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Prioritising Critical Factors for Local Economic Development in Urban Regeneration Strategies

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Abstract

Local economic development (LED) strategies at the district level—such as sub-city or neighbourhood initiatives—play a crucial role in fostering sustainable and inclusive urban growth. This study explores the critical factors influencing LED and urban regeneration at the district scale, emphasising the integration of sustainability, digital technologies, inclusivity, energy efficiency, community engagement, and innovation into strategic planning. To prioritise these CFs, a tailored survey was distributed among a group of 13 city experts from European cities, involved in research projects focused on district-level quality-of-life enhancements through building retrofits, urban space interventions, energy community promotion, and technological deployment. By focusing on the district level, this research highlights the importance of tailoring strategies to local contexts and leveraging the unique characteristics of each neighbourhood. The findings reveal the need for local governments to enhance the capacity of administrative staff to engage citizens and direct external support for development projects. The normative recommendations derived from this study are specifically grounded in district-level research and practice, ensuring their applicability to sub-city areas. This paper concludes that a context-specific and collaborative approach is essential for achieving equitable and sustainable economic development at the district level.

Keywords: local economic development; urban regeneration; district renovation; critical factors

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1. Introduction

Cities are increasingly struggling to transform into adaptable systems capable of addressing new challenges and opportunities within a rapidly changing global landscape, transitioning from industrial to information and knowledge societies [1–7]. Looking at the implementation of urban regeneration at a lower scale than the city or municipal one (in districts or neighbourhoods), solid strategies appear essential for sustainable urban development and local economic growth.

Drawing from the experience and work developed by the authors within the context of a European Commission-funded R&D project, drOp project [8], which proposes the development of an integrated renovation methodology for the regeneration of small-scale neighbourhoods, this research addresses the challenge of identifying and examining the

critical factors (CFs hereafter) for local economic development (LED hereafter) strategic planning in the context of urban regeneration. The mentioned project focuses on ensuring the socio-economic impact of renovation projects in social housing through an enabling context for innovation with a specific focus on energy efficiency, digitalisation, and citizen engagement. This methodology takes a holistic approach, considering the interplay between economic, cultural, creative, and social systems that interact with and influence cross-sectoral industries and partnerships at the local level [9]. In that project, three cities are participating, Ermua (Spain), Matera (Italy), and Elva (Estonia).

Given that urban regeneration is a complex system involving diverse stakeholders with differing interests and complicating decision-making and implementation [6], developing urban renewal projects at the district scale that also support LED requires considering multiple objectives beyond just economic value. There are critical components associated with improving the quality of life [10,11], resident satisfaction [12–14], strong governmental support and informed stakeholders [11], and public–private partnerships [15]. Generally speaking, LED is defined as a process where the public sector, businesses, and civil society collectively create better conditions for economic growth and employment [16]. Nevertheless, various academic perspectives have shaped discussions on LED in recent decades [1,17–19].

Overall, in urban regeneration at the district level, several aspects that require specific attention to reach an appropriate LED approach should be considered. First, public bodies or urban planners should prioritise developing human, social, and physical resources in those districts/neighbourhoods [7]. Secondly, repositioning local assets to attract capital and create new wealth should be prioritised. Local artists, entrepreneurs, and cultural and creative industries, in general, should receive support derived from repurposing local buildings in the neighbourhood [20,21]. Furthermore, encouraging collaboration among local governments, communities, and industries can boost the local economy through innovation [22,23]. Finally, urban competitiveness is tied to the evolutionary processes of cities over time and space and encompasses culture, artistic and recreational facilities, urban identity, accessibility, social equity, and the physical environment [22,24]. In that context, when public administrations are responsible for urban management, particularly in neighbourhood renovation while promoting community-led economic strategies and economic development, it is essential to understand and leverage several critical factors accordingly [18]. After this review of significant and generic approaches and methods to address LED in urban regeneration and district renovation, it is worth mentioning that most of them rely on overarching municipal strategies, resulting in a limited number of studies that evaluate the relevance of those critical factors fostering LED in that field. The challenging urban regeneration drawbacks that cities currently face, especially at the district or neighbourhood level, demand guiding principles for achieving social-economic development, and therefore, solid strategies for local economic growth are crucial.

Considering LED within the context of building the economic capacity of a local area to improve its quality of life (socially and economically) and to enhance or reinforce sustainable growth including enhancing local competitiveness, this study aims at providing practical guidance to city decision makers when they deal with urban regeneration processes involving several renovation dimensions such as, among others, affordable housing, energy efficiency, digitalisation for age-friendly cities, or accessibility.

Focusing on LED strategic planning for urban regeneration projects, it is essential to analyse key internal and external factors influencing LED. Thus, this paper primarily endeavours to elucidate the critical factors that underpin the effectiveness of strategic planning for LED within the context of urban regeneration initiatives. This review culminates in a preliminary set of critical factors that are pivotal to effective LED strategic planning. Despite the growing interest in LED and urban regeneration, the literature reveals a gap in understanding how to effectively integrate LED strategies with urban regeneration

processes and what factors determine their successful implementation at the district level. While many studies have examined LED at the city level, fewer have focused on the specific dynamics and opportunities that exist at the district level. This gap raises two key questions that this research seeks to address:

Research Question 1: How can local economic development strategies at the district level be effectively integrated with urban regeneration processes to support sustainability, inclusivity, and community engagement?

This question is central to this study, as it reflects the growing emphasis on holistic and place-based approaches to urban development. It also highlights the need to move beyond traditional, top–down models of urban planning and instead embrace more collaborative and participatory methods.

Research Question 2: What are the key factors and challenges influencing the successful implementation of LED strategies in district-level urban regeneration projects?

This question builds on the first and delves into the practical realities of implementing LED strategies in real-world urban contexts. It allows for a more nuanced understanding of how local conditions, stakeholder involvement, and policy frameworks shape outcomes.

With a particular emphasis on their applicability and significance in the context of urban regeneration at the district level, the initial set of critical factors was assessed by the three cities involved in the drOp project (Ermua (Spain), Matera (Italy), and Elva (Estonia)). They rated the relevance of these factors on a 1–5 Likert scale in the context of their local governments and neighbourhoods. Furthermore, to ensure the broader applicability of the findings, the initial set was also reviewed by a group of five drOp project experts, who ratified the cities' perspectives. Consequently, considering the resulting ranking of relevancy, a distilled set of 12 critical factors for LED in the context of urban regeneration was elaborated.

The identified range of critical factors was subsequently evaluated for prioritisation via a pairwise factor-rating survey involving 13 European city managers and other municipal stakeholders. The findings are intended to inform urban planners, policymakers, and local governments in the development of more effective, sustainable, and inclusive strategies for district-level economic development. These insights will be further elaborated and discussed in the Discussion Section, where the implications for policy and practice are explored in detail. Figure 1 illustrates the flow of the critical factor set elaboration and weight-setting process followed to achieve the main objectives of this research.

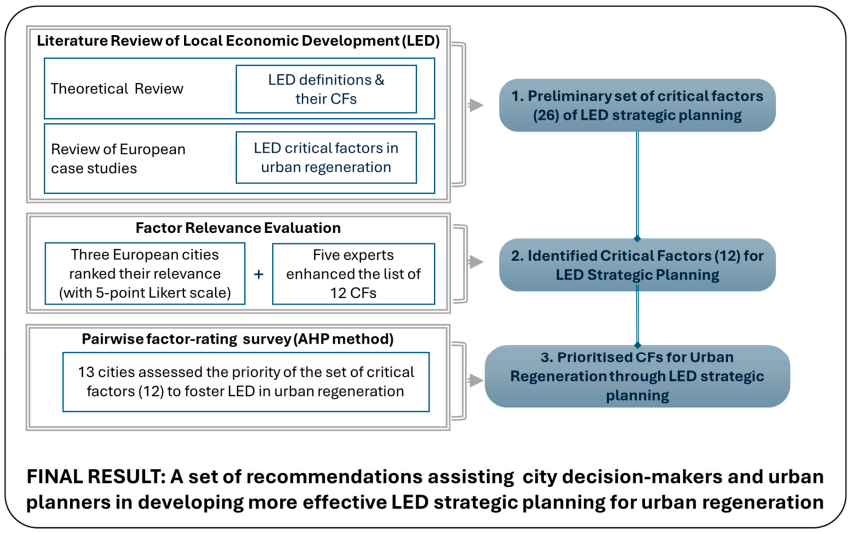

Figure 1. The research methodology for the prioritised list of LED strategic planning factors (source: author's elaboration).

