

Remo Dalla Longa  
*Editor*



# Urban Models and Public-Private Partnership

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ISBN 978-3-540-70507-9 e-ISBN 978-3-540-70508-6  
DOI 10.1007/978-3-540-70508-6  
Springer Heidelberg Dordrecht London New York

Library of Congress Control Number: 2011924345

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*Cover design:* WMXDesign GmbH, Heidelberg, Germany

Printed on acid-free paper

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# Acknowledgments

This book is a synthesis of a work that has involved different research groups in the last 4 years. The work has involved Universities and research centers of different countries (Bocconi, Milan; IUAV, Venice – Italy, Budapest – Hungary, Leipzig and Brandenburg – Germany, Krakow – Poland, Bath – United Kingdom), but also researchers who operate in research centers of local governments or that have been aggregate from these institutions.

The original idea of the research model (CoUrbIT – Complex Urban Investment Tools) has been developed by Bocconi University and an international network was created around it. The implementation of this research has been made possible by the use of European Funds (Interreg IIIB CADSES Programme) and with the involvement of a large number of researchers.

It is very difficult to mention and thank all the colleagues and people that have collaborated on this research. Great thanks are directed primarily to Elisa Ricciuti and Veronica Vecchi from Bocconi University, who have contributed to make this book possible. They have carefully worked on this research project for 4 years.

Other thanks are directed to Prof. Stefano Stanghellini and Sergio Copiello (IUAV University of Venice); Prof. Gábor Locsmáncsi (Technical University of Budapest–Department of Urban Design); Prof. Silke Weidner, Jens Gerhardt, Jan Schaaf, Nadja Riedel (University of Technology–Urban Management, Brandenburg), who alongside me have written the chapters for this book. Particular thanks go to Professor Elio Borgonovi and Professor Giovanni Valotti and other colleagues of Bocconi University and SDA Bocconi School of Management, who have contributed in different ways to the realization of the CoUrbIT project. Great thanks also to Professor Veronica Vecchi who worked with me to obtain the European funding for the CoUrbIT project.

A mention should also be given to Eng. Antonio Zonta and Arch. Sergio Bergnach and to the staff and administration of the Treviso and Pordenone Provinces.

Great thanks are addressed to the international network of partners which have contributed with suggestions and passion to the project: the University of Krakow AGH, the Municipality of Leipzig, the IRM Centre of Research of Krakow, the Municipality of Stuttgart, as well as the University of Bath, Liverpool, Manchester,

the Heriot-Watt University of Edinburgh, and the King's College of London which have contributed to the enrichment of the CoUrbIT model with priceless comments and suggestions.

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# Chapter 1

## Introduction

Remo Dalla Longa

This book focuses on a recent model of “urban evolution,” which has already been outlined and developed in other volumes (Dalla Longa 2007, 2010). The reference urban model is CoUrbIT (Complex Urban Investment Tools) and is centered on the interconnection of urban functions that need to be redesigned. The boost in redesigning has been generated by globalization. This strong boost in redesigning affects (1) urban models; (2) the different kinds of relationships between public and private sectors in order to face the implosion caused by the rapid change of functions inside urban structures; (3) the new tools required; and (4) the new forms of “drive” required to govern these changes. The recovery of the competitive advantage of the urban systems within the international framework is at the bottom of these variables. One of assumptions states that, during the globalization stage, the most appropriate urban systems are the ones capable of guaranteeing the most competitive margins of their national or subnational reference systems (Normann 2001; Castells and Hall 1994; Castells and Himanen 2002).

The book deals with urban models and from these, it attempts to make a comparison with other parts of the general CoUrbIT’s model. In particular, we will try to compare the rapid change of functions inside the urban structure with the various forms of PPP, the tools used and some types of opening on drivers of change.

Focusing on the exposition on the urban models is quite important for different reasons, the most significant of which is to give substance to urban “restructuring.”

Previously, in another volume (Dalla Longa 2010), we presented some compared cases in which different urban models were described. This volume aims at concentrating on three experiences which, from different perspectives, are able to focus on what has been called the “restructuring” of urban models.

In their essay, Stanghellini and Copiello (•) refer to 15 Italian cases distributed all over national territory very rigorously; they have included the cases within four types of urban models (*Renewal, Redevelopment, Recovery, and “Framework”*).

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Stanghellini and Copiello's discussion excludes those urban models which exert little or no impact on physical aspects (*Regeneration, Revitalization, and Gentrification*).<sup>1</sup> Stanghellini and Copiello are the only authors of that volume who do not deal with the "restructuring" urban model.

Stanghellini and Copiello give priority to the "physical reading" of the urban models, which is not the only possible reading, as already mentioned, but in any case is important and is defined by the criteria stated by CoUrbIT.

Stanghellini and Copiello's contribution is important to better understand, inside a Western country, the meaning of PPP (Public-Private-Partnership) as applied to complex urban interventions, its feasibility, and the relationship between PP (Public-Partnership) and PPP. In addition, there is an awareness that arises that complex urban interventions are more and more connected with the consideration of PPP, despite all the weaknesses, frailties, and application contradictions that this formula may cause. PPP will be a constant future reference for all the urban models as well as a benchmark for redesigning the profile of the modern state. Stanghellini and Copiello also deal with the diversification of the tools used within different cases.

The high number of cases dealt with by Chap. 3 and the attempt to standardize the various experiences according to some variables represent quite a significant contribution. We are therefore faced with some significant profound investigations to better understand both the specificities of the relationship among the individual actors, the dynamics and management formulas.

As mentioned previously, other contributions of the book aim to outline the "restructuring" urban model. In Western urban structure, globalization represents the leading external element. The Eastern European urban systems add global competition to their transformation from a nonmarket condition to a postsocialist setting which, by its very nature, requires all the urban functions (from micro to macro) to be replaced, as they are the same rules that the market provides. Under the term "restructuring," the urban system is enriched with previously nonexistent (or barely existing) market rules. The urban system is, by its very nature, the focus of preexisting rules and forms. The lack of market in Eastern European countries has consolidated functions inside the system, which have turned out to be quite obsolete by their very nature once the market rules have been applied. To participate in the growth of an individual country and, in more general terms, in the more global competition among the different urban systems, a replacement of functions needs to be provided without hesitation. This is what makes urban restructuring so "ruthless" and "dramatically" interesting.

It therefore becomes essential to grant some freedom to the articulation and dynamics of the ongoing function changes. It is often the very detail that outlines the richness of the "restructuring" model and allows one to better recognize the value and the difference of this model as opposed to others that are better known in the Western systems. The uniqueness of the detail also allows an awareness of the consistency and inconsistency with the general CoUrbIT model.

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<sup>1</sup>See Chap. 2 for the definition of urban models.

The different interpretation of PPP by systems that have transcended from the state-as-owner to rapid privatization – in which subjects are looked for that are capable of supporting this role in a timely and accelerated manner, with all the relevant weaknesses that it entails – becomes itself a sort of investigation within an investigation. The search for a PPP based on a private subject that is still weak or mostly nonexistent somehow seems to identify a kind of “gym” in the urban systems where new forms of partnership between public and private can be applied. PPP is necessary but the actors are missing, especially the private ones, although foreign capital could make up for this void. This is what identifies the PPP paradigm in the Eastern European countries. In Budapest, a double-case example can explain the above-mentioned situation very well; it concerns two central areas of the city: Ferencvaros (Dalla Longa 2007, 2010; Locsmandi 2006) and Erzsebetvaros (Aczel et al. 2009). In the former case, a PPP is possible because the initiative is prior to the privatization of the buildings which were previously confiscated by the State; therefore, there is a presence of a large numbers of the tenants. A PPP between local authorities and business corporations (banks and building enterprises) is therefore made possible for the proper restructuring of buildings, which will later be put back on the market. In this case, the renewal of functions that no longer operate is very much consistent: the individual buildings of a city block are restructured and then sold one by one in accordance with well-defined market rules. Some years later, at Erzsebetvaros, the same type of transaction has become impossible, because the housing property has been privatized and tenants have therefore been replaced with small owners, who themselves have their own interests, needs and different incomes and make it impossible to create a PPP aimed at transforming the buildings that they own.

Locsmandi’ contribution uses Budapest as a benchmark. Different variables and components of the The Hungarian capital’s “restructuring” process are analyzed: (1) the inadequacy of the entire city’s housing and the possibility of abandoning this property in favor of new single houses with private gardens in the suburbs of Budapest – a phenomenon that will be strong in Leipzig and much weaker in Budapest; (2) the transformation of the houses located along the main routes of access to the city; (3) the change caused by retail trade, not so much in terms of consumption but rather of the image of the city and the special use of roads; (4) the collapsing of production units inside the city and the availability of many abandoned areas; (5) the transformation from brownfields into high-status residential areas, the new houses within the city’s restructuring framework; (6) the movement of population inside/outside the city, divided into different groups according to social status, income, culture and employment; (7) the growth and relocation of offices in special city areas (head-quarters) and a check of which previous functions they are now replacing; (8) the development of new consumer centers due to the decline of the retail market, especially in the inner city of Budapest and the rapid growth of shopping centers.

From a general mapping of changes within the city of Budapest, a more detailed micromapping of individual areas (small districts and pilot projects) is then taken into account. The main references are the general inadequacy of housing, the urgent need for function restructuring and the relevant implications for the population, the

Private, the Public, the forms of PPP, the instruments used and the public services called for to preserve the historical functions (Veto!).

The microsurvey is the best method to well identify, explain and set the boundaries of the “urban model,” which represent a richness that can only be described by those who experience the details of such a stage. This is extremely true for the “restructuring” process in which specific aspects can be understood, such as the general elements of the intervention, the need for a deep intervention aimed at introducing the microrules of the market, the difficulty of application, new types of project-oriented creativity and of tools used by the Public and the Private.

It is precisely in the thorough analysis of details, even small details, that the entire complexity and peculiarity of the “restructuring” urban model can be well understood.

In other terms, to be able to enter a building block or an individual building, belonging to large urban systems, and to be capable of understanding what really occurs inside, means to be able to enter the very “molecular” structure of the “restructuring” urban model. The time used for the survey is perfect because it allows us to look back at the very recent past and make the first consistent assessments and, at the same time, to look forward at the present and the future on an informed basis, while allowing to draw significant interpretation maps which would be otherwise difficult to be accomplished.

Leipzig’s contribution (Weidner et al. in this book) refers to the survey on two “micro” interventions. They do not represent two case studies but rather two components of a pilot project in which scenarios and tools are used to operate within the “restructuring.” Even in this case, the quality of the contribution is given by the disassembling and reassembling process of the detail, without any specific reference to the individual building or road, which may seem redundant, especially if the urban model considered is not the “restructuring” model. In this case, it is not because the reference is made to one module, which (once solved, and with some variation) be extended to the remaining parts of the city. This module contains all the restructuring model paradigms.

The implied macro elements in Leipzig are the abandonment of the city by a significant amount of the population and the consequent abandonment of the building property inside the city. Such a phenomenon is very popular in Eastern European cities. In this case, the work performed by Weidmer et al. on micro “restructuring” elements aims at replacing functions that no longer work in micro areas, which have been abandoned by the population.

In the experience of former Eastern Germany, Leipzig presented itself as a city of interest: a strongly growing city and very much dynamic before World War II (it was considered one of the most dynamic cities in Germany). The city experienced transformation at the time of DDR and there were some strong repercussions with the reunification of Germany, when half of the population abandoned the suburban areas of the cities of the consolidated market and moved to new suburban areas where new houses were built with high standards of quality and comfort, as is typical of other Western German cities. The population is therefore migrating towards new symbols of the market. A good basis to verify the ‘restructuring’ model in detail.

The book is enriched with an upstream choice made by CoUrbIT – creating some pilot projects, especially in Leipzig and Budapest and even if within different frameworks, which are used to organize the micro information of the restructuring urban model. Without strongly clasping onto restricted, micro and detailed elements, the risk would have been that of a too general description of the ongoing changes within large cities. The very essence of the proposed model would have been lost.

The pilot projects represent a conscious choice and an original method used by CoUrbIT to establish the general reference model. Locsmandi deals with the unique nature of the pilot project after coping with all the general changes that occurred in Budapest and, consistently with the adopted style, the pilot projects result in being vaster than those used for Leipzig.

In addition to their academic background, all the authors were chosen because they are proactive within the respective urban models.

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# Chapter 2

## Urban Models

Remo Dalla Longa

Not all urban phenomena have something in common; they may differ by type or economic and social function. This is the reason why a type-grouping of the type of replacement and redesign of the economic and social functions is necessary: this implication describes and defines the different phenomena of urban revision. We have to privilege the homogeneities of the events, and around this formalize an urban description and consistent terms.

The current projects of urban transformation are often described with different terms but, as a matter of fact, these terms are synonymous (*Renewal, Redevelopment, Regeneration, etc.*).

Starting from the main references used while debating the urban policies or implementing the processes and the projects for the “city redevelopment,” a first effort has been made to distinguish the different terms and to verify both the sustainability and the utility of a taxonomy among the different interventions.

Whenever we debate issues concerning changes inside the city and the territory, we face a series of initiatives whose defining terms always start with the prefix “re.” Generally speaking, this means that the creation of a policy for the city fundamentally implies new thinking, different interpretation and new assumptions, i.e., a new process of (re)designing which refers to something that already exists (or which used to exist in the past).

The differences pertain to: the (implicit or explicit) indication of “what causes the problem,” the materials used in the construction of the answer (the “types” of policies adopted), the purposes and, in some cases, the range of intervention and the application field.

An additional element, which is typical of all interventions, is the obsolescence of economic, social and physical urban functions or of a combination of them all. As a first step, the intervention consists in redesigning the obsolete functions and changing them into new functions; but sometimes it is a “tout court” replacement

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which requires the new functions to be consistent with new needs. The expansion of the markets and the growing competitiveness among the various territories requires either the elimination of the obsolescence or the replacement of the old with the new.

However, specific terminology needs to be identified to both describe the different urban phenomena (models) and carry out a first check on the original culture of the term. Eight different terms (models) have therefore been listed:

- (1) *Renewal*
- (2) *Redevelopment*
- (3) *Regeneration*
- (4) *Recovery*
- (5) *Revitalization*
- (6) *Framework*
- (7) *Gentrification*
- (8) *Restructuring*<sup>1</sup>

In some cases, some overlapping occurs between two terms, e.g., between (1) *Renewal* and (2) *Redevelopment*, or (2) *Redevelopment*, and (3) *Regeneration*; in some other cases the model represents a specification of another (e.g., “(6) *Framework*” compared with (1) *Renewal* and the separation partially helps the exposition and seems partially suitable for the culture of business administration). The terms and “models” used have a direct reference to the culture to which they have been employed but, at the same time, are somehow independent as to allow an understanding and systematization of the various urban phenomena and therefore make the debate more complete. This is not an easy process because in literature also, authors sometimes interchange terms; however, some “philology” may be reconstructed and may serve as a correct interpretation. Also, these terms come from a community trade language used in financing and trade regulations fields, in addition to being improved and perfected using North American terminology. European cities and built-up urban areas are also quite different. English cities are morphologically different from Italian cities; the term urban (1) *Renewal* for example is different whether applied to the London Docks or to similar Italian models, if only because of the different influences that the land owners exert. In the whole of London, about a dozen freehold estates – English aristocracy – control a large portion of the urban territory (Burdett 2006) and affect area developers significantly, as shown in the Canary Wharf area, which cannot take place in Turin except in Fiat areas or, as occurred in Milan, within Bicocca-Pirelli areas (Dalla Longa 2010). The French suburbs (banlieus) are different from the Italian suburbs and are somehow more dramatically related to the very allocation of emigrants from former colonies. The urban integration of immigrants is also different. These phenomena often define the contents of specific programs and contribute to standardizing terms which, in turn, become universal because of community acceleration.

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<sup>1</sup>In the following text (Chap. 2) the model’s name will be anticipated by a number. This will permit making a comparison more easier.



## 2.1 General Idea of Urban Models

In literature, “Urban Models” have their own specific position. They refer to rudimentary theories of a rationalist type; one of their main objectives consisted of being vehicles of policy development (Batty 1981). Some simplified theories were extrapolated from the phenomena; through mathematics and computer models, they were validated and simulated. A large gap, however, does always exist between the simplified theoretical representation and the real phenomena. Nearly 30 years ago, Foot (1981) pointed out that some books explain the models with simple hypothetical examples, whereas others use advanced mathematics. Neither case emphasizes the realistic application of the models themselves.

Theory simplification and simulation have concerned urban contexts such as (a) population; (b) employment; (c) housing; (d) land use; (e) transport; (f) travel; (g) industrial and services logistics (Alberti 2008). Different policies have been implemented around these models and have concerned transport, wide territorial planning, zoning, new towns, industrial and housing settlements.

The models and policies of the 1960s and 1970s are taken as references but in the 1980s and 1990s these models entered a state of crisis; the setting and dealing with the “Urban Models” (Albeverio et al. 2007) entered a state of crisis; also, tools such as cost and benefits analysis and investment evaluation were revised. The widely shared opinion is that these models are based on simple space interactions and do not cope systematically with urban and environmental processes (Alberti 2008). We therefore face a “crisis” of linear regression models (Lowry 1964), because by their very nature, the urban systems contain countless and differentiated variables, even if some hierarchy and some evolution of interconnected variables may somehow exist. This is also the axiom contained in this book (urban models) and in another related book (Dalla Longa 2010).

The principles of diversified variables are difficult to codify and collocate contributions of different nature. Deakin et al. (2007) deal with the development of “Urban Models” as focused on nonlinear dynamics: this marks the introduction of the “catastrophes’ theory” and “chaos.” In other words, the city need not be seen in a balanced shape, as it occurred instead in urban models of the 1960s and 1970s (Mitchell 2007). According to the updated reassessment of the models, a number of authors predict that urban models of the 1960s and 1970s will be revived (Rabino 2007; Herold et al. 2007). Equally clear, other urban systems and technologies theorists emphasize the role played by technology in the transformation of urban models as undisputable and incontrovertible (Castells and Susser 2003); ultimately, this leaves a void in all the theoretical evolution of urban models.

A separate discussion can be carried out on urban models related to the land use in the city. There has been an evolution since the studies of the Chicago School on human ecology. We are referring to the sociological development of Park and Burgess (1925) who conceptualized the city into concentric zones through empirical works in Chicago. It is most evident that there is a concentrate of sociological elements (ethnic groups, social and racial categories, social aspects, conditions of housing and settlements). The aspects of interest regarding these studies are the

following: the empirical research on a city that determines the mapping of the urban model; the study of a city within a defined timeframe (1920); the creation of an “ideal and typical” model, where no one expects each city to be a perfect example of the theory; the nonpresumption that this can be a true representation of reality. For the first time, the city has been divided into mapped categories. There are different developmental stages that refer to the School of Chicago. Kearsley (1983) enriches and completes the categories with the introduction of already tested functions (or sectors), such as the CBD (Central Business District), which is broken down into different nodes of activity. Other areas are also introduced, such as the area of gentrification, the manufacturing district and the industrial site. Other more function-related breakdowns of the city areas are referred to by Harris and Ullman (1945): the multiple-nuclei of urban.<sup>2</sup> There are other city subdivisions such as “zones” (a typical one is that of a medium-size British city; Mann 1965); social classes and ethnic groups (White 1987). The functions within the city are reassigned to land use, where they are further split into subcategories (Dunning and Morgan 2003).

The CoUrbIT model, to which the discussion that follows relates to originates from the assumption of a structural change due to the phenomenon of globalization, even if it differentiates from the economic and social functions of the city (Dalla Longa 2010). Not only are the urban models affected by such a situation, but also it has implications for new forms of PPP, and eventually the tools and drivers. The differentiation occurring from the impact of globalization and, subsequently, the obsolescence depends on the size of the city, the urban structure and the collocation within the network system.

Different contributions have been provided in regard to the theory of the global-city function as well as the representation and consideration of the urban models. In the analysis performed on different cities and specifically in London, Hutton (2008) points out that a new form of reproduction of commercial business space linked to “global city functions” is under way; in this regard, there is a reference made to the “*Canary Wharf*.” Robinson (2006) calls the theory that all cities are undergoing a radical reassessment or a discontinuation of past “structures” into question. King’s theory (1990) is brought into question when he affirmed that all cities today are world cities (or globalized cities): a theory that, according to Robinson, has not yet been proven and there is no evidence for poorer, marginal and structurally irrelevant cities. They received very little attention in this approach. Buck (2002) made a list of the new global-city functions of London.

A real evolution of discontinuity in respect to the “urban model” is characterized by the “global city model.” Mainly, it is Sassen (2001, 2002, 2009) who systemizes the new theoretical reference. The principle is that there is a reinterpretation of what has been processed and developed for the “Urban Models” over time; there is an acknowledgement of the difference between types of cities (e.g., between international – Florence and Venice – and global cities). The global city is determined through a variety of functions, related mainly to finance, complex services, and

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<sup>2</sup>(a) Central business district; (b) Wholesale, light manufacturing; (c) Low-class residential; (d) Medium-class residential; (e) High-class residential; (f) Heavy manufacturing; (g) Outlying business district; (h) Residential suburb; (i) Industrial suburb.

“global market places.” The main concept is strongly underlined that the global city model belongs to a special and new historic phase and represents a clean break from the past. This is something different from the “world city” (Friedmann and Goetz 1982), which does not involve such discontinuing elements. There is also a difference with other settings of globalization as applied to the urban systems, especially with what was stated by a theorist of urban systems and globalization, such as Castells (2000). In one of his publications, which did not strictly focus on cities, Castells emphasized that the new phenomenon caused by globalization and information technology “is a new space of flows” or, as defined by Taylor (2004), a “new spatial logic.” These statements determine the discontinuity of the “Global City Model” in respect to “Urban Models” as defined in Sassen’s exposition. Castells maintains that the global city is not a “place” but rather a network, whereas Sassen believes that the global city represents tangible functions of a network which materializes as a “place” and significantly affects the urban models and policies. The new functions that affect the “place” are complex services, such as: accounting and legal services, public relations, programming, ITC and information and other related services. According to Castells (2000) and Taylor (2004), the “place” does not disappear but becomes defined by its position within “flows.”

With CoUrbIT, priority has been given to the “place” and the replacement of old obsolete functions with new globalization-related functions: therefore the “place” has been privileged on the “space.”

## 2.2 First Impact with the Terminology Used

The terms used for urban models include some contradictions, the most significant of which refer to: (a) the evolution of the terms themselves over time, which causes them to mean different things; (b) the confused use of the terms occasionally due to some standard theories. The two above mentioned points are further debated in different essays.

There is a substantial difference between European and North American cities and the applied terms themselves sometimes result in different connotations and evolutions.

The very concept of city is therefore called into question because the very composition of the city is rooted into different matrixes. “Globalization,” the most recent element, has been added but cannot negate or dominate the other elements (historical sedimentation, institutions and policy, economics). In regard to English cities, Levis Munford (1961) did state that their identity and composition had originated from the steel, coal, and cotton industries of the first industrial revolution, which is extremely different from Italian or American cities. The enterprises (corporate or company) that were competing with each other, which have a similar company profile and refer to the globalized market, experience fewer contradictions and irregularities than the cities. They quite often end up in having their strategies affected by the various jurisdictions of the United States, Japan, and Europe (Kraakman et al. 2004). This becomes much more evident, occasionally

soaring to exponential levels in the cities, although the competition amongst cities within a global context pushes towards the standardization of techniques, languages and forms. Some of the terms used within the definition of Urban Models precede the globalization phenomenon and therefore are even more heavily focused on the specific and unique nature of the individual cities, where there was little global competition. Bender (2007), however, tends to reduce the “gap” between past and present. Bender specifically and rhetorically questions whether the peculiarity of the city space has been dissolved by globalization: “[I]s not the city and the particularity of the place (and thus urban citizenship and politics) being dissolved by the process of globalization and virtual worlds?” (p 248). His answer is “negative.” In 1890,<sup>3</sup> globalization was already present in New York and today it is more widespread and abundant, as shown in the technological and economic evolution of the last two decades. However, the question remains open in regard to terms that draw on different periods of time as well as on cities whose composition and layering have taken place in different ways.

In North American cities, there is a very little difference between the terms (1) *Renewal* and (2) *Redevelopment*. In some cases, the term (2) *Redevelopment* anticipates the term (1) *Renewal* (Gotham 2001) and the reference is initially made to housing. Initially, the term “redevelopment” takes on the hue of racial interventions versus the slum of African Americans or other ethnicities; actions were carried out by dismantling large areas (Schill et al. 1983),<sup>4</sup> “ad hoc” programs were created and “ad hoc” bodies were established before or immediately after the Second World War. The Urban (1) *Renewal-Act* goes back to 1949 and in 1952 the State of California adopted Community (2) *Redevelopment Law*; (Dardia 1998) and those who mostly benefit from such actions are especially companies related to real estate (Gotham 2001). The interventions do not often take place in suburban areas but rather close to business districts and business areas (Scott 1980), so much so that some North American authors (Monti 1990) stated that “redeveloping” serves mainly to remove obstacles of capital development and also to make use of economic bodies who are supported by the local government. These phenomena are

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<sup>3</sup>New York passed from 79,000 inhabitants in 1800 to 3,000,000 in 1890 with a strong increase in the second half of that century. London in that century passed from 1,000,000 inhabitants to 6,700,000. The increase of N.Y. is 38 times its inhabitants when considering the time, the increase is more concentrated after 1850. Chicago, the third largest city of the USA, increased by 270 times in the 1850s (Gkaeser 2009).

<sup>4</sup>During the 1950s the South End’s housing stock began to deteriorate, and a significant number of structures were abandoned. In the early 1960s, the Boston Redevelopment Authority (BRA) began a massive urban redevelopment program that demolished one-fifth of the neighborhood’s housing stock and displaced 2,000 households. During the mid-1960s, private developers began to invest large sums in areas immediately bordering the South End. The Prudential Center complex of stores, offices, and hotels was built on the neighborhood’s northwest border. At the same time Boston University began to expand vigorously. By the early 1970s the area surrounding the South End had undergone considerable office expansion, culminating in the completion of prestigious buildings (Schill et al. 1983, p. 74).

interconnected with the urbanization and the rapid development of the American economy, which requires its components of the city to be reshaped, with spaces often subdivided by functional components; as far as housing settlements are concerned, quite often of racial or ethnic type, it is no coincidence that the historical ethnic minorities (Afro-Americans) or the very first immigrants (Irish, Italians, etc.) are those who were the most opposed to the (2) *Redevelopment* policies (Wilson 1963). Above all, this refers to the chaos within a context of settlement, which needs to be rationalized after the rapid development that occurred and which, within other contexts, may be compared to the urbanization phenomenon. This is, however, the stage in which the very first forms of PPP that have been experienced in American cities and will later evolve (Finkle and Munkacy 1985).

The other terms [urban: (3) *Regeneration*, (4) *Recovery*, (5) *Revitalization* etc.] are influenced by the city type also. By analyzing urban (3) *Regeneration* in the USA, England, and Europe, Shutt (2000) and Drewe (2000) ascertained the following: (a) very few texts and material can provide a source of information and standardization; (b) in England and the USA, there is a similarity in the use of terms and often have the same organizational formulas (Enterprise zone, born in England and exported to USA), but also different urban references that change according to the applications; (c) the term urban (3) *Regeneration* is not very controversial but rather vague and confusing, because it includes a mixture of public (and private) actions. Based on this, the agencies that are set up in the cities to propose interventions and then measure their efficiency often use empty rhetoric in advertising results and in using indicators to quantify assumed successes (Smith 2007).

When applying the term (3) *Regeneration* to London, Imrie et al. (2009) use and mention minimal categories: this happens when applying the (3) *Regeneration* concept to political categories and to strategies which have been designed to remove urban decline and decay due to social and economic transformation. The term *urban* (3) *Regeneration* therefore implies an integrated perspective of both the problems and the potentialities of the city. Also, other authors do not move away from this approach, according to which “urban (3) *Regeneration*” is the long-lasting resolution of the urban problems caused by the change of (readjustment of functions) the economic, physical, social and environmental conditions of an area (Roberts 2000); or based on another approach, (3) *Regeneration* is the answer to the determining pathologies caused by economic growth: they also affect social functions and inclusions as well as environmental quality where there were exclusions, inefficiencies and loss of quality (Couch 2003). (3) *Regeneration* is therefore highlighted as the interdisciplinary intervention aimed at removing urban pathologies due to urban “economic” dynamics, which is now soaring as a result of the globalization phenomenon.

In regard to a number of terms (e.g., urban: (3) *Regeneration*, (5) *Revitalization*, (8) *Restructuring*, etc.), a number of application differences occur not only between the USA and Europe, but also among the European nations themselves or even North American cities [in the USA, the urban (3) *Regeneration* is quite different whether applied to Washington, Los Angeles, or New Orleans, i.e., three federal states whose cities have different problems to be resolved and regenerated (Shutt 2000)].

In Europe, Drewe (2000) identified differences in regard to city's morphology as well as political, institutional, regulative and other variables and, finally, in regard to the way urban (3) *Regeneration* has been designed and developed. Especially since the 1990s, Europe has endeavored to standardize the different types of intervention within the various Member States. Many of the terms used, whose origin is of a different type, have therefore become specific community programs (Christiaens et al. 2007) with the issue of dedicated funds. By using the central city areas and Manchester in particular, both as references, Williams (2003) pointed out that "the successful urban (3) *Regeneration* is predominantly dependent on the establishment of appropriate institutional and organizational structures to deliver the necessary vision": general programs, but also a lot of "peculiarity and proactivity."

In Europe and North America, three large classifications are to be considered, inside which the terms referring to urban models are applied differently. The first previously mentioned classification refers to European and North American cities. Within Europe itself, another important classification in application concerns the difference between Western and Eastern European cities (the term (8) *Restructuring* analyzed in this book is a typical example of it). The last classification of the applied terms refers to Western European cities, scattered on the axis connecting Milan and London (Drewe 2000).

An investigation on the very first origin of the terms becomes, in any case, useful.

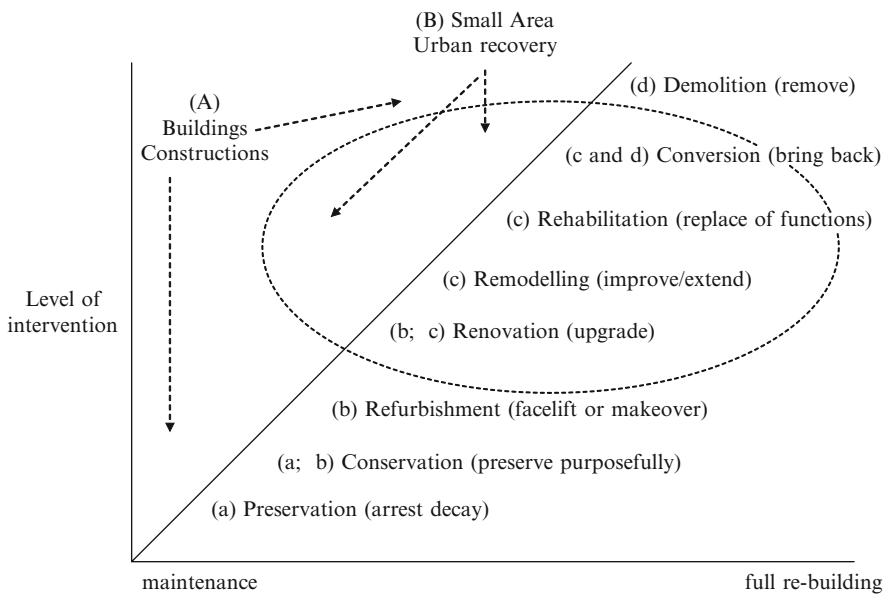
The term urban (1) *Renewal* is used in Europe to explain the city's transformation after the second World War (Smith 2002), or, in the 1950s, in North American cities, to tackle the housing problems (Couch 2003): the reference was to a segment of the renewal ("slum clearance to urban (1) *Renewal*").

The term urban (2) *Redevelopment* has already been discussed with the only addition here that, according to Vranken et al. (2003), it can only be proposed with private investments or PPP.

The term urban (3) *Regeneration* originates from the postwar city, which comprised crimes and unemployment (Smith 2007); the term marks a discontinuity as well as some forms of evolution (Berry et al. 1993) with a prevalence on physical (3) *Regeneration*, even if it were a mistake to confer such a strong and leading identity to this component (Bartley and Treadwell Shine 2003), which is instead typical of (1) *Renewal*. It was in Britain, between the 1980s and the 1990s, that a strong evolution of the urban regulation took place with the establishment of "ad hoc" agencies and the extension of the intervention to the economy, environment, social and cultural contexts and, in more general terms, to politics (Bianchini and Parkinson 1994; Avery 2007). This is what made Robert and Sykes (2000) state that the most important peculiarity of urban (3) *Regeneration* consists of crossing the borders that often divide different objectives: economical and environmental objectives, the social and cultural measures, complex strategies and the related variables.

The term urban (4) *Recovery* can only be partially used and decoded and must be combined with other terms, such as urban conservation or urban rehabilitation; it refers to the physical aspect of immovable property, infrastructure or a specific part of it. Some overlapping may occur with the term urban (8) *Restructuring*. Urban

(4) *Recovery* (or urban rehabilitation) was especially developed in the second half of the 1980s and 1990s by some community member states. Small interventions are taken into account here; otherwise we may be in the presence of (2) *Redevelopment* or (8) *Restructuring*, which is often carried out in the urban centers (inner cities) through physical rehabilitation (van den Berg et al. 2007), and sometimes financed by the community with special funds and (Mondini and Valle 2007) through the conservation and improvement of the quality of the local environment. These funds are included in the sustainable development programs for the urban context, where the protection of immovable urban property becomes the safeguard of cultural heritage (Camagni et al. 1995). The concept of urban sustainability stems from the consideration that the territory and the urban structure are a poor resource (Curwell et al. 2007). Therefore, whenever a decision needs to be taken for replacing a container which does not fulfill its functions (contents) any more, the market cannot decide what and whether to demolish and rebuild, because the incorporated cultural aspect needs to be also taken into account. It is the result, the map and the memory of complex social interactions, which therefore requires new tools to be used also. On the basis of the all-purpose and multifunctional nature of the territory, Nijkamp and others (Rodenburg and Nijkamp 2007; Nijkamp 1990) have worked out some “ad hoc” tools centered on the value of use and exchange (Harvey 2000) of urban (4) *Recovery*, where the “market” variable is one of the variables which deserves to be considered. From here, the term “sustainable” is applicable to what is being built. The (4) *Recovery* is, in any case, an exclusive physical aspect of the built property and has a consequence on the components of the urban structure dealing with maintenance and conversion (Douglas 2006) (Fig. 2.1).



**Fig. 2.1** Scale of intervention on real estate asset: Urban (4) *Recovery* and relationship with other physical interventions. Source: reworking by Douglas

The same terms significantly changed their meaning recently.

The term (7) *Gentrification* was used for the first time by Glass in the 1960s to describe a residential replacement that occurred in London: it was a phenomenon whose content was not so perceivable.

According to some authors (Le Galès 2002; Jones and Ward 2002; Weber 2002), the term (2) *Redevelopment* has to be connected with the development of a new elite (Le Galès 2002), the implementation of a new decision-taking network and the creation of new urban business committees (which, in many European cities, look at the Chambers of Commerce as subjects which can redesign the city through the “defeat of the participation”); or (2) *Redevelopment* which as a process leads to new forms of neoliberalism (Jones and Ward 2002). In all the cases, the term (2) *Redevelopment* is the entry which leads to the recent phenomenon of Public–Private–Partnership (PPP).

According to Smith, the term (3) *Regeneration* identifies the action and the policy supporting the full legitimization (acceptance) of “gentrification.” Still, according to Smith and strictly related to the peculiar morphology of English cities, the Tony Blair administration may best advocate the reinvesting in gentrification as urban regeneration. The term (3) *Regeneration* is also the answer of the state to the concept of (1) *Renewal* (Couch 2003). In other words, the form is the (1) *Renewal*, (3) *Regeneration* identifies the policies that attempt to return derelict and vacant land and buildings to beneficial use, i.e., bring abandoned buildings and land back to life.

In international literature, urban (5) *Revitalization* somehow overlaps with urban (3) *Regeneration* and there is no strong distinction between the two terms, if only on the side of “involvement and participation” which are unavoidable aspects of urban (3) *Regeneration*.

Relatively, much was written on urban (5) *Revitalization* in the 1970s and 1980s, even if the term goes back to one a decade earlier (Fessler Vaz and Berenstein Jacques 2006; Shutt 2000). Based on a debate on urban (5) *Revitalization* in Great Britain and the United States (Parkinson and Judd 1998), (5) *Revitalization* has been connected with the welfare state concerning the urban area, i.e., with education, housing, health and general welfare programs. The large difference between American and English cities lies within both welfare and the fiscal and financial autonomy of the city. In the absence of welfare and (5) *Revitalization* programs in the most prosperous American cities, they have extreme levels of wealth and poverty. The widespread poverty confuses urban (5) *Revitalization* with other urban models of ((3) *Regeneration*, (2) *Redevelopment* and (1) *Renewal*). The difference related to fiscal autonomy, as stated above, allows American cities to be more independent in the application of urban (5) *Revitalization* and enables them to work more specifically on individual cases (Pacione 2009), rather than on national programs and subsequently, European Community programs (e.g., urban) as in the English cities, with resource homogenization and the transfer of resources.

Urban (5) *Revitalization* is highly interdisciplinary; it evolves with time and therefore requires a specific method of intervention. Unlike urban (3) *Regeneration* and urban (1) *Renewal* especially, urban (5) *Revitalization* is not of a “long-lasting”



type (Roberts 2000): often, the efficiency of the intervention is deferred to the successful integration of diverse organizations (nonprofit, private and public), which are called upon to operate in a convergent way (Jacobs 2000; Evers 2008). In the 1980s, in the “mature economy” featured in the United States, urban (5) *Revitalization* was dominated by physical (1) *Renewal* and therefore by (1) *Renewal* (Roberts 2000; Couch 1990). Then, it underwent significant evolutions towards other applications, even if some researchers in the United States (Hee and Bae 2007; Downs 1999) tend to demonstrate that the causes leading to devitalization are not strongly connected with (5) *Revitalization* interventions. This is also the reason why the theorists of neoliberalism have their theory supported and confirmed by the globalization–neoliberalism equation when looking at the changes that have occurred in objects around which urban (5) *Revitalization* develops (Gotham and Haubert 2007).

Atkinson and Bridge (2005) use the term (7) *Gentrification* to explain the new colonization of competing global cities. It is the globalization of the cities which reshapes the terms: a sign of strong transformations within the urban structure (Dalla Longa 2010).

(7) *Gentrification* in Europe identifies the phenomenon of private action, even if some “disguised” actions can often be carried out indirectly by public administrations through agencies which are partially public and partially private. “Inclusion,” which is a component of “urban (3) *Regeneration*,” (Couch 2003), can be antithetical to “(7) *Gentrification*,” which is often excluded. In New York, and in other US cities where the decentralized fiscal autonomy is quite strong, exclusion and gentrification may be clearly exerted by the local government. Some social groups are intentionally displaced (replaced): the central part becomes wider and wider and replaces the state of decay. It is about the sought after replacement of social groups that, on one hand, pay low taxes and local duties and, on the other hand, ask for higher welfare expenditure as well as social programs and services. These social groups are replaced with middle-class consumers, capable of strengthening the local economy and increasing taxable income.

The actions carried out by local administrations can be very much direct, such as (a) advertise districts marked by high “gentrification” potentialities; (b) provide tax abatement in some areas to make rehabilitation possible; (c) use community funds to improve public services in selected districts; (d) reduce public services intentionally in some districts to foster decay first and encourage reinvestment afterwards; (e) establish real estate agencies to support displacement actions; and (f) make the connection with central city areas easier through public transport (central business district) (Pacione 2009). These very evident policies spread the concept of liberalism, as applied to big cities and globalization as well, with a direct impact on Europe also (Goodchild 2008). As stated and reported by Wyly and Hammel (2005) in an empirical research, this occurs even if the policies of “neoliberalism” and “gentrification” are quite different for American cities because the cities themselves are very different in terms of morphology, economic and political functions, deindustrialization, coordination of global production, and centers of regional activity. In some models of “urban gentrification,” a close enough relationship

with the intervention of “urban (3) *Regeneration*” has been assumed; this is due to the deindustrialization which globalization has accelerated in some countries, and especially some urban areas. “(3) *Regeneration*” also ends up indirectly removing those social classes that have extensively lost their job in industries (Goodchild 2008). In many cases, this is not a direct but an indirect action which, through the price increase of areas and houses, causes a selectiveness of the inhabitants and risk rendering a rhetorical policy of social inclusion and exclusion, typical of urban (3) *Regeneration* (Jones and Evans 2008).

Also, the term urban (8) *Restructuring* has evolved in literature and has been used to depict a widespread and rooted intervention of urban structure and configuration. After World War II, it was utilized to indicate the drastic reconstruction of both cities and a capitalism focused on production and consumption (Montserrat Degen 2008); Harvey (1990) utilized this to explain the restructuring of the 1980s, when the first phenomena of modern globalization and restructuring of production sectors (heavy industry) started, exerting a strong influence on urban spaces. It is later (but not so clearly) used by some authors as a synonym of other terms (e.g., Pacione 1997); or it is used to explain an “articulated” restructuring of housing (van Beckhoven and van Kempen 2003). It is, however, with Brenner (2004) and others (Brenner and Theodore, 2002; Brenner and Keil, 2006; Roberts 2000) that the term urban (8) *Restructuring* is directly linked to the phenomenon of neoliberalism. Through “globalization” indeed, neoliberal policies start in connection with new forms of global competition and displacement of production activities; with urban (8) *Restructuring*, the metropolitan areas and the cities represent the core of this phenomenon: the restructuring of the capital space and new forms of social exclusion and integration.

The term urban (8) *Restructuring* herein refers to a drastic revision of the city due to the transfer from a “nonmarket” situation to a condition of quick entry into the global market, featured by the microredesigning of either the economic and social relationships and urban structure. The reference is made to postsocialist cities of Eastern Europe. Other authors use urban (8) *Restructuring* when referring to this type of city (Bernt 2009; Schwegler 2008), or to Chinese cities (Ma and Wu 2005).

### 2.3 Relationship Between the Terms Used with the Original Model

The organization of the book starts with the identification of existing urban models, some of which originate from ongoing urban complexity, whereas others date back to recent times and have since then evolved. The national and community policies have often supported their consolidation and proposed their standardization, even when the city’s morphological variables required different solutions.

Globalization is a new phenomenon of standardization. The competitive advantage among global cities has been introduced and has accelerated the standardization of concepts and application of urban models.

An additional aspect is the life cycle of urban change, which has narrowed temporarily and to which cities have been called upon to conform to.

Urban transformations, through different models, have become a significant aspect of competitive advantage. There is a sort of “dynamic” which ensures that urban models are an important factor of change.

Globalization ensures that urban functions will become obsolete faster than in the past. The idleness of the decision-taker causes a fall in competitive advantage on an average, even if many authors (Brenner and Theodore 2002; Le Galès 2002) think that proactivity can justify new forms of economic and social exclusion of the city. The boost towards the replacement of obsolete urban functions with new ones is the key aspect. This is the reason why the identification of the different types of urban models, their implementation and the subsequent change become a key and significant aspect of urban evolution.

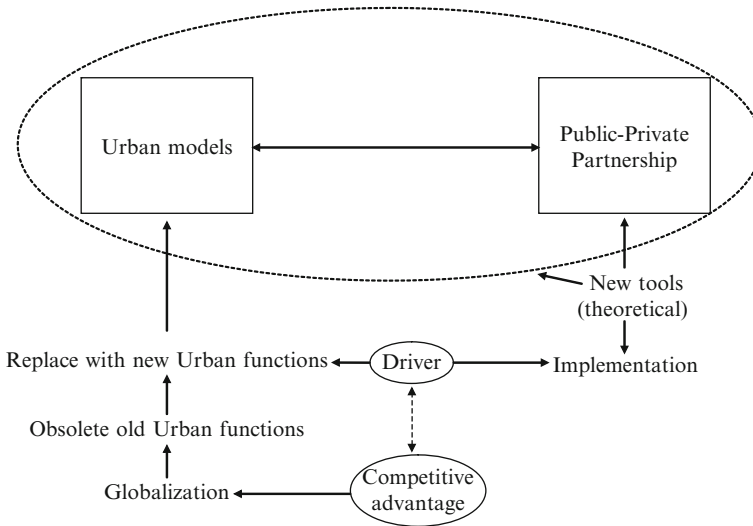
The characteristic derived from the boost given to urban evolution by globalization (Kaufmann et al. 2005)<sup>5</sup> ensures that the implementation passes towards new forms of relationships between state and market, and through the strict “channel” of Public–Private–Partnership: the application of the models, the rapid obsolescence and the replacement of functions could not otherwise be implemented, also in view of the high costs and the high volume of financial resources required. Today, cities are already a concentrate of public goods which have been gradually supplied over time (Brenner 2004; Scott and Storper 2003) and an addition of other public goods offered at short notice, in response to “strong” obsolescence that would not be supported by the state efficiently. It is not only a question of public expenditure but also of a mixture of interests and objectives that cannot require public intervention only (Dalla Longa 2010). Urban models and PPP are therefore two significant components of the city evolution today and are also key references for the book (Fig. 2.2).

The new tools and the new forms of drivers are very important elements but they are in hierarchical order with the two other central themes of the book, i.e., the combination of urban models, sometimes the global city, with PPP.

The Public–Private–Partnership applied to urban structure, global cities and competitive advantage will make up for the new design of the state in this century, as the “welfare state” had been the reference in the previous century. Profound crises have been foreseen in the state models; new policies, a decline in “ethics” and values, as well as corruption, are all expected. A better understanding of the following shall therefore be required: new evolution “logics,” new forms of interdisciplinary management, new professionals who are ethical and capable of stating the risk in a non short-sighted way, traceability of public resources, implementation

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<sup>5</sup>Amin and Thrift (2002) question whether companies rather than cities are globally competitive, unless we consider cities to have their own nearly “organic” life. Scott (1988) and Castells and Himanen (2002) downsize the statement when they say that it is production that moves into the city in opposition to the decentralization policies. Considering this book on its wholeness, it is not relevant to know which element leads to the global city and makes competition a boosting factor for replacement and innovation.



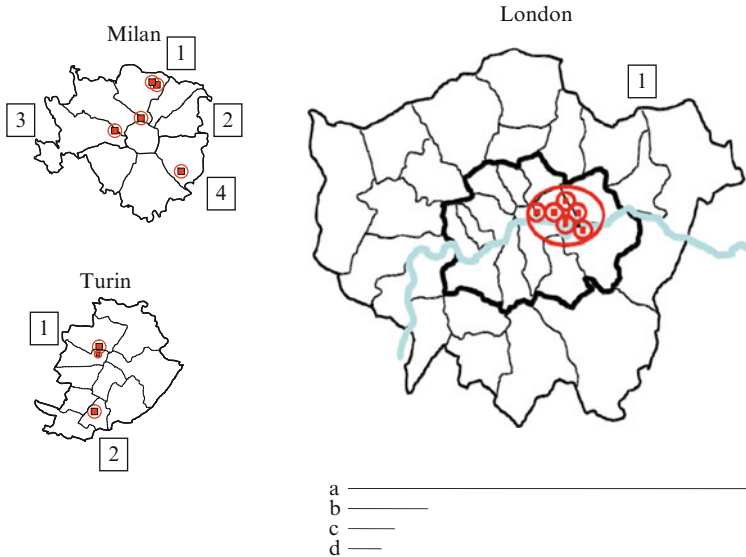
**Fig. 2.2** Focus on some elements of the CoUrBIT model (Urban models and Public-Private-Partnership) as developed in this book

of new monitoring and control tools. PPP, applied to urban models and global cities, will therefore undoubtedly be one of the key subjects of the coming future.

From here forth, an attempt to organize the meaning of the terms related to urban models is made, using a nonoverlapping method. The medium and large-sized European cities are mainly referred to, with robust reference made to Italian cities.

The term (1) *Renewal*, used hereafter, is utilized extensively and deeply impacts on the degeneration (obsolescence) of important urban functions that significantly characterize the city or a significant part of the metropolitan area so as to characterize its image. For this reason, the term directly refers to abandoned industrial areas which were as wide and articulated as the metropolitan area was a strategic and mature industrial center; in other cases, it refers to port cities where these functions, in a historical period, were important, or in particular, to central areas to be reconverted. Thanks to its entity, the “(1) *Renewal*” is able to give a new image to the city or at least to a significant part of it; often, this results in the demolition of abandoned industrial buildings or constructions which do not comply with the new functions any longer and involves the *ex novo* construction of new-function fulfilling buildings. The process of demolition can also be partial. It is generally confined to central areas and not suburbs, even if this principle is not an axiom.

If we look at Milan, we currently see no more than three or four large developments which can be classified as (1) *Renewal* models, such as Pirelli-Bicocca, the reutilization of the area of the old exhibition center, Milan Santa Giulia-Montecity and the “city of fashion”: Garibaldi-Repubblica. Two of the previously mentioned areas are not very close to the city center because they are located in abandoned industrial areas in the northern and southern parts of Milan (Fig. 2.3).



**Fig. 2.3** Examples of (1) *Renewal* in Milan, Turin and London

*Milan*– 1: Pirelli Bicocca (Dalla Longa 2010); 2: the “city of fashion”: Garibaldi-Repubblica (Stanghellini and Copiello, see Sect. 3.2.2 in this book); 3: the reutilization of the area of the old exhibition center; 4: Santa Giulia-Montecity (Stanghellini and Copiello, see Sect. 3.2.2).

*Turin*– 1: Spina 3 (Dalla Longa 2010); 2: Il “Lingotto” FIAT of Turin.

*London*– 1: Docklands area (Royal Docks; Katharine Docks; Tobacco Dock, Isle of Dogs, East India Docks, Millennium Dome and Greenwich, Lower Lea Valley and Thames Barrier).

The minuscule letters and the lines show the proportional extension of each city–municipality.

(a) The surface area of Greater London (11 times larger than Turin; 1,579 km<sup>2</sup>); (b) Surface area of only the most central London Districts (inner ring) (2.6 times larger than Turin; 337 km<sup>2</sup>);<sup>6</sup> (c) surface area of the Milan municipality (184 km<sup>2</sup>) and (d) surface of Turin municipality (130 km<sup>2</sup>). Surface area of the London Docklands 22.5 km<sup>2</sup> (1/6 of Turin’s surface area).

However, they are not the outskirts if we consider the metropolitan area as a whole (Dalla Longa 2010). The following are key elements of the (1) *Renewal* (a) the extension of the (1) *Renewal* area; (b) the relevance that this area has for the city; (c) the demolition and massive reconstruction of existing parts; (d) the total financial investment.

Some of these points can also be found in the (4) *Recovery* (for example, the (4) *Recovery* of “Lingotto of Turin”), the only difference consists in the demolition and reconstruction phases. There are several other national and international examples such as; Turin (Fiat area), London (Docks), Paris (Bercy Park), Amsterdam (Eastern Docklands) and Barcelona (Villa Olimpica) – each with its own peculiarities.

<sup>6</sup>The 14 most central districts of Greater London, out of 33 Districts: City, Westminster, Kensington and Chelsea, Hammersmith and Fulham, Wandsworth, Lambeth, Southwark, Tower Hamlets, Hackney, Islington, Camden, Lewisham, Greenwich, Newham.

The case regarding the London Docklands was exemplary for the following aspects involved: time it occurred, size, location and metropolitan area.

It is a very large area, of approximately 2,250 ha, in comparison to 115 ha of Santa Giulia (Milan), 100 ha of Bicocca (Milan), 1,300 of Bagnoli ha (Naples) (Cento-Bull and Jones 2006; see Sect. 3.2.2 in Chap. 3) and 134 ha of Ravenna.

The area is located on the eastern side of Tower Bridge, and includes the Royal Docks and North Woolwich. The most important area is made up of the area close to Tower Bridge and on the border with the City (Katharine Dock, Tobacco Dock) and of Isle of Dogs, the peninsula in front of Greenwich.

It is an area that was structured in the nineteenth century and despite some crisis, it had kept its functions active till 1969 (Katharine Docks); warehouses were converted into offices and were occupied until 1986 by News International, who are responsible for the publication of the Times and Sunday Times. In the 1980s, there were other closures due to a conversion of the seaport transportation (Royal Docks).

Since 1971, several different projects were implemented to make use of these areas:

- The Conservatives, who were running the relative Districts and Greater London, created the London Docklands Study Team. The projects had a difficult time: they were accused of simplifying the process of transformation (construction of housing with high quality standards, two-thirds of which was assigned to private use, a great development of the service industry, and a high speed railway). During this stage the key aspect of the (1) *Renewal* was the preassembly of the intervention and many problems were underestimated.
- In 1976, the London Docklands Strategic Plan was approved. The new approach was based on the idea of combining luxury buildings with the inclusion of the existing population, most of whom had work problems due to the loss of the original functions of the Docks. A new process had started. The aim was to create a mix of housing modules (housing for high incomes and social housing) and the creation of 30,000 new jobs within 15 years.
- In 1981, the London Docklands Development Corporation was created. This is an Agency of Development of these areas. Before the commercial settlements, the railway and the Underground were enhanced and modernized, so that they could act as push factors of the entire development process.
- In 1991, in the Isle of Dogs (Canary Wharf area), the first seven skyscrapers were built thanks to the more lenient regulations in urban planning for the Docks' area: one of which is the tallest skyscraper not only in London but also in Europe. In 2000, in a brownfields area east of Greenwich, near the East India Docks and on the other side of the Isle of Dogs, the Millennium Dome was built. This was an abandoned industrial area, occupied by gas and coal plants and then later reclaimed.
- A development agency (English Partnership), after acquiring a relevant quote for the Isle of Dogs peninsula, launched a tender for the planning and design of the Millennium Village in 1998, where a settlement of nearly 1,400 housing units would have been provided and characterized by the peculiar social and cultural stratification of the dwellers. The village was supposed to be subdivided into four areas, inclusive of a big eco-friendly and "educational" park. The first two areas have already been completed (north-east and south-west) and for the other two areas, the designing stage came to an end and works are in progress. The profitability of the intervention has allowed the compliance of the expected build quota of 20% of social housing.

In the abandoned industrial areas (brownfields) in the region of the Docks (around 270 ha in the North), they have started to build housing, commercial stores and infrastructure in preparation for the London 2012 Olympic games. These investments are valued at approximately €3–6 billion. All these actions in turn, will have a significant impact on the development of the wide extension of brownfields and the wetland territories close to the Docks that extend beyond the movable flood barrier (Thames Barrier) which was built

between 1974 and 1982 to tackle flooding. Investments in public transport infrastructures are only required to complete this intervention. The same sequence of actions were taken for the Isle of Dogs.

After an expansion (like wildfire) that occurred around the inner city, London is now expanding from within its central area.

The outlined intervention comprises impressive articulated stages that refer to a unique area of (1) *Renewal*; this should be later divided into different (6) *Frameworks*.

In short, the (1) *Renewal* comprises several elements which are described briefly hereafter. These are interventions that take place in areas which individually and, at the same time, extensively identify and outline a general situation of decay: usually large industrial abandoned areas, ports, warehousing and trading areas (sometimes inclusive of residential districts which were historically associated with disused productive and commercial areas as well) identified as empty urban spaces.

These are profound and radical initiatives, with the aim to reconstruct significant parts of the city in which (re)infrastructural developments of primary and secondary networks, land reclamation, new division of spaces into lots and rethinking of the urban spaces are relevant. “Public” expenditure is usually elevated.

Through “emptying and refilling” operations, the goal is to introduce functions and activities that are able to trace new paths of development, including economic ones: Cities are looking for push factors which play an important role in urban global competitiveness. The new functions are created on the basis of the “trend” – functions which represent appealing elements capable of playing an important role in global urban competition.

The (1) *Renewal* projects therefore represent a large opportunity for rethinking the city and its role, up to the extent to which their success is strictly related to the impact that these actions have on an urban and metropolitan level. From this point of view, attention to the formal aspects (leading firms “archistar”) and environmental aspects (service facilities and standard equipment) is crucial because they are important for promotion and marketing.

On one hand, in different situations, the concentration of significant amounts of capital (public but especially private) creates processes of replacement, sometimes social processes, and exclusion of people who often live in these areas of the city and who for many years have waited for the relaunch of developments. On the other hand, an inclusion policy can be developed.

To summarize:

- Interventions in large and very much extensive areas, and with major economic functions is in decline
- The most direct reference is to derelict industrial areas (brownfield areas), port areas, disused commercial and productive areas, with possible residential areas included
- The (1) *Renewal* needs radical action where there is an important redesign of part of the city
- Generally, the redesigning of territorial infrastructures is high; the redesigning of urban areas; industrial decontamination and more generally, the use of the city

- Public expenditure is generally high
- The (1) *Renewal* project is presented as an important aspect of rethinking new expressions, forms and development of a new role of the city
- The concentration of high level of capital (public but above all, private) often creates social exclusions from the city

The term “(2) *Redevelopment*” is the most used by urban specialists because it is an expression of specific rules and partly because it overlaps with other terms. It refers to different forms of decay (of buildings, urban, environmental, economic, social, and functional). The profile does not operate on closed places (“bewitched” and potentially disruptive to the urban community) but rather with open places integrated with the urban system.

Urban (2) *Redevelopment* is linked to the situation of suburbs,<sup>7</sup> to urban security and environmental quality, even if all these aspects need to be related to more general factors. The reference is made up of economic and social problems combined with obsolete functions, where the line of obsolescence, however, is less clear than with the term “(1) *Renewal*.” It is justifiable to point out that the term (2) *Redevelopment* is used in the context of old industrial cities (mining and port cities) in the last century that are converting and radically changing their functions and economic base. Part of this interpretation has been channeled in the “(1) *Renewal*.” Therefore, the term (2) *Redevelopment* does not refer to social policies *tout-court* but rather to physical policies. If we consider the French program based on the demolition and reconstruction of 40,000 housing units per year, spread throughout 750 districts, we realize that it is not the reinforced concrete that will solve the problems of the people living in the “banlieus,” because employment, education, and security are priority. “(2) *Redevelopment*,” dealing primarily with the physical aspect, focuses on the acquisition of the contents rather than on the building of new containers.

One example among the many of (2) *Redevelopment* is the suburban area of Reggio Emilia<sup>8</sup> Mascagni. The reasons for choosing this example are the following: (a) it is a modest intervention compared to the ones of (1) *Renewal* mentioned above, with a small budget of €3.5 million, plus an extra allowance given by private operators through project financing; (b) it is a suburban area of the city; (c) the reference area is wide enough, approximately 30 ha, but the intervention is localized inside a smaller part (d) private and public actors are involved (also with project financing); (e) there is a reduction of volume (partial demolition

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<sup>7</sup>In France the (2) *Redevelopment* (“renovattion urbaine”) is mostly focused on the urban suburbs (banlieus pauvres) where, under the “Project de loi d’orientation et de programmation pour le ville,” in 4 years (2003–2008), demolitions for more than 200,000 buildings were scheduled and following partial rebuilding, even in different form, was planned. In France, more than 50% of the population (about 30 million) live in the outskirts (or suburban areas). In Italy, in the 12 largest cities of the country, 65% live in the outskirts but if we consider the entire national territory this percentage falls below the rate in France. In any case, we are in presence of large areas that are potentially within (2) *Redevelopment*.

<sup>8</sup>Middle Italian city of Northern Italy.



and reconstruction), an intensification of the use of the spaces, the introduction of new construction typologies and new urban functions with even more private interventions. The aim is to save these areas from the social segregation.

The intervention aims to integrate public and private adjacent areas through a reorganization and expansion of commercial and service-assigned spaces, a higher efficiency of the road network, the rational arrangement of green areas, creating pedestrian paths and a new square with underground car parking. Another action is the construction (through project financing) of 32 flats for university students through demolition and reconstruction; characterized by an intervention of different authorities; among them, the region, the municipality, social housing agencies, and Association of Italian Builders. The ultimate aim is to transform the old and poor quarter into a more integrated, liveable area, with a higher quality of urban life and buildings, without borders between public and private.

To summarize, (2) *Redevelopment* deals with a situation in which function replacement is considered the answer to a process of weakening that makes it impossible for the area (object of the intervention) to show all its potential.

The research for new quality and new value is translated into a process of transformation of the way in which to use the space. (2) *Redevelopment* produces a new method in using a territory (urban fabric), starting from the new functions included (contents) and not necessarily from the realization of new containers.

The field of application is usually represented by areas with weak functions (industrial and productive areas, low quality residential areas), where the preservation, even partial, of preexisting functions depends not only on esthetic and formal decisions, but also on constraints of urban destinations. The (2) *Redevelopment* projects, even if applied to small-sized areas, represent a good level of functional mix (the integration occurs particularly among functions with a high economic impact—e.g., housing, tertiary, trade – and those with a social impact – green, welfare services, and community services).

To summarize:

- There is an involvement of areas where the functions are weak or areas which do not represent their whole potential
- The (2) *Redevelopment* produces a new kind of use of territory
- In some cases, the problem is the content and not the container as in the case of (1) *Renewal*
- The area size may be limited
- Generally, the esthetics of the container is not very high

The term “(3) *Regeneration*” takes on a more social connotation, combined with the economic meaning where the physical component can be more optional. There is a rift between the heart of a city and its surroundings, where there is a divide between richer and poorer classes. The difference between “(2) *Redevelopment*” and “(3) *Regeneration*” is that the former is more oriented towards a better physical aspect whilst the latter is focused on human capital.

In Italy, this intervention is not common: it has been imported and only recently it has been structured as an autonomous action where the physical component of what has been built is the result of a bottom-up rather than top-down process. The culture of French urban sociology is missing, even partially as a cause and effect

aspect of the morphology of the French city itself; the English-participated urban approach (*Urban City Challenge*) is also missing.

A good synthesis of this delay can be found in a testimony (Sclavi 2005).

In Italy, little was debated about the patient work of urban recovery in the Kreuzberg quarter of West Berlin in 1984. The “(3) *Regeneration*” involved the population, the integration among detailed modifications, the qualification of public spaces, education, employment policies and empowerment of the local community. The same happened with the French case of the Mission of Banlieues 1989 by Roland Castro and Michel Cantal Dupart. This is perhaps the most impressive example of intervention ever carried out inside a quarter that underwent a crisis within the context of a contemporary city. This intervention had the merit of centering the complexity of the processes and the diversity of the actors involved. In Italy, the practice consisted of adopting projects with a very “physical” approach to the intervention on the buildings, simply adding with a slightly social approach: this was the end of the intervention and the way the projects were considered ended (Matteo Robiglio). Also in Italy, the failure of the interventions, the negative impact created by the refusal, the lack of integration or communication with the end users, have forced the country to find new paths and new processes of sensibility.

The following are two examples of intervention of (3) *Regeneration*: one in Turin and the other in Münster (Germany).

*Turin* – is a public housing quarter, built up in the 1920s (around 800 council housing units in the inner city). The quarter shows good urban and architectural quality together with significant social problems. The intervention of (3) *Regeneration* is divided into different phases which, from the very beginning, were not planned for a mutual interconnection.

*First phase* – some interviews were conducted about life experiences; an information post was established to listen to the population’s needs. The plan and design of the intervention was based on the connection of different problems and the research of their solution. The phase was closed through the presentation of solutions to the inhabitants and the publishing of a report.

*Second phase* – one year later, a “social conference” was organized on site with the involvement of local organizations concerned, together with another “technical and political conference” where the representatives of the most important attending bodies assessed the feasibility of the proposed intervention. This proposal was then approved by the Ministry for Public Works which financed it with €10 million plus an additional €5 million allocated by other authorities.

