage is now a regular venue for festivals and concerts. The sidewalks are teeming with life with a multi-generational mix of baby strollers, young professionals, and seniors. The leisurely pedestrian needs to keep a watchful eye on the bike paths, where a recreational cyclist or jogger may fly by at any instant.
It is true, however, that the development is heavily weighted towards multifamily housing. This has been a favorite criticism of the press over the last several years with unfortunate comparisons made to the single-use residential focus of Soviet-era urban plans. Also many other important elements still remain missing from the site. There are no grade schools and high schools, only a handful of kindergarten programs. The planned city center and retail plaza have not yet been started. The temple will require another five to eight years for completion. The office park, with its promise of on-site employment opportunities, is still in its infancy.

Guy Perry is both an avid supporter and regular defender of the development with the media covering the district. He is all too aware of the many challenges and the intricacies of specific development relationships that Miasteczko has endured along the way. Perry is ever respectful but also forthright in answering tough, probing, and sometimes stinging questions on the development’s shortcomings to date. Often he guides the interviewer back to the big picture,
stating that while projects have been delayed they will be completed properly, that overall this is a phenomenal feat of organization in newly capitalistic Central European economy, and that Miasteczko is a neighborhood that keeps improving with time and will stand the test of generations to come.

As is the case with the country of Poland, the history of Miasteczko Wilanów is long, convoluted, and often subject to competing outside forces. It is best to understand the context and evolution of Miasteczko to formulate appropriate opinions on its current appearance. Surely mistakes have been made and there is plenty to be learned from its inability to phase in real estate types and neighborhood elements by the time of this writing. Perhaps it’s best to first provide an update on the development’s immediate status in a few paragraphs.
4.1 Infrastructure

For the most part, the roadways of Miasteczko have been constructed and are being well-utilized today. A previous problem was the heavy reliance of one avenue for entrance into and exit out of Miasteczko; that was through the east-west boulevard of Klimczaka. In the past year, the four-lane boulevard of Rzeczpospolita ("Republic Avenue"), which runs north-south through the center of the development, has been completed and opened to the public. This was designed to accommodate heavy traffic and has several bus stops providing much needed public transportation options as well as wide center margin should a future tram line ever materialize.

The look of Rzeczpospolita is clearly meant to mirror the grandeur of the Royal Way, to which it connects at its northern end. The southern end will eventually provide access to the office park under construction as well as the planned S2 ring road.

*A second avenue running east-west from future site of Wilanów Town Hall and Royal Plaza has been completed and just recently connected to Rzeczpospolita. Fittingly, the District Council unanimously approved its unofficial name of “Royal Axis” in June 2011. Like Klimczaka, this avenue has a landscaped canal in its center; it is just wide enough to allow parallel parking but still quite narrow to restrict traffic speeds. At its western end (near Rzeczpospolita) the canal disappears and the median expands into a wide flat area that will eventually be a tree-lined park open for many public uses.

To the south and west of the development where the office park is undergoing construction, paved roads make way to pot-holed dirt paths. While this would be considered normal for an
area still being built, the Medicover hospital (near the center) and first office building (at the far western end) are already operational. Navigating these paths is quite a burden for normal passenger vehicles. This once again alludes to problems in the construction, ownership and compensation for these roads. The City of Warsaw was supposed to fund Polnord’s construction of roads beforehand. In practice, the city has not had the budget to afford them and Polnord has had to be creative in its financing. In 2009, Polnord asked the city to pay roughly US$62 million for 159,000 sqm of land that would be utilized by the future ring road and other avenues. The city refused to do so causing Polnord to press litigation in the provincial courts. While the court sided with Polnord, the city stated it would still not be able to compensate until ground-breaking. In July 2011, Polnord announced that it had sold these receivables, due from the city, at a heavy discount (US$36 million) to Polish Enterprise Bank to provide liquidity for the roads’ construction. Again, it is the tenants and clients of the hospital and office buildings that suffer from the bureaucratic wrangling.

Otherwise, roads that have been completed are lined with brick sidewalks and paved bike paths. As mentioned earlier, they are well-utilized from early-morning to late night hours by many residents. Crosswalks are abundant throughout Miasteczko and provide ample safety for mothers with baby carriages and children running to the playing fields at the western boundary of the development.
4.2 Common Areas and Green Spaces

In May 2011, the District of Wilanów-maintained green spaces were once again overgrown throughout Miasteczko. In fact, the common lawns, canals and other green spaces had not yet been landscaped this year due to what the district categorized as a contract impasse with a third-party vendor. It was widely-believed that the district simply didn’t have the funds to hire the contractors earlier. In early-June a contract was finally signed and landscapers quickly addressed the nearly foot-high grass and much needed weeding. Still, it left a bad feeling for many residents: common pathways were largely unusable for half the outdoor months and frustrated dog owners stopped cleaning after their pets. Not only did it look unattractive, but it quickly became unsanitary, particularly with the insect life found around the canals.

Miasteczko’s unkempt green spaces –May 2011

As for the citizens’ actions, Anna Mirska-Perry organized the sixth in a series of “Move Yourself and Plant” events in June 2011, in which more than 50 saplings were planted along the Royal Axis. In fact, her determination in promoting and leading the beautification of Miasteczko was acknowledged by Polish newspapers Gazeta Wyborcza/Gazeta Stołeczna in February 2011, when IN-VI received the “Stołek Award” citizens’ award. The publishers noted that “IN-VI organized and participated in, along with hundreds of residents, neighborhood actions to remove illegal advertisements, clean, weed, cut grass, plant trees and hedges as well as to install public benches. Actions were initiated as a reaction to the general disregard and lack of maintenance of public spaces in this area.”
Anna and Guy have remained very active representing the community’s interests even after the end of IN-VI’s formal advisory contract. They are in close contact with the new mayor of Wilanów District, who himself is a young, progressive, and community-focused individual. IN-VI plans additional actions in 2011 with funds largely gathered as donations from Miasteczko project developers and small business owners. One of the actions will install additional park benches in the public spaces. In fact, several of the benches placed along the Klimczaka canal in late spring were being well-utilized for picnics and small family gatherings nearly on a daily basis once the common grounds were landscaped. Another action for later in the year will outfit outdoor exercise equipment – as sometimes seen in municipal parks in the U.S. – along the pedestrian walkways of the development. Yet another action calls for the removal of unlicensed rogue signs that often creep up across the development’s lawns and common spaces.