2. Theoretical Review

This section describes the comprehensive literature review conducted to elucidate the intricate relationships between LED, its determinants, and the strategic planning process. LED has evolved from a primarily economic focus to a more holistic and place-based approach, especially at the district or neighbourhood level. This shift reflects a growing recognition that economic growth at the local level must be integrated with social, environmental, and governance considerations to be sustainable and inclusive. This literature review focuses on district-level LED, exploring how local strategies can be effectively implemented within the context of urban regeneration, community engagement, and digital transformation. In accordance with the twofold research objective, the review identifies the critical variables that influence local socio-economic development in urban regeneration and explores how these variables are integrated into LED strategic planning. The review culminates in a preliminary set of 26 critical factors that underpin effective LED strategic planning.

2.1. Generic Concepts of LED

Cities are increasingly challenged to become adaptable systems that can address new opportunities and challenges in a rapidly changing global landscape. This transition involves moving from industrial societies to information- and knowledge-based societies [1].

LED reflects this shift and is defined as a collaborative process where the public sector, businesses, and civil society work together to foster economic growth and job creation [25]. The goal is to enhance the economic capacity of a local area, improve its prospects, and ensure a better quality of life for all. Historically, the focus has been on economic aspects, but since the mid-1990s, there has been a broader approach to include social, ecological, political, and cultural concerns [22]. Additionally, in recent decades, the concept has expanded to include social equity, environmental sustainability, and participatory governance [24]. This broader approach is particularly relevant at the district level, where local conditions, such as demographics, infrastructure, and community needs, vary significantly within a city. At the district level, LED is often linked to urban regeneration and neighbourhood renewal. This dual focus makes district-level LED a key tool for addressing urban challenges such as ageing infrastructure, social inequality, and environmental degradation.

The intricate system of 'urban regeneration,' which seeks to revitalise various facets of urban life—such as economic, social, environmental, and spatial dimensions—is complex due to the participation of diverse stakeholders with differing interests, making decision-making and implementation processes more challenging [6,22]. Recent studies emphasise the role of citizen participation in shaping urban policies and services, particularly in smart city environments. For instance, Cao and Kang (2024) propose a citizen participation model for the co-creation of public value in smart cities, and participatory tools can enable more inclusive and responsive urban governance [26]. This model is particularly relevant for district-level urban regeneration, where local engagement can enhance the legitimacy and effectiveness of development initiatives.

In the context of urban regeneration, numerous definitions of LED have emerged over the past decade, with several noteworthy alignments to the context of this research. Thus, 'economic development' is defined as a process involving structural transformation, continuous technological innovation, and industrial upgrading, which increases labour productivity and improves infrastructure and institutions, thereby reducing transaction costs [17]. Another definition, 'community economic development (CED)', emerged as a bottom–up approach to address the failures of top–down, state-led methods in the 1960s and 1970s. It focuses on community-led regeneration, particularly in areas where the private and public sectors struggle. The voluntary and community sectors play a key role, with initiatives like cooperatives, social enterprises, and credit unions. Its potential can be

limited by factors like low local income and weak education and skills [27]. Numerous definitions describe LED as a collaborative effort between society, the private sector, and the government to drive economic growth and job creation. LED aims to boost competitiveness and promote sustainable growth by leveraging local potential and forming partnerships to create new jobs and increase regional economic activity [19].

Undoubtedly, LED plays a crucial role in urban renewal and district renovation projects, though it is not the most significant factor. Those projects aim to not only improve the physical environment but also create sustainable economic opportunities for residents [7,28]. The success of these initiatives depends on a variety of factors, including the involvement of key stakeholders, the integration of social and economic considerations, and the effective utilisation of local resources [7]. Also, they can include community involvement, collaboration among various groups, and using energy-efficient technologies to help reduce energy poverty in neighbourhoods [29].

2.2. Literature Review on LED Critical Factors

Most researchers emphasise the multifaceted nature of LED, highlighting a wide range of determinants, including economic, social, financial, infrastructural, political, and institutional conditions [25]. From an overall perspective of strategic planning, the identification of critical success factors can play a crucial role in both strategic and operational planning, serving as a data filter to facilitate decision-making and guide resource allocation [30]. Over the past several decades, research has extensively explored and identified numerous critical factors for LED, particularly within the context of urban regeneration projects [31]. The comprehensive review requires addressing the multidimensionality of the LED concept that sheds light on the key variables influencing local socio-economic development. Qualitative research, especially case studies, is the most common method for analysing LED, and based on the literature, several key themes emerge as central to successful district-level LED valuable to this research's objectives.

Stakeholder engagement and inclusive governance: Effective LED at the district level requires the active involvement of multiple stakeholders, including residents, local businesses, civil society organisations, and public authorities [26,32]. Inclusive governance models ensure that local voices are heard and that development strategies are responsive to the needs of the community. One of the key challenges facing local authorities is the ability to overcome development barriers and effectively leverage the potential of the local community [33]. Another important factor is the ability to achieve a balance between the interests and benefits of various stakeholders, including the government, residents, and developers [7]. Efficiency in public urban renewal expenditures is also a critical consideration. Factors such as the savings in local government expenditures and the consideration of intangible benefits, such as improvements in social and cultural aspects, can all impact the overall efficiency of these projects. District renovation should consider local contexts and engage residents, particularly property owners, whose investment decisions are vital. Furthermore, coordination with social service agencies is crucial if the aim is to support residents as well as to ensure fairness and success; input from disadvantaged groups is necessary. Harris's research (2020) explores the roles of municipalities, property owners, residents, and non-profits, noting the shift from physical to social objectives and the growing involvement of residents in neighbourhood improvement [3]. Similarly, Liao & Liu (2023) review the existing literature to identify critical obstacles and challenges in urban regeneration, and they emphasise the role of local governments in providing citizens with a supportive environment through incentive policies and regulatory systems, the necessity of public participation, engaging residents throughout the lifecycle of renewal projects, and establishing effective collaborative governance among stakeholders [6].

Strategic planning and policy alignment: The success of LED strategies at the district level depends on strategic planning and policy alignment. This includes the coordination

of local, regional, and national policies, as well as the integration of LED with broader urban development goals, such as infrastructure investment and public service delivery. Kiss & Rácz (2019) demonstrate that the role of local governments in economic development has become strategic over the past few decades, as they have successfully mobilised resources and coordinated stakeholders [34]. In their analysis, they integrate modern economic development theories and evaluation trends, grouping LED factors into five categories with corresponding indicators relevant to this research: main characteristics of the settlement; resource endowment; strategic planning, projects, and programmes and other policy instruments of LED; cooperation and coordination; and, finally, innovation and sustainability [34]. Exploring the drivers of community economic development policy, Zhang et al. (2017) showed that balancing across the three dimensions of the triple bottom line (economic, environmental, and equity) is possible for a broad range of communities [35]. Although there is no single 'right' approach to local economic development and competitiveness due to varying local conditions and natural endowments [5], it is important to recognise four critical factors of LED: (1) 'locality'—the quality of the environment and strong community capacity multiply advantages for economic growth; (2) 'business and economic base'—clusters of competitive industries linked in a regional network of all types of firms create new growth and income; (3) 'employment resources'—comprehensive skill development and technological innovation lead to higher-quality jobs and higher wages; (4) 'community resources'—collaborative partnerships of many community groups are needed to establish a broad foundation for competitive industries.

