

Urban policy financialisation in mega-projects. The case of Milano Innovation District

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Abstract

Urban mega-projects play a crucial role in linking financial and real estate markets, particularly through the financialisation of strategic land. In Milan, large-scale developments driven by global developers and investors are treated as urban policies able to reshape the city. This article examines the Milano Innovation District as a case study, highlighting how financialised planning and policy approaches are transforming the urban landscape. Drawing from the literature on financialisation, real estate, and spatial planning, the paper critiques the role of state-led planning in supporting these developments. It argues that financialisation has weakened the ability of planning policies to capture land value and balance urban rents. Ultimately, the techniques used to finance and deliver mega-projects have shifted control over urban transformation, undermining governance by local, regional, and national authorities. This shift has significant implications for how urban spaces are planned and developed in the context of global capital flows.

Keywords

financialisation, urban policies, spatial development, urban mega-projects, Milano Innovation District

1. Introduction

Over the past few decades, the financialisation of the economy (Epstein, 2005) has driven the shift from a system based on economies of scale spread across territories to a more globalised, unified economic system, concentrating a large portion of financial capital in major cities. This transformation, known as financialisation, specifically in the real estate sector, aligns with the conversion of real estate assets into tradable commodities (Gotham, 2009), treating built environments and land as products to be exchanged on financial markets (Van Loon & Aalbers, 2017).

In this context, urban mega-projects (Fainstein, 2008) represent a pivotal moment in the shift to new, often unpredictable financing models, functioning as ‘levers’ that connect the goals of the financial market with the real estate industry. They achieve this by extracting land value capital, mobilising it, and converting it into financial capital according to business plans designed by property developers and their investors. Put differently, urban mega-projects act as urban policies.

The financialisation of urban projects stems from the financialisation of real estate, which treats properties as tradable commodities within a shift from a traditionally non-financial sector to a financial one (Mosciaro, 2021). In this global framework, financialised major projects, particularly in Milan, «are seen as both tools to revitalise real estate markets and key arenas in which political and economic actors bargain» (Conte & Anselmi, 2022).

In essence, Aalbers (2020) defines financialisation as «the increasing dominance of financial actors, markets, practices, measurements and narrative», encompassing both economic and political dimensions.

Milan, an emerging middle-range metropolis, is marked by rapid globalisation and financialisation, driven by large-scale urban mega-projects developed by global developers. Among the key players, the Australian property developer Lendlease is currently overseeing two of the largest brownfield developments in Milan: the Milano Innovation District (MIND), spanning over 1,000,000 m² on the former EXPO 2015 site along the north-western axis, and the Santa Giulia development, covering 1,200,000 m² in the cross-border area between Milan and San Donato Milanese municipalities along the south-eastern railway line.

This article examines the MIND case study, analysing how this flagship urban mega-project has financialised spatial planning and policies, utilising financial instruments to link financial and property markets.

2. The urban policy financialisation

The formulation and execution of urban mega-projects are fundamentally driven by the aim of maximizing land value within the financial market. This process often involves financial leverage, particularly through bonds issued by Special-Purpose Vehicles (SPVs), which are typically managed by joint ventures or public-private partnerships (Guironnet et al., 2016). In contemporary urban development, SPVs are central to the financialization of mega-projects, primarily through a process known as ‘securitization.’ This technique transforms local real estate assets into tradable bonds that are then sold on global financial markets.

SPVs are closely linked to the use of ‘ad hoc’ planning tools, such as *Key Opportunity Areas*, *Zone d’Aménagement Concerté*, or *Programmi Integrati di Intervento*. These instruments blend land sales with the planning flexibility needed for complex phases of formulation, implementation, and particularly public-private negotiations. However, these planning mechanisms, often enacted through public-private collaborations, do not always ensure transparency. As a result, the profitability of urban mega-projects tends to rely on opaque decision-making processes, which can reflect a ‘sympathetic’ stance of local governments toward investors and developers (Raco et al., 2018).

This environment has fostered what is termed an ‘enabling attitude’ (Tasan-Kok & Ozogul, 2021), significantly enhancing the ability of urban mega-projects to extract land value and trade it on financial markets, particularly among institutional investors such as funds and trusts. In these pro-growth urban settings, the risks of ‘bureaucratic slowness’ are often seen as a manageable part of the investment landscape, as local governments typically prioritize real estate development and the interests of the property sector (Raco et al., 2018).

The current phase of financialization has greatly expanded the ability to convert real estate assets into financial products, such as securities, bonds, and shares. This shift marks a departure from the earlier reliance on financial grants (Fainstein & Gray, 1996) to a more flexible approach to spatial planning designed to accommodate financial allocations. Under these conditions, real estate companies are able to initiate urban mega-projects like MIND, which are governed by complex socio-legal frameworks and policies, shaped by the corporate structure of SPVs, managed by property developers (Adisson, 2018).

Finally, flagship urban mega-projects often serve not only as vehicles for local development but also for regional cohesion and international promotion. Projects like MIND thus become

political tools and integral parts of urban policy (Albrechts et al., 2003; Altshuler & Luberoff, 2003). This increasing financialization of real estate assets heightens the extraction of land rent in urban mega-projects, where planning, financial, and legal techniques are often detached from traditional planning and legal systems.