"Move Yourself and Plant” citizens’ action – June 4, 2011

Miasteczko’s canals (left) & green spaces (right), when properly maintained
4.3 The Retail Center Debate

The future shopping center is probably the most concerning and closely-watched situation by Guy Perry, IN-VI, the residents of Miasteczko, and the Wilanów district council. Simply put, there is great consternation that GTC will opt to build another fully-enclosed mall, reminiscent of the company’s other Central European constructs, at the site. Such a retail center would be counter to the open, accessible theme of the new residential development and serve to detract from the historical and cultural beauty of Wilanów Place and Gardens directly across the street. Perry has been vigilant in the press stating that the citizens of Wilanów have waited long for an appropriate retail plaza to be built and has offered multiple examples of outdoor, community-integrated, financially-successful malls that GTC should use as guidance. Perry is well-quoted saying that the regional mall “rat-in-box, shop-till-you-drop” format is no longer viable in the United States and Western Europe and would also prove outdated in Miasteczko in a very short time. The potential impact of an empty mall could have tremendous ramifications on the character and future real estate prices of the Miasteczko neighborhood.

As noted earlier, GTC made its initial investment into the Wilanów retail site in March 2010. At the time it announced that it would spend a total of roughly EUR 175 million to construct the mall. In August, the Polnord-GTC joint venture entity, Centrum Handlowe, acquired the necessary anti-trust approvals from the Office of Competition and Consumer Protection (UOKiK). In May 2011, GTC revealed that it had agreed to sell its remaining 50% stake in nearby Galeria Mokotów to retail owner-operator Unibail Rodamco for EUR 138 million. The proceeds are expected to be used towards its new Wilanów project.

At the time of this writing, GTC had not yet made public its design intentions for the retail site. In a meeting with Perry at GTC’s Poland headquarters in mid-June, General Manager Piotr Kroenke did offer some insights into the company’s position on Wilanów. He stated that the developer had not brought forth any designs to date because it was still studying all of its options. Kroenke appeared to suggest that he had read some of Perry’s more recent pointed comments and that his group was exploring incorporating elements of an outdoor plaza into its plan. However, he admitted that this required somewhat of a change in culture for his organization since they had a proven business model in building profitable indoor malls. In
particular, he noted that indoor greenery, perhaps in the form of a winter garden, was being assessed. For his part, Perry offered that the residents of Wilanów greatly desired that the original promises of the master plan be realized and he pushed GTC to be a leading force for retail builders in Central Europe. Kroenke expected that initial designs for the site would be revealed to the district council and townspeople by year’s end.
4.4 The Town Center Carcass

Polish newspaper Rzeczpospolita broke the story about an ongoing corruption investigation into Town Hall builder Deniz and its underhanded dealings with a Wilanów government official in 2004. Deniz deserted its project in short order, effectively admitting to its complicity in the criminal acts. The half-built Town Hall and its accompanying buildings were left as a steel-and-concrete carcass, cordoned off by high fences and soon covered by spray-paint. Ownership of the assets remained in limbo for years as the investigation led to court proceedings, resulting in heavy fines to Deniz and liens on the site. Meanwhile, the structures themselves soon found themselves in a small pond of water as infrastructure improvements were never completed properly and the Wilanów area in general has a very high water table. Over several winter and summer seasons, people became skeptical if the building shells could be salvaged. The lack of a well-established bankruptcy process in Poland prevented potential new owners from settling claims and restarting the project in the first several years. The global financial crisis eliminated that opportunity in the latter years.

Over time, Guy Perry suggested several alternatives to deal with the massive eyesore at the eastern entrance to Miasteczko, including covering the shells with some kind of basic weather-resistant material. He was rebuffed several times by the district council. The money wasn’t there and not many officials were comfortable dealing with such a debacle that so prominently featured their former colleague. As a result, the structures sat there as a prominent reminder that Miasteczko did have its troubles.

In the summer of 2011, it was suggested that the Town Hall complex could see a resolution shortly. An unidentified developer from Krakow had secured control of the assets earlier in the year. Whether the deal was an outright purchase or simply a partial down-payment was not revealed. However, the very scant details offered were that the developer looked to commence construction at the site with the existing building shells by mid-2012. If correct, this would be a major positive, even if only psychologically, for the Miasteczko community and the neighboring Wilanów estate.
4.5 Ongoing Office Park Construction

By summer 2011, construction of three separate office buildings were underway in the southernmost 17 hectares of the development. In a conversation with new Polnord CEO Bartosz Puzdrowski, he shared the following information on the current status and future direction of the employment center. Phase One of the office park is underway and will produce 14 to 15 buildings at a minimum size of 8,000 sqm each. The area will have a classic office park layout but will highlight contemporary architectural designs and be worked into the ecological features of its surroundings. Polnord looks to complete one to two buildings a year depending on market demand. Furthermore, the developer has utilized 40% financing under typical construction loan terms and conditions to proceed with building activities.