*Third phase* – there was a big conflict between the private owners of the housing units and the public agency of housing (ATC), i.e., the agencies were owners of the buildings where the interventions were focalized. In order to manage the conflict, an information desk was opened with the addition of some design laboratories. The social conference which opened during the second phase had therefore been transformed into an agency for the local development of the area.

Different public authorities (the Turin Municipality, with its different Departments), ATC, the Region of Piedmont, the Ministry for Public Works together with about 100 inhabitants (who have continuously attended), and more than 30 local organizations (nonprofit, trade unions, cooperatives) have taken part in the social conference and later established an agency.

Munster is a German city of 266,000 inhabitants and is situated not far from the Holland border. The project belongs to a program that aims to improve the social context of major German cities. The project was born thanks to the cooperation among the Federal Government of the so-called “Länder,” local authorities and citizens connected to Housing Corporation and social organizations. The project concerns the rethinking and the conversion of military barracks into a multifunctional “social housing” complex; the settlement is located in a green area which is connected to the city center efficiently.

The approach and the phases of the intervention were as follows: (a) the project was dedicated to people who were excluded (b) the administration's objective was to deeply involve inhabitants and to create and give wide resonance to implementable projects. A committee was nominated; (c) a workshop was permanently open, to allow constant relationships and encourage the regular exchange of information, marketing focus and motivating forces to support and foster the presentation of projects by the area users (inhabitants), associations, and cooperatives; (d) at the end of the wide "bottom-up" phase, marked by changes and modifications of the original programs, the citizens, together with the "city" council, chose the winning proposal; (e) an association made up of organizations, institutions and cooperatives was established; its goal was to assign half of the built public houses to people with difficulties, i.e., elderly people, long-term unemployed people, young adults without specialization and with different problems, single mothers and disabled people; (f) long-term unemployed and unskilled young people were granted special aid by social pedagogues for the analysis of future possibilities; (g) a working layout was organized in order to foster a permanent workshop; (h) the project also aimed at involving unskilled unemployed people in the construction of their future house, thus helping them not only to contribute to the physical construction but also to acquire the necessary experience to find a potential job in building companies involved in the "(3) *Regeneration*" process.

In the time span of 3 years, approximately 170 housing units were built; approximately half were sold on the market and the other half dedicated to social housing. The previous area became a new crucial area for the cultural life of the quarter, in terms of meetings, seminars, conferences and others. The points (b), (c) and (d) appear as incubators for the points that follow. Different methods and approaches could have been taken however; advertisements were created to promote and emphasize social inclusion and participation in the quarters, i.e., the social elements combined with the knowledge about new jobs and the new use of collective goods.

Porter (2001) connects new economic models of (3) *Regeneration* with competitive advantage and criticizes the combination of regeneration and traditional assistance, as related to an old approach which has to be overtaken. However, the (3) *Regeneration* presented here has to be considered as a method of participation and integration.

In short, in the operation of (3) *Regeneration*, the urban problem that needs to be solved is rarely of a physical nature or related to real estate, and consequently it is not easy to set a precise line between the physical and the social contexts and understand where they start and where they finish. The physical side of the intervention is only a tool to be used for reaching results of another nature (employment, professional qualification, social problems, social exclusion, and crimes). The implementation of works (public or private) supports integrated programs where new spaces are seen as new opportunities to develop "nonmaterial" interventions and to define different combinations of different policies (both in general terms and in more specific terms of organization of the urban policy).

(3) *Regeneration* very often affects the so-called neighborhoods in crisis, abandoned and deteriorated suburbs as well as spaces where multidimensional problems are concentrated. And so, the social functions, and the marginal economic functions, both undergo a crisis and require a regeneration process.

This type of intervention in (3) *Regeneration* has been supported by the European Union and by national governments (with policies structured on a local basis),

particularly in France, the United Kingdom, and Germany. In Italy, the majority of funds delivered by the Government were linked to complex programs that started in the mid 1990s.

To summarize:

- The problem to be solved is not only physical or simply connected with construction; for this reason, it is not very easy to find the limits of these actions
- The physical side of the intervention is only a tool to determine results of a different nature
- The interventions very frequently involve areas which have undergone a crisis, degraded suburbs and problematic areas
- There are social functions that need to be strengthened

The term “(4) *Recovery*” assumes a particular character here onward: unlike urban renewal, it operates inside existing physical structures, it remodels them and changes their use and functions and, in many cases, it transforms them. In other words, “(4) *Recovery*” doesn’t imply any demolition, but rather the completion or revision of its previous functional use.

New elements can be built up next to the existing ones, even if this is of secondary importance compared to the “(4) *Recovery*” or, at any rate, does not represent the core of the intervention.

There are several national and international examples that can be recalled. In Italy, the most immediate reference is to the recovery of the social housing quarters, built and assembled with repetitive and standard housing elements (flats), without any other service and infrastructure nor places of entertainment and aggregation.

“(4) *Recovery*” is often referred to as a physical intervention aimed at redesigning these physical structures and settlements by stopping their “mono-function” pattern and developing other functions (no longer only residential but with the addition of shopping centers and cultural services as well as public services). In other words, the objective is to steer the neighborhood out of the “mono function” pattern and encourage new aggregation and integration places.

The term “(4) *Recovery*” is often associated with (3) *Regeneration* which, in turn, is linked to the involvement of inhabitants with the transformation and modification of the (external/internal) housing environment. In this sense, the term resulted from an international experience (French, German and Danish) and only afterward was the term later applied to Italy.

The meaning of the term “(4) *Recovery*” cannot refer to social housing quarters. Rather, it is used for all of the interventions in which the alteration of a function is connected with the readjustment of the physical component. It does not only refer to a specific unit (e.g., apartment or housing unit) – in which case it would be a simple intervention left to the individual decision and, if necessary, to the potential need for a public license (from the Urban and Building Authorities for transformation and utilization purposes) – but to a significant and complex set of units which has some impact on the urban area.

The most significant case is the experience of Turin Lingotto, one of the largest European buildings (250,000 m<sup>2</sup> of useable area), which was changed from an

automotive production plant into a multifunctional container, whose recovery costs amounted to €500 million (€2,000/m<sup>2</sup>)<sup>9</sup> in the late 1990s/early 2000s. Another example is the Tate Modern in London: a power plant in the past that was shut down in 1981 and then linked to the city by a bridge that was recently constructed (the Millennium Bridge located on the Thames River). Now, it has been converted into an art gallery and has approximately five million visitors each year: this establishment has become one of the most important galleries in the world. Other examples where international interventions of “(4) *Recovery*” took place are: Madrid (Porta Toledo), Lisbon (Chidado) and Paris (Plain Saint-Denise).

Insisting on these examples has resulted in to the removal of the term “(4) *Recovery*” from the pure “technicality” context, where it can be collocated, especially when the only references are technical ones.

The term (4) *Recovery* does not refer to demolition and rebuilding as with (1) *Renewal*, but rather to the recovery of existing constructions. The (4) *Recovery* can also take place in the center of the city and can have a strong impact on the image of the city itself. In response to one of Jacobs’s motivating forces (1961 and 2002), Florida (2002, 2005) connects creativity with (4) *Recovery* and consequently with new forms of competitive advantages, in opposition to (1) *Renewal*: new ideas need old buildings.

Florida’s theory is based on the idea that within the globalization phase it is the creative class that determines the competitive advantage. Thanks to new technologies, the creative class is very “mobile” and finds its utmost creative elements within the city. The new creative class identifies with “contents” and cannot be attracted by standardized “containers” which are produced and “standardized” by (1) *Renewal* within the globalization context, where different places look all the same and decades are needed to complete the work of new constructions inside the quarter (see Bicocca and Spina 3, Dalla Longa 2010). Florida (2005) explains that “old cities are ideal places for the creative economy to expand: open spaces of old firms and abandoned warehouses are full of industrial architecture ready to be revitalized with economic innovation provided that we are able to look at them as opportunities and not as degraded spaces.”

This outlines the importance of (4) *Recovery*. In short, the term “(4) *Recovery*” refers to projects in which physical interventions are prevailing. It deals with the “renovation” and partial reconstruction of structures, spaces and especially

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<sup>9</sup>The new functions included in the Lingotto center after the *Renewal* are the following: a large hotel, 11 movie theaters, training and universities halls, fair and exhibition pavilions, an auditorium, a congress center, a shopping center, underground parking areas. With its length of 700 m and a 1-km-long racing track on the roof, the Lingotto center is ten times larger than the Pompidou Center. In his “Vers une architecture,” Le Corbusier defined the Lingotto as one of the most spectacular and extraordinary examples of industrial building: a city within a city. The Lingotto is run by a Limited Liability Company made up of Fiat (33.3%), Italian State Railways (16.6%), the Turin Municipality, a number of Banks (San Paolo, Ina, Toro, Crt e Popolare di Novara), and others.

buildings, and, in some cases, it has been improved and enhanced by the introduction of activities and functions which are different from the ones that were hosted before.

This occurs when the cause of decay is due to the previously assigned destination. These interventions generally regard monofunctional areas (residential blocks, business centers) and large public structures (hospitals, universities, educational institutions, jails). The proposal of a “(4) *Recovery*” may find its reason in the following (a) the existing function needs new space and new facilities (also of urban planning); or (b) the function tends to last longer than the container does and the capability of the latter no longer fulfills its requirements; or, as it happens more frequently, (c) the functions change quicker than their physical containers and the latter need some transformation, replacement or partial revision.

Finally, in global cities, the case is more and more frequent where the process of obsolescence is pushed by the pressure of strong interests that tend to create new opportunities of improvement and development, therefore generating the quick obsolescence of specific functions and physical structures that need to be quickly replaced.

To summarize:

- In this type of intervention, the physical component prevails
- The intervention proposal is often linked to the recovery of the building and, in some cases, to the space surrounding the building(s)
- Occasionally, new functions (the creation of new functions) are included in the recovery
- This takes place when there are mono-functional areas (residential blocks, shopping centers) and significant public structures (hospitals, universities)
- In some cases, the existing functions need different and larger spaces to expand

The term “(5) *Revitalization*” is used in certain circumstances as contents of strategic plans and refers to the identification of often limited poor/weak places which need to be revitalized.

It does not necessarily refer to the outskirts; in regard to Glasgow for example, it refers to prevention and restorative strategies for the urban economy.

In Wien, the main objective of this strategic plan is the revitalization of the cities’ commercial streets by maintaining a polycentric commercial structure.

On the other hand, for many years, the term “(5) *Revitalization*” has been used to explain the phenomenon of England’s inner cities, whose huge growth surrounds “monofunction” elements (iron, carbon, cotton) in a very short time and the rapid phenomenon of economic and disintegration linked to the loss of the productive social class and its replacement with immigrants (especially from Pakistan and Asia) had created a “craterization” of the central part of the city.

In the first part of the 1980s, the English districts therefore faced the problem of having to establish some multidisciplinary task forces (social, economic, urban-environmental, and architectonic) to revitalize these centers. While all this occurred, in Italy, the model of local government was at the top of its functional and bureaucratic organization. The Italian local authorities were organized with

tasks and duties that were in total and unequivocal opposition to the necessary “interdisciplinary” approach required by “(5) *Revitalization*.”

It could be interesting to submit the contents of the revitalization, as defined in the strategic plans, to better understand the specificity of the term.

*Wien* – in Wien, the number of workers in the industry halved (from 40 to 20%) in 25 years, even if they were able to maintain higher positions than other big cities such as Barcelona and Glasgow. However, in the 1990s, the city was in a crisis and an overhaul took place (Wien and Austria were seeking repositioning in a wider Europe after the fall of the Berlin Wall). In the 1990s, strategic lines of intervention were put into action and then formalized in the strategic Plan adopted in 2000. These lines included spare time and culture (Prater, Donaueschingen, Museumsquartier), traffic (public transportation and railways), recovering measures of different residential neighborhoods (Leopoldstradt, Spittelberg, Erberg) and revitalization interventions of the cities’ commercial roads. Within the Local Administration, different Departments and Offices of Vienna’s municipality were involved in implementing the revitalization project of the commercial roads: infrastructures and urban renewal (general coordination); city planning (dealing with the strategic planning of the urban development projects); public works and transport (for the economic planning); communication and press (information and marketing); Urban planning and development. A management committee was also established, which was composed of other institutions as well as public and private partners. The intervention concerned the following: preservation and improvement of the construction quality of the commercial buildings and not only the fronts of the stores; creation of appealing public spaces to improve the neighborhood identity, with possible further enhancement by store owners; development of a strong marketing strategy; expansion of pedestrian areas; empowerment of both compactness and timing.

*Glasgow* – in 40 years the number of workers in the industry decreased from 40% to 6%; in the last decade, the decrease has doubled. In the 1990s, the industrial areas were therefore completely eliminated, consequently radically changing the backbone of the early twentieth century which had previously built-up in the Glasgow area: the old industry (naval, steel and metallurgy) collapsed. The third and fourth strategic plans of Glasgow (1985–1990 and 1992–1998) based their core action on the revitalization of the urban economy. One of the commonly used instruments for this type of intervention was marketing, whilst new functions in need of development were tourism and culture. The point was to get rid of the image of an industrial city marked by crime and poverty and move towards a post-industrial city under the peculiar slogan “Glasgow’s miles better.” Among the various points of strengths are the important cultural institutions hosted by Glasgow and able to attract the public even with media. Special events (the National Garden Festival attracted 4.3 million visitors in 1990) and various architectural and art exhibitions were organized. The peak of strategy was reached in 1990 when Glasgow became the European capital of culture. The event attracted nine million visitors to the city and made an important revitalization of the city possible through interventions on historical building facades, which contributed at making the city center a real shop window for the entire urban area.

An important contribution to the use of the term comes from the European Union initiative “Urban”: first edition “Urban I” (1994–1999) and, more importantly, second edition Urban II (2000–2006). The second edition has been given the definition of “the economic and social revitalization of the city to promote the sustainable urban development.” The first edition referred to urban decay, whilst the second edition was more concerned with the “(5) *Revitalization*” issue. A later analysis on the 165 projects, involving nearly as many European cities belonging to

15 countries, points out that the first Urban edition mainly focused on the recovery of decayed buildings, works, infrastructures and monuments, whereas their use as function integrated containers for service supply was considered a minor aspect. In Urban I, the interventions on the constructions had a particular importance. Specific objectives were often connected with the interventions (like a container with contents) on an interdisciplinary basis: the recovery of the historical center for repopulation; or the recovery of a building for a social use and so on.

Based also on the concept of (5) Revitalization as defined for the achievement of the financial support, Urban II was more linked to nonphysical aspects,<sup>10</sup> even if in some cases the cities' physical structure "had been" affected. The analysis on the 70 "revitalization" projects involved in Urban II, underlined the following (a) priority was given to the settlement of start ups, especially those operating in high technology fields; (b) more than in Urban I, more interventions were carried out on buildings and containers which were functional to the development of their contents; (c) interventions concerning socially weak segments of the cities were predominant (women, young and old people, problematic users); (d) focus was also given to the integration of immigrants; (e) finally, the central role of nature and environment. Those elements were very often linked altogether within the same programs and interventions.

Throughout Europe, Urban projects therefore assume different characteristics: in Germany and Austria the revitalization of Urban II is more connected to the start up of technology companies; in Italy and Spain to buildings and infrastructures; in Netherlands and Belgium to the integration of immigrants. Considering the location of the 70 "Urban" Revitalization projects in Europe, referred to nearly as many different cities, we realized that 31 were located in the city center, 27 in the outskirts, four in mixed areas and eight across the whole city. In Urban II, "(5) Revitalization" is an interdisciplinary issue; it mainly deals with the economic and productive and social elements (employment) of the city and has an important impact on the physical structure of the city.

In short, (5) *Revitalization* refers to interventions for relaunching urban appeal with the project as the instrument of communication, marketing, territorial

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<sup>10</sup>The following general criteria need to be complied with: adequate quantity of population and of supporting structures and plans of urban development; strong local partnership; integrated territorial approach; proper connection between Strategic Plan and intervention; correct consideration of the economic, social, safety, environmental and transport-related issues, even in regard to access to work and training for people living in areas strongly affected by social outcasting.

*Approval is given to areas which comply with at least three of the following criteria:* high unemployment rate; poor economic activity; high poverty and social outcasting; need for restructuring due to local economic and social problems; high presence of immigrants; low educational profile; high crime rate; strongly decayed environment.

Strategies need to be developed that strongly affect the selected areas and make them extremely visible; new urbanization processes and physical interventions; entrepreneurial activity and employment agreements; strategies for fighting exclusion and discrimination (equal opportunities, women, immigrants and refugees); identification of integrated and environmentally-friendly public transport (cycle and pedestrian tracks); waste reduction (at the original source); pollution reduction; development of technological potentialities of a Information and Communication Technologies (ICT).



animation and promotion. The objective is to give more dynamism and vivacity to a field which is risking a deep “crisis” and is undergoing economic stagnation.

Physical intervention becomes a tool that allows a part of the city in question to become visible and recognizable where (5) *Revitalization* is accomplishing its territorial targeting.

The attraction of new interests, new population and, more generally, of a new urban demand is what is being looked for by projects of (5) *Revitalization*. Many of these initiatives are locally limited and self contained (in order to obtain a higher impact on communication) and in the last few years have focused on the cultural industry, in order to find a place where either a high level of knowledge and technological development could be produced and some cultural and touristic opportunities could be developed according to an area of reinforcement activity based on the implementation of new attractive functions.

Under the Revitalization process, different typologies of intervention can be considered: some can be added to those listed above and are depicted as subcategories thereof, others can be quite new and distinctive.

To summarize:

- Instruments must be used to improve urban appeal
- The project is used as an instrument of communication, marketing, and territorial animation and promotion
- The objective consists in utilizing an area which is risking a crisis more dynamically
- In some cases, physical intervention is necessary to initiate growth
- It is necessary to find new elements to attract people and develop a new urban demand
- A number of these initiatives are limited to some prompt and specific elements which are used as marketing factors

The term “(6) *Framework*” means the setting up of an intervention of urban (1) *Renewal*. A time gap generally occurs between the beginning phase of the “(1) *Renewal*” in wide areas and the setting up of individual interventions inside those areas. The “(6) *Framework*” starts when the setting up is under way. The “(6) *Framework*” mainly refers to the (1) *Renewal*, but might be an application for even the “(2) *Redevelopment*” and the “(4) *Recovery*.” A distinction could be made between “*taxi away*” and “*take off*”: when the last phase starts (the take off or setting up of the project), the (6) *Framework*” is established and can be considered as the activation of a production process where no returns or interruptions are expected, otherwise causing serious diseconomy as well as economic and financial problems. This is the reason why “*taxi away*” and “*take off*” are kept separate, even if it is known that the intervention phase is generally long and may last for several years; this is why it is necessary to divide and separately analyze the setting up process from the production/implementation process.

Because the “(6) *Framework*” deals with the setting up of the intervention, its focus is also on the intervening subjects. The developer can be represented either by

different subjects depending on the different situations, as in the London case (e.g., London Docklands) or by the buyer of the area (especially when the entire area is involved) as in some cases in Italy (e.g., Milan-Santa Giulia). In the Docks case, the Canary Wharf skyscrapers had a sole developer – the Canadian family Reichmann with their company Canary Wharf Ltd. In the Bicocca and Santa Giulia cases, the landowners were Pirelli and Zunino (Risanamento). In Milan, a negotiation phase starts with the Public Administration with them (local government) that leads to the setting up of the “(6) *Framework*.” This was not the case for “Spina 3” in Turin (Dalla Longa 2010).

In short, the “(6) *Framework*” is marked by both exact times of construction and specific functions which are connected with new economic and sometimes social needs. The intervention is organized with the identification of a perimeter and its profitability and efficiency is strictly related to its good management; the decaying functions are identified (the clearest example is represented by the abandoned areas) and the new functions are clearly designed to obtain a consensus.

“(6) *Framework*” also considers the yield of the intervention, the effectiveness of the intervention; the consensus raised by the substitution and the choice of new functions.

In the process of (1) *Renewal* different variables must be organized. In the “(6) *Framework*,” the financial and economic variables are more important than others. Within the “(6) *Framework*,” stockholders and stakeholders are identified by various interests. Besides organizing them, it is necessary to propose a function replanning to them. The “(6) *Framework*” can be compared to the realization of a particular production process, where private output, if private, can be sold on the market, and if public, can benefit from a redistribution of profit that reduces the costs. The “(6) *Framework*” can also be meant as a particular phase of the urban (1) *Renewal*, a more operational phase, where the production start up is activated and coming back without a loss of profit becomes impossible.

To summarize:

- The “(6) *Framework*” must be principally considered inside urban (1) *Renewal*
- It is the result of a sum of actions where a precise production process takes place and the time is well planned
- A precise perimeter needs to be identified, inside which the “(6) *Framework*” is built up
- There are new specific functions which replace other obsolete economic functions; in some cases, there are also new social functions that replace the old ones
- “(6) *Framework*” produces profitability; stockholders and stakeholders are organized within the “(6) *Framework*”
- The “(6) *Framework*,” even if quite special, can be compared with the production process of any firm and often coincides with the creation of SPVs (Special Purpose Vehicles)

The concept of “(7) *Gentrification*” can sometimes oppose inclusion (gentrification vs. inclusion): the population that enters causes another population to

leave. Again, it is about an exclusion that does not allow the recovery of any inclusion. In the inner city, the incoming population with high income sometimes inexorably causes the outgoing population with low income. It happens in an unreasonable way and may involve some areas rather than others, unless we consider “gentrification” of large global cities as the rapid change of their own nature. The model for its explosive nature, innovation and expansion needs an in-depth examination.

Some experts (Smith 1996, 2002) point out the cyclical role of income (financial profits) that might involve some Eastern German cities that have rapidly entered the capitalist system. The low cost of the suburban areas had caused inhabitants to move out of the city into these areas (in some cases) with private buildings and living standards that were considered “modern” at that time. This contributed to the cause of abandonment of the population on the one hand and, on the other, the decrease of the housing costs in the central part of the city and especially in the poorest parts (the ones with lowest values). This is the phenomenon that led England to the so-called “cratering” of some areas in the inner city, especially when such a situation encountered the phenomenon of the loss of the production identity of the city. The increase of land costs in the suburban areas and the decrease of land costs in the central areas often turn the speculative interests upside down by causing a return to the investment on recovery of some central areas.

When this happens, the gentrification process also starts in a neighborhood and very quickly grows to the complete abandonment of that area by the working class, thus causing the social tissue of neighborhood to transform completely.

The phenomenon is contradictory from various points of view: “gentrification” does not involve all the cities and central areas of the city; there is a fine line between the deep decay of the neighborhood and the gentrification; the gentrification is barely plannable and often requires the expulsion of the poorest social classes.

There is a sharp divide in the roots of the historical traditions (old bookstores, and old neighborhood traditional pubs and clubs) and the consumption standards change; the “nonintervention” is cynically seen as the resolution of levels of decay and value destruction, but at the same time, even as a reward to speculation. Within (7) *Gentrification*, the levels of exclusion are very high; insisting too much on an inclusion may block the phenomenon.

It is important to understand the role played by property income, speculation and governance. In cities like Newcastle upon Tyne and Liverpool, the Regional Development Agencies (RDA), created in the 1990s by the central government and monitored by the Secretary of State through the check on corporate and business plans,<sup>11</sup> tried, together with the private speculators, to artificially foster the process of gentrification, therefore revealing the fine line between (5) *Revitalization* and (7) *Gentrification*, because RDAs were entrusted with the task of addressing local actors to the local urban development, with the purpose of

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<sup>11</sup>RDAs’ boards of directors are made up of companies, local government authorities, institutions and associations, universities.

fostering area revitalization as well as investment and competitiveness in these areas. Real estate firms used to strategically purchase well-located properties and offer them to artists at very low costs, for some years using this strategy as a push factor for “(7) *Gentrification*” policies.

Within the “governance” of gentrification, different policies and instruments were developed, especially in Britain. These policies mainly referred to the implementation of negotiating instruments of urban planning, where different forms of inclusion/exclusion actions (inclusionary zoning) were negotiated once the process started. Other instruments consisted of controlling the property income, or again, in creating agencies such as the Community Land Trusts (CTL) which dealt with the issue concerning the separation between real estate (or parts of it) and land property where the building is located.

In other words, the land is taken off the market to reduce the speculation. These voluntary bodies are in some cases supported by the Public Administration; they aim at both preventing speculation and imposing minimum standards of maintenance of the buildings. If it is still difficult to control speculation, a supplementary intervention is performed by CLT with the purchase of the land and its subsequent exclusion from the market.

In short, (7) *Gentrification* may be based on two different theories. The first is technical/minimalist (Tonkiss 2005). It refers to the use of parts of the city by creative professionals (artists, people working in the fashion industry, architects, and musicians). Very often they are young people, with low income, who take on the partial remodeling of the buildings (lofts) and of other places (e.g., with social meetings) This revitalization process, fostered by profitability and market logics, creates a new phenomenon of attraction to these areas which are subsequently enhanced as follows: new buildings are constructed and young artists are gradually replaced by higher income owners who are attracted by the more appealing image of the area. The basic idea is that localized urban creativity can transform areas with generally decaying functions into areas which look attractive to higher income entities. These phenomena are all expressions of yield, income and market. These areas are often located on “front water,” “docks,” at historical places or near academies, fashion, cultural and artistic buildings, and institutions. This is about the simplified and revisited “bohemian” version of (7) *Gentrification* and deals with a more cultural interpretation of gentrification as a cultural movement of people who, for different reasons (e.g., based on a “neourban” culture), take possession of some central areas of the city (Ley 1994, 1996). The idea of (7) *Gentrification* as a movement of people is also shared by Florida with his “Creative Class” (Florida 2002, 2005; Florida and Mellander 2007).

This minimalist theory has always been countered with a more complex one: it is the “capital” in its different forms that takes up the center of the city (Smith 1996). As explained in other research, this action, for different aspects, is new (Coombes et al. 1989). This thesis is based on the effects of globalization and deindustrialization, according to which working classes, organized under the “Ford” models, are replaced (as the neo-liberalism theorists would say) by middle-high classes

(employed in the sectors of globally-focused strategic services) in the very central areas of big cities.

The distinction between the two theories (the former related to the movement of people and the latter to the capital) goes through aspects of consumption and production, culture and capital, demand and supply, therefore showing how many special and detailed references and investigations need to be taken into account (Atkinson and Bridge 2005).

Different authors try to bring the two positions together (the flow of people and capital): Lees (2003) says that both the positions can only partially explain the problem. Another theory is based on a sequence of a flow of people in/out of the city; another refers to a “new-build gentrification” (Davidson and Lees 2005) which coincides with the rise and growth of new professions connected with the global cities. According to Zukin (1995), gentrification appears first as a flow of people and later as a flow of capital. According to Hamnett (2004), whether a flow of people driven by “cultural” issues is involved or a different organization of the capital is comprised, in both cases an expansion of the professional sector and consequently of gentrification is required.

In regard to gentrification in Manchester (a weaker phenomenon, still related to the movement of people) and in London (more structured), Hall (2009) states that it definitely represents an extremely interesting phenomenon for the future and a key for the right understanding of urban models. The gentrification is seen as the result of contrasting old and new forces; the old ones are partially connected with the old production and still resist despite the destruction caused by globalization (but they live poorly on high-value land); the new forces are related to the pressure exercised by the new professions to enter the central areas of the big city. The phenomenon, as a whole, is the new fascinating and explosive phenomenon which needs to be observed in years to come, even if (according to Hall) the result will in any case lead to the growth of gentrification.

Gotham (2001) gives a pragmatic explanation to gentrification, which partially removes the dichotomy between the flow of people and new uses of the city (capital form). Gotham asserts that “the process is nothing less and nothing more than the reconstruction of urban space to serve those of a “higher” social class than those currently using a particular part of the built environment.” At the very end of the last century, different scientific disciplines started wondering about the methodology, the theoretical significance and the epistemology of gentrification, this supporting the idea of a growing phenomenon. Based on empirical analyzes performed on different American cities, Gotham (2001) still asserts that gentrification is the expression of unequal and polarized forces that inevitably keep on growing.

Globalization undoubtedly represents a cause–effect phenomenon that strongly identifies the global city and represents a key point as much for future research and assessment. Also, in regard to postsocialist cities (Golubchikov and Badyna 2006) (see Chap. 4), gentrification is often combined with (8) *Restructuring*, even if as an effect of it.

To summarize:

- (7) *Gentrification* identifies the use of some parts of the city by some art-oriented or emergent social classes at the expense of other economically and socially declining classes.
- These areas (where gentrification flourishes) could be linked to front water spaces, docks, fashion-related and city-icon places, where main functions collapse and no other future perspective seems to be available.
- Within a “mature” area of gentrification, when income and attraction grow, the creative and art-oriented components themselves may start taking an action to create new gentrification areas.
- These “bohemian” forms (“primary” forms) of (7) *Gentrification* have been replaced by the effects of globalization: the growth of globalization-related professions is a new component of (7) *Gentrification*, which seems structured and on the rise.
- The Public Administration often does not inhibit these phenomena; in some cases they are managed “ex post,” in some others (not many in Europe), they are encouraged “ex ante.” In some postsocialist cities “ex-ante” and “ex post” are getting mixed and confused.
- (7) *Gentrification* often represents a push factor for a new attraction. The previously decaying area becomes a point of attraction for income and thus results in the production of new forms of development within the area itself.

The term (8) *Restructuring* is important and is applied to Eastern European cities and urban areas, which have rapidly entered the market. With their high consumption and production levels, the city and the urban areas require their needs and market impact to be fully revised. The market value and rules will undoubtedly filter any production component, such as the physical character of the city, but it is a matter of fact that registered phenomenon are quite particular. They are able to draw elements from other terms used, but it is adequate to consider the full phenomenon on its own and examine it in depth. It may be necessary to start “(8) *Restructuring*” by finding any connection with the above described phenomena.

In short, “(8) *Restructuring*” is placed in between “(2) *Redevelopment*” and (4) *Recovery*; it refers to the modernization of parts of the city and does not always refer to the existence of either weak functions, as typical of “(2) *Redevelopment*,” or functions which need new spaces inside mono-function areas, as typical of (4) *Recovery*. It especially refers to those urban realities where both social and economic changes as well as their relevant needs have been quite rapid.

The most typical aspect is the use of the city and its significant parts, where the physical standards of consumption and fruition cannot be accepted any longer.

Outside the city, a new urban dimension has been constructed. The problem consists of how to recover significant parts of the city, where restructuring is seen as both a widespread intervention on existing buildings (those which can be recovered) and a redesigning of spaces, accessories, and in some cases assigned to microfunctions, economic and social, which are also necessary to fulfill the change

of needs and the new city design. Therefore, (8) *Restructuring* may involve micro physical interventions on an existing property, a distribution of interventions and a mobilization of significant financial resources. In many cases, this comes on top of a revision of urban spaces with demolitions and reconstructions. Public and private resources are often to be found in new forms, but the distribution and the large volume of interventions inhibit the action of interventions itself.

To summarize:

- The urban (8) *Restructuring* model mainly refers to Eastern European cities, where rapid social and economic changes (more rapidly than in other Western European countries) have occurred.
- Physical standards of use and consumption of urban systems cannot be accepted for the new needs any longer.
- Some contrasting standards between the city center and the outskirts do exist in favor of the latter.
- The new emerging problems deal with the use of old traditional urban spaces and the way that they can be restructured and reused.
- “(8) *Restructuring*” requires a “combination” of social, economic, and physical interventions.

## 2.4 Conclusions

Based on the very confusing and contrasting interests involved, private operators are not able to start complex and decisive actions on their own: this gives new importance to the role played by the public administration, whose knowledge profile needs to be higher than in other historical phases of urban development.

The different urban models point out different features as to (a) tangible or intangible assets (because they strongly affect the physical appearance of cities); (b) the scientific disciplinary profile which is mainly concerned with the analysis of the phenomenon and the organization of the interpreting discipline to be applied (Fig. 2.4).

This book attempts to deal with the differences among the various urban typologies based on the different phenomena and events that have occurred. In this regard, international literature shows some significant overlapping of issues and subjects, partly due to the lack of awareness of terminology. Instead, the urban policies do not have the instruments for either a correct use of the terms or a consistent execution of the interventions: the phenomenon of “gentrification” is an example of this.

The correct definition of urban models may represent a reliable basis for developing consistent PPP relationships, reinforcing tools and consistently identifying “drivers.”

In Italy and Europe, as well as in other countries worldwide, some overlapping of models and behavior occur, which are due to the urban policies and to the rules that follow.

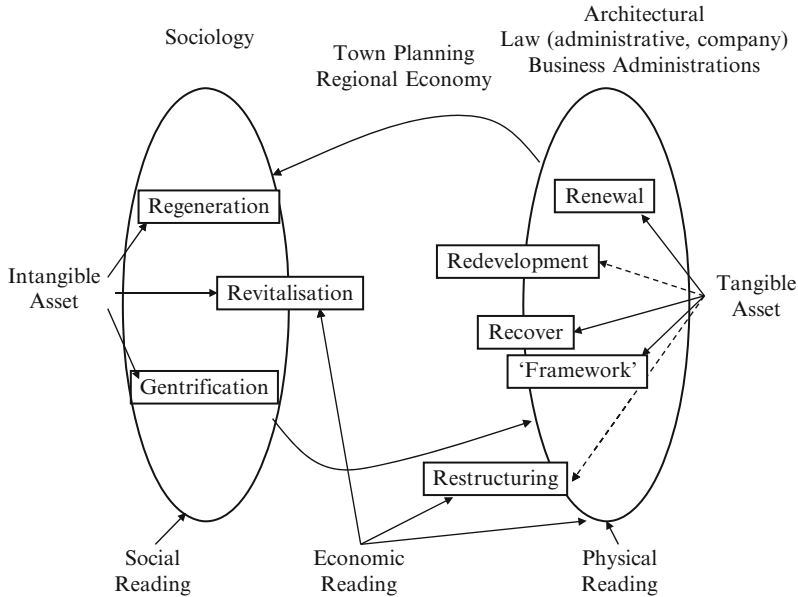


Fig. 2.4 Classification of the different terms used in Chap. 2 and other chapters of the book

We keep facing both a constant evolution of overlapping urban models and the contamination of cultures of intervention. It may not even be correct to maintain the identified models stable, because urban phenomena are constantly evolving. Urban policies quite often carry out their own specific research in this direction and within a constant boost towards interdisciplinary views, as constantly demonstrated by international literature.

An accurate reading of national financing programs, regional and state laws, European Union funds, programs, and directives leads us to the same interdisciplinary view and the implementation of different cultures of intervention.

As far as Italy is concerned, a sort of overlapping occurs among “(2) *Redevelopment*,” “(3) *Regeneration*,” and “(4) *Recovery*,” because “(2) *Redevelopment*” involves the rehabilitation of the outskirts together with the obligatory interventions in the areas where public social housing is located: and often the intervention is not only needed in terms of physical aspects, i.e., the containers, but also on the social and economic contents. In other words, interventions do not only refer to new constructions through demolition but rather through recovery and rehabilitation of the existing decayed buildings (Figs. 2.5 and 2.6).

In support of our discussion, “(1) *Renewal*,” “(2) *Redevelopment*,” and “(4) *Recovery*” refer to other forms of overlapping. Classifying the term “(1) *Renewal*” seems easy when urban areas are involved and the intervention significantly affects the image of the city. The classification of “(1) *Renewal*” becomes more difficult when a medium-sized city is involved and the intervention looks less significant and would be identified as (2) *Redevelopment*, were it performed inside the urban area.



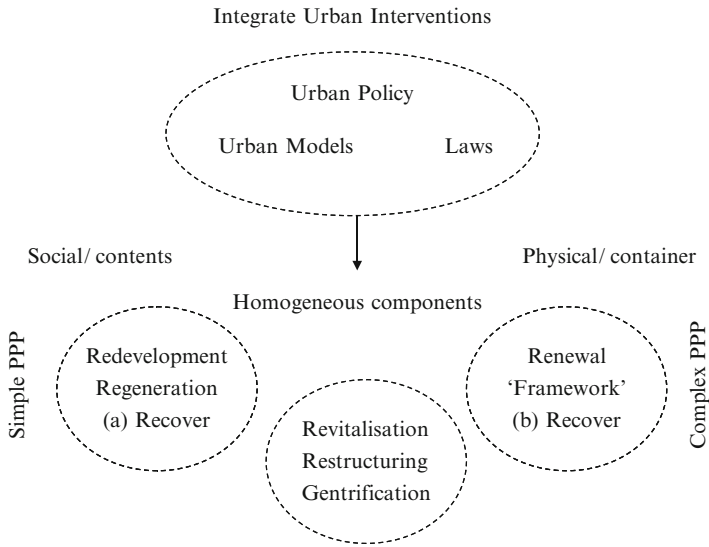


Fig. 2.5 Homogenization of the different terms used in Chap. 2 and other chapters of the book

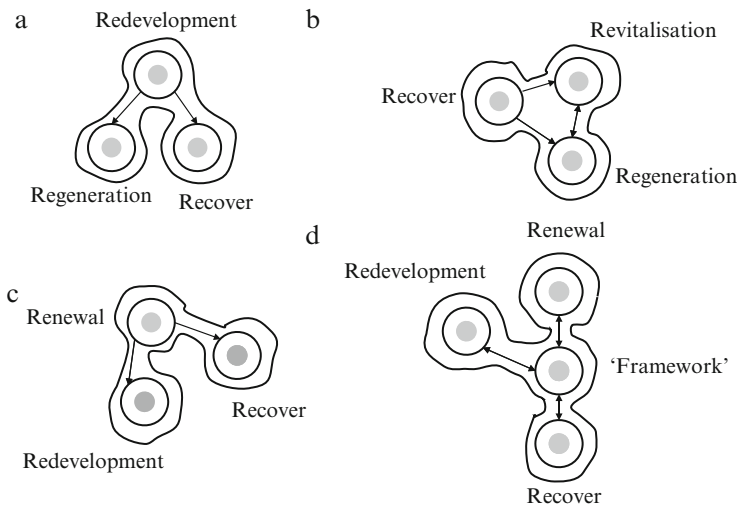


Fig. 2.6 Different aggregation of terms used in Chap. 2 and other chapters of the book

By its very nature or importance, (4) *Recovery* might be included in (1) *Renewal*, or (2) *Redevelopment*.

Another form of overlapping in support of our discussion pertains to “(6) *Framework*” versus “(1) *Renewal*,” “(2) *Redevelopment*,” and “(4) *Recovery*.” “(6) *Framework*” identifies the setting-up of the intervention and as such, may

therefore be related to three urban models, especially when a complex intervention is involved.

These short examples aim at highlighting future situations, which will be marked by both an ever growing overlapping of urban models and an ever growing number of integrated answers. The breakdown and reconstruction of logical matrixes of intervention can be useful for systematizing the urban phenomenon and steer the action to deal with the problem, as the CoUrbIT model has partially tried to do (Dalla Longa 2010).

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# Chapter 3

## Urban Models in Italy: Partnership Forms, Territorial Contexts, Tools, Results

Stefano Stanghellini and Sergio Copiello

### 3.1 The Theoretical and Methodological Setting

The starting point of the approach developed in this chapter consists of the change that the contemporary European city is experiencing, as a result of the effects created by the process of functional and technological obsolescence, which involves significant parts of its urban fabric. Where part of those urban functions (private as well as public, productive, public services, etc.) have ceased or in some way become weakened, other functions have replaced them. This substitution process has a very high level of complexity, due to the interference of legal, economic, urban, environmental, and social problems. This process takes place without following any general rule and it takes specific characteristics within different city contexts, considering timing and, above all, outcomes.

Within the European city, the substitution of obsolete functions with new ones or the renewal of the traditional ones takes place, in spaces within town, in such a way as to create a wide range of intervention models: *gentrification* (economic and social valorization), *revitalization* (economic revitalization with significant social effects), *regeneration* (regeneration of the social fabric), *recovery* (recovery of existing physical structures through their requalification), *redevelopment* (change in the use of town spaces, due to the improvement of parts of the town), *renewal* (renovation of parts of the city by substituting functions and structures), *framework* (arrangement of a complex project of town renovation), and *restructuring* (radical modernization of town spaces through a plurality of interventions of various types and on differing scales) (Fig. 3.1).

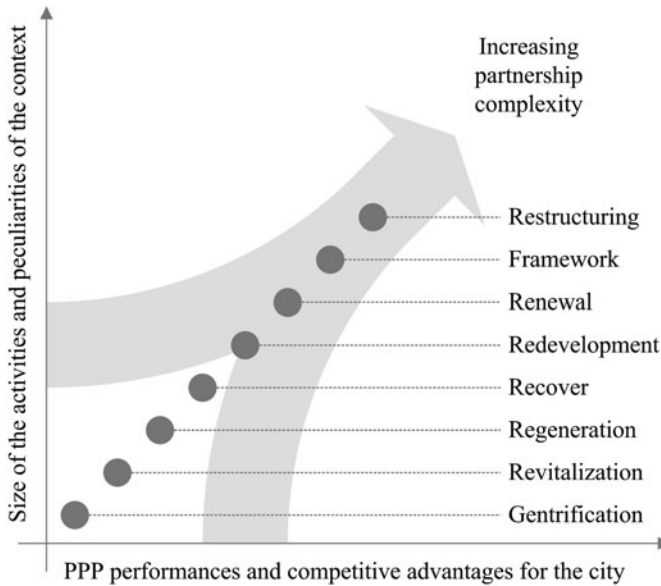
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The chapter contains the results of a research directed by Stefano Stanghellini, who is also the author of the sections 3.1 and 3.4. Sergio Copiello has collaborated on the research and he is the author of sections 3.2 and 3.3.

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**Fig. 3.1** Urban change models and complexity of partnership forms

The interventions that make up these models come about, in general, through innovative forms of cooperation between the public and private sector. Indeed, it is well known that the requalification needs of cities cannot be satisfied by traditional partnerships between a local government outsourcing public works and the companies that carry out them, and that “the complex problems of town transformation require complex organizational solutions” (Newman and Verpraet 1999). The assumption at the root of the development of these forms of partnership is that they allow the best qualities of the public and private sectors to work together, moved by common – even different – interests so to produce required goods and services, while sharing the risks, the costs, and the resources (Van Ham and Koppenjan 2002).

As far as the nature of public–private partnerships is concerned, with respect to the numerous classification proposals contained in the literature, the main conceptual framework of reference herein adopted is that proposed in the European Commission’s Green Paper (Commission of European Communities, 2004, 2005, 2006). The Green Paper distinguishes between “purely contractual types of PPPs” and “institutionalized types of PPPs.”

The first group – purely contractual PPPs – pertains to partnerships based exclusively on the contractual ties between the partners, and it is found most notably in building and management concessions. In “contractual type PPPs” the private partner supplies a service to the community under the control of the public partner, which is remunerated by the fees collected from the service user or payment from the public partner. The second group – institutionalized PPPs – implies cooperation between the public partner and the private partner within a third distinct entity, jointly held by the two partners. An institutionalized PPP can be brought about both with the creation of a new jointly held entity, or with the private partner being involved in a preexisting public enterprise.



The European models are mirrored in the partnership forms to which the Italian legal system had evolved. Two orders of regulations deal with them: those concerning the tendering of public works and those relative to the functioning of local government administration.

Purely contractual PPPs pertain to the designing, financing, building, and use of infrastructure in its broadest sense – schools, hospitals, transport infrastructure, and so on. The Italian legal code regarding public contracts for works, services and suppliers (Legislative Decree 163/2006) interacts with the Green Book regulating those contractual types of PPPs in the form of public works concessions (articles 142–147) and project financing based on private initiative (articles 152–160). In contrast with “building and management concessions granted for public works,” where the project is elaborated by the local government administration, in the “pure project financing” based on a private initiative, the PPP has its origins in a private proposal started up by a promoter. The possibility (article 143, c. 5) that “the local authority contracting out can make over a real estate ownership or the right to use it in compensation of construction costs” connects the production of public works to private real estate investment; it can also connect private real estate investment to public urban regeneration planning.

In Italy, the institutionalized PPPs outlined by the Green Paper are confirmed in the regulations laid out in the Consolidated Act of laws on local authorities’ organization (Legislative Decree 267/2000). For “the management of public services with the objective of producing goods and activities for social purposes and promoting the economic and civil development of local communities” (art. 112), the local government administrations can create limited companies or limited liability companies with major shares owned by prevalently local public capital (art. 113) or limited companies without the obligation of majority public ownership (art. 116, 120). This possibility pertains to the management of any public service. More specifically, for urban regeneration projects, local authorities can involve private resources above all in two types of institutionalized PPPs: “URC-urban regeneration companies” (in Italian STU – Società di Trasformazione Urbana) and companies for the management and improvement of their real estate.

The Green Paper takes its cue from the goal of the European Commission: free competition and the creation of an internal market. It therefore treats public–private partnerships as an evolutionary step from the traditional forms of collaboration by the private sector with the public administration via the realization of public works on the basis of tendering procedures.

What the “purely contractual” types and the institutionalized types of PPPs have in common is the public ownership of the intervention real estate and the public procedure for the selection of the private partner by the local authority. Nevertheless, another form of partnership exists, based on negotiations rather than competition, whose starting point is the private ownership of land and the consequent private entrepreneurial urban regeneration initiatives. This different type of PPP has developed from within the town planning system. The origin of negotiation-based partnerships is therefore totally different from those of the two types examined above. Nevertheless, an important point of contact does exist between negotiating partnerships and the discipline of contracting out public works, which is shown when the cost of the public works included with the private urban regeneration project exceeds the European Union threshold of €4,845,000.

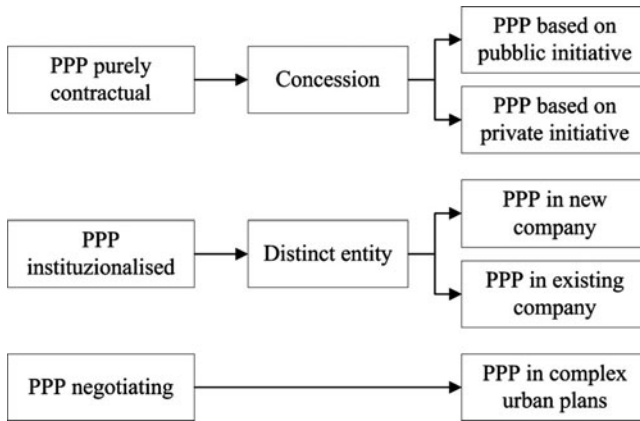


Fig. 3.2 Summary of the public–private partnership models in use in Italy

At the root of negotiating partnerships is the interaction between the town planning power of the local authority and the private ownership of real estate to be transformed: the decisions of the local authority regarding the real estate planning regime determine a variable increase in the value of the private property, and the negotiations between the two subjects about the division of the surplus value produced leads to agreements that ratify the accomplished creation of the partnership.

In Italy, negotiated types of PPPs are regulated by town planning legislation. Note that this matter has been transferred from the State to the Regions.<sup>1</sup> For example, in Lombardy and in other regions, negotiated PPPs are created within an integrated intervention plan (*PII-Piani Integrati di Intervento*); in Emilia–Romagna and in the Marche, they are created within a town requalification plan (*Piani di Riqualificazione Urbana*); and in Veneto, within an integrated plan for town, building and environmental requalification interventions (*Piani Integrati di Riqualificazione Urbana ed Ambientale*). In most of the Italian regions, it is the regional legislation that defines the procedures and the contents of the above-mentioned planning tools. These regional plans and the similar State-promoted plans as a whole are called “complex town plans.”<sup>2</sup> The approval of a “complex plan” by the authority constitutes a variant to the general town plan. The “complex plans” documents have to clearly identify the benefits brought by the variant to public and private actors, and to list the planned public infrastructures that could be managed by private entities/bodies/organizations.

The diagram in Fig. 3.2 summarizes the illustrated three types of public private partnerships (which have been discussed) with reference to the Green Paper and to the Italian legislation.

<sup>1</sup>See Reform of the “Title V” of the Italian Constitution.

<sup>2</sup>In Italy the State and Regions laws have created many types of “complex urban plans.” Each one has its own features. They have in common the cooperation between public and private sector, the integration of public and private resources and a multifunctional approach.

Therefore, in Italy, urban regeneration is achieved thanks to different types of partnerships characterized by various applicative methods. In public initiative PPPs, in cases where the scale of the intervention is limited, project's implementation is realized applying one single innovative method (for example, concessions; call for tenders which compensation is the real estate property transfer; urban regeneration companies) or to more than one pair of methods sequentially connected (for example, urban regeneration companies and concessions). Similar simplicity is found in the negotiated partnerships in relation to interventions on a modest scale.

When the scale of the intervention increases, the complexity of the problems to be solved also increase, as do the consequent complexity of the plan and the articulation of the PPP. In the case of "complex town plans" it becomes evident that "a PPP is not a fixed structural model for collaboration between public and private partners, but a tailor-made organization for the realization of a given project" (Nijkamp et al. 2002). The establishment of partnership organization therefore interacts virtuously with the urban design, in one way helping to define the multiple performances which it must guarantee, and in another taking on in its own right a strong experimental and innovative character (Adams et al. 2001).

Within the context outlined above, this paper borrows from the CoUrbIT research program the working hypothesis that the quality of change is strongly determined by the public sector's capacity as well as that of the private sector – each of which is articulated through a plurality of entities – interacting and stabilizing cooperative forms which are able to produce competitive advantages for the city. On the basis of this assumption, the Italian context will be explored through the analysis of a number of case studies in order to find out if the action of the public sector and that of the private one tend to establish extensive and innovative partnership forms, and what the results of these partnerships are in relation to the completion of the projects entrusted to them.

Other than depending on the scale of the intervention, the complexity of the partnership forms is tied to peculiarities within the territorial context, and therefore to its institutional, economic and town planning conditions.

Regarding this aspect, the more the level of public–private partnership cooperation is wide and innovative, the more the local authority is capable of moving the focus of its operativeness from its own direct intervention to the creation of an environment favorable to private initiative, and where the private entities are capable of working together with the local authority to reach shared results (Porter 1995, 1997). The growing importance of public–private partnership, it should be noted, is upheld by a wide range of economics literature regarding competition between cities in the networking and globalized economy, regarding city marketing and city enterprise (Harding et al. 1994). The enterprising city which takes part in global competition is a "multiactor" reality: its transformation is not the exclusive responsibility of the local authority, but it is the result of the interaction of a multiplicity of public and private entities, which must interact and create *win-win situations* (Nijkamp et al. 2002).

Within the international literature the links between the economic, institutional and political context and the partnership experience are known (Adair et al. 1999). The types of partnership reflect deeply rooted traditions and cultures (Harding

1998; Savitch 1998). For example, within a context open to the market such as that of the United Kingdom and in particular that of London, private initiative plays an important role; in France, the traditionally strong position of the state is also demonstrated in the promotion of town projects; in Germany, regional policies have a significant impact on investment plans (Newman and Verpraet 1999).

Although valid at an international level, this observation is also valid for the different cities and regions that form a highly diversified nation such as Italy. The political-administrative and technical capacities of the local authorities and the entrepreneurial abilities of the private sector are very different and, consequently, the development of public-private forms of partnership are affected in a determined way by such diversification.

The diagram below (Fig. 3.3) summarizes four possible combinations, which are the result of various types of initiatives and cooperative capacities demonstrated by the public and private sector.

Where the capacity of both sectors is low, generally the town context either suffers permanent structural obsolescence or even a worsening situation over the course of time.

The high capacity on the part of only one category of these entities is not on its own enough to lead the process of change in situations of functional obsolescence. Although the capacity of the private sector is limited, the high capacity of the public sector frequently leads to projects and plans condemned to remain largely unrealized due to lack of market response. The high capacity of the private sector,

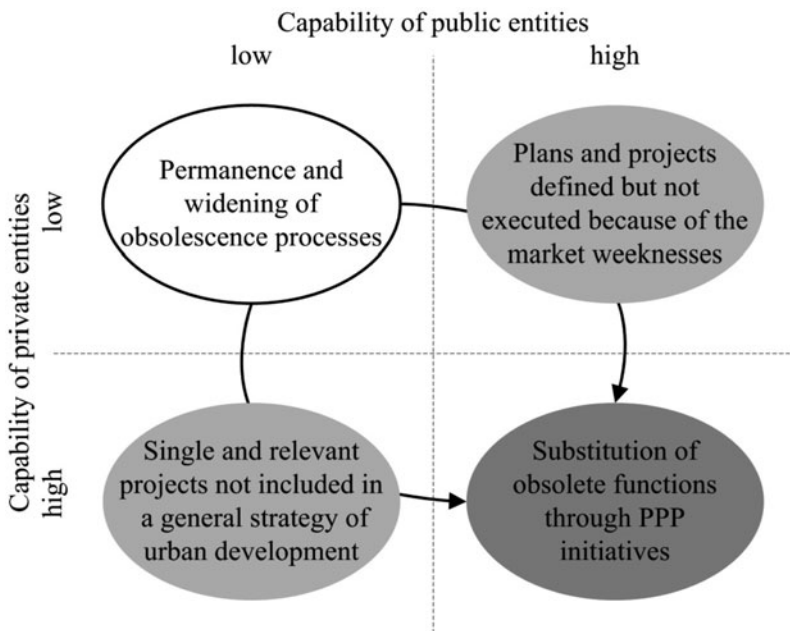


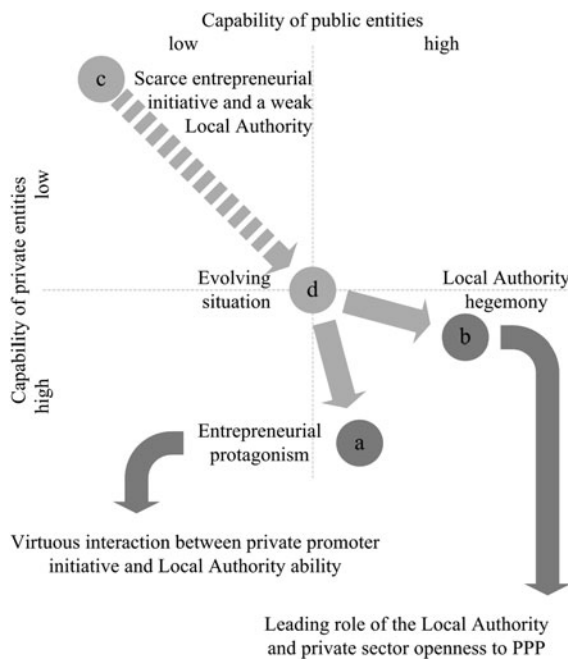
Fig. 3.3 Different types of initiatives' capability shown by the public and private sectors

compared to the limited capacity of the public sector, is expressed in the form of single interventions. Each one of them may be relevant, but all together they are not coordinated and incorporated into an organic plan addressed to city transformation.

The high initiative and cooperative ability of entities belonging to both sectors are an indispensable basis for the creation of evolutionary forms of public and private partnerships; high ability of public and private sectors often brings about the activation of intervention models, which aim at promoting the substitution of obsolete structures in innovative ways.

Following this approach of analysis, and focusing on public–private partnership forms in the Italian context, four initial situations can be identified (Fig. 3.4):

- (a) A situation where the private entrepreneur is the leader acting with a responsible and efficient local government: the interaction between the entrepreneurship of the private promoter and the negotiating ability of the local authority reaches an high point of equilibrium along the town renovation trajectory.
- (b) A situation that is characterized by the hegemony on the part of the local authority and widespread private activity: because the former develops significant planning initiatives and the community appreciates its governance ability, the private sector tends to stabilize cooperative arrangements with it and to be open to adhering to its new initiatives.



**Fig. 3.4** Local authority and private entity characteristics: the main situations found within the Italian context

- (c) A situation in which, in the presence of scarce private initiative, the local authority, even though slow and poorly effective, is the only player in a position to promote urban change; the process set off in this way gives primary results which may induce some entities from the private sector to adhere to it, and in doing so, to amplify intensity and range of its action.
- (d) An evolving situation: the local authority attempts to promote innovative interventions aiming at stimulating the private sector, but the latter is distrustful and allows space for cooperation only when the experiment is already in motion and it has produced certainties in terms of reducing the intervention risk.

*Virtuous interaction between the private promoter and the negotiating capability of the local authority* – The situation under examination can be characterized as follows. The private sector develops entities with a significant capability to propose and to realize projects. Usually this takes place in metropolitan contexts with a high profile from the point of view under discussion, such as, for example, those of Milan or Turin. Thanks to the contextual presence of local authorities strongly oriented toward pursuing the economic development of the community, equipped with efficient technical and administrative structures, virtuous partnerships are formed, which, when associated with large scale intervention work, give birth to very complex partnerships.

The outcome of urban change is the result of the quality of the private initiative and the capability of the local authority to identify its true objectives and to establish virtuous relations with private entities. The possibility of generating and redistributing conspicuous shares of land rent creates propitious conditions for reaching high points of equilibrium in the interaction between the local authority and the private sector, which may correspond to an increased quality in the transformations taking place, and thus the creation of significant competitive advantages for the city (new functions, big infrastructures, town facilities, etc.).

Among the numerous tools that may be used to realize public–private partnership, typical of this situation are those that originate from private proposals and then arrive at agreements which define the outcome of negotiations between the private entities and the local authority. The latter, holding town planning powers, has to decide if and on what extent to accept the private proposal and therefore it has to make it feasible by modifying the town general plan. Various tools belong to these forms of negotiation, such as integrated intervention plans (*Piani integrati di intervento*), plans of town requalification (*Piani di riqualificazione urbana*), and also many others.

The situation under examination may also lead to “forms of competition” referable to the European model of purely contractual PPPs. Generally, the assumption for this second type of situation is the public property of real estate having become obsolete that needs to be converted to other uses and to be improved. The rehabilitation project aims to create significant amounts of land rent in order to finance the realization of new public structures. Among the tools considered part of these forms of competition, one must remember: the alienation of public property assets on the basis of the price offered by the private competitor and the quality of his project; the pure project financing procedure activated by public tender announcements in order to find a

promoter/more promoters to be selected and to which granting the construction and management of complex public structures (such as for instance, new hospital sites); the investment funds based on public property assets.

*Local authority hegemony* – In town systems where the local authority, over time, has proved to be able to develop significant planning initiatives and it has therefore acquired strong governance among its citizens, the private sector has become used to cooperating with local governments; therefore, it is open to new proposals. This happens in many medium-sized cities in central and northern Italy. In the situations described, industrial districts characterized by advanced forms of cooperation ascribable to the European model of institutionalized PPPs have usually been developed.

The roles of the investment promoter and of the urban development regulator typical of the local authorities are expressed, in the most highly developed contexts, through general planning tools that adopt “equalizing and compensation” approaches, as far as building rights are concerned. In this way, the local authority regulates the creation and redistribution of land rent during urban regeneration works, not only between the public and private sector, but also among different subjects of the private sector.

Public–private partnership forms of competition that are both an expression of the European models of purely contractual PPPs and institutionalized PPPs are a peculiarity of this situation. The calls for tender, some of which are regulated by specific public–private procedures, can concern: the public properties disposal that the local authority may create through equalization; the entrusting public works through the “concession of building and management”<sup>3</sup>; the “public buildings alienation” on the basis of the price offered by the private competitor and the quality of its project to be realized; the search for private partners to take part in the share capital of the “urban regeneration companies” (in Italian *Stu-Società di Trasformazione Urbana*, hereafter abbreviated with the acronym “*Stu*”) or in other joint-stock companies promoted by the local authority in order to manage its real estate.

This situation, in some circumstances, can lead the authority to take on a government-controlled interpretation of public–private partnership tools, leading so to the inability of creating competitive advantages for the city according to the working hypothesis adopted in this paper. “Urban regeneration companies” (*Stu*) or “public buildings alienation,” promoted by local authorities on the basis of predefined projects which are too detailed and rigid as far as functions and quantity are concerned, are examples of an extreme interpretation of hegemony by the local authority regarding urban regeneration management tools, which thus fail to valorize PPPs potential. Finally, in this situation, other forms of negotiation also are very widespread, even though not being the peculiarity. “Integrated intervention programs,” “urban requalification plans,” “integrated programs for town, building and environment regeneration” are also largely used in contexts referable to this situation.

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<sup>3</sup>In the Italian public works system, the “concession of building and management” is a form of project financing with a stronger control of the authority, as far as the expected results are concerned, compared with “purely project financing.”

*Scarce private entrepreneurial activity and supplementary intervention by the local authority* – In some contexts, characterized by the absence in the private sector of entrepreneurial spirit open to innovation and to investment in town rehabilitation, a way out only occurs if the local authority takes responsibility for outlining the future of the city and for deciding the most appropriate tools to manage urban changes. As this work has to be taken on notwithstanding the planning and managing capability of the local authority, even slow and not particularly able local authorities are forced to perform it.

This situation is much more common in the south of Italy but it can also be found in other areas. The relatively modest land rent to be gained thanks to urban regeneration processes, due to the operative difficulties and to high costs in comparison to the modest size of the real estate value produced, does not activate private initiative, which prefers to address to more consolidated and less risky options, such as for instance to real estate developments in new urban areas. In many cities the task of contrasting obsolescence processes in urban areas is a burden shouldered entirely by local authorities. Another critical point, however, is represented by the fact that, in these contexts, the authorities themselves often are lacking under the political orientation aspect and the operative efficiency. Usually, therefore, essential requirements for steering a real PPP's development are lacking.

In these situations the experiment of "complex urban plans" promoted by the Ministry of Infrastructure since the beginning of the 1990s played a very important role. The town regeneration programs (*Pru-Piani di Riqualificazione Urbana*), plans of town regeneration and sustainable development of the territory (*Pruss-Piani di Riqualificazione Urbana e Sviluppo del Territorio*), neighborhood agreements (*CdQ- Contratti di Quartiere*), urban regeneration companies (*Stu*), together with EU programs like urban and integrated territorial projects (*Pit-Progetti Integrati Territoriali*) have stimulated local authorities, also thanks to the possibility of obtaining significant financial resources in order to promote and manage the regeneration and renewal of their cities. In line with the characteristics of such "innovative urban plans," local authorities have assumed an approach characterized by the integration of actors and resources, and by the plurality of their interventions' sector (cultural assets, infrastructure, environment, etc).

These experiments have increased the responsibility and the efficiency of the local authorities, stimulating the development of "a wider project range," often enriched by original ideas. They have also brought financial resources that can be also used in the cities for supporting private initiatives. However, the involvement of the private sector and the development of public-private partnerships have had an episodic nature. As a consequence, in these situations, the possibility that public-private partnerships develop to create competitive advantages for cities seems to be far from reality.

Typical of the illustrated situation is the following partnership tool: "innovative urban plans" promoted by the state and the regions, conveying a large amounts of public financial resources used for public works contracts (traditional PPPs). Unique to it is the creation of "urban regeneration companies" shared only by public entities. Apart from this, as the involvement of the private sector is taking its first steps, public-private partnership has revealed simplified forms of "negotiated



partnership,” through traditional town planning tools, such as urban recovery plans (*PdR-Piano di Recupero Urbano*) and integrated intervention plans (*Pii-Piani integrati di intervento*).

*Developing situations* – There are also town contexts that are characterized by the following situation. The local authority, which is aware of the competitive advantages that the city can acquire, strives to involve in innovative PPPs a private sector, which is used to work with traditional tools. The private entities themselves show a lot of interest in the activity of the local authority, but wait for it to produce certainties as far as the profits that will be generated are concerned. The urban market, in these contexts, could generate high land rents once the partnership is defined.

