

## Role of individual SMEs – the Amsterdam case

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### Lessons for SMEs:

- Dealing with a group of individuals as an SME you need special skills besides your original field of expertise (e.g. communication skills, organizational skills).
- CSO groups tend to contract SMEs that already have experience with CSOs. You have to build your reference base.
- CSO new construction process is complicated and can result in a long procedure: this can be an advantage as you may get long term occupation and payment, but be careful with the contracting details: financing for additional work has to be secured, and contractual agreements must be made on time.
- If you as an SME are engaged in an early phase (like community organization), you should must make sure to establish stable contractual relations to avoid being dropped out of the project without payment.
- You may make yourself an unavoidable partner if you have good connection with banks and municipalities, which will enable you to connect clients.

### The storyline:

Oud West (Old West) is a neighborhood in the South-Western part of Amsterdam. The goal of the municipality was to revitalize the area by renovating the former tram depot (a former workshop for the maintenance of the Amsterdam trams, and now a national monument) and making it a cultural hotspot – thus attracting tourists – while also establishing a new residential area for middle to high income residents in order to create a socially more mixed neighborhood. The area intends to provide a framework for different types of housing, among others 5 plots for collective-self organized communities. The general housing policy of the Dutch government and the municipality of Amsterdam as well supports the creation of self-organized housing forms, which is why the opportunity of construction was given to this special target group.

The 5 plots were announced for tendering to already formed self-organized communities consisting of about 12 families each, committed to be future owners of the dwellings. The groups expressed their intention, and their number was reduced first by means of a simple lottery (143 groups expressed their intention, and 5 groups were selected for each plot – altogether 25 groups).

Most of the groups were organized in a top-down manner, by architects. The group which is in our focus was also brought together by an architect, who organized 3 groups, only one of which won at the lottery. This group had to submit to the municipality two standardized A4 templates explaining their motivations and the risk assessment of the future project. It was obligatory for each group to have high energy efficiency ambitions. Consisting of heterogeneous family types and to create spaces for joint activities were also required by the municipality.

Based on the appraisal (rating) of this short document, 3 of the 5 groups were invited for an interview in which the questions of implementation were discussed in more details. The interviews took place in January 2015, and our group in focus was selected based on the rating of their interviews. By February 2016 (nowadays) the detailed design is finished and submitted to the municipality, and a contractor is selected for the implementation and realization of the plan in the form of a building team in which the architect and the CSO participate.

### The market segment:

The market segment of CSO in this location is characterized by middle to high income people with strong educational backgrounds, stable incomes and a strong willingness to influence their way of living. They also intend to have common activities with each other and share some part of their lives (in our group it means the creation of a guest apartment and common working places). In addition, the future owners have high expectations concerning the energy efficiency of their buildings (constructing energy neutral building by using heat pumps and geo-thermal storage) and applying innovative architectural solutions like mixed apartments - different sized flats and maisonettes - and a folding balcony – Bloomframe - as regular balconies were not allowed at the canal side of the building.

The innovation potential of this market segment is high, as people are willing (or forced) to challenge new technical solutions. It also means that there are members of the group that have high technical qualifications. Besides, the members of the group are highly qualified concerning legal and financial issues. (It might not be the case in all CSO groups, but the boldness of a typical CSO group to be an immanent part of the planning process presupposes that the members have individual interest/skills in technical, organizational, legal or financial fields).

**The product (value proposition):**

The original product was developed by an architect who organized 3 groups to answer the call of Amsterdam municipality. This architect provided assistance at the different steps of the bid, in hope of eventually being involved in the architectural planning and implementation phases. However there was no contract between the architect and the future groups (the groups were not legal entities at the time, and there was no contract with the individual members either), and the architect was left out of the process when the decision on architectural planning was made. (The architect only received a small amount as compensation.) The final architect was chosen from four candidates invited by the CSO group based on the quality of their portfolio and the previous experience they had with CSOs. The architect that was chosen had, according to the CSO, the best combination of enthusiasm for this specific process, original architectural qualities, interpersonal skills, the ability to coordinate the individual needs on a group level, and the skills and attitude to be able to keep an eye on the cost and time limitations.

Besides the architect there were other small enterprises contracted:

- A facilitator, who was appreciated by the municipality and required by the bank. (As different banks provide individual mortgages to the CSO members, the whole project is considered to be more risky as in case of project bankruptcy, none of the banks have exclusive access to the whole project. Thus the involved banks try to reduce the risks of failure as much as possible though obliging the group to contract a facilitator to safeguard the project's quality.) The facilitator assisted the group in selecting the architect and the contractor, and also helped choosing the proper legal form (the group became a kind of condominium, where all the owners have proportional decision making rights). In practice the facilitator did not have too much added value to the project, as the CSO members had a high level of knowledge regarding technical, legal and financial details and were able to organize themselves and articulate their interests. (This is partly due to the fact that this CSO building consists of only 10 apartments, and the balancing of interests turned to be manageable.)
- An energy consultant was hired.
- A structural engineer was hired.
- A cost consultant was hired.

The technical experts entered the project through the network of the architect.

The contractor was chosen from a shortlist of 5 contacting firms who applied to the CSO. Two were selected to present a first, non-binding cost calculation. These companies were preferred by the CSO group as they already had experience with CSOs and were also able to optimize the individual requirements on the group level. The group also visited some previous projects of these contractors. One contractor was preferred by the group based on cost, quality and attitude. The group has already signed a contract with the selected contractor. The contract obliges the contractor to finish the apartments concerned for its own risk and profit in case one or more members leave the CSO, and cannot be replaced in a timely manner.

There were attempts to coordinate the selection of the constructor on a neighborhood level (that is, for all 5 CSO plots) in order to produce a scale effect. This group has made their choice, but other groups still have the possibility to make the same choice. In this case the construction cost would decrease by 3 to 5 % for each group joining.

**Pricing:**

The SMEs (architect, facilitators and consultants) are paid on an output basis, as in the case of regular services. In the contract the activities and outputs were precisely listed. If additional activity is required, it is priced on an hourly fee base. This hourly rating helps to overcome one of the biggest barriers of CSO projects, namely the long and unforeseen time scale of project planning and implementation, as the longer time frame also means prolonged revenues for the SMEs contracted.