The overall marketing focus for Wilanów Office Park is mid-sized company headquarters and back office activities, such as call centers. Its most direct competition is found in the neighboring District of Mokotów, which has large established business complexes that are at near full capacity. Tenants in Mokotów often complain about the lack of parking and worsening traffic conditions. In contrast, Wilanów will offer over 4,800 dedicated underground spots as well as the future S2 ring road as locational advantages. In line with the Mokotów district, Polnord is targeting headline rents of EUR 14-15 per sqm prior to rent-free discounts and custom fit-outs. Other advantages include Wilanów’s large floor plates, energy-usage certifications, and attractive architecture. In the future, Puzdrowski does see synergies with the Miasteczko residential community, where educated young professionals, in their first or second jobs, can work very close to home. However, that is not a main focus with the current rollout.
As for market timing, the first building will be ready for occupancy in approximately two months and is already leased to an international construction subcontractor. The second building has been purchased by an information technology company and is scheduled for completion in early 2012; although the space was originally leased by the entity, the awarding of several government grants forced the IT provider into the purchase decision. The third office building is 60% pre-leased as Polnord’s future headquarters; the remainder is being marketed in the open market.
Chapter 5  Successes & Limitations

An understanding of the history of Miasteczko Wilanów is critical to making an informed and objective assessment of the whether the development has met, exceeded, or fallen short of its objectives. It is quite clear that the founders of Miasteczko had a broader mission of creating: 1) a large-scale, mixed-use development that 2) cohesively integrated the various real estate types of residential, commercial, office, and public facilities in a 3) community that would be self-sustaining and 4) provide its individual stakeholders a high quality of life. The vision and goals were laid out by Guy Perry and his firm IN-VI in the master plan, which was meant to both be a blueprint for the future community and to set specific parameters and rules for building projects within it. However, the history indicates that there have been numerous challenges that Miasteczko has faced in the decade since the mission and vision were originally laid out. Many of these have been completely out of the control of Prokom, IN-VI, and other development partners. The important question is in discerning which, and how much of each, of the successes and failures of Miasteczko can be attributable to the planning and management of the project.

In the next few paragraphs, the positives and negatives of Miasteczko Wilanów will be quickly summarized. In the following chapter, two additional large-scale, mixed-use developments will be presented and reviewed as comparables for Miasteczko. The thesis will conclude with a final chapter on the lessons learned from all three developments, and offer suggestions and recommendations in the form of policies that should be implemented to facilitate the construction and phasing of such massive real estate projects.
5.1 New Urbanism in Practice

Miasteczko Wilanów is undoubtedly a success when one considers its fundamental mission of creating a unique neighborhood that aspires to the standards and principles of New Urbanism. Miasteczko is much more than a new real estate development in Warsaw. It is its own district that is open, inviting, and attractive to those who live in it and others who simply pass through it. It is contemporary in design, but quite unique from block to block due to the wide array of builders and architects employed in its development. Miasteczko’s multifamily buildings are consistently five-stories high throughout the development; however, they are neither monotone nor overbearing. Each residence has adequate set-backs from the streets and sidewalks, and the buildings themselves “step back” with each rising floor. These features combine to produce a true human-scale with plenty of sunlight and attractive landscaping throughout the development. The community is very walkable in its size and its pedestrian-friendly layout. There are wide, inlaid-brick sidewalks that run along every street, and crosswalks are well-marked and controlled by traffic signals. The abundance of ground floor retailers across many of the multifamily structures offers significant options for dining, casual gatherings, daily provisions, and basic services.

Miasteczko has done an excellent job of respecting and preserving the natural environment of Wilanów. Canals were built into many low-lying areas with parks interspaced between them. Numerous existing trees were either left undisturbed or transplanted into new locations where they could thrive and beautify the community. The green spaces and natural pathways within Miasteczko are already informal recreational and meeting areas for its residents; seeing families picnic on the newly-installed park benches is a regular sight in the development. Finally, the
centrally-located Temple of Divine Providence has already hosted a series of major festivals and events over the past two years, further evidencing the community’s inclusivity to those residing outside of its neighborhood borders.

Although the lack of a retail plaza and formal town center are legitimate grips of Miasteczko’s residents, those areas were planned from the beginning and have been delayed by external events and specific issues with development partners. Those projects, although often considered in limbo, will be completed over the next several years. Furthermore, the development of the office park and future ring road in the southern part of the development add the new dimensions of employment center and highway accessibility. All in all, Miasteczko has met its goals of providing an integrated and cohesive mixed-use development within Wilanów.
5.2 Financial Profitability

The development of Miasteczko Wilanów has been a highly profitable investment from several different perspectives. First, Prokom recorded strong gains from its initial purchase of 169 hectares of raw land in Wilanów and subsequent resale of zoned and permitted parcels to other co-developers. The following chart lists Prokom’s land transactions in Miasteczko. Italicized inputs and grey boxes indicate rough estimates.

<table>
<thead>
<tr>
<th>Price in US$mm</th>
<th>Size (in hectares)</th>
<th>Developer</th>
<th>Date</th>
<th>Purpose</th>
<th>Appx. price/sqm</th>
</tr>
</thead>
<tbody>
<tr>
<td>($110.0)</td>
<td>169.0</td>
<td>Prokom</td>
<td>1999</td>
<td>raw land purchase</td>
<td>$65</td>
</tr>
<tr>
<td>n/m</td>
<td>4.0</td>
<td>Deniz</td>
<td>1999</td>
<td>town center</td>
<td></td>
</tr>
<tr>
<td>($50.0)</td>
<td>n/m</td>
<td>Church - Temple</td>
<td>late-2000</td>
<td>land swap</td>
<td></td>
</tr>
<tr>
<td>$20.0</td>
<td>8.4</td>
<td>Robyg</td>
<td>2001</td>
<td>basic infrastructure</td>
<td>$240</td>
</tr>
<tr>
<td>downpayment n/a</td>
<td>14.8</td>
<td>Auchan</td>
<td>late-2001</td>
<td>commercial / retail</td>
<td></td>
</tr>
<tr>
<td>$20.0</td>
<td>8.0</td>
<td>Wilanów Investments (PKO)</td>
<td>2003</td>
<td>residential</td>
<td>$250</td>
</tr>
<tr>
<td></td>
<td>3.8</td>
<td>Skanska</td>
<td>early-2004</td>
<td>hotel / office</td>
<td></td>
</tr>
<tr>
<td>$32.0</td>
<td>16.0</td>
<td>Fadesa Polska</td>
<td>2004</td>
<td>residential</td>
<td>$200.0</td>
</tr>
<tr>
<td>$28.0</td>
<td>7.0</td>
<td>Mill-yon / ILDC</td>
<td>2005</td>
<td>residential</td>
<td>$400.0</td>
</tr>
<tr>
<td>$15.0</td>
<td>3.0</td>
<td>Skarbiec</td>
<td>2006</td>
<td>residential</td>
<td>$500.0</td>
</tr>
<tr>
<td>$17.0</td>
<td>3.4</td>
<td>Acciona</td>
<td>2007</td>
<td>residential</td>
<td>$500.0</td>
</tr>
<tr>
<td>$20.0</td>
<td>4.0</td>
<td>Hines</td>
<td>2007</td>
<td>residential</td>
<td>$500.0</td>
</tr>
</tbody>
</table>

