Hyper planning and the construction bubble on the northern coast of the Valencian countryside (or how the unwarranted scenarios of planning have contributed to the present urban disaster)

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Abstract

The northern coast of Valencia, previously left out of the development of mass tourism, hoped to join the manna that had arrived with the construction boom of 1996 to 2007 in Spain. Along with the desire to overcome the hurdle of seasonality, the construction, which has become known as Golf Resorts, began to take place. We will study the role played by what is called “hyper planning” (extremely oversized proposals) and the role of Public Administration in giving support to those operations in order to explain why none of them has successfully been finished.

Keywords: construction bubble, planning, golf resorts, ecological impact, scarce resources.

1 Introduction: the cycle of construction hyper-production

From 1996 an unparalleled construction bubble was unleashed in the Spanish State only to abruptly burst in 2007 with the mortgage subprime crisis. Although the focus of this paper is not to analyse the causes of this phenomenon, on which there is abundant analysis, [1], we must indicate briefly that this emergence was made possible through the combination of very diverse reasons: economic, social, political, policy, including the hypertrophy of the construction sector itself, and especially the availability of cheap and abundant funding. However, few studies have considered the role played by urban planning with their oversized proposals. The aim of this present work is to highlight the contribution of urban planning to the real estate tsunami of the northern coast of Valencia. In particular we will study
a specific type of development known as Golf Resorts, a combination of a golf course and a residential area of high density. These operations have an impact on those semiarid and very vulnerable lands that we cannot afford.

2  The last frontier, the northern coast of Valencia: Orange Blossom Coast

The northern coast of Valencia comprises 16 municipalities with just 378,000 registered inhabitants (2011), of which almost half live in the capital of “administrative province”, a sparsely populated region with a low density (91.1 inhabitants/km²), whose coast (161.7 km. out of a total of 644) is also the least urbanized [2]. This area has remained outside the phenomenon of European mass tourism. The only exception is that of Benicàssim, a destination mostly occupied by domestic and even local tourism.

To overcome this situation of stunted development, the label “Costa del Azahar”, The Orange Blossom Coast, was launched. However, its impact has been very limited, despite the fact that out of the 16 coastal municipalities all but La Llosa (the smallest one with just 951 inhabitants) were declared “Tourist Towns” [3]. We will not examine the reasons for this backwardness, but we must emphasize that until the outbreak of the housing bubble this area had a sagging tourism development. With the construction boom, it seemed that its hour had finally arrived, but the proposals made for this last frontier can only be described as excessive, a sample of hyper-planning: “Regardless of the political colour of the municipalities, from south to north, different companies have presented PAI (the legal instrument equivalent to detailed plan) to develop between 35 and 40 million square meters, with the construction of 12 new golf courses in addition to the three existing ones, and that will entail the construction of 40,000 new homes. Environmental experts have warned about the impact of these projects” [4].

2.1 Golf as an alternative to the problem of seasonality of tourism

In Valencia, as in the whole Spanish State, tourism is a central economic activity. To give an idea and summarily illustrate its importance, in 2012 it accounted for 10.9% of GDP and employing 11.9% of the workforce [5]. Yet it has a serious and unsolved problem: seasonality, linked to what is known as the “sun and beach” tourism. This dominant model coexists with others: inland, nature, congress and tourism, but they represent a small minority. To try to overcome the problem of seasonality, one alternative has been proposed: to promote golf. In the “prodigious decade” golf was presented as the ultimate solution, to avoid seasonality and combine tourism with the real estate boom: tourism, golf and brick all together. This proliferation of project of golf courses, always combined with a residential area, formed this typology and is identified as the Golf Resort.
2.2 Golf on Mediterranean, semi-arid climate

Golf is not a suitable sport for an ecosystem such as the Mediterranean one, a semi-arid coastal territory, with annual average rainfall that was in 2003 of 388 mm. [6]. To have a comparative idea, we must point out that the Cantabrian coastline exceeds 2,000 mm annually [7] and in what we could identify as the “European Golf” territory, is at least twice [8].