Sustainability, culture, and environmental considerations: Concerning urban planning, Abdelhameed (2022) elaborates on the design studio's objectives and procedures and shows that the adaptation of the socio-economic concept is justified as it provides district planning with social and economic value for inhabitants and the community, resulting in a better-valued and functioning built environment [4]. There is no doubt that executing neighbourhood improvement is complex and relies on multiple factors. Unlike redevelopment, which focuses on specific variables, improvement requires adapting goals, scale, and strategies to fit local conditions. Within a cultural-led perspective of urban regeneration, Della Spina's research focuses on practices of reuse and functional recovery to revitalise areas that have lost their original character due to various transformations. Urban regeneration policies consider both tangible resources (like geographical location, urban structure, real estate, and cultural heritage) and intangible resources (such as local identity, social values, and community competence). These policies aim to improve not only quality of life, environmental sustainability, and local identities but also economic development [2]. When development projects respect local culture and address the concerns of neighbours, they are more likely to gain community support. This can lead to smoother implementation and greater participation from residents [36]. Referring to the promotion of district-scale energy refurbishment, one of the main areas of the drOp project, Häkkinen et al.'s (2019) research aims to broaden the perspective of renovation at the district level by examining the drivers and barriers to district-scale renovation from the viewpoints of various stakeholders [37]. Derived from their research, the municipality's role emerged as crucial in enabling the process by supporting flexible town planning, ensuring transparency through open information, strongly backing citizen participation, and providing incentives to initiate the process. The study identifies the value proposition of a new type of actor, termed an 'activator,' for end-users and focuses on saving or increasing the value of residential flats; improving the living environment and district attractiveness; enhancing well-being; and simplifying the refurbishment process [37]. Placing sustainable building design as a means for providing people with spaces that provide long-term economic, social, and environmental benefits, Häkkinen et al. (2023) assert that increased labour productivity supports these goals by generating economic benefits, reducing environmental impact, and allowing more time for social activities [37]. Aligned with a similar objective, the research led

by Rose et al. (2021) highlights that district renovation is driven by more than just energy savings and reductions in emissions; it also aims to enhance overall quality and district value [10]. With the case studies analysed, these authors show that barriers and drivers of district energy renovation are not primarily technological, as the necessary innovations already exist. Instead, financial and social acceptance challenges are more significant. The research also stresses the importance of local authorities in developing communication and organisational policies to support renovations. Furthermore, these authors assert that successful projects require ongoing stakeholder dialogue, continuous management of stakeholders' expectations, and collaborative business models that align common values and promote local renewal [10].

Overall, urban regeneration is a complex, multifaceted process that seeks to revitalise the economic, social, environmental, and spatial dimensions of urban life. However, this process is often hindered by the diverse interests of various stakeholders, making decision-making and implementation a significant challenge [6,26]. To address this, Liao and Liu (2023) conducted a comprehensive review of the primary concerns and challenges in urban renewal projects from multiple stakeholder perspectives, identifying a range of critical barriers in economic and social aspects [6]. Building on this research, key factors derived from this literature review that shed light on the key variables influencing LED in urban regeneration were incorporated into such a classification, aiming to complement it (Table 1).

Table 1. Critical factors derived from urban regeneration literature affecting LED.

Categories	Main Contributions	Reference
Economic	Attracting external investment	[25,38,39]
	Economic strength	[40]
	Stakeholder involvement (throughout the whole urban regeneration process)	[11,41]
Social	Community identity and quality of life	[22,42]
	Balancing the interests of stakeholders (government, residents, developers)	[16,21]
	Resident contributions ('bottom-up' regeneration projects)	[7,10,43]
	Improvements in social and cultural aspects	[2,7,21]
	Increasing influence of residents in urban renewal projects.	[14,44]
	Involving and engaging communities in urban regeneration	[16,45,46]
Financial	Savings in local government expenditures	[7]
	Interventions (e.g., grants, subsidies, promotion of education and innovation)	[39,47,48]
Infrastructural	Physical infrastructure	[40]
	Eco-efficient and socially inclusive infrastructure	[42]
	Urban regeneration strategies adapted to local contexts, built environment characteristics, and policies	[5]
Political/institutional	Strategic planning and partnerships	[34,38]
	Projects, programmes, and other policy instruments	[47]
	Ability to overcome development barriers	[33]
	Public investment by local government in urban regeneration	[49]
Innovation and sustainability	Support for innovative business models	[39,50,51]
	Innovation and sustainability	[34]
	Population, technology, culture, and communication	[40]
Public resources and services	Access to high-quality public services and affordable infrastructure	[42]
	Upgrading public services and infrastructure improves physical renovation, service, and maintenance in urban areas	[24,49]
	Local financial resources (human resources, qualified administrative, or management experts; institutions and organisations engaged in LED; technological resources)	[47]
	Talent offices; future labour market skills; regional innovation strategy (ris3) 2.0; job-oriented ecosystems	[47]
Neighbourhood characterisation	Socio-economic characteristics; geographical/locational features	[47]

This literature review provided a focused and relevant foundation for the LED analysis presented in this paper. The themes identified—stakeholder engagement, sustainability, culture and environmental considerations, and strategic planning—are directly used to reflect the specific focus of the paper and to substantiate the arguments made throughout.

2.3. LED Critical Factors in the European Context

The significance of this research stems from its focus on fostering LED in the context of strategic plans in urban regeneration processes which aligns closely with the overarching goals and pillars of the European Union (EU)'s practical mechanisms to operationalize resilience, such as citizen engagement platforms, public–private partnerships, innovation hubs, and capacity-building programmes that strengthen local institutions and empower communities. In this regard, the EU has emphasised urban resilience as a cornerstone of its vision for sustainable cities. Initiatives like the Urban Agenda [52] for the EU and the EU's Recovery and Resilience Facility [53] demonstrate this commitment, with a focus on driving innovation, strengthening resilience, and supporting green and digital transitions. LED plays a vital role in this framework, contributing to energy efficiency, stimulating local entrepreneurship, and enhancing social and economic vibrancy. The EU's 'Renovation Wave' strategy aims to boost building renovation rates, create high-quality jobs, and improve quality of life. Despite the European Green Deal's efforts to prioritise building renovation, progress is lagging due to challenges such as energy poverty, skill shortages, and supply chain disruptions. To address these issues, the EU has released a comprehensive plan for reducing carbon emissions while stimulating economic growth, emphasising affordability, environmental standards, and community benefits in building renovations [54]. These initiatives highlight the importance of aligning local economic development strategies with EU incentives and goals, such as reducing carbon emissions and supporting sustainable neighbourhood transformations.

By leveraging European support, local partnerships can drive innovation, foster community-led initiatives, and enhance social and economic vibrancy, ultimately contributing to urban resilience and competitiveness.

According to Pike et al. (2006), alternative development strategies are essential for localities and regions facing economic challenges [22]. To navigate and address weaknesses that limit economic potential in a shifting global landscape, individuals, firms, and communities must enhance their awareness and capacity to respond to, shape, and adapt to new economic conditions [22]. Resilience can be built by developing local assets and resources tailored to regional needs and aspirations [22]. In this regard, Rodríguez-Pose and Wilkie (2017) argue that location-specific approaches offer a fresh perspective to revamp development initiatives [55]. By acknowledging the unique characteristics of each region, policymakers can design more effective strategies to promote regional development and resilience. Alternatively, Amin (2024) emphasises that strategic planning for LED should incorporate critical success factors, addressing administrative, financial, legislative, and planning issues to enhance project implementation and community involvement, ultimately improving local economies and living standards [23].