Second, in nearly every one of Prokom’s land sales, the company kept a 49% minority stake in the new development entity that would construct, build, finance, market, and sell those individual building projects. In effect, Prokom was selling the land claim outright, but keeping half of the upside from producing the finished product and selling it to homeowners and business owners.

Third, the new development partnerships – the companies that bought rezoned land parcels from Prokom, constructed the individual projects, and sold them to final purchasers – were highly profitable as well. On the ULI Award application, Miasteczko’s co-developers provided annual Return On Investment (ROI) figures on specific projects that were well into the double digits: Robyg (17%-30%); Fadesa (12%-25%); and Wilanów Investments (10%-25%).

Using a variety of sources, the basic economics of a development partnership appears as follows:
In the chart above, total overhead includes construction, corporate salaries and wages, financing costs, and design services. Assuming 40% debt financing, a 9% interest rate, and a 30-month period to full return, the Internal Rate of Return on the development partnership structure is around 18%.

Finally, the completed real estate buildings – regardless of whether residential, retail, office or other – need a property management company to oversee their upkeep. While this business is often considered difficult due to its high personnel turnover and lower margins, it does provide a new income stream after the conclusion of construction activities. For many builders, this operating entity could be outsourced or sold to third parties for additional gains.
5.3 The Golden Goose: Stellar Demographics

For decades, marketing and advertising firms have been searching for and experimenting with approaches to best target the young, educated, independent-minded, upwardly-mobile segment of the population that dictate new trends and have abundant disposable income to spend on them. The means of getting to this group has historically been focused on media outlets: hit television programs, fashionable celebrities, and popular music genres. It is interesting to note, though, that New Urbanist developments such Miasteczko Wilanów attract this demographic in droves. Recent census counts in Poland have shown that Miasteczko has the youngest, most educated, and highest income earning individuals in Warsaw and Poland. Furthermore, the residents of Miasteczko are extremely politically-active, as evidenced in the 2010 Presidential and District Council elections when local voter turnout of over 80% broke national records. New Urbanism does seem to create a more democratic society as well.

Not surprisingly, the people of Miasteczko have become more organized and vocal as their frustrations have increased with the district government and various developers. In the last election cycle, two residents – Katarzyna Radzikowska and Stanisław Orzeł – that were already active in citizens’ action committees but had no prior political experience were elected to the Wilanów District Council by overwhelming 4-to-1 margins. That vote also unseated the incumbent district mayor, who was perceived as slow to act and ignorant of many citizens’ requests to improve the neighborhood. The new mayor, who like Radzikowska and Orzel is in his 30s, holds regular discussions with the Miasteczko community representatives and has even joined residents in recent “Move Yourself and Plant” actions.

Furthermore, the stellar demographics of Miasteczko Wilanów seemingly provide a treasure trove of untapped business opportunities. Future retail plaza developer GTC, for one, is well-aware of the strong buying power of the local community and is modifying its shopping mall plans in answer to the residents’ basic demands. Rogue advertisers also angle to capitalize on the local disposable income and regularly flaunt community regulations by parking their mobile advertisement trailers in strategic locations throughout the development, much to the dismay of the neighborhood representatives. Meanwhile, other businesses targeting the young, early-
adopter demographic, such as rental car company ZipCar, have been in discussions with the community to set up operations within Miasteczko’s boundaries.
5.4 Development Leadership: A Work In Progress

In Miasteczko’s early days, Prokom was a young, aspiring, entrepreneurial company. The head of the company, K.R., put the Wilanów land purchase in the hands of senior officer, Zbigniew Okoński, who had the fortitude and relationships to drive the new business. Okoński, himself, quickly saw that the company did not have the know-how necessary to put a 169 hectare parcel to highest and best use, despite Prokom’s success with small-scale real estate projects. The decision to bring in Guy Perry of TrizecHahn, and later IN-VI, as development advisor was paramount to Miasteczko’s success over the following decade. Often times, leadership is the ability to best recognize, organize, and coordinate one’s available resources; this was Prokom’s approach for the better part of a decade and it experienced great financial reward as a result.

As Miasteczko grew increasingly successful, Prokom became bigger and more insulated from the troubles brewing at “street level”. Rather, the focus was turned towards the real estate company’s merger with Polnord and the subsequent windfall profits of its initial public offering. Meanwhile, the scandal-mired town hall / city center was deserted as a half-finished skeleton, the retail plaza business partners were never able to break ground, and promised roads and green spaces went unfinished for years. Okoński left Polnord as it succumbed to internal turmoil. The contract with development advisor, IN-VI, lapsed in 2008 with Polnord desiring to complete the development on its own terms.