Water is the great handicap for golf in an environment such as the Mediterranean seaside, where it is a scarce resource. This sport requires conditions that do not exist in an ecosystem such as the Valencia coast. Its huge areas of prairies are conditioned by a critical factor: irrigation. How much water does a golf course situated in northern coast of Valencia needs? The estimates vary considerably. “Ecologists in Action” estimates an average annual consumption of 10,000 m$^3$/hectare, the equivalent of a town of 8,000 inhabitants [9]. WWF/ADENA increases it to 12,000, while Greenpeace raises it to 15,000. The total consumption of the 380 existing golf courses in the whole State in 2013 would stand for 14 million m$^3$, i.e. the equivalent need of a population of 4 million people [10]. Along with the pressure on water resources, there exists other equally not negligible impacts on the construction of a golf course: the occupation of between 60 and 100 hectares (for an 18 holes course), the removal all the original vegetation (shrub, tree and herbaceous) after application of a plough of about 30 cm deep and the introduction of alien species; the strong impact on the fauna, flora, landscape, soil, runoff; the loss of biological connectors and corridors between natural areas; groundwater contamination; human pressure coming from increased traffic, noise; the massive use of pesticides and fertilizers. Without ignoring that despite what is stated by law, the use of treated water for irrigation instead of recycled sewage waters is widespread. A sport that has been justified by reclaiming the breaking of seasonality problem, the generation of revenues from elite tourism, but as it has been proved, the golf itself is not profitable; to make it economically viable it has been invariably accompanied by a real estate development: the Golf Resort [11].

2.3 Golf Resorts on the prodigious decade

Throughout Valencia there are in currently a total of 36 golf courses in operation, of which only three are in the northern region. All three were developed before the last real estate boom; the oldest one is the Club de Golf Costa Azahar. It opened in 1960, an almost urban club, just 6 km away from the centre of Castelló. It is a small course with nine holes, intended for a local user, nothing to compete with the Golf Resort model. For foreign tourism and as an integrated Golf Resort, only the Panorama Sant Jordi Golf can be taken into account, opened in 1995, with 18 holes (80 hectares) it was designed by Bernhard Langer. Situated in between is the Club de Campo Mediterráneo Golf in Borriol with 18 holes, dating from 1978.

But when the building frenzy broke out, projects for Golf Resorts arose everywhere. The Association of Golf Courses of Castelló added to the other five to the existing three on the project: the Benicàssim Golf (to be opened in 2008–2009), the Doña Blanca Golf (2008–2009), Sant Gregori (2008–2009), Xilxes...
Golf (2009–2010) and finally the Marina d’Or Golf with undated scheduled inauguration. Not one of these projects has been successfully completed.

2.4 Stages in the process of construction or space n build

Since the passing of the Urban Activity Regulatory Law (LRAU) in 1994, all development plans of a certain magnitude must be carried out by processing an instrument called PAI (Integrated Action Program). In its processing four stages can be distinguished: planning, management, urbanization and building. The first one just requires the approval of planning documents, but does not involve any physical transformation of the ground, nor of the legal structure of land ownership. In the management phase (usually by rearranging plots, or by expropriation) there are changes in the legal structure of the allotments, although no physical alteration of the land. In the third one, with the implementation of the development, physical reality is altered, soil, landscape are transformed. The result of this process is to obtain plots that are now legally available for building. In the last one, the physical process of constructing the resort community is concluded with the building under the conditions established in the plan. This distinction in stages is extremely important from both an economic and a legal point of view. The first two (planning and management) require minimal investment from developers, making sense to the fact that they are eager to push through these plans even in circumstances of crisis, because they may consolidate rights so that their initiatives acquire a certain degree of legal irreversibility. The turning point from an economic point of view comes with works of urbanization. There the promoter must make investments that by far exceed those required at the “paper” stages of this phase. As we will see, this is where projects are stalled when confronted with a depressed economic cycle.

3 Study cases

3.1 Golf Sant Gregori (Borriana): do not count your chickens before they are hatched

The plan for Golf Sant Gregori in Borriana covers a total area of 255 hectares, which includes a golf course of 73 hectares, a future extension to another one (Sant Gregori II), a residential resort with 6,000 homes and a marina (Santa Barbara), affecting some 30 hectares. This land is protected in the EU Natura 2000 Network, from the mouth of the Millars River to the natural spot of the Clot de la Mare de Deu. It is a disproportionate, excessive project, with an initial budget 105 million euros [12].

Although in 2000 the initial proposals had already been submitted, we can consider that the project actually begins on the 17th of January 2005 with the approval of the plan for the area (Sector SUR-T-1) and with the simultaneous granting of the concession to urbanize to the company “Gestión y Construcción de Obras Públicas”, despite the fact that in October that corporation did transfers its rights to another one, “Urbanización Golf Sant Gregori”, a pool of the largest local
construction enterprises (GyC, Ballester and Lubasa). In late 2006 the urban plan had already been approved. Everything was ready for the launching of the works, and in fact in 2007, a promotional video painted a picture without any shadow of doubt; idyllic, a reliable business, a scenario of progress and social welfare [13]. But coinciding with the bursting of the construction bubble procedures underwent an abrupt stop. Until 2010 the rearranging of plots into a new land subdivision will be not resolved, to be finally enrolled in Public Register the following year, in an atmosphere of unbridled euphoria, fed from official sources, with forceful statements such as that “this new thrust to the Sant Gregori PAI places Borriana, along with Torreblanca Doña Blanca Golf PAI, at the forefront of the development of large residential and tourist projects in the province of Castellon. Only two PAI are currently following their normal processing and are in such an advanced point” [14].

