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**11.947 New Century Cities: Real Estate, Digital Technology and Design**

## **Digital Mile @ Zaragoza (Spain)**

New Partnerships for future Century Cities

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## **DIGITAL MILE @ ZARAGOZA (SPAIN)**

### **1. BACKGROUND**

#### **a. Zaragoza hard facts**

Zaragoza is placed in a very strategic location of Spain, based on its centric position within the main populated area of Southern Europe. Is the capital of Aragon, a low-density populated region with very rich historical and cultural background in 18,500 square miles.

Downtown Zaragoza has some 600,000 inhabitants and the Aragon region a total population of 1.3 million.

Zaragoza is the Cincinnati of US: its population profile represents the "average Spaniard" and therefore historically have being the classic trial-ground of many firms for launching and experimenting with new products and services.

#### **b. The right time for a NCC**

For the last decades Aragon region has been overlook and suffering of lack of investment, mainly from competition with nearby Barcelona, Madrid and Bilbao, all bigger and more vibrant economic centers in Spain.

But now a confluence of a series of major projects will radically change its economics:

1. New Speed Train at 217 miles/h has recently began operations from its signature train station, connecting to Madrid in 1h and Barcelona in 1h time.
2. The reversion of an American military base into civil use has provided Zaragoza with a large airport facilities, which might be the perfect alternative to heavily clogged airports of Madrid and Barcelona
3. Zaragoza is the leading prospective host of the 2008 Universal Exposition. The winning city is to be confirmed in Dec. 16<sup>th</sup>  
Traditionally Spain has use this type of international events to boost regional economies and direct hefty public investments on regional cities. Barcelona´s Olympic games in 1992 represents a major best practice, while Seville´s Expo exemplifies the model of a missed opportunity due to bad planning and poor execution.
4. PLAZA, the largest and most advanced logistics platform in Southern Europe is being launch (MIT-Zaragoza International Logistics program run by Prof. Yossi Sheffi) with the construction and operation of large industrial parks that will drive economic growth for the region.

5. New public infrastructure is in the pipe line with committed funds from the government. Such investments include a urban subway and the expansion of the belt- highway system.

## **2. DESCRIPTION OF PROJECT**

### **a. Genesis of Zaragoza Digital Mile**

Arguably New Century Cities should come either from the desk of a high ranking Governmental official or from the Urban Planning agency of a City. In the case of Digital Mile the project was born as the outcome of an active community. Zaragoza people have extensively organized themselves in active associations that influences in great manner the local politics and decisions of its government.

The role model of Barcelona organizing the Olympic games in 1992 and its subsequent transformation and development was closely watch by Zaragoza. In 1999 an association of citizens launched an application to nominate Zaragoza as the host for the 2008 World Exposition, an application endorsed later on by the National and Regional governments.

A public survey at that time showed that over 15,000 citizens would be willing to volunteer with their time and effort to help in any manner to the success of such international event.

The interest to transform Zaragoza with the participation of its citizens grow from there, and soon some two hundred local associations and groups with wide disparity of objectives aroused. The local government generated a Master Strategic Plan for the future of Zaragoza laid out the vision of social, economic and material transformations. At the same time, having the Expo in mind, the town hall created a task force of some 10 people who traveled the world gathering information on previous Expo events and building knowledge through benchmarking and best practices to come up with a bold proposal for Zaragoza.

It will be interesting to understand more precisely how this early exposure to the "World Expo" phenomena, which in some geographies would be reconverted into technopolis or CBDs, had impacted the evolution process of the New Century Zaragoza.

The large pool of local associations matured into a more formal process of implementing the Master Strategic Plan called EBROPOLIS after the Ebro river that flows thru Zaragoza. Ebropolis was created by the municipality as a forum for local intellectuals, university, firms active in the community and public administrations.

By 2002 Ebropolis had some 40 active members who met to discuss any important issue that might affect the future of Zaragoza and its community. It is organized by committees or boards that follows specific issues. In particular at than time some people gathered around the "Permanent Board for the Information Society". In their Recommendations issued to the municipality, the Ebropolis permanent board stated the opportunity to reclaim the rail track land to stablish a Knowledge City.

That paragraph with the idea of a Knowledge City along with key members of Ebropolis became part of the electoral campaign of the socialist candidature for Major led by Mr. Belloch. Mr Belloch is a prominent political and social figure in Spain and has served as

Secretary of State. He took office in June 2003 as Major of Zaragoza, and appointed for the first time ever a Lieutenant for Science and Technology. He also appointed Mr. José Carlos Arnal as special advisor to the Major in such matters.

All included, the team charged to bring to life Zaragoza Digital Mile accounted for a total of 3-4 people, and full commitment and endorsement from the Major and his powerful Rodolex.

For a long time Zaragoza has been preparing and discussing the need of a Knowledge City that would bring them the Society of Information along with strong economic growth.