Unique to this situation are those partnership formulas that were conceived of from the start as “evolutionary.” The categories of “institutionalized PPPs” and “negotiating PPPs” host some of them.

One example is represented by mixed companies. The authority promotes the establishment of a stock company, for example an urban regeneration company (Stu) or estate management company, initially made up of public capital only. Then, shares of corporate stock are made available to private partners as certainty levels grow in development projects and the expected land rent materializes. The evolution described is thus planned from the start; therefore, the public sector presence at the beginning only is instrumental to the partnership development.

“Negotiating forms,” on the other hand, are exemplified by the involvement of the private sector in the housing policies. The present need for producing housing supplied at prices or rents lower than those of the free market requires the institution of new forms of collaboration between the public and private sectors. The public sector alone is not able to resolve the housing problems faced by many sectors of the population. There exists, therefore, the possibility of compensating the production of houses at low prices or rents with an increase in building rights for the investment promoter. The success of the experimentation of these new forms of intervention depends on many factors. On the one hand it depends on the clarity of the authority’s objectives and the trust that it is able to gain from private promoters, in addition to its ability in planning and negotiating. On the other hand, it relies on the availability of private promoters to be open to experimentation.

*Case studies* – Assuming the hypothesis at the root of the CoUrBIT research program, which recognizes the public–private partnerships as driver of urban change, this chapter intends to carry out a close examination of such PPPs through an analysis of a sample of cities’ transformation initiatives in progress in Italy. First, the intention is to verify if and to what degree the ongoing processes use public–private forms of partnership. Second, the purpose is to investigate those partnership’s structures applied in reference to the national and European framework described at the beginning of this paper. Third, the intention is to examine their outcomes, and thus to check if such PPPs are generating competitive advantages for the cities where they have been implemented.

For each of the situations illustrated and characterized in the previous paragraphs, there are different interlinked initiatives that have started recently in Italy.

		The role played by the Local Authority			
		Need for process of urban change	Start of PPP's experimentation	Government capability proved by planning initiative	Responsibility, efficiency and strong negotiating capability
The role played by the private entities	Remarkable capacity to put forward and fulfil initiatives	-Bari/ Waterfront -Baronissi/Stu Città dei giovani -Crotone/Stu Ferrovia	-Montecorvino Pugliano/Bivio Pratole -Barcellona Pozzo di Gotto/ CdQ	-Venice/San Servolo	
	Openness to Local Authority proposals for PPP	-Pescara/ Waterfront -Naples/Stu Bagnolifutura	-Cerro M./Polo Tecnologico -Savona/AS Albenga-Pred. -Bergamo/Stu Porta Sud -Padua/Centro intermodale -Cordenons/Stu Makò	-Jesi/Stu Zipa Verde -Salerno/Riquial. conventi -Imola/ Osservanza -Novara/ Movicentro -Parma/Stu Stazione	- Forli/Progetto Centro Storico
	Hanging on propitious conditions for economic benefit	-Mestre/ Passante verde	-Naples/Sirena -Trieste/Porto Vecchio	-Terni/Corso del Popolo -Ancona/ex- Umberto I -Perugia/ Monteluce -Genoa/Ponte Parodi -Treviso/ Sant'Artemio	-Naples/San Giovanni a Teduccio -Ravenna/ Darsena
	Absence of entrepreneurial initiative		-Portogruaro/ Pirelli RE Eastgate Park -Abruzzo e Calabria/ Alberghi diffusi -Rome/Acilia- Madonna	-Cesena/ex- Zuccherificio, Parco Europa -Pianoro/Stu -Parma/Stu Pasubio -Naples/ Belvedere	-Naples/ Palaponticelli -Milan/Nuova Fiera, Santa Giulia, Pii Garibaldi-Rep. -Rome/Ex Mercati Gener.

Fig. 3.5 First classification of the Italian case studies

The diagram in Fig. 3.5 classifies individual case studies and it inserts them into a table on the basis of a brief interpretation of the conditions in which the interaction among public and private sectors take place.

While categorizing these initiatives into the diagram, one realizes that the situations described in the previous paragraphs do not always present themselves clearly.

The uncertain classification of some experiences or in any case, the coexistence in the same city context, of different types and developing forms of partnership, shows both that public sector is influenced by political and organizational dynamics that modify its course of action over time, and that in the Italian context the variety of forms of partnership sometimes make difficult their univocal interpretation.

At first glance there are many initiatives that could potentially undergo analysis. The initiatives are different from one other in respect of the role played by the public and private entities involved, and thus of the form taken by the public-private partnership. They also differ in a multiplicity of other aspects including, in particular, the methods of intervention regarding both the physical environment (urban and architectural aspects) and the community involved (economic and social aspects).

The choice of the sample of cities' regeneration representative case studies using partnership forms among public and private subjects was made on the basis of the following criteria:

1. The time of the initiative's implementation, with the consequent exclusion of those projects that had already been realized
2. The selected case studies had to be significant according to one of the four situations previously described
3. The creation of a sample ensuring, on the whole, a balanced coverage of the four situations examined
4. The spread of the sample over the national territory, and thus its capacity to represent also in this way the four situations analyzed
5. The capacity to represent a wide range of intervention models as defined in the "CoUrbIT-Complex Urban Investment Tools" research
6. Easy availability of information

## 3.2 Case Studies

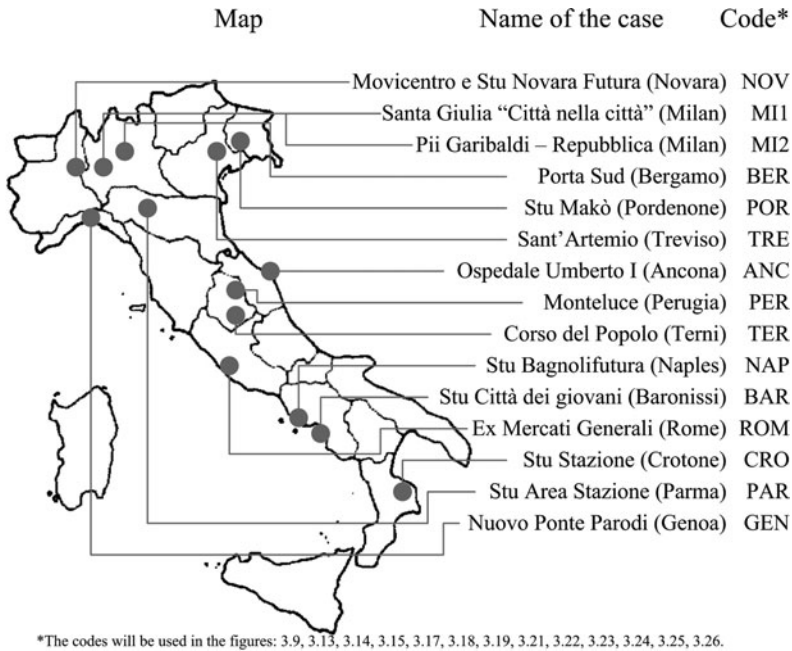
### 3.2.1 Selection of the Case Studies<sup>4</sup>

With respect to the numerous case studies offered within the national context (Fig. 3.5), the following have been studied in depth (Fig. 3.6):

- *Stu Bagnolifutura* (Naples) – environmental reclamation of the disused industrial ex-Ilva site in Bagnoli and implementation of urban redevelopment as foreseen in the detailed town plan.
- *Stu Città dei giovani e dell'innovazione* ("city for young people and innovation", Baronissi in Salerno Province) – local integrated development project aimed to realizing structures to host complementary functions with the new university settlement.

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<sup>4</sup>The case studies will be mentioned, where necessary, in Italian with a translation into English and thereafter in Italian only.



**Fig. 3.6** Case studies’ territorial distribution

- *Stu Stazione* (“Stu Station Area,” Crotone) – recovery and reuse of areas occupied by under-used railway infrastructures in order to host new city structures and public and private tertiary activities.
- *Porta Sud* (“South Gate,” Bergamo) – transformation of the railway station, of the disused goods yard, and of the surrounding areas with the aim of stitching up the urban fabric and creating a new town center.
- *Stu Area Stazione* (“Stu Station Area,” Parma) – realization of the urban requalification plan known as “Stazione Fs–ex Boschi” concerning the reorganization of the urban structure in the area surrounding the railway station and the regeneration of the disused area to its north.
- *Movicentro* and *Stu Novara Futura* (Novara) – reorganization and regeneration plan of a city’s part addressed to host the passenger interchange and a new technological center.
- *Monteluca* (Perugia) – valorization of the Monteluca’s Polyclinic site after the transfer of its healthcare activities to a new hospital center.
- *Corso del Popolo* (Terni) – use of project financing for the transformation and requalification of an outskirt area bordering on the old town.
- *Ospedale Umberto I* (“Umberto I Hospital,” Ancona) – alienation of the Umberto I former hospital area and its private transformation via a recovery plan based on a public initiative.

- *Nuovo Ponte Parodi* (“New Parodi bridge,” Genoa) – requalification of an former industrial area of over 20,000 m<sup>2</sup> on the sea front, making the most out of the strategic position of Porto Antico dock’s, so to promote a new city’s image as important destination for international tourism.
- *Ex Mercati Generali* (“Ex General Markets,” Rome) – recovery and requalification of the ex-general market area in the Ostiense quarter for the realization of a “young people’s city,” with the creation of spaces for education (library and multimedia library), entertainment and shows (theaters and recording studios), sport (all-purpose sport center, gyms and swimming pools).
- *Santa Giulia – Città nella città* (“Saint’Giulia – City in the city,” Milan) – requalification of disused industrial areas aiming to creating a kind of “city in the city,” thanks to the size and relevance of the transformation works.
- *Programma Garibaldi Repubblica* (Milan) – integrated intervention plan (*Piano Integrato di Intervento*) promoted with the aim of creating the “City of Fashion” and a new institutional center with the new Lombardy Regional Government and Milan City Council headquarters.
- *Stu Makò* (Cordenons–Pordenone Province) – recovery and regeneration of the disused Cantoni’s industrial site, an ex-cotton mill, located near the city of Pordenone.
- *Sant’Artemio* (Treviso) – project financing for the building of Treviso Provincial authority’s new headquarters, through the recovery and reuse of Sant’Artemio’s ex-psychiatric hospital.

In order to synthesize all the information gained thanks to the examination of the selected cases, the analytical method shown in the following diagram has been developed (Fig. 3.7). The results obtained can be ordered into four categories:

1. The forms taken by the public–private partnership – considered in reference to the interpretative criteria proposed in the European Commission’s Green Paper – examined in relation to the role played by the subjects involved.
2. The intervention models in relation to physical problems (such as circumscribed transformations with the prevalence of architectural aspects, or rather widespread transformations with the prevalence of city or territorial aspects) or social aspects to be faced (i.e., economic decline, degradation of the social environment and poverty conditions).
3. The main interaction between the partnership forms and the intervention methods.
4. The outcomes of the initiatives in terms of success or stasis.

The first three types of categories connect the analyses of the Italian case studies with widespread practices within the European context, with the aim of making them, as far as possible, comparable.

The fourth category’s results aim to clarify those partnership tools that have been set up as best practices, with the aim of outlining cooperation models between public and private entities that could be proposed for other similar contexts.

The diagram in Fig. 3.7 is divided in two parts. The results of the first category are in the upper section (letters a and b) and the second ones are in the lower section

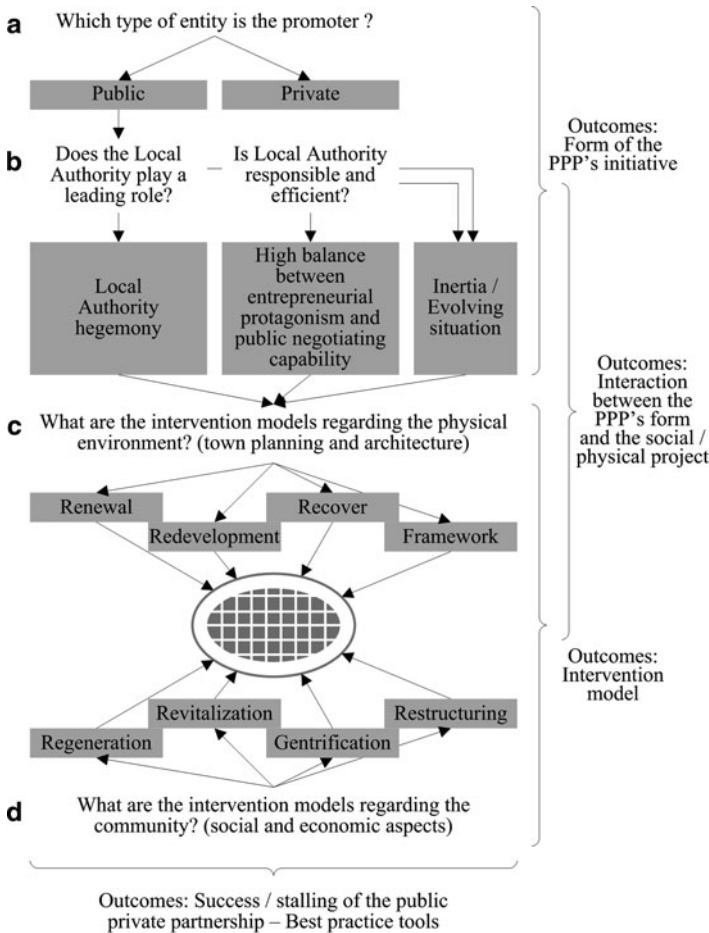


Fig. 3.7 Case studies' analytical model

(letters c and d). Both give rise to the results of the third category, represented in the bar on the right. The summary of the results is indicated in the bar at the bottom of the diagram.

The analysis of the case studies is shown in the charts that follow. The first part of each chart contains a short description orientated toward bringing out the characteristics of the context in which the intervention is situated, the city and project connotations, the development timing and the relations between the different entities involved. In the second part, through the application of the analytical method described in Fig. 3.7, two aspects are outlined: on the one hand, the intervention models in relation to the physical and social problems to be faced, and on the other, the role of the entities involved and the kind of partnership adopted.

### 3.2.2 Fifteen Italian Case Studies

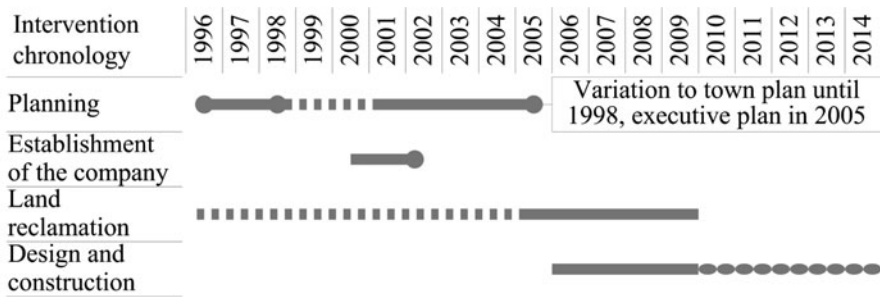
**NAP - Stu Bagnolifutura (Naples), town transformation company**

The industrial area of Bagnoli, in the southern suburbs of Naples, was historically occupied by heavy industries. During the second half of the 70s, industrial activity there faced a crisis and the area began to be abandoned. The final phases of the process were firstly characterised by the closing of the Eternit factory in 1985 and afterwards, by the shutting down of Ilva (ex-Italsider), which happened in 1991. Finally in 1993, the production activity in the Cementir factory was also suppressed. The progressive closing down of the industrial activity made more clear the need for the land's decontamination, which was heavily polluted. In 1996, the so called Iri (Institution for Industrial Reconstruction) established Bagnoli Plc: a special purpose entity with the aim of carrying out decontamination work. After the Iri liquidation process ended in mid-2000, Bagnoli moved under the control of Fintecnica Plc (the industrial and service sector holding company, entirely controlled by the Italian Economy and Finance Ministry). The 388/2000 Financial Law foresaw the possibility of creating a town transformation company for the city of Naples, in order to access to the activities managed by Bagnoli. The replacement, which took place in 2002, not only brought to the transfer of public allocated funds and to the completion of the area's reclamation, process under the control of Bagnolifutura Plc, but it also allowed to keep employed the workers whom Bagnoli inherited by Ilva.

The variation to the General Town Plan for Bagnoli's area was approved by Naples Municipality in 1996, and by the Campania Regional Government in 1998. The variation for the western area was followed up by the drafting of the Detailed Executive Plan, which was approved in May 2005. The today's urban aspect of a part of the decontaminated industrial zone makes the area to become a real city and a territorial park, so to create a link between the city, the beach (still to be reclaimed) and the sea. By the edge of the park there will be resources and tourist facilities, besides prevalently residential areas, while within the park there will be public structures (the Museum of Work and a "City of Music"), also thanks to the functional reclamation of industrial archaeology sites. The improvement of public transport will be completed with the new Cumana railway line and two funiculars in the direction of the Fuorigrotta and Posillipo neighbourhoods.

The completion of decontamination work by Bagnolifutura was slowed down due to variations to the working schedules and by legal action on the part of entities who previously owned the land. However, from 2005, the project and parts of the below listed works began: the work on the sports area known as "Parco dello sport", the tourist and reception centre called "Porta del Parco", and the centre for the care of marine turtles began using an integrated contract procedure (the completion of this work was planned by the end of 2008); the building work for the service centre for audio-visual production called "Napoli studios" was begun using a tender contract procedure (opening of the building site in 2008); the urban park design began using an international tender procedure (work started in 2008 and the opening is planned for the end of 2009).

Surface of the intervention area 3,300,000 m<sup>2</sup>; Demolition 649,000 m<sup>3</sup>; Industrial archaeological recuperation 40,825 m<sup>2</sup>  
 Residential 137,012 m<sup>2</sup> (of which public residential construction 41,200 m<sup>2</sup>); Tertiary sector executive 150,495 m<sup>2</sup>; Commercial tertiary sector 56,115 m<sup>2</sup>; Accomodation capacity 52,567 m<sup>2</sup>; Municipal services 3,000 m<sup>2</sup>; Private parking 154,120 m<sup>2</sup>; Public parking 68,619 m<sup>2</sup>; Park 1,439,833 m<sup>2</sup>

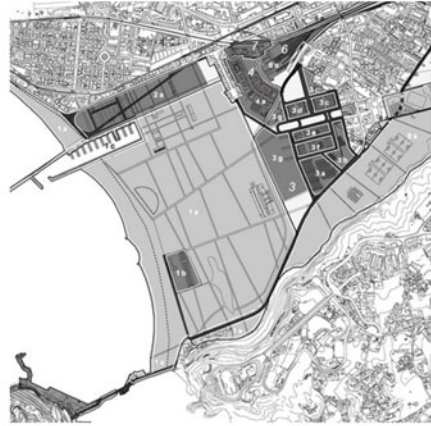


NAP - Stu Bagnolifutura (Naples), town transformation company

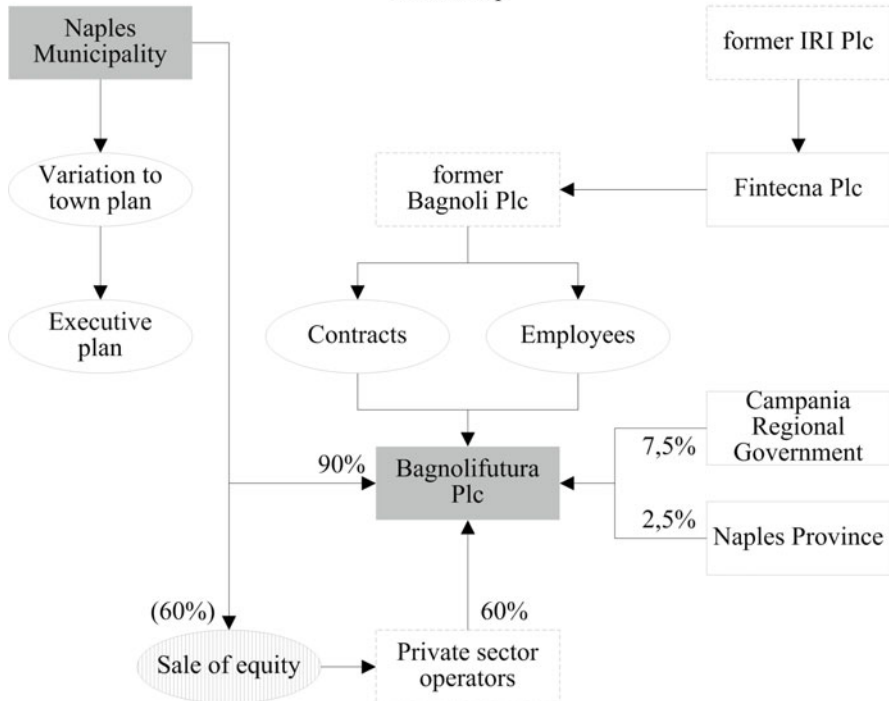
Location of the intervention



Transformation project



Partnership





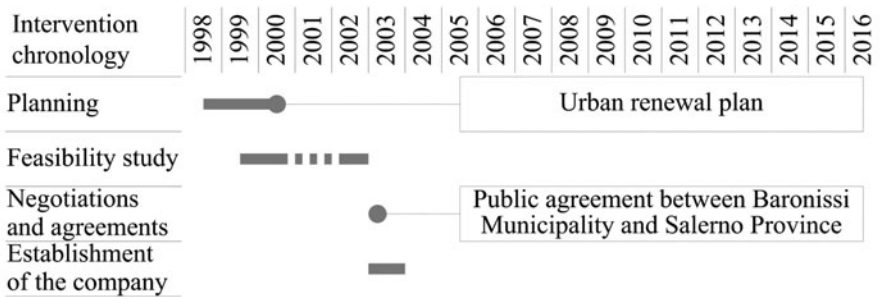
**BAR - Stu Città dei giovani (Baronissi), town transformation company**

The birth of the urban regeneration project called "Citta dei Giovani e dell'Innovazione" (in English "Young People's and Innovation's City") came from the Universities in the north of the city of Salerno, in the area between the towns of Baronissi and Fisciano. The intervention area is mainly agricultural, and is located in an intermediate position between the city centre, at the south, and the university buildings located in Lancusi town, at the north side. The project will be carried out setting up a Urban Regeneration Company with mixed public and private funds, which was formally established at the end of 2003. Today, nevertheless, it has yet to begin to work, because the company has had several financial problems for two main reasons. On the one hand, a starting capital near the legal-minimum was provided, and the registered losses during the first period of activity obliged the two shareholders, both public (Municipality of Baronissi with 95% and the Salerno Province with 5%) to make remarkable efforts to recapitalise. On the other hand, the opening towards private funds has not yet taken place.

The project comes from the Urban Requalification and Sustainable Development Territorial Plan (in Italian PRUSST- Programma di Riquilificazione Urbana e Sviluppo Sostenibile del Territorio) drafted by the town of Baronissi after the tender notice launched by the Ministry of Public Works (now the Ministry of Infrastructure) in 1998. The proposal was evaluated as suitable; nevertheless the position reached in the list of selected projects was not sufficient to obtain the public funds necessary to start the intervention. The Municipality of Baronissi planned to carry out the project on the basis of a public-private funded company, firstly, during 1999-2000, with a feasibility study funded by European funds, and then during 2001-2002 with a further feasibility study co-funded by the Ministry of Infrastructure. The expected work does not constitute a variation to the provisions included in the General Town Plan, but it does, however, represent a variant to the Building Plan (a planning tool introduced with the National Urban Planning Law, 1150/1942, for small towns, which can adopt it in alternative to a Urban Planning Scheme; this instrument was suppressed by Regional Laws but it is still common, especially in the south of Italy). There was, therefore, the need to bring the planning and scheduling to a close with a program agreement, signed by the Baronissi Municipality and the Province of Salerno in February, 2003.

The transformation of the area is focused on these elements: education and research facilities; university houses and facilities (guestrooms) for students and lecturers; construction of a Scientific and Technological Park with the aim of easing the settlement of firms in advanced sectors; commercial and entertainment activities. The carrying out of the project was divided into twenty-four lots. Some of them were to be carried out by private entities, which at the time had taken part in the Prusst proposal, keeping the option of implementing the project in collaboration with the Urban Regeneration Company.

Surface of the intervention area 240,000 m<sup>2</sup>; Volume with building permission 350,033 m<sup>3</sup>  
 Productive research activities 25,180 m<sup>2</sup>; University 48,820 m<sup>2</sup>; Road system and parking 45,000 m<sup>2</sup>;  
 Public green areas 120,000 m<sup>2</sup>

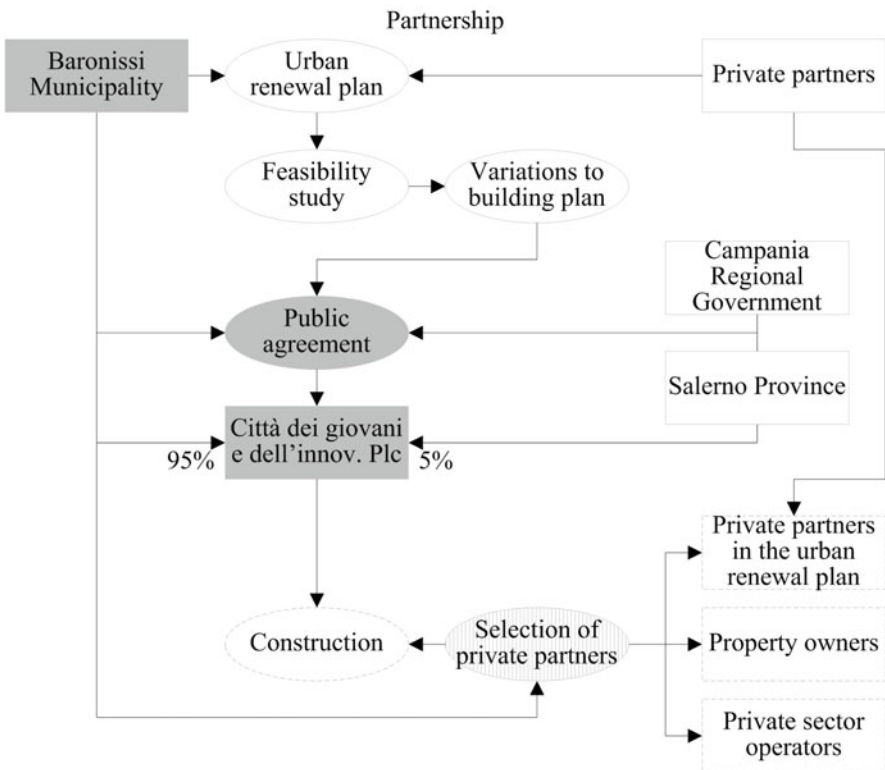
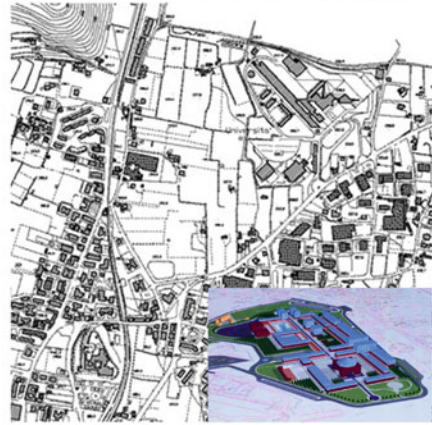


BAR - Stu Città dei giovani (Baronissi), town transformation company

Location of the intervention



Transformation project



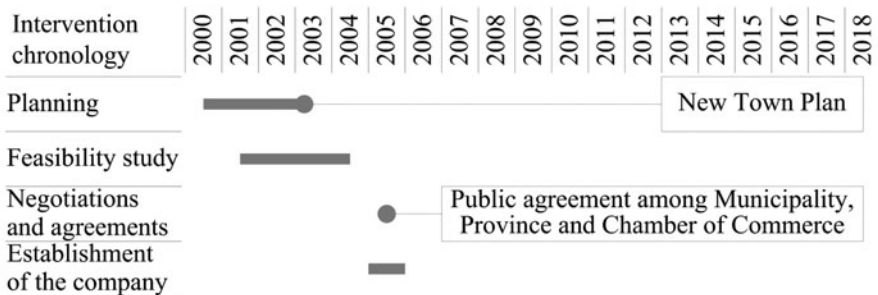
**CRO - Stu Stazione (Crotone), town transformation company**

Since the mid 90s, the city of Crotone made use of various negotiated planning instruments (in Italian, strumenti di programmazione negoziata), co-financed by European and National funds. The EU Programme Urban II is one of the mentioned European Union financing instruments, eligible to most of Crotone City, in addition to the projects implemented thanks to the funds available through the Regional Operative Plan (in Italian, Por - Piano Operativo Regionale). In the frame of such National and Regional funds, the Urban Requalification Plan (in Italian, Pru - Programma di Riquilificazione Urbana) was activated with the aim of requalifying the "Marinella" quarter. In concrete terms this meant the Quarters Contract I (in Italian, CdQ - Contratto di Quartiere) for urban planning and building recuperation of the "Fondo Gesu" quarter, and the Quarters Contract II for the recuperation of the "Gabelluccia" quarter. Furthermore, two preliminary feasibility studies were carried out for the setting up of Urban Regeneration Companies (in Italian, Stu - Societa di Trasformazione Urbana). The sum of these instruments forms a kind of continuum with which the Municipality aimed at defining the regeneration conditions of a series of areas external to the historical city centre characterised by marginality, disorder from a urban planning point of view, urban decay of public and private building structures, and social discomfort.

The new General Town Plan for the city, re-written between 2000 and 2001, has come into force since the beginning of 2003. The general urban planning instrument took on board the provisions contained in the negotiated planning instruments, both in terms of those derived from the European Union and those of National origin, which were previously in place (Urban II, Pru, CdQ I and II). The descriptions of these urban renewal projects have allowed the highlighting of critical intervention areas which have given continuity to regeneration intervention work throughout the territory. These areas include the railway station, their adjacent goods yards and neighbouring industrial areas (ex-Fosfotec and ex-Montedison) whose phasing out represented the basis for Urban planning and building development to the north side of the city territory. The sector formed of the railway area and the disused factories was the subject of a Feasibility Study which aimed at verifying the possibility of a renovation and requalification intervention setting up a Urban Regeneration Company with joint private-public capital.

The general aim of the requalification intervention work consisted in creating a new centre in the area occupied by the railway station. The main project points are the following: reduction of the railway sector of the goods yard, being mainly unused, and its replacement with a two buildings which face each other (on the east and west of the railway line), mainly designed for offices and partially for residential use; comprehensive reorganisation of the road system, creation of a river park on the Esaro river and the transfer of the existing buildings to the area near the station; re-use of the ex-Fosfotec dismissed industrial area for recreational and cultural activities.

Surface of the intervention area 345,480 m<sup>2</sup>; Volume with building permission 317,670 m<sup>3</sup>  
 Floor area 102,890 m<sup>2</sup> (of which residential 35,424 m<sup>2</sup> and tertiary 67,466 m<sup>2</sup>); Road system, parking and green areas 257,760 m<sup>2</sup>



CRO - Stu Stazione (Crotone), town transformation company

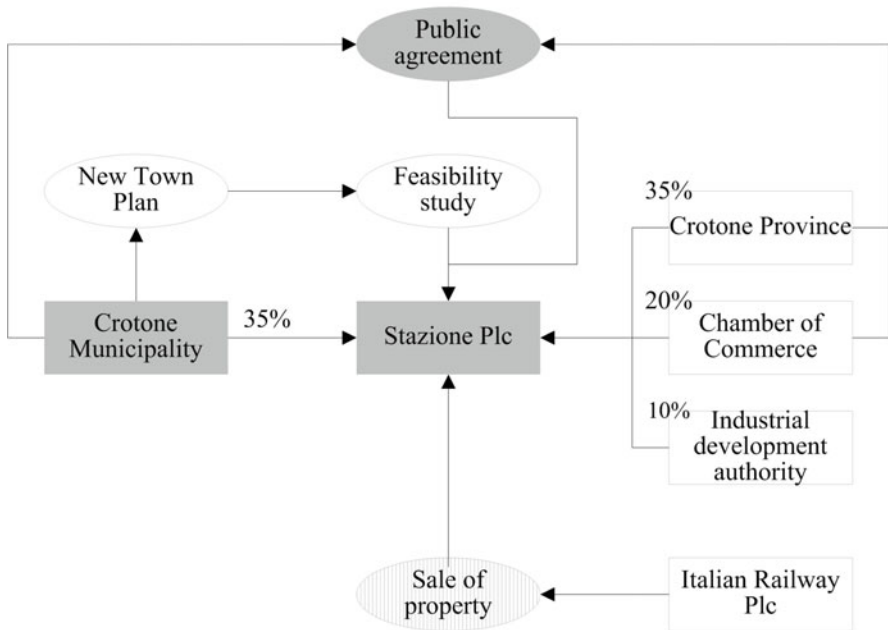
Location of the intervention



Transformation project



Partnership



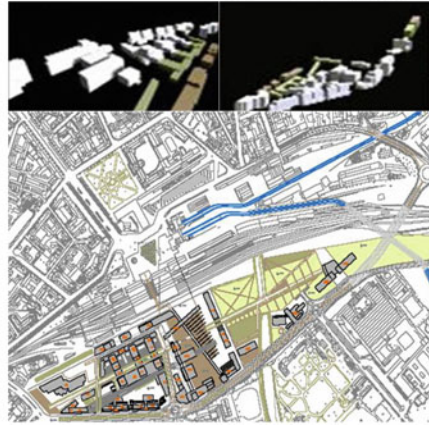


BER - Porta Sud (Bergamo), town transformation company

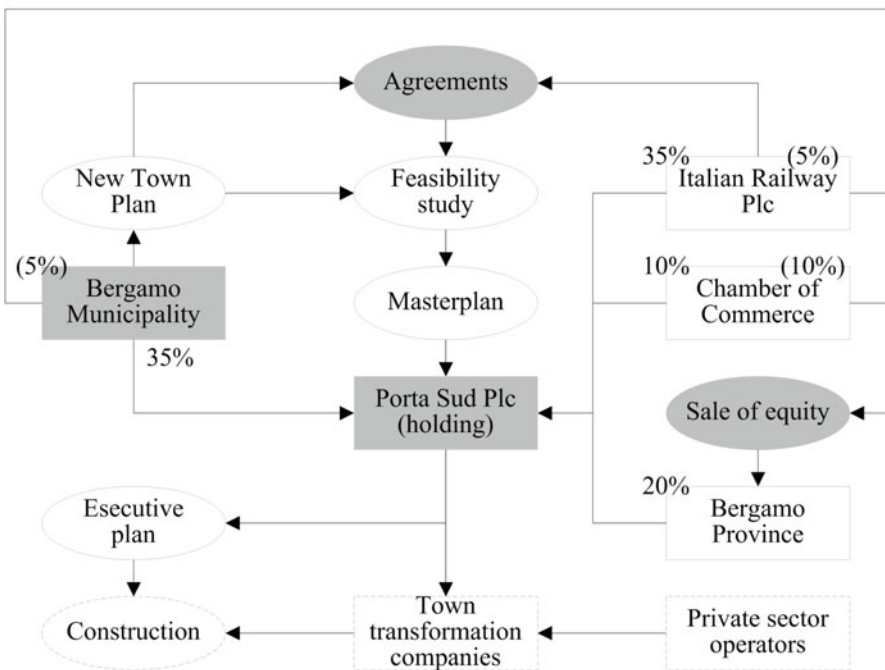
Location of the intervention



Transformation project



Partnership





PAR - Stu Area Stazione (Parma), town transformation company

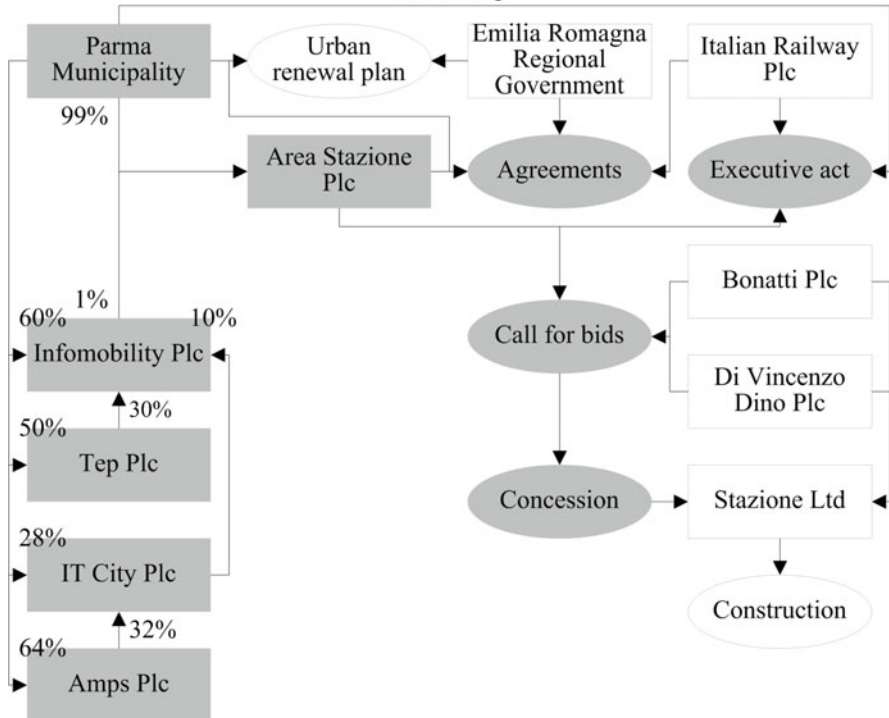
Location of the intervention



Transformation project



Partnership





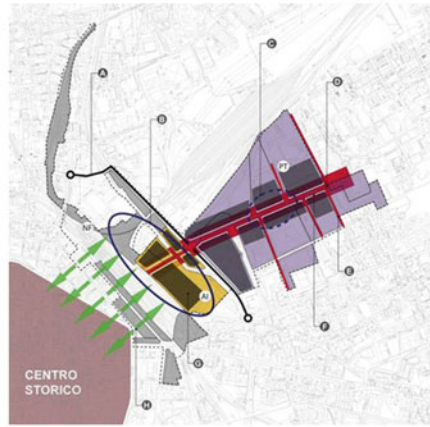


NOV - Movicentro e Novara Futura (Novara), town transformation company

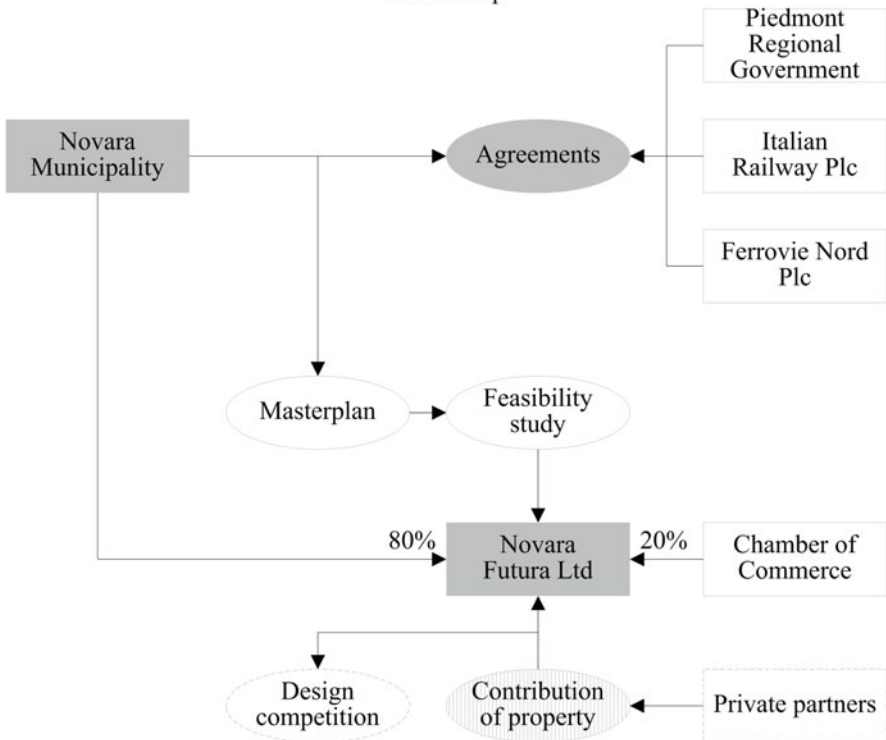
Location of the intervention



Transformation project



Partnership



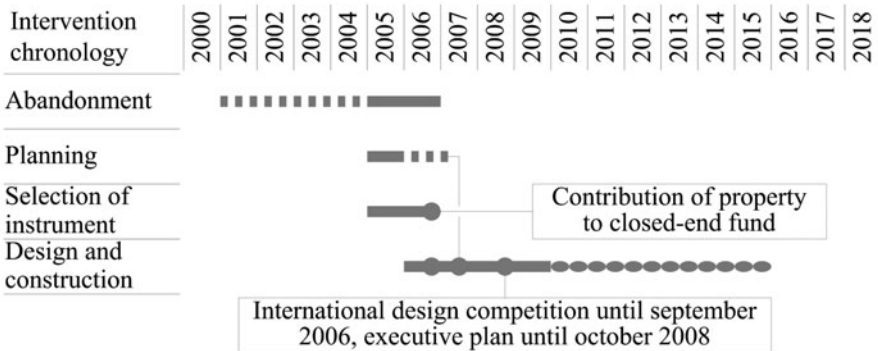
**PER - Monteluçe (Perugia), urban restoration of former hospital**

The Perugia General Hospital developed around the "Clarisse di S. Maria di Monteluçe" 's convent from 1911 onwards. After the Second World War, a new regional hospital was intended to be built and the works started during the 70s. Presently, the transfer of the health care structure from the Monteluçe General hospital is ongoing and close to being completed, and so it has now been almost completely abandoned. In this context, there is the need for a complex's restructuring, in line with the needs both of the Umbra Region and of Perugia's University, owners of Monteluçe complex, so to valorise it in order to collect resources to be allocated to the Local Health Authority. The owners awarded the mandate of global coordinator to the Nomura International Merchant Bank, with the aim of studying and implementing a new financial instrument, which would permit the carrying out of the work applying criteria of efficiency and profitability. The most suitable instrument was considered the closed type of property fund introduced into national legislation with the 86/1994 law, and mainly used for abandoned public properties. In July 2005, after a public inquest procedure, the owners selected Bnl Fondi Immobiliari Spa as the administrators. Once the "Fondo Umbria", only for institutional investors, had been established in December 2006, the conferral act for the real estate came into force. The property fund, which also included the San Giovanni Battista hospital, located in Foligno, was structured into different independent parts from a patrimonial point of view.

The owners defined the intervention project guidelines in collaboration with the Perugia Municipality and the Umbria Regional Board for Cultural Heritage. Afterwards it was launched an international tender, which led, in September 2006, to the selection of the Master Plan proposed by the German office Bolles+Wilson. The same office had the task of drafting the executive plan, for which the approval procedure began in July 2007. The executive plan will be a Variant of the General Town Plan presently in force, which, moreover, already foresees the area requalification.

The aim of the project is to create a new centre of attraction thanks to the creation of mixed of facilities: residential, tertiary sector executive and commercial structures, reception and services of public utility. The main project's features are the following: a sequence of mainly pedestrian city squares, located on the top of Monteluçe hill; the different public facilities and the residential buildings overlook these squares; the separation of roads and accesses, and the localization of public parks below the squares and private parking in the buildings' basements; care in the construction materials' selection and of architectural solutions in order to reach a high environmental performances and an adequate level of energy saving.

Surface of the intervention area: 75,000 m<sup>2</sup>  
 Residential: 34,500 m<sup>2</sup> (of which residence on the open market: 21,000 m<sup>2</sup>, subsidised residence: 7,000 m<sup>2</sup>, student residence: 6,500 m<sup>2</sup>); Tertiary sector executive: 6,000 m<sup>2</sup>; Commercial tertiary sector: 6,500 m<sup>2</sup>; Accomodation capacity: 10,000 m<sup>2</sup>; Social-health services: 7,000 m<sup>2</sup>; Municipal services: 1,000 m<sup>2</sup>; Public green areas: 10,500 m<sup>2</sup>; Road system and town squares: 9,500 m<sup>2</sup>; Public parking: 9,500 m<sup>2</sup>

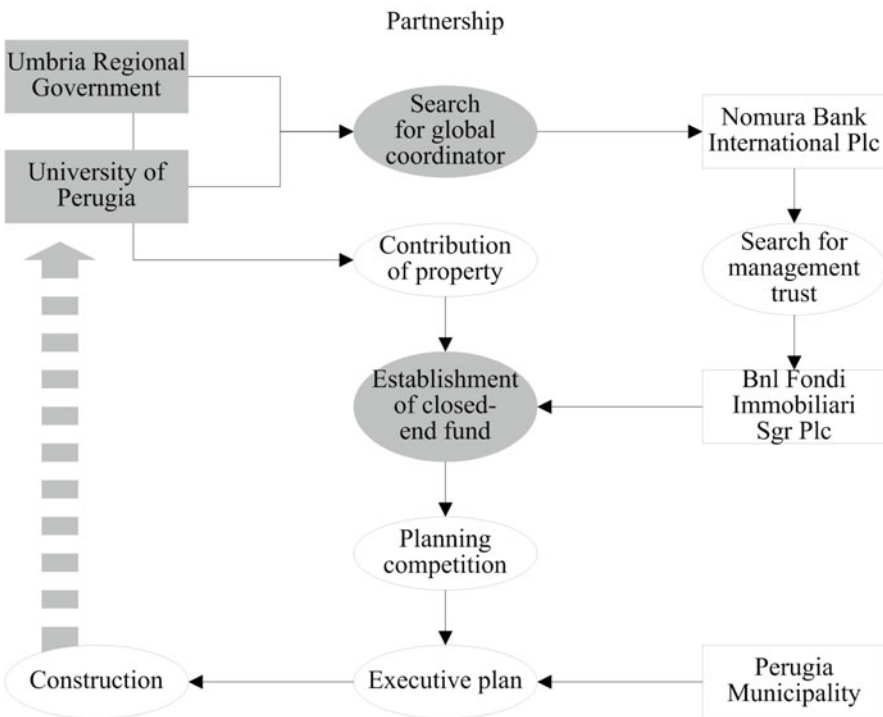


PER - Monteluce (Perugia), urban restoration of former hospital

Location of the intervention



Transformation project



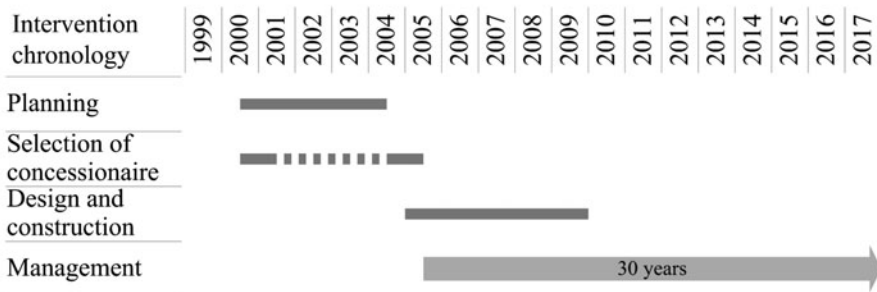
**TER - Corso del Popolo (Terni), urban renewal plan**

During the Seventies, in the south-east quadrant of the historic city centre of Terni, the ruins of the Annunziata's Monastery, which became a prison after the 1860th and later the last World War a provisional hospital, were demolished. This has made possible the completion of the roads' network now known as Corso Del Popolo. The intervention work regards the areas that are owned completely by Terni Municipality, which has promoted its implementation via the use of project finance by "private initiative" (elsewhere known at National level as the "Promoter's Procedure") at the time regulated by article 37bis and following of the Law 109/1994 (today by the articles 153 and following of the Legislative Decree 163/2006, bringing the "Public Contracting Code"). The procedure includes the following phases: the publication of a call for tenders, on behalf of the Terni City Council, addressed to private entrepreneurial entities with an interest in qualifying as "promoters" of the regeneration intervention; the negotiated procedure among the best proposals presented by the competing private entities; the hammer price of the grant for the construction and the management to the entity that has presented the best proposal, and the constitution of the vehicle-company ("project company"); the completion of the planning, construction and management of the activities. The all procedure, from the publication of the call for tenders to the signing up of the grant agreement with the project company, took nearly five years, of which three due to a legal action taken by one of the participating.

The completion of the Corso del Popolo axis had been scheduled before in 1945 by the reconstruction plan, afterwards in 1960 by the Variant of the reconstruction plan, and once more by the new General Town Plan approved in 1997. Subsequently, the intervention has been subject of a "detailed public initiative plan" that more deeply examined its initial contents. These preview the creation of an underground parking staging post for the historical city centre and consequently an asset for the road system and also the construction of a building for hosting the Municipality offices. Finally, with the award of the "construction and management agreement", a partial Variant to the Urban Planning Instrument has been adopted.

The project plans to create both public activities and private properties, charged by the project company, where the private properties are necessary to guaranteeing the intervention's feasibility from a financial point of view. Among the public activities, most distinguishable are the 3-level underground parking and the building destined to host the City Council's offices; the private buildings are mostly for residential use with parts addressed to the tertiary sector market and to executive facilities. The financial implementation of the project has been assured by the following elements: the management for thirty years (including the planning and construction period) of the underground parking, while the other public works (parks, urban equipment and road system) will be handed over as soon as they are completed, without compensation to Municipality control; the provision of private real estate to be constructed, via an area granted to the project company by the City Council as a public contribution.

Surface of the intervention area: 41,000 m<sup>2</sup>  
 Building area: 18,000 m<sup>2</sup> (of which residential: 13,585 m<sup>2</sup>, commercial tertiary sector: 3,375 m<sup>2</sup>, tertiary sector executive: 1,040 m<sup>2</sup>)





## ANC - Ospedale Umberto I (Ancona), restoration of former hospital

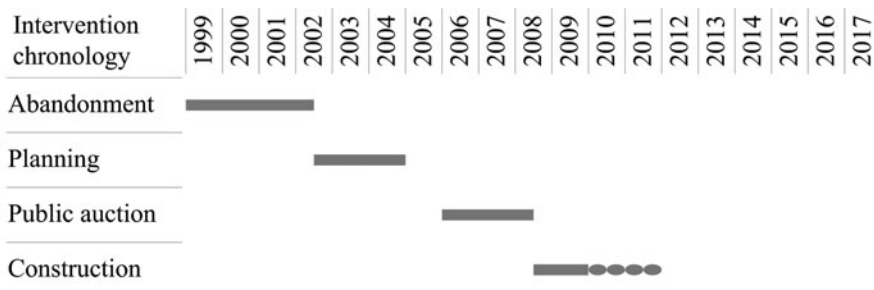
In 2002 the abandon of the Umberto I Hospital, located in a central zone of Ancona, was completed, after the transfer to the new Torrette Hospital of all health activities/structures. The University Hospital Agency "Ospedali Riuniti", which in 2004 should have become the owner of the Umberto I Hospital by legislative disposition, needed to find financial resources in order to cover the investment's costs necessary for the new Hospital site's completion. Consequently, since the problems regarding its destination had been resolved and since the building was part of the Agency's heritage, it was taken the decision to proceed with its alienation through public auction.

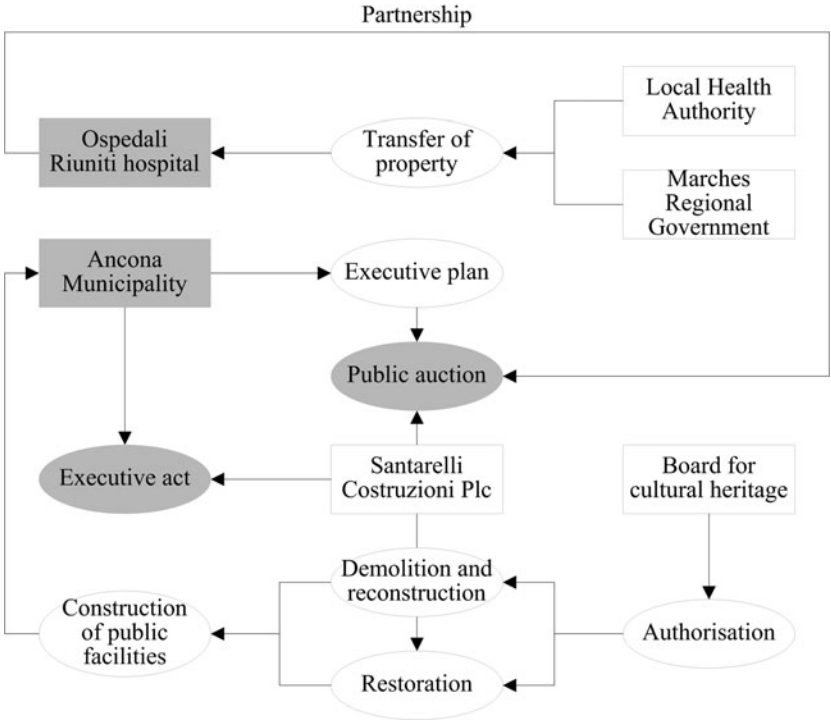
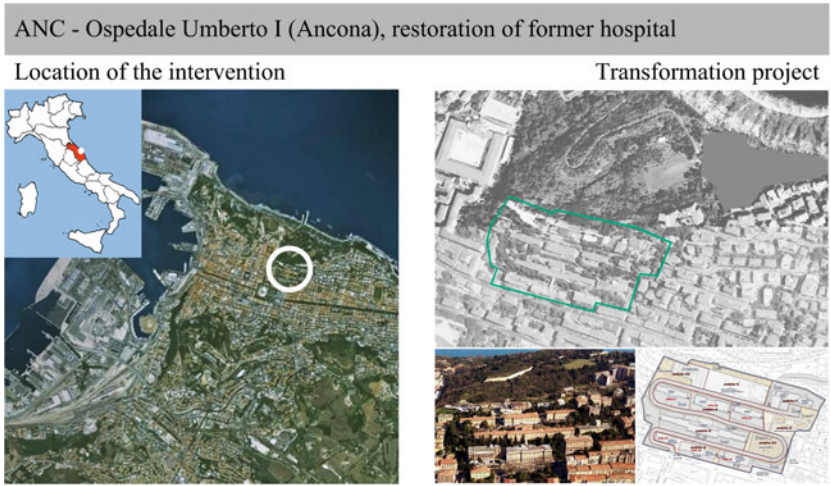
The General Town Plan, in force when the site was completely abandoned, classified the Umberto I compound as Apc (in Italian, Area Progetto prevalentemente costruita that sounds as "project area mainly built" in English), to be object of a Public Initiative Executive Plan. The recovery plan was reconsidered by Ancona City Council since 2002, even charging a technical board, where the other entities involved in the transformation took part: the Marches Region, the Hospital Agency and the Local Health Agency. The objectives of the Plan were the following: to include residential type facilities and services at urban and district level (green areas, parking lots, civic centre, basic health structures) within the area; to maintain the historical and architectural value of a part of the compound by respecting the plan and its original pavilion character; to consolidate the relationship between the city and the Cardeto park, at the back of the Umberto I Hospital, through the creation of pedestrian paths within the dismissed compound. The regeneration plan elaborated by the Municipality, identifies on the one hand, buildings of architectural value subject to conservation orders, regarding which it is only possible to carry out restructuring and urban renewal intervention works, and on the other hand buildings that could be demolished and reconstructed.

The approval of the regeneration plan, which took place in 2004, allowed the progress of a public inquest procedure for the alienation of the compound. The private entity that won the auction, after having signed the Executive Convention with Ancona City Council, had to present the plan for the city infrastructures, as well as the architectural transformation plan. The start of work has been scheduled for the first few months of 2008th, and the completion by 2010th.

Surface of the intervention area: 46,400 m<sup>2</sup>

Building area: 34,098 m<sup>2</sup> (of which residential: 18,448 m<sup>2</sup>, student residence: 4,317 m<sup>2</sup>, residence for the elderly: 3,765 m<sup>2</sup>, social-health services: 6,555 m<sup>2</sup>, municipal services: 1,013 m<sup>2</sup>); Public green areas: 3,996 m<sup>2</sup>; Private green areas: 16,726 m<sup>2</sup>; Parking: 373 parking spaces (of which at ground level: 93 parking spaces, underground: 280 parking spaces); Road system and town squares: 9,696 m<sup>2</sup>







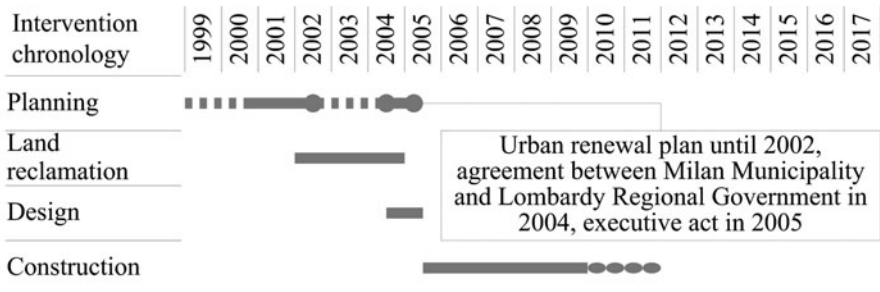
**MII - Santa Giulia “Città nella città” (Milan), urban renewal plan**

The intervention regards a set of areas that on the whole cover more than 1.1 million square metres. These areas are located in the south-eastern part of the city of Milan, where the Montedison plants and the Redaelli steel factories were located and which activities were interrupted in the Seventies.

From an urban planning point of view, the area subject to the intervention is firstly interested, by the partial urban plan variant in 1988 and afterwards by the two distinct urban planning instruments dating back to 1990: the Detailed Plan of the redefined city zone ZRU1-Montecity; the Detailed Plan of the redefined city zone ZRU3-Rogoredo. The detailed plans presented separate interventions for the north-eastern part of the compendium (ex-Montedison) and for the south-western part (ex-Redaelli). However, both remained unimplemented. In 2000, the area was acquired by the Risanamento SpA, company part of the Zunino Group, which proposed a unique and homogeneous transformation, to be completed through an Integrated Intervention Plan (in Italian Pii “Piano Integrato di Intervento”), a urban executive instrument introduced as part of Lombardy Regional Law 9/1999. The definition of the instrument which, with some modifications, put together the previous detailed plans, follows in June 2004 the signing of a Program Agreement between Milan City Council and the Lombardy Region. In March 2005, the Milan City Council and Risanamento SpA finally undersigned the convention for the completion of the integrated plan.

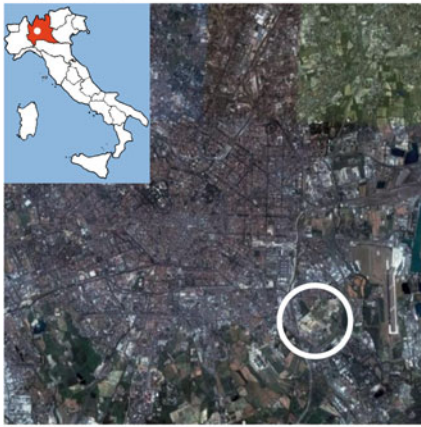
The transformation of the area, according to planned dimensions and decisions, aimed at creating a sort of “city inside the city”. The pivotal elements of the requalification plan are the following: 320 hectares city park, located in a “centre of mass” position, so as to separate the residential area in the southern part from the urban area, that instead is located in the northern part and that is characterized by a Congress Centre and a tertiary sector and commercial zone; the principal axis consists of a pedestrian area as big as six hundred meters, around which all commercial spaces and areas foreseen for services will be organized; an high accessibility through both public and private means of transport, guaranteed by the railway station at Rogoredo and the metro station line MM3, as well as by the creation of a tramway addressed to linking the residential zone on the south to the city space on the north, by the construction of a new junction on the east ring road and by the lengthening of the Paullese state road, as the principal entrance road to the new settlement towards the city centre.

Surface of the intervention area: 1,112,200 m<sup>2</sup>  
 Residential (gross floor surface): 270,900 m<sup>2</sup> (of which residence on the open market: 191,300 m<sup>2</sup>, public residential construction: 13,700m<sup>2</sup>, subsidised residence: 65,900 m<sup>2</sup>); Tertiary sector executive: 162,800 m<sup>2</sup>; Commercial tertiary sector: 30,000 m<sup>2</sup>; Accomodation capacity: 80.800 m<sup>2</sup>; Campatible functions: 70,500 m<sup>2</sup>; Conference centre: 32,000 m<sup>2</sup>; City park: 316,000 m<sup>2</sup>



MI1 - Santa Giulia “Città nella città” (Milan), urban renewal plan

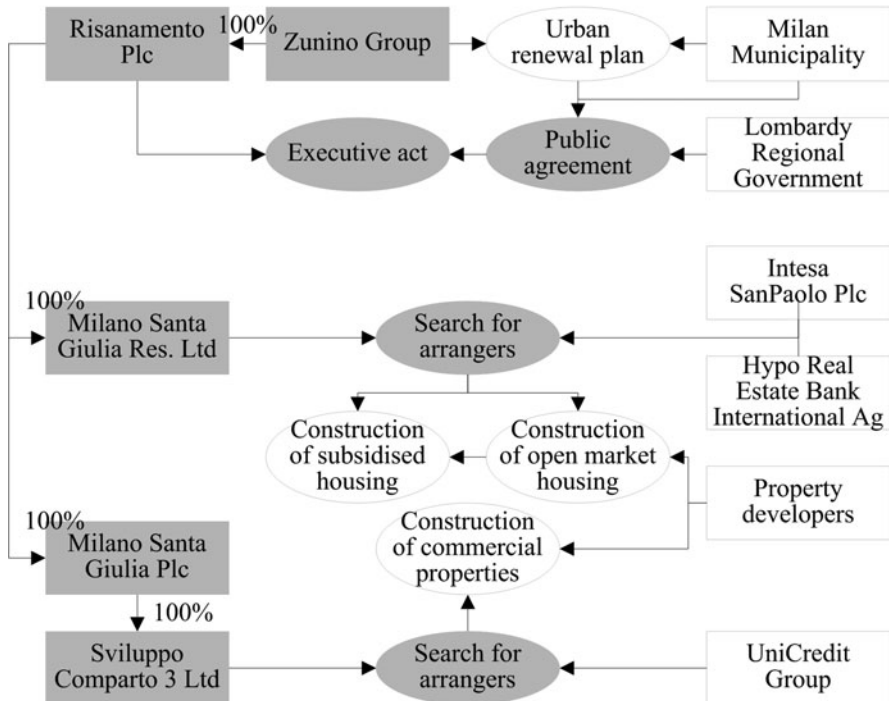
Location of the intervention



Transformation project



Partnership



**MI2 - Pii Garibaldi – Repubblica (Milan), Integrated Program**

The area between the Garibaldi railway station and Repubblica square has been the subject of multiple planning and transformation attempts since the Fifties, all of them without an outstanding outcome until the approval of an ad hoc Integrated Intervention Plan (Pii) which took place at the beginning of the last decade. The origins of the event date back to the dismissal and the re-location of the railway connecting the Varesine Station to a rear position, as well as for the building of the new Garibaldi Station. These interventions have contributed to clearing a wide proportion of the city that was supposed to host the "Centro Direzionale", but which has remained widely left undone.