LED strategies typically aim to strike a balance between enhancing sustainability, promoting economic growth, and improving community well-being. To achieve these objectives, various approaches have been employed. For instance, *innovation districts* have been introduced to revitalise communities by creating jobs and housing close to workplaces. However, these districts often prioritise high-skilled workers and real estate development, resulting in increased housing costs and the displacement of long-standing residents [56,57]. Although designed to foster entrepreneurship and innovation, these districts may inadvertently burden individuals with the weight of urban development, necessitating careful

planning and support [57]. In contrast, community-focused approaches to sustainable urban redevelopment, such as *community approaches*, have transitioned from single-building projects to community-wide strategies. These initiatives aim to maximise economic benefits through economies of scale and synergies between buildings by integrating green spaces, energy communities, and water harvesting [58]. Additionally, *circular economy strategies*, including adaptive building reuse, have been implemented to reduce environmental impacts and revitalise neighbourhoods, contributing to economic and social development [59]. Moreover, prioritising *resident satisfaction and well-being* has emerged as a key strategy, with district-level renovations focusing on reducing CO_2 emissions, improving quality of life, and enhancing community acceptance and success [10].

To enrich this literature review and identify best practices in district renovation, a comprehensive analysis of 12 case studies across Europe was conducted (see Appendix A). The selected cases spanned various contexts, including energy-efficient renovations (Denmark, Estonia, and Germany), building environment revitalization (France, Austria, and Poland), digitalization and smart neighbourhood development (Italy and Spain), and the promotion of cultural and creative industries (France and Austria). This empirical examination not only validated several critical factors identified in the literature review but also uncovered new ones. The empirical review highlights real-world experiences in strategic planning for urban regeneration, emphasising critical areas where LED strategies are considered and incorporated. Reaffirmation of several critical factors (CFs) was found in areas such as strong collaborative networks, financial feasibility and support structures, community facilities and services, innovative shared facilities, community engagement and participation, sustainability and environmental considerations, and collaboration and partnerships. Furthermore, two new critical factors were discovered that are worthy of inclusion in the final set of CFs, namely, co-creation and stakeholder involvement and an integrated approach to project management.

3. Methodology

This study adopts a mixed-methods research approach, combining a comprehensive literature review with expert insights to identify and analyse the critical factors influencing LED at the district level. The methodology is structured to ensure a rigorous and systematic investigation of the topic, while also building upon and extending the findings of previous studies in the field of urban regeneration and LED.

The foundation of this research is a thorough review of the existing literature on LED, urban regeneration, and district-level development strategies. The review was not strictly systematic but was designed to be comprehensive and contextually relevant. It included academic articles and policy documents, all filtered through the lens of urban regeneration and LED, and it identified best practices in district renovation based on a comprehensive analysis of 12 case studies across Europe. The goal was to identify recurring themes, key challenges, and successful practices that could inform the development of a framework for district-level LED strategies.

With a particular emphasis on their applicability and significance in the context of urban regeneration at the district level, the research methodology of the present study continued with an assessment of such a preliminary set of CFs carried out involving a group of three cities and five experts involved in the drOp project (Ermua, Spain; Elva, Estonia; Matera, Italy). They rated the relevance of these factors on a 1–5 Likert scale in the context of their local governments and neighbourhoods. Derived from such analysis, a list of 12 CFs was elaborated.

To enhance the robustness of the findings, this study adopted a qualitative expert-based research approach to prioritise the critical factors influencing LED in the context of

urban regeneration at the district level. The method drew on a structured expert panel survey, which is a well-established approach in policy and urban development research for capturing expert knowledge and contextual insights that are often difficult to quantify through quantitative methods alone. It relied on a structured questionnaire administered to urban planners, policymakers, and local governments with direct experience in LED and urban regeneration. In this study, the survey was designed as a pairwise factor-rating questionnaire, where participants were asked to assess and prioritise a set of pre-defined critical factors based on their relevance and importance to LED in urban regeneration contexts.

Subsequently, the final set of CFs was analysed using Analytical Hierarchy Process (AHP) algorithms implemented in the R programming language. This method is one of the basic multi-criteria decision-making techniques first developed by Thomas Saaty, and it has evolved to be applied in several research fields [60]. The AHP is a valuable tool for understanding critical factors in LED within the context of district renovation. AHP facilitates decision-making by structuring complex problems into a hierarchy of criteria and sub-criteria, allowing for the prioritisation of factors based on stakeholder preferences and objective data. This method is particularly useful in district renovation projects, where multiple stakeholders and diverse criteria must be considered to achieve sustainable development outcomes. AHP is used to integrate different stakeholders' perspectives, ensuring that the development strategies align with community aspirations and needs. For instance, in the West Coast District, AHP helped prioritise the tourism sector based on community input, highlighting the importance of local participation in economic development planning [61]. Moreover, AHP supports the evaluation of various criteria such as economic, social, and environmental factors. It was used to differentiate between economy-based and community-based urban regeneration projects, emphasising the need for tailored evaluation systems [13] and to explore the sustainability of urban renewal projects by considering a wide range of indicators, including social, economic, and environmental dimensions, as demonstrated in various case studies across different regions [12].

This method is particularly well-suited for complex, context-dependent phenomena like LED, where subjective judgement and professional experience are essential for understanding local implementation nuances. The expert feedback was instrumental in shaping the final list of critical factors and grounding the recommendations in practical insights, ensuring their relevance and applicability in real-world urban contexts. By combining theoretical foundations with empirical insights from the literature and expert input, this study contributes to a more nuanced understanding of LED at the district level and provides a practical basis for future strategic planning and policy development.

4. Results and Materials

After filtering all critical factors from the described literature and case study reviews, similar aspects were unified and classified into four dimensions, built environment (six criteria), social and cultural (five), economic and financial (eight), and innovation and partnerships (seven), resulting in the first set of CFs for LED strategic planning (Table 2).

Table 2. Preliminary set of critical factors (26) of LED strategic planning.

Dimensions/Critical Factors for Urban Regeneration	
Built Environment	Availability of resources in the existing (municipal) local economic and social structures to address renovation projects. Transversality between departments at the municipal level to promote integral renovation projects to improve accessibility, energy efficiency, and digitalisation in the neighbourhood. One-stop shops established in the neighbourhood to better understand the communities' needs to improve liveability in the neighbourhood. Demand aggregation for energy efficiency renovation projects. Potential for creating energy communities. New digital advances in buildings and houses foster access to new services.

Table 2. *Cont.*

	Dimensions/Critical Factors for Urban Regeneration
Social and Cultural	Capacities, skills, and knowledge of citizens can be easily included in (public) planning or decision-making. Advice and training facilities organised, in particular in the field of self-management, empowerment, and economic support. Available research and development facilities for social business models or socially useful products and services. Existing new forms of community-oriented and not-for-profit enterprises. Cultural sensitivity and concerns from neighbours (e.g., enhancement of cultural values).
Economic/Finance	The existence of public space and support structures for learning and working, campaigning, and project development. Creation of fair trade, in particular by active involvement of consumers and clients. (e.g., local product promotion, etc.). Build up decentralised networks for cooperation and exchange of experience, goods, and services (outside the neighbourhood). Support of the government to establish local financial instruments, including non-monetary exchange systems (legal flexibility, public investment, or fiscal incentive). Foster and reward (public incentives) viable business models (cost structure inferior to the revenue stream). Support the development of businesses and SMEs (e.g., business incubators). The existence of financial subsidies from local/regional government. The existence/availability of public procurement in the end-user sectors.
Innovation/Partnerships	The availability of studies related to social acceptance of innovative ways of business development (digital, accessibility, energy efficiency, smart neighbourhoods, active ageing). The role of enterprises in promoting smart neighbourhoods. The existence of previous and current cultural and creative industries at local and municipal levels. The existence of already established networks (industries, consultancy and research organisations, community-led organisations, public authorities and policymakers). Strong relationships among stakeholders. The geographical proximity of stakeholders. The existence of a 'leader' company with facilities in the district that stimulates new business opportunities (e.g., ICC).