Polnord appears to have reassessed its approach towards Miasteczko in the wake of the global real estate crisis. In the last year, the company hired a new CEO – Bartosz Puzdrowski – from outside its ranks. Polnord has forged ahead with the office park and has secured several new tenants for its initial buildings. Furthermore, the developer has ceased ties with Auchan and has brought in GTC as its new retail development partner. The need for a strong lead developer is unquestionably needed in a project of this scale and magnitude. While Prokom served this role well in its early-going, it remains to be seen whether Polnord will fulfill the promise of the original master plan for Wilanów.
5.5 Local Government as a Partner

The District of Wilanów is a rather new construct, formed out of the expansion of Warsaw’s city borders in the 1990s. While compensation for the Miasteczko Wilanów’s infrastructure has been guaranteed by the Warsaw City Council since its groundbreaking, actual payments have been few and much delayed. Polnord recently took the unusual step of forward selling its receivables from the city for infrastructure improvements; that it sold the receivables at a significant discount to face value shows the uncertainty of the eventual collection amount and timing.

Simply put, the District of Wilanów has had neither the tax collection base nor the budget to fund new roads, maintain green spaces, and work proactively with the local citizens’ groups. This may be a New Urbanist version of the chicken-or-egg-debate: do the roads get build first and then tax-paying residents move in, or do taxes first need to be collected from pioneering homeowners and then the lacking infrastructure gets built out? In the absence of a solution, residents have independently organized themselves and run their own campaigns for town council positions to affect change in the local government. The election of two representatives from within the community, in addition to a new mayor, is a significant achievement for Miasteczko. Regardless, the Wilanów and Warsaw government authorities have not provided adequately support and funding for the development to date.
5.6 Lack of Schools

The onus for the lack of elementary and high schools within Miasteczko falls squarely on Prokom and Polnord. There were plans for two international schools – one German and one French – next to the temple in IN-VI’s master plan. In 2000, there were preliminary talks with potential operators and a deal was reached for two hectares with a German society looking to open a local Willy Brandt school. Despite the transaction, that educational facility has not yet materialized.

It wasn’t until 2009 that Polnord reached a deal with the City of Warsaw for the sale of 4.5 hectares to be used for the construction of Miasteczko’s own public grade and high schools. Educational facilities are a core of any community and Prokom should have planned the transfer – either through sale, land swap, or gift – of those lands before its initial groundbreaking.
Chapter 6  Comparables
A better perspective on the success and shortcomings of Miasteczko Wilanów can be gained by examining other large-scale mixed-use developments. By analyzing the history, planning, phasing, and development of comparable communities, recommendations can be made on how the developers of Miasteczko could have preempted certain issues earlier in its build-out and perhaps even improve the approach to other problems Miasteczko faces today. The developments of Kentlands and The Pinehills have been chosen due to several important similarities with Miasteczko. First, both Kentlands and Pinehills are located in large metropolitan areas within relative proximity to the city center. Second, both are greenfield developments that have needed to incorporate historical landmarks and/or ecological features into their sites. Third, both are large-scale projects with each one creating at least 2,500 new residences and over 75,000 square meters in retail and commercial space. Finally, Kentlands and Pinehills are either completed or in the latter stages of development.
6.1 Kentlands, Maryland, USA

Kentlands is a new urbanist, master planned community in Gaithersburg, Maryland. It is situated roughly 20 miles north-northwest of Washington D.C. and encompasses an area of 141 hectares (352 acres). Like Miasteczko, Kentlands was built from scratch on lands that were previously used mainly for agriculture and animal pasture. Over its history, the parcel had several prominent family owners that built beautiful estates on the grounds. One of those landholders, Otis Beall Kent, laid the groundwork for the ecologically-sensitive, mixed-use community in the mid-1900s when he built a chain of lakes on the plot that had the dual purpose of water retention for irrigation / flood control and a dedicated habitat for birds and wildlife. Upon his death in the 1960s, Kent deeded a certain amount of these lands to nature preservation societies.

The tract was purchased in early-1988 by Joseph Alfandre, a local real estate developer, who sought to construct an integrated community along the lines of Traditional Neighborhood Development principles. Alfandre commissioned Andres Duany and Elizabeth Plater-Zyberk (DPZ), the husband-wife urban planning team credited with designing the successful new urbanist town of Seaside, Florida. Together, they worked closely with the Gaithersburg mayor, town council, neighboring residents, and other Montgomery County stakeholders to share ideas, build consensus, and formulate a vision for the future community. An intense five-day brainstorming session in June 1988 with representatives of these disparate groups was memorialized as the Kentlands Charette, a model of public-private cooperation on urban planning.

The Kentlands Charette resulted in a master plan that provided for a high quality of life for its residents while preserving the historical, cultural, and natural attributes of the land. The neighborhood would be walkable, pedestrian-friendly, and human-scaled. The “downtown” area would be centralized and higher-density with shops, services, office space, and apartments. The development would decline in density to single-family housing as one went out to town’s perimeter. A wide-variety of housing types – condominiums, townhouses, live-work units, attached housing, and standalone cottages and homes – would be offered, therefore providing ample living options to people of different ages, income brackets, and household sizes. Furthermore, the neighborhood would incorporate many features important to the vibrancy of
any community, such as places of worship, schools, activity centers, recreational facilities, parks, and landmarks.

As a means of accelerating the zoning changes and extending further goodwill to the municipality, Alfandre offered to refurbish and donate the historical buildings formerly belonging to the magnate family landowners to the city. Concurrently, Kentlands’ lakes, green spaces, and quarry would be transferred to the city parks system. These altruistic acts were meant to establish a civic focus early on for the development: those sites would always be in the public domain and never be compromised by future private owners. The zoning changes and building approvals were ratified expeditiously and construction commenced in 1989. Once construction began, the ownership and management of the development transferred over to Great Seneca Development Corporation, a subsidiary of a Maryland bank. The first model homes were on display by mid-1990 and Kentlands first wave of residents began to populate the community in 1991.
Given the strong market acceptance and profitability of the development, a large adjacent site was purchased six years later to replicate the Kentlands model and intensify the existing downtown density. Again, DPZ were brought into the process and another charette was organized with city representatives and community members to design the newly-named neighborhood of Lakelands. This also proved to be another phenomenal success. The larger size of the combined communities allowed for a far greater concentration and mix of shops, offices, and community offerings in the downtown area. Furthermore, the higher population had the secondary effects of making public transportation and other government-managed services more economically viable. Today, over 8,000 residents live in Kentlands and Lakelands, while commercial and office space totals approximately 93,000 sqm (1,000,000 square feet).