The first urban planning instrument to deal with the re-organisation of the Garibaldi-Repubblica area was the General Town Plan in 1953, but the expectations regarding the inauguration of the "Centro Direzionale" for the city of Milan remained greatly unfulfilled. Following planning interventions were represented by the Town Plan in 1980, including the obligation to provide service and public green areas, and by the 1991 Variant. Nevertheless, both were cancelled and made ineffective by the legal sentences issued by the Administrative Court of Justice after a number of years later. A new start regarding the planning of the area began at the end of the Nineties. This was made possible because of the enforcement of the Regional Law 9/1999 which introduced the Integrated Intervention Plan (Pii) to urban planning tools in Lombardy. Thanks to these programmes private entities have the possibility of proposing construction intervention works, even varying from the General Town Plan in force, through a process of "negotiated" planning with the Municipality and with respect to the general criteria that the City Council of Milan has outlined in its Placement Document approved in 2000.

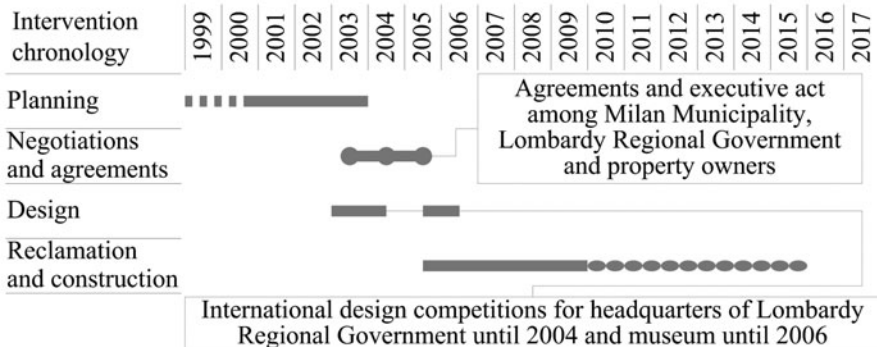
The Garibaldi-Repubblica Integrated Intervention Plan outlines three distinct units: the City of Fashion, centred on the construction of a museum (Modam) and a centre for Higher Education in the fashion sector, integrated with residential, tertiary sector, commercial and reception facilities; the Institutional Centre, which foresees the creation of new offices for the Lombardy Regional Authority and Milan City Council; the park known as the "Library of trees" located between the City of Fashion and the Institutional Centre.

Surface of the intervention area: 230,338 m<sup>2</sup> ("Città della moda", "Polo istituzionale" and "Biblioteca degli Alberi")

"Città della moda" gross floor surface: 110,485 m<sup>2</sup> (of which residential: 15,000 m<sup>2</sup>, tertiary sector executive: 50,485 m<sup>2</sup>, commercial tertiary sector: 10,000 m<sup>2</sup>, accomodation capacity: 15,000 m<sup>2</sup>, education, museum and showroom centre: 20,000 m<sup>2</sup>)

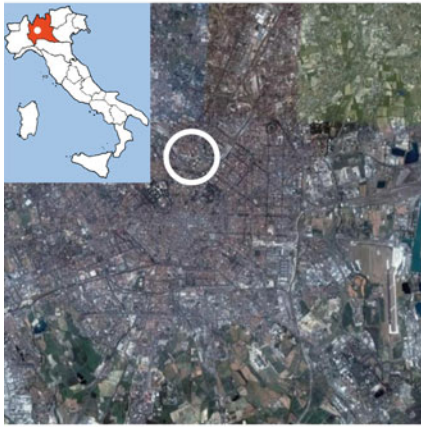
"Polo istituzionale" gross floor surface: 119,208 m<sup>2</sup>

"Biblioteca degli alberi" public green areas: 108,000 m<sup>2</sup>; Public parking: 40,000 m<sup>2</sup>

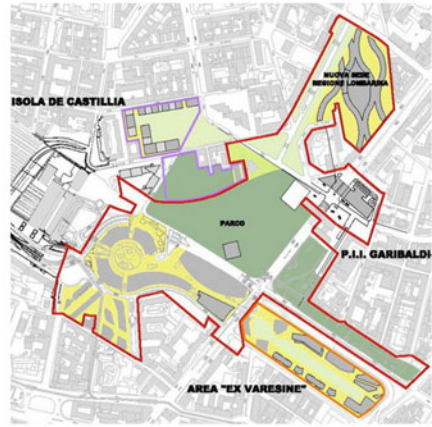


MI2 - Pii Garibaldi – Repubblica (Milan), Integrated Program

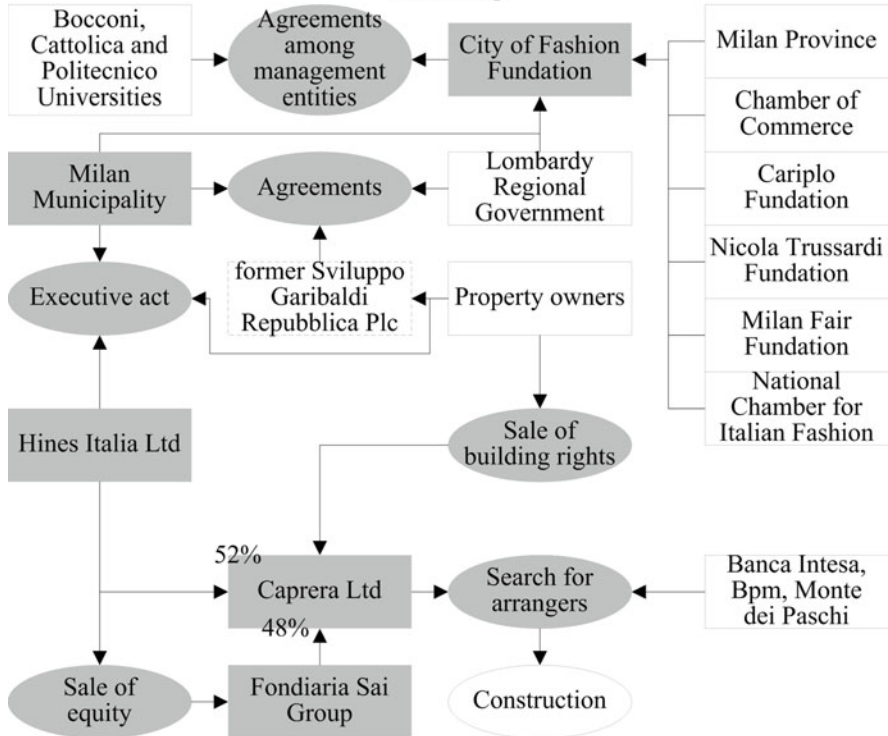
Location of the intervention



Transformation project



Partnership



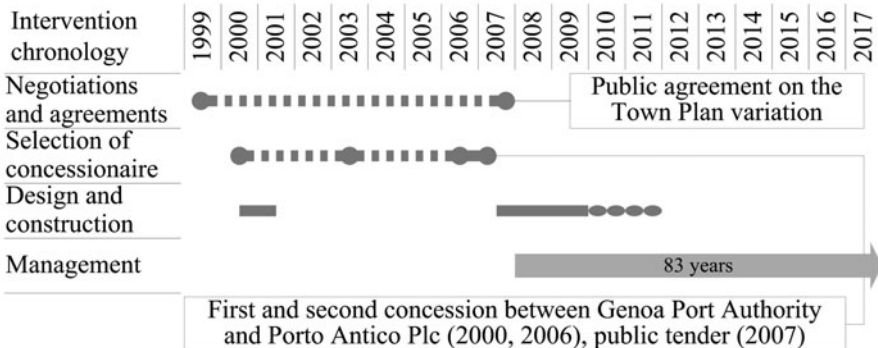
**GEN - Nuovo Ponte Parodi (Genoa), urban renewal plan**

The requalification of the historical sea front in Genoa began during the second half of the Eighties, with projects realised on the occasion of the International Expo in 1992, known as the "Columbus celebrations". At the end of the Nineties, the Genoa City Council, the Liguria Regional Government, the Port Authority and the University signed an Agreement Framework. Thanks to it, it began a further requalification initiative for the sea front, aimed at the re-use of the dock known as Ponte Parodi, which up until then had hosted activities connected to the transport of merchandise and, from an architectural point of view, the port grain silo. The requalification intervention was carried out through a double grant. The first grant was released by the Port Authority and the Porto Antico Spa, an entirely public company shared by the Municipality, the local Chamber of Commerce and the Port Authority itself. The second grant was released by the Porto Antico to a private (sub-concessionary) entity subsequently selected via a public inquest procedure.

The requalification project's contents were selected via an international competition, where the call for tenders specified the required characteristics of the proposals, among which: maximising the positive effects on the historic city centre; maintaining the flyover road and part of the port as a cruising terminal and for docking tug boats; providing external spaces for public use without limitations during the day; the absence of residential buildings and hotels.

The preliminary plan winner of the international competition foresees a multifunctional citadel hosting recreational, sports and commercial activities, a pedestrian connection with the other sea fronts which had already been renovated and a new cruise terminal. This project was implemented by a group of businesses that had qualified as a "promoter" entity according to the National Regulations for Public Works in force (first Law 109/1994, now Legislative Decree 163/2006 known as "Public Contracts Code") with the aim of implementing the public works mentioned above according to the construction and management grants regime. Since no other private contender presented an offer, in 2007 the procedure was concluded issuing to the only promoter the planning permission and undersigning the "agreement plan grant" for the General Town Plan's Variant.

Surface of the intervention area, plot: 31,250 m<sup>2</sup>, water sheets: 11,700 m<sup>2</sup>  
 Cruises terminal: 3,750 m<sup>2</sup>  
 All-purpose centre, integrated to the spaces for tourist use, which includes: auditorium (with seating for 700); play and sport activities; commercial activities; underground parking; spaces for public use; pedestrian pathway as a link with other parts of the sea front

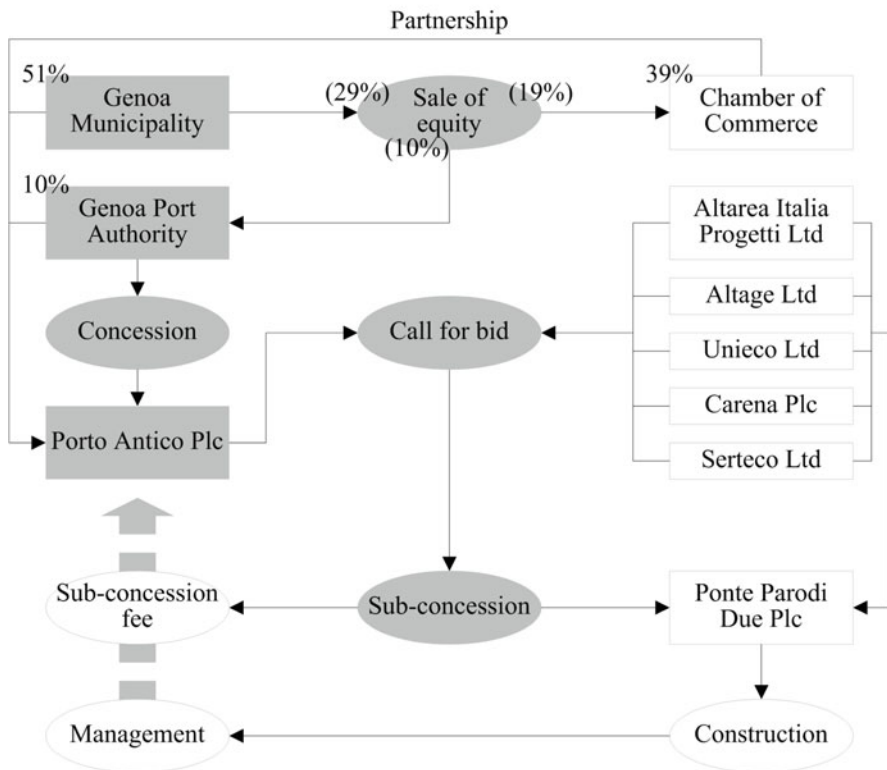
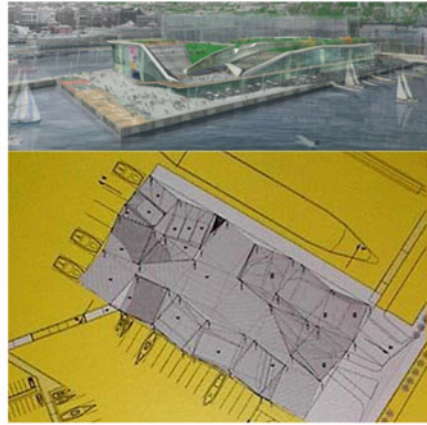


GEN - Nuovo Ponte Parodi (Genoa), urban renewal plan

Location of the intervention



Transformation project



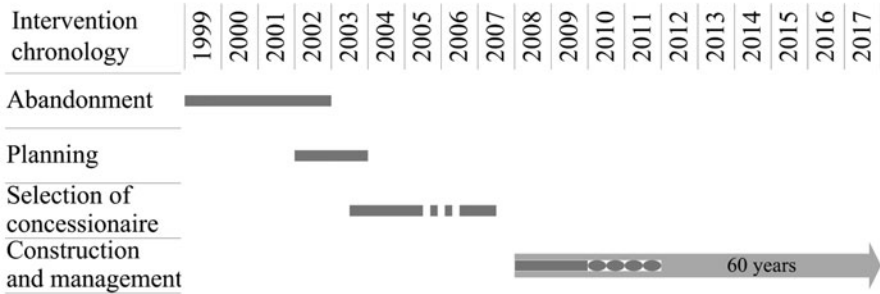
**ROM - Ex Mercati Generali (Rome), urban renewal plan**

The main old general market in Rome, based in the Ostiense district, had been permanently abandoned since 2002, after the transfer of the activities to the new "Food Farming Centre" located near Guidonia Montecelio Municipality. In view of leaving the area, in February 2002, a feasibility study began aimed at identifying the best strategies for its regeneration. During October of the same year, the City Council approved its destination for a "Città dei Giovani e dell'Innovazione" for culture, education, music and entertainment.

The intervention is located in the context of the largest City Requalification Plan for the Ostiense and Marconi districts, whose principal elements include- besides the requalification of the former general markets for creating "Città dei Giovani e dell'Innovazione" - also the re-use of the former slaughterhouse transforming it in "The City of Arts", the localisation of the new "City of Sciences" on the ex Italgas area and different interventions of infrastructural nature. The objectives which the Municipality intended to pursue with these interventions were the following: bringing about the qualitative recovery of the compound with the allocation of facilities at city level such as to generate positive effects for the entire Ostiense district; transforming the area into a space addressed to young people up to thirty years old, through the creation of a cultural and recreational meeting centre with spaces for music, culture, sports and multiethnic cuisine; identifying a qualified private entity in the position to invest in the compound's requalification and in its management for an established time, maintaining at the same time its public ownership.

The project presented by the enterprise group which was given the grant for construction and management was designed by the architect Rem Koolhaas. This project foresaw the creation of the following activities: multimedia and traditional library, theatre and open-air one integrated with recording studios as fundamental elements around which spaces dedicated to culture are organized; a kind of "modern thermal baths" with structures dedicated to hosting sports activities (swimming pools and gyms); multi-screen Cinema, public spaces and functional shops to financially sustain the project feasibility.

Surface of the intervention area: 85,000 m<sup>2</sup>; Existing volume: 154,000 m<sup>3</sup> (of which to recuperate: 64,000 m<sup>3</sup>, to demolish and rebuild: 90,000 m<sup>3</sup>)  
 Building area: 80,000 m<sup>2</sup> (of which culture and free time: 32,000 m<sup>2</sup>, catering: 15,000 m<sup>2</sup>, commercial tertiary sector: 28,000 m<sup>2</sup>, tertiary sector executive: 5,000 m<sup>2</sup>); Parking: 101,000 m<sup>2</sup>; Public green areas: 32,000 m<sup>2</sup>; Municipal services (municipal civic centre, elderly, people's centre, health and social services centre, nursery and post office): 5,500 m<sup>2</sup>







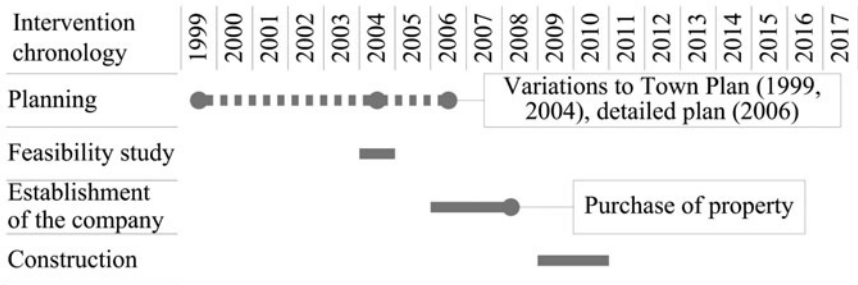
**POR - Stu Mako (Pordenone), town transformation company**

The Pianura Padana at the foot of the Alps in the Friuli, Veneto and Lombardia Regions is characterised by many cotton mills located close to waterways, built in the second half of the 18th Century most of which have fallen into disuse since the Second World War. In the case of the former Cantoni cotton mill in Cordenons, in Pordenone's outskirts, the complex began to fall into disuse in the 80s, and in 1990 the production activity completely stopped.

In 1999, with the Variant to the General Town Plan, the Municipality came up with its first strategies for the recuperation of the cotton mill area, which was classified as "Zona Elementare" n. 560, that's means de-structured zones/areas subject to configuration and evolution intervention policies on their morphological structures. At the same time, the green area along Noncello river was defined a "City Park". In November 2004, the City Council approved the variant n. 5 to the Technical Regulations for the implementation of the general urban planning instrument. As long as the "Zona Elementare" n. 560 is concerned, ex-cotton mill included, it was planned an increase in the residential building potential, if the intervention work provided for the restoration and re-use of the existing buildings. The General Urban Planning Instrument put off the definition of the intervention modalities and the localisation of the various facilities setting to the Detailed Urban Planning Instrument (in Italian, "Piano Regolatore Particolareggiato Comunale"), approved in 2006.

The intervention is aimed at setting up a new urban point of attraction, so to relieving congestion in the central part of the Town. The expected result is the creation of a centre where to host the administrative and educational services and as well as a meeting and socialization place usable for the whole day. The planning solutions, as far as the mix of building facilities was concerned, took on board the proposals suggested by different public entities and in particular, those of the Pordenone Province, the Territorial Agency for Residential Building (in Italian, "Agenzia Territoriale per l'Edilizia Residenziale") and the Agency responsible for managing the Local Public Transport (in Italian, Agenzia Responsabile per il Trasporto Pubblico Locale). The project previewed the demolition of the "superfettation" and the original buildings' recuperation, which were considered an example of industrial archaeology, so to become homes, tertiary sector commercial and executive structures, school facilities and sites for museal activities. Furthermore, the construction of new buildings was foresaw in order to complete the town plan. As far as public and community spaces are concerned the following ones were planned: the reorganisation of the route between the town centre and the green area along the Noncello river so to define a new town-square; the regeneration of the underground spaces, for garages and car parks, so to satisfying the parking needs generated by the new urban facilities.

Surface of the intervention area: 148,275 m<sup>2</sup> (of which cotton mill: 63,070 m<sup>2</sup>, northern area: 25,140 m<sup>2</sup>, green areas around Noncello river: 60,065 m<sup>2</sup>)  
 Residential n. 70; Commercial tertiary sector: 2,750 m<sup>2</sup>; Tertiary sector executive: 2,050 m<sup>2</sup>; Public facilities: 9,600 m<sup>2</sup>

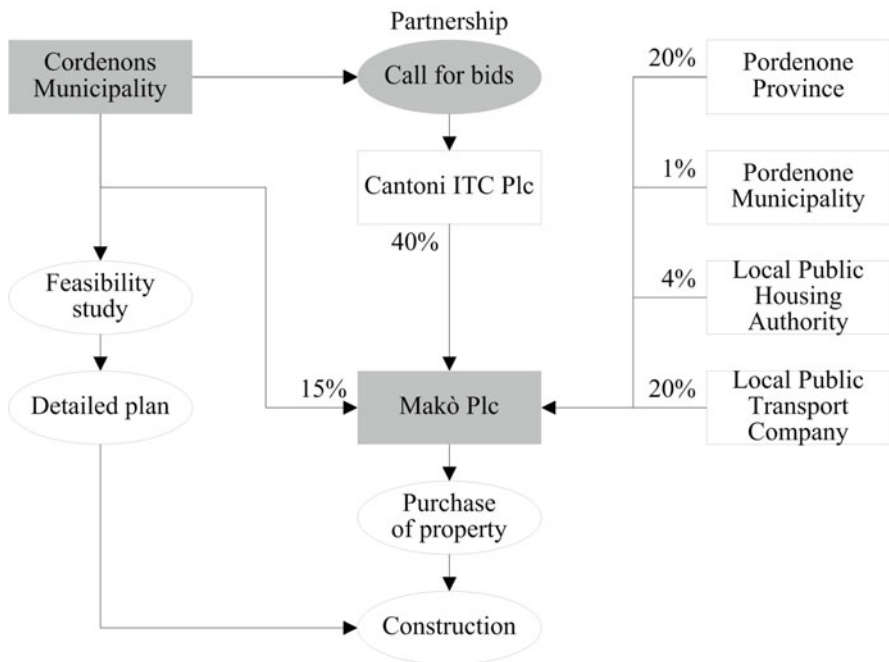
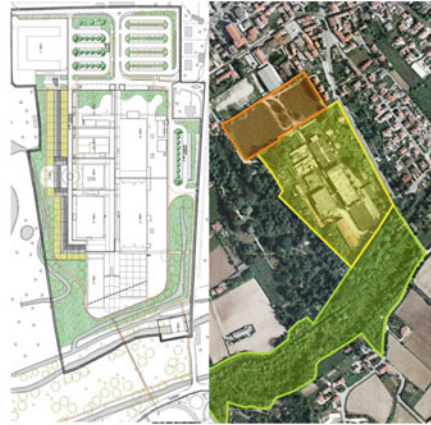


POR - Stu Mako (Pordenone), town transformation company

Location of the intervention



Transformation project



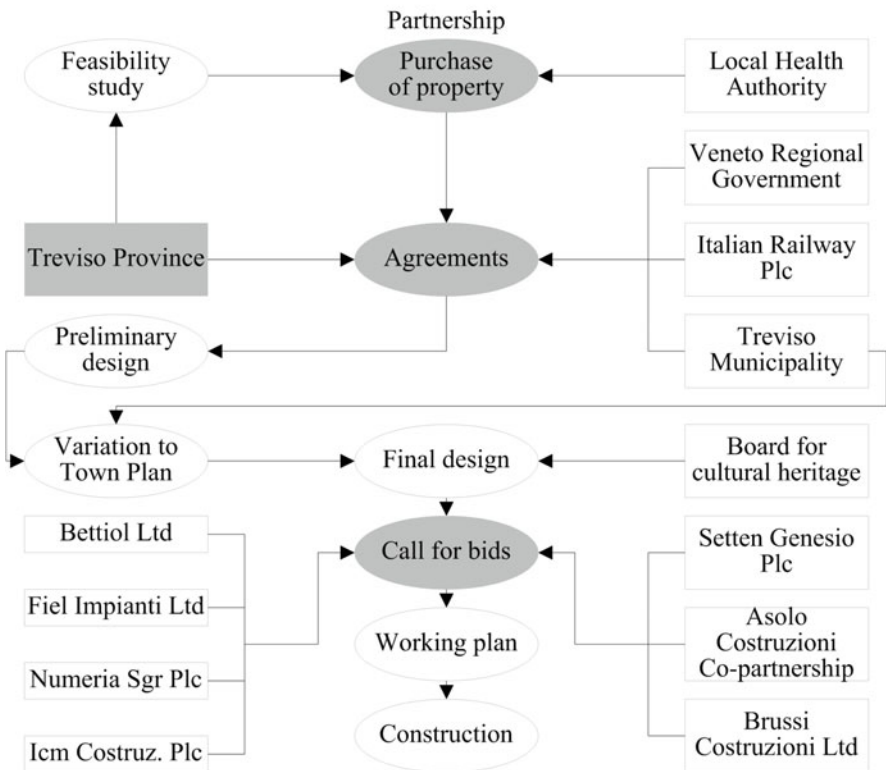
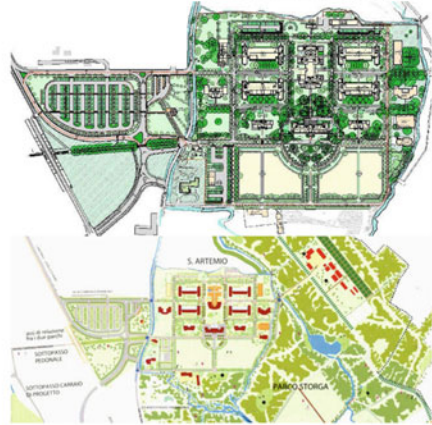


### TRE - Sant'Artemio (Treviso), urban restoration of former hospital

Location of the intervention








Transformation project











Legend

Intervention chronology

	Punctual and start or finish points for specific activities
	Progress made with the activities
	Discontinuity or interruption phases in the activities' progress
	Foreseen activities
	Project management phase duration

Partnership

	Promoters
	Partners
	Entities no longer existing or not yet involved
	Activity in progress or already carried out, which forms part of negotiation forms and of agreements among different entities
	Previewed activity not carried out yet, which is part of negotiation forms and of agreements among different entities
	Technical activity in progress or already carried out
	Previewed technical activity not carried out yet
	Financial flows which will take place in the medium and long term

### 3.2.3 General Considerations

*Intervention models regarding the physical environment* – Regarding the case studies' characteristics, it is first worth taking into consideration the type of areas destined to host the transformation and renewal activities (Fig. 3.8), and the intervention models chosen by the promoters.

The chosen transformation and requalification initiatives marginally involve disused industrial areas. This takes place, in actual fact, only in the case of Naples (the disused areas of Bagnoli recovered by the Bagnolifutura Urban Regeneration Company), Milan (dismissed industrial areas substituted by the Santa Giulia residential and tertiary settlements), and Cordenons (the Cantoni ex-cotton mill recuperated by the Makò Urban Regeneration Company).

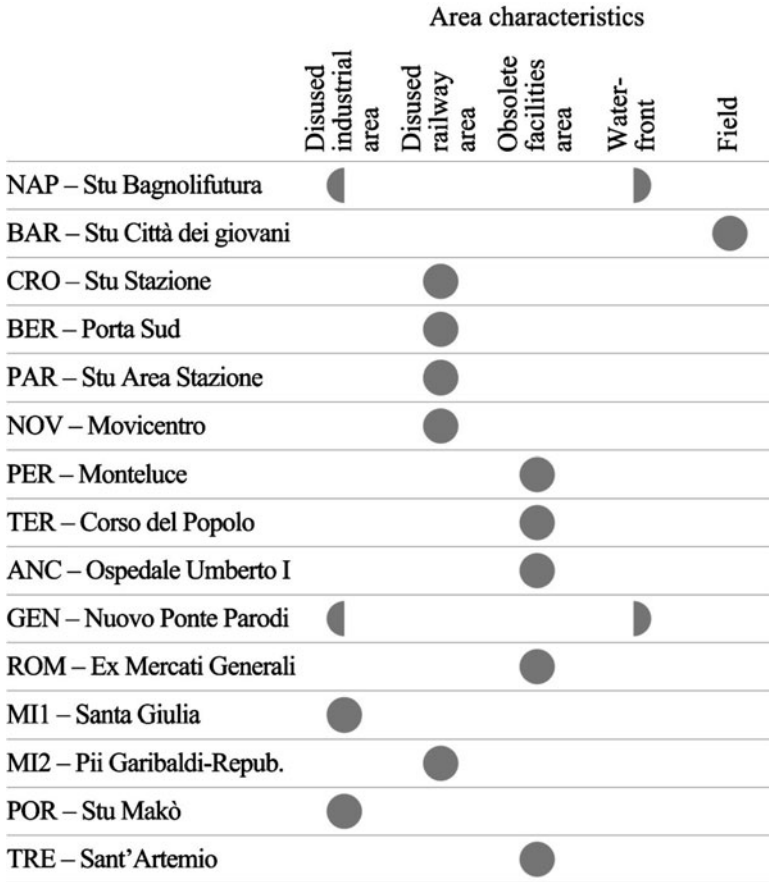


Fig. 3.8 Characteristics of the areas concerned by the cases studies

Dismissed industrial areas represent the first kind of zone which gained the attention of urban requalification plans during the 1990s and for which many important projects were prepared and carried out. As an example, some noteworthy cases in the metropolitan area of Milan should be highlighted, such as the recuperation and reconversion of the Pirelli plant in Bicocca, the regeneration of the ex-Alfa Romeo area in Portello Nord and the case of the dismissed Bovisa industrial sites; in Turin and in its conurbation the reuse of the ex-Carpano plant, the transformation of the Spina 3 areas (ex-Michelin, Fiat Savigliano, and Fiat Teksid, Iri), the ex-Limone foundry in Moncalieri and the ex-Ferrero steelworks in Settimo Torinese; in Genoa the reuse and regeneration of the areas where the Campi steelworks, the Ansaldo group assembly plant, and the Garrone refinery were sited.

After almost 20 years of research and experimentation on the requalification topic, Italy has achieved well-developed technical and administrative know-how. When the disused industrial areas are private property, and thus the restructuring

initiatives start from the private sector, this technical and administrative know-how usually applies the public–private partnership types, herein defined as “negotiated PPs”.

Nevertheless, in recent years local authorities and private capital have paid an increasing attention to other type of areas: those occupied by structures for railway transport, product yards which have become disused or that have to be transferred to areas outside the city, or areas occupied by buildings addressed to host public services which have become obsolete or which have to be transferred to other sites.

The Crotona, Bergamo, Parma and Novara case studies belong to the first category, where the restructuring project previews also to regenerate the main railway station and to install a mix of residential, administrative and commercial functions within the surrounding area. Also Milan project’s *Piano integrato di intervento Garibaldi–Repubblica* is included in this typology.

The second type includes the Perugia, Ancona and Treviso case studies, which refer to disused hospital sites, and the Terni and Rome case studies.

On the other hand, the Genoa case study exemplifies a further category of areas which, relatively recently have become the object of regeneration projects: the city seafont. Similar cases can be found in the cities of Trieste, Livorno, Bari, and Catania among others, without, as yet, relevant outcomes.

Finally, an atypical case study is exemplified by Baronissi, which concerns a mainly agricultural area. Nevertheless, it should be taken into consideration that the intervention area is adjacent to the old town center of Baronissi, near both the city of Salerno, and the new Salerno University campus.

The case studies highlighted so far, representing the transformation of publicly owned real estate, do not yet benefit from the advanced technical and administrative know-how that in Italy has been developed for the regeneration of disused industrial areas. The intervention tools used for publicly owned real estate currently fall either into the category of partnership forms known as “contractual types” or “institutional types.” The public ownership of the real estate and the consequent need for the partnership to be promoted by the public subject makes the intervention tools’ choice of crucial importance. However, political decision making and technical elaboration have not yet been able to clearly demonstrate some crucial aspects, in particular the role of the public sector in a market economy.

As far as the intervention models are concerned, it worth attributing the case studies to the models defined in the research program CoUrbIT (Fig. 3.9) operating on the distinction between the initiatives regarding the physical environment – via “recover,” “redevelopment,” “renewal,” and “framework” models – and those regarding mainly the community – via models defined as “gentrification,” “revitalization,” and “regeneration.”

As far as initiatives working on a physical characters are concerned, a large part of the case studies analyzed herein use solutions regarding preexisting settlements, the adopted interventions sometimes are radical (redevelopment) and consists in substituting the obsolete structures: industrial areas swallowed up by city growth and disused railway product yards are very often replaced by residential, administrative, and commercial buildings.

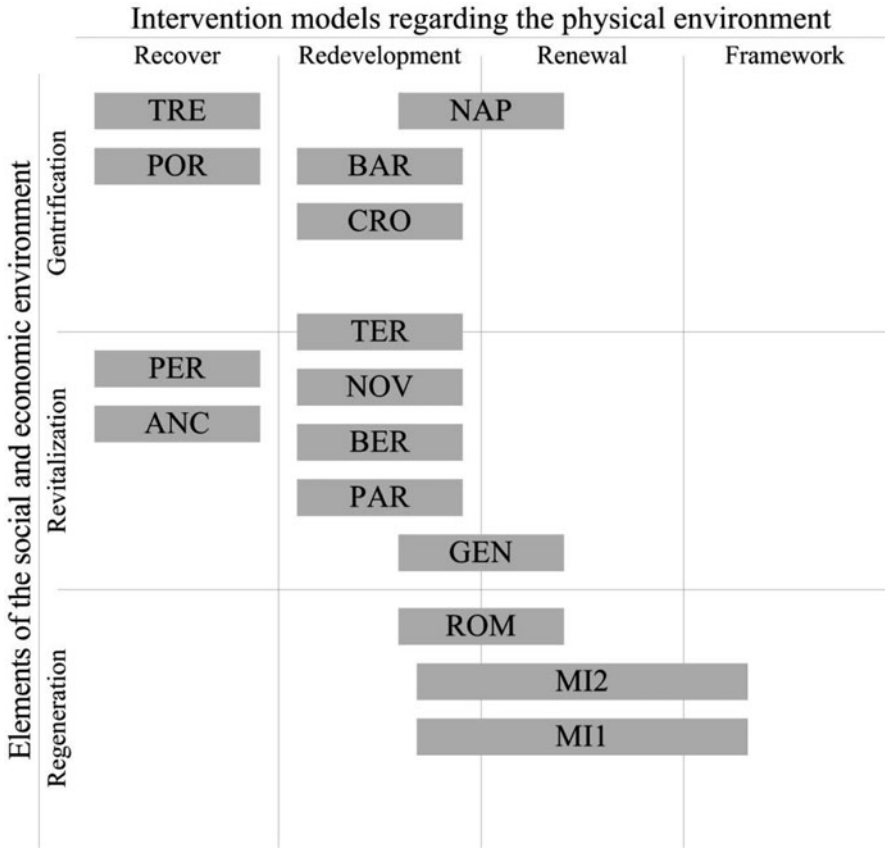


Fig. 3.9 Intervention models regarding the physical environment and the community

In cases regarding the regeneration of obsolete town facilities – for instance the hospital sites in Perugia (Monteluce), Ancona (Umberto I) and Treviso (Sant’Artemio) – the intervention does not radically change the nature of the preexisting sites and consists in the recovery of the building structures, in general restructuring with more portions restructured rather than demolished and reconstructed or with the addition of new buildings.

Some of the cases analyzed herein are in large cities open to international competition: Milan (Santa Giulia and Garibaldi Repubblica), Rome (Ex Mercati Generali), Genoa (Nuovo Ponte Parodi) and Naples (Stu Bagnolifutura). In these cases, the urban redevelopment helps to reposition the city within the European economic space qualifying some of its areas with high level facilities and it aims to renew the image of the city thanks to the fundamental contribution of architecture (*renewal*). In these cases, when the promoter is the local authority, the intervention works result from a design competition which involves internationally renowned architects.

The case study “Garibaldi Repubblica” (Milan) has some peculiarities which distinguish it from all the others. It contains aspects which can be described as



modernization of the city's spaces, thanks to the breadth of the areas concerned and the diffusion of the regeneration effects beyond such spaces, consequently it brings benefits to all adjacent areas and to the city as a whole. Besides it includes multiple intervention works of different natures and on different scales: from the realization of buildings for residential and tertiary use, to the construction and management of public facilities for the city – a park, the headquarters of the City Council – and for the metropolitan area – spaces in support of the fashion sector and the headquarters of the Regional authority. Even with these characteristics, the case in consideration does not cross over into the *restructuring*, typical of the postsocialist countries and it can be considered a combination between the radical transformation of the framework of the city (*redevelopment*) and the improvement of the city's image through the quality of the architectural design (*renewal*). Within this combination, a specific process is engaged, characterized by organizational autonomy (*framework*) and orientated toward the construction and management of new institutional headquarters for the Regional authority and the City Council Administration.

The other case study regarding Milan (Santa Giulia) is very similar to the case study examined before. Within this operation – which can be considered both as a form of city restructuring (*redevelopment*) and as a way of improving the city's image (*renewal*) – a specific housing plan has been set up by a network of firms (*framework*) aimed at realizing in the residential area flats to be leased out at controlled rents.

*Intervention models regarding the social and economic environment* – The diagram in Fig. 3.9 anticipates the theme represented by the intervention models regarding the social and economic environment. In the case studies examined it is difficult to distinguish clearly between the following: intervention work aimed only at regenerating the economic and social fabric of the city (*regeneration*), intervention work aimed at revitalizing the economy with effects also on a social level (*revitalization*), and finally, intervention work orientated at a wider valorization of the city both from an economic and social point of view (*gentrification*).

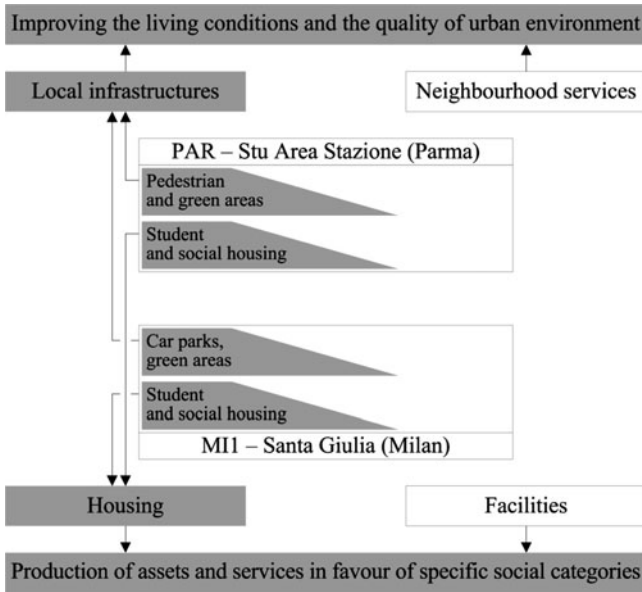
A deeper analysis of intervention work aimed at the fulfillment of public and community interests, however, allows pointing out some aspects. These interventions pursue two main aims, each of which is composed of two specific objectives.

The first aim lies in improving the living conditions and accessibility to town facilities. It regards both works with a moderate level of impact, such as implementation of new local infrastructures (for instance green public areas, pedestrian areas, car parks), and works with a high level of impact, such as the implementation and managing of public district services (for instance civic centers, health services, and nurseries).

The second aim concerns the production of public assets and services addressed to specific social categories, and it includes both the construction of social housing (for instance for students or for low income families) and the realization of specialized facilities (for instance spaces for students or for young people in general).

The following diagrams classify the experiences analyzed according to the aims before described. These cases are limited to those where there is enough information available on intervention methods regarding the social and economic environment.

In some of the cases in question – for instance, the “Stu Area Stazione” in Parma and “Santa Giulia” in Milan (Fig. 3.10) – the aim of improving the living conditions



**Fig. 3.10** Intervention method regarding the social and economic environment: “Stu Area Stazione” in Parma and “Stu Santa Giulia” in Milan

and accessibility to the town environment facilities and the availability of services in the city is mainly pursued providing more public facilities, than required by urban regulations (this is the topic of the additional community facilities to be taken charge of by the private promoter), while the aim of widening the social categories admitted to benefit from the intervention is reached with the building of residential housing partly assigned to students or to low income families.

In other cases – for instance, “Monteluce” in Perugia and the “Ospedale Umberto I” in Ancona (Fig. 3.11) – the improvement of living conditions and accessibility to the town environment facilities is not limited to the minimum standard requirements: the range of public works in addition to the minimum allocation required by urban law, compulsory for the promoter in the area subject to the regeneration, is widened to the building of district services, including civic centers and health clinics.

Furthermore, other cases – for instance, the “Stu Ex Mercati Generali” in Rome and the “Stu Città dei Giovani e dell’Innovazione” in Baronissi (Fig. 3.12) – pay more attention to the production of public property and services aimed at specific social categories. In these cases, less relevance has been given to the carrying out of residential social housing for permanent residents and a greater emphasis has been given to the construction of facilities for students and for young people in general.

*The physical dimensions of the intervention work* – The largest projects (Table 3.1) are those regarding disused industrial areas, that is, those in Milan (Santa Giulia) and Naples (Stu Bagnolifutura). The size refers both to the space occupied by the intervention area (over 1 million m<sup>2</sup>) and the building area (approximately more than 400,000 m<sup>2</sup>).

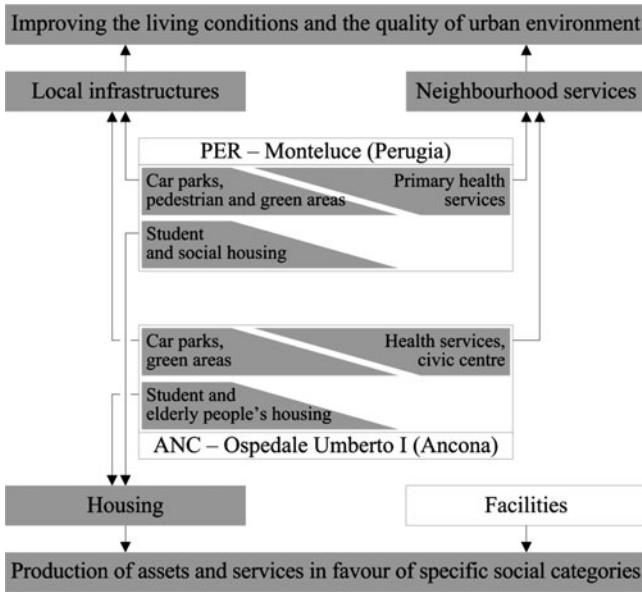


Fig. 3.11 Intervention method regarding the social and economic environment: Monteluce in Perugia and Umberto I in Ancona

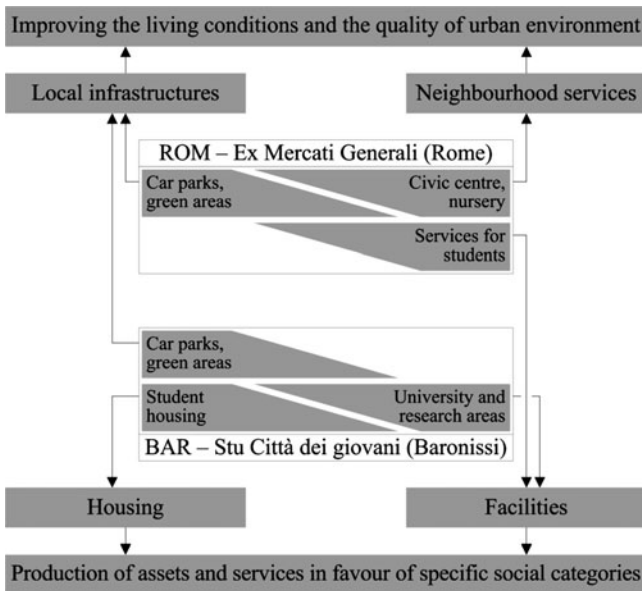
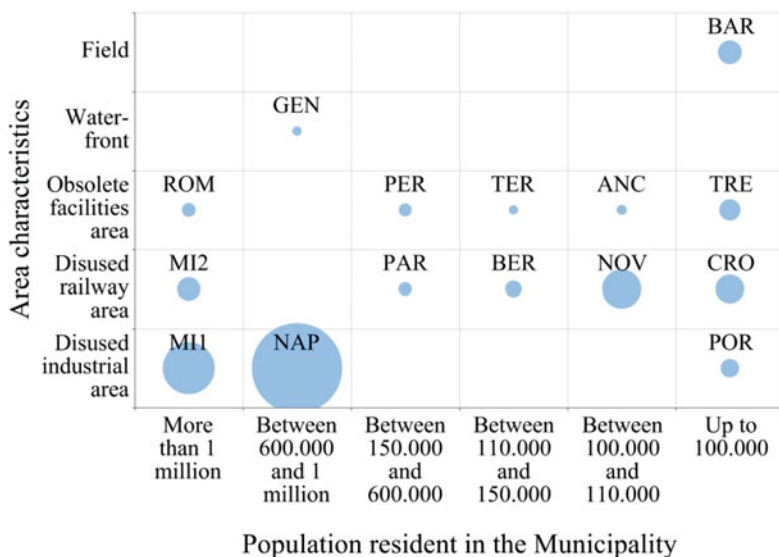


Fig. 3.12 Intervention method regarding the social and economic environment: ex-Mercati Generali in Rome and Stu Città dei Giovani in Baronissi

**Table 3.1** Dimensions of the intervention areas in comparison with the demographic dimensions of the city

		Intervention's area dimension (m <sup>2</sup> )	Population resident in the Municipality <sup>a</sup> (n.)
ROM	Ex Mercati Generali (Rome)	85,000	2,705,603
MI1	Santa Giulia "Città nella città" (Milan)	1,112,200	1,303,437
MI2	Pii Garibaldi – Repubblica (Milan)	230,338	1,303,437
NAP	Stu Bagnolifutura (Naples)	3,300,000	975,139
GEN	Nuovo Ponte Parodi (Genoa)	42,950	615,686
PAR	Stu Area Stazione (Parma)	80,000	177,069
PER	Monteluce (Perugia)	75,000	161,944
BER	Porta Sud (Bergamo)	120,000	115,645
TER	Corso del Popolo (Terni)	41,000	109,816
NOV	Movicentro e Stu Novara Futura (Novara)	629,916	102,595
ANC	Ospedale Umberto I (Ancona)	46,400	101,480
TRE	Sant'Artemio (Treviso)	193,232	81,763
CRO	Stu Stazione (Crotone)	345,480	60,673
POR	Stu Makò (Pordenone)	148,275	18,247
BAR	Stu Città dei giovani (Baronissi)	240,000	16,294

<sup>a</sup>Source: Istat (National Institute of Statistics), official data on resident population in the Italian Municipalities, 1 January 2007, <http://demo.istat.it/>



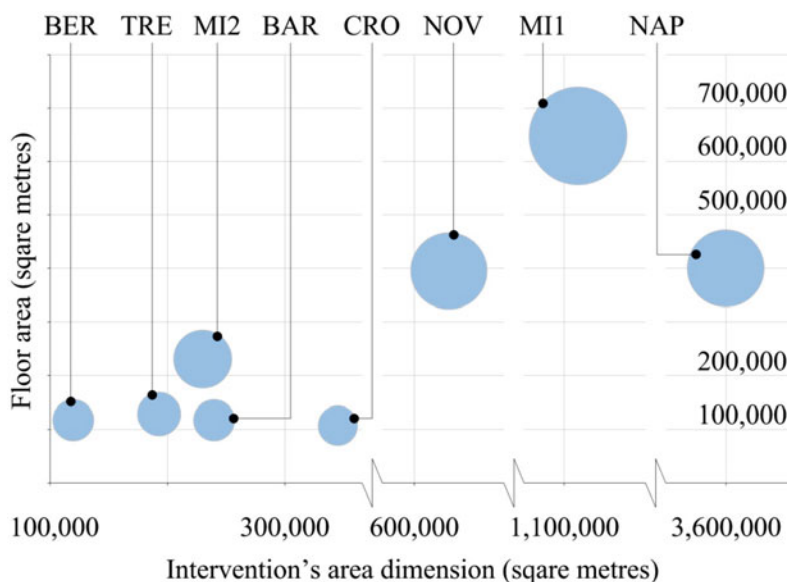
**Fig. 3.13** Characteristics and dimensions of the intervention area in comparison with the demographic dimensions of the City

In general, the size of the projects that incorporate disused railway structures are smaller, even though these cases often cover hundreds of thousands of square meters, independently from the demographic size of the city that hosts them (Fig. 3.13). The figures range from around 230,000 m<sup>2</sup> for the area “Garibaldi Repubblica” in Milan, to around 345,000 m<sup>2</sup> for the “Stu Stazione” works in

**Table 3.2** Dimensions of the intervention areas in comparison with floor area ratio

		Floor area <sup>a</sup> (m <sup>2</sup> )	Intervention's area dimension (m <sup>2</sup> )
NAP	Stu Bagnolifutura (Naples)	399,181	3,300,000
MI1	Santa Giulia “Città nella città” (Milan)	647,000	1,112,200
NOV	Movicentro e Stu Novara Futura (Novara)	394,047	629,916
CRO	Stu Stazione (Crotone)	105,890	345,480
BAR	Stu Città dei giovani (Baronissi)	116,000	240,000
MI2	Pii Garibaldi – Repubblica (Milan)	229,693	230,338
TRE	Sant’Artemio (Treviso)	127,466	193,232
POR	Stu Makò (Pordenone)		148,275
BER	Porta Sud (Bergamo)	116,000	120,000
ROM	Ex Mercati Generali (Rome)	80,000	85,000
PAR	Stu Area Stazione (Parma)	42,827	80,000
PER	Monteluca (Perugia)	65,000	75,000
ANC	Ospedale Umberto I (Ancona)	34,098	46,400
GEN	Nuovo Ponte Parodi (Genoa)		42,950
TER	Corso del Popolo (Terni)	23,706	41,000

<sup>a</sup>Floor area for housing, tertiary sectors such as directional complexes, commercial buildings, accommodation facilities, research centers, universities, congress centers and services for the citizenships, parking areas excluded either underground and on surface ones

**Fig. 3.14** Dimensions of the intervention areas in comparison with the floor area ratio

Crotone, to around 630,000 m<sup>2</sup> for the “Movicentro” and “Stu Novara Futura” project (Piedmont Region).

Generally, the areas occupied by obsolete town facilities or disused port structures do not reach 100,000 m<sup>2</sup> (Table 3.2; Fig. 3.14). The smaller comparable site

for these project sizes, even in terms of the building areas (from around the 24,000 m<sup>2</sup> at “Corso del Popolo” in Terni to the 80,000 m<sup>2</sup> at the “Ex Mercati Generali” in Rome), contributes to explaining the time required to bring them to completion. Indeed, if on the one hand the regeneration case studies for the disused industrial areas in Milan and Naples have taken over two decades, on the other hand, the obsolete town facilities have required up to 7 years for their preparatory activities (agreements, town planning, public investigation procedures) and up to 5 years to carry out the work (excluding possible management).

Other facts have emerged regarding the relation between the building floor area and the dimension of the intervention area. The regeneration cases concerning disused industrial areas are more contained in comparison with other situations: the floor area ratio (FAR) ranges from 0.58 to 0.12 m<sup>2</sup>/m<sup>2</sup> respectively, in the cases of “Santa Giulia” in Milan and “Bagnolifutura” in Naples. This is a consequence of the need to provide the city with areas equipped with features in line with the town planning standards, such as in particular car parks and green areas, making the most out of the regeneration interventions.

The aforementioned ratio is found to be higher in projects concerning the recuperation and reuse of obsolete town facilities and, in fact, the floor area ratio ranges from 0.73 and 0.87 to 0.94 m<sup>2</sup>/m<sup>2</sup> respectively, in the cases of “Ospedale Umberto I” in Ancona, “Monteluce” in Perugia and in the “Ex Mercati Generali” in Rome. The public ownership of the property and the public aim of the initiative plays a decisive role to that end.

Regarding the technical aspects, such a high building density occurs from the use of different tools. On the one hand, in some cases the possibility of increasing the existing volumetry was recognized before the renewal intervention, such as, for instance, at the Ex-General Markets in Rome where an increase of up to 30% on the preexistent 264,000 m<sup>3</sup> was permitted. On the other hand, in other situations, activities which require a lower story height than the existing one have been installed within the volumetry which existed before the renewal intervention. For instance, in the case of the “Ospedale Umberto I” in Ancona, the existing buildings on the area had a volume of about 140,000 m<sup>3</sup>, which corresponded to a cadastral area of almost 26,000 m<sup>2</sup>. The renewal intervention had a limited increase in volume (about 9,000 m<sup>3</sup> more), but the floor area exceeded 34,000 m<sup>2</sup> and the ratio between the volume and the floor area decreased from 5.38 m<sup>2</sup>/m<sup>2</sup> before the intervention work to 4.38 after the renewal.

The highest building density was found in two cases regarding the transformation of disused station facilities: 0.97 m<sup>2</sup>/m<sup>2</sup> for “Porta Sud” in Bergamo and almost 1.00 m<sup>2</sup>/m<sup>2</sup> for “Pii Garibaldi Repubblica” in Milan.

The permission of such a high building density index comes from the need to find a satisfactorily compromise between two opposite interests: the land’s value improvement for the owners involved and the community’s expectations. This need comes from the amount of public and community works to be carried out, but above all from the market value of the requalification area (in the “Città della Moda’s” case, long time ago the area was sold off to a private company by Rfi, while in the “Porta Sud” – Bergamo’s case the most of the area is still owned by Rfi).

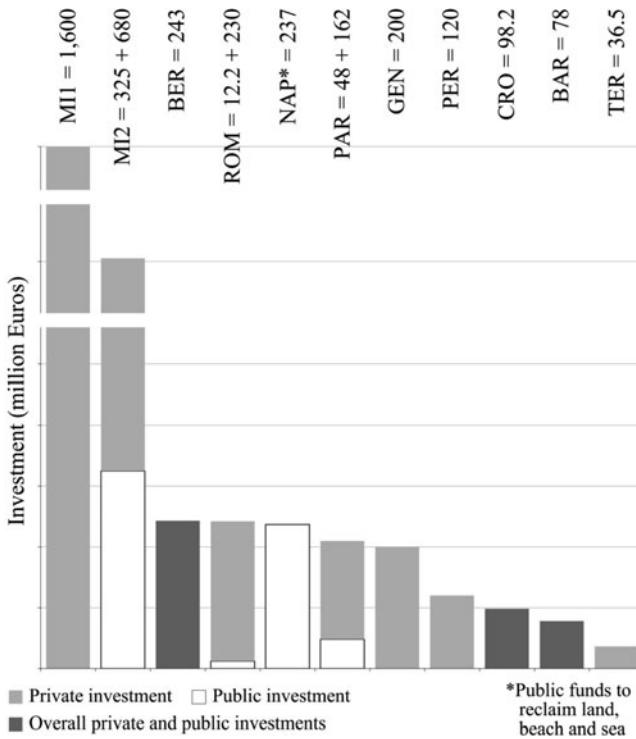


Fig. 3.15 Comparison between the investment dimensions

*The interventions’ financial dimensions* – The average size of the whole investment, in 10 of the cases with available information (Fig. 3.15), was over €370 million. However, this figure is strongly influenced by the presence of two cases on the city of Milan – “Santa Giulia” and “Pii Garibaldi Repubblica” – where the total investment was over a billion Euros. Most of the cases are focused on lower levels of investment: five of the cases are between €200 and €250 million of investment, while three others are between €78 and €120 million.

In the cases of “Porta Sud” in Bergamo, “Stu Area Stazione” in Crotona and “Stu Città dei Giovani” in Baronissi, the estimates regarding the investments sustained must be weighed in relation to the progress of the project activity. Furthermore, the percentage of involvement among public and private entities is not yet known, as the private entities have not been involved yet. Even “Stu Bagnolifutura” in Naples is not yet open to private capital: the amount of the investment refers to state and region’s funds allocated to complete reclamation activities of the land, the stretch of sand and the sea bed.

In some of the cases in question, the investment was completely under the responsibility of the private subjects involved, which also had to carry out the public works. For example, the €36 million invested in the case of “Corso del Popolo” in Terni included around €20 million for public works, which the private subject had

partly to manage and partly to give to the local authority; the €1.6 billion invested in the case of “Santa Giulia” in Milan included around €157 million needed for carrying out qualitative standards (schools and university housing) and extra public works (local infrastructures and congress center) agreed among the private owners and the local authority.

Finally, in three of the analyzed cases the total investment includes very different shares of public financial contribution: from the 5% for the “Ex Mercati Generali” in Rome, to the 23% for the “Stu Area Stazione” in Parma, up to the 33% of “Pii Garibaldi Repubblica” in Milan. Nevertheless, these last two cases are, above all, those that are worthy of being studied more in detail.

The Urban Regeneration Company, known as “Area Stazione” in Parma, opened a tender with the aim of implementing both private and public works, for a total amount up to €108 million, which was the equivalent of around half of the total investment estimated in €210 million. The public funds in hand of the local authority and, thus, of the Stu company in order to covering the investment’s costs, approximately totalled up to €45 million; the remaining part was represented by the value of the real estate valorization and by the resources attainable selling the private works. In other words, the undertaking of the city’s requalification works was in larger part funded selling future assets.

Considering the “Pii Garibaldi Repubblica” case study in Milan, instead public funds to be invested in the area’s renewal will not be given to the private subjects presently involved. As a matter of fact, in this case the involved local authorities – i.e., the Milan City Council and the Lombardy Regional authority – will use these funds to build new properties for hosting their respective headquarters; this will be achieved through distinct and autonomous building initiatives even if in the context of an overall regeneration intervention. This will take place through “an integrated tendering procedure” – i.e., a procedure including the executive design and the buildings’ construction – as far as the Lombardy Regional headquarters are concerned, and applying the project financing as far as Milan City Council is concerned.

### **3.3 Role of the Partnership in the Case Studies**

#### ***3.3.1 Public–Public Partnership***

In most of the cases discussed in the previous section, a public subject assumed the role of driver of change. In 10 out of the 15 cases examined, the promoter entity is the local authority (Stu Bagnolifutura in Naples, Stu Young People’s City in Baronissi, Stu Station in Crotone, Porta Sud in Bergamo, Stu Area Station in Parma, Movicentro and Stu Novara Futura in Novara, Corso del Popolo in Terni, Pii Garibaldi Repubblica in Milan, Nuovo Ponte Parodi in Genoa and Ex-General Markets in Rome). In some cases, this takes place because the main core of the investment regards local authority’s public property, in other cases because the assets

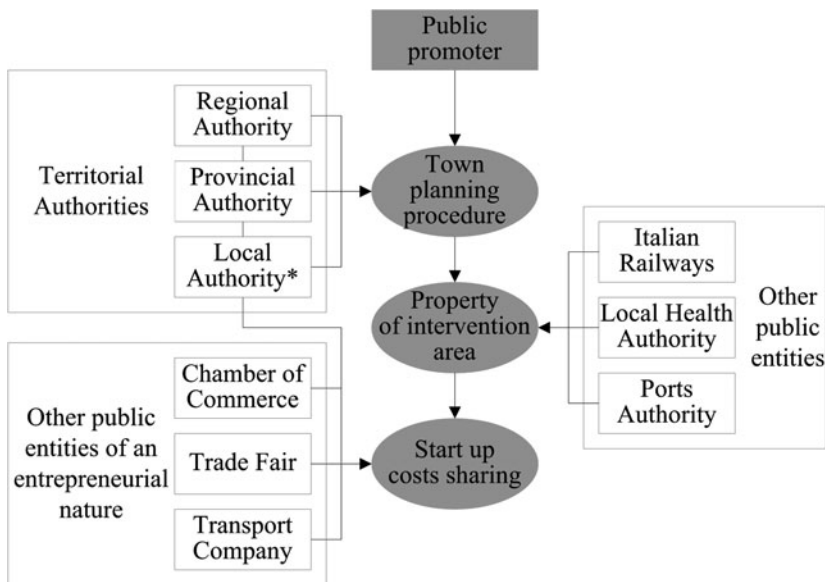


at the center of the intervention belong to state-owned companies and the local authority deems to have a great decisional power.

Furthermore, in four of the examined cases, the initiative is pushed forward by other public bodies: regional local authorities and universities in the cases of Monteluze in Perugia, provincial local authorities in the case of Stu Makò in Cordenons and Sant’Artemio in Treviso, hospitals in the case of the Umberto I Hospital in Ancona. Only the Santa Giulia case study in Milan is an example where the promoter is private.

Apart from the legal status of the renewal process’s promoter, almost in all the case studies the partnership setup follows a common model: upstream the roles’ subdivision among public and private subjects and their investments’ share, there is always the need to structure partnership forms involving several public bodies. This need can be explained taking into consideration three main reasons (Fig. 3.16).

The first reason concerns town planning procedures to be completed in order to start the regeneration process. Many projects are not coherent with the urban plan’s rules, so that it is necessary to revise them. Consequently, in order to shorten the time usually needed for modifying the urban plans according to the ordinary procedures, the project’s approval is sanctioned on the basis of a program agreement between the public bodies competent in town planning matters: first the city council, second the regional government, and in some of the cases also the provincial local government. The experiences in Monteluze (Perugia) and in the Umberto I Hospital (Ancona) are different in comparison with the other analyzed



\*Local Authority is promoter or one of the public partners

Fig. 3.16 Public–public partnership

cases. In both, the promoter is not the local authority, and the partnership among the public subjects involved is necessary, not really to change the provisions contained in the general urban plan, but to develop the executive planning.

The second reason for creating public–public partnerships comes from the fact that the public promoter of the initiative is not always the owner of the intervention’s areas. For instance, if the public promoter is the city council which wants to regenerate the dismissed railway areas, it needs to involve the “Italian Railway Network” (Rfi – Rete Ferroviaria Italiana) which, even if formally being a private company, is completely under the control of State Railways Ltd; the latter is in turn totally shared by the State via the Economics and Finance Ministry. In the same way, for seafront regeneration works, it is in general necessary to involve the local port authority.

It is to be stressed that the ways in which the areas subject to renewal works are made available by the abovementioned subjects are not uniform. For example, it happened thanks to the establishment of a joint company in the case of Porta Sud in Bergamo, also with Rfi’s participation, while in the case of Nuovo Ponte Parodi in Genoa there is the port authority’s participation. Finally, in the Stu Area Stazione in Parma and Stu Stazione in Crotone’s cases the ownership of Rfi’s areas were transferred. It is to be enlightened that in the cases of Movicentro and Stu Novara Futura in Novara plans of action have yet to be defined.

The third reason which leads to the creation of partnership forms among several subjects in the public sphere is suggested by the need to collect enough financial resources for covering the start up costs. Therefore, the explanation to the establishment of partnerships among regional or provincial authorities (as in the case studies concerning Stu Bagnolifutura in Naples, Stu Città dei Giovani in Baronissi and Porta Sud in Bergamo) and the Chamber of Commerce (again, regarding Porta Sud in Bergamo, and the Movicentro and Stu Novara Futura and Nuovo Ponte Parodi in Genoa case studies).

The diagram in Fig. 3.17 puts the case studies in relation with the reasons leading to partnership forms involving several public subjects. The Ex-General Markets in Rome, the Corso del Popolo project in Terni, and the Sant’Artemio project in Treviso have been excluded: in the first two cases the city council modified the urban plan applying standard procedures; in the third case it was not necessary to modify the urban plan forecasts.

### ***3.3.2 From Public Partnership to Mixed Capital Firm***

In 12 of the 15 analyzed cases, the partnership among several public subjects is of great importance. Furthermore, in 8 of these 12 cases the public–public partnership is carried out with the creation of a corporate company.

A large part of these companies have set up in the form of Urban Regeneration Companies, institution provided for by national legislation on the basis of the experience gained by the French *Société d’économie mixte* in the second half of the 1990s. In six of the examined cases – Naples, Baronissi, Crotone, Parma,

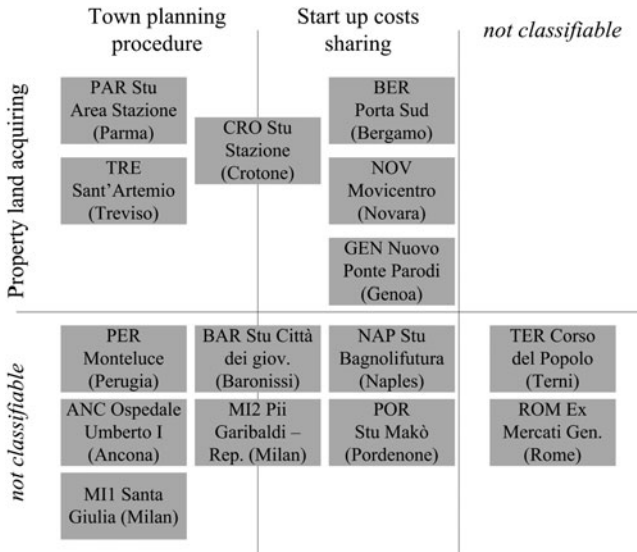


Fig. 3.17 The case studies with respect to the reasons for public–public partnership

Novara, and Cordenons – the partnerships were formalized by the setting up of an institutional company structure based upon the Stu legislation. However, Italian Local Public Bodies can implement works applying the private law regime through ad hoc legal entities (public limited companies or limited liability companies); this is also why for the Bergamo and Genoa projects’ partnerships were formalized incorporating companies so to carry out urban regeneration and renewal works, even if it is not been applied the law founding the Urban Regeneration Companies.