4.1. Factor Relevance Evaluation

With a particular emphasis on their applicability and significance in the context of urban regeneration at the district level, the research methodology of the present study continued with an assessment of such a preliminary set of CFs carried out involving a group of three cities and five experts involved in the drOp project.

The three cities involved in the drOp project rated the relevance of these factors on a 1–5 Likert scale in the context of their local governments and neighbourhoods. Notable disparities were observed in the relative importance of the criteria across the three cities, which hail from different countries and exhibit distinct prioritisation profiles in the context of LED. For instance, while Ermua and Matera share some similarities, there are significant differences between these two cities and Elva. These differences may be context-dependent and related to the fact that Elva, located in southern Estonia, has demonstrated digital and economic progress at the municipal level, which could be seen as conducive to a renovation scenario. Nevertheless, across the three cities, the following criteria were rated as relevant or highly relevant:

- Cultural sensitivity and concerns from neighbours (e.g., enhancement of cultural values).
- The existence of public space and support structures for learning and working, campaigning, and project development.
- Support from governments to establish local financial instruments, including non-monetary exchange systems (legal flexibility, public investment, or fiscal incentive).
- The existence of already-established networks (industries, consultancy and research organisations, community-led organisations, public authorities and policymakers) at local and municipal levels.
- Strong relationships among stakeholders.
- The geographical proximity of main stakeholders.

The municipalities of Ermua and Matera prioritised four key criteria for urban regeneration projects: available resources, local cultural and creative industries, research and development facilities fostering social business models, and a 'leader' company stimulating new opportunities. Both cities valued these factors for project replicability and neigh-

bourhood revitalisation. However, Ermua and Matera differ in their approach. Matera emphasises departmental collaboration at the municipal level to promote comprehensive renovation projects, enhancing accessibility, energy efficiency, and digitalisation. In contrast, Elva prioritises innovation criteria, focusing on social acceptance studies, stakeholder relationships, cultural sensitivity, and citizen involvement. Elva's key factors also include public spaces for learning and working, governmental support for local financial instruments, and established local networks. By considering these factors, Elva aims to improve neighbourhood liveability and drive economic development.

Complementarily, and considering the ranking of relevant factors, the same list was validated by a group of five experts in fields such as social innovation, urban regeneration, and economic development participating in the drOp project to ratify the cities' perspectives and to ensure broader applicability of the findings. Consequently, considering the resulting ranking of relevancy, a distilled set of 12 critical factors for LED in the context of urban regeneration was elaborated (Table 3).

Table 3. Identified critical factors for LED strategic planning in urban regeneration (authors' elaboration).

Critical Factor	Description/Examples
1. Availability of non-monetary resources on existing (municipal) local economic and social structures.	• Public spaces, digital hubs/co-working spaces, and public living labs. • A local development agency. • Public company for renovation. • Digital apps for urban dialogue. • One-stop shops (in the district).
2. Tenant engagement.	• Active participation in the decision-making of the district/neighbourhood renovation process: • Focus groups to discuss renovation plans; • Tenant committees with municipal staff.
3. Existing new forms of community-oriented and non-profit enterprises in gender equality, multiculturalism, energy efficiency, digitalisation, etc.	• Cultural associations and social cooperatives. • Crowdsourcing solutions. • Time banks and the sharing economy. • Farm share programmes.
4. Cultural sensitivity and concerns from neighbours for the enhancement of shared values.	• Festivity days/promoting intangible cultural history (local traditions). • Cultural expositions/movements. • Initiatives to promote local commerce. • Thematic fairs, poetry clubs, etc.
5. Support structures for learning and working to foster self-employment, collaborative projects, etc.	• Learning cooperatives. • Public space for seminars and short training programmes. • Municipal/regional job plans and training plans for unemployed residents.
6. Demand aggregation for energy efficiency renovation projects.	• Energy communities. • District heating.
7. Governmental support to establish local financial instruments, including non-monetary exchange systems.	• Legal flexibility. • Public investment. • Fiscal incentives. • Public–private procurement.
8. Established networks.	• Industries, consultancy and research organisations, community-led organisations, public authorities, and policymakers. • Regional clusters (innovation, digital, technological, etc.) and research or business alliances.
9. Strong relationships among (local/regional) stakeholders translated into a sustainable trajectory of collaborations.	• Promotion of DOPs (Designation of Origin Products). • Dedicated offices or teams (e.g., participation in urban agenda development). • Long-term commitments (MOUs).
10. An established and sustainable citizens' engagement framework.	Efforts to include citizens' capacities and knowledge in public/municipal planning, as well as providing them with capacity-building in self-management, entrepreneurship, and economics.
11. Encouraging and incentivising viable business models while also supporting the growth of businesses and SMEs through initiatives	• Business incubators. • Capacity-building, etc.
12. Financial subsidies from local/regional government.	Public funds are allocated to districts and social housing renovation in the urban agenda.

The revised set of critical factors (CFs) incorporates various rewritten criteria from the initial set, as some were merged or reconfigured to facilitate their comprehension. This final set of CFs served as the foundation for the subsequent research step: evaluating prioritisation.

4.2. Prioritisation: Pairwise Factors Rating Survey

This section describes how the identified range of critical factors was subsequently evaluated for prioritisation, dealing with LED strategies when urban regeneration takes place. The prioritisation process relied on the expertise of an expert panel from European cities, who participated in a pairwise factor-rating questionnaire. This method enabled the assessment of the relative importance of each factor in the context of LED strategies for district-level urban regeneration. Since this study focused on recently addressed urban regeneration challenges, a targeted selection of European cities were contacted to participate in the survey, resulting in 13 completed responses. It is important to note that expert panels do not need to be statistically representative [62]; rather, their relevance, diversity, and alignment with the research goals are the key criteria for adequacy. The selection of cities and experts was therefore based on a purposeful and strategic approach, ensuring that the panel represented a broad and relevant range of urban contexts and expertise.

First, a targeted search was carried out for other EU-funded projects and initiatives with a common approach to social housing, energy efficiency in buildings, and energy communities as areas where LED implementation is highly relevant. These are referred to here as "sister projects" to drOp, meaning initiatives funded under similar European frameworks that share complementary goals, methods, and expected impacts. The European Commission actively encourages such cooperation through project clustering to maximise synergies and policy impact. The main identified sister projects to drOp include PROLIGHT [63], SUPERSHINE [64], and REGEN [65], all addressing themes highly relevant to drOp. These projects are strategically aligned with the drOp project in both theme and methodology, and many of their participating cities have already demonstrated a commitment to implementing LED within urban regeneration. As a result, cities such as Vienna and Kozani (PROLIGHT), Kadıköy (SUPERSHINE), and Dublin, Beckerich, and Laredo (REGEN) were included in the expert panel. Other relevant initiatives, such as SmartEnCity (Tartu and Vitoria-Gasteiz), oPEN Lab (Tartu), and Opengela (Bilbao) were also considered due to their complementary approaches to LED and urban regeneration.

The second criterion was to ensure diversity in territorial, institutional, and socio-economic contexts across Europe. The selected cities represent a wide range of urban settings, from large metropolitan areas to smaller, less densely populated regions. For example,

- Ermua and Laredo (Spain) emphasise cultural and tourism-based regeneration;
- Elva and Tartu (Estonia) showcase advanced digital governance and innovation;
- Rakvere (Estonia) has a strong track record in building and district-level renovation;
- Vienna offers insights from a large city with complex governance structures;
- Bilbao and Vitoria-Gasteiz (Spain) represent medium-sized cities with strong municipal resources;
- Kozani (Greece) and Beckerich (Luxembourg) illustrate grassroots and energy transition approaches in less urbanised areas.

This diversity ensures that the prioritisation of LED-related critical factors (CFs) is informed by a wide range of local experiences and challenges.

Finally, all selected cities had the institutional capacity and willingness to engage with the survey methodology, which allowed for a thorough prioritisation of LED-related CFs. Their participation was also enriched in some cases by comparative insights gained from cooperation with sister projects, further strengthening the relevance and applicability of the findings.