Of important note is the Kentlands Community Foundation, a non-profit, resident-run organization serving the greater purpose of the development. The Foundation has a three-pronged mission, represented by the three subgroups of The New Urbanist Committee; The Arts & Culture Committee; and The Volunteer & Community Outreach Committee. When Kentlands’ governing covenants were drawn up, the Kentlands homeowner's association (“Citizens Assembly”) was set up to manage the governmental and administrative duties of the community. Kentlands Community Foundation is a totally separate entity from the Citizens Assembly. The Foundation was created to assume leadership for the broader cultural and social mission of the development, while fostering community spirit and activity in Kentlands and its neighboring towns. The Foundation's oversight is comprised of a Board of Directors, which oversees its
activities and policies. Members hail from the Gaithersburg/Montgomery County government; business, arts, and town planning communities; and general population of Kentlands and Lakelands.

Although the City of Gaithersburg owns and maintains Kentlands’ historical sites, the Foundation helps promote and support those landmarks: “The City's renovation of the mansion and barn into cultural facilities realized a key component of the Kentlands plan in that the arts would be an integral part of community life. The Kentlands Mansion serves as a rental facility and art gallery, hosting weddings, parties and business events. In the Gaithersburg Arts Barn today, former horse stalls house artist studios and a 99-seat theater occupies the upper floor where Mr. Kent once held dances. The Firehouse awaits renovation. The Carriage House that once housed Mr. Kent's automobile collection is now a community facility owned by the Kentlands Citizens Assembly. The brick building provides space for meetings, classes and an office for the Kentlands Community Foundation.”

As with Miasteczko Wilanów, Kentlands began with a residential focus both with its planning and its phasing. Although residential building has long been finished, commercial development continues to undergo some construction. For the most part, this is in the form of refocusing existing buildings for new uses. In the last several years, Kentlands city authorities hired architecture and design advisory firm HOK International to further intensify the mixed-use and transit-oriented nature of its downtown commercial district. This underscores the flexibility of a new urbanist community: although technological advancements and generational preferences may demand new retail and office space layouts, the core of the community remains intact and only minor tweaking is necessary to regain optimal financial and strategic performance. Conversely, single-use districts typically require costly and extensive redevelopments when faced with exogenous shifts.
6.2 The Pinehills, Massachusetts, USA

The Pinehills is the newest large-scale master planned community in New England. It is located in Plymouth, Massachusetts, approximately 45 miles southeast of Boston and of nearly equal distance to the easternmost resort communities of Cape Cod. Although Pinehills was not planned with the specific intention of being a new urbanist development, it utilizes many of the characteristics of the design movement. The entire land parcel making up Pinehills measures 1,270 hectares (3,174 acres) of hilly, heavily-wooded terrain. Even before its ground-breaking, the lead developers had the intention of preserving a vast majority of the site and working new construction as best as possible into the difficult topography and natural features of the land. To date, the developers of Pinehills have set aside over 2,000 acres, or 70% of its total area, as open space. Meanwhile, the developers have pursued a higher-density, mixed-use development plan that creates a compact, highly-social living environment while largely restricting residential buildings to two-stories.

A brief overview of land parcel’s history provides important insights into the unique characteristics and considerable challenges in settling this area. The topography of The Pinehills was formed in the last Ice Age, when glaciers carved a massive valley out of the terrain. In its wake, sandy soil and boulders were left behind making the land inarable for the Native American tribes that roamed this area for centuries. The settlement of Plymouth in 1620 and subsequent growth of the Massachusetts Bay Colony brought little change for The Pinehills plot. Historians note two early-American landmarks within the area: Old Sandwich Road, a native trail that was turned into a road by the colonists, and Cornish Tavern, a historic watering hole found along the route. Starting in 1891, thread manufacturer Robert Symington began assembling parcels that
would eventually become The Pinehills as his family’s hunting grounds. In fact, Symington’s estate, The Pines, today makes up the core of the development. In 1968, the plot was sold to John Talcott, a Connecticut-based investor. In 1986, Talcott sold the land intact to Digital Equipment Corporation, which considered building an office campus on the site. The land was largely untouched until 1999 when four developers – Tony Green of The Green Companies; Tom Wallace of Wallace Associates and Steve Karp and Steve Fischman of New England Development – teamed up to purchase the land for a new residential community.

It took five years for the new owners to secure planning and building permits with the state and local authorizes that preserves open spaces while allowing the development of a unique high-density suburban community in a forest setting. In one of their first actions, the developers invested several tens of millions dollars in piping to draw water from the other side of the adjacent Route 3 highway. The Pinehills couldn’t tap into the existing Old Plymouth water system for reasons including distance, topography, and ancillary impacts to the community. Plymouth residents viewed this very positively since their water source and filtration plant was already at maximum capacity. With the infrastructure backbone in place, the landowners began to sell smaller parcels to other builders.