The collaboration among several subjects carried out through the foundation of joint stock companies has been defined as an “institutional” type of partnership in the Green Paper published by the European Commission. The distinguishing mark of an institutionalized PPP has been identified in the fact that “it implies cooperation between the public and the private sectors within a distinct legal entity.”

The Italian examples of intervention works on the urban structure using joint stock companies raise strong doubts about whether they are a real collaboration among local authorities and private entrepreneurs. In fact, seven of the eight examples of town transformation companies indicated above are involving only public partners (Fig. 3.18). Furthermore, in five cases the involvement of private partners was foreseen upon setting up the company, but it has been put back and still not yet carried out.

More specifically, “Stu Bagnolifutura” was established in April, 2002 by Naples City Council and only public bodies were involved (i.e., the regional and provincial authorities, in addition to the municipality); Naples City Council foresaw to transfer most of the share to private subjects (around 60%), nevertheless, when and how to transfer it have not yet been defined. The “Stu Città dei Giovani e dell’Innovazione” was established in December, 2003 by the Baronissi City Council and a limited share was also undertaken by the Province of Salerno. The reduced initial allocation

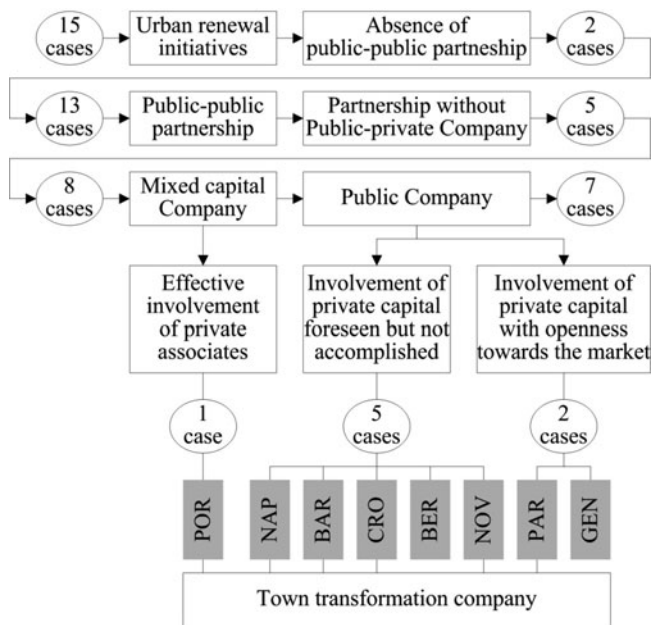


Fig. 3.18 Hierarchical chart: from public–public partnerships to joint companies

of capital from the public bodies, in the absence of private entrepreneurial partners, was not enough for bearing the core start up costs (legal, administrative, planning expenses, etc.). Consequently, several times the local bodies have been forced to recapitalize the company, with considerable difficulties due to the public balance sheet restrictions, that required extraordinary and unforeseen fundraising.

“Stu Stazione” in Crotone and “Stu Novara Futura” were set up more recently, respectively in February and May, 2006. Also in these cases, when and how private partners’ involvement in the company would happen has yet to be defined. Finally, “Porta Sud” in Bergamo has among its partners the Italian Railway Network (Rfi), a company entirely controlled by the state. Rfi is formally considered a private subject, being a limited company, but it was involved in the company without undertaking any public inquest procedures.

In all of these cases the requirements that the European Commission identifies as characterizing for the PPPs are lacking: the project financing methods, the relevant role of the economic operators of and an adequate share of risks between public and private partners.

Regarding the previously outlined framework, three examples can be considered exceptions. In the case of “Stu Makò” in Cordenons, the tender for private subjects was published at the beginning of 2006, at the same time as the companies were set up. In the examples of “Stu Area Stazione” in Parma and “Nuovo Ponte Parodi” in Genoa, both the companies which led the intervention work were made up only by public partners. Nevertheless, these companies involved private partners, through public inquest procedures, in order to implementing and managing the works.

### 3.3.3 *Negotiation Methods Between Public and Private Subjects*

The analysis performed has highlighted that partnerships among several public bodies represent a kind of steady characteristics in urban regeneration interventions, being deeply rooted to the complexity of these projects themselves. Nevertheless, it has also emerged from these projects that public–public partnership does not always develop into forms of public–private partnership, even if this is planned – often even hoped for – at the beginning of the process.

On the other hand, in the situations where forms of public and private partnerships take place, the paths which lead to interentities cooperation come in different forms and they are articulated through different modalities of tendering and negotiating, as explained in the diagram (Fig. 3.19).

The top part of the diagram shows the evidence coming from the experiences discussed in the previous paragraph: it shows a partnership formed by the involvement of different public bodies in a company (*organization*) entirely shared by public capital (i.e., “Stu Bagnolifutura” in Naples and “Stu Stazione” in Crotona), sometimes preceded by town planning procedures (*town planning*) and which reach an overall agreement (“Stu Città dei Giovani2” in Baronissi, “Porta Sud” in Bergamo and “Stu Novara Futura” in Novara). However, the partnership has not still developed enough to involving private partners.

The central part of the diagram represents those case studies that, after the elaboration of regeneration projects (*town planning*) and eventually the definition of an agreement and the starting up of a company (*organization*), shared only by public bodies, open to the cooperation with private entrepreneurs (*market*). The partnership is a contractual one: the private partners, chosen via public inquest procedures, get a concession for building and managing the public works (for examples, “Stu Area Stazione” in Parma, “Nuovo Ponte Parodi” in Genoa).

Nevertheless, in the examples where the municipalities are not owners of all the properties subject to the renewal work, or of the majority of them (“Monteluca” in Perugia, the “Ospedale Umberto I” in Ancona) and therefore, they are not directly interested in the valorization of the assets, the negotiation among the public subjects mostly concerns the contents of the executive urban plan (*town planning*) and the private and public works to be built. The public partnership does not develop into a joint mixed company, but it immediately opens to private partners (*market*), via competitive tendering. The private partners get the opportunity to carry out both the private and the public works previewed by the executive urban plan.

Finally, the bottom part of the diagram pertains to those case studies where the projects do not originate by partnerships among different public entities, but directly by public and private ones. This takes place, as far as town planning aspects (*town planning*) are concerned, when the private partners hold a relevant quota of the property to be regenerated (i.e., “Santa Giulia” in Milan) or of the building rights (“Pii-Garibaldi Repubblica” again in Milan). When, on the other hand, the property to be transformed and regenerated is mostly public, and there are public or

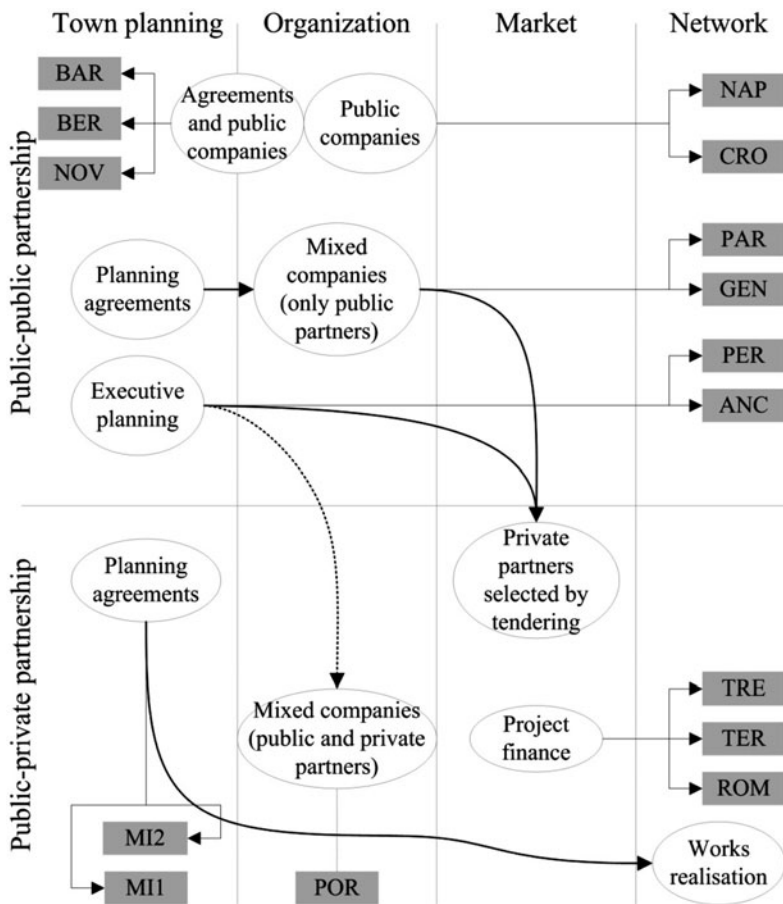


Fig. 3.19 Different methodologies of negotiation in the frame of public–public and public–private partnership

community works to be carried out and managed over long time (“Ex-Mercati Generali” in Rome, “Corso del Popolo” in Terni and “Sant’Artemio” in Treviso), then the involvement of private entities (*market*) takes place through project financing.

### 3.3.4 Characteristics of Private Partners

A large part of the cases described in the lower part of the diagram (Fig. 3.19) presents common key characteristics: the implementation of the renewal works takes place through the creation of one or more special purpose project companies.

The advantage deriving by the constitution of a new legal entity can be explained with the term “*ring fence*,” that is the legal and economic separation of the assets needed to carry out the project from the promoter’s ones. In other words, the risks related to the project are limited and taken apart with respect to the other activities managed by the promoters. Consequently they keep an autonomous debt capacity. In the case of failure, the financing subjects cannot assert their rights on the promoters’ assets not involved, under the legal point of view, in carrying out the project itself.

This is true in all those cases in which public–private partnerships take place through contractual relationships, as it was in the case of the following special purpose project companies: “Corso del Popolo” Plc in Terni, “Ponte Parodi Due” Plc in Genoa, and the Ostiense Special vehicle company Ltd for the “Ex-Mercati Generali” in Rome.

In these situations, the project’s companies became the hinge pin (Fig. 3.20) around which are structured the relationships among the local authority grantor, the private entities with an entrepreneurial character, i.e., the promoters, and the entities financially involved.

The special purpose project companies collect their equity from the private promoters. They raise funds, in the form of debt capital, from the subjects active in the credit sector. Endowments for the special purpose project companies can also derive directly from public contributions in the form of support given by the local authority grantor. In the case of “Corso del Popolo” in Terni and of the “Ex-Mercati

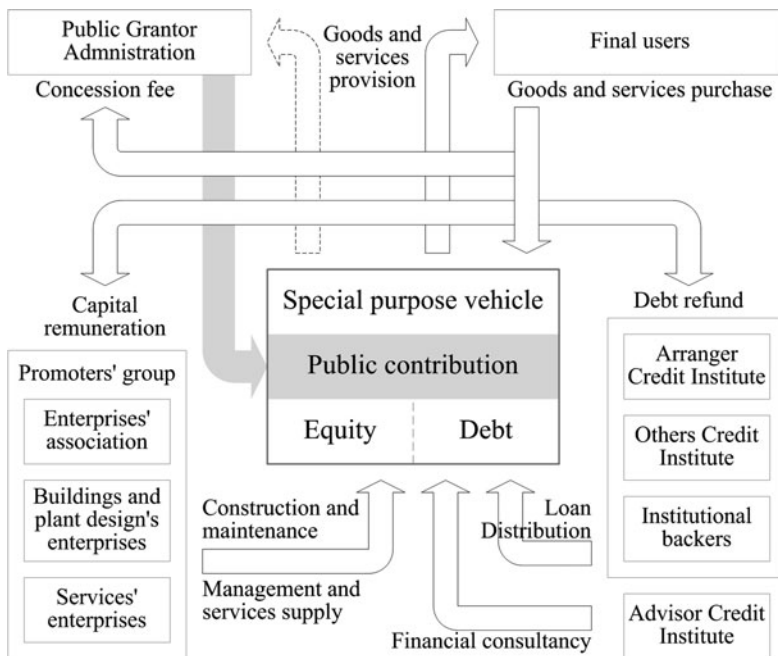


Fig. 3.20 Articulation of the relationships around the special vehicle company

Generali” in Rome, for examples, the special purpose project companies received contributions, respectively, in the form of building areas (in kind contributions) and money (financial contributions). Public contributions have not been foreseen in the case of the “Nuovo Ponte Parodi” in Genoa.

The promoters also give their entrepreneurial capacities, in order to produce goods and services for the market to the special purpose project companies or to be directly offered to the public bodies. Thanks to its activities the special vehicle company gets revenue which ought to allow it to pay the concession fee to the public bodies, to reimburse the debts made with the financial subjects, and to give back the capital invested by the private promoters.

The creation of special purpose project companies in order to managing the regeneration process also took place in some cases where project financing or construction and management concessions were not applied, such as, for instance, in the case of two Milanese projects. In “Santa Giulia” case, for example, it were set up new companies with their own legal status (Santa Giulia Plc and Santa Giulia Residenze Ltd); the same happened in the case of “Pii – Garibaldi Repubblica” (Caprera Ltd). In these cases, however, the special purpose project companies does not have direct relations with the local authority and they are principally responsible for fund raising and for works’ implementation, even involving third parties.

The entrepreneurial subjects taking part to the special purpose project companies are mainly firms, either from abroad or participated by international holdings. Some of these firms are active in the property development and real estate management mostly in the trade sector (as in the cases of “Nuovo Ponte Parodi” in Genoa, the “Ex-Mercati Generali” in Rome and “Pii-Garibaldi Repubblica” in Milan). Others are general construction firms focused on the national market (both in the case of the “Nuovo Ponte Parodi” in Genoa and the “Ex-Mercati Generali” in Rome) or also on the overseas ones (i.e., in the case of “Corso del Popolo” in Terni).

The financial subjects which have relations with the special purpose project companies are mainly national banking groups, sometimes supported by overseas credit institutions.

### ***3.3.5 Multidimensional Analysis: The Rough Sets Approach***

The first part of this report have outlined the research hypothesis upon which the present contribution has been developed and the study cases selected are discussed as examples of the Italian experience of urban regeneration carried out applying PPPs, i.e., forms of collaboration between public and private subjects. The previous paragraphs, in particular, deepened various aspects which characterize the public–private partnerships’ forms examined in the case studies. A study so accurate has brought into light some characteristics of the collaboration among Local authorities, at different levels of territorial government, other public entities with sector competencies and private subjects with business or financial nature.



In particular, the importance of the following characteristics has emerged: the nature of the collaboration among different public subjects aimed at the definition of urban planning procedures, at acquiring the real-estate object of the intervention, or at sharing the start up costs; the peculiarity of institutionalized partnerships that in many Italian cases are slow to open up to private entities; the methods and procedures for the involvement of private entities through tendering and negotiation, and many others.

Nevertheless, some questions still remain. How significant are the characteristics peculiar to each case study? Do they all assume a not distinguishable level of relevance or could various grades of importance be identified? And moreover, how far can each characteristic explain the results progressively reached in the urban regeneration experiences? In other words, is it possible to identify on the one hand a causal relationship among the territorial context where the case studies are based, the partnership forms are implemented, the tools are adopted, and on the other hand the results achieved?

In order to find exhaustive answers to these questions, it is necessary to pass from a qualitative analysis, whose experiential evidence has been discussed in the previous chapters, to a quantitative one using more formal procedures, such as, for example, the factor analysis, the cluster analysis or the multiple regression statistical analysis. There are, however, different obstacles to the application of these techniques. In particular, the limited number of case studies, with respect to the number of data usually required as database of the statistical procedures, prevent the possibility of getting significant results with the application of techniques such as, for example, multiple regression. Furthermore, since a large part of the case studies' characteristics taken into consideration could not be measured using technical or economic units, but they can only be expressed in qualitative terms, it is not possible to fall back on traditional statistical classification techniques based on the concept of "distance."

Such limits considered, it is deemed appropriate to use an analytical procedure enabling both small-sized databases, and data expressed mainly in the form of categories without any preferential order. Such an analytical tool is known as "rough set." Introduced a relatively short time ago by Pawlak (1991), *rough set* analysis has since been applied in several study settings, including urban renewal (Nijkamp et al. 2002). For a deeper study of the mathematical aspects at the base of the *rough set* analysis, that a significant part of the literature on the subject includes among its multicriteria decision-support techniques (see Doumpos and Zopounidis 2002; Figueira et al. 2005), the reader can find all necessary information consulting the suggested literature and the bibliography on the topic at the end of this chapter.

### 3.3.6 *Experiential Evidence: Classification of the Case Studies*

An interpretation of the results produced by the application of the *rough set* analysis, usually takes place using a formula such as "if...then..." in way of example: if the explanatory variable *a* adopt the value *a1* and at the same time the explanatory variable *b* put on the value *b2* then the result variable *r* put on the

value  $r3$ . This kind of interpretation applied to the analysis outcomes does not seem completely appropriate for the cases under examination. Indeed, the identification of such rules as “*if... then...*” is based on the assumption of a close cause–effect relationship among the explanatory variables and the variables expressing the results. As we can see, such a causal relationship does not always seem to be justifiable in reference to the cases examined. Indeed, it is sometimes possible to put forward alternative interpretations on the causality link among the explanatory variables and the result variables, even with an inversion of what represents the cause and what brings about the effect.

Therefore, it was considered appropriate to represent the analysis’ outcomes through groups of case studies that have in common particular combinations of the variables that explain and of those that illustrate the final results. Those groups, as displayed in the following charts, allowed us to fully classify the case studies. In other words, the application of the *rough set* analysis took place so to enabling the identification of the relationships providing an exhaustive representation of all the case studies with respect to each of the result variables.

Figures 3.21 and 3.22 represent the compound of the case studies formed in relation to the variable describing the results as project’s implementation.

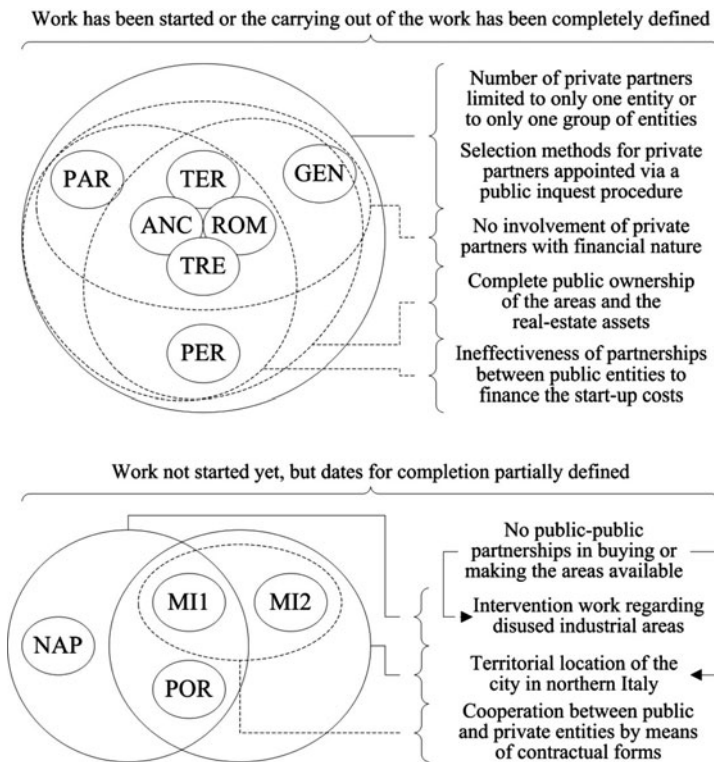


Fig. 3.21 Compound of cases with respect to the results in terms of completion (first part)

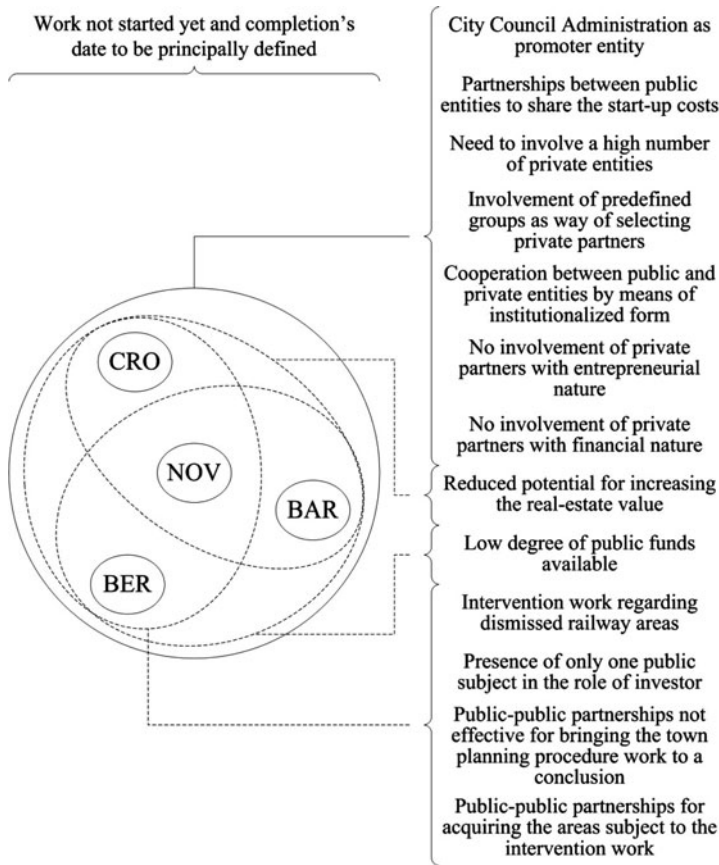


Fig. 3.22 Compound of cases with respect to the results in terms of completion (second part)

A large part of the cases where the urban regeneration works have been started, or where the chronological program relating to the work's implementation has been completely defined, is distinguishable because of the following characteristics: the reduced number of private partners, either involved or yet to be involved, limited to only one subject or to only one group of subjects, and above all, the methods of selection applied for those partners, as they are always appointed through a public inquest procedure. Within the compound just described, three subcompounds can be identified. The cases relating to Terni, Ancona, Rome, and Treviso represent the main core of the examined compound, since they are included in all the subcompounds. On the other hand, the cases relating to Parma, Perugia, and Genoa are only found in certain subgroups. The characteristics describing the three subgroups are listed below:

- From the beginning, the total public ownership of the areas and the real-estate properties involved in the intervention works

- The ineffectiveness of the recourse to partnership forms among different public subjects in order to financing the start-up costs
- Lack of involvement of financial private partners

In other four cases, works have not been started yet, but the dates for their completion have been already partially defined. These cases, represented by Naples, Pordenone, and the two experiences located in Milan, are articulated within three interwoven compounds. The absence of recourse to public–public partnership forms in buying or making available the areas to be regenerated represents a common element, while the differentiating elements are the following:

- Works regarding dismissed industrial areas (Naples, Santa Giulia in Milan, Pordenone)
- Location in northern Italy (Pordenone and the two cases in Milan)
- Cooperation between public and private subjects by means of contractual forms (this is the element differentiating the two Milan’s case studies to all the others)

Another significant element as far as the project’s implementation results are concerned, has been provided by the characteristics of those case studies where not only the works have not been started yet, but also the completion’s dates are have not been defined yet. These cases all form part of a single compound defined by multiple characteristics; among those the Municipality as promoter, the partnership’s setting up among different public entities to share the start-up costs, the need to involve a high number of private entities, even including predefined groups, but still without the involvement of any entrepreneurial or financial partners.

Among the characteristics common to all the cases included in this compound, there is the choice of an institutionalized partnership (joint company) as a method for activating cooperation between public and private entities. It follows that a large part of the case studies (“Stu Città dei Giovani e dell’Innovazione” in Baronissi, “Stu Stazione” in Crotona, “Movicentro” and “Stu Novara Futura,” “Porta Sud” in Bergamo) in which joint corporate companies were used in order to regulate the relationships between the public and the private sectors’ subjects show unsatisfactory progress in the projects’ implementation.

Within the described framework, three groups without sharply outlined boundaries emerged: the Novara case makes up the central core of them as it belongs to all three subgroups, while the Baronissi, Crotona, and Bergamo cases are aggregated to the first in two out of three subgroups. The characteristics describing each of the three subgroups are the following:

- A moderate degree of public funds available
- A reduced potential for increasing the real estate value due to the lower than average value of the real estate assets
- The intervention work regarding dismissed railway areas, the presence of only one public subject in the role of investor, public–public partnerships not only for the success of the urban planning procedure, but in particular for acquiring the ownership of the areas involved in the renewal process

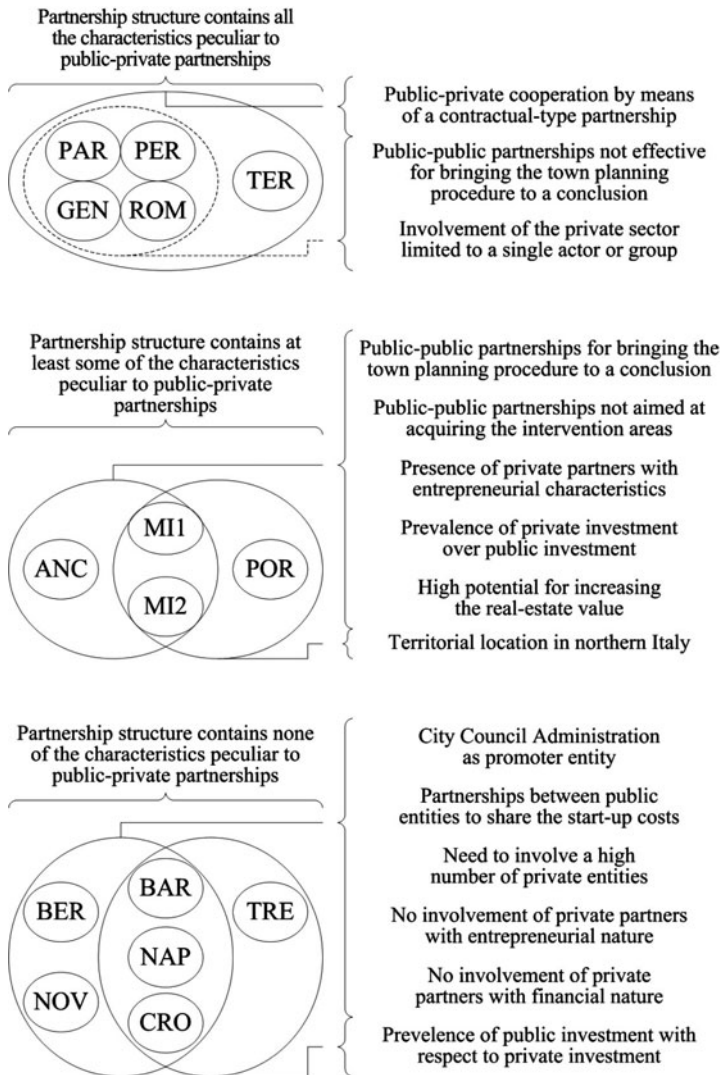


Fig. 3.23 Compound of cases with respect to the results in organizational terms

The diagram in Fig. 3.23 represents the compound of cases formed taking into consideration the variables describing the results under the point of view of the organization.

Five cases (“Stu Area Stazione” in Parma, “Monteluca” in Perugia, “Corso del Popolo” in Terni) show a partnership structure characterized by all the aspects considered peculiar to the public–private partnerships. These cases have in common the fact that the cooperation between public and private subjects takes place by means of a contractual-type of partnership (project finance or building and

management concession). The Parma experience is peculiar as far as regards the results, where the constitution of a mixed-capital firm (an Urban Regeneration Company, in Italian STU – Società di Trasformazione Urbana) substantially represents an externalization of activities with respect to the organizational structure of the municipality and, while the private partners are selected via a public inquest procedure, it is not foreseen their involvement in a corporate company. Furthermore, in four out of the five cases belonging to this compound, it is not necessary to start up public–public partnership in order to manage the urban planning procedures and the involvement of the private sector is limited to a single actor or a single group.

In another four cases, the partnership structure contains at least some of the characteristics considered peculiar to public–private partnerships. These form two interwoven compounds and the two Milan cases (“Santa Giulia” and “Pii Garibaldi Repubblica”) are placed in the space common to the twos. One of the two compounds is only characterized by its location in northern Italy. On the contrary, the other compound (in addition to the Milan cases, it involves the “Ospedale Umberto I” case in Ancona) has multiple characteristics: the partnership among different public subjects aimed at managing the urban planning procedures, but not at acquiring the intervention areas; the presence of private partners with entrepreneurial characteristics; the prevalence of private investments over public investments and a high potential for increasing the real estate market value.

Finally, 6 out of the 15 cases analyzed showed a partnership structure in which there were none of the characteristics peculiar to public–private partnerships. These cases created two interwoven compounds, and three urban regeneration companies are placed in the space common to the two: “Stu Bagnolifutura” in Naples, “Stu Città dei Giovani e dell’Innovazione” in Baronissi and “Stu Area Stazione” in Crotona. These cases, together with the “Sant’Artemio” case in Treviso, are noteworthy for the prevalence of public investments with respect to the private ones. Furthermore, these three specific cases together with the “Porta Sud” experience in Bergamo, “Movicentro” and “Stu Novara Futura,” are characterized by the following aspects: the promoter of the initiative is the Municipality; partnerships among different public subjects are created in order to share the start up costs; the participation of several private entities is considered necessary, even if partners either of an entrepreneurial nature or of a financial one have not been involved yet.

The diagram in Fig. 3.24 represents the case studies’ compounds formed in relation to the variable describing the project’s quality in terms of social level. With respect to the empiric evidence discussed thus far, at least two peculiarities emerge: on the one hand, there are no compounds with not defined boundaries or intersection areas, but on the contrary all the compounds are sharply defined by the common characteristics; on the other hand, there are three cases which form self defined compounds and, therefore, they have unique characteristics or groups of characteristics.

A unique compound – formed by three cases (“Bagnolifutura” in Naples, “Nuovo Ponte Parodi” in Genoa and the “Ex Mercati Generali” in Rome) – corresponds to a “high social quality of the project.” This compound presents the

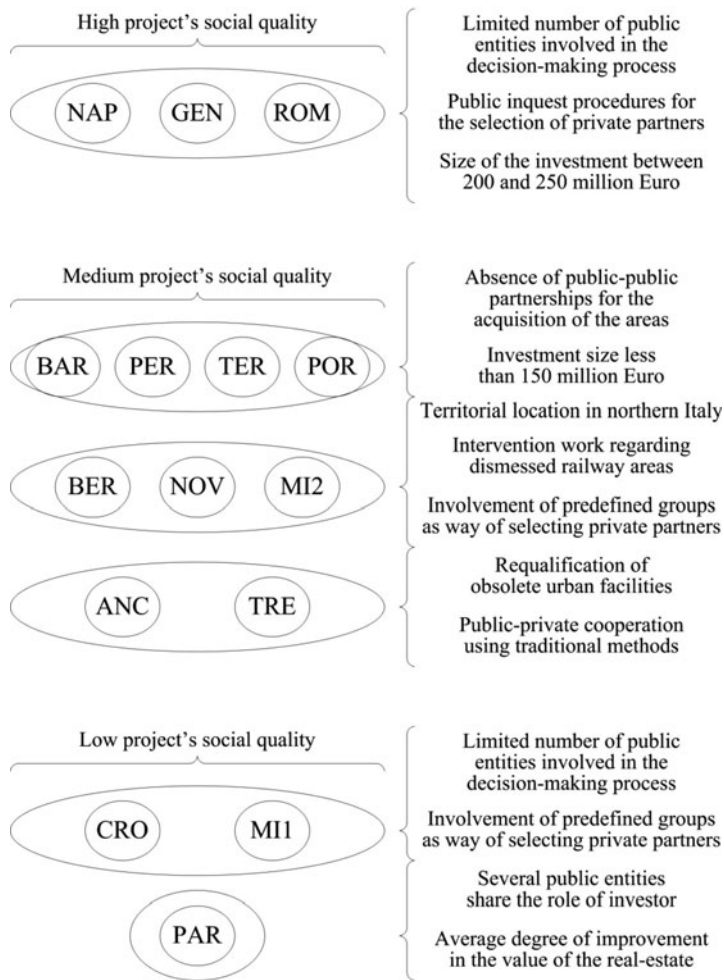


Fig. 3.24 Compounds of cases with respect to the social quality of the project

following characteristics: a limited number of public entities involved in the decision-making process for reasons different from the carrying out of public investment; the recourse to public inquest procedures for the selection of private partner; the size of the investment between €200 and €250 million.

Three separate compounds, made up respectively of four, three and two case studies, corresponded to “mid social quality projects.” They are the following:

- “Stu Città dei Giovani e dell’Innovazione” in Baronissi, “Monteluca” in Perugia, “Corso del Popolo” in Terni and “Stu Makò” in Pordenone have in common two characteristics: the absence of public–public partnership forms for the acquisition of the areas involved in the regeneration process; the lower investments’ size (less than €150 million).

- “Porta Sud” in Bergamo, “Movicentro,” “Stu Novara Futura” and “Pii Garibaldi Repubblica” in Milan, on the other hand, are all concentrated in northern Italy, and they all concern the regeneration of disused railway areas and till now the private partners’ selection has mainly taken place via the involvement of predefined subjects or groups.
- “Ospedale Umberto I” in Ancona and “Sant’Artemio” in Treviso concern the renewal of obsolete town facilities and in these cases the cooperation between public and private subjects has been developed using traditional methods (auction or public tendering).

The last three of the 15 examined cases correspond to a “low social quality project.” These cases are “Stu Area Stazione” in Crotone, “Santa Giulia” in Milan and the “Stu Area Stazione” in Parma. The latter forms a compound by itself, because it has unique characteristics distinguishing it from all the other analyzed ones: several public entities share the role of investors and average is the degree of increase of the market value of the real estate. The cases of “Stazione” in Crotone and “Santa Giulia” in Milan, on the other hand, have in common two characteristics: a limited number of public subjects taking part to the decision-making process and the involvement of predefined groups as mean for selecting the private partners.

### ***3.3.7 Experiential Evidence: Analysis of the Global Results***

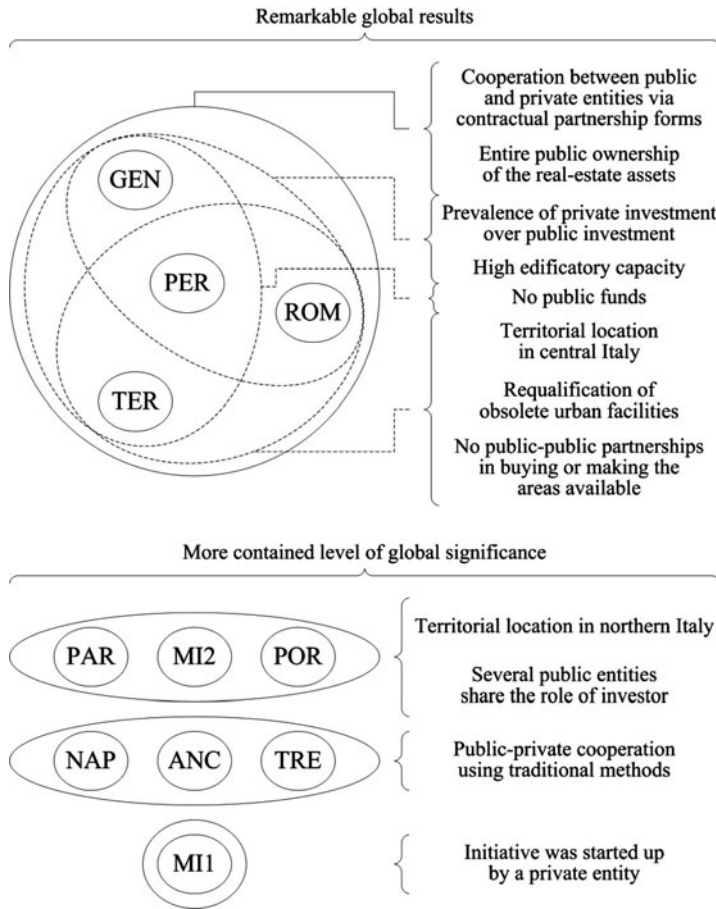
The charts in Figs. 3.25 and 3.26 show the compounds where the case studies related to the variable describing the global results are placed.

The four most relevant case studies (“Monteluce” in Perugia, “Corso del Popolo” in Terni, “Nuovo Ponte Parodi” in Genoa and the “Ex-Mercati Generali” in Rome) all have in common the following aspects: cooperation among public and private subjects through contractual partnership forms (project financing or building and management concession), and public ownership of the whole real estate object of the regeneration works. Furthermore, these four cases are articulated within three subgroups, among which the Monteluce case is always included while the others are associated in pairs.

The three subgroups have the following characteristics:

- The location in central Italy, the intervention work on obsolete town facilities and the uselessness of a partnership among several public subjects for the acquisition of the areas (other than for the Perugia case, it is also true for the Terni and Rome cases).
- The sharing out of the public and private investments with a prevalence of the last ones, and a high flat area index (this is the case for Perugia and also for Genoa and Rome).
- The implementation of the regeneration work without public funds support (again Perugia and also Terni plus Genoa).





**Fig. 3.25** Compounds of cases with respect to the global results (first part)

Seven cases present a more contained global relevancy. They are articulated in two compounds, each of them groupings three cases, leaving apart one case. This latter case is represented by “Santa Giulia” in Milan, the only one in which the initiative was started up by a private promoter. The “Stu Area Stazione” project in Parma, “Pii Garibaldi Repubblica” in Milan and “Stu Makò” in Pordenone, on the other hand, have in common their location in the north of Italy and the presence of several public subjects as investors. Finally, the “Stu Bagnolifutura” in Naples, the “Ospedale Umberto I” in Ancona and the “Sant’Artemio” in Treviso are characterized by the cooperation form adopted among public and private subjects, centered on a traditional kind of partnership.

It is also interesting that the investigation on the several characteristics which mark the remaining four case studies, that is: “Stu Città dei Giovani e dell’Innovazione” in Baronissi, “Stu Stazione” in Crotona, “Movicentro” and “Stu Novara

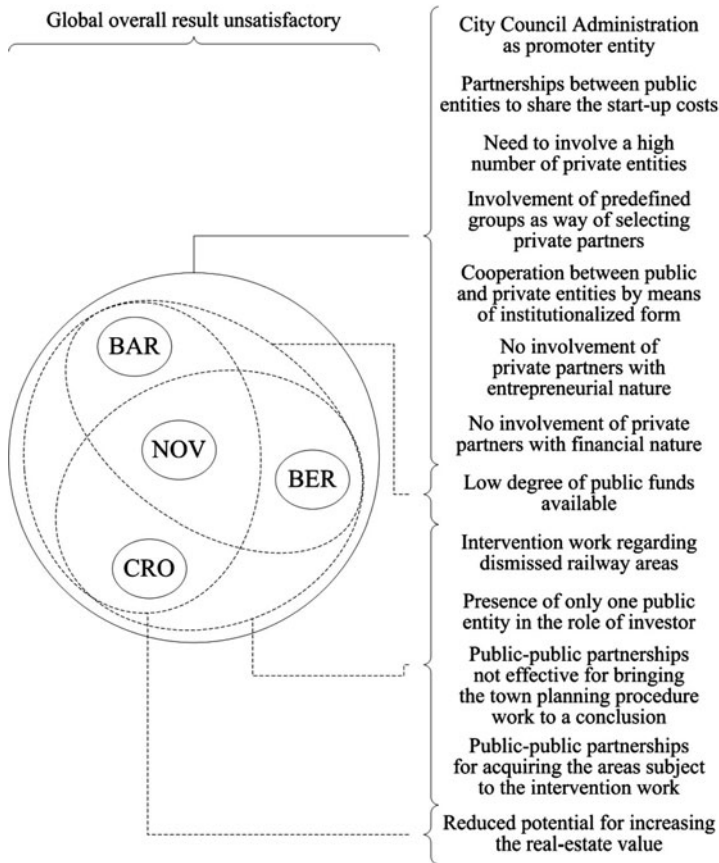


Fig. 3.26 Compounds of cases with respect to the global results (second part)

Futura,” “Porta Sud” in Bergamo, whose global result is overall unsatisfactory. In all of these cases the promoter is the municipality, and different public subjects join to sharing out the start-up costs. Furthermore, in all these cases the involvement of several private actors or groups has been proposed, in particular predefined groups. The definition of public private relationships is ruled through an institutionalized type of partnership (joint companies, in particular “urban regeneration companies”). However, no entrepreneurial or financial partners have been involved yet.

In the context considered, three subgroups can be identified:

- The Crotona, Novara and Bergamo cases have in common the typology of the real-estate subject to intervention (disused railway areas), the presence of only one public entity investor and the partnership among different public subjects not addressed to manage the urban planning procedures, but to acquire the intervention areas.
- The Baronissi, Novara and Bergamo cases are similar as far as the low amount of public funds available are concerned.

- Finally, the Baronissi, Crotone and Novara cases are characterized by the reduced potential of increasing the real estate market's value.

### **3.3.8 *Summary Considerations: Merits and Limits of the Rough Sets Approach***

The approach used for verifying the research hypothesis brought to important confirmations concerning the analysis framework presented and discussed in the previous sections of this chapter. Many of the core elements of our attention have provided a relevant contribution for classifying the case studies in relation to the results which they have obtained or which they intend to obtain.

A first demonstration concerns the role of the partnerships among public promoters and other public territorial bodies, or other entities of various natures coming from the public sphere. When these types of partnerships are formed in order to sharing the start-up costs, or to acquiring the real estate object of the intervention works, the results are more unsatisfactory in terms of works' organization and implementation, other than in terms of global results. Therefore, it is reasonable to affirm that public–public partnership forms, which are very common among the analyzed cases, are themselves a clue of the difficulties to be faced by urban regeneration projects. These difficulties cannot be overcome by only a partnership among public subjects.

Further confirmation regards the problems affecting the institutionalized type of public–private partnerships, represented by the urban regeneration companies. The case studies included in the sample register unsatisfactory results both in terms of the work's implementation and in global terms. Furthermore, the involvement of private partners, either of entrepreneurial or financial nature, proceeds generally very slowly in these cases of institutionalized partnership.

On the contrary, the contractual type of public–private partnerships are more often associated with satisfactory results, i.e., regarding either the organizational point of view or in global terms. The “Stu Area Stazione” case in Parma and the “Nuovo Ponte Parodi” case in Genoa are outstanding. Even though they represent an entirely public corporate company, they have generally shown satisfactory results: both in organizational terms and in work's implementation, the Genoa case also as long as the social quality of the project and the global results are concerned. In these two cases, the setting up of the corporate companies represents a purely instrumental factor: in Parma the company is an expression of the Municipality promoter of the requalification initiative, while in Genoa the company is functional to a strict cooperation between the two main public bodies promoting the regeneration work, i.e., the municipality and the port authority. In other words, the setting up of the corporate company can be interpreted as a first step toward the further opening to the market and the involvement of privates, which are then assigned to contractual partnership forms.

Finally, the empiric evidence outlined above stimulates a reflection on the, analytical procedure used, because it brings to focus one of its limits. This consists of the univocal identification of the causal relation which binds the results' explanatory variables and the expressive ones.

For example, looking at the empiric evidence, it seems that there is a relation between the choice of organizing the public–private partnerships in an institutionalized way and the lack of satisfactory results obtained on the one hand, and the choice of organizing the partnership in a contractual form and the reaching of meaningful results on the other. Nevertheless, it is necessary to note that for the case studies characterized by institutionalized forms of public–private partnerships, the difficulties in obtaining meaningful results in a reasonable amount of time were generally known from their start-up, and the public promoters of the initiatives were themselves fully aware of it.

In way of example, in Naples “Bagnolifutura” was established to carry on the environmental clean up activity which had been started up by a previous public corporate company (Bagnoli Spa), even while not being certain either about the availability of the public funds necessary for such an objective, nor that further funds to carry out the intervention work would have been available. Also, in the “Movicentro” and “Stu Novara Futura” cases and in Bergamo “Porta Sud,” the establishment of the corporate company came about in the context of uncertainties on the dismissal and the transfer times of the railway yards, and on the urban planning functions to be settled. Similar considerations are also valid for the “Stu Città dei Giovani e dell’ Innovazione” in Baronissi and the “Area Stazione” in Crotone.

On the basis of these considerations, an alternative interpretation could be put forward, that is, the choice of creating a joint company was suggested by the understanding of the difficulties existing in some urban renewal initiatives, as well as with the intention to aggregate first and foremost the public subjects involved, rather than immediately opening toward collaboration with private subjects. In other words, the unsatisfactory results which some case studies show would not be an effect brought about by the choice of the institutionalized partnership procedure, as much as one of the reasons, known from the start-up of the initiative, which led to making such a choice.

### **3.4 Final Considerations**

In Italy, as in other European countries, the belief that the recourse to public private partnership forms are the only reasonable approach for successfully dealing with complex town regeneration problems really are widespread. In the frame of the cultural debate on this issue, the main motivations given in support of the partnership approach are the same of those that the Green Paper attributes to PPPs of solely contractual type and of institutionalized type, i.e., to the evolutionary forms of the traditional public works tendering procedure. The above mentioned motivations

can be listed as follows: the balance sheet restrictions that the public entities have to respect, the scarcity of public financial resources and, consequently, the need to integrate them with the private ones, the opportunity to benefit from the private sector's *know how* and operational methods (Commission of European Communities 2004, 2005, 2006).

The view that the State should modify its role in the economic sphere, evolving from that of direct operator to organizer, regulator and controller, seemed to be taking hold through the last mid decade, but in recent years this view has lost the centrality gained in the debate on the national economic policy. The importance of the partnership approach to projects addressed to increase the competitiveness of the Italian cities, and therefore, to produce added value for the whole community, in the end, has been acquired in academic circles, but arguments of this nature do not appear to have gained weight at local authority policy decisions level, which, conversely, are very sensitive to the immediate effects on the communities involved.

The analysis of a case studies' sample has deepened the knowledge of public-private partnerships' different aspects of the city renewal's Italian experience. The study has confirmed the validity of the adopted interpretative framework, and that is, the need to anchor the analysis of public-private partnership forms to the characteristics that the local authority and the private sector present in the specific context of every city and, consequently, to the relations established between the two sectors.

In other words, the cooperative relations between the public and private sectors in the field of city regeneration are connected indeed to the possibilities offered by the legislative framework, but they also concretize with the definition of tools and activities affected by many variables. Among them, the most relevant is the combination of the local authority's governing capacity and the private sector's entrepreneurial capacity. The observation that the feasibility and the effectiveness of the partnerships forms are affected by "various local factors, such as the will to cooperate or the institutional decision-making methods" (Nijkamp et al. 2002) is thus confirmed by the Italian experience. Furthermore, the partnerships forms, that today are able to integrate the cultural differences existing among public and private partners, in Italy as in the rest of Europe, feel the effect of the possible change, over the course of time, of the partners' initial position (Van der Burch 2000).

One aspect strongly emerged from the analysis of the Italian experience, was the "multiple actors" connotation of the public sector: in Italy the public sector is made up of several entities, each different from the other because of its own *mission* and its own competencies, and, therefore, because of the strategies pursued by them in the field of city transformation. At the beginning of this essay, in a simplified way and in line with the literature of the sector, the attention was focused on Local authorities. This subject is, however, only one of a multiplicity of players acting in the public sphere: these actors may have only decision-making competencies (e.g., state or regional administration), others intervene as investors (e.g., Chamber of Commerce), while others play a double role of decision-maker and investor

(i.e., municipality). The creation of public–public partnership forms therefore represents, in Italy, the first phase of the cooperative process. It is a compulsory step, of crucial importance, since the following steps in the projects' fulfillment are influenced by the outcomes of the agreements defined in the first phase among the public sector entities.

The ambiguity with which the literature usually takes into consideration the PPPs, it has made necessary to clarify firstly the legal and operative nature and characteristics of the different existing partnership's forms (Hodge and Greve 2007). In the international debate on public private partnerships, for example, PPPs are often identified only in the negotiation and agreement processes related to urban regeneration investments done by private promoters (Newman and Verpraet 1999). Therefore, the reflection on PPPs is limited to simply dealing with the specific characteristics of this type of partnership. Starting so from the wide range of different PPPs' forms, three fundamental reference models have been identified and characterized. This operation has permitted to develop more articulated and precise analyzes and evaluations.

Regarding "purely contractual partnership types," in Italy, too few experiences have been gained in the field of town regeneration, so to allow any general conclusions. Only the increase in the number of these partnership forms will permit to verify to what extent these are exposed to the critical aspects identified in the literature referring to other countries' experiences (Hodge and Greve 2007).

Differently from other partnership forms, in the "purely contractual" PPPs the decision regarding the choice of the project and of the private partner, considering its technical and economic connotations, does not take place in town governance's processes involving several players consulting the citizens. These decisions are carried out by technical committees in charge of the selection process who secretly manage the comparison of the competitors. One of the limitations of this form of partnership has thus been identified as the lack of public participation and transparency (Siemiatycki 2007).

As far as construction and management contract is concerned, in many cases, in the mid and long term the outcomes did not respond, under different aspects, to the initial public expectations. In particular, there were not confirmed in a significant number of experiences the envisaged opportunities to allotting for other social policies the financial resources freed up from the infrastructure sector; to obtaining relevant savings of resources in comparison to traditional methods of financing public works; to transfer the risks to the private sector.

In the case of institutionalized type of PPPs, the experiences examined in Italy brought into light the public sector's difficulty of evolving from the role of operator, to organizer, regulator and controller. Government-controlled culture and protectionism are, indeed, still very common in the Italian local authorities. These aspects are negatively influencing the time needed to carry out projects applying the public–private partnerships' approach. Therefore they have a negative impact on the projects' capacity to satisfy the community's expectations. Obviously, the national overview presents many good practices concerning the involvement of the private sectors and the achievement of established objectives. Nevertheless, the

before analyzed cases demonstrate that if the PPPs' best benefits are "flexibility, speed, cost efficiency and, in general, a reduction in transaction costs" (Nijkamp et al. 2002), then several are the PPP's cases not able to reach the typical benefits theorized by the specialized literature for the PPPs' approach. This highlights the importance of conceiving PPPs not as "curealls," but as a "cloth" to be tailored to each specific situation.

There are several projects in Italy which have applied the negotiated partnerships form. Only two of the largest ones have been analyzed in detail in this study. They confirm the validity of the weaknesses stigmatized in the international literature (Newman and Verpraet 1999).

The first criticism pertains to the context in which the decisions are taken and the division of the benefits among the private and public partners are defined. The starting condition for these partnership forms is established by the private ownership of the real estate involved in the urban regeneration and by the subsequent redaction of a private proposal to be submitted to the local authority. The public body, holding the planning powers, has wide discretionary powers on the attitude to assume. The negotiation between the two parts, by definition, takes place in an imperfect competitive market, taking the form of a bilateral monopoly. Not only do the asymmetrical information conditions distinguishing the players' behavior form an obstacle to reaching the best project's solutions for both parties, the lack of transparency and of general reference criteria, as far as the public body is concerned, bring about weakly legitimate decisions, and therefore they are highly exposed to the risk of being questioned.

The second criticism, which has not yet emerged from the Italian situation's evidence, is the discriminatory character of those urban regenerations' interventions based on negotiated partnerships. These are carried out via the vertical integration of several subjects and competencies in relation to specific projects, referred to defined and circumscribed locations. As long as the spatial aspects are concerned, the decision-making process turns out to be fragmented and the city planning as a whole is weakened. Since priority is given only to some projects, only specific parts of the city benefit from the investments decided following this approach.

The discriminatory character of negotiated PPPs emerges as even more evident, if one takes into consideration different cities from the point of view of the real estate market value, and thus from the point of view of the increase in the value of the land involved in the project. In the cities where the profits' level and of the real estate capital gains are high in comparison to the first value assessed for the real estate involved in the regeneration investment, the accumulated benefits sharable among the public and private partners are also high, and thus it is the amount of the public works feasible in the partnership's frame. This mechanism allows significant increase to the level of the services offered by some cities and, consequently, these cities reinforce their position in the international competition. At the same time, however, the same mechanism cannot efficiently operate in cities where real estate value is lower, and consequently these cities are not able to improve their facilities. As a consequence, cities which are already in unequal positions widen their gaps in terms of attractiveness and competitiveness.

The third aspect pertains to the risks' share among public and private partners. Apparently, the risk related to the investment's realization, and therefore also the risk linked to the construction of the public works, is wholly transferred to the private entity. In point of fact, the community benefits, both in terms of public works and services' production and in the form of urban regeneration, are generally affected by the positive completion of private works. Experience has proved that the market difficulties encountered in developing the private part of the project have a direct impact on the public part.

On the whole, the analysis of the Italian cases has provided a differentiated framework about one of the questions most frequently debated in the PPPs' international literature. Given the fact that the public and private sectors have different characteristics and objectives, and also assuming the thesis which recognizes PPP as a strong driver of change, there is no doubt that the setting up of any partnership form makes sense only if the public and private sectors manage to transfer into the selected partnership form their best characteristics and if they are able to maximize them in a complementary way.

For example, local authorities can transfer their own knowledge on the community's needs and its planning powers into the PPP, while the private partners can bring in it their own competencies in organization and finance. Depending on the context, both partners can bestow the real estate ownership object of the intervention, and so on.

Nevertheless, within the international debate exists a school of thought based on different experiential research, which denies the assumption that PPP should necessarily bring synergies and therefore, the deriving benefits (Vaillancourt Rosenau 1999; Ball et al. 2003). For this problem, an articulated answer could come from the analysis of the Italian cases, which nevertheless, do significantly confirm the doubts put forward. Therefore, it is possible to agree on the fact that PPPs are not themselves a virtuous organizational method, but that partnership forms have to be constructed in order to make it possible. Consequently, it is of vital importance to plan how the partnership is formed and to support the PPPs' establishment by evaluation activities.

Recently in Italy, the spread of PPP partnership forms has gone with a significant evaluation activities' development – within feasibility studies, economic and financial plans, complex urban programs – and with them, also the communication and accountability activities. The crucial importance assumed by the evaluation activities for defining public private partnerships is bringing direct consequences both in terms of new professionalism's creation, and in honing the involved techniques. However, today the public and private entities involved in the setting up of partnership forms have sufficient knowledge only of some of the PPPs' key elements, such as of the project's financial feasibility, of the identification and sharing of short-term advantages, of the acquisition of social consensus.

Other key elements, for example, the low level of competitiveness in the markets where partnerships are formed, the sharing of the prospective advantages in the medium and above all in the long term, the transfer of the risk from the public sector to the private sector, have not been adequately perceived yet (Adair et al. 2003).



Therefore, they do not yet assume a central position in the requested evaluation activities. In addition to this, the need to have qualified and independent evaluators is starting to be felt only within those city contexts where the local administration's governance capacity is more developed and at the same time in the private sector the entrepreneurial culture is more advanced.

### 3.5 Glossary (Alphabetical Order)

Word/expression in English	Word/expression in Italian	Acronym
Agreement framework	Accordo quadro	AQ
Design	Progettazione	–
Detailed plan	Piano particolareggiato	–
Detailed urban plan	Piano urbanistico particolareggiato	PUP
Executive plan	Piano attuativo	–
General urban plan	Piano regolatore generale	PRG
Integrated intervention plans	Piani integrati di intervento	PII
Integrated territorial projects	Progetti integrati territoriali	PIT
Neighborhoods agreements	Contratti di quartiere	CdQ
Planning	Pianificazione	–
Program agreement	Accordo di programma	AP
Public inquest procedure	Procedura di evidenza pubblica	–
Public private partnership	Partenariato pubblico privato	PPP
Special vehicle company	Società di progetto	SPV
Town regeneration and sustainable development of the territory plan	Programma di riqualificazione urbana e di sviluppo sostenibile del territorio	PRUSST
Urban recovery plan	Piano di recupero urbano	PdR
Urban regeneration/renewal company	Società di trasformazione urbana	STU
Urban requalification plan	Programma di riqualificazione urbana	PRU

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# Chapter 4

## Large-Scale Restructuring Processes in the Urban Space of Budapest

Gábor Locsmándi

### 4.1 Introduction

The all-embracing restructuring processes experienced in Hungarian cities, first of all in the capital city Budapest, are generally explained by the “mass privatization” of the previously state – or cooperatively – owned agrarian land, of the state-owned companies and the selling of the public housing stock to the sitting tenants after the political changes. This rough reasoning is completed by the stressing of the unprecedented speed of the conversion of public properties into private hands in contrast to the much slower similar processes in western cities. Even the best part of the Hungarian urban literature abstains from going beyond this level of interpretation. A more generalized argumentation calls the attention upon the effects of globalization that forces cities to meet the “gambling rules” of the world-wide competition among central places, that is, to meet the homogenized expectations of the “world capital” also on local level. These latter views are often overemphasized in popular discussions in Hungary by forgetting that the game has two players: even in the global space the public hand is, can be, in command of strong regulatory tools.

The Hungarian example of restructuring on both social-economic and urban-physical level well exemplifies the reciprocal character of the game. Whilst the country and its best located cities became an attractive terrain for the world capital after the collapse of their outmoded Fordist industrial plants, and because of the excessive shortages in the supply of up to date services, the public hand has been highly concerned in speeding up the processes of “imperative necessity.” This has manifested itself both in the central governmental laws and generous subsidies to foreign investors and also in the behavior of the local governments providing tax allowances and adopting submissive planning regulations in order to attract development onto their areas.

The outcome of privatization and of this reciprocity of interests between capital and state, both central and local, was the provision of vast amount of cheap land

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around the cities and on the abandoned sites of manufacturing industries promoting green-field development, suburbanization and also brown-field restructuring. Concerning housing the case is more complicated: alienation of the state owned stock to the sitting tenants in the inner part of cities has substantially counteracted restructuring pressures and resulted in specific gentrification trends. The three case studies presented later (Chap. 5) – Ferencváros, Józsefváros, and Erzsébetváros – should be seen as real exceptions. There the initiation of restructuring, “rehabilitation,” came from the side of the local district governments.

## 4.2 An Overall Restructuring-Gentrification Process in Budapest After 1990

In order to give a comparative international background to the main urban processes in Hungary and Budapest it could be suggestive to remind the reader to some basic fields of research in the western urban literature. In the next parts of the paper concepts as rent gap, value gap and gentrification will be examined in international context. The rent gap and value gap theory will first be examined as they provide a useful conceptual background to the description of urban processes in Hungary and Budapest after 1990 when, after some dubious efforts to introduce “market relations” into state economy, vast amount of landed properties appeared on the scene of a real market economy.

According to Smith (1979:545) the term of rent gap is defined as “the disparity between the potential ground rent level and the actual ground rent capitalized under the present land use.” The concept of value gap denotes a disparity between the “vacant possession value” of a property and its “tenanted investment value” (Hamnett and Randolph 1986). As explained by Clark (1992) “the measure of the vacant possession value of a property is its sale price to a future owner occupier.” The rent gap theory has been an American concept where owner occupation of housing is less characteristic. According to it a rent gap arises when the neglect of a property leads to the decline of its value, measured in its capitalized ground rent. If the property, pursuant to its location (and/or its land use, zoning regulations) has a “better potential use” the rent gap arises and may result in a gentrification process if the residential use is continued. On the other hand, the value gap theory originates from the UK and goes back to the widespread privatization of the rental council housing stock. It was realized in Britain that a substantial increase in property values, that is a value gap, could be experienced after privatization.

Both concepts are closely associated with the notion of gentrification. As explained by Smith (2007) the most market-driven forms of gentrification were first experienced in the United States in the 1970s where “prior disinvestment . . . create(d) urban neighborhoods that (could) be profitably redeveloped,” predominantly in the centrally located parts of cities, as in Greenwich Village, Manhattan, New York City. This type of gentrification can be considered as its “classical” form because it arises largely through the operation of the market, that is, through actions of the property owners of the rental housing stock. These gentrification processes

affected decaying lower status neighborhoods that were colonized by middle and upper middle class people “leading to the displacement and eviction of existing people.” Since the first appearance of the concept of gentrification in the urban literature two basic themes have excited the interest of researchers and politicians.

First, it is realized that gentrification has gradually been becoming a public strategy: fragmented processes in the housing market have shifted to deliberate development policies. Cities competing on the marketplace of the “new economy” are keen to attract the “creative classes” (intellectuals, artists, high-tech engineers, etc.) into their gentrifying central neighborhoods. They either pour direct subsidies into the market, like to artists in New York’s Lower East Side in the 1980s or support the process indirectly through large “regenerating” projects like the relocation of the Stock Exchange to New Jersey in 1998 (Smith 2002, 2007). In Europe the appearance of gentrification processes are inseparable from the large urban regeneration projects in many cases focused on the decaying central areas of the major “de-industrialized” cities like Liverpool in the UK or Rotterdam in the Netherlands (“... in the EU ‘regeneration’ has become little more than a gentrified word for gentrification.” Smith 2007).

At the same time European cities suffer from the fast decay of specific areas inhabited by the poorest segments of the urban society, especially by migrants. As these segregated areas are seen as the last resort also for those “evicted” from the gentrifying districts, official national and European Union (EU) policies tend to side with the antigentrification struggles of left wing researchers, neighborhood activists and civil organizations. However, these policies are rather hypocritical. The declaration worded in the frame of a EU sponsored project for “An Integrated Revitalization of Historic Centers” (Hist.Urban – ADHOC 2008) devotes only one sentence to the social element of the program: “maintain or increase the population and ensure a balanced social structure.” The words “integrated” and “balanced” tend to hide the complicated social effects of any urban regeneration, redevelopment programs. It should, however, be admitted that the EU has at least refrained from sponsoring projects with potential gentrification effects. (As will be discussed later, also Hungarian cities can get European money for urban programs only if they are directed to the “functional enrichment” of their centers or to “social renewal,” that is, the participatory management of the most segregated parts of cities.)

The second main sphere of research has been focused on the participants in the process of gentrification. An idealized model (Dangschat 1988:281) distinguishes between two characteristic groups, those of the “pioneers” and of the “gentrifiers.” In the first phase the pioneers, young, childless, well educated people, “invade” the neighborhood, while lower status people – and other groups with lifestyles not compatible with that of the gentrifiers – gradually leave. In the second “succession” phase come the gentrifiers accompanied by the moving out of the pioneers from the neighborhood together with the continued decline of the ratio of lower status people and of the “others.” No factual research in Budapest’s gentrifying districts proves the validity of this model but it will be demonstrated that the mass privatization of the public rental housing stock has led to similar processes both in the inner city and in the large residential developments built between 1960 and 1990.

### ***4.2.1 Rent Gap, Value Gap and Gentrification Trends in Budapest After 1990***

In Budapest and in the large cities of Hungary the value gap theory has some relevance in the explanation of social trends in the privatized housing sector after 1990. Already under state socialism a limited market was in operation in the housing sector as well. After the 1970s, in order to mobilize the housing stock it was permitted, although under strict limitations, even to “sell” a highly subsidized state owned rental flat in the “market” by changing it to a desired privately owned apartment or house. In the late 1980s, the last socialistic government decided to withdraw a part of the subsidies by the lifting up of rental fees in the state sector. (The state owned sector was not a real “social housing sector” because the inner city rental building stock confiscated in the 1950s from its private owners and inhabited in large part by middle class people, also belonged to it.)