**b. Description of location**

Zaragoza Digital Mile project draws mainly on reclaimed rail track space arising with the construction of the high speed train. The land available has two parts, the main portion accounting for 235 acres at Navarre Ave. including the new Intermodal railway station; and a second portion at El Portillo area with 39.8 acres. The project also contemplates the reuse of land and infrastructure to be potentially used in the 2008 Expo, placed in a meander of 63 acres across the Ebro river.

**c. Objectives of Digital Mile**

The general objectives of Zaragoza Digital Mile are vastly common in other New Century Cities from emerging countries or troubled regions searching for the Holy Grail that will warrant them eternal economic growth:

- i. Positioning Zaragoza internationally as a modern /cutting hedge destination
- ii. Becoming a cluster for multinational firms
- iii. Bring innovation and Knowledge to Zaragoza
- iv. Center for Research and Development
- v. Advanced community savvy in technology
- vi. Provide citizens with new ways of living, learning and working

We have discussed the difficulties entrenched in competing in the global arena for the crème of the crop of prime locations. Genzyme requires max of 5 minutes walk from a major biotech cluster. University Park does about the same.

Can seriously all Asian NCC or Zaragoza Digital Mile claim the very same objectives as Lyme Properties out of Cambridge? Putting agglomeration economies to work will require a titanic effort for this projects in order to outbid other well established centres of Knowledge.

Nonetheless, most of the firms and even international companies won't require such a gigantic leap into unique research facilities or scientific work. The logistics park is a clear example. Therefore success could be achieved if planning for office space and other facilities is in alignment with market demand and thorough forecasts.

But value creation out of New Centuries Cities also draws on Social and Community capital creation. In that extent, the lively local participation of groups and associations is already a prove that such objective is already being achieved.

Furthermore, the track record of the citizens of Zaragoza used in commercial tests as "guinea pigs" might make this place the natural location for a New Century City, where many concepts and outcomes are still blurry. Recently a major utility used Zaragoza as lab for testing PLC technology, suggesting that the community might have a willingness to bare the risks and rewards associated with early adopters.

Finally, value creation in a New Century City can also be captured and amplified by entrepreneurs, if they are provided with the opportunity to exploit niche sources of value.

### **3. OPEN ISSUES**

#### **a. Ownership of land and transfer price.**

The land where the Digital Mile will be located formally belongs to the State-run National Railway Co. They agreed to a partnership with Local government (25%), Regional government (25%), and themselves (50%). Both the transfer price of the 25% + 25% and the fact that a passive investor will keep 50% of the ownership might not be optimal for the value creation process. Further analysis and exploration should be carry out by all stakeholders, maybe with the help of an external consensuated assistance.

#### **b. Planning driven vs. Market driven designs**

The Major's office has been keen in engaging anchor technology companies into the deal since early stage. Such process apparently occurred prompted by the need to gather expertise in an area where the task force didn't reach.

However, such an innovative new product (prime class A Real Estate space dressed with state-of-the-art technologies) will be valued in terms of real estate at market prices. Traditionally development firms and other real estate consultants are in charged with assessing best possible use and appraisal. Such key stakeholders have not come into scene yet at Zaragoza Digital Mile.

This might be caused by a systemic organizational bias where municipal planning (the project champions) is done characterizing RE developers as mere captive clients with opposed objectives.

By leaving developer's private initiative out of the equation, the project bears the supplemental risk of planning and building a major piece of real estate that is not in alignment with market necessities or expectations.

**c. Digital Mile project conflicts with official and approved Master Urban Plan.**

Most probably is a ownership problem. Since the leadership of the project is carried out by the Special Advisor to the Major in conjunction with the Science and Technology Agency rather than the Urban Planning Agency, it might be perceived by the later as an intrusion in their competencies.

**d. Missing pieces**

- Technology impact on space design: Milla Digital has the opportunity to address how the public / private paradigm shift will change the design of retail or office space.
- Streets: arguably the most visible face of the new project and the potential recipient for the most exciting technologies and design, but still haven't received much attention in the preliminary project. Street clothes?, public furniture?, management agent for such complex space (no completely public, no completely private)?, movement & traffic / parking, programmable signs, thin shops....
- Flexible space: building from scratch, Milla Digital has the possibility to deploy an innovative "yield management" system to localize and assign uses to flexible space according with demand and disponibility.
- Climate favourable for young entrepreneurs: as one of the safest bets to capture future value creation, actions must be considered in early stage of planning to ensure plentiful opportunities for entrepreneurial activity.
- Liveable space: trough careful design and planning, building a liveable space might be the surest way to ensure positive attraction of well educated citizens.
- Human capital. Last but not least, if Zaragoza Digital Mile is not centred in building Human Capital, it will be just a large real estate deal, but not a New Century City. Worrisome most of the documents consulted are indeed describing a real estate deal rather than a comprehensive plan to build a urban fabric optimal for nurturing human capital.