4. The financialization of the Milano Innovation District

The Milano Innovation District (MIND) is one of Italy's largest urban mega-projects. Situated on the former EXPO 2015 site, MIND spans a total gross floor area of 1,044,102 m², set to be developed under a building index of 0.52 m²/m² (Lendlease et al., 2020). This urban initiative is a financialised project intended to drive urbanisation in Milan's northwest quadrant, linking it to the greenfield development of Cascina Merlata and the Rho Fair complex. In this context, the post-EXPO redevelopment aims not only to regenerate a critical area for Milan, Lombardy, and Italy but also to establish a public-private partnership between the national public company Arexpo and the international development firm Lendlease.

MIND connects the renewed district to Milan's broader urban growth, unfolding within a political climate that has supported rapid change over the past decade (Di Vita & Morandi, 2018). However, the redevelopment process has a long history, beginning in 2002 when the Fiera Milano Foundation purchased 520,000 m² (more than half of the greenfield area) from the Belgiojosa Srl property company. The area remained largely undeveloped until 2006, when the Fiera Milano Foundation and the Cabassi Group introduced a masterplan for the Integrated Action Plan (PII).

In 2007, the City of Milan submitted its bid to host World Expo 2015, selecting this area to house the international pavilions. Milan won the bid in 2008, and while the Program Agreement (AdP) was quickly approved, the project stalled until 2011 when the city and Lombardy Region acquired the land, transferring ownership to the newly established Arexpo Spa. The election of the center-left Mayor Giuliano Pisapia in 2011 helped break the political deadlock (Gaeta & Di Vita, 2021), and the project restarted (2011-2015).

After the Expo 2015 event, a year of inactivity followed, often viewed as a planning setback (Gaeta & Di Vita, 2021). The site was revitalised through two key government actions: proposing the Human Technopole research center to attract global capital, and the Ministry of Economics and Finance (MEF) acquiring 39.28% of Arexpo shares (Arexpo, 2016). Notably, an auction to sell the area failed as no bids were submitted. The government's subsequent actions catalysed unforeseen financial interest by designating public functions (e.g., 'public anchors') that would attract private investment through potential public-private partnerships (Gaeta & Di Vita, 2021). Between 2017 and 2019, the formulation phase of the MIND project took place, culminating in Lendlease's successful bid to manage the redevelopment, marking the beginning of a 99-year leasing agreement with Arexpo, Lombardy Region, and the Municipality of Milan. This agreement led to the creation of MIND.

The MIND masterplan follows the 'pro-growth approach' initiated with EXPO 2015, positioning the site as a gateway for increasing Milan's global competitiveness (Bolocan Goldstein, 2015). In this way, both the EXPO event and the MIND redevelopment are connected parts of Milan's broader transformation and repositioning (Gaeta and Di Vita, 2021).

The masterplan maintains the original division into two orthogonal axes, named *cardus* and *decumanus*, referring to Roman land measurement practices. However, Lendlease and Carlo Ratti Associates (CRA) reinterpreted these axes, aligning them in a north-south direction to accommodate the three key public anchors—IRCCS Galeazzi Hospital, Human Technopole, and the University of Milan Campus—totaling 316,000 m² of floor space on the northern side. Private developments managed by Lendlease will occupy the southern side. Each of these public anchors is tied to a distinct sub-district: West Gate & Galeazzi Hospital, Green Heart & Human Technopole, and Knowledge Hub & University Campus. Two new masterplans were later developed—one by London's Allies & Morrison, envisioning MIND as an American-style city with concentrated urbanisation (see Fig. 3), and another by Bologna's Mario Cucinella, which reinterprets Milan's avenue and courtyard patterns, especially for the West Gate area (see Fig. 4).

The development of MIND is closely tied to new real estate financing techniques and active asset management, particularly through Lendlease's business plan for the area's property valorisation. In 2021, Lendlease confirmed the start of the investment phase through the Lendlease Global Commercial Italy Fund, which framed a long-term spatial plan involving joint ventures with institutional investors in the West Gate district and public-private partnerships with the University of Milan in the Knowledge Hub district. Additionally, Lendlease established the 'Lendlease Renaissance I' alternative investment fund, a special purpose vehicle (SPV) in partnership with the Canada Pension Plan (CPP), with a €400 million equity investment in the West Gate district, expected to yield a total value of around €800 million. This investment focuses on the West Gate district, comprising 11 plots, totaling 164,000 m² and spanning diverse uses, including office, retail, residential, and hospitality. According to Arexpo Spa, the total redevelopment of MIND is estimated to cost approximately €4.5 billion (Gervasoni et al., 2024).

The active real estate management approach applied by Lendlease marks a significant shift in Italy's real estate sector post-2007 subprime crisis. This change results not only from the internationalisation of the property developer role but also from the evolution of technical-financial instruments suited for large public area developments, which were traditionally linked to real estate cycles and short-term profit maximisation.