In many postsocialist countries housing policy was a “shock-absorber” in the first turbulent years of changes (Hegedüs and Tosics 1998:151). In Hungary according to the 1993 Law on Housing sitting tenants of the formerly state owned residential buildings were authorized to buy their flats with a cash payment not exceeding 15% of their market price with a generous seller financing at a rate of 3%. Until the end of the 2000s the share of owner occupation in Hungary increased from 70% to above 90%. Hungary was among the quickest among the postsocialist countries in privatization and its magnitude highly overrides many of the European countries and also of its Central European counterparts (see Fig. 4.5).

Seen in a pure theoretical manner, potent to capitalize a value gap hidden in Hungary’s oversubsidized state housing sector became rather wide for the new owners after privatization. As compared with the described western, British, rent value model the main difference is that in Hungary the beneficiaries of these potentials were not the property owners, that is, private owners of rental buildings, but the individual inhabitants, families owning their apartments in condominium form. There are many signs of the fact that Budapest and some bigger cities in Hungary have experienced an overall gentrification process since 1990. Adaptation of Budapest’s population to the new economy has been rather fast (Table 4.1). The rate of intellectuals increased by about one-fourth in 11 years, until 2001, the year of the east national census. (This has been promoted also by the increased enrolment into higher educational institutions.) It is even more remarkable that this change has happened in a decade when Budapest lost about 250,000 inhabitants owing to out-migration. Nevertheless, the capitol of Hungary was a real winner of the changes (Tosics et al. 2002), as opposed to other regions, especially some peripheral rural areas and also cities that used to house heavy industry.

The relative increase of intellectuals, at a rate of as high as about one-third even in some of the densely built, in many parts physically rather deteriorated, inner districts in Pest (6th, 7th, 9th – Terézváros, Erzsébetváros and Ferencváros) well demonstrates the gentrification processes going on in the inner parts of Budapest. In the case of Ferencváros (9th district) this can readily be explained by the

**Table 4.1** Rate of population above 25 with university/college degrees in Budapest's districts

District	1990	2001	Change (%/%)	District	1990	2001	Change (%/%)
I.	35.2	42.6	21.0	XIII.	19.3	24.8	28.5
II.	38.1	47.3	24.1	XIV.	19.2	26.3	37.0
III.	20.6	25.7	24.8	XV.	12.4	15.5	25.0
IV.	13.9	19.1	37.4	XVI.	14.5	21.1	45.5
V.	28.2	32.1	13.8	XVII.	11.1	16.2	46.0
VI.	18.6	25.4	36.6	XVIII.	11.3	15.0	32.7
VII.	15.3	20.8	35.9	XIX.	13.4	17.3	29.1
VIII.	15.5	18.2	17.4	XX.	10.1	12.9	27.7
IX.	15.7	21.3	35.7	XXI.	9.7	12.6	29.9
X.	13.1	16.1	22.9	XXII.	14.7	21.7	47.6
XI.	28.0	33.7	20.4	XXIII. <sup>a</sup>		12.0	–
XII.	38.5	46.4	20.5	Budapest	19.1	23.8	24.6

Source: National Statistical Office, Hungary

<sup>a</sup>In 1990 the 23-d district was yet not an independent district

Inner districts in Pest: V, VI, VII, VIII, IX, part of XIII. (residential)

Transitional zone (outside the densely built inner districts). part of XIII. (mixed), X. (mixed), XIV. (residential)

Outer districts in Pest: IV. (mixed), XV, XVI, XVII, XVIII, XIX, XXI, XXIII. (all residential)

Csepel Island. XX. (mixed)

Districts in Buda: I, II. (residential), III, XI, XII, XXII. (mixed)

(Mixed: industrial and residential in 1990)

redevelopment operations started in 1986, but in Erzsébetváros (7th district) the similar actions got an impetus only after 2000. Józsefváros's (8th district) low data go back to its "stigmatized" nature because majority of the urban gypsy population is concentrated in some outer parts of it. (see content regarding social renewal in Sect. 4.9) No comprehensive research has yet been done to survey background processes of the basic population movements in Budapest that, but both the specific human ecological structure of the metropolis and some well perceivable recent processes might provide "starting points" to the building up of a real "gentrification model" of Budapest.

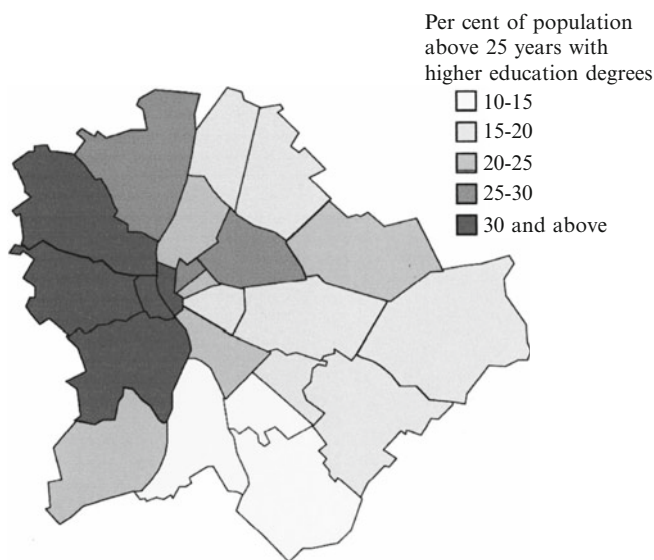
#### 4.2.2 The "Human-Ecological" Structure of Budapest

The spatial-sociological structure of Budapest is conceivable both by the concentric model of Burgess and by Hoyt's sector-model (Hoyt 1939). The city's ecological structure only roughly corresponds to the concentric model of Burgess as Pest's CBD is surrounded by a densely built wide residential area followed by a formerly publicly owned zone called by some Hungarian researchers as "transitional belt" of mixed residential-industrial-commercial character (Ekler et al. 1980). Outside this zone a ring of districts follows that grew in the second half of nineteenth century and in the first half of the twentieth century. In this privately owned rural zone independent villages and towns were founded, which were annexed to Budapest in 1950 as its outer districts. Most of these settlements are inhabited even now by

a lower middle class population. Behind them a second ring of suburban towns follows the fast growth of which started in the first part of the twentieth century and is continued even now. The character of these suburban cities has been influenced by the large-scale morphological and environmental characteristics of the metropolitan region: the Danube, mountains and hills on the right bank side, flat land on the left bank side of the river.

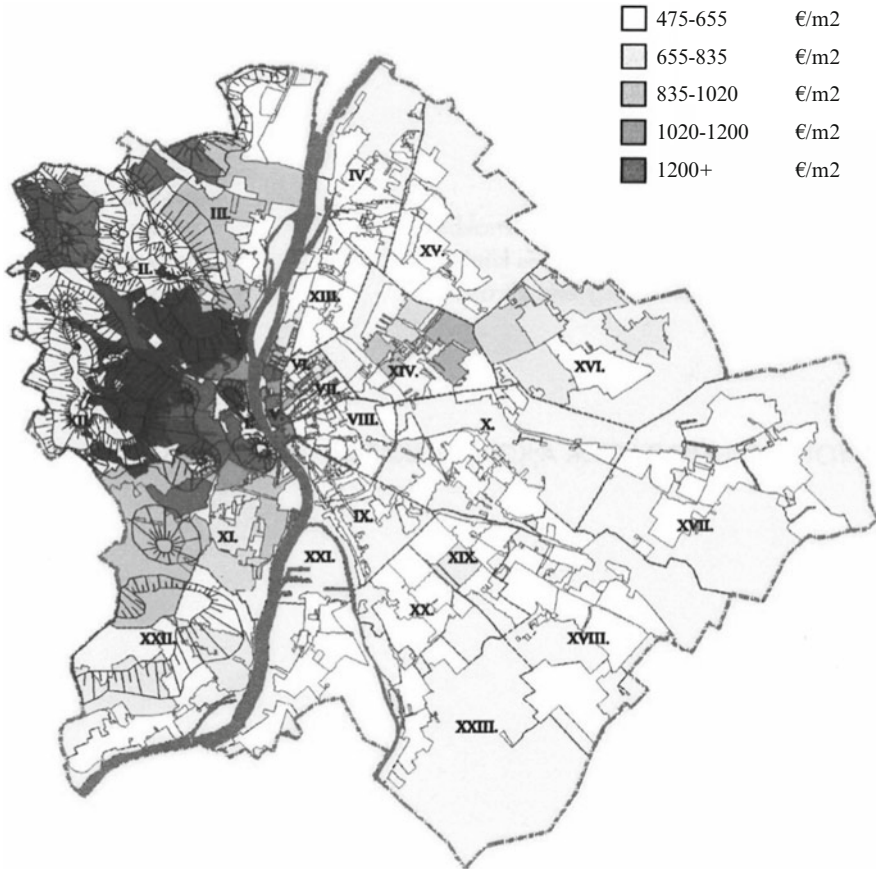
Budapest's ecological structure and the changes within it can be better interpreted by Homer Hoyt's sector model. Hoyt's theory well explains the arrangement of the higher and lower status residential sectors in conformity with the spatial-morphological characteristics of the city, and with the locational patterns of industrialization of Budapest in the second half of the nineteenth century. As in other western cities also in Budapest early manufacturing industrial developments followed the river and later the lines of the railways. In the end of the nineteenth century the first zoning plans marked out the south-eastern part of Pest (9th district: southern Ferencváros) for a zone of "stinking industries." The concentration of the most polluting industries in this part of the city greatly contributed to the development of the adjoining areas into lower status, workers districts (8th, 9th, and 10th districts).

On the other hand higher status residential sectors grew in areas far removed from the industrial zones along some main transit roads toward east-west (Zugló: 14th district, 16th district), into south-west (Kelenföld, Lágymányos: 11th district) and to the west, towards Buda Hills, the former vineyard of Buda, a specific high status "inner residential suburb" of Budapest. This star-like pattern of ecological sectors is intersected by the north-south axis of the Danube along which the conversion of the industrial uses to residential and



**Fig. 4.1** Map: Rate of intellectuals in Budapest's districts in 2001  
 Source: National Statistical Office





**Fig. 4.2** Map: Housing prices in Budapest in 2001  
 Source: *Otthon Centrum 2003*

commercial uses started as early as in the first part of the twentieth century (south part of 13th district: Újlipótváros), a characteristic process continued up to recent times. This ecological structure of the city is well represented by the spatial distribution of the better educated people and of the housing prices in 2001 (Figs. 4.1 and 4.2).

### 4.2.3 Start of a “Western Type” Suburbanization in Budapest After 1990

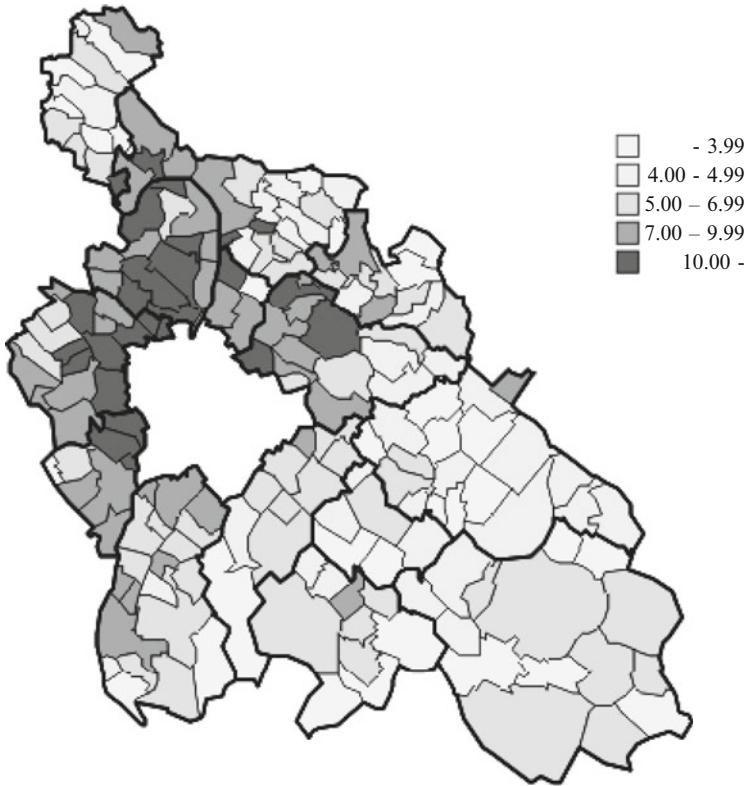
In the international urban literature suburbanization is often seen as a corroborative of gentrification: processes of physical decay of inner city neighborhoods are accelerated by the moving out of middle class people into suburban settlements,

or into better parts of the cities, then increasing vacancy rate and the widening rent gap opens the space before the gentrifiers. In the metropolitan region of Budapest this reasoning is rather questionable as gentrification goes parallel to suburbanization. No, or only very short “time-span” could be observed between the two/three phases of gentrification, discussed earlier. This specific phenomenon can be traced back to the “shocking” character of housing privatization in the first part of the 1990s when most of the transactions from public to private ownership were completed in only a few years, and in many cases the privatization was immediately followed by private–private transactions. As far as suburbanization is concerned, also a shocking change played an important part: the suburban settlements around Budapest became really autonomous municipalities able to perform their own “growth policies.”

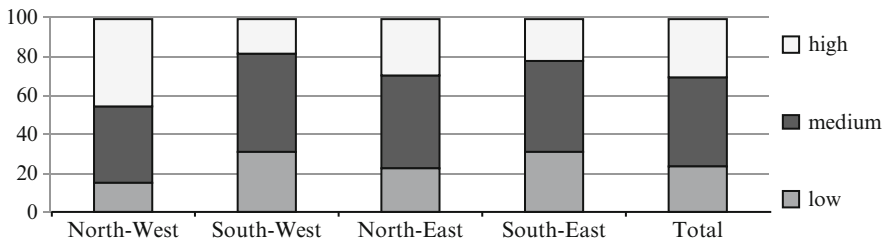
Before the economic and political changes suburbanization in the metropolitan region of Budapest was rather dissimilar to that of the big cities of the West (Kok and Kovács 1998). A great part of the population growth in Budapest happened in its “inner suburbs,” that is, in the formerly individual cities annexed to Budapest, in the prestigious Buda Hills and in the “grand residential ensembles” the majority of which were built also in the outer and in the transitional belt. At the same time extensive residential areas were also developing in these outer districts of Pest in the form of single family house districts, in many cases with self help construction. Parallel to this growth in the outer ring of the city the infrastructural development of the suburban towns and villages beyond the administrative border of Budapest was forcibly retarded by state policies in order to keep the “labor power” needed by the city and its large Fordist industrial plants within the boundary of the city. At the same time in the 1960s and 1970s also, an “immigration ban” was introduced by Budapest in order to keep immigration to the city on a manageable level.

Owing to these two contradictory policies in the state-socialist period the character of suburbanization in the ring of settlements around Budapest can be characterized as a kind of “rural suburbanization” (Korcelli 1990). Until 1987 out-migration from Budapest to Pest County and in-migration from Pest County into the city was balanced. Until the first years of transition fast growth of the suburban ring was fed also by immigrants from remote areas of the country looking for affordable housing close to the city. A great part of both out-migrants and immigrants were semiskilled blue collar workers or employees in lower ranks of the state administration who generally built their homes in a self-help form.

A western type suburbanization got an impetus only after 1990 with a yearly 10,000 plus on the side of the out-migrants (Kok and Kovács 1998:127). Since then the social composition of migrants has changed substantially, the share of higher status people in out-migration has grown fast. This western type suburbanization has taken a rather specific “radial” shape (Fig. 4.3). By dividing the suburban zone into four radial sectors, a geographic study (Kok and Kovács 1998:136) revealed that the share of residents with greater household incomes is rather high in the north–west and in the north–east sectors of the zone, while their share is much lower in the other two sectors (Fig. 4.4). It is rather interesting that these four sectors actually constitute a spatial continuation of the described ecological sectors



**Fig. 4.3** Map: Managers among 100 employees in Pest County in 2001  
 Source: National Central Statistical Office



**Fig. 4.4** Share of population in the metropolitan belt according to household incomes  
 Source: Kok-Kovács (1999)

within the city. The two “higher status” suburban sectors are located in an attractive environment (in and behind Buda Mountains, and towards the Gödöllő Hills). On the other hand and in some parts overpopulated, southern zones on flat land are less attractive for the more well-to-do.

#### ***4.2.4 Who Are the “Gentrifiers” and Those Excluded from the Advantages of Gentrification?***

For want of comprehensive research only rather vague answers can be given to these questions. Although the traditionally low level of housing mobility (3–4% mobility index) did not improve substantially in the 1990s some indirect data show that the filtration processes strengthened (Hegedüs 2005:228); despite much smaller amount of new residential construction the number of housing transactions did not decrease. Also the growing share of vacancies (7–9%) show that the number of transactions (1,4 yearly in the 1990s) caused by one newly built dwelling increased substantially.

Also, day-to-day experiences in housing mobility trends in the 1990s in the inner parts of Budapest tend to prove the presence of an extensive gentrification process caused by privatization. The various groups of households affected by the process can be classified as follows:

- Those who were able to buy and resell on market price their highly subsidized rental flats situated in the best parts of the city and who have been able to move into a better quality environment either within Budapest or in a suburban town.
- Foreign managers who are moving into the best quality residential buildings in the Central Business District of Budapest or into prestigious dwellings in the Buda Hills.
- Young people (university/college students, Hungarian and foreign, starters without children) both from Budapest and the countryside, who were able to buy or rent a flat on an affordable price in the less prestigious inner parts (6th, 7th, 9th and also 8th district) of the city.
- Low or modest income households, elderly people who suffer high maintenance and service costs, the latter gradually raised onto market level, selling their flats to those capable to cover the high expenses, and who are forced to move into homes with less costs either within Budapest or outside of it.

A great part of the latter group can be classified as losers of the process. For them the “windfall” of the “value-gap money” meant a last resort to escape from Budapest’s the high living costs. In many cases these, for the most part less educated, people were able to find an acceptable home only in villages in the countryside without enough or adequate workplaces, consequently the only chance for them remained to run through their small remained wealth. A great part of people in this group moved from the multistorey great housing developments the market prices of which have remained relatively low and where the housing costs increased most because of the high price level of distant heating.

A special population group in Budapest are the gypsy households with relatively many children. The better-off gypsy families, who are able to cover the price of a privatized flat generally move into the East part of Pest (middle part of the 8th district, Józsefváros) and to Kőbánya (10th district) together with the growing Chinese population. Here a special trend is the emergence of a relatively closed

“gypsy housing market sector” together with the gradual adaptation of some of these gypsy families to the “Hungarian” lifestyles and cultural standards; a positive outcome of privatization less stressed by researchers of gypsy life.

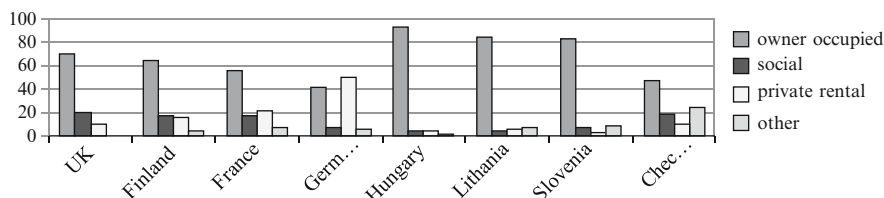
To sum up, in the 1990s up- and down-filtrations in Budapest’s housing sector have been the result of the all-embracing privatization of the housing sector. Other factors were of less significance. In the early 1990s new housing construction in Budapest dropped to a minimum (3,000 per year: 15 per 10,000 p. – it grew up in 2005 to about 7,500: 43 per 10,000 p.), while construction in the metropolitan region of the city was two to three times higher than in Budapest. It should also be added that in the 1990s only very few new constructions were accomplished in the inner city. Thus we can conclude that the exclusionary trends experienced in this period were neither the outcome of new housing construction nor of large-scale urban redevelopment, “restructuring” operations. The majority of those who have been excluded were the less successful who belonged to the less educated, low income people who had to move from the city owing to its increasing living costs.

Recent fierce criticism against the exclusionary character of urban restructuring (see the Erzsébetváros case study later in Sects. 4.7 and 4.8) is the consequence of the growing pressure exerted by the private development sector onto some local, district, governments (7th and 8th) in order to take possession of a part of the value gap “hidden” in those residential buildings that these districts kept in public ownership. It should also be added that since 2000 private developers, “speculators,” have been supported by generous state subsidies on new housing and, a serious error made by planners in Budapest, also by extremely submissive zoning regulations. These important issues will be discussed later in this chapter.

#### ***4.2.5 Restructuring of the Housing Sector, Effects of Housing Subsidies on Urban Renewal After 2000***

As discussed earlier, the rental residential buildings in the inner part of Budapest that were confiscated from their private owners in 1950 and after 1990 transferred to the local, district, governments then, according to the 1993 Housing Law the majority of them was sold to the sitting tenants. The housing tenure system of Hungary generated by this privatization process substantially differs from both that of the western and some of the former CEE countries (Fig. 4.5). The local district governments were allowed not to sell their flats only in the officially designated “urban rehabilitation action areas” in order to be able to manage their “comprehensive” renewal projects. According to the 1993 housing law, heritage buildings can be sold to the sitting tenants only after their renewal.

In Budapest a great part of the about 9% publicly owned rental stock represents a small “social residential sector” with rents regulated by the district governments. Most of the rehabilitation action areas (the three largest: Ferencváros, Józsefváros, Erzsébetváros, see Sect. 4.6) were selected before the changes in well accessible



**Fig. 4.5** Comparison of the housing tenure systems of selected European countries around 2000  
*Source: Scanlon and Whitehead (2004)*

central parts of the city, but with a great proportion of neglected buildings and with a relatively high share of substandard flats. This “less-than-medium” quality housing stock in the rehabilitation areas was originally inhabited by lower middle class population with a substantial share of higher status people as well.

Already in the mid 1980s, a gradual but definite withdrawal of the state from the residential sector was discernible. State building almost vanished to the early 1990s together with the gradual closing of the “channels” of public allotment of rental flats. The subsidies on new construction were also withdrawn: the former 3% rate on housing loans was raised to market level along with some programs that assisted the borrowers to be able to repay the much higher sums. As a result of this, accompanied by the economic recession in the first part of the 1990s, demand for new housing fell to a minimum. In the second part of the 1990s, institutions (mortgage lending, savings banks) required by a western-type housing finance system were built up and also the private development and construction sector gained some strength. A definite change came in 2000 (Rózsavölgyi and Kovács 2005) when the government launched a new housing subsidy system. This new scheme allocated substantial funds for subsidizing interest rates on long-term mortgage loans for the purchase and construction of new homes. Later the scheme was extended to purchasing, enlarging and modernizing existing dwellings. These subsidies were coupled by a personal income tax reduction. Later, in 2003 and 2004, in the light of increasing central government budget deficits and under the worsening macroeconomic conditions, the next government tightened the conditions of these subsidies. In particular, tax exemptions in personal income tax were substantially reduced.

Owing to the accelerated economic growth since the middle 1990s and as a result of the housing subsidies residential construction got an impetus after 2000. However, the architectural and locational characteristics of this revival of new housing construction have been rather unexpected in Budapest. Developers of the new “residential park, residential gardens” found the abandoned industrial sites of the city together with the some green-field areas around the single family, owner occupied outer zones. Locational preferences of the builders have been the strongest for the abandoned industrial zones along the Danube, both in the north and in the south part of the city (3rd, 13th, 9th, 11th districts). Smaller scale private residential construction programs are in progress also in some mixed-use districts,

like in the typical workers district, Kőbánya (10th district) where smaller industrial plants were traditionally embedded in low-rise residential areas (see Sect. 4.5). At the same time residential construction in the inner city has remained insignificant in numbers. With the exception of the publicly initiated redevelopment/renewal project in Middle-Ferencváros (9th district) where the operations started in 1986, larger scale “demolish and build” programs started only in Józsefváros (8th district) and Inner-Erzsébetváros (7th district) only after 2000 (see Sect. 4.8). A relatively small amount of new residential constructions, part of the in 75% central state-sponsored affordable new housing scheme, have been completed on sites of demolished low-rise worker tenements in rather bad conditions.

In summary, the general effects of the subsidies focused on new construction have been rather contradictory (Hegedüs 2005:225). As larger dwellings are under-represented in the Hungarian housing stock, it has been rather disadvantageous that the share of small dwellings remained high in the new private construction. (This was also the case in state building under the state-socialistic period.) The new state subsidy system strengthened suburbanization trends: about 70% of new housing has been built in the metropolitan zones of cities. On the other hand an important negative effect has been the new scheme’s incapability to promote urban renewal; furthermore, it tends to reorientate resources from renewal to new housing. That’s why the city of Budapest, together with some districts, was obliged to introduce a specific support system of its own (Sect. 4.4).

### 4.3 Other Specific Factors Influencing Restructuring Processes in Budapest

Three more factors should be examined in more detail that play a decisive role in the processes of gentrification:

- Privatization of the state-owned companies and “restitution” in agrarian land to its former owners
- The new decentralized local governmental system of Hungary and of Budapest
- The new urban planning system of Hungary and Budapest

The privatization of the formerly state-owned companies started following a short period of the so called “spontaneous privatization” in the late 1980s, after the first free elections in 1990. Although in Budapest a substantial part of the manufacturing industries have continued operating after privatization, a great number of them went bankrupt with their premises left unused. Some industrial sectors, as the textile industry, permanently vanished from Budapest. Thus a huge amount of “development land” fell into the hands of new owners. The incoming laws regulating privatization authorized local governments to apply for the 50% of the value of the land of the privatized companies in shares, “vouchers,” but few of them used this potential to build up a land bank of their own. Already in the first years of the 1990s

the growing amount of private development land gave way to a fast growth of the commercial, retail and office, sector in Budapest (see Sect. 4.6).

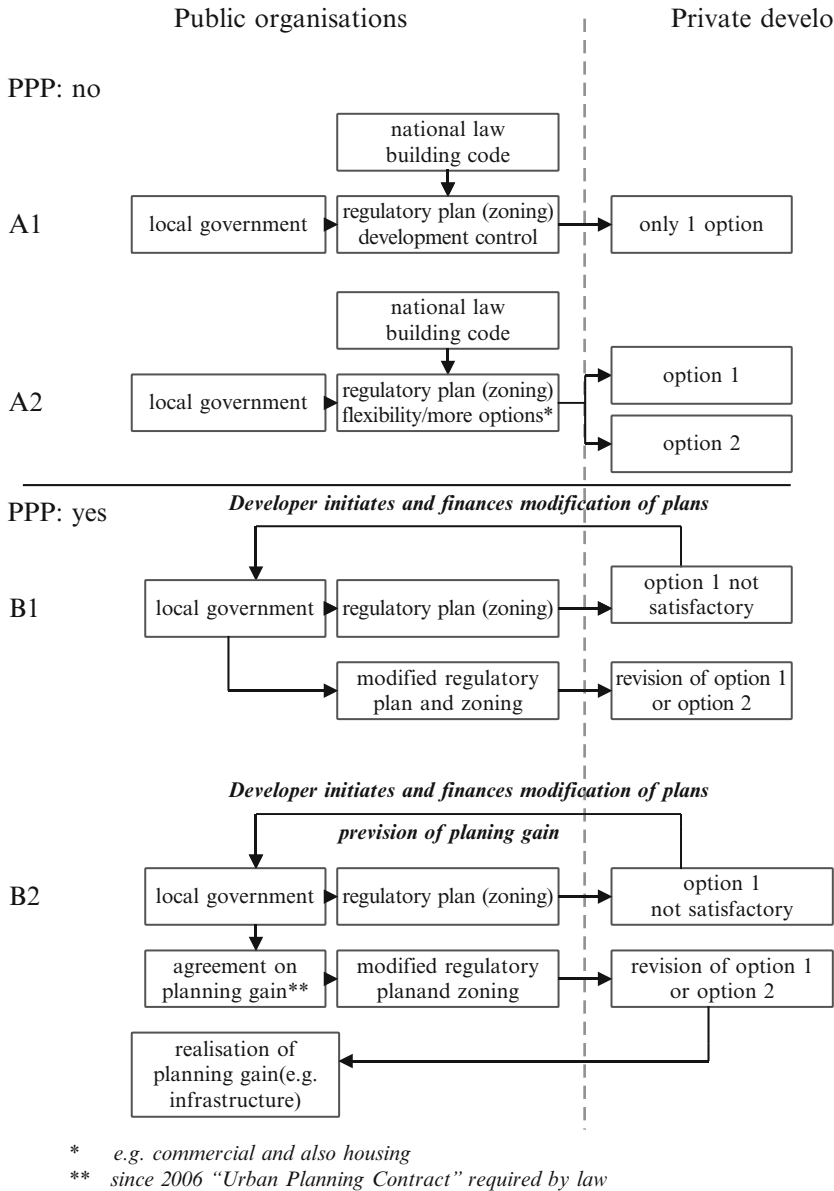
The local governments were also authorized to gain possession of agrarian land within their built up areas but the most influential process was a partial compensation of the former owners of agrarian land that was confiscated from them after 1948. This compensation did not take the form of a real restitution, the beneficiaries were provided with marketable shares. Members of the former socialistic agrarian cooperatives were also compensated. Some big state farms, converted into self-managed limited companies, became highly interested in real estate development. A general outcome of these processes was a growing development pressure on the fringe of cities exercised also by the new landowners. Thus the compensation measures largely contributed to the speeding up of suburbanization trends in the surrounding towns and villages and also gave way to large commercial developments (logistic centers, shopping centers, etc.) in the metropolitan region of Budapest, especially along the motorways and the main distributor roads.

In the period of the political and economic changes, decentralization was seen as a key dimension of the national transition from a command to a market economy. The general concept was that “the total level of public sector activity must be dramatically reduced, but at the same time the new subnational governments must be allowed to build staff and institutional capacities.” (Ebel-Bird-Wallich 1995:2) Even the smallest villages were provided with the status of autonomous local governments, together with the 22 (later 23) districts of Budapest. The central government of Hungary, however, was not keen to allow the local governments to develop into powerful political entities. Their financial independence was substantially restricted, the share of central government transfers remained high in their budgets, rate on the established local taxes were limited by the state. Later those local governments that had a high revenue potential from local taxes were “punished” by reduced central government transfers.

Budapest’s situation is rather contradictory. Its local revenue collection potential is high, at the same time this potential highly differs among its districts. Thus the municipality of Budapest is compelled to accomplish equalizing/compensating measures among its districts in the same way as it is done by the central state among the more than 3,200 Hungarian local governments. The Budapest City Hall is responsible only for the maintenance, development, and operation of the principal infrastructure of the city, together with some public institutions. On the other hand, most other urban development measures are initiated and executed by the districts. The Municipality of Budapest acts as a quasi “higher level” government only in few cases as, among others, in subsidizing urban renewal measures of the districts and renovation works in the privately-owned condominiums.

Also in urban planning the City Hall of Budapest plays a specific “intermediary” role. The 1997 Law on Formation and Protection of the Urban Environment (the new “planning law”) authorized Budapest to adopt a “Framework Regulatory Plan” and a “Framework Planning and Building Code” for the whole territory of the city. The same law also enabled the districts to adopt their own plans and planning and building codes in accordance with the city’s plan and code. Budapest determined the basic land





**Fig. 4.6** Public-private partnership relations in operation of the new Hungarian urban planning system

use categories and the maximum levels of building densities in the specific zones. The latter figures were specified as the highest acceptable dimensions in a hope that the districts would render them more “rigorous” corresponding to the local conditions.

Only in a few cases was this expectation of the lawmakers of the city fulfilled by the districts. Being in a competitive situation against each other, most districts introduced the enabled highest density figures into their plans and regulations in order to attract private development onto their areas. After the late 1990s when private development gathered momentum in Budapest, this permissive behavior of local planners started to be manifested in developments of awfully high densities both in the central city and in the outskirts. In some cases densities of the new developments outnumbered existing figures in the neighborhood by one and a half or two. (For instance  $5.5 \text{ m}^2/\text{m}^2$  floor-space ratio in the central city or 1.5 ratio in the single family house districts.) People in the peripheral single family house neighborhoods were becoming more and more hostile to multifamily condominium and “residential park” constructions, in the inner parts of Budapest some civil organizations (see Veto! later in Sect. 4.8) started to intervene against high density commercial and residential developments. Although local officials becoming increasingly aware of the intolerable situation, reduction of the permitted density figures is rather problematic as the owners (developers) of building sites are entitled to compensation if “an urban planning decision changes the permitted use of a building site in a way that it reduces the value of the property.”

The new Hungarian planning system is rather permissive regarding revisions of official urban plans. Although private entities are not authorized to apply for the revision of a plan and its regulations it became a usual practice that the developers pay the costs of the working out, or revisions, of plans in their own interest. In the process of negotiations with the entitled officials and bodies of the cities (mayor, chief architect, committees, etc.) they might offer some “planning gains” to the local government mainly in the form of undertaking some public infrastructural developments that are needed for the realization of the project. In many cases the negotiations end up in increased permitted building densities as a compensation for the “planning gains” dedicated to the local governments. As these negotiations are again and again open to the suspicion of bribery, a 2006 revision of the Hungarian planning law introduced a new legal institution called “urban planning contract” included in the German planning law (Baugesetzbuch). This legally verified system can also be considered as a basic model of public–private partnership operating within the official urban planning system (Fig. 4.6).

#### **4.4 The Urban Renewal Program of the Municipality of Budapest**

In 1997 the Municipal Government of Budapest adopted its Urban Renewal Program that introduced a system of subsidies in cooperation with the Municipality of Budapest and its districts. In order to concentrate resources, the Program identified those large areas of the city where negative features have most seriously been accumulated, where a need for public intervention is most justified and urgent. The Program delineated the so called target areas of renewal as follows:

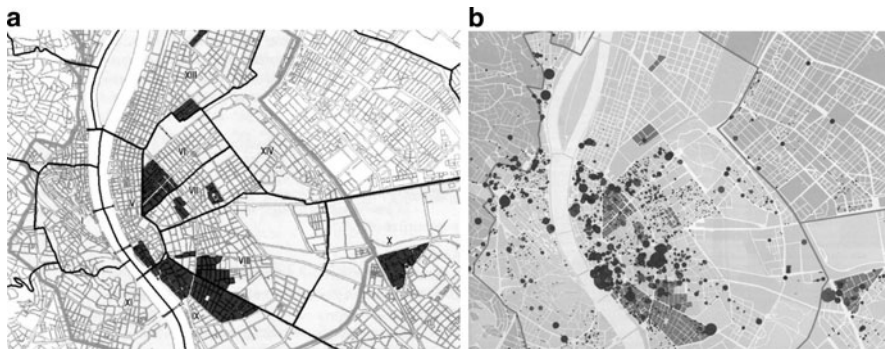
- The south–east industrial sector of the so-called transitional zone
- The densely built inner city
- Clusters along the main radial roads
- Centers of the outer districts, those of the former “border cities”

(Later the last two areas were deleted from the priority list) (Fig. 4.7)

In order to further concentrate resources, the Program proposed to designate so-called urban renewal action areas within the target areas. Having recognized that the district municipalities should play an outstanding role in urban renewal, the Program left the identification of action areas to their initiatives. Based on the proposals of the districts, the Municipality of Budapest approved the designation of 11 action areas in the late 1990s (recently 21 action areas are in operation) which include areas of a size of only a few blocks as well as sizes with an area of a whole neighborhood. The objectives of the Program are:

- The renewal of buildings owned by the municipality and by private owners
- The renewal of public areas and infrastructure
- Some major restructuring of infrastructure in the action areas

The Municipality of Budapest agreed to the provision of support to renewal program of both the districts and the private condominiums. The financial instrument of the Program is the Urban Renewal Fund, which provides subsidies based on a yearly application procedure. At the beginning of its operation the main resources of the Fund consisted only of payments made by the district municipalities. Based on a legislative requirement included in the 1993 Housing Act, 50% of the revenues collected in the course of the privatization of rental flats had to be paid by the districts to a separate account of the Municipality of Budapest. This sum may be used only for the renovation of residential buildings owned by the municipalities. As privatization progressed this resource have been diminished, the Municipality of Budapest started to supplement the money out of its own budget. Thus, now the Fund may support also renovation programs of condominiums and complex urban



**Fig. 4.7** (a) Target areas and action areas according to the 1997 Urban Rehabilitation Program; (b) Distribution of condominium subsidies up to 2001 within the target area and in action areas

renewal programs in action areas (demolition, development of public areas and infrastructure, parking, landscaping, etc.).

The Fund provides nonrefundable cash subsidies and interest-free loans. The nonrefundable cash subsidies of the Fund presume the use of a same amount of own resources in the case of district programs. In the case of subsidies to condominiums the same amount is required from the districts. This rule is not applicable when the support is provided in the form of interest-free loan. The experiences with the utilization of the Fund show that those districts that had detailed comprehensive programs could receive considerable development support. Similarly, condominiums were able to receive significant amounts if also the district at hand operated a support system that provided nonrefundable subsidies at significant amounts.

Until 2006 the total sum of subsidies provided by the Municipality of Budapest amounted to €52.7 million. In the first years the share of payments on complex action area operations was high but later, until the end of the 1990s, the privatization procedure was over in most inner districts of Budapest, the proportion of payments to condominiums increased. On the one hand the loss of the majority of public property severely impedes the realization of complex renewal programs; on the other hand it explains the growing participation of condominiums in the Program. A recent survey revealed that the greatest number of successful applications came from condominiums from the four inner districts (5th, 6th, 7th and 8th), which operate their own condominium support systems.

The growing share of subsidies to condominiums has some disadvantageous outcomes. The spatial concentration of the subsidized buildings is low, thus the support system can only slightly contribute to the complex regeneration of a contiguous area. Many of the applications refer to long-postponed small-scale renovations and unavoidable improvements to the proportion. It is a general experience that only condominiums in the more prestigious districts (5th, 11th, 13th) are able to undertake more comprehensive renovation programs. The social composition in condominiums might also hamper the taking part in the competitions for subsidies. This is caused primarily by the missing cooperation, in some cases also distrust, among the owner-occupiers, by the inactivity and the frequent “counter-interest” on side of the hired private building managers and the social composition of the inhabitants with diverse economic backgrounds. A frequent consequence of all of these factors is the resistance of the community of inhabitants to enter into special programs that would help the most disadvantaged to participate in renovation programs. (A law authorizes the condominium to take over their burden.)

Because of the low “rehabilitation efficiency” of condominium subsidies the view that the “dispersal of money without any concept,” providing “gift to private owners” are rather widespread even among experts. Others argue that instead of giving subsidies to individual buildings, the regeneration process should be induced by the improvements of public spaces. In the urban structure of Budapest, however, the effectiveness of this solution is also low, especially along the narrow side streets. Despite all these shortcomings the system of condominium subsidies has proved to be a successful program because of its direct and useful impacts on the

inhabitants and also because the potential for the large scale, comprehensive programs has been diminished after the end of “mass privatization.”

In addition to the Rehabilitation Fund, the Budapest government provides 365,000–545,000€ subsidies per year to protected buildings in the framework of its Urban Heritage Support scheme, another support scheme is the Strategic Fund that serves infrastructural improvements. The renewal of a municipally owned main distributor road may also function as an “indirect subsidy” if it affects a part of a district where renewal operations are going on.

## **4.5 Restructuring Processes in the Urban Space of Budapest**

In this section a comprehensive overview of the spatial restructuring processes in Budapest will be given. The description will cover both large scale, spatially extensive conversions in land uses, spread over in some cases to a whole district or a large part of it, and also minor transformations as the appearance of streets with specific new commercial uses. The overwhelming majority of these transformations have been initiated by the private sector that owns the bulk of landed properties within the city and beyond its boundary. These private initiatives are in most cases supported by the districts competing against each other for new development.

### ***4.5.1 Gradual Conversion of Downtown Budapest into a Real CBD***

Until as late as the 1980s, the central part of Pest (V. district: Belváros, Downtown, and Lipótváros) retained its relatively high status as a predominantly residential area. The Central Business District of Budapest was made up only with the Hungarian Parliament, the Ministries, the most important governmental offices and the headquarters of some big state companies. In the state-socialistic period even a ban on new office developments was in force in order to keep out the traffic which they would have generated. The first new commercial projects that appeared the downtown area were some western hotel-chains at strategic points as the Danube or Kálvin Square in the 1980s.

In the early 1990s international companies had already started to raise demand for good quality office space for their employees, later for their headquarters. In these years the target area of office development was restricted to downtown Pest (5th district) and to some areas within the Grand Boulevard and in Central Buda. Nevertheless, the transformation of the centrally located areas of Pest into a real CBD is a rather multifold and slow process. As there are only few infill sites and since also here the majority of flats in the better quality multistory buildings were bought by the sitting tenants, the conversions or new building on cleared sites

can be carried out only after the “buying out” the individual owners of the condominiums (Fig. 4.8).

Another gradual process is that smaller local and foreign companies (private consultant firms, architectural studios, dentists, lawyers, etc.) buy only single or next-door dwellings in condominiums, in some cases a total floor. (Their settling down in old buildings usually furthers renovation because of their capacities to pay higher sums into the common budget of the condominium.) As in the 1990s, the demand for up-to-date quality rental office space fast grew the yearly production of new office space has increased from 20,000 to 30,000 m<sup>2</sup> in the first years after the changes up to 70,000 in 1997. After 2000, the yearly production exceeded 180,000, in the last years it dropped to about 100,000 to 120,000. At present, Budapest’s good quality office space amounts to about 1.5 million m<sup>2</sup>.

These processes have generally been promoted by the affected district governments, especially by the 5th district. There a successful public space improvement program at the leading catholic church of Budapest (“Basilika”) gave an additional stimulus to the refurbishment activities and to a radical change of the cityscape with a growing number of first class restaurants and pubs. (The Central European University also moved to this district after refurbishing and interconnecting two old residential buildings.) As seen in Sect. 4.8, the extension of the CBD was the original plan in the 7th district as well but there the concept changed substantially in the late 1990s. Currently, large-scale refurbishment operations are going on close to the traditional shopping street (Váci Street) of Budapest thanks to a good cooperation among the district government and some leading developers and investors.

Table 4.2 indicate that the strengthening of CBD functions has not been restricted to the traditional urban center of Budapest: from the 94 new “A” category office developments only 54 are found in the central districts of Pest, while 33 are located in Buda. After 1990, conversion of some old industrial buildings to medium quality offices started along “outer” Váci street (13th district) together with new constructions on abandoned industrial sites. In the same period, Inner Buda (1st and

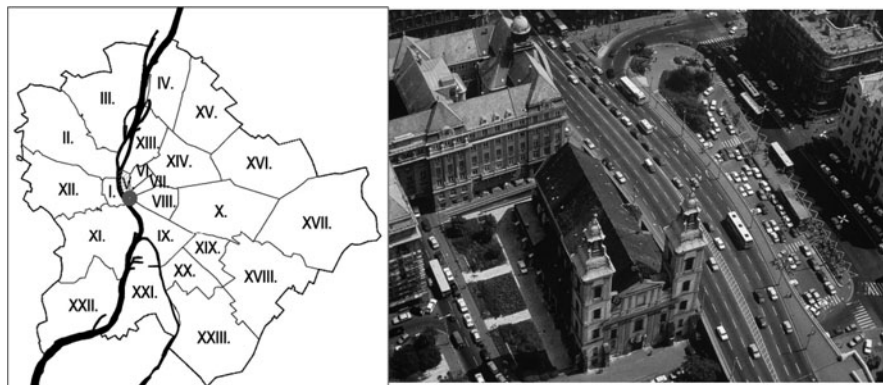
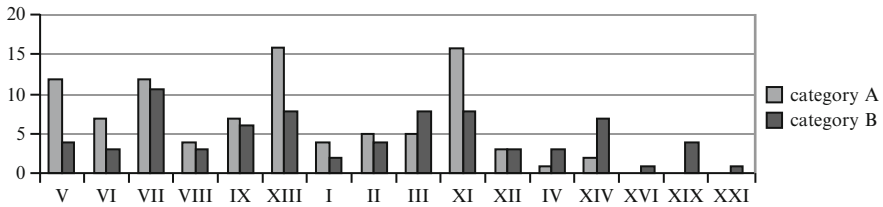


Fig. 4.8 Center of Budapest (Downtown, Lipótváros with Erzsébetváros) and Március 15. Square

**Table 4.2** Location of “A” and “B” category offices in Budapest in 2007

Area (districts)	Category “A”		Category “B”		A + B %
	No.	%	No.	%	
Inner Pest (V,VI,VII,IX,XIII.)	54	57.4	34	43.1	50.9
Buda (I, II, III,XI, XII.)	33	35.1	25	31.6	33.5
Other areas	7	7.5	20	25.3	15.6
Budapest total	94	100.0	79	100.0	100.0

Source: “Irodaház” private real estate statistics



**Fig. 4.9** Number of high quality office spaces in Budapest’s districts in 2007

Source: “Irodaház” private real estate statistics

2nd and also 11th district close to the principal motorways) started to provide attractive locations for high prestige developments.

It is rather suggestive that these locations, to a great extent, correspond to the high status residential sectors of the city, described in Sect. 4.2; namely, a substantial part of the main CBD functions tend to “move” along the ecological sectors of Budapest. This trend is also supported by the number of dwellings converted to offices. According to the 2001 national census 10,713 of the 14,008 dwellings (76.5%) “used for other purposes” was found in the districts listed in Table 4.2. (The highest figures are shown by the 5th, 6th, 13th, 2nd, and 11th districts.) As discussed, this specific feature of “CBD restructuring” of Budapest is explained by the few vacant lots and the cumbersome and costly operation of converting privatized condominiums, or their sites, into offices in the central city of Pest and also by the intention of the developers to build in environmentally attractive areas where the better trained people live (Fig. 4.9).

### 4.5.2 Linear Type Radical Restructuring Along Some Main Access Roads

As shown in the former section, two districts, namely the 11th in South Buda and the 13th in North Pest, present a substantially high share in the processes of CBD restructuring. In these two districts transformation of land uses are influenced by a

complex set of conditions. Both districts are adjacent to the River Danube, both are relatively close to the center of the city. In the 13th district (Újlipótváros, Angyalföld) the Metro line No 3 was built under outer Váci street in the 1970s, the 11th district (Kelenföld, Lágymányos) is cut through by the two principal motorways, No 1 and No 7. In the 11th district three important distributor roads (one of them newly opened) lead to the southern parts of Buda and to the motorway, No 0 (the outer ring). In both districts the nineteenth century industrial development followed the line of a principal road (outer Váci Street and Budafoki Street respectively) bordered with industrial plants along the River Danube that was also previously serviced by the railway. Owing to their highly advantageous position these two areas became the scene of the first “brown-field restructuring” processes after 1990.

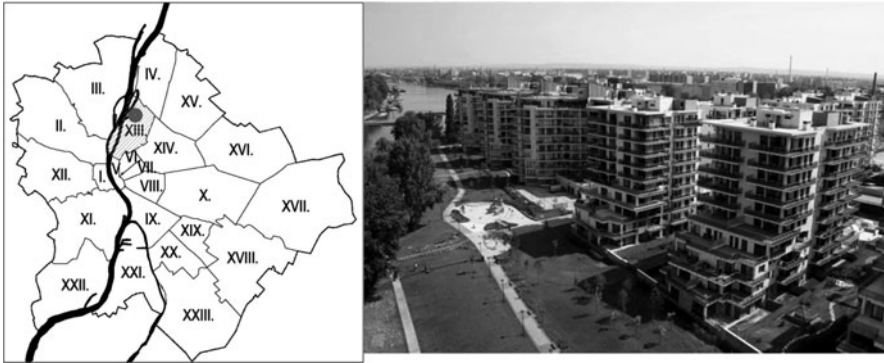
The 13th district of Budapest is made up of two distinct areas. Its south part includes Budapest’s most valuable high density residential area (Újlipótváros) built in the interwar period. Its northern part (Angyalföld/Angels field) used to be a real workers district with 10 of the 18 most important engineering industries of Budapest. Between 1990 and 1995 the number of closing down industrial plants along outer Váci street was the highest in the city, the engineering industry almost vanished from the district. Conversion of industries into banks and offices came first, followed by two shopping centers, one of them (West End Shopping Center) adjacent to the high status residential areas of Újlipótváros. Patterns of conversions into new uses fall into three groups (1) large-scale investments on sites of the demolished industrial premises (banks, new offices and shopping centers), (2) refurbishment of premises (auto and furniture showrooms, restaurants, etc.), and (3) renovation of buildings (wholesale trade, warehousing). The few yet functioning industries are of middle size, a majority of them employ 300–500 people.

As property values started to increase, the restructuring process extended to the background areas and to the Danube bank where residential development was launched in substantial dimensions after 2000. Between 1990 and 2000, only a total of 2,000 new dwellings were built in the 13th district, in 2006 and 2007 Újlipótváros and Angyalföld led the housing construction statistics of Budapest with a yearly production of more than 1,000. Office developments are in progress close to the head of Árpád-bridge along the third ring road of Pest, high density residential construction is going on around a bayhead of the river (Foka öböl) (Fig. 4.10).

The district’s development strategy includes supporting measures as tax allowances (from company tax) to the newly settling companies, consideration of the interests of the investors at revisions of urban plans, a strong lobby activity for public infrastructural developments, and – last but not least – indirect subsidies through high permitted densities.

Restructuring processes in the 11th district are very similar to those in Újlipótváros and Angyalföld. Here the building of a new bridge (Lágymányosi Bridge) and the opening of a new road (Szerémi Street) in the early 1990s gave a new impetus to the land use conversions started in the early 1990s along Budafoki



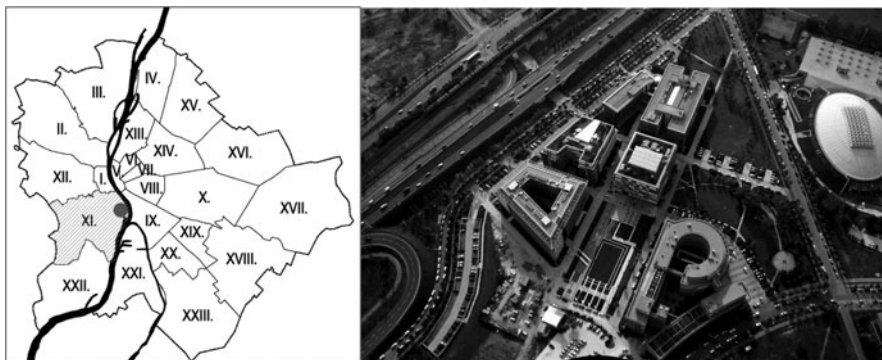


**Fig. 4.10** The high-rise “Marina-Park” residential development in Angyalföld overlooking the river Danube

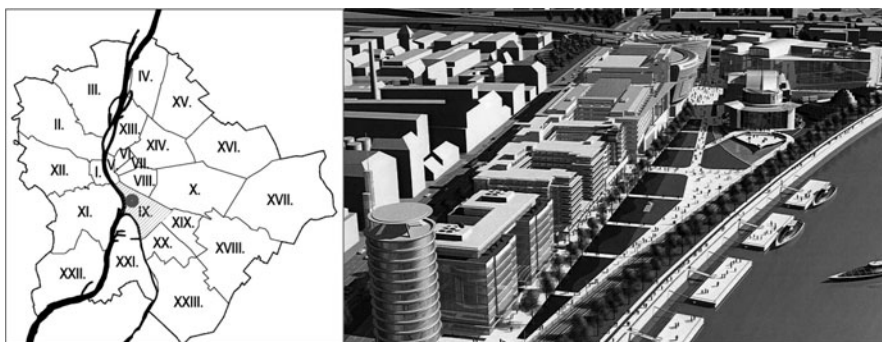
Street that leads south toward the principal national road No 6, north to the head of the bridge a new campus was built for the University of Sciences and for TU Budapest together with a “knowledge park” that attracted leading international companies such as IBM, Hewlett-Packard, Panasonic, Pantel, Axelero, and Maxell into its 13 ha site. The shares of Infopark Ltd. are owned 75% by the state in 25% by the two universities. The park is developed in a PPP form, developers of the sites are provided with a 99-year lease, otherwise Infopark is operated as a rental office park. While the public–private partnership among the state, the universities, the developers, and investors has proved to be rather successful in the Infopark project, another PPP project close to the river is subject to severe political attacks (Case Study 4.1).

The new land uses that replaced industrial uses in Lágymányos are very similar to those in the 13th district with the only differences that no shopping center was built here and up to recently no housing projects have been carried out along the River Danube. At the same time a great number of residential developments are in progress in the background areas along the strips of land between Budafoki, Szerémi, and Fehérvári Streets. That is, a linear type restructuring process has extended to a much wider area here also (Fig. 4.11).

The linear pattern of restructuring of land on the opposite, left, bank of the River Danube was initiated by the Hungarian government in the late 1990s (Millenium City Center). Here an abandoned goods station is being converted into mixed residential/office uses. As “flagship projects” the building of the new National Theater and a Palace of Culture gave a strong incentive to the developments along Soroksári Street leading to South Hungary. The government, as the owner of the Hungarian Railway Company, sold the abandoned site of the station to the developer of the National Theater, a leading Hungarian real estate developer. The building operations are going according to an urban plan adopted by the local government of the 9th district (Ferencváros) in 1991. Effects of land appreciation along the river are spreading beyond Soroksári Street where abandoned flour mills



**Fig. 4.11** Lágymányosi Bay, the scene of Case Study 4.1 with Infopark North to Lágymányosi Bridge



**Fig. 4.12** Restructuring of industrial areas in the South part of Budapest and the Millennium Center with the new National Theater North to Lágymányosi Bridge (3D model)

are being converted into residential use (lofts) together with the construction of new “residential parks” and some offices. The prestige of this mixed use area of Ferencváros is enhanced also by the high reputation of the district as the leader in urban renewal in many fields in Budapest (Chap. 5). Similarly to the 13th and 11th districts, Ferencváros’s local government also pursues a rather proactive development policy (Fig. 4.12).

#### Case Study 4.1

A severely attacked public–private partnership project in Lágymányos

South to the head of Lágymányosi Bridge a bay of the Danube (the land behind the nineteenth century embankment has not been filled up) used to function as a harbor of ships not in use. Along the narrow strip of land on the embankment a few low cost restaurants and pubs were operating (very popular among the youth). The district government, owner of embankment and of the water table in the bay founded a development

company (Öböl Kft: Bay Ltd.) together with the owner of a neighboring piece of land. The private partner, one of the most influential Hungarian real estate developers and investors, attracted other partners into the PPP company apportioning their pieces of land around the bay into the company. So the share of the local government had been continuously reduced, and in the end it fell to only 1%.

The development company demolished the old structures on the embankment, built new ones in the most up to date architectural flavor, and created a small park at the northern bank of the bay. In the meantime the official urban plan (“regulatory” plan) was modified by the local government in order to render the building of high-rise offices and residential buildings possible. Owing to the land improvement measures, even more to the lifted up development potentials of the site through the modification of the urban plan land values increased substantially. Being in the majority position, the company’s management decided to capitalize on the “betterment” and sold the 75% of shares of the company to a foreign (Portuguese) investor at an unexpectedly high price. The local government’s share in the gains remained minimal, thus the whole project, and also the leaders of the district, became subject to severe attacks. Based on the “suspect of unfaithful management of public property” a member of the opposition in the local government intends to bring the case to trial. Leaders of the district argue that their only intention was to improve the conditions around the bay, and that the local government did not want to act as a developer. Real estate experts draw attention to the error made by the district, namely that the contract with the company didn’t include a clear measure regarding how the partners would share in the gains from the appreciation of land.

Source: unpublished research material to the Ministry of Regional Development and Building, Budapest University of Technology and Economics (Locsmáncsi et al. 2008).

### ***4.5.3 Spatial Effects of the Restructuring of Retail Trade, the Emergence of “Special-Use Streets”***

Under the state-socialistic era the development of retail trade was retarded in Hungary by the low, “regulated,” paying capacity of the population. In Budapest, the majority of the new retail space production was on the sites of the high-rise housing developments, only a few and small shopping centers were built in the “subcenters” of the city, designated by the 1970 general plan of Budapest. In the inner city majority of the retail facilities were “inherited” from the end of the nineteenth century and the between-war period: the five market halls, department stores downtown and along the Rákóczi Street, and the small shops in the relatively few traditional shopping streets, most of them operated by state or cooperatively owned retail chains.

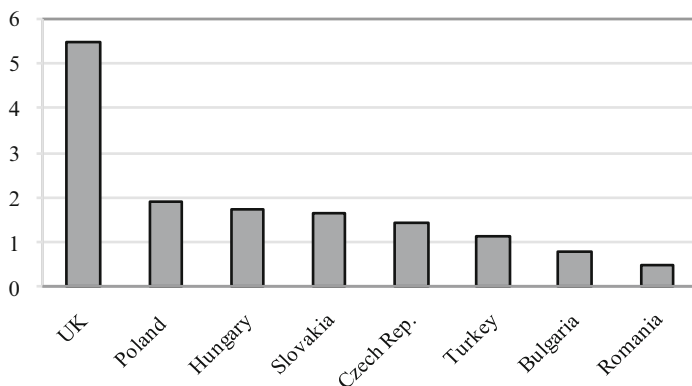
In most transitional countries the transformation, “internationalization” of the retail sector led the process of privatization (Kok 2006) in the early 1990s. Three key elements of restructuring should be stressed (1) privatization of the state and cooperative retail chains, (2) emergence of a private retail business, (3) entry of international retailers bringing in new products. As compared with other CEE countries in Hungary substantial parts of the relatively well developed and politically strong cooperative retail sector was not included into the “small privatization” process. By keeping them intact they were sold to Hungarian and foreign investors

or were bought out by their management. Contrary to other CEE countries the local presence remained relatively strong in Hungary.

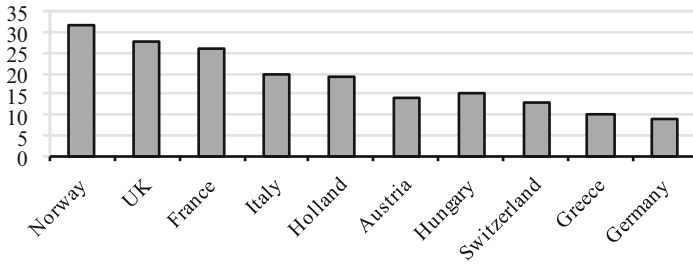
Another important element was that a great part of the retail space remained rental property in the hand of the local (district) governments as shops in the residential condominiums were considered by the Constitutional Court, in contrast to housing, as having no real “social” implications. In Budapest these two factors were of prime importance in keeping the overall retail environment in the inner city relatively intact. Despite adverse processes the “defensive potential” of the shopping streets against the influx of hypermarkets and shopping centers remained relatively strong. The public ownership of rental retail spaces has also left some chances for the district governments to intervene into the transformations of their most important shopping streets (Case Study 4.2) through specific public–private partnership relations.

The fast growth of modern retail floor-space in Hungary started after the economic recovery in the mid 1990s parallel to those neighboring countries (among others Poland, Slovakia, Czech Republic, Fig. 4.13) where spending capacity of the population was relatively higher. It has been driven by two main factors: the relatively stagnant markets in Western Europe that “pushed retailers into international expansion” (Kok 2006:116), and the extremely high shortage of modern retail space in these countries. In Hungary, the first target area of international retail chains was Budapest, both in hypermarket and shopping center construction (In 2005 about 60% of all retail space in Hungary in shopping centers was operated in Budapest and around it.) (Fig. 4.14).

The fast growth of the up-to-date retail facilities fundamentally altered the “shopping environment” of Budapest. It is remarkable that the locations of the various types of new shopping facilities have been definitely influenced by the ecological structure of Budapest and of its metropolitan belt (see Sect. 4.2.2), at the same time patterns of location of the new facilities have had a substantial impact on



**Fig. 4.13** Spending capacity in selected countries – €/1000 per capita in 2004  
 Source: Kok (2006) [based on Mintel (2005)]



**Fig. 4.14** Shopping centers and hypermarkets share in retail turnover in selected European countries in 2001

*Source: Hungarian Central Statistical Office (2002)*

the transformation of the previous retail landscape, especially on the “high street retail” within the city. A third, well observable interrelationship is that the character of retail functions along the traditional shopping streets has also been influenced by the spatial structure of the city (Fig. 4.21).

The majority of the new hypermarkets (Auchan, Cora, Tesco, etc.), cash and carry, do-it-yourself facilities chose their locations at the outskirts and in the metropolitan belt of the city along the motorways and some main axial roads. Their operation is based on the weekly/monthly shopping by car. At the same time most of the largest shopping centers are situated at the edge of the relatively narrow densely built inner ring of Pest, in the “transitional zone” where they rely on both the high population concentration of the inner city and on the demand of the outer districts. Most of these malls are accessible by public transportation as well. In the inner city only two shopping centres were opened (including West End City Center on an abandoned part of the Western Railway Station).

Conversion of inner city blocks into shopping and entertainment environments, as done in some European cities (for instance in Graz, Austria) has been hindered by the privatization of the public housing stock. The level of paying capacity of the population played a part as well: a great number of (smaller) centers were erected in the highest status districts on the Buda Hills (second and 12th districts) too. It is also remarkable that the high concentration of population was a location factor for new retail developments also in cases of some large socialistic housing developments. To sum up, the international retail industry well adapted itself to the specific spatial/sociological structure of the city while the impact of urban planning measures were extremely weak and came too late. While through its “framework urban planning and building regulatoans” the Municipality of Budapest was to some extent able to orientate shopping centers to the desired locations, most districts were unable to influence the market-led transformations of the their “high streets.” In most cases the main shopping streets of Budapest just separate the neighboring districts, competing against each other, so only few coordinated programs have been in

progress in this field. The most observable transformation has been the weakening of the retail function of the two main shopping streets of Budapest: Kossuth Lajos/Rákóczi Street and Grand Boulevard.

The old department stores built in the late nineteenth century and in the early twentieth century along Rákóczi Street were unable to meet the strong competition with the new centers. Their floor space was subdivided into small, less than medium quality shops not frequented by the shoppers as only few parking places are found in the close vicinity of them. The restructuring of the wide street – by introducing parking, improving the shopping environment through lines of trees, etc. – is rather problematic as it carries a great part of the east–west traffic of the city. Transformations along Grand-Boulevard are more diverse as they reflect the “status” of the residential areas behind the street. The northern section of this radial street, together with its continuation in Mártírok Street in Buda, was able to enrich its shopping and culinary character as it runs between the “City” (Lipótváros, 5th district) and the high prestige residential areas of Újlipótváros (13th district) and under the elite residents of Rózsadomb (Rose Hill) in Buda. At the same time the southern section of the street reflects the low spending capacity of the inhabitants of Józsefváros and Ferencváros.

Another new phenomenon in the microspace of Budapest is the concentration of specific retail functions along some streets and in certain parts of the city. These changes well correspond to the theory of “agglomeration economies,” namely that the special concentration of similar or closely interrelated economic activities enhances profitability of the single units. The most remarkable sign of this type of transformations is the appearance of “culinary streets and squares” (Ráday Street, Liszt Ferenc Square, Case Study 4.2) in the inner city of Budapest. The emergence of other “single use” streets, as a “fashion street” (Deák Ferenc Street in the Downtown) is just recently observable. In most cases these transformations are the positive outcome of private initiations supported by the local governments through public–private partnership arrangements. Along other high streets, such as Király Street that runs along the border of 6th and 7th districts, only a few traces of similar processes can be detected, here the cooperation between the neighbouring districts was restricted to a badly designed traffic calming scheme.