*The Pinehills’ – variety in housing types*
To date, nine different construction companies have been used to build out The Pinehills, all under the parameters laid out by The Green Companies’ original master plan. The community is expected to be completed in the next four years, and will have close to 3,000 homes in luxury houses, apartments, and condominiums. Although the development is predominantly residential-focused, a plentitude of mixed-use offerings have been worked into the site. The center of the community, the Village Green, will have roughly 120,000 sqm (1.3 million square feet) of commercial and retail space at completion; today it is the main gathering place for residents with its upscale grocery store, other small retailers, post office, restaurant, wine and spirits shop, bank branch, and medical and professional offices. The Pinehills also has two 18-hole championship golf courses – designed by Rees Jones and Jack Nicklaus, respectively – that consistently gain national accolades for quality of play. Additionally, the community has seven miles of walking trails, where residents can often be seen hiking, dog-walking, and horse-riding. Furthermore, there is a kiddie splash pool and an outdoor swimming pool within The Pinehills, offering additional recreational outlets for families.
The development of The Pinehills has been a resounding economic success for both the builders involved and the Town of Plymouth. For one thing, house prices did not dip during the severe real estate crisis that began in 2007, although the rate of home sales did wane somewhat. Additionally, the new residents have been a boon for Plymouth, a municipality which was previously stressed by budget shortfalls. The Pinehills served to raise the average price of homes in the town by over 100% since its inception. Plymouth was considered a forgotten New England town before Pinehills; since then, Old Plymouth has since experienced an influx of new home buyers desiring historical properties that can be rebuilt and refurbished to modern specifications. The tax base and collections of the Town of Plymouth have increased dramatically, while the impact on Old Plymouth local services has been extremely limited. The Pinehills is not a senior community by any stretch of the imagination, but it is strongly comprised of a demographic of older wage-earners and smaller business-owners. The average age of Pinehills is 53 and as a result of very few children live at Pinehills, there has been little impact on Plymouth’s public schools. The development is largely self-patrolled and self-regulated so few additional law enforcement officers have been added in the town. Finally, the entrance to the community is right next to a major state highway, so Pinehills has not caused a material amount of additional traffic within the existing municipality.
Chapter 7 Conclusion: Recommendations & Solutions

The entrepreneurial prowess of K.R. and strong leadership of Zbigniew Okoński and Guy Perry guided Miasteczko Wilanów through the planning, investment, and development stages for the greater part of a decade. In particular, the establishment of a master plan based on the principles of New Urbanism set the tone and rhythm of the future community early on. Great strides have been made towards producing the original vision of an integrated mixed-use development, despite the many challenges that have been encountered over the past decade. While Miasteczko is still six to eight years away from completion and continues to lack a number of necessary elements today, there is already a semblance and coherence to the neighborhood. As for its resident population, Miasteczko Wilanów has grown well into the working democracy its original designers intended it to be.

With its own history as the precedent, and Kentlands and The Pinehills as its comparables, there are several recommendations that could be offered for future developers of large-scale mixed-use developments in the emerging market context. While these are by no means exhaustive and each one could perhaps be expanded into a study of its own, they are meant to be both serious considerations and starting points.

Upfront Infrastructure Guarantees

The Pinehills shows that in certain cases, the development of new large-scale projects will require that the initial investors assume tremendous upfront costs for infrastructure improvements to make a well-positioned, but underserved land parcel viable. By constructing its own water supply and wastewater treatment faculties, The Green Companies was reliant solely on itself for the speed and phasing of various real estate types. Conversely, the completion of important roads and public spaces in Miasteczko were delayed numerous times, sometimes for years, by the uncertainty of public works funding and timing. In fact, many times the ongoing disputes were used as a means for the various Wilanów parties to gain leverage on one another. While it would seem on the surface that only the residents and small business owners in Miasteczko suffered from the infighting and foot-dragging, that is not entirely true. Developers certainly were impacted by their time-to-market (real returns) and their ability to reinvest profits in new parts of the development (phasing flexibility). Additionally, in long-term development
projects such as Miasteczko, Kentlands, and Pinehills, capitalizing on an open and active real estate market could mean the difference between success and failure. The onset of the financial crisis in 2007 proved this to be the case for many developers globally; there is an operating leverage inherent in real estate development that works against builders until the project is delivered. It would have served Miasteczko well to simply assume the infrastructure improvements into the initial purchase figures and then pass along the added costs as best as possible to subsequent construction partners. One could argue that the shortfalls in nominal payback could be justified in a quicker payback period and the certainty of selling into a market of known quantity.

**Phasing from the Downtown Out**

Miasteczko would have also benefitted if its phasing started at the town center; expanded to encompass public squares, green spaces, and community facilities; continued through to residential and retail building; and concluded with office construction. In some sense, Prokom did try to pursue this strategy by locking in Deniz and Auchan as building partners in the town hall and outdoor shopping plaza areas early on; however, circumstances dictated otherwise. In the case of Kentlands, the downtown was vital to producing the community that the local Gaithersburg residents desired. In fact, the original project expanded into Lakelands so that a bigger town center, with more shops and services, could be built.

Meanwhile, Miasteczko has survived, and even expanded its housing stock over the past several years, despite its lack of a town center and limited retail offerings. This can only be attributed to the lack of better alternatives (competition) in Warsaw. If Kentland and/or Pinehills were phased in over a similar timeframe, those developments would have been shunned long ago by potential new buyers in favor of other projects in the Washington D.C. and Boston areas. Going forward, it is important for developers to note that as certain emerging markets develop and an increasing amount of decent options are presented to buyers, haphazard phasing could doom their projects. This does not mean to ignore the fact that Miasteczko is a unique project with few, if any, comparables. However, some of its builders, including Polnord, Robyg and Fadesa, are already in search of new greenfield sites for a second wave of new urbanist developments in Warsaw. In
the extreme case, this would mean that differentiation between their new projects – should they all come online at the same time - could come down to phasing execution.

**A Homeowners Charter**
The existence of a homeowners’ charter that effectively established a local government has helped Kentlands tremendously with maintaining and improving its neighborhood. Rather than relying on the incumbent municipal government of Gaithersburg Maryland, Kentlands had already drawn up a representative body for the community’s residents before groundbreaking. It would aid the roll-out of future large-scale mixed-use developments if a similar format were replicated. If nothing more, the charter would provide a sort of audit and hold the various developers accountable for their promises to the many stakeholders in new developments.