The expert panel (see Table 4) received the survey via email, along with an introductory document explaining the research objectives and methodology. This ensured that all participants had a clear understanding of the purpose and context of this study.

Table 4. Expert panel, their roles, and EU-funded projects or regional initiatives.

Title 1	City/Role Respondent	Source	Role of the Respondent
1	Ermua (Spain)	drOp project	Council–Economic Development Department
2	Elva (Estonia)		Elva city architect and manager of the planning department
3	Vienna (Austria)	PROLIGHT project	University of Applied Sciences Wien
4	Kozani (Greece)		ENERGYbase, project coordinator, and support for Vienna (technical support of the city of Vienna)
5	Rakvere (Estonia)	Estonian Smart Cities Club	Project manager of the Circular Economy and Energy Efficiency Sector, Cluster of Bioeconomy and Environment of Western Macedonia (technical support of the city of Kozani)
6	Tartu (Estonia)	SmartEnCity project; oPEN Lab	Member of the Council; former mayor of Rakvere
7	Vitoria-Gasteiz (Spain)	SmartEnCity project	Manager of the urban planning department
8	Dublin (Ireland)	REGEN project	Head of the city planning; former deputy mayor of Vitoria-Gasteiz
9	Beckerich (Luxembourg)		Dublin's Energy Agency
10	Laredo (Spain)		Council
11	Milan (Italy)		Council
12	Bilbao (Spain)	Opengela urban initiative	Grant and R&D Manager at Planet Smart City (technical support for the demo of the city of Milan)
13	Kadıköy (Türkiye)	SuperShine project	Head of the Housing Development Area, Municipal Housing in Bilbao

The responses reflect subjective judgments based on the city's stakeholders' expertise in the implementation of urban regeneration strategies. Therefore, to ensure the validity and coherence of responses, consistency ratios were calculated together with the prioritisation of factors. The responses to the prioritisation were assessed using the R programming language to calculate the aggregated weight of each CF according to the different cities and the consistency ratio of these aggregated weights (Table 5). The aggregated weights represent the overall priorities of the alternatives or criteria, obtained by synthesising city judgments. The consistency ratio is a measure that evaluates the consistency among the different responses, indicating the degree to which the judgements made by the experts are logically coherent. To ensure that the aggregated responses of the experts on these questionnaires are tolerably consistent, all the values of the consistency ratios should not be greater than 0.2 [62]. Although the consistency ratio of 0.26 exceeds the recommended threshold of 0.2, the results are retained as they still provide meaningful insights into the collective prioritisation of diverse city experts. This level of inconsistency reflects the diversity of perspectives rather than a methodological flaw.

The expert questionnaire highlights six essential factors that must be prioritised to ensure effective LED at the neighbourhood/district level, providing valuable insights for policymakers and urban planners to inform urban regeneration strategies:

Table 5. Aggregated weights and consistency ratio of expert responses.

Prioritisation of LED Critical Factors	Results
Financial subsidies from local/regional government	**0.199**
Governmental support	**0.152**
Encouraging and incentivising viable business models	**0.09**
Availability of non-monetary resources	**0.083**
Strong relationships (local/regional) with stakeholders	**0.079**
An established and sustainable citizens' engagement framework	**0.07**
Tenant engagement	0.069
Demand aggregation for energy efficiency renovation projects	0.064
Support structures for learning and working	0.056
Established networks	0.055
Existing new forms of community-oriented and non-profit enterprises	0.044
Cultural sensitivity and concerns from neighbours	0.04
Consistency Ratio	**0.26**

Financial subsidies from local or regional governments play a pivotal role in stimulating local economic development. The prioritisation analysis underscores the significance of these subsidies, identifying them as the most critical factors (first position) which coincide with findings from the literature [39,48]. These subsidies can take various forms, including grants, tax incentives, and low-interest loans, which can be tailored to support specific development initiatives and priorities. These are essential for encouraging businesses to invest in the local economy [7,66]. The provision of such subsidies can provide the necessary funding to cover initial costs and risks, thereby enabling urban regeneration projects to get off the ground and ensuring their long-term viability [6,67].

Governmental support ranks in the second position, resembling a crucial factor in fostering LED according to the results. Effective government support can manifest in various forms, including streamlining regulatory processes to reduce bureaucratic hurdles, providing adequate infrastructure to facilitate business operations, and offering training and capacity-building programmes to enhance human capital. By providing such support, governments can play a vital role in cultivating a thriving local economy, attracting businesses, and creating jobs [23,68].

Encouraging and incentivising viable business models holds the third position, being a strategic imperative for LED, as the results reinforce. By supporting businesses that are scalable, sustainable, and innovative, local governments can create an ecosystem that fosters entrepreneurship and job creation [24,39,50,51]. This can involve providing resources and support to startups, such as business incubators, encouraging collaboration between industry and research institutions to foster capacity-building or offering incentives for companies to adopt new technologies and processes (e.g., digitalisation or energy efficiency). Importantly, the literature also highlights that hybrid business models, which combine public investment, civic partnerships, and socially driven enterprises, can complement these efforts by prioritising resilience, adaptability, and social value creation over short-term financial gains. These hybrid approaches help ensure that innovation and entrepreneurship contribute to economic growth, but increasingly also to social inclusion and community resilience.

The availability of non-monetary resources such as skilled labour (expert public staff in the local development agency or a one-stop shop for renovation), infrastructure (digital hubs/co-working spaces, public living labs), and technology (digital apps for urban dialogue) is the fourth critical factor in driving LED, based on the results. By investing in human capital, physical infrastructure, and digital connectivity, local governments can create an environment that is conducive to business growth and innovation [24,42,49]. This can also involve partnering with educational institutions to develop customised training

programmes, investing in public amenities, or providing access to cutting-edge technologies and equipment.

Strong relationships with local/regional stakeholders range in the fifth position of the critical factors according to the responses. Those relationships are essential for driving LED and encouraging trust and collaboration between businesses, governments, and communities [6,22,25]. This can involve establishing regular dialogue with local commerce, SMEs, and microenterprises, engaging with community groups, or partnering with regional organisations to leverage resources and expertise.

Finally, **an established and sustainable citizens' engagement framework,** ranking sixth in importance, can ensure inclusive decision-making and ownership of development strategies among citizens, ultimately leading to more human-centred urban interventions [36]. LED depends on the active engagement of citizens as agents of change and on a deep understanding of the local context to design viable and sustainable strategies aligned with real needs. By engaging with citizens, urban planners can better understand local needs, increase participation and social capital, and build trust and partnerships [10,43,69]. Key elements of such a framework can stem from institutional arrangements, inclusive participation, capacity building, and effective communication.

Although factors like tenant engagement, demand aggregation for energy efficiency renovation projects, support structures for learning and working, and established networks also achieved high scores, indicating their direct impact on the success and sustainability of revitalisation initiatives, they are considered of lower priority relative to the other factors previously mentioned.

Notably, other factors, such as cultural sensitivity and concerns of neighbours, and existing new forms of community-oriented and non-profit enterprises, received lower scores, indicating that respondents considered them less critical in the context of revitalisation. This highlights the complexity of revitalisation efforts, where different factors may be prioritised differently depending on the specific context.

Cultural sensitivity and concerns of neighbours. Although being sensitive to the cultural and social concerns of local communities is essential for building trust and collaboration, it is outranked by other factors in terms of criticality. This can involve, among other things, for instance, a local festivity day promoting intangible cultural history (local traditions), cultural expositions/movements, initiatives to promote local commerce, thematic fairs, poetry clubs, etc. Nevertheless, these criteria remain important in LED strategic planning, especially in areas with diverse cultural and socio-economic profiles [2,7,21].