But the reality was quite different, and in early 2012 some owners, mainly minority shareholders, claiming the context of crisis, requested the temporary suspension of the project [15]. Seizures began for those who could not face the first instalment of urbanization works, and even the City Council having difficulties to meet that payment was forced to put for sale two of its plots [16]. Nevertheless, Bankia who had become the main partner through having to foreclose on the part of the developer (Golf Sant Gregori SA) continues in September 2012 to publicly express their willingness to maintain and continue the project. This is quite a surprising standing since the same entity had withdrawn simultaneously from other, the Doña Blanca Golf de Torreblanca, in which it was also involved [17]. Useless statements that do not prevent that in mid-2014 difficulties could be concealed and that the bank, nationalized and bailed since May 2012, and owning nearly 69% of the shares of the project, formalized before the City Council a request for suspension of two years for the operation, and the return or reduction of the guarantee, even though the latter appeal was denied [18].

Why did the project stop and fail? There are a variety of reasons: financial difficulties, the bursting of the housing bubble, its slow processing, and a late start in 2005. It should be highlighted that the role played by civic and social opposition, especially from ecologists groups. Indeed the project occupies a very sensitive and valuable area from an ecological point of view (from El Clot de la Mare de Deu the mouth of the Millars). In view of the failure of the operation, the environmental association GECEN (Grup per a l’Estudi i Conservació dels Espais Naturals) requests on the 17th of May 2014 to disqualify the area as developable land and its regeneration [19]. But, against all odds, the municipal government, adopting a stubborn attitude did not withdraw the initiative. And that’s it; today the project has no viability at all. In the meantime, the search for new international investors, “Two investment groups interested in Golf Sant Gregori” [20] groups which finally did not appear, and after twelve years of negotiation, the 27th of December 2012, the majority shareholder (Bankia) transferred the ownership and the management of the operation to SAREB [21], widely and better known as the “Bad Bank”. SAREB (Acronym in Castilian for Management Company for Assets Arising from the Banking Sector Reorganisation) is a joint company, public (45%) – private (55%), founded in November 2012, during the bailing of financial
institutions, in order to help clean-up the Spanish banking sector and, more specifically, the banks with problems due to their over exposure to the real estate sector. SAREB has finally received the so called “toxic” real estate assets, without any chance in normal market. Financial institutions that had assumed them as a result of foreclosures transfer them to the SAREB who proceeds to its liquidation, avoiding bankruptcy of the former banks, but assuming losses which funded at 45% from by public budgets. This move was a foretaste of its inevitable liquidation, in which again losses will be largely assumed by a public entity, as well as the original minority landowners who embarked on a speculative venture doomed to failure. End to a chimera that should never have risen.

3.2 Doña Blanca Golf (Torreblanca): the milkmaid and her pail

The project to build a resort with golf course in the municipality of Torreblanca, known and advertised as “Doña Blanca Golf” administratively starts on the 16th of May 2003 with the approval of a Plan that covers the sectors IV, VII, VIII, IX and X, and the grant of the concession to urbanize to the company “Urbanizadora Torremar SA.” We are dealing with a macro project for a municipality whose population in that year was only of 5,238 inhabitants, and where according to the 2001 Census there were 3,679 dwellings (1,802 primaries, 1,222 secondary and 616 empty ones). The figures speak for themselves in their excesses: a total of 191 hectares located on the coast, invading again land of high ecological value, with the inevitable golf 60 hectares (described as the “green lung”) and 4,319 homes (245 single family homes, 106 bungalows and 3936 apartments) plus 3 hotels, shopping malls, sports facilities and green areas, with an initial budget that exceeded 52 million euros [22].

To ease the processing, and thus give a better legal coverage, all political parties unanimously approved a new Master Plan in 2009 [23]. With the housing bubble already burst, a significant and revealing fact of social consensus that such operations got in the middle of the brick fever even afterwards. Against all logic, the chimera did continue, supported by the Provincial Government who generously funded in February 2011 a stand at the MIPIM, Cannes real estate fair, seeking international investors [24]. Its President had to recognize and affirm that if there are no investors who can promote our projects we have to go and look for them wherever they are. Simultaneously, in an exercise of foolishness extolled to the press continued to maintain that if all deadlines are accomplished, before the end of this year the machines could start to work (...) Torreblanca strengthens its commitment to implementation of this flagship project that also would be the first to be built in the province since 1995, when a golf course opened Sant Jordi. In September 2011 the deadline for submission of applications to execute the works of urbanization was opened [25] and in June 2012 the work is awarded to a joint venture company made up by Renos and Pavasal [26]. But just three months after the developer controlled now by Bankia (who, as in the case of Sant Gregori, again had to seize and substitute the original developer) requested suspension for two years [27]. To enmesh even more all the process, in May 2013 the City Government had to cancel the concession of the works when the existence of
commercial links between the developer and the builder were proved, something that prohibited by law [28].