**Gifting a Foundation**
The final recommendation involves the establishment of a non-profit organization to oversee, promote, and help fund the well-being of new urbanist communities such as Miasteczko and Kentlands. In the case of Miasteczko, land swaps with the church (for the temple site) were used to gain an important local partner to assist in gaining zoning changes and building permits. In the case of Kentlands, historical and important cultural landmarks were gifted to the city of Gaithersburg to secure accelerated government approvals. It would be wise for future developers of large-scale, mixed-use projects to consider similar measures, not only to gain expedited approvals from local authorities, but to foster a greater sense of community between their future residents. By creating a foundation, new urbanist developers could at least be assured that the original intentions and vision of the development would be supported and promoted by an independent body for future generations. Of course, such an organization needs some measure of authority and capital funding to be a legitimate force. Thus, it is recommended that the lead developers consider gifting certain lands, perhaps those set aside for future private schools or other non-commercial endeavors, to such a foundation. The compensation could come from tangible tax write-offs or intangible positive marketing. In any case, the community will be well served by having land parcels for necessary facilities set aside and controlled by an independent organization. The proceeds will then fund the organization for future benevolent actions,
including citizens’ action as in the case of Miasteczko or educational grants as in the case of Kentlands.

As a review of the successes and failures of large-scale new urbanist developments, the comparative table below is offered as a means of assessing different projects side-by-side on six chief grading criteria. Although these criteria are by no means exhaustive, they seek to capture the key drivers behind such mixed-use developments. A brief definition of each follows:

**Public Realm:** does the development mesh various real estate product types effectively while respecting the local ecology and its location-specific historical/cultural features?

**Profitability:** have the various construction projects in the development provided attractive returns to its initial and secondary investors?

**Standard of Living:** does the development provide a better quality of life for its residents and local workforce in terms of health benefits, diversity of amenities, community offerings, etc.?

**Community Leadership:** does the development have a strong centralized body of representatives working to preserve and promote the ideals and vision of the community?

**Public-Private Cooperation:** to what degree do the local government and community stakeholders work in tandem to satisfy social, infrastructural, and maintenance needs of the locale?

**Public Service Infrastructure:** to what degree is the development served on-site by public schools, medical facilities, senior services, etc.? Additionally, are roads and public transportation options adequate to provide local stakeholders easy access into and out of the development?

<table>
<thead>
<tr>
<th>Location</th>
<th>Miasteczko Wilanów</th>
<th>Kentlands &amp; Lakelands, MD</th>
<th>The Pinehills, MA</th>
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<tbody>
<tr>
<td><strong>Warsaw, Poland. Urban setting.</strong></td>
<td><strong>Gaithersburg, MD. Suburban setting. Roughly 20 miles northwest of downtown Washington D.C.</strong></td>
<td><strong>Plymouth, MA. Suburban setting, 45 miles southeast of Boston.</strong></td>
<td></td>
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<tr>
<td><strong>Size of Property</strong></td>
<td>169 hectares total (422 acres total). Roughly one-third dedicated to planned and landscaped public parks, squares, and green spaces.</td>
<td>352 acres total.</td>
<td>3,174 acres total, of which 2,000 acres preserved as woodlands.</td>
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<tr>
<td><strong>Development Specifics</strong></td>
<td>2,000,000 square meters of build space and over 15,000 residents planned at completion.</td>
<td>More than 8,000 residents. Roughly 1,000,000 square feet in office and commercial space.</td>
<td>3,000 residences across homes, apartments, and condos. 1.3 million square feet of retail &amp; commercial space.</td>
</tr>
<tr>
<td>Category</td>
<td>Miasteczko Wilanów</td>
<td>Kentlands &amp; Lakelands, MD</td>
<td>The Pinehills, MA</td>
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<tr>
<td>1. Public Realm</td>
<td>Attractive contemporary, human-scale development. Plentiful green spaces. Very respectful of historical &amp; ecological features. To date, lacking diversity in retail and office product types.</td>
<td>Traditional neighborhood design. Higher-density retail and commercial center with lower density residential extending outwards. Older estates and waterways have been preserved.</td>
<td>Mix of single-, twin-, and multi-family housing worked into a forest setting. Many walking, hiking, and riding trails. Public &quot;Green&quot; and two golf courses supply natural elements.</td>
</tr>
<tr>
<td>2. Profitability</td>
<td>Extremely profitable (&gt;15% IRR) for both initial and secondary investors. Homebuyers have also experienced price appreciation despite the global financial crisis.</td>
<td>IRR is unknown. Strong market reception: residential units were sold very quickly at asking prices.</td>
<td>Although normally undisclosed, the development is said to have been very successful for The Green Companies and secondary builders. Plans for similar development is being discussed in Sweden.</td>
</tr>
<tr>
<td>4. Community Leadership</td>
<td>Disjointed for much of the first decade. Recent formations of citizens actions groups and election of local residents to district council positions have turned around situation.</td>
<td>The early establishment of the Kentlands Foundation promotes and preserves the ideals established by the developers, designers, and planners.</td>
<td>Centralized website for residents, but largely unstructured organization. Lead developers remain at the forefront of community events.</td>
</tr>
<tr>
<td>5. Public-Private Cooperation</td>
<td>A challenge for many years due to self-interested developers and an underfunded town budget. Local government still requires pressure to fulfill public space maintenance duties.</td>
<td>Strong relationship founded from the initial charrette between local residents, community leaders, architects, and developers. Active information sharing between regional/community authorities.</td>
<td>Largely developed to be independent from the existing Plymouth, MA infrastructure. As a result, nearly all core infrastructure was planned and funded by private investors.</td>
</tr>
<tr>
<td>6. Public Services Infrastructure</td>
<td>Roads and maintenance of public green spaces severely lacking before 2010; improved since ULI application. Lack of schools an issue. Hospital on-site. Public transport (buses) on main boulevards.</td>
<td>Excellent. Schools on-site and ample public transportation options available throughout the development.</td>
<td>No schools on-site, although the community has a very low child population. Private medical offices on-site. Public transportation options are very limited - residents reliant on personal vehicles.</td>
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</table>
Bibliography


PMR. (06, November 7). Mill-Yon to construct Aura Park estate. PMR.