Existing new forms of community-oriented and non-profit enterprises. The presence of community-oriented and non-profit enterprises is considered a less critical factor in determining the success of LED initiatives, according to the analysis. These enterprises often play a secondary role in supporting the local economy, rather than being a primary driver of growth. However, they can still contribute significantly to social and environmental development, foster community-oriented initiatives, and facilitate partnerships between residents and stakeholders, ultimately building a stronger, more cohesive community [29,32].

5. Discussion

This study has demonstrated that local economic development (LED) cannot be understood solely as a process of economic growth; it must also encompass social and well-being dimensions. The recommendations proposed in this paper are not based on a single theoretical model or policy framework but are the result of a multi-step analytical process. First, a comprehensive literature review identified key themes such as sustainability, inclusivity, energy efficiency, and community engagement. These themes were further validated and refined through expert consultations, ensuring that the recommendations are grounded in

both academic insights and practical experience. Building on the findings of this study's results presented in the previous chapter, several recommendations are provided that will assist city decision makers and urban planners in developing more effective and community-centred strategic planning for urban regeneration.

Initially, the first list of criteria success factors serves as an assessment tool (Table 2) to identify those areas in which any programme, project, or concrete action should be based. The results of this analysis will serve as a framework for guiding the development of programmes, projects, and initiatives that address the district's key challenges and opportunities in urban regeneration. Thus, place-based strategies can be delineated [55].

For example, the emphasis on stakeholder engagement and collaborative governance is drawn from the literature on urban regeneration and community-based development, which consistently highlights the importance of inclusive decision-making processes [32]. Similarly, the focus on digital tools and smart technologies is informed by recent trends in smart city development and the increasing role of digitalisation in urban planning [1,6,42]. These findings directly respond to Research Question 1, which asks how LED strategies can be integrated with urban regeneration to promote sustainability, inclusivity, and community engagement. The answer lies in adopting a holistic, place-based approach that integrates economic, social, and environmental considerations into district-level planning. By aligning a district's vision with the LED goals, a practical pathway for achieving the strategic objectives of the district's LED will be established. Emphasis should be placed on setting LED goals in alignment with urban regeneration principles. These goals must reflect community priorities and address major LED issues such as improving the quality of life, resident satisfaction, strong governmental support, informed stakeholders, and public–private partnerships.

The study also identifies the key factors and challenges that influence the successful implementation of LED strategies in urban regeneration projects at the district level. These include the following:

- The need for capacity-building among local staff to manage LED initiatives, as well as among citizens and local stakeholders, including, for example, a vocational scholarship programme to promote work-based training and education, enabling disadvantaged residents to integrate into the economy; establishing and promoting cultural and creative initiatives that foster community engagement and creativity; providing training and capacity-building programmes for public staff in citizens' participation and engagement, with a focus on enhancing the capacities of local administration staff, particularly in economic departments. This will enable them to effectively encourage and direct external support for local development projects.
- The importance of cross-sector collaboration between local public, private, and civil society actors. Reinforcing local task forces involves a comprehensive review of local/community regulations and requirements in urban regeneration. For instance, as Rose et al. (2021) mention, achieving energy efficiency and renewable energy in district-scale renovations requires local policy instruments, including organisational and communication tools, to support local uptake and co-creation [10]. Additionally, fostering participatory dynamics, governance mechanisms, collaboration, and co-creation processes play a fundamental role in advancing local economic development through the strategic mobilisation and participatory functioning of local task forces [26].
- The role of digitalisation in improving the efficiency and responsiveness of LED strategies. Digital tools such as smart platforms, co-working spaces, and public living labs are being used to enhance collaboration, streamline decision-making, and improve the delivery of local economic initiatives. Furthermore, the integration of

digital technologies into LED planning is supported by broader discussions on smart cities and knowledge-based economies [20,26].

- The complexity of aligning LED with broader urban policies and infrastructure development [1,9]. This alignment is further complicated by the need to integrate intangible benefits, such as social and cultural improvements, into policy and infrastructure planning [7], for example, encouraging local business growth and incentivising viable new business models, including investment in soft infrastructure, providing training and support facilities such as innovation hubs, and encouraging entrepreneurial activities among residents.
- Leveraging existing stakeholder networks and promoting district regeneration by empowering local communities to engage in co-creation processes. This includes providing incentives and funds to foster collaboration and create conditions for more effective partnerships [25].
- Providing financial subsidies from local/regional governments. Funding is the most decisive factor in carrying out interventions. Innovative financing schemes should be considered from the beginning of the planning process. In some cases, public funding is indispensable for enabling interventions to be carried out [10].

These insights directly address Research Question 2, which explores the practical barriers and enablers of implementing LED strategies in real-world urban contexts. This discussion highlights how local conditions, stakeholder involvement, and policy frameworks shape the outcomes of LED initiatives at the district level.

6. Conclusions

Local economic development (LED) has emerged as a central strategy for fostering sustainable and inclusive urban growth, particularly at the district or neighbourhood level. As cities become increasingly complex and diverse, the need for localised, context-sensitive development approaches has grown. LED at the district level is not only about economic growth but also about enhancing social inclusion, environmental sustainability, and community resilience. These goals are increasingly recognised in urban policy frameworks, such as the European Union's efforts to promote age-friendly and digitally enabled urban environments.

The critical factors of LED are interconnected, and urban regeneration initiatives at the district scale can benefit from them if they are included from the outset in the strategic plan definition. Sustainability, digital technologies, inclusivity, energy efficiency, community engagement, economic frameworks, urban design, collaboration, innovation, and monitoring are all essential components of successful urban regeneration strategies. By integrating these factors, districts can achieve sustainable and inclusive economic growth that benefits all stakeholders.

This research aimed to elaborate a list of critical factors (CFs) for LED and their prioritisation for urban regeneration at the district level, under the framework of the drOp project (EU-funded project). Based on an exploratory literature analysis, a preliminary set of 26 CFs relevant to LED was identified. These CFs were then analysed by expert researchers in the energy, social, urban, and economic fields, as well as by the three cities, all of them involved in the mentioned project. This analysis filtered the list down to a more concrete set of 12 CFs for LED, which are particularly relevant to urban regeneration at the district level. To determine the priority of these CFs, a group of city stakeholders from 13 European cities was surveyed using a pairwise factor-rating questionnaire, leveraging their expertise on the most critical factors in LED. The questionnaire was distributed to a list of European cities that had recently addressed relevant challenges in urban regeneration. This final step provided a prioritisation of the 12 CFs based on AHP scoring weights, which informed

a set of recommendations to help urban planners better tailor their strategic planning of urban regeneration projects at the district scale to foster LED.

This study also reveals that LED can be approached through a human-centred perspective, which complements the financial-, institutional-, and innovation-focused strategies prioritised by city stakeholders. This perspective emphasises the importance of social cohesion, local empowerment, and cultural activation alongside physical investment. By reframing LED in this way, successful strategies can prioritise factors that go beyond traditional infrastructure and technical planning. Importantly, this study's findings suggest that elements such as trust, community engagement, and long-term governance capacity, although sometimes ranked lower in empirical assessments, remain crucial for achieving inclusive and resilient urban regeneration. Ultimately, effective LED approaches depend on the ability to align economic mechanisms with community-centred priorities. Business models that are not only financially sound but also socially responsive and locally rooted are better positioned to sustain impact across multiple dimensions of urban regeneration.

In conclusion, the effectiveness of LED (LED) strategic planning hinges on a combination of critical factors. The results of the analysis highlight the paramount importance of financial subsidies from local or regional governments, followed closely by governmental support. Although they received lower scores, the encouragement and incentivization of viable business models, the availability of non-monetary resources, and robust relationships with local and regional stakeholders were also prioritised. Notably, the establishment of citizen engagement frameworks ranked sixth, as respondents rated this factor with lower criticality. This finding suggests that, from the perspective of public city stakeholders, citizen engagement is not considered as crucial as it is emphasised in various findings from the literature.