Transformations of the character of other streets well reflect the changes in their wider area. In Lipótváros, where the strengthening of CBD functions is the most significant process (see Sect. 4.5.1) elite restaurants and pubs are opened serving employees of the old and new offices and the governmental officials too. On the other hand, in the lower status residential areas the proliferation of small private shops and groceries is observable that serve together with the various Hungarian and international retail chains, the lower middle class people.

Along the outer sections of the main radial roads the functional transformations has fundamentally changed the traditional cityscape: single family houses, villas along the streets are being converted to private retail and commercial facilities together with similar new developments. The “architectural degradation” of these streets induced the consultant planners of the Development Strategy of Budapest to include the “rehabilitation” of the axial roads as a prime urban renewal program of the city. (This program was later abolished.)

## Case Study 4.2

### Emergence of a “culinary street” in Ferencváros: a real PPP project in Ráday Street

Ráday Street, the high street of Inner Ferencváros interconnects Kálvin Square, the “gate” to Downtown Pest and the main square (Bakács Square) with the district’s city hall and a church of national architectural heritage. This square is in a central position between the inner part of Ferencváros and the site of the most successful urban rehabilitation project of Budapest. The Ráday Street revitalization program started with an area wide traffic calming measure in Inner Ferencváros aiming at the exclusion of through traffic from Inner-Ferencváros. As part of this program, a short section of Ráday Street was converted into a pedestrian priority area. Only after the success of this experimental introductory project the transformation of the whole section of the street between Kálvin Square and Bakács Square was accomplished.

However, this physical intervention was accompanied by attractive cultural programs: every summer the district government organizes musical and theatrical performances in Bakács Square in front of the church, it supported the settling of a bookstore (Ráday House of Books) too. Later, a civil organization, called Ráday Arts Council, was set up with the leadership of the manager of the bookstore. After the privatization of the former state-owned pawn office, whose central unit operated in a neighboring street, also art galleries emerged in Ráday Street. The district government also exercised some “fine” pressure on the tenants of the local government owned retail spaces by reminding them that the novation of leases would depend on the improved operation of the premises. As a result of all these the composition of the tenants substantially changed, the majority of the previous uses not fitting to the improved environment vanished from Ráday Street. The street was converted into a “culinary street,” fast surpassing in attractiveness the high street of Budapest, the Váci Street downtown. An umbrella organization called Ráday Soho Entertainment and Cultural Association was set up that also adopted an “ethical code” including the expected behavior of the restaurant and coffee house operators. In order to minimize disturbances to the inhabitants of the street, the number of noisy cultural programs were limited to eight on summer weekends. The project became a real success story, with the only reservation made by people of the cultural community criticizing that culinary functions tend to push art and culture into the background.

Source: unpublished research material to the Department of Regional Development and Building, Budapest University of Technology and Economics (Locsmánda et al. 2008).

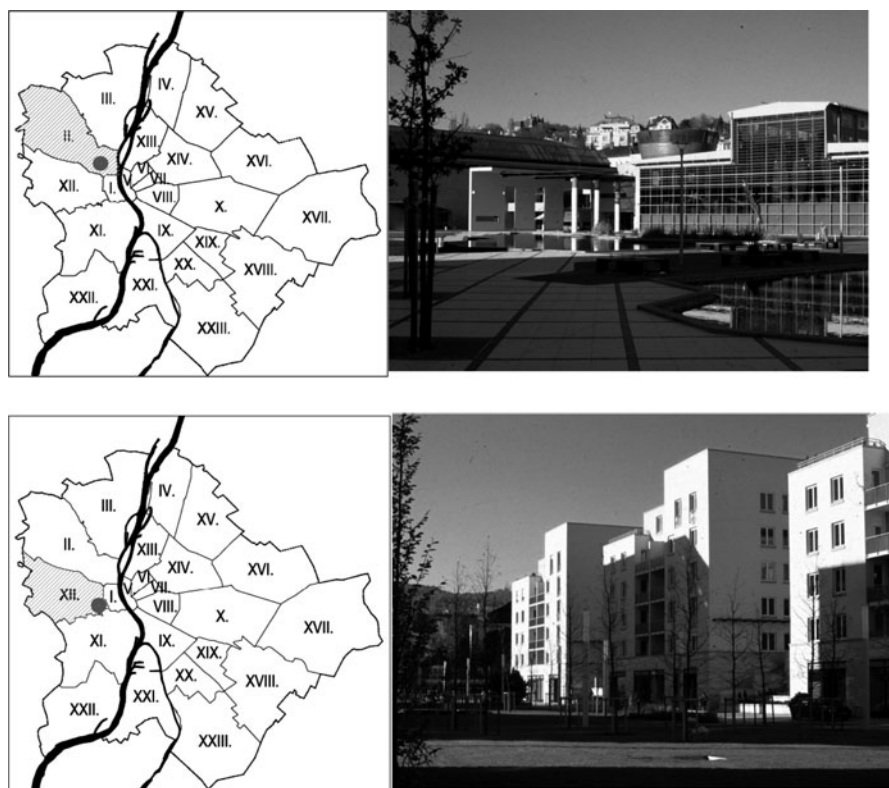
## ***4.5.4 Some Successful Brown-Field Conversions Within High Status Residential Areas***

It was a frequent process that the sites and premises of some industrial plants that settled down and grew relatively early were later encircled by the spreading residential areas in the course of industrialization of Budapest. If these industries were located along the main development axes of Budapest, their conversion to residential areas started in the 1900s (for instance in Újlipótváros, 13th district). As discussed in Sect. 4.2.2, restructuring processes in these ecological sectors were sped up after the economic/political changes.

A special case has been the fate of those larger industrial sites that settled down in Buda, where the conversion of the vineyard areas into summer residence and family villa districts began at the end of the nineteenth century when the filoxera

disease exterminated viticulture. Under the socialistic era, despite ambitious programs of relocation of industries from Budapest, most of these companies were able to keep their premises, moreover in some cases they were able even to grow. After 1990, these, in most cases heavily overbuilt, sites were the first that fell in the hands of ambitious western developers (Case Study 4.3).

One important distinctive feature of these developments is their much better architectural and environmental qualities than those of the high density residential parks built later according to the permissive zoning regulations. The case of MOM represents a successful partnership between the developers, the consultant planners, the architects and the local government that was interested in higher environmental qualities too. In the case of Millenáris (Millenary) Park similar partnership relations between a state founded development company and the contracted private architects led to the creation of one of the few new parks of Budapest: It is also noteworthy that this site is among the few where old industrial structures were retained and refurbished (Fig. 4.15).



**Fig. 4.15** Millenáris (Millenary) Park (*first*) and the mixed use MOM park (*second*) in the XII. and II. district of Budapest



### Case Study 4.3

Conversion of the site of one of Hungary's "flagship" industrial companies into a mixed office/residential park – MOM Park

In 1891 a small private company (Süss Institute of Precision Mechanical Instruments) resettled from Kolozsvár (Cluj, Romania/Transsilvania) to a then peripheral site in Buda adjacent to a cemetery that later was converted to a public park. Although since the end of the nineteenth century large scale developments took place in the area, Alkotás Street became one of Buda's main distributor roads, a hospital was built in the close neighborhood of the site, the company started the spread along a side street as it became an important war factory in the years of the Great War. The company, bought by an Austrian bank in 1918 extended its field of operation to precision optical instruments together with other products as radios and the world known Eötvös pendulum. In 1931, in preparation for the next war, Carl Zeiss Jena bought a share in the company. Called the Hungarian Optical Works (MOM) since 1934 the company once more became heavily involved in military production in World War II. The company's operation was resettled to West Hungary (Sopron) in 1944, its machinery fell into Austrian then into American hands. In 1947 the shares owned by the Germans were given to the Soviets who, after managing MOM until 1952, gave the company back to the Hungarian state.

After this odyssey, MOM became a leading state enterprise in a strong monopolistic position also among COMECON countries. Based on the large Soviet market its operation was extended to other cities in Hungary (Zalaegerszeg, Dunaújváros, Komló, Mátészalka) too, employing a total of about 8,000. Meanwhile important improvements took place in the neighborhood as well: a multilevel traffic junction was built together with a hotel that later was supplemented by a conference center overlooking the park. Since the 1960s construction of good quality private villas and condominiums started in the background of Buda Hills for upper middle class families.

After 1990, as the Soviet market collapsed, MOM started to be split into limited companies. While some of its country branches were bought by international companies or privatized by their former managers most of its premises in Budapest remained unused or let out to smaller Hungarian or foreign companies. After liquidation of the company the site became to be managed by the State Privatization Agency Ltd. (ÁPV Rt.) with the definite concept of marketing it as a property for real estate development. As the international interest for the precious site increased the fate of the industrial buildings built in the 1930s in good quality architecture became problematic a matter in question. Some first visitors of the site (for instance from the Netherlands) wanted to acquire the land in front of the premises in order to avoid the creation of underground parking lots prescribed by the national building code. Even an international student workshop was organized by TU Budapest: most of the students' schemes delineated public uses as university campuses with the refurbishment of most old structures.

Finally, in 1996 ÁPV RT. sold the site to a German investor, Bavarian House-building Ltd. Fortunately, no zoning regulations were in force for the area (the new Framework Urban Planning Code of Budapest was adopted as late as 1997), so the Bavarians contracted two leading architectural studios. The official urban plan followed the common intention of the developers and the architects: a mixed office and residential park was built in a "better than average" quality architecture supplemented by a medium size shopping center.

Source: International Student Workshop "Mommoth," TU Budapest, Department of Urban Planning and Design.

### ***4.5.5 Role of New Housing in the Restructuring of the City and its Brown-Fields After 2000***

As discussed in Sect. 4.2.5, generous subsidies introduced by the central government of Hungary gave an impulse to residential construction in Budapest also

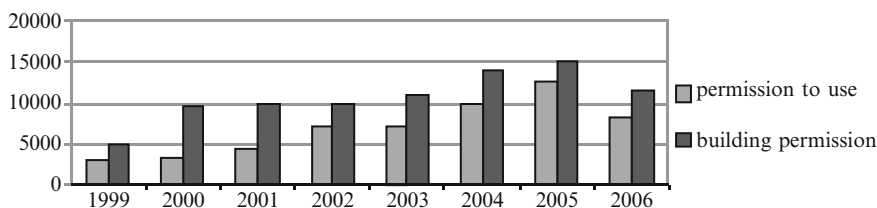
(Fig. 4.16). Since the turn of the century, the share of new housing built by private developers for sale also increased radically (about 70% in Hungary, 85% in Budapest in 2006). This chapter focuses on the most important “restructuring effects” of housing after 2000.

The most characteristic impact of the revival of housing construction has been the further spread and intensification of land-use transformations along the main “development axes” of Budapest. Areas close to the Danube and to the center of the city together with Zugló (14th district), Pest’s high status district in the transitional zone, are scenes of large scale housing projects. Józsefváros (8th district), where the “Corvin Promenade” radical redevelopment project started in 1996, fast increases its share. New housing also tends to contribute to the lengthening of the development axes as in South Pest, along the Soroksári branch of the River Danube.

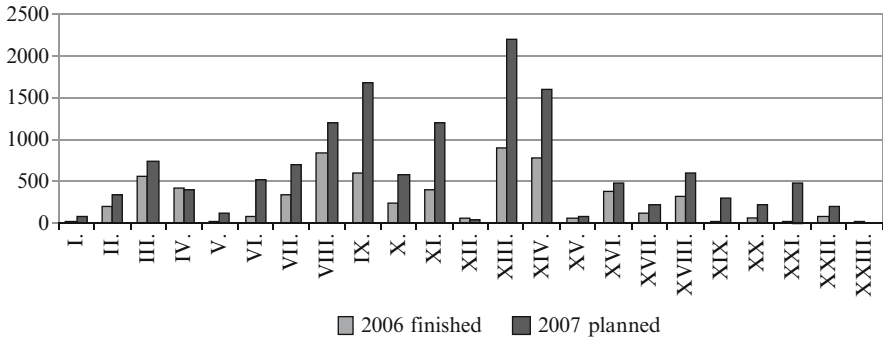
At the same time the revival of housing construction has not been able to contribute to the start of development in some large open areas that are designated for housing since the 1970s and where substantial infrastructural improvements – or filling up of the land – are required (Mocsáros dűlő: 3<sup>rd</sup> district, north-east Csepel: 21st district). The share of new housing in the local government initiated “urban rehabilitation areas” (Ferencváros, Erzsébetváros) is decreasing. In the inner districts of Buda only Óbuda (third district) shows up higher figures as it is in the abundance of open land. In the hillside “garden city” residential areas (second and 12th districts) a “not in my backyard” policy of the local governments, backed by the house-owners, stand against even smaller multifamily condominium constructions.

The same attitudes are coming forward in some outer districts of Pest and Buda, where the private builders are emerging with smaller but relatively high density “residential park” developments (Figs. 4.17 and 4.21) occupying some vacant peripheral sites designated for housing in the 1997 Framework Urban Regulatory Plan of Budapest. Though their share in total numbers is not significant, the appearance of residential building in larger, contiguous units in the periphery is a new phenomenon in Budapest after 1990. In spite of increasing objections of some local civil groups, these peripheral developments are generally welcomed by the local governments as they bring new, young, better-educated people into their aging districts.

A general characteristic of all of the new private residential developments has been their steady reliance on the existing, “preproduced,” locational advantageous



**Fig. 4.16** Housing construction in Budapest between 1999 and 2006 – Number of units  
 Source: National Central Statistical Office



**Fig. 4.17** New housing construction in Budapest's districts in 2006–2007 – Number of units  
*Source: Otthon Centrum (2007)*

of the sites, among which most important is the relatively cheap land. While in inner Buda and in inner Pest (within Grand Boulevard) land prices, measured in 1 m<sup>2</sup> of built residential floor-space, amounts to €600–1,000, in the restructuring brown-field sites and in Zugló this price is only €200–350 and only €100–160 in Kőbánya (10th district). These differences naturally reflect also the variances in the permitted building densities: 4–5.5 m<sup>2</sup>/m<sup>2</sup> floor-space index in the inner city, also high, 1.0–1.5 m<sup>2</sup>/m<sup>2</sup> densities in the periphery, as compared with the much lower prevailing ones. Thus the low comparative land prices are partly the outcome of the generous “hidden subsidies” provided by the planning regulations.

Nevertheless, since 2000 one of the most striking and most advantageous new phenomenon in Budapest has been the appearance of new housing in some of its peripheral parts having large brown-field zones. Among them Kőbánya, the traditional workers district deserves special attention as in this district most of those positive locational factors can be detected that may promote the conversion of industrial sites. The following short list of them (Case Study 4.4) will reflect to one of Budapest's yet prevailing favorable structural characteristics. While the large-scale “human ecological” structure of the city explains the most significant variances (discussed in Sect. 4.2.2), factors operating in the microscale such as local environmental values, closeness to public transformation, public services, even a large residential development in the neighborhood built in the 1970s with a balanced sociological composition may act as positive locational factors (Fig. 4.18).

#### Case Study 4.4

Positive locational factors in Kőbánya facilitating conversions of brown-field sites to housing after 2000

Although Kőbánya's share in new housing is relatively low (Fig. 4.17) a great number of smaller new residential projects started here after 2000.

Between Kőbányai Street and the second largest park of Pest (Népliget: Volks Park) abandoned industrial sites and a soccer field is being replaced by a residential park (Taraliget) despite heavy traffic and premises of the Hungarian State Railway Company



**Fig. 4.18** Rózsaliget (Rose Grove) “residential park” south–east to one of Budapest’s largest housing estates close to the terminal of Metro 3 built in the 1970s. South–west to the housing development good quality retail facilities were built

(MÁV) along the opposite side of the road. Environmental values of the park counteract disturbances caused by traffic noise.

A high density residential park (Tavaspark: Lake Residential Park) is being built south–east to one of Budapest’s largest modernist housing estates (Kőbánya Újhegy: New Hill) from the 1970s relying on a small lake and a developing new park with sporting facilities (Fig. 4.18). Building density of the new park is almost the same as that of the old housing estate. Here the concentrated demand has played a definite role in the developer’s decision to build.

Smaller residential developments are replacing old industrial premises in Ligettelek (Grove Site), a compact central residential area of Kőbánya, in an infill type building. The area is in next door to the traditional center of the district. (This part used to be an official urban rehabilitation action area in the 1990s, where a private company was responsible for managing of conversions together with the property management company of the local government).

Similar infill building is going on in the south–east part of Kőbánya where the “garden city” like character of the existing residential area facilitates new developments.

Close to Üllői Street and a metro station four ten story blocks are renewed under a state initiated program (“Panel Program”) of energy preservation and heat insulation. Neighboring to these blocks a smaller residential development is going on by replacing sport facilities and some abandoned industrial sites. Here the project relies on the closeness of public transportation and on the services provided by the existing high density housing developments.

At an important traffic junction, close to the center of Kőbánya, a “B” category office development induced the replacement of some low rise workers tenements by a dense residential park.

However, a warning signal is in Kőbánya that the many of the new private residential developments are progressing slowly, reflecting relatively low demand in this peripheral district of Budapest.

Source: District Development Strategy of Kőbánya, Talenta Ltd. 2007.

#### **4.5.6 *Brown-Field Areas with Limited Potentials for Radical Restructuring***

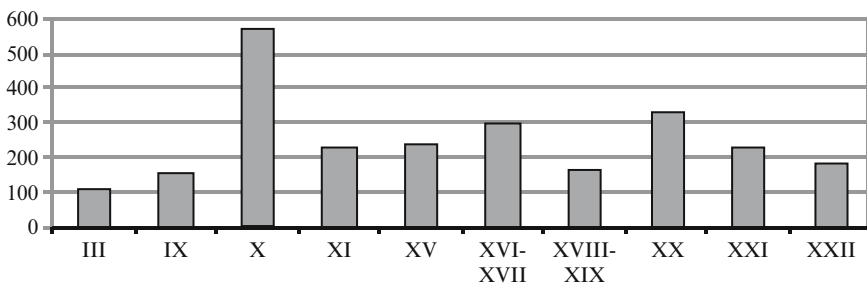
In Sects. 4.5.2, 4.5.4 and 4.5.5, those parts of Budapest were presented where good accessibility and advantageous ecological/environmental position of the industrial areas were instrumental in their radical restructuring or, at least, promoted the

emergence of new housing. As discussed, another important factor that facilitated the conversion of them into new uses (residential, office, etc.) was the relatively small size of the sites. On the other hand before 1990 more than half of the industrial sites in Budapest (about 2,550 from 4,550 ha) was found in large, contiguous industrial zones (Studio Metropolitana – Ecorys 2003, based on surveys for the 1989 general plan of Budapest).

A great part of these areas are found in the more peripherally positioned zones of the city: in the transitional belt or in the outer zone (Fig. 4.19). It is a rather specific phenomenon in Budapest that also within these large, peripheral situated areas substantial restructuring processes are observable. However, in contrast to the better positioned areas (3rd, 9th, 11th districts), here these processes remain in the sphere of the manufacturing and service industry. Although no data are available for the size of the totally abandoned industrial sites in these zones, it is well observable that some economic activities are going on everywhere. A rough categorization of the various processes, induced by the privatization of Budapest’s manufacturing industry will follow.

In the course of privatization of the industrial sector even the few companies that remained intact retained only a part of their land and of their premises. There was only low demand for the abandoned parts by the incoming larger foreign developers and investors as they preferred cheap, better accessible sites for their green-field developments in the metropolitan area or in some peripheral parts of the city where development land was in substantial supply. In many cases the heavily polluted soil of the sites acted as a deterring factor too. Another frequent process was that the large companies were split into smaller limited companies, or their units were sold or let out to newly founded, small companies.

Due to these, in most cases nontraceable, processes, many of the premises of the largest privatized industrial companies started to function as real “incubator” sites. In other cases the whole site was converted to a specific use much different from its original one. The best example for the incubator-type use is the former Csepel Iron Works in the 21st district, while along Kőbányai Street (8th district) the large site of Ganz Mechanic Works, together with a part of the abandoned Józsefvárosi Railway Station was converted into a wholesale market by Chinese and other foreign merchants. The bright side of these conversions is the relatively cheap land and



**Fig. 4.19** Largest contiguous industrial areas in Budapest’s districts before 1990 (in hectar) *Peripheral districts: X. (Kőbánya), XV, XV, XVII, VIII, XIX, XX, XXI. (Csepel), XXII* *Source: Studio Metropolitana – Ecorys (2003)*

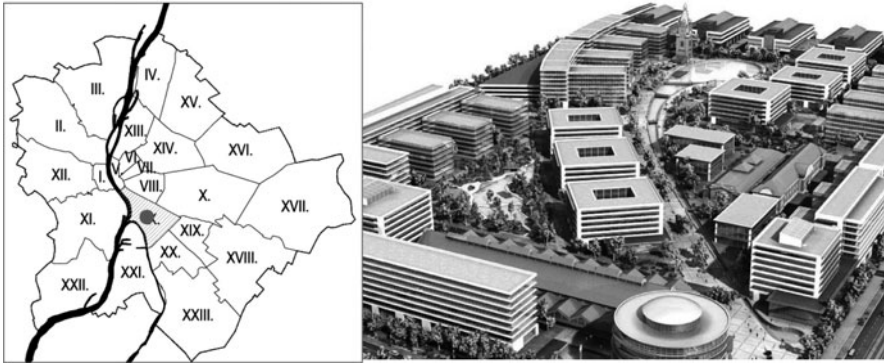
premises provided to the starters and the cheap prices for the lower middle class people of Budapest (together with the potentials to the emergence of a real “gypsy merchant class”). On the other hand in these large industrial estates the proliferation of owners and tenants led to a great number of organizational and technical difficulties that are not easy to be overcome (Case Study 4.5).

As shown in Fig. 4.19, the largest contiguous industrial zone is found in Kőbánya. However, in contrast to Csepel, this zone is made up of a great number of industrial plants of different sizes. As the district is criss-crossed by some prime railway lines, and because most of the industrial plants follow the railway lines, the residential areas of Kőbánya on the hill of the former vineyards of Pest are surrounded and enclosed by an almost uninterrupted industrial belt.

The deindustrialization and privatization processes affected the industrial companies of Kőbánya in diverse ways. Only a few of the larger companies remained intact including two pharmaceutical factories (Richter Gedeon Lt, Egis Ltd.) that were able even to increase their output and renew their premises too. Another “giant” of the state-socialistic food industry, the Globus Tinned Food Factory, after having lost the majority of its Eastern European consumers, assumes a speculative position of “wait and see.” It holds its more than 10-ha-large site the only 10% area of which is actually used by the food factory. A third great company, Dreher Breweries, also holds a large amount of land that is sold in pieces to developers.

The district government pursues a haphazard development policy: while its official urban plan designates almost all of the previous industrial sites for “zones of nondisturbing workplaces” Kőbánya welcomes all developers who are willing to convert the abandoned sites into “more urban” uses. Developers operating in housing have already discovered the district (Sect. 4.5.5), even modern retail facilities were built next to one of Budapest’s largest prefab housing estates. But the district has been unsuccessful in building up effective public–private partnerships for the implementation of its planned “flagship” projects (Case Study 4.6).

The delay in the conversion of Dreher Breweries is explained partly by the missing PPP relations between the local company and the private development sector. Similar delays, however, are also common in cases when industrial land is in private ownership. Speculative attitudes are common especially in cases when an investor was able to obtain the premises of an abandoned large industrial site in a peripheral location at a relatively low price. A frequent behavior of them is that they clear the site, keep only those structures that are apt for some income-gaining activities (for instance warehousing, logistics), sponsor the amendment of the official regulatory plan (see Sect. 4.3) and wait until the site becomes ripe for development. By the adoption of the regulatory plan by the local government the development rights are secured for the owner, in some cases at a rather high level. The start of the intended development is delayed as long as a public infrastructural development improves the accessibility of the site, or the actions of some neighbouring developers make the site more attractive. This came to pass mainly around the large, partly abandoned goods railway stations as is the case with an ambitious office project (“Office Campus” in the 9th district) the site of which is separated



**Fig. 4.20** The office Campus Project on the site of the abandoned public slaughterhouse close to the Ferencváros Goods Railway Station

from the fast transforming southern development axis of Budapest by hard passable railway lines (Figs. 4.20 and 4.21).

#### Case Study 4.5

Transformations and urban planning complications on the site of the Csepel Iron Works – a specific public–private and private–private partnership

As early as 1983, the Csepel Works Trust (holding) was split into seven share companies, their privatization started in 1989. By the end of 1994 the premises fell into the hands of 230 single owners. Only a few bigger companies survived the transitional period, also new companies were founded from the original companies after the liquidation procedures; a great part of them were able to continue their operation in the previous economic profile but in much reduced volumes. There appeared also “small entrepreneurs” forced to venture upon their own enterprises as unemployment increased. In 1996 the share of the “newcomers” was about 30%.

Transformation of land ownership followed the privatization of the companies later. In 1993 95% of the site was yet in state ownership, even as late as in 1996 only 65–70% of the land was in the hands of private enterprises. The sizes of individual properties differed from some hundreds to half million square meters. The local government of Csepel, after it sold most of its shares in land, remained only a minority owner, thus was unable to effectively intervene into the “unplanned subdivision” process. In the early 1990s no official urban plan was in force that would have orientated subdivision. Until 2001, the land of the dissolved Csepel Works was registered in the property cadastre as one building plot. Public roads were missing, public utilities were placed in a random, irregular way as previously needed by the Works. Public lighting was missing and, as the site was open to anybody, security problems were also common.

In order to be able to handle the awfully complicated situation the owners of the companies voluntarily established an “owner’s self-government.” The assistance from the public hand came in the late 1990s in the form of urban planning. A planner of the leading state owned urban planning studio (VÁTI) surveyed the site in all details, assisted the building up a strong partnership relation with the association of the owners. In the official regulatory plan the site was subdivided into larger “block-plots,” the lines of public and private roads were designated. By the turn of the century conditions in the site improved



**Fig. 4.21** Map: restructuring processes in Budapest after 1990

substantially. In 2001 the self-government was dissolved, the common ownership of land was terminated, private property rights registered.

At the same time another voluntary organization, the Csepel Industrial Estate Association was founded with the aims of harmonizing interests among the property owners, a dynamic development of the site in order to enhance land values, searching for outer monetary resources, representing the owners at local and state authorities, including the district government, cooperation in material security matters and in traffic management. The number of employees amounts to 8,000–10,000, including some modernized heavy industrial plants (for instance Csepel Metal Works with about 2,000 employees), also other



industrial sectors, as light and food industries, logistics, warehousing settled down in the site. The old offices of the Works are rented out. This successful industrial restructuring of the big socialistic “industrial giant” should, as a matter of course, be traced back to the economic recovery in Hungary in the second half of the 1990s, but the positive effects of the described complicated PPP relations, including public planning, may not be left out of consideration.

Source: Studio Metropolitana (2002).

## Case Study 4.6

Missing PPP – missing development: plans for the conversion of an abandoned site of Dreher Breweries

Kőbánya has been for long one of the main centers of the Hungarian brewery industry, but many of the plants were closed down in the privatization process. At a site of one of the closed Dreher Breweries some buildings were put under heritage protection. The local government obtained the ownership of the site and wants to transform it, along with its surroundings, into a cultural complex and connect it with the center of the district. The asset management department of the local government has been assigned with the general management of the project based on the official urban plan adopted by the district government.

There is a controversial relationship between the adopted regulatory plan and the desired cultural/entertainment character of the district’s development program. The regulatory plan was prepared for a huge area around the site of the abandoned brewery. This large site has an undeveloped traffic system together with neglected open spaces under which a meshwork of kilometers long underground slots of the former stone quarries (Kőbánya means Stone Quarry in English) run, used recently as well tempered storage facilities. The consultant planners (local governments do not operate in-house planners in Hungary) did not make much effort to carefully examine the potentials of a complicated “flagship” project, instead they designated the lines of the minimally necessary public spaces and determined the permissible building densities at a rather high level ( $2.7 \text{ m}^2/\text{m}^2$  floor space ratio) in order to increase the attraction of the site for developers and investors. The “building plan” attached to the regulatory plan as a background material could only be regarded as an illustration, moreover the densities measurable from the ill-considered drawings were much below (about  $1.5 \text{ m}^2/\text{m}^2$ ) the level permitted by the building regulations.

For the company responsible for the development of the area this regulatory plan, containing little and controversial information could only serve as a poor “background reference.” That’s why three well-known architectural studios were invited for a competition to define the functional and architectural image that could be the basis of a detailed development program. The main goal of the drafts (an “Acropolis-concept” based on the hillside morphology of the site, “up and down” concept based on the partial opening of cellars originating from the quarrying era right under the site) was to put the concept under international spotlight. The company has taken part in international real estate development exhibitions in order to find investors. Despite the fact that the project was awarded with a price by the international jury up to recently only few investors have paid attention to the project in this less alluring area of Budapest. In the hope of success and as an indication of the strong commitment the local government purchased another site connected to the project area.

A serious difficulty in the preparation of the development program is that the local government has no resources for the implementation of the only loosely outlined cultural-entertainment functions and it can not be foreseen what kind of partnership can be established with private investors. Another problem is that the asset management company of the district is not an organization experienced in development-related issues; it is also engaged in other different tasks, acting as a “maid of all work” in various fields of property-related activities.

In such an uncertain situation the consultants working on the District Development Strategy of Kőbánya proposed the concept of some “introductory use,” in line with the character of the area. They drafted a potential project called “Dreherland,” which would, by the partial renovation of one of the heritage factory buildings and with the involvement of the major foreign breweries. This could put Kőbánya onto the “map of international tourism,” and later enhance the potential for other related investments.

Source: District Development Strategy of Kőbánya 2007. Talenta Ltd. (Tamás Meggyesi, Gábor Locsmáncsi, Zoltán Kutsch, Pál Baross, György Pinke).

## 4.6 The Three Local Government-Initiated Large Rehabilitation Projects in Budapest

In this section of the chapter, a short comparison of the three urban renewal projects will follow which, in contrast to most of the large-scale restructuring processes presented in the foregoing sections, were initiated by the public hand, that is, by the Municipality of Budapest in cooperation with the District Governments. These three projects are found in Middle-Ferencváros (9th district), Middle-Józsefváros (8th district) and Inner-Erzsébetváros (7th district) in the densely built inner part of Pest. The Inner Erzsébetváros project will be presented in much detail in Sect. 4.8, the description of the other two projects provides a comparative background for the understanding of tensions in the management of urban renewal in the 7th district.

One of the most important parallelism among the three projects is that they were initiated before 1990, in the last years of the state socialistic era. Furthermore, the Erzsébetváros project goes back to the first years of the 1900s, to the idea of opening a new road through a densely built residential area (Madách Street/Promenade), a concept that was revived in 1988. While in Erzsébetváros, close to the “Downtown” (Belváros) of Pest, the concept of CBD extension prevailed until 2000, in Ferencváros and Józsefváros the principal goal of the intervention was the improvement, “rehabilitation,” of deteriorated, low status residential areas outside the Grand Boulevard. In the latter two areas the urban plans of the 1970s calculated with an almost total demolition of the old housing stock built in the late 1800s, and with the replacement of it by multistory modernist blocks.

Concepts of softer ways of intervention came as late as in the 1980s. A “detailed urban plan” for Middle-Ferencváros was adopted by the Municipal Council of Budapest in 1983 (the planning was initiated by the District Council – the planner was the present writer) which, in line with the prevailing international trends, proposed the demolition of only the worst quality low rise workers tenements and the replacing them by multistory residential buildings together with substantial environmental upgrading, as widening of the narrow streets, providing landscaped courtyards within the blocks. For Józsefváros an even more moderate concept was elaborated in the 1980s. Then a narrow “green promenade” was planned through the long building blocks. Only few new construction was proposed here, the extremely

conservationist plan calculated with the retaining and the renovation even of the oldest, bad quality low rise building stock – a concept that was revived by Veto! in 2004. The detailed background materials of the plan reflected also the intention of recapturing the traditional atmosphere of the site. In Inner-Erzsébetváros it was just before the political changes that the continuation of the opening of the new street (promenade) was put on the agenda.

After 1990 there was a common decision in the three districts not to sell the public residential stock to the sitting tenants, that is, to keep the stock in public ownership in order to secure the property base for the management of the planned operations. In Ferencváros the realization of the project started in 1986 and continued, after a short period of interruption, in the early 1990s when the district founded a PPP company modeled on the French system of SEMs (SEM IX. Ltd.). In Józsefváros, after a long debate on the contents and methods of renewal, a public company was set up in 1996, in cooperation with the Municipal Government of Budapest (RÉV 8 Ltd – Rehabilitation and Construction Company of the 8th district). In Erzsébetváros no development company was founded, thus there the management of the redevelopment is carried out by the leaders and members of the Council and the staff of the Office of the District Government based on the adopted regulatory plan(s) and other local bylaws.

While in Ferencváros and Erzsébetváros no essential modifications in the original urban plans have been carried out, in Józsefváros the conservationist plan of the 1980s was abolished. A new plan was adopted in 2000, according to which a 70–80 m wide part of the large site is being cleared in order to provide space for a 30 m wide landscaped promenade (Corvin Promenade) lined with high-rise residential and office structures. All the three projects are deemed as “exclusionary” as a great part of the lower status inhabitants of the publicly owned rental buildings should move. The basic difference, however, is that in Ferencváros and Józsefváros the vacating is performed by the staff of the local company in close cooperation with some committees and the office of the local government, in Erzsébetváros these activities are performed by private developers under contractual agreements with the district. Although there has been a continuous criticism against the exclusionary practices of the three districts this has been less severe in Ferencváros where the district was able to secure large amount of resources also for the renewal of the old public rental buildings. (In the last 1990s about 60% of the subsidies from the Rehabilitation Fund of Budapest flew into the Middle-Ferencváros action area.) A substantial number of the inhabitants could remain in their homes after the renovation as the rental fees were not lifted up on market level.

As in Ferencváros the renewal started earlier than in the other two districts, the environmental qualities of the whole area have been enhanced substantially. That’s one of the reasons why after 2000, under the construction boom, Ferencváros has been able to enjoy a real competitive advantage and was not forced to lift up the permitted density figures in its building code at a higher level. Even the regulatory plans and their management differ substantially among the three action areas. In Ferencváros a real “development plan” is in force in which also the viewpoints of realization were reckoned with, including much detailed plans for the arrangement

of the new buildings and of the common, landscaped courtyards. (As a real “planning innovation,” the district keeps the land of the common courtyards in public ownership and provides an easement to developers for building garages under a part of these courtyards. As an offset, the developers’ task is the landscaping.) In contrast to Ferencváros in Inner-Erzsébetváros the regulatory plan soon came under the influence of the developers.

A special case is Józsefváros where a rather simple plan was adopted, that fixed the line of buildings on both sides of a 30 m wide landscaped promenade. At the same time detailed architectural regulations were introduced in order to allow for the required diversity and, as is hoped by the architect manager of the company, for a good architectural and environmental quality. (The company, together with the developer organized a great number of urban design and architectural competitions, even postgraduate students of architecture from TU Budapest and Harvard University, Boston were involved.)

The most striking difference among the management of the three projects is the way how the districts sell, alienate, their properties to developers. In the early 1990s when there was a low demand for housing, and most of the state owned development companies went bankrupt, the 9<sup>th</sup> district and its PPP company (SEM IX. Ltd.) had to rely on the few, new private construction companies that were able to operate in a profitable way. Thus in this early period no tendering procedure was used for the selection of purchasers. Later, as the success of the program attracted a growing number of developers, the district, in cooperation with its PPP company, introduced a very sophisticated tendering procedure (Case Study 4.7).

In Józsefváros, alienation of the site of Corvin Promenade was made in one step. After an unsuccessful tender four parts of the site was sold through another tender to four developers who immediately resold their properties to a leading Hungarian developer. The purchase price covers the vacating of the public flats and the demolitions. Also, here as in Erzsébetváros, the developer was able to make the regulatory plan modified by the district, obviously toward higher permitted densities. This plan is functioning as a “legal framework” of the operations, the company’s influence on the proceedings has naturally been decreased. In Erzsébetváros the tendering procedure was made compulsory by a local bylaw only after the emergence of the civil organization, Veto!. Previously the main argumentation of the District’s officials was that they wanted to rely on “real developers” and to exclude “speculators.” Here the selling of public properties is closely interconnected with the vacation of the buildings as the selling price amounts to the compensation in cash that the developers pay for the tenants who should move from the area (see Sect. 4.8 for more details).

Finally, the legal position of the two development companies (SEM IX. Ltd and RÉV 8 Ltd.) and their relations to the district governments should be analyzed. Both are operating as “in-house” companies, that is, they perform the tasks of the local governments and their activities do not go beyond the responsibilities allocated to them by the contract with the local government. Their staff are paid by the districts. Only the company of Ferencváros may be considered an “institutional PPP” as in RÉV 8 Ltd. the other partner is the Municipality of Budapest.

The most important lesson that can be drawn from the comparative survey of the three local government initiated large scale urban renewal projects is that all of them are of gentrifying and exclusionary character. Even if there are many real “winners” of the operations (for instance those in Ferencváros who are permitted to buy their renewed flats after 5 years, or those who were able to move into better quality dwellings), those who are less capable to safeguard their interests (for instance whose tenancy rights are not enough “clear”) easily could fall into the group of the losers. The examples of Ferencváros and Józsefváros well show the advantages of the relying on a local development company: it can more easily adapt to the changing conditions of the development market. The management of the company is able to act in a position relatively apart from the bureaucratic behaviors and political battles in the local government. At the same time the local government provides a secure political background that in most cases is welcomed by the local people.

There is, however, another important experience of the survey that goes beyond the presented comparative analysis: there are no other areas in the inner parts of Budapest where projects similar to those of the three districts can be accomplished. Ferencváros, Józsefváros, and Erzsébetváros should remain exemptions as nowhere else in the city the Districts kept the majority of their rental housing stock in public ownership in a contiguous area. Furthermore, neither the new Urban Rehabilitation Program of Budapest, adopted in 2007, nor will the EU sponsor programs of exclusionary character. According to the new national and EU programs the functional and environmental improvement and city centers and the “social rehabilitation/regeneration” should be the new priorities (see about the latter in Sect. 4.9). However, it is not yet known how the extraordinarily vast amount of the deteriorated former rental stock in the inner part of Budapest will be renovated and how the “comprehensiveness” of the renewal operations, stressed by most politicians, could be effectuated in these areas.

#### Case Study 4.7

##### Tendering and public procurement procedures in Ferencváros

The tender dossier consists of a much detailed technical specification (permitted floor-space, building height, the required infrastructure improvements, etc.), a preliminary subdivision plat (in order to designate which part of the original building site remains public property) and also a preliminary contract. Naturally, this contract includes a building obligation with deadline. The minimum acceptable purchase price is also determined. The jury consists of the chief architect of Erzsébetváros, the chief executive of SEM IX. Ltd. and also of committee members who well represent the various political sides in the local government. By the inclusion of politicians into the work of the jury political tensions in the Council are substantially reduced. The tendering procedure is open to everybody: the candidates can take part in the procedure also when their opponents are presenting their materials. Up to recently no decisions of the jury have been contested.

The jury comes to a decision after the evaluation of a complex set of attributes, including the architectural qualities of the submitted tenders. As in the phase of tendering the applicants are required to submit only a rough plan of the building(s), the final plan(s) should be worked out after a consultation with the chief architect of the district. In this

phase also minor changes in the layout of the structures may occur that might necessitate the revision of the preliminary subdivision plat. The final contract with the winner will be signed only after all of these specifications are made.

The company is empowered also to the accomplishment of preparatory activities concerning various public tasks in the responsibility of the District: planning, design, creation and improvement of public spaces and of infrastructure facilities including the inner landscaping. (The costs of the maintenance of the landscaped courtyards are charged on the purchasers of the dwellings according to the condominium contract.) These public capital investments, including the renovation of the public rental buildings, that remain intact, are effectuated through single public procurement procedures regulated in much detail in the Hungarian legislation based on EU common law. (The company doesn't have a planning and construction section, it employs only about five full-time individuals.) Naturally, all final decisions concerning material matters are made by the local government as SEM IX. Ltd. acts on the account of the district.

Source: Consultations of the author with the chief executive of SEM IX. Ltd. engineer, Péter Jordán.

## 4.7 Main Private and Semiprivate Players in Urban Restructuring in Budapest

### 4.7.1 *Foreign and Local Private Players After 1990*<sup>1</sup>

The 10-year time span after the political and economic changes in 1990 proved to be sufficient in Hungary to the emergence of a real estate industry similar to that in western countries. The three main groups, the developers, the investors, and the construction industry perform the tasks of their western counterparts. The developers are active in acquisition and consolidation of land, in financing and managing developments by using not higher than 20–30% own resources, and finally in selling the product to investors, including large institutional investors and also small final users, as home-buying families. While the developers' gains are the outcome of calculations about land prices, costs of short-term bank loans, costs of planning and design, taxes and administrative expenses, the costs of the construction work and the expected final selling price, the investors actually buy a cash flow the annual yield of which seems to be favorably for a longer haul – for about 10–15 years – as compared with other forms of investments. Construction companies in Hungary also are building contractors under contracts with developers.

In the Hungarian phrasing the word “speculator” is used, as elsewhere, for those who acquire a piece of property the development of which is not rewarding according to short-term calculations and who keep the land in undeveloped form until the conditions are improved, either through actions of other developers in the neighborhood or through other changes, as the improved planning permission conditions. This speculative behavior has been promoted in Hungary and in other

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<sup>1</sup>Sections 4.7.1 and 4.7.2 were written in collaboration with real estate scientist Gábor Soóki Tóth.

CEE countries by the privatization in the course of which landed properties could be acquired on low, in some cases on extremely low, prices. Another specific Hungarian attitude is that in the view of the general public, and also for many politicians land consolidation (unifying parcels into one building site, getting planning permission, etc.) is not regarded as a real “development activity.” As presented in the first part of this chapter, this may lead to serious political tensions if the development of a public property is concerned (Case Study 4.1 and also Inner-Erzsébetváros) and the developer cops out of the project after consolidating the land and sells it to another developer.

The first real estate developers who emerged in Hungary in the late 1980s and in the early 1990s came from the neighbouring countries (mainly from Austria and Germany) into the office and hotel development sector. Only few of them belonged to the largest companies in their native country. Their general behavior was to use a double management by employing Hungarian managers familiar to the local conditions or they founded joint venture companies with smaller private Hungarian firms. Most of them were successful in new office development and the refurbishment of old structures (for instance of the abandoned workers hostels into lower grade hotels or youth hostels). The same was the case concerning the retail sector but here the existence of a successful Hungarian retail chain in cooperative ownership (SKÁLA Coop) together with its ambitious founder fast promoted the emergence of one of Europe’s largest development company.

Nevertheless, the first large foreign private development companies appeared in Hungary as late as about 1995 after the consolidation of the Hungarian economy. These newcomers can be regarded as real and “classical” developers as they focus only on the management of projects. Even if their basic activity in their native countries was construction, or had a strong building division, they relied, and rely in most cases even now, on either their local construction arm or on Hungarian construction companies because of the lower manpower costs here. Whereas the first hotel and office complexes have been opened during 1991–1993 the first large scale western-style retail developments (Duna Plaza, Polus Center and Europark) have opened during 1996 followed by the first large scale mixed use scheme West-End City Center – comprising a full scale shopping mall with cinemas and food court, a four-star Hilton hotel and office towers – a few years later.

The fast transition toward a market economy that followed the political changes has furthered the entering of foreign operators and investors on the Hungarian retail market. The past decade has seen continuous product innovation, which started with the consolidation and upgrading of traditional retail shops and continued with the introduction of new formulas, like shopping centers and big boxes – for the most hypermarkets – and DIY brand stores. As the market saturated, the competition became stronger: location, operational efficiency (logistics, purchasing) and shop formula are the key factors in attracting customer spending. Most of these processes follow international developments, however, the speed of change has been much faster. Traditional variety stores, and inner city department stores have lost out against shopping centers and hypermarkets, traditional shopping streets have suffered (especially in secondary locations).

Both the retail and the real estate development market has internationalized years before EU accession. The lifting of trade barriers that might have kept retailers away from expanding in the Central European countries has raised the interest towards the region. As the date of accession became within reach, several chains have reportedly been looking around and entered negotiations to secure locations, mostly in shopping centers or traditional inner city shopping street locations (some have already done so, like Footlocker or Douglas Parfumes). Some have entered following a developer with whom the chain has established cooperation in developed markets (e.g., C&A). DIY and furniture stores felt an urge to start an expansion when recognising the rise of real wages that has brought a clear shift towards durable goods. IKEA has decided on a second store and the expansion of its existing flagship, similarly Leiner/KIKA has upgraded its flagship store and expanded its network and Sconto has established itself. Several local players (catering for the lower end of the market) have also expanded during the past few years. Beside expanding networks an idea to create a “furniture/home décor” mall is on the agenda for some time. Home Center built by residential developer Interestate in District XVII, along Pesti road was the first of this kind. The complex incorporates showrooms and a small office/conference facility. Material Center, a project in construction currently seem to have a similar concept, located at the already established furniture cluster along District 13’s Róbert Károly ringroad.

A completely new concept of Factory Outlet Centers (FOCs), a concept originated in the United States, were initiated recently. Two competing schemes are under construction in Budaörs and in Törökbálint, West to Budapest. Another one is planned in District 11 (Lágymányos) on a former industrial site. The FOC concept is a leisure focused retail product (day trip destination). As a definition we may say that FOC is a professional concept of factory sales in an attractive setting that in many cases has a strong leisure-touristic character. In FOCs about 70% of the supply is made up by fashion and shoe and leather goods, because these products have high-trend sensitivity and therefore represent higher risk of overproduction. According to international experience, 80% of visitors come to buy fashion and shoes in FOCs. FOCs have a drawing power over more than a 100 km distance. The low frequency of average visits, two to three times per year, typical for FOCs, require a strong drawing power over long distances.

In contrast with a vigorous international competition in the commercial real estate sector (office, retail, hotels and more recently warehousing and logistics) there was no significant interest in the housing sector until the late 1990s from foreign developers. Most foreign-owned development companies are from Israel (Autóker Holding, Engel Group, Olimpia, SBI, SLProperties, etc.), but large construction firms like Strabag or developers with a financing background like Raiffeisen Property have also entered the housing construction market. Bayerische Hausbau, a regional player from Germany has been the first developer to complete a mix-use development comprising residential, office and retail functions on the site of the former optical works in Budapest (the MOM Park development, Case Study 4.3). The Austrian company Real 4 You has turned its focus to housing after successfully completing a shopping center project in Budapest.



The Hungarian side of the picture is also extremely varied. Many of those former state-owned construction companies that used to be active in the implementation of residential, public and other commercial buildings were privatized partly or totally by their management. These companies with many building divisions carrying the heavy burden of employing hundreds of people were split up into a number of specialized subcontractors while the management retained the general contracting units. Besides management buyouts a number of leading foreign contractors were involved in the privatization, primarily in the infrastructure building sector. These companies with help from capital injection and upgraded technology and know-how were able to sustain their primary role on the market. As most of the former development divisions of the local councils had been dissolved and their own development companies were privatized these companies cover a wide spectrum of activities in infrastructural development. Recently the large public works are managed by relatively small public development agencies, by strong private developers, or by strong “general contractors,” employing a great number subcontractor companies of varied size.

At the same time, also in the course of privatization, smaller construction companies emerged on the scene. Most of them entered into the residential sector, especially after 2000. Their growth paths have been rather diverse. Some smaller, privatized, well managed companies, successful in construction, came over to the development side by retaining their construction divisions too. Others took the risk of fast growth by undertaking larger “residential park” projects with extremely high densities even on less attractive sites. Up to recently many of them remained successful, however, after the slowing down of the housing boom signals of break-downs are observable. Some of them are active in central state initiated PPP projects, as university buildings, student hostels and also prisons. However, taken the growing share of Hungarian companies in residential development as granted, most of the largest projects, for instance those along the River Danube, are managed by foreign developers. Among them especially the Israeli, Spanish, and Portuguese developers are active.

With the maturing of the market we may classify professional developers into three main categories: land developers, mainstream builders and niche players. Land development for residential use was in many cases initiated by local governments motivated by central government subsidies available for the expanding of the utility network. As a reaction to demand for affordable building plots and since the voucher privatization (restitution) of agricultural land has resulted an estate structure not in favor for agricultural exploitation, private investors and investment societies (e.g., Quaestor, Pilis-Invest, etc.) arranging a large pool of small investor money, entered the market by acquiring major land holdings. There are a number of private land development companies, who besides developing building plots are also involved in building as well (e.g., Simex, Hectar 68).

Except for OTP Ingtatlan Rt, the real estate development arm of the National Saving Bank (OTP) all domestic developers in the housing sector are new companies, formed in the last 8–10 years or even more recently. Until the late 1990s entry into the market was difficult, due to lack of experience in the housing development business, the reluctance of banks to provide interim finance to start up enterprises,

weak demand for new housing – especially during the early 1990s – and until 2000 the lack of affordable mortgage finance instruments. Some, however, have established their credentials during the early years of transition through a series of small scale projects. The chemistry of their success appears to be a mixture of competent management, strong relationship with the local government where they operate, innovative financing and marketing techniques.

In the Budapest area there are about 350 companies active on the housing development market. Among the largest are OTP Ingatlan, Interstate, AL Holding, Balusztrád, Autóker Holding, Reax Invest, Mester Nívó, and Trigránit to name a few. A number of these companies were founded by individuals with experience in the financial sector and/or with a legal background. Successful business owners in other sectors (e.g., IT, automobile trade or media) have been attracted to real estate, especially land development and housing construction. Among the mainstream players larger firms tend to become volume builders either by dominating a locational segment (e.g., Quadrat in the 9th district, Mester Nívó in the fourth district etc) or by aiming at project size (most Israeli firms, local construction giant Vegyépszer, OTP Ingatlan, TriGránit, etc.). A special category is represented by developers catering for a special market segment. There are a handful of small scale investor/developers specializing in conversions (attic spaces, existing apartments, villas or old industrial buildings). The average scale of these projects is small, targeting the upper segments and concentrate on the historic city center and the high prestige Buda districts.

#### ***4.7.2 Large Investors in the Budapest Real Estate Market***

There are no published data on how profitability has changed during recent years in the real estate development sector. However the growing number of firms and the increasing volume of construction show investor confidence in the sector. The times are over when initial investments could be recouped within 5–7 years, still profitability is attractive for developers and investors coming from Austria, Germany, Switzerland, the Benelux, Britain, the U.S. and Israel. The annual construction volumes in the sector discussed averaged around 100,000 m<sup>2</sup> per annum. The construction industry has seen sustainable growth during past years and the short-term trend is positive.

In the years following transition the investment market was immature and prime yields reportedly stood around 14–16%. Since the mid 1990s, prime yields have dropped significantly, and current estimates put them at around 8.5–9%. These estimates should be treated with caution: there have been only a limited number of transactions and, as with rents, there is little transparency. The investment market so far has limited itself to Budapest. Decreasing yields in the Hungarian capital contrasts with the movement in rents over the past decade. It partly reflects growing stability and anticipation of an improved rental performance over coming years, due to expectations of economic growth following EU accession. However, market

fundamentals suggest that real rental growth is unlikely in the short-term, and so it can be contributed more to the weight of money chasing a very scarce stock of good quality properties let on standard leases to blue chip covenants (Table 4.3).

Investment activity in the Budapest market over the past year has been dominated by a few “vehicles” created specifically for investment in Central Europe. These include the Polonia Property Fund, controlled by Allied Irish Bank, with shares also held by the European Bank for Reconstruction and Development (EBRD) and Immoeast. The Fund acquired NCC’s Obuda Gate for around €29 million in Autumn 2003; the scheme was 85% let at the time of the sale and the deal reportedly involved a 1-year rental guarantee on the vacant space. This was followed by the acquisition of Skanska’s East–West Business Center for €42 million in Q1 2004. Austria’s Europolis (Investcredit and EBRD) acquired the remaining 50% of City Gate in 2003, and was also involved in an AIG-Lincoln portfolio purchase. The latter deal totalled €150 million and included two logistics parks as well the forward purchase of the IP West office project; the overall yield on the deal was reported to be around 10%. German funds were active in the market in 2002, but much less so during 2003, although there has been some recent involvement from domestically based investors (e.g., OTP, Europa Alap and Raiffeisen).

Other important transactions included the sale of the portfolio of Airport Business Park and M1 Business Park by developer AIG/Lincoln at initial yields of 10%, the sale of Pharmapark (14,300 m<sup>2</sup>) and Henkell and Schönlein (10,800 m<sup>2</sup>). On the hotel scene in 2002 the 148 room Art Hotel in Budapest was reported to be sold at a reported yield of 8% to a Belgian based fund. The building is under a 20-year lease to an international operator. In 2003 Immorent (a subsidiary of Austrian Erste Bank) has purchased five hotels from Accor Pannonia Hotels all of which have been leased back to Accor on 20-year terms. The transaction volume was reported to be some €88 million.

During recent years German funds have shown the most interest (BfG, DESPA), in 2003 Austrian funds increased their activities and there is growing interest from Irish and overseas investors. There are three larger domestic funds of which OTP Ingtatlan (portfolio value of €69 million) and Raiffeisen (€62 million) are the most important, whereas Europa Alap started by local investors have been taken over by HVB recently.

### ***4.7.3 Civil Organizations in Urban Development: Environmentalists and Conservationists***

As some environmentalist groups played an important role in the preparations for the political changes in the late 1980s, their role has remained relatively strong after 1990 too, as compared with other former state socialistic countries. As a great number of their members, intellectuals as architects, urban planners, engineers, sociologists, writers, etc. joined the new libertarian party, a leading personality of which has continuously been the mayor of Budapest since 1990, their relations to

**Table 4.3** Major transactions in Budapest between 2002 and 2004

Address <sup>a</sup>	Investor	Nationality	Date	Size (m <sup>2</sup> )	Price (€m <sup>2</sup> )	Yield (%)
Science Park, District XI	Sachsenfonds GmbH (Landesbank Sachsen)	German	To be announced by Q4 2004	32,800	67.5	n.a.
IP West, District XI (forward purchase)	Europolis Invest	Austrian	Q4 2003	24,000	28.0	9.8
City Gate (50% interest)	Europolis Invest	Austrian	Q3 2003	22,000	40.0	
APV Headquarters (sale and leaseback)	OTP Real Estate Fund	Hungarian	Q3 2003	16,000	15.0	
East-West Business Center	Polonia Property Fund LP	Irish	Q1 2004	15,825	42.5	9.5
Obuda Gate, District II	Polonia Property Fund	Irish	Q4 2003	14,500	29.0	9.1
Hermína Towers	Private investor	n.a.	Q4 2003	11,250	22.0	10.0
Eurocenter Óbuda (shopping center)	Manhattan Properties	Austrian	Q4 2003	24,000	36	n.a.
Deli Point R70	Private investor CA Immo	n.a. Austrian	2003	7,000	10.0	9.15
Alkotás Center, District XII	Private individual	UK	2003	17,000	30	10.0
Retail portfolio of 4 stores in CZ and H	Pricoa	US	Q4 2003	3,300	5.0	8.9
Electro World (2 stores)	Pricoa	US	Q4 2003	36,000	51.6	Below 9
Globe 13 and Árpád Center	Immofinanz	Austrian	Q4 2003	10,000	13.0	9.5
Unilever building	Immofinanz	Austrian	Q2 2002	20,000	40.0–42.0	9.35
Compaq building	Immorent (Erste)	Austrian	Q2 2002	n.a.	15–20	9–9.5
West End Business Center	HVB	German	Q2 2002	n.a.	5–6	10.5–11
	PBW Fund	German	Q1 2002	31,000	69	9
Kálmán Imre u.	Redevco	NL	Q1 2002	n.a.	9–10	9–9.5

Source: Colliers, DTZ;

<sup>a</sup>if otherwise not indicated the list contains office projects

the development of the city processes became rather ambiguous later. In the first years after the changes an “antiplanning” attitude prevailed among the leaders of the Municipal Government of Budapest. On the other hand, in the two-tier local government system of Budapest, the municipal government’s principal task remained the development and maintenance of the main infrastructure including public transport, tasks that require strong public intervention also in physical planning. In this controversial situation, in which the “success” of the central government of the City is weighted principally along the implementation of public works a wide space for intervention by civil organizations has been opened.

In the early 1990s the leading attitude of the environmentalist groups was the advocacy of a balanced development of the city both from spatial and environmental

standpoints. They have taken a strong line against any developments that would contribute to the further strengthening of the city center. They soon confronted with some strong engineering lobbies, and in many cases were able to block the implementation of new distributor roads close to the city center or those that would have penetrated environmentally sensitive areas (for instance the widening of the lower quay of the Danube on the Buda side). Later their policies became more comprehensive by putting their criticism into a more long-range and global context. By stressing energy conservation, recycling and general environmental awareness their intellectual standpoint and behavior became very similar to those of the environmental groups active in the developed world: a general rejection of any expansion of space for car traffic, including also underground parking in central districts of the city, putting public transportation and cycling into the forefront. Their most recent achievement was the rejection of the cutting back of the size of the yet generous public transportation service of Budapest (recently the modal split is about 60%) and that the preparatory work on the introduction of a “traffic-jam fee,” following examples of European cities, has just started.

On the other hand the “greens” have been less successful in the less comprehensive, smaller scale matters. Only few achievements were made concerning the fostering of an environmentally more conscious residential construction, as the use of ground heat for heating and cooling residential buildings, the use of sun-collectors or the retaining rainwater within the residential neighborhoods. This environment conscious way of building is in sharp contrast to the profit maximizing private residential building fostered also by the very high densities permitted by the building code of Budapest.

It is common in Hungary that in the civil organizations environmentalist attitudes go hand in hand with those of the conservationists. In some cases this overlapping of views and standpoints may lead to odd outcomes: for instance a recent strong rejection of the building of Metro-line No 4 in favor of the setting back and/or lengthening old tram lines in the narrow streets of Budapest. In other cases the national party politics might influence the behaviors of civil organizations. The number of “quasi civil organizations” closely interlocked with some parties is rather high in Hungary. It is a new phenomenon that the conservationist groups are acting in concert with social scientists who step up against any kind of exclusionary practices in urban renewal. On the other hand the contacts of most civil organizations, both environmentalists and conservationists, to local people have been rather contradictory. Their general behavior has been to step up “in favor of local people,” and seeking for backing in the neighborhood only after the first “imposing” actions had been made.

Finally, a specific conflict between conservationist groups and some groups of intellectuals arguing for an up to date and “alternative” cultural environment, including “contemporary architecture” in Budapest, is to be mentioned. While the general urban policy of Budapest has been rather libertarian, in this field its policy has gone after that of the conservationist general public. Building of skyscrapers is prohibited even now; the “full conservation” of the historic, nineteenth century cityscape is becoming a new policy just recently. The artists’ view about the

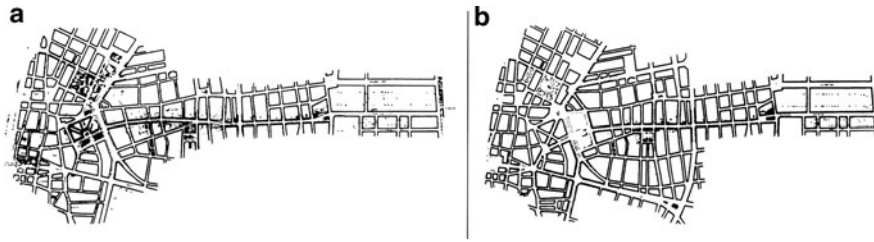
development of Budapest in the last 18 years is a simple statement: “nothing really happened.”

#### **4.8 Inner-Erzsébetváros, Restructuring Under the Attack of Veto!**

In this section those important changes in the urban renewal strategy of Budapest's 7th district, Erzsébetváros (Elisabeth-town) are summarized that best exemplify restructuring processes in the Hungarian capitol after 1990, discussed in the earlier chapters. Based on the overview of urban and architectural literature, sociological surveys, central State Acts, local government decisions and statutes, regulatory plans and building codes, feasibility studies the section tries to comprehend all important factors that have influenced the behavior of the district government, the people living in the area, of the, in many cases foreign, developers and investors, when a conservationist civil organization, (Óvás!: Veto), intervened against large scale demolitions, the exclusionary methods of urban renewal and for the saving of the endangered architectural heritage and, last but not least, for the revival of the neighborhood as the “Old Jewish Quarter” of Budapest.

*History of Inner-Erzsébetváros before 1990* – Growth of Erzsébetváros started after the Turkish occupation of Hungary in the early 1700s as a horticultural area serving citizens of Pest with food. Three west-directed roads (Király, Dob, and Dohány streets) provided the access to the large gardens. Later the Jewish community settled down here, close to the city walls, and built in the end of the nineteenth century three synagogues in first class architecture. Up to recently these are the major streets of Inner-Erzsébetváros together with a fourth one (Wesselényi Street) that was newly opened across the long building blocks in the last years of the nineteenth century. Gradually new, narrow streets started to be opened by the owners of the gardens along the borders of their parcels perpendicularly to the major streets. Subdivision of the originally agrarian lots went on both along the main and the side-streets. As a result of this “organic” development small building sites became characteristic along the side-streets, where the poorest population found simple single story rental homes. Király Street became the most important “suburban” commercial street of Pest to the early nineteenth century.

The present high density of the quarter is the result of the gradual rebuilding in the second half of the century. Two major interventions brought a new image to the area: the opening of a new avenue (Sugár út: “Radial Road,” 1875–1885 – Andrassy Street), and the Grand Boulevard (1880–1895). These streets were cut through the original urban texture, and became the focal points of building activity: Inner-Erzsébetváros fall into a backward position behind the elegant Andrassy Street. That is why this is the only part of Pest, where numerous multistory buildings from the classicist and “romantic” architectural period of the middle 1800s escaped demolition (Fig. 4.22).



**Fig. 4.22** Two plans of Madách (Erzsébet) Avenue from the between-war period

At the beginning of the twentieth century a new axial road was planned to be opened through the densely built residential blocks, but only a short section of it was accomplished close to the City Hall in the late 1930s. After World War II, under the state-socialistic period, only a few development schemes were outlined for the continuation of the street (Madách Avenue) in the modernist flavor of that time. The dominant concept was the extension of the city center to the east direction, thus the General Plan of Budapest in 1970 designated the area for public institutions including housing.

None of these plans were implemented, but the program's negative effects are visible even now: in fact not any renovations were carried out in the state owned building stock. Later, immediately before the 1990 political changes a deputy mayor (an architect) of the District Council of Erzsébetváros came forward with the idea of reviving the Madách Avenue concept. This time the plan to accomplish the street was already accompanied with the concept of "stimulating the market" and assisting renewal.

The 7th district of Budapest was also the scene of the emergence of the idea of a more sensitive urban renewal in the late 1970s, in line with international trends, called "block rehabilitation." Although this method of renewal broke with that of the former radical redevelopment projects, implemented mainly in the outer districts of Budapest, also plans of block rehabilitation included the demolition of those worst quality buildings – or the inner side-wings of them – that were classified as "not feasibly for renewal based on economic calculations." At the same time an all-embracing renovation of the remaining stock and also the provision of landscaped inner courtyards were planned. In 1986 the municipal council of Budapest adopted a Rehabilitation Program that designated the action areas and set up a financial and institutional system too. Although block rehabilitation plans were in place in nearly all inner districts of Budapest, only few of these plans were implemented before the change of the political system in 1990.