At all costs and against all logic, the Torremar developer (with now Bankia acting as the majority shareholder) tried to pressure the City Council to continue backing the operation, but finally it was the concessionaire itself who in February 2014 did notify to the municipal government its willingness to abandon the project [29], including a bizarre proposal to let the local authorities themselves becomes the developer, and run the project [30]. But it was not a toll free proposal, an act of atonement for the excesses committed, but rather of a poisoned present, since the assignment included a clause by which the company recovered the deposit of over 8 million euros that for legal reasons had been previously deposited [31]. Forced by circumstances, the City Council in July 2014 cancelled the concession [32]. And again the story is over: the project stalled, the concession annulled, while environmental groups claim the cancellation of the whole project [33], and the owners, both Bankia and the small landowners facing losses from a grandiose project that should never have been started. This retells the story of milkmaid: the jar is broken and the milk poured.

3.3 Marina d’Or Golf: the bigger they come, the harder they fall

The project for Marina d’Or Golf, also known as Mundo Ilusión (World Illusion), is the most ambitious of all Golf Resort that have arisen in Valencia, pure hubris: no less than 1800 hectares, 7 large themed hotels (400–660 bedrooms), 3 golf courses (one designed by Greg Norman, another by Sergio Garcia and a 9-hole golf school course), shopping areas, dining and entertainment, the largest spa in Europe, a ski track, an artificial beach, all set to recreate different parts of the world; in short 55,806 hotel rooms and 33,000 tourist homes. A “Holiday City”, as its promoters have labelled, for 220,000 inhabitants, which would make it the fourth largest city in Valencia. Everything begins in the eights when his promoter, Jesus Ger, finds one of the few pieces of unspoilt coastline left in the northern counties, and develops some small real estate operation, a prelude of things to come after the construction boom. The existing resort of Marina d’Or consists of five hotels, about 15,000 apartments, holiday parks, a spa, over twenty restaurants, themed events built north of the town of Orpesa, on the beach on a strip less than a mile wide between the railway coast and the coast, land that was considered as developable in the eights. A preview of what was going to be Mundo Ilusión, sharing the same strategy: to overcome seasonality, the Achilles heel of the sun and beach tourism, by means of a wide range of leisure offer (spas, golf, skiing, and theme parks).

This mega-operation overflows the municipal boundaries of Orpesa extending into the adjacent Cabanes. From an Administrative point of view the Plan (PAI) began in 2005, but its final approval by the Autonomous Government of Valencia did not come until April 2010, amid numerous social and legal disputes, and various delays. Late and ephemeral approval resulting from the housing and economic crisis took its toll on the group. Soon after, in May 2011, the developer was declared insolvent and the entire operation paralyzed. But unlike the two previous golf resorts, this initiative has not finished in the hands of a financial
entity or transferred to SAREB and is now in a kind of frozen state, a latent or dormant threat.

4 By way of conclusion: a house of cards

Not a single Golf Resort proposed in the northern regions of Valencia has been completed. Throughout the text we have seen the reasons for those failures. We shall now highlight the costs and impacts of these failed endeavours.

The ecological impact. The Golf Resorts reflect an unsustainable pattern of consumption of resources (especially water), an unfeasible option, unnecessary, with unacceptable environmental costs.

Urban planning, far from protecting and preserving the environment, the landscape and the territory has contributed, in no small measure, to feed the construction bubble, being largely responsible for what happened, and its own discredit (the so-called wild Urbanism)

Political costs: Public Administration has been serving the interests and preferences of the promoters (Urbanism à la carte) forgetting and ignoring its main mission: to improve the lives of citizens.

Economic costs: a large proportion of failed projects have ended up in the hands of the SAREB. This implies that they will be sold off or liquidated at public expenses, but economic losses not only affect the Public Administration, or the construction companies. They have also cause harm to many smallholders who were dragged to a non-existing “Dorado.”

Future strategies: local councils (and a part of the society that supports them) seem not to have learned the lesson, and they continue to bet on what we call the boa strategy; wait and see, until digestion occurs, until the huge stock of buildings and urbanized land is sold, to resume business as usual. Absurd and disproportionate projects, guided by the myth of growth are nowadays simply frozen, waiting for better times, but have not been formally abandoned, cancelled for good, forever and ever.

References


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