Overall, the financialisation of the MIND project incorporates a variety of financial strategies, planning tools, and policy instruments, tailored to the 24 'functional excerpts' (sub-lands) and the differing risk levels associated with each property class (e.g., residential and commercial assets typically present lower risks compared to large mixed-use developments). Each functional excerpt is managed as an independent settlement, with financialisation influencing spatial, urban, and architectural planning based on the specific demands of investors and tenants (e.g., retail, timelines, etc.). The result of this fragmented approach is the decomposition of funding and spatial planning mechanisms, shaping the MIND masterplan as a whole. From an urban design perspective, the plan is unified, but from a financialisation viewpoint, it is flexible and subject to change, reflecting the diverse needs of investors as defined by the PII.



Fig. 1 | MIND PII (Lendlease, Arexpo, Carlo Ratti Associati, Municipality of Milano, 2020)

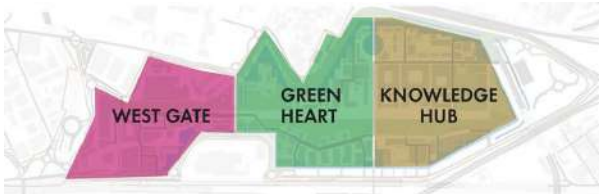


Fig. 2 | Subdistricts (Lendlease, 2020)

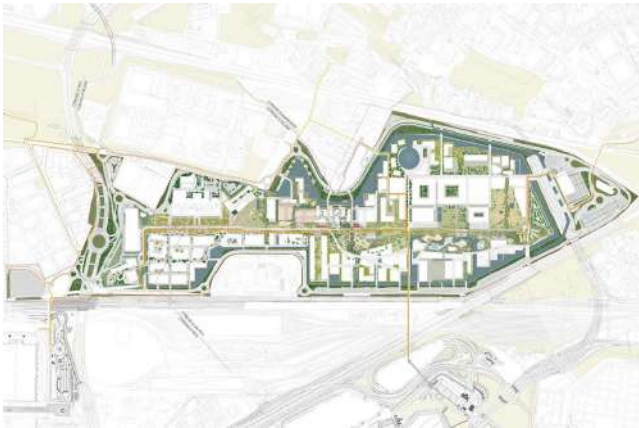


Fig. 3 | Allies & Morrison MIND Masterplan (A&M, 2021)



Fig. 4 | Mario Cucinella MIND Masterplan (MCA, 2022)

5. Findings and conclusions

The relationship between property financialisation and urbanisation in cities has significantly accelerated capital accumulation in urban mega-projects, illustrating how urban policies supporting these projects have frequently evolved into policy and financial tools for pursuing financialisation (Salet, 2008). As Lake (2015) observed, this process has been driven by the quiet dominance of economic policy over social and urban policies (and, to some extent, spatial planning), which have been treated as secondary and, over the past decade, increasingly financialised. Building on this idea, urban policy financialisation is evident in flagship (political) projects, reflecting both financial and cultural dimensions (Briata & Raco, 2022).

Notably, there are striking similarities in the financial and spatial strategies employed in Milano compared to other major European cities such as London (Raco & Brill, 2022), Amsterdam (Tasan-kok & Ozogul, 2021), and Paris (Guironnet et al., 2016). This suggests that the planning systems delivering urban policies have been progressively and systematically oriented toward financialisation. Indeed, as with other cases, Milano uses «transnational capital and large-scale regeneration projects to enhance its global reputation» (Conte & Anselmi, 2022), positioning urban mega-projects as «catalysts for urban and political change» (Swyngedouw et al., 2002) to empower local real estate markets and political spheres in global power dynamics.

While finance has always been involved, the rise of financialisation practices and tools has magnified its role, making real estate one of the foremost global asset classes. Paradoxically, this shift has made central, regional, and particularly local governments more reliant on property developers and investors, who can easily navigate building regulations and planning approvals (Raco et al., 2018). As a result, the traditional 'heavy' approach to statutory plans and masterplans is diverging from the management structures used in urban mega-projects, which now prioritize long-term planning flexibility, as seen in cases like MIND. This 'flexible' approach to planning has spread across Europe (World Bank, 2020), and is a significant outcome of urban policy financialisation, as the continuous reshaping of strategic areas detaches their planning from statutory frameworks.

The direct effect of such flexibility is a ‘project-led mindset’ (Secchi, 1986), fostered by specific tools like the PIs in Milano, which underpin the notion of a financialised city (Tasan-Kok & Ozogul, 2021). Consequently, the governance of the planning system is reshaped by property developers and investors who select prime sites for financialised large-scale projects. This decision-making model fosters a project-driven city layout, based on ‘viability-driven planning’ (Colenutt et al., 2015; Chiapello, 2015). In this context, urban mega-projects act as a ‘stimulus’ to financially leverage local property markets, with land rent becoming a key factor in positioning Milan in the global investment arena.

In conclusion, viability-based and financialised urban policies have fundamentally altered the purpose of (state) strategic spatial planning, which historically focused on urban mega-projects grounded in planning and political principles. However, I contend that strategic planning remains crucial to countering the effects of urban policy financialisation, and that the State must maintain its central role in shaping spatial configurations.

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