An early example of "block rehabilitation" in the 7th district is the so-called block No. 15 West to Klauzál Square, the main square of the area. Here the interior of the block was freed up, less valuable back-wings around the courtyards were demolished, a few new buildings were built, and the remaining parts of the buildings were modernized. The inhabitants were re-housed into other state owned rental flats. The initial plan intended to keep the housing stock in the state "social housing sector," but

the costs of the operation were too high compared with the budget limitations of state housing. Thus a great part of the flats were handed over to the Army in need of flats for its officials. Soon this method of rehabilitation was declared by the Municipal Council of Budapest as “unrealistic,” thus not to be followed in the future.

*Inner Erzsébetváros, the “Old Jewish Quarter” of Pest* – In Erzsébetváros, the first suburb of medieval Pest, used to be inhabited by a population of mixed origin, more than 30% of which were Jewish even in the first half of the twentieth century. A recently published historical–sociological survey (Ladányi 2003) describes a rather suggestive picture about the changes in the locations of homes of Jewish people in Budapest’s urban structure in the last one and a half century. In the first years of the twentieth century about 60% of Budapest’s Jewish population lived in Terézváros (Theresien City: today’s 6th and 7th district). It is to be stressed, that in historic terms no real ghetto functioned in the three “founding cities” of Budapest (Buda, Óbuda and Pest) after the end of the Turkish occupation and in the period of the resettlement of Hungary in the eighteenth century.

Later, the share of Jewish people grew fast in other “better” districts of Budapest, in particular in Lipótváros, owing to their fast improved education levels, growing participation in the Hungarian economy, thus the accumulation of a growing part of wealth in their hands. In the interwar period the most characteristic target area of out-migration from the “Old Jewish Quarter” became Újlipótváros where, along the River Danube, new residential developments offered a good quality living environment. Only the Jewish population of Budapest survived Holocaust in substantial numbers. According to a 1948 survey, 70% of the Hungarian Jewish population lived in the capitol, compared with the 48% of those who were classified as Jews in 1941 according to the two “Jew Acts” adopted by the parliament of that time. But since March 1944, after the occupation of Hungary by German troops, a great part of Inner-Erzsébetváros was converted to a “ghetto” into which a great part of Jewish families were forced to move.

After the World War II migration of Jewish people to other parts of the city has been even more accelerated, once again to the “higher status” districts. While in 1938, 48.7% of Jews lived in the four inner districts (5th, 6th, 7th, and 8th) and 13.3% of them in Újlipótváros, that is about two third of them were inner city residents. Until 1999 in Erzsébetváros, where the greatest number of Jewish people had lived before World War II, this figure has fallen back to 6.3%. Their share substantially decreased in the residential building stock with lower prestige (in the traditional closed “court-yard buildings,” especially in apartments in the rear wings). In Újlipótváros the share within the total increased to 18.4% and also in some parts of the city that had formerly been known as “Christian districts” the sociological survey measured quite high figures (for instance in the second District – in the Buda Hills: 23.9%).

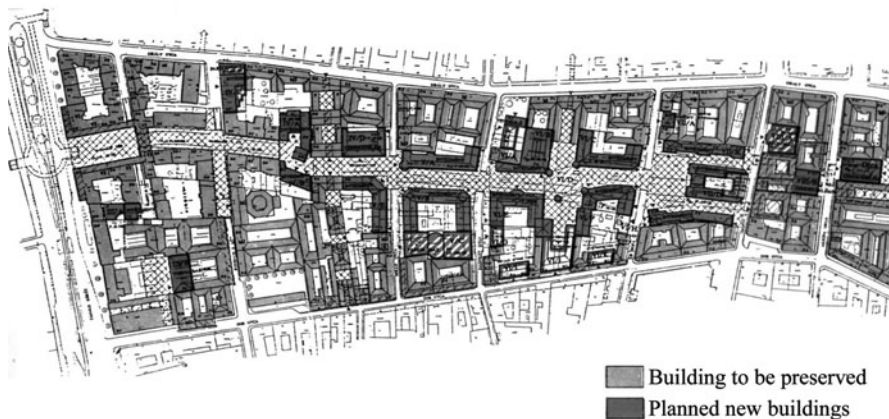
*A new-old concept of urban renewal in Erzsébetváros after the political changes: from Madách Street to Madách “Promenade”* – The 1990s fundamentally changed the political, legal and economic environment of urban development and urban renewal also in Erzsébetváros. As discussed in earlier chapters, the introduction of the municipality system, the two-tier municipality structure in Budapest, the



strengthening of civil and property rights, and the dominance of private development increased the number of new players in urban development. As the ownership of the state rental housing stock was transferred to the local governments also the new, democratically elected, government of Erzsébetváros had to face the question whether to sell its flats to the sitting tenants or keep at least a part of them in order to promote urban renewal by using its own property base.

As described earlier, the 1993 Housing Act made the “alienation,” compulsory if the tenants wanted to buy their flats except that (1) the structure was listed as a national heritage, (2) the building’s condition was extremely bad (“life threatening”), and (3) the area was covered by an official rehabilitation plan. In Inner-Erzsébetváros some buildings had already been listed as national heritage along Király Street, a great part of the building stock was out of repair, thus the District decided to fasten urban renewal operations. This intention of the government of Erzsébetváros was confirmed also by the revival of the old plan of Madách Street (Fig. 4.23).

In 1989, only one year before the political changes, the Municipal Council of Budapest invited four state-owned architectural studios for an urban design competition. The tender’s purpose was to collect ideas for a new plan of Madách Avenue. The competition was won by a team of a state architectural studio (Institute for Development of Planning and Design – TTI). The architect of the prize-winning entry proposed a pedestrian “promenade” the broken line of which was fitted to the border lines of the building plots, the scheme “enriched” with internal squares, open or covered. The whole design was kept in the traditionalist, “postmodern” architectural flavor of that period. At the same time the proposal, although a step back from the avenue concept, calculated with large scale demolitions. The official plan, based on the winning scheme, was adopted by the Municipal Council of Budapest in 1989, just before the political changes. The new Assembly of Representatives (Council) of the district supported the new scheme despite the fact that the Municipal Government of Budapest, especially one of the deputy mayors



**Fig. 4.23** The plan of Madách Promenade adopted in 1989 by the Municipal Council of Budapest

definitely opposed it. One of the new political parties persuaded the architect of the promenade to become a candidate at the local election who, after successfully becoming a member of the Council, was keen to keep a close eye on the realization. It played also a role that in these years there was a plan of organizing a World Fair in Budapest; the District wanted to attract a high share of the hoped real estate development boom onto its territory. The Council of Erzsébetváros finally adopted the plan in March 1992.

Then the realization seemed to be rather easy: buildings in the large publicly owned territory in the middle part of the blocks were planned to be demolished and their sites subdivided for new building plots. These new plots were planned to be sold to developers, and the revenues from the transactions used for the renovation of the district owned buildings along Király Street and Dob Street. A Hungarian branch company of an internationally known firm was commissioned with the feasibility study (Coopers and Lybrand). According to the adopted plan 25 buildings would have been completely or partly demolished with 382 flats together with 334 rental premises. On the 29 new building plots 20 office buildings, banks, and other commercial developments were planned together with only six (!) residential buildings and three parking garages. It is very suggestive that a great part of the reservations about the promenade concept drafted in the early 1990s are emerging even now.

- Debates in the Council around privatization became rather fierce. On the one hand, in fear of speculative behaviour on side of the private actors, the ongoing procedures were severely criticized arguing that as many properties should be kept in public hand as possible. Others proposed the selling the majority of the public flats to the tenants, and consequently argued for a radical shortening of the “non-alienation list” (discussed later).
- Political analysts pointed out that the district government tended to arrive at decisions under pressure, in a fear from a total bankruptcy caused by the great mass of residential property, the upkeep and maintenance of which seemed to be unrealistic. In their view the Council voted for the plan in lack of the required information by following “sympathies, bargains and temporary alliances,” and that the members of the Council wanted to gain some “political capital” for the next election.
- Reservations of technical experts and planners were also strong. Those who put the concept into a wider context and were speculating about the development strategy of the whole city heavily criticized the concept of “city center extension” because Budapest misses strong subcenters. Serious traffic problems soon became apparent: the narrow streets would not be capable to accommodate the increased traffic flow.
- The Jewish tradition of the area was less accentuated that time, but an article reminded its readers of the forced ghetto from March 1944 to February 1945. The author also analyzed the repressed historic consciousness under state socialism, the “unprocessed social trauma,” concluding that the plan of Madách Promenade “does not take into account the considerations of important relations to the history” of the site.

- Although there were only few reservations concerning the realization of the project by the private development sector, the “monumental” size of the project attracted severe criticism. One paper warned that the area would be empty in the evenings, criticized the “island-like” character of the development, and said that the capital should be seen as only one of the necessary factors of success. It stressed that “less capital would be more,” the players of an about 100€ million project would dictate, “colonize” and that their frightening with moving away from Erzsébetváros should not be accepted.

As the new promenade concept would have exercised serious impacts on the inhabitants, in a sociological survey 500 persons, well representing the composition of the local population, were asked to what extent they were informed about the plan and to what degree they agreed to it. Three variations were presented to the questioned people (1) the “elegant” plan of the promenade, (2) a “less grandiose” variation and (3) a “self-help” version, the latter referring to the option of “full privatization,” in which the renewal of the buildings would have been the responsibility of the inhabitants after they had purchased their homes. As expected, the self-help version was supported by only 15% of the questioned owing to their missing financial capacities. It was a bit unexpected, however, that 55.4% of the questioned agreed to the promenade concept in full extent, partially agreed another 10.6%, thus the project was backed by about the two thirds of the inhabitants. Seventy-two percent of the questioned knew the plan but they were less aware of its severe consequences (alienation ban, character of renewal and building operations, etc.). The researchers commented these results in a way that the people could envisage the improvements in their situation only through a large scale, comprehensive intervention after half century neglect.

Despite the ambitious start of the Madách Promenade project only a “tower-like” office building was accomplished that blocked the realization of the century long avenue concept for good and all. The further building operations were severely curtailed by the uncertainties about the ownership of a passage-building, called Gozsdu Courtyard, standing in the line of the promenade. Another important factor was that the next Council put much less energy into the implementation of the project. The intention to continue Madách Promenade was strengthened in the end of 1990s but under substantially changed real estate market conditions and according to a new regulatory plan.

*Madách Promenade reawakened in the late 1990s: planning confusions* – The working out of a new regulatory plan for Madách Promenade was induced in 1998 by a development proposal of a private investor for a single block that required basic amendments of the plan adopted in 1992. The adoption of the plan for only one block was refused by the district government that immediately commissioned the consultant planner with a plan for the whole promenade (Fig. 4.24).

The new plan retained the basic elements of the former one, but the promenade was planned as a less continuous spatial system. More stress was laid on the system of defensible squares, gardens, landscaped courtyards in the inner parts of the blocks. An important proposal was that the large scale restructuring of the blocks



**Fig. 4.24** The second plan of Madách Promenade from 1998 (BFVT, Ferenc Pintér architect)

would have an end at the line of Csányi Street where the “axis” of the important Nagymező Street, perpendicular to the promenade and leading to Klauzál Square, would provide a natural borderline for the project.

Real estate development trends substantially changed since the early 1990s also in Erzsébetváros. Owing to the widening of state housing subsidies described in Sect. 4.2.5, demand for new residential development became dominant. Thus the former concept of city center extension has been removed from the agenda. Development pressure was put on individual properties in the most advantageous locations. The inhabitants exercised another pressure on the district government: a growing number of public flats were alienated, sold, to the tenants. Gradually the “property pool” of the district, required for an effective public management of the project gradually vanished.

As described in Sect. 4.3, the new Hungarian urban planning law introduced the so called “normativity principle” (the same zoning regulations should be stipulated for building plots “in identical position”). It became an important legal requirement in the planning methodology but the use of this principle caused serious confusions also in the process of planning of the new version of Madách Promenade. The district adopted a local building and planning code that, with some minor alterations, took over the regulations of the “Framework Urban Planning Code” of Budapest, that includes very high permitted building densities for the centrally located “mixed-use” zones. (In these zones of Erzsébetváros densities as high as 5–5.5  $\text{m}^2/\text{m}^2$  floor space index are permitted, while in the densely built inner areas of Budapest the measurable existing figures rarely exceed 3.5  $\text{m}^2/\text{m}^2$ .)

In this rather contradictory situation the consultant planner took the hard line of producing a realistic and environmentally acceptable official (regulatory) plan. After a thorough survey of the site he worked out a scheme in which the size and placement of buildings was determined “plot-by-plot” according to the prevailing situations. This method of planning was inconsistent with the “normativity principle” and, at the same time, the possible building densities determined by plan were in most cases much lower than those permitted by the planning code. This method of “double regulation” started to be contested by the private developers willing to build as much as was permitted by the planning code of the district.

It has not been in the interest of any parties to do away with this legal confusion, that is, to decrease the normatively permitted densities to an environmentally acceptable lower level. The district government has up to recently been in a fear of losing investors who would choose another district, and also of the possible compensation requirements in cases of “down-zoning.” The private developers and investors, on the other hand, are aware of the fact that they are able to make better transactions if higher density figures refer to their properties – even if they do not want to build only to sell the acquired property. Meanwhile the problems concerning the ownership of Gozsdu Courtyard have been solved, thus a new cross-axis will be added to the promenade soon. In the same block and in Holló Street demolitions and building started, but a civil organization intervened in 2004.

*Emergence of the “Old Jewish Quarter” concept and the attack of Veto!* – In 2003 a rather influential paper was published by a conservationist architect (Perczel 2003) commissioned for by the Chief Architect’s Office of the Municipal Government of Budapest with the intention to survey architectural and environmental values in a part of Erzsébetváros that since the coming out of the paper is called as the “Old Jewish Quarter” of Pest. The paper covers facts of architectural and cultural history of the area, provides a classification of the yet intact oldest buildings together with their architects, their important former inhabitants and also the traditional crafts and trades characteristic to the site. The authors’ outspoken intention was to argue for the protection and renovation of as many of these buildings as possible, that is, against the demolition of them in order to keep the site’s characteristic image with architectural monuments going back to various architectural periods.

Another clearly visible intention of the paper was to protect and strengthen the Jewish heritage of the area. The three synagogues should be protected from the extremely dense building in their close vicinity, public spaces, public gardens are to be created along which the traditions of the site could be revived. The special passages that played an important role in the life of the religious Jewish people should be preserved and traffic calming should follow the renewal of the streets. At the same time the paper only touches serious problems as the deteriorated, outmoded conditions of the buildings, the extremely high costs of renovation, the relatively high share of lower status population in the area etc. The paper represents a radical conservationist attitude.

Shortly after the paper was published in June 2004, a civil organization, called Óvás! (Veto!), submitted to the Office of Cultural Heritage (Kulturális Örökségvédelmi Hivatal – KÖH), a petition against the demolition of a building in Holló Street and applying for its listing as a heritage building. For one month this building had already been vacated by a private developer in order to clear its site and build a new residential building along Madách Promenade. After not getting an answer, 20 people went to the site, aiming to block the demolition. The demonstrators expressed their views that the new buildings would fatally ruin the atmosphere of the site. Soon the Municipal Government of Budapest, the City Protection Association (Városvédő Egyesület), and also MAZSIHISZ (Association of the Hungarian Jewish Clerical Communities) assured Veto’s initiative of their support.

Two weeks after the first action of Veto!, the Office of Cultural Heritage (KÖH) decided to put the Jewish Quarter under a “temporary territorial protection.” According to this decision the Office would survey all buildings in a 1-year timeframe and also start the preparatory work for the protection of the most valuable properties. Experts of KÖH stressed that the goal was not the blocking of development, their prime task was the preservation of the “compact structure of the area together with its historic and architectural values, that is, preservation of the built heritage.” The president of KÖH expressed in an interview that in the coming year the district and the developers should suspend all planned developments. After a month, in July 2004, Veto! organized another demonstrative walk, this time accompanied by open (tourist) buses, the protesters put signs on all buildings that were worth to be preserved according to their views. An organizer of the demonstration spoke about “forced population removal” of the tenants as it was been organized not by the local government but by private developers. According to her view the preservation initiative was backed by the inhabitants because they were deeply attached to their living environment.

The mayor of the district, along with his colleagues, argued that parallel with the development of the site the preservation was also an important goal of them, and for that reason the district might modify the regulatory plan. But as state help was missing they would not be able to move forward without external, that is private, sources. At least an urgent decision was required for a final list of buildings selected as heritage structures to arrive at a more secure position. The mayor also warned about a special problem that concerning heritage buildings the KÖH would be the leading building authority also in cases of applications for minor alterations in buildings. This would cause serious troubles to the inhabitants. Furthermore, the situation of people living in the most deteriorated buildings waiting for demolition would be rather insecure. According to the mayor, the heritage decision would frighten away investors.

Immediately after the second attack of Veto! KÖH placed the five most endangered buildings under “provisional protection” by stressing that the decisions on final protection require longer preparatory work and should also be signed by the Minister. (That time the intention of KÖH was to place about 70 buildings under protection.) In response the district considered bringing a suit against KÖH with reference to the legal “case of damage.” In response to the news about the planned legal procedure Veto! expressed its intention to apply to the Constitutional Court of Hungary. According to their view, the local regulatory plan went against the 1997 Act on urban planning and building and also against the 2001 Act under the Protection of Cultural Heritage. The mayor, with the hope of the success of the ongoing negotiations, finally stopped the threat with the court suit.

In October 2004 the Municipal Government also joined to the discussion about Jewish Quarter. The mayor of Budapest and the chief architect proposed the adoption a development freeze order by the district in order to secure working out a new regulatory plan. They also mentioned that the district could successfully participate in a tender of Budapest, if the Jewish Quarter area would have been designated as an official “action area.” In this way the district were able to apply for

the 1.4 billion rehabilitation fund of the city. According to the mayor of Erzsébetváros this would not help because the district was unable to cover the prescribed self-contribution. At the same time officials of the Municipal Government called the attention of the district to the fact that the precondition of the support from Budapest was to pay its debt into the municipal budget according to the regulations of the 1993 Housing Act. The mayor of Budapest also declared that they supported the civil initiatives because the archives, the ritual bath represented a “valuable asset” of the Jewish community. The chief architect of Budapest expressed that the plan of Madách Promenade would be deleted from the development program of the city.

In November 2004 the mayor of Erzsébetváros had talks with the ambassador of Israel in the presence of the leaders of Mazsihisz. The ambassador talked about the similar problems in his country and that they had already been over the revisions of laws required by Erzsébetváros and Budapest too. At the same time he warned the Israeli investors, active in the area, to produce a really “habitable living environment.” The president of Mazsihisz promised the association’s effort to find partners to the “creation of a new Jewish life” in the neighborhood. A newspaper expressed the Jewish community’s fear of the characterless office and residential buildings among which the synagogues would stand as “huge question-marks.” At least within the “triangle” of the religious buildings a real Jewish life would have to be created. In this way an attractive place for tourism could be gained for the whole city.

*New situation – new concepts after the multiplication of heritage buildings* – In February 2005 the Minister of National Cultural Heritage (NKÖM) decided on placing 51 buildings under protection in Inner-Erzsébetváros. This number was added to the 40 “old heritage buildings” the majority of which stands along Király Street. (Until 2007, the total number of heritage buildings increased to 97, as later another six buildings were added to the heritage list.) These decisions resulted in a rather curious situation: now in Budapest the share of heritage buildings is the highest in Erzsébetváros exceeding also that of the really historic district of the city, the Civic Town on the Castle Hill with a much older (also Renaissance and Baroque) building stock. The most important consequence of the multiplication of heritage buildings in Erzsébetváros is that almost hundred buildings fall under an “alienation ban” according to the 1993 Housing Law: they should remain public property, could be sold to the sitting tenants only after they were renovated. (Only eight of the old and new heritage buildings were planned to be demolished according to the rehabilitation plans.)

A secretary of the Ministry expressed his view that instead of “thinking only in buildings” a more “culture-oriented model” of renewal was required. In May 2005 the mayor of Erzsébetváros talked about the improved prospects of the renewal of the synagogue in Rumbach Sebastyén Street in the hope of the participation of a Swiss foundation. But he also stressed that the heritage buildings could be sold to the sitting tenants, that is, transferred into condominium tenure, only after their renovation had been accomplished. (This option was claimed by Veto! previously.)

In February 2006 KÖH, after it have deemed some new demolition initiatives to be law-breaking, put another seven buildings under provisional protection. In a political-cultural journal an article, after summarizing the turbulent processes until that time, wrote about the phenomenon of “state capture,” the situation in

which groups possessing exorbitant power and wealth might hold the (local) state in captivity. According to the author of the article the alienation procedure “enrich a group of lawyers and owners who can be associated with the property management company of the district,” because at the resales of properties they and the developers who vacate the sites are able to acquire the “betterment” value that appears between the cumulated market value of the vacated old flats and the potential “development value” of the cleared building sites.

In June 2007 the Minister of National Cultural Heritage appointed a professor of the Architectural Faculty of the Technical University to the new president of KÖH. He does not agree to the activity of his predecessor, under the presidency of whom about 300 new heritage buildings were “inaugurated” in 2005 and 2006. Instead of putting a great number of individual buildings under protection preservation management plans should be worked out on area-wide level. The provisions of these plans should be considered by the building authorities as well. It would also mean that in many cases not whole buildings would be protected but only some valuable parts of them, for instance their elevations. Furthermore, the unmanageable situation in Inner-Erzsébetváros induced the new management of KÖH to start a strong lobby activity at the Ministry of Finance in order to improve conditions of support the renovation of heritage areas and buildings.

According to the existing model it is KÖH’s responsibility to cover the excess costs of works on heritage structures. These transactions would be effectuated through tenders organized by the National Cultural Fund but in most cases the owners of the heritage properties, the majority of them owners of dwellings, are not able to cover the part of costs required as self contribution. At the same time the state fund that would cover excess expenses was not at all disposed by the national to KÖH. Consequently the system has effectively been out of use. According to the Act on the Protection of Cultural Heritage adopted in 2001 revenues from “heritage fines,” tax allowances, and also allowances from special fees can be used as fiscal measures. Proposals of KÖH, under negotiations, are based on these, yet not utilized, authorizations. Up to December 2007, a two-detailed proposal was accomplished.

According to one option allowances due to subjects of personal income tax could be provided, another proposal suggests allowances that could be given from VAT. According to the proposed personal income tax model the owner of the heritage building who is planning a renovation would pay for 5 years the 25% (after 5 years only 5%) of his/her income tax into a financial institution, appointed by the state, in order to cover the excess costs of the undertaking. To this sum a matching fund is proposed to be added by the state. In line with international practices the other model, the giving allowances from VAT seemed to be more realistic. According to that model the 20% rate of VAT could be reduced to 5% in cases of more important heritage works similarly to the other sectors of cultural economy. In order to show the possible outcomes of this proposal also much detailed calculations were made.

It was taken as granted that the proposed tax allowances would enhance heritage renewal operations both in numbers and in their “depth.” On the other hand the model calculates with an about 50% decrease in the “demolish and build” way of



urban renewal that leads to a loss in state revenues. But experts of KÖH argue that, as a positive outcome of the tax based state subsidies, a new real estate development segment could emerge in the protected areas accompanied with the increase of property values. The proposal of KÖH also mentions another positive but less quantifiable additional impacts of the state subsidies. Among them the most important positive result could be the increase in the rate of employment because of the higher labor intensity of heritage works, that these activities are exposed to the “critical public eye,” thus the reduction of “black work,” and the increase of income from tourism. (Up to July 2008 when the final version of this paper was presented no success in the negotiations with the Ministry of Finance was reported by KÖH.)

*Latest incidents concerning the renewal program of the “Old Jewish Quarter”* – In November 2007 Michel Polge, a French architect–urbanist, visited Budapest as the guest of KÖH (but invited by Veto!) in order to make investigations around the world heritage site of Andrásy Avenue (designated as World Heritage Site in 1992) and in its background zones including the Jewish Quarter. He is producing a report to the World Heritage Center of UNESCO. At his visit Mr. Polge expressed his view that the Jewish Quarter represented a very valuable cultural asset measurable also on international scale and warned that the attitude of investors thinking only in demolition was not reconcilable with the world heritage status. In accord with KÖH’s intentions he stressed that adequate economic measures are required in order to “lead the activities of investors in the desired channel” but also the “playground” of the capital should be secured. He had talks with the national chief architect, the new chief architect of Budapest, in the Ministry, with the deputy mayor of Budapest and also with civil organizations.

Encouraged by the visit of Polge, Veto! began protesting against preservations that refer only to the elevation and the valuable parts of buildings following the new rules of KÖH together with regulations that allow the erection of additional floors above buildings and also high structures in their backyards. The civil organization paid special attention to the building activity on a site adjacent to the largest synagogue in Dohány Street owned and developed by the company of a former president of Mazsihisz. Building permission for this construction had been issued yet before the protection of the numerous buildings was declared, and the plan of the building was also accepted by the jury of KÖH. As the construction had not hurt building regulations Veto! declared that the regulations should be modified first and the area only renovations, modernizations should be permitted: “all substantial elements should be preserved.”

In December 2007 the president of KÖH, together with the mayor of Erzsébetváros, introduced a development freeze in the area until April 2008. According to the president, the 226 buildings of Inner-Erzsébetváros will “scrupulously” be surveyed, including those that are already under protection. The purpose of this work is, on the one hand, not to hinder renewal and building activities through individual protection measures and, on the other, to provide the investors with a new “catalog” about “what they should calculate with.” KÖH is going to fix what is permitted what is not permitted in single buildings, thus the Office does not want to further “bother” any partners of the project. At the same time the mayor of

Erzsébetváros said that the investors “would do everything to get the properties.” The new regulations, according to which only the street wings are to be preserved, and the inner wings are permitted to be demolished, is a great help.

*Housing conditions and population movements in Inner-Erzsébetváros* – Housing conditions in Inner-Erzsébetváros are traditionally slightly worse than in the neighboring areas with the similar, dense, old building stock. The 2001 census registered 378 buildings in Inner-Erzsébetváros including 9,878 flats and inhabited by 17,758 people. 84.6% of the flats were actually inhabited, the other 14.6% either vacant or used as second homes or for other purposes (offices, etc.). The share of flats with full amenities (with toilette, bath, and modern heating) is relatively low here: only 86.2%, the share of the badly serviced flats (13.8 %) is substantially higher than the average figure for Budapest (9.8%). The spatial distribution of these poor flats is uneven in the area, the worst stock is found in the line of Madách Promenade. Here the share of bad flats amounts to as high as one-fifth of the total stock. It is also noteworthy that, compared with the neighboring districts, the share of small flats with only one habitable room is higher while the share of large flats (with three rooms and more) is substantially lower.

Inner-Erzsébetváros has been losing population since the beginning of the twentieth century owing to out-migration and also because the average residential floor-space occupied by the people increased substantially. The trend of losing population was sped up in the 1990s but the relative loss was a bit smaller than in the neighboring districts. Substantial differences were also registered within the area at hand. The most significant losses up to 2001 were found in blocks close to the “Downtown” of Pest, along Károly Boulevard, where the quality of the residential stock is significantly better, (between 28% and 37% losses by blocks), the lowest figures were registered along Király Street and around Klauzál Square (between 15% and 20% by blocks). Social status of Inner-Erzsébetváros measured in the share of population with university and college degrees was lower in 1990 compared with the neighboring areas and to the Budapest averages. It substantially improved until 2001 but even then the figure remained under the Budapest data. The presence of the many lower status people is shown by the relative high share of unemployed persons. The relative rejuvenation of the area is also noteworthy.

A sociological survey was carried out in 2005 when the renewal operations in Erzsébetváros have already gained an impetus, and after the intervention of Veto!. As the people questioned were selected from areas of the ongoing and planned rehabilitation programs (6th district blocks along Király Street, Madách Promenade, Jewish Quarter around the three synagogues, other parts of the district) the survey revealed the impacts of the operations on population movements in the areas selected for the purposes of the research. The main finding of the survey was that the changes in the social status are partly the consequences of the impacts of the ongoing rehabilitation processes and also of the “rehabilitation expectancies.” Both along the planned Madách Promenade and in the Jewish Quarter the share of the active population with university and collage degrees substantially increased between 2001 and 2005, while in other areas of Inner-Erzsébetváros this improvement remained insignificant (Table 4.4).

**Table 4.4** Indicators of social status of population in Inner-Erzsébetváros 2001–2005 (%)

	With university/college degrees		Unemployed	
	2001	2005	2001	2005
Madách Promenade	22.9	30.3	10.7	3.2
Jewish Quarter	23.6	29.9	8.1	3.9
Inner-Erzsébetváros – rest	21.9	22.1	8.3	2.9
Budapest average	24.0	28.0	6.0	5.4

*Source:* G. Csanády – A. Csizmady – L. Kőszeghy – K. Tomay: Renewal in Inner-Erzsébetváros, Tér és Társadalom XX. évf. 2006. pp. 73–92

Answers to one question of the sociologists indicate that the inhabitants of the Madách Promenade area and of the Jewish Quarter assess the local social situation in a rather sensible and realistic manner. According to their estimation, 36% of the inhabitants belong to the group of “middle class people living at an acceptable, honest living standard,” 54% is classified as “honest working people living under modest conditions.” Only 10% of the inhabitants were valued as “poor, who have difficulties in keeping an acceptable subsistence level,” and less than 2% were seen as “unbalanced poor people who has only themselves to blame.” According to the survey people living in Inner-Erzsébetváros can be classified into the following groups:

- Old people, many of them living alone (widows) who moved to the area a long time ago and are willing to remain
- Single persons and young couples without children who moved to the area 5–8 years ago and want to move after the birth of their children
- Couples in their middle years with young children whose adherence to the area – often together with their children – is relatively strong (school, friends, pubs, etc.)

An important finding of the survey was that the mobility had sped up significantly in Inner-Erzsébetváros in the last one and a half decades. 26.9% of the population moved to the area between 1990 and 2001. Between 2002 and 2005 another 19.9% moved, that is, almost half of the inhabitants are “newcomers.” It is also remarkable that these population dynamics (including out-migration) were more significant in other parts of Inner-Erzsébetváros than in the area of Madách Promenade and in the Jewish Quarter (Table 4.5).

It is also noteworthy that between 2001 and 2005 migration trends have led to an improvement of the sociological composition of the population mainly in the two “rehabilitation areas.” While in the total Inner-Erzsébetváros the share of intellectuals among the newcomers was only 26.9%, the same figure in the Madách Promenade area and the Jewish Quarter was much higher (36.4% and 32.4%, respectively). These sped up migration trends are also fueled by the “rehabilitation pressure,” thus the share of those who want to move is also high. Their share is the lowest in the area of Madách Promenade (perhaps having confidence in the success of the rehabilitation) while the highest figure was found in the total

**Table 4.5** Qualification of household members occupying current flat between 2001 and 2005 (%)

	Madách Promenade	Jewish quarter	Rest of inner-Erzsébetváros	6th District Király street	Total
Less than 8 year preliminary education	2.5	0.0	1.5	0.0	1.4
8 years preliminary education	8.3	6.5	6.2	1.9	6.3
Finished vocational school +4 years	9.1	10.0	14.9	18.5	12.7
Final examination of a secondary school +4 years	43.8	51.2	50.5	68.5	51.0
University or college degree +3–5 years	36.4	32.4	26.9	11.1	28.9
	100.0 (N = 121)	100.0 (N = 170)	100.0 (N = 275)	100.0 (N = 54)	100.0 (N = 620)

Source: G. Csanády – A. Csizmady – L. Kőszeghy – K. Tomay: Renewal in Inner-Erzsébetváros, Tér és Társadalom XX. évf. 2006. p. 82

Inner-Erzsébetváros area. Another important result of the survey was that a great part of the questioned people agreed to the conservationist strategy proposed by Veto (Tables 4.6 and 4.7).

*Management of renewal by the District Government of Erzsébetváros* – As already mentioned in Sects. 4.4 and 4.5, the district government of Erzsébetváros has not founded a public or a PPP company for the management of its rehabilitation projects. Therefore the district should rely on its council members and on the experts of its Office whose work and decisions are based on the regulatory plans and planning codes worked out by consultant planners and also on other bylaws adopted by the Council. In order to strengthen the legally binding provisions of the regulatory plans and of the local planning code, Erzsébetváros introduced a specific method of management. The planning regulations are incorporated also into local governmental statutes regulating the management of the assets of the local government. Two such statutes were adopted in the end of 2000 in time when the new second regulatory plan for Madách Promenade was adopted. One of these statutes summarizes the conditions of selling, alienation, of the district's rental flats to the sitting tenants, another statute refers to the general rules of the management of public assets. The two statutes are closely interrelated.

According to the first statute it is the responsibility of the Property Department to produce a list of buildings that (1) are designated for conversion, modernization and renewal, (2) are designated as heritage buildings and those that (3) are marked out for total or partial demolition or for their conversion to another use. To these buildings an "alienation ban" refers, meaning that according to the 1993 Housing Act these publicly owned buildings (or parts of them) do not fall under the obligation to sell them to the sitting tenants. The main function of the ban is to "secure" the rehabilitation operation against the creation of private condominiums that might heavily hinder the realization of renewal projects.

**Table 4.6** Intention to move from Inner-Erzsébetváros by areas 2005 (%)

	Madách Promenade	Jewish quarter	Rest of Inner-Erzsébetváros	6th District Király street	Total
Yes, already decided	5.2	4.7	7.0	8.3	66.4
Not yet known when, but is willing to move	9.8	12.3	12.8	14.9	12.4
Would like to move but no possibilities to do it	10.3	19.0	21.9	12.5	17.4
No, no intention to move from the area	71.8	61.0	56.3	59.7	61.0
No intention but perhaps it should be necessary	2.8	3.0	2.0	4.5	2.7
	100 (N = 387)	100 (N = 300)	100 (N = 810)	100 (N = 288)	100 (N = 1,785)

Source: G. Csanády – A. Csizmady – L. Kőszeghy – K. Tomay: Renewal in Inner-Erzsébetváros, Tér és Társadalom XX. évf. 2006. p. 84

**Table 4.7** How the neighborhood should be developed (2005, % of answers)

	Madách Promenade	Jewish quarter	Rest of inner-Erzsébetváros	6th District Király street	Total
To renew it in its present form	63.0	62.1	63.3	57.1	62.0
To renew it with new building as well	33.3	33.7	31.7	37.7	33.4
To demolish the whole, build a new quarter	3.7	4.2	5.0	5.2	4.6
	100.0 (N = 381)	100.0 (N = 285)	100.0 (N = 795)	100.0 (N = 289)	100.0 (N = 1,750)

Source: G. Csanády – A. Csizmady – L. Kőszeghy – K. Tomay: Renewal in Inner-Erzsébetváros, Tér és Társadalom XX. évf. 2006. p. 89

The same statute also orders that these lists should immediately be revised in line with the modifications of the regulatory plans, that is, to secure the rights also of the affected tenants. It is the task of the District Development Committee to continuously follow changes and to determine whether it is yet reasonable to keep a building or its part in public ownership. The “alienation lists” also indicate “building-by-building” in what way the district wants to implement the renewal: through renovation, modernization, conversion to new use, protection of national heritage buildings or through new construction after total or partial demolition.

For those buildings that are sold in “vacated condition” to developers another local government statute prevails that regulates the general management of the assets of the district. According to this statute the disposition above the assets may mean either alienation, including the handover of the ownership right to a company, a foundation or an association of local governments, or the transfer of rights of use (letting, leasing, concession, etc.). The value of any asset should be fixed according to its market value. For real estate properties it is the Council that holds the property

rights if their value is above 190,000€. If the value is less than this amount holder of the rights is the Economic Committee.

Up to recently in Inner-Erzsébetváros the usual practice has been that the less valuable, in many cases deteriorated, outmoded buildings, were officially declared as “life threatening” in order to produce vacant sites for new building after their demolition. Thereafter private developers have been searched for the “clearing” and the ongoing demolition of the buildings. In course of these procedures specific PPP relations are effectuated:

- The Council decides about the selling of a building in vacated position.
- The Council arrives at an optional contract with a buyer who takes charge of the “buying out” of the tenants either through providing them with flats or through compensating them in cash.
- It is the district that decides about the selling price based on value assessment but it is the potential buyer who negotiates and arrives at agreement with the tenants about the size of compensation.
- After arriving at an agreement with all tenants these agreements will be submitted to the district in order to terminate tenancy contracts.
- Moving out from the flats takes 60–90 days according to the preliminary contract.
- After the building became vacated the district arrives at a “final” contract with the buyer.

The agreement on the selling price is a crucial element of the system, but the expenditures of the developers are usually higher than the priced agreed with the district. The tenants living in flats in deteriorated buildings, but increasingly aware of the complications of the process, accept a compensation only if the received sum is sufficient to buy or rent another dwelling better situated and of better quality than the one they move out from. Thus, although the whole process is of “exclusionary” character, not all the affected are real losers. Apparently, the most endangered are the elderly and the less educated people. On the other hand it is worth while for the developers to pay a higher sum as they are provided with generous development potentials on the cleared building plots. Under the new circumstances it is hard to foresee to what degree the private players would undertake more complicated and more costly renovation works on heritage buildings with less potential to build new structures.

Up to recently the district has managed its renewal, restructuring program almost exclusively through the described “sell–demolish–build” method, only few renovations were accomplished on its own rental buildings. Since April 2005 Erzsébetváros, in order to abate the strength of attacks and to adopt its operation to the new situation, introduced a new rule according to which before any decisions on contracts about alienation (sale) or lease of properties the market value of which exceeds 73,000€ a tendering procedure should be effectuated. Another important new provision is that, in the presence of the great number of heritage buildings, at any decisions on alienation of properties the building and heritage rules should be complied with.

*Subsidies to the condominiums: from Budapest and from the District* – The Rehabilitation Fund of Budapest, presented in Sect. 4.4, provides subsidies both to districts and private condominiums. Regarding these subsidies, Erzsébetváros's position is rather controversial. Despite the fact that it has remained indebted to the municipal budget according to the provisions of the 1993 Housing Act, the district successfully participated in two “action area” tenders (for instance blocks along Klauzál Street), but it did not utilize the awarded sum. At the same time Erzsébetváros operates a rather generous condominium subsidy scheme. In addition to condominium subsidies the local government operates also other “smaller” programs, the impact of which on the population is rather significant. Among these the program of building new flats in attic space of residential buildings, the program of “green courtyards” are successful. What is even more important: the condominium subsidy scheme operated by the District largely overruns that of Budapest (Table 4.8).

In 2006 inhabitants of 347 building applied for district subsidies. The District Development Committee distributed €991,818 among 289 buildings. Relatively few applications from Inner-Erzsébetváros were accepted (49 buildings, 17.0%), but the sum provided to condominiums in this area was rather high: €319,752, 46% of the total amount distributed in this year. Only buildings in Inner-Erzsébetváros were provided with support for the renovation of their street elevations: about 74,770€ total, an average of 10,680€ for one building. On the other hand in the same year the Preservation and Housing Committee of Municipality of the Municipality of Budapest gave substantially less indicating that concentration of Budapest subsidies was much less in the rehabilitation area than that of the district.

The effort to concentrate subsidies in Inner Erzsébetváros is backed by an important participatory activity too. A deputy mayor of the district and a member of the Council regularly organize meetings with inhabitants and managers of condominiums in order to help them in the preparations of applications and the management of their buildings. To sum up, the local government of Erzsébetváros supports the case of urban renewal from its own resources generously, despite confusions around Jewish Quarter, the great number of newly designated heritage buildings.

*The third regulatory plan for Madách Promenade* – Amid confusions after the intervention of Veto! and KÖH the district adopted a new regulatory plan for two blocks in the line of Madách Promenade in the last days of 2005. Although the promenade concept has been fiercely attacked some elements of it, in a rather restrained form, has “survived” in the new scheme as well. The main alteration was that the line of the promenade was continued in the block bordered by Kazinczy, Király, Kisdiófa and Dob streets (block No. 6) through a passage under a new building. This pedestrian passage enters into a landscaped common courtyard accessible from the majority of old and new buildings. On the other hand neither this new plan was able to solve the contradictions of the regulations, discussed earlier. The extremely high densities (remember: 4, 4.5, 5 m<sup>2</sup>/m<sup>2</sup> floor space indexes), fiercely criticized by the civil organizations, were decreased only in insignificant measure.

While these high permitted density figures were retained the planning code accompanying the plan introduced some old–new innovations. As discussed earlier, the local statute accompanying the 2000 (second) plan included individual

**Table 4.8** Subsidies to condominiums from Budapest and from the District in 2006 (€)

Support from	Condominium subsidies in Erzsébetváros				Subsidy per building	
	District (building)	Inner part building	District (euros)	Inner part (euros)	District (euros)	Inner part (euros)
District	289	49	690,820	318,750	2,390	6,505
Budapest	172	58	238,950	86,360	1,389	1,487
Total	<sup>a</sup>	<sup>a</sup>	929,770	405,110	*	*

*Source:* own calculations based on District documents

<sup>a</sup>Correct data is not available because the buildings could apply for both Budapest and Districts subsidies. According to a deputy mayor more than the half of the buildings participated in both schemes

provisions for all existing buildings. These regulations, contradicting to the normativity principle of the new Hungarian planning system, were omitted from the new plan and in the new District Building Code general, “normative,” provisions were introduced. This rule prescribes that all new buildings should be built according to the traditional plan of the rental buildings built around inner courtyards. This regulation is a definite step back to the way of building of rental tenements in the last decades of the 1800s (Fig. 4.25).

The about 10-m-deep parts of these nineteenth century buildings, overlooking the street and including bigger, better serviced flats, were built for “middle class” people, while the small flats around the closed or semiclosed courtyards, in most cases including only a kitchen and a habitable room, were built for the “proletariat” and the lower middle class. These wings in the backyards were built in “back-to-back” manner. Although the environmental conditions in these buildings are rather disadvantageous (missing sunshine, dark and badly ventilated rooms, etc.) a positive feature of them is even now that they promote the living together of people of different social statuses. A recently observable positive feature is that because of their cheapness the small flats are favored also by the better educated young starters; consequently this contributes to the slowing down trends of spatial segregation.

The stressing of the “normativity principle” that induced planners to revive an old pattern of building was not carried to the extremes. This strong principle has been favorably “derogated” in many fields in the view of producing an environmentally acceptable spatial structure and living environment: for instance the joining of two narrow parcels in order to get larger building plots, a definite effort to keep the height of buildings on an acceptable level. It is discernable that the plan yet stands against the general view of conservationists who are willing to “preserve everything,” even the old subdivision pattern that goes back to the horticultural period of the area in the eighteenth century, discussed in the first part of Sect. 4.8.

In the new building code of the district, revised after the intervention of Veto! and KÖH and in harmony with the new plan, a specific regulation refers to the notion of “preservation through only by keeping the street elevation intact.” It is more important that the confusions around preservation issues and the controversial building regulations, discussed earlier, led the staff of the leading planning institute of Budapest (BFVT-the company a planner of which had worked on the second plan)



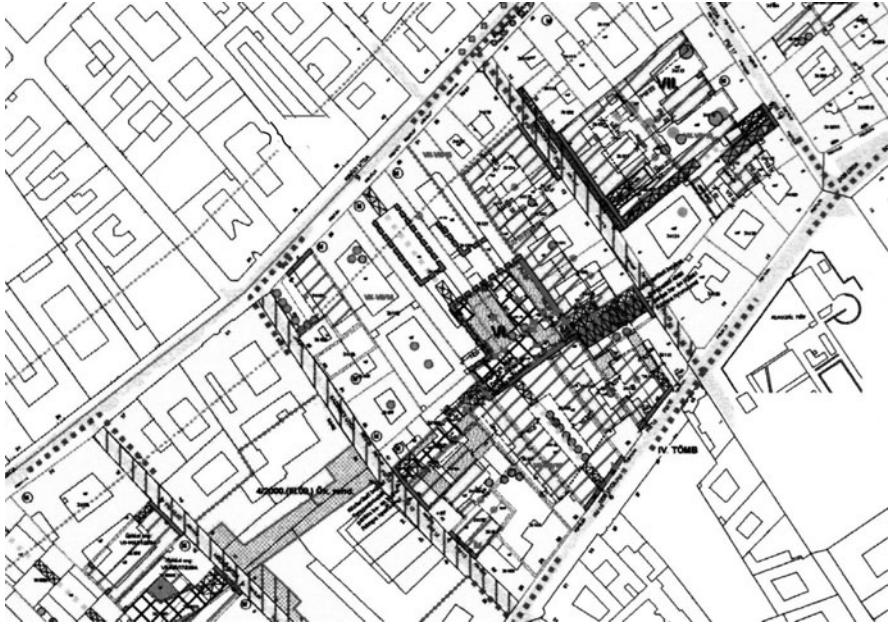


Fig. 4.25 The third plan for Madách Promenade (Mű-hely Ltd. – Béla Nagy)

and some municipal planning officials to revise the Framework Urban Planning Code of Budapest. According to these rules the height of buildings would be maximized according to the width of streets and no higher structures would be allowed in the backyards. Not surprisingly these regulations also go back to the late 1800s.

Despite positive innovations this plan has also been attacked by the civil organizations, especially because the high permitted density figures have not been omitted. Its future, however, it is uncertain because of the development freeze that was introduced until April 2008. (As discussed, in this period KÖH is willing to arrive at decisions about the prescribed ways of preservation of all buildings in Inner-Erzsébetváros.) This might result in a thorough revision of the plan. A more positive outcome of this procedure could also be foreseen. If prescriptions of the KÖH will be less scrupulous than the former ones, a wider space could be opened before planners for introducing solutions that, instead of the former “restructuring” option, could really revitalize the area. Two important problems, however, could remain unsolved:

- The district manages only some tools of “development control,” it does not have its own “development plan” that can be managed by a development company.
- It is hard to foresee to what degree the private sector is willing to undertake less profitable tasks of renovation on heritage buildings.

At the end of 2007 when this paper was compiled, the most important question remained unanswered: who will have the capacity to organize individual private development actions into an attractive “whole.”

*An abandoned concept: working with a development company* – In June 2005 the mayor of Erzsébetváros commissioned four experts (participating in the Interreg III. CoUrbIT project, including the author) with the working out the operative model of a development company that would manage public properties in Inner-Erzsébetváros and also with a feasibility analysis referring to four building blocks, two of which are in the line of the planned Madách Promenade, the other two are located along Dob Street. The original idea of the leaders of the District was that a private development company, under a PPP contract, would take over the tasks of managing the retail floor-spaces owned by the local government and convert these floor-spaces into uses that fit to the character of the area. (Along Dob Street in the Jewish Quarter many of the shops were out of use.) According to the initial concept these floor spaces, together with some well utilizable parts of the public residential buildings, would be apportioned into the company. Later the consultants to CoUrbIT proposed to set up a company with the majority ownership of the district government together with the inclusion of a private bank as a partner in the company, based on the successfully operating PPP company in Ferencváros (9th district, SEM IX. Ltd, see Sect. 4.6).

According to the experts main tasks and responsibilities of the company would have been the followings:

- Management of the publicly owned commercial floor spaces and the utilizable parts of the public rental buildings
- Management of the implementation of the required infrastructural improvements (public spaces, public utilities, parks, etc.)
- Setting free and selling publicly owned sites for private development
- Inducing and assisting the managers and inhabitants of the condominiums to effectively take part in the project

Main tasks and responsibilities of the district government would have been the following:

- Revision of the regulatory plan, adoption of a comprehensive traffic calming plan
- Financing infrastructural developments attached to traffic calming measures
- Provision of subsidies to condominiums for renewal and searching for additional (EU, Budapest, etc.) subsidies for renewal of public rental buildings
- Handling rehousing tenants from public rental buildings

The last task meant to put an end to the ongoing procedure that the vacating of the public rental buildings is done by the private developers. An important element of the delineated concept was that the increased proceeds from the management of the retail floor-spaces and from the utilizable parts of the residential buildings should have been used by the nonprofit company for the – at least a partial – renovation of the publicly owned structures. In spite of a detailed program that was worked out for the setting up and the operation of the proposed PPP company, including the content of the contract between the district government and company, the selection of the manager, the composition of the supervisory board, reporting

requirements by the company to the district and also the schedule of the project, later the scheme was abandoned. It turned out that a great number of preliminary contracts with private were already in force (Fig. 4.26).

Under the CoUrbiT project also a detailed feasibility study was outlined focusing on a block in the line of Madách Promenade where the conditions for renewal were most complicated. The intention was to provide the district government with a realistic alternative and with a detailed feasibility study that can be used in an “action area application procedure” under the newly adopted Hungarian regulations for EU-sponsored urban regeneration funds. The study includes a financial concept (cost estimation, resources required, preliminary balance sheet) and also an organizational proposal (management forms, activities, operational expenses and revenues of the planned company, composition and amount of capital of the company) based on the author’s wide spread experiences gained as the former manager of the Ferencváros development company (SEM IX. Ltd.).

In the feasibility study with only about €1,960,000 “external” resources were calculated, and with another about €1,650,000 revenue from the sale of the district-owned properties, meaning that the district’s own contribution would amount to €10,200,000 – as sum higher than the amount of subsidies that the Municipal Government of Budapest is able to provide yearly for action area

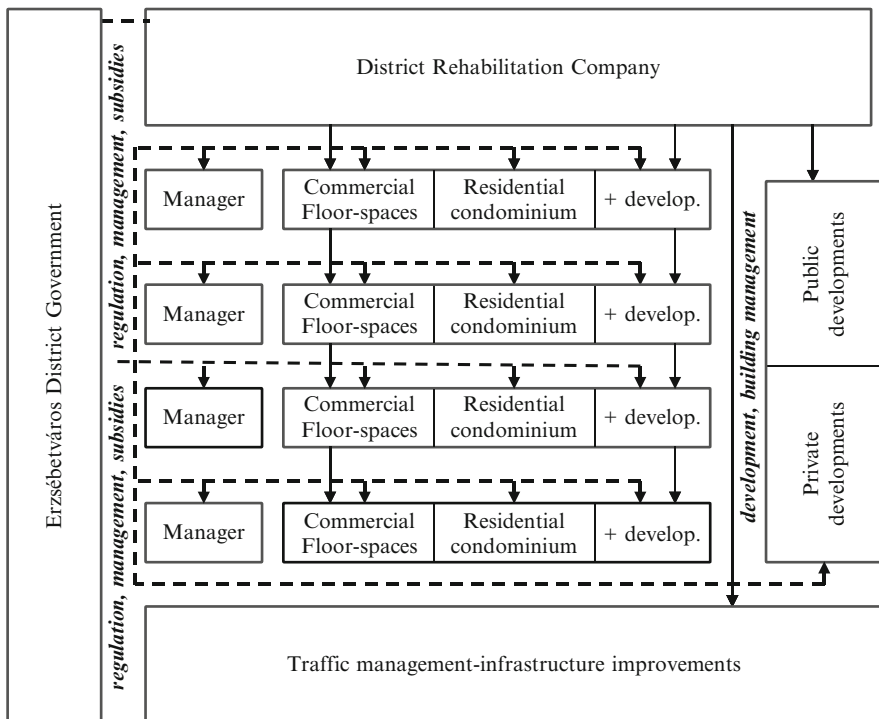


Fig. 4.26 Cooperative management of renewal by a PPP company and the district government

**Table 4.9** Costs of renewal of one block in Inner-Erzsébetváros

Tasks	Activities	Costs (€)
Property acquisition	Street widening, internal public spaces – 2,119 m <sup>2</sup> area	509,000
Site preparation	Demolition for public spaces and for building – 4,280 m <sup>2</sup> area	186,545
Renovation	Residential buildings – 15 public, 4 condominium (2 façade)	5,820,000
Replacement of flats	113 Flats – building in attic space or cash expenditures	3,040,000
Upgrading of public spaces	Wall-to-wall pavement, traffic calming measures – 5,200 m <sup>2</sup>	302,545
Public utility development	Water supply, sewerage, gas, electricity, public lighting, etc.	735,820
Management (3.5%)		424,180
Not recoverable VAT		1,738,180
Total		12,756,270

*Source:* CoUrbIT project – calculations by Gábor Aczél

operations and to private condominiums.) As indicated in Table 4.9, the highest expense items are those of renovation, replacement, and VAT. Their partial elimination could be achieved only by selling all nonprotected flats to the tenants; according to this alternative the district's costs could be decreased by about 50%. This alternative, however, would transfer the majority of burdens onto the inhabitants and is inconsistent with any concepts of "comprehensive urban renewal."

Instead of starting the preparations for the realization of this rather expensive project, the district decided to join to a specific intergovernmental cooperation with another two districts and the Municipality of Budapest. There has been a hope that the chances for getting EU subsidies for urban renewal would be better if the districts, having similar problems, form a consortium. As early as October 2004 the idea emerged to set up a development company by the districts 5th, 6th and 7th (later the 8th district joined and the 5th left) for the management of a common renewal program. Up to recently no common company was founded, the experts of the development company of the 8th district (REV 8 Ltd.) were commissioned with the delineation of a comprehensive renewal program for the zone between the Small and Grand Boulevard in Pest under the impressive title: "Europe's Downtown, Budapest" (Fig. 4.27).

This ambitious interdistrict program was adopted by the three districts in the Spring of 2007. The gross expenditure on the total program amounts to about €34,500,000. For the first phase, the 4 years between 2007 and 2010 a gross expenditure of only €3,490,000 is calculated, that is the program calculates with a "slow start." The program includes a great number of smaller projects, that would contribute to the enrichment of the zone with new cultural, retail and tourist facilities and programs. Nevertheless, the share of expenditures on "physical" projects is considerably high:

Renewal of important heritage buildings	6, 545, 500€
Renewal of the Jewish Quarter of Pest	4, 654, 500€
Public spaces, traffic calming, pedestrian streets	6, 654, 500€
Parking projects	5, 454, 500€
“Physical” projects	23, 309, 000€



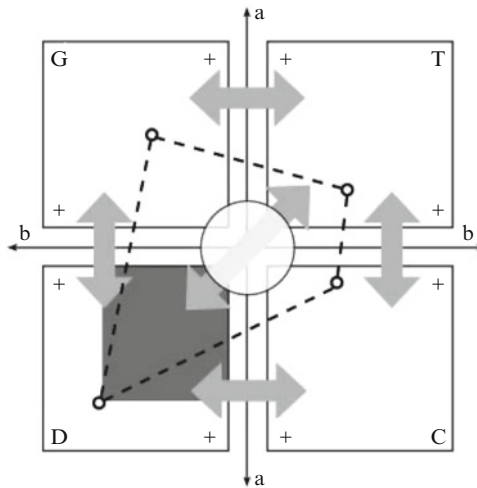
**Fig. 4.27** The system of pedestrian streets interconnecting the three districts (Madách Promenade is not presented on the map – RÉV 8 Zrt 2006)

According to the preliminary calculations about the distribution of the expected financial sources the three districts would pay 33% of the costs, the private “partners” another 3%, and the 44% is expected from the EU.

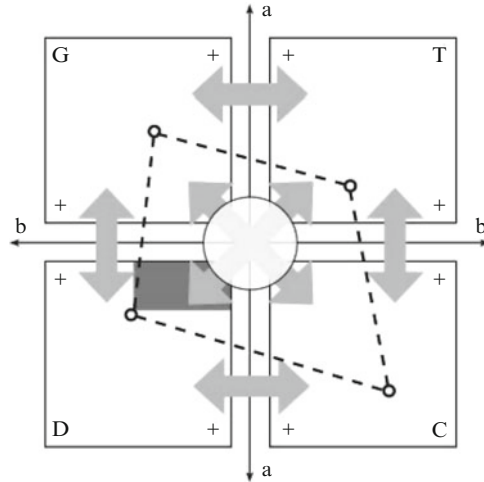
Although the renewal of the Jewish Quarter is included, the future of the intergovernmental program is rather uncertain. It runs against one of the new “flag-ship” programs of Budapest, the so called “Heart of Budapest” scheme, that seems to have a priority as it is the common program of Budapest and the 5<sup>th</sup> district. Despite the fact that the Jewish Quarter is within easy reach of the City Hall of Budapest, behind which new office developments and a new square are planned, based on architectural competitions, Erzsébetváros should share the fortune of other two districts with rather dissimilar problems. As discussed in Sect. 4.3, the two-tier municipality system of Budapest, besides intergovernmental cooperation, makes room for fierce intergovernmental competitions too.

*A model of public–private partnership relations in Erzsébetváros – before and after the intervention of Veto!* – Based on the overview of the most significant relations among the players in urban renewal in Inner-Erzsébetváros in the following part of the paper their partnership relations will be presented by a simplified model. The four main players, the *local government (G)*, *inhabitants of the neighborhood (tenants: T)*, *the developers (D)* and *the civil organization (Veto!: C)* are symbolized by the quadrants. Along the “*activity axis*” (*a–a*) the strength of determination of the players to realize their intentions is shown together with the actual intensity of their actions in performing their tasks. The “*management axis*” (*b–b*) refers to the actual capabilities of the players to implement their intentions, that is, to their management skills.

It was shown previously in the chapter that the position of the four main players changed substantially after Veto! emerged on the scene in 2004. Their actual position is represented by the circles interconnected with dotted lines, representing an “*activity quadrangle*” in both periods of time. As shown by Figures 4.28 and 4.29 the most significant shifts were observable in the behavior of the civil organization and the developers, while the local government’s intention to realize the program did not change substantially, it was able to improve its management skills (revision of plans, improved bylaws, etc.) only in insignificant measure. Neither a substantial shift in the behavior of the relatively passive inhabitants could be monitored – excluding their efforts to get the highest cash in compensation from the private developers.



**Fig. 4.28** Phase 1. Partnership relations in Inner-Erzsébetváros before the intervention of Veto! Partnership relations: G-T: balanced, subsidies to condominiums, help in cases of tensions between developers and tenants; G-D: balanced, mutual interest in development; G-C: not existing, only general reservations by Veto! against restructuring and exclusion; T-D: balanced but in some cases serious tensions; T-C: not existing in this phase; D-C: not existing, only general reservations against the activities of the district



**Fig. 4.29** Partnership relations in Inner-Erzsébetváros after the intervention of Veto! Partnership relations: G-T: more tensions after the potentials of renewal – and the future of tenants – becoming unclear; G-D: tensions, moreover threats against the district as development potentials decrease; G-C: rejection of Veto’s intervention, then start of negotiations; T-D: insecure position of both tenants and developers; T-C: increased support of Veto by the inhabitants; D-C: increasing tensions, few negotiations

While before the intervention of Veto! the “driver” function was performed by the developers assisted by the District, later the leadership has increasingly been taken over by the civil organization (together with KÖH). In the lower-left box the “productivity quadrangle” is shaded representing the actual progress in the renewal operation, rather slowed down after Veto’s intervention. Next to the figures a short summary of the *most important partnership relations* follows. By ‘space’ “C” some concepts of those external “players” are presented that could contribute to the improvement to the situation (Figs. 4.28 and 4.29).

### 4.9 Start of an Integrated Social Regeneration Project in Józsefváros

In 2005, the Municipality of Budapest decided about the launching a number of regeneration projects in the most disadvantaged segments of the city, an initiative called “social rehabilitation.” This new regeneration policy represents a radical break with the former exclusionary practices presented in Sects. 4.6 and 4.8. In 2007 the Ministry of Local Government and Regional Development issued a document, according to which Budapest (including its districts) and the larger cities (“cities of county status”) are liable to work out their Integrated Urban Strategy (IUS) as a compulsory background document for their tenders for urban renewal subsidies. In their IUS cities are obliged to mark out their urban renewal

action areas that may be grouped into two categories: areas of integrated social renewal and city center regeneration (with the aims to improve the centers' public services and enhance their environmental conditions).

These categories are in line with the priorities of the Structural Fund of the EU as Hungary will use also European money for these operations. An important task of the IUS is the allocation and determination of those urban areas where the segregation of the lowest status population is the highest (called "segregatums" by IUS). Based on preceding sociological research, and in line with EU principles, also a great number of indicators were determined by the Ministry the conformity to which is the precondition for the selection of action areas for social renewal projects. These indicators are grouped under the categories of unemployment, low activity level, poverty and exclusion, high share of ethnic groups, low level of education, high criminality, deteriorated environment, and unfavorable demographic conditions. Areas which fully correspond to these indicators are relatively few in Budapest and also their average size is small.

*Social and physical conditions in Magdolna Quarter* – Three "social urban regeneration" areas were defined in Budapest for the period of 2005–2008 as pilot areas. Two of them are rather small, consisting of a few old groups of residential blocks with substandard public flats (in the 9th and 10th districts), the third one, Magdolna Quarter in Józsefváros (8th district) at the periphery of the densely built inner zone of Pest is much larger with its 34 ha. The regeneration program for Magdolna Quarter was elaborated by the urban development company of the district (RÉV 8 Ltd. responsible for the management of the described large Corvin Promenade project too). The selection of the site was made according to the indicators introduced as binding later based on standards in line with EU principles.

It is rather suggestive that a great part of the 2001 census data of Magdolna Quarter, most "stigmatized" in the public opinion, do not correspond to the prescribed indicators. The share of continuously unemployed is relatively low: 2.8%, the rate of workers in manufacturing and building industries was only 17.7% (the indicator is 30%), the share of the dependent members in the families was much less than the indicator (only 60 people per 100 families vs. 150 people according to the indicator). The most disadvantageous figures were those that refer to the housing and environmental conditions, to the educational level of the population and to criminality. The rate of substandard dwellings is 37.2%, a very high figure compared even with the bad data of the 8th district, the land coverage index is about 80%, actually there is no landscaped area in the quarter. The rate of the population above 15 years without the basic 8-year school education is 10.2% (the indicator is 10%). The low status of the area is shown by the rate of inhabitants above 25 years with college or university degrees: only 9.4% (16.1% in the district, 23.8% in Budapest as shown in the first part of the chapter).

The rate of the gypsy population is estimated to about 30% (the census did not measure their numbers), and the criminality in the quarter is also high: 206 cases in 2001, 157 cases in 2002, according to police statistics. The latter data explain the bad reputation of the quarter as the high presence of gypsies is associated with high criminality in public opinion. However, Magdolna Quarter is to be characterized as



a highly deteriorated, low-status residential area with a poor, lower middle class population where the concentration of ethnic population is substantially higher than in other rundown parts of Pest. It is also to be stressed that 42% of the housing stock of the quarter remained in the ownership of the district government. Here a great part of the gypsy population is living in public rental flats, as against to those who were able to buy their homes either directly from the District or on the free market.

*The social urban regeneration “model program” in Magdolna Quarter* – The model program, the first regeneration project of Budapest in which the triple system of values and goals of society, economy and environment are integrated started in 2005 with funding from the Municipality of Budapest and the District (700 + 120 million). In December 2007 the Hungarian Government included it into the group of those UE sponsored Operative Programs the right of decision above which was reserved for the central government. For the second phase of the Program between 2008 and 2013 7,3 million euros is awarded that may be substituted by other funding as from the National Crime Prevention Committee (about 36,400€) or EU programs of GreenKeys and ASTUTE. The handling of the Magdolna Quarter Program at a “high priority” status was the first effective step of the Hungarian Government toward sponsoring of urban renewal operations from central resources. Naturally, the selection followed European priorities even if in Budapest the spatial social segregation yet stands under the level of many of western cities.

It is stressed in the official document of the Program, and it differs from any other urban regeneration (rehabilitation) programs initiated earlier. Here the main target group is the local population the continuous involvement of whom is a basic element in the management of all subprograms. RÉV 8 Ltd. has involved into the program a great number of research institutions, NGOs and civil organizations including universities, the Hungarian Academy of Sciences, charitable organizations active in help for families and the youth, local schools, the district police