Nevertheless, these six critical factors are interrelated and work synergistically to create an environment conducive to business growth, innovation, and entrepreneurship, ultimately driving LED. While other factors, such as cultural sensitivity and community concerns, as well as community-oriented and non-profit enterprises, are considered less critical, they play a vital role in building trust, collaboration, and community engagement. This study finalises providing recommendations for strategic planning and urban regeneration processes that prioritise neighbourhood and surrounding economic competitiveness, offering insights for urban planners, local governments, and stakeholders seeking to create a thriving local economy that benefits all stakeholders.

The findings presented in this report are based on recent work with critical factors (CFs) and strategic planning in the context of urban regeneration. However, it is essential to note that these insights are derived from a limited set of engagements, which restricts the ability to generalise the results. The key limitations of this research concern the robustness of the method used to identify the list of critical factors for LED from a literature review. Although the evaluation of the state of the art in the field was not based on a rigorous application of a systematic literature review, a comprehensive review was developed, focused on the thematic areas and approaches considered in the drOp project (EU-funded R&D project), which are neighbourhood renovation, energy efficiency at the district scale, smart neighbourhoods, and culture and creative industries. Moreover, the authors relied on the results from the exploratory analysis of the related literature in the urban regeneration context, which was filtered by receiving the opinions of experts from three research institutions and three cities (participants of the aforementioned project). However, applying the Delphi method through an expert survey would have provided a more robust set of critical success factors to be included in the prioritisation strategy. The authors made an effort to overcome this weakness by reviewing real case studies in urban regeneration projects and extracting insights about critical factors of LED. The authors expect that this research,

despite its limitations, can serve as a valuable starting point for future research in this area, offering lessons that can inform and enhance future efforts to integrate critical factors (CFs) with strategic planning.

In that regard, this study serves as a starting point for future works, offering both theoretical and practical insights into the complex interplay of factors shaping LED at the district level. Firstly, the development of practical tools to help urban planners conduct a thorough diagnosis of the strengths and weaknesses related to economic development would enable them to better tailor urban regeneration interventions to leverage the most relevant critical factors (CFs) within specific contexts at district and municipal scales. Secondly, expanding the survey to a wider number of European cities could yield new and more precise scoring indicator weights for CFs (using the Analytical Hierarchy Process method). Furthermore, comparing the results with those from a survey capturing the opinions of residents and other private city stakeholders where urban regeneration projects are implemented could make the prioritisation of CSFs more comprehensive. As a third future research direction, conducting extensive empirical research on multiple case studies that measure the LED success resulting from urban regeneration projects (at various geographical scales) would provide academia with valuable insights into which CFs are best suited to different contexts. Finally, while the methodology provides a solid foundation for the analysis, it is not without limitations. The reliance on secondary data and the limited application of the Delphi method may affect the depth of the findings. Future research could benefit from more extensive primary data collection, including case studies and participatory methods involving local communities.

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Abbreviations

The following abbreviations are used in this manuscript:

LED	Local economic development
drOp	Project drOp, digitally enabled social district renovation processes for age-friendly environments, driving social innovation and local economic development.
CF	Critical factor

Appendix A

This appendix shows the results from the review of LED in real European case studies.

Table A1. List of real case studies reviewed (Source: own elaboration).

Critical Factor	Description	Case Studies
Co-creation and Stakeholder Involvement	Involves local actors in planning and decision-making processes to prioritise residents' needs and preferences, leading to satisfactory community outcomes. Enhances project outcomes and fosters community ownership and commitment.	• Aalborg East Project (Denmark) [70]: Long-term strategy emphasising resident co-creation, involving local businesses, municipalities, housing providers, and community organisations. • Innovation City Management GmbH (Bottrop) [71]: Collaboration between local administration, energy providers, politicians, SMEs, and citizens to test long-term CO_2 reduction strategies. • Innovation City Ruhr [72]: Cooperative planning process engaging politicians, citizens, and innovative SMEs to achieve significant CO_2 emission reductions.
Strong Collaborative Networks	Establishing multi-stakeholder steering groups to focus on common targets and goals, facilitating effective communication and collaboration among stakeholders. Enhances project outcomes and fosters community ownership and commitment.	• Aalborg East Initiative (Denmark) [70]: Robust collaborative network involving social housing association HB, local businesses, municipality, and community organisations. • Innovation City Ruhr [72]: Collaborative network including local administration, energy providers, politicians, SMEs, and citizens to test long-term CO_2 reduction strategies. • Innovation City Ruhr: Cooperative planning process engaging various stakeholders to achieve significant CO_2 emission reductions.
Integrated Approach to Project Management	Combines administrative tasks, cross-sector support, and tenant involvement for a holistic strategy. Leads to effective solutions and sustainable outcomes by addressing community challenges and opportunities comprehensively.	• Aalborg East Initiative (Denmark) [70]: Long-term strategy focused on resident co-creation, addressing multiple aspects of community life. • Vilawatt Project (Spain) [73]: Strategic framework affecting municipal services, business development, and energy management, demonstrating benefits of holistic management. • Innovation City Ruhr [72]: Aggregation of initiatives across the region for comprehensive CO_2 reduction, fostering community engagement and ownership. • Mustamäe (Estonia) [74]: Integrated project addressing multi-apartment block renovation, coordinating different efforts and involving the community in planning.
Financial Feasibility and Support Structures	Robust financial structures at the national level support large-scale renovation projects, attracting private capital and ensuring financial viability.	• KredEX (Estonia) [75]: Provides access to bank loans and state renovation grants for apartment associations, facilitating the modernisation of residential buildings. • Housing Subsidy Scheme (Salzburg) [76]: Allows limited-profit housing associations to access loans and grants, reducing the financial burden and integrating various funding sources, including EU funding. • Klima-und Energiefonds (Austria) [77]: Provides extra funding for innovative processes and investment costs, supporting energy modernisation projects.
Community Facilities and Services	The inclusion of shared facilities enhances quality of life, fosters community interaction, and provides essential services.	• Aalborg East Initiative (Denmark) [70]: Integration of a health centre, community centre, fitness centre, and socially responsible café (Kaffe Fair) to enhance residents' quality of life.
Innovative Shared Facilities	Innovative facilities promote environmental awareness and enhance public space usability.	• Solar Panel Playgrounds (Ruhr city) [72]: Schools equipped with solar panels allow children to generate energy through play. • Tree Benches with Solar Charging, Ruhr city [72]: Provide seating and allow residents to charge devices, enhancing public space usability.
Community Engagement and Participation	Active participation from local communities, residents, and stakeholders is crucial for project success.	• Social Improvement Initiatives (Pinerolo, Southern Italy) [78]: Involvement of numerous organisations and citizens, highlighting the importance of community buy-in.
Sustainability and Environmental Considerations	Focus on sustainable practices, reducing CO_2 emissions, and promoting energy efficiency.	• Phasing Out Oil Heating [70,72,74,76,78–80] (France; Poland): Addresses high energy consumption and greenhouse gas emissions. • Solar-Powered Solutions in Education [73]: Reflects commitment to sustainability through minimal design and solar energy use.

Table A1. *Cont.*

Critical Factor	Description	Case Studies
Collaboration and Partnerships	Effective partnerships with various stakeholders, including government bodies, NGOs, and academic institutions.	• Energy and Water Agencies (Belgium) [81]: Collaboration with local governments. • Community-Focused Projects [72,78,82]: Involves multiple sectors to achieve goals. • Coworking Space (Austria) [82]: Demonstrates the importance of partnerships.
Innovative Solutions and Methodologies	Development of new methodologies for designing and constructing affordable and sustainable housing.	• Digital Platforms [73,78]: Facilitate information exchange and community engagement.
Behavioural Change and Education	Encouraging sustainable lifestyles through professional support and educational initiatives.	• Households and Micro-SMEs [72,74]: Foster sustainable lifestyles. • Educational Initiatives [73]: Promote awareness and engagement in sustainability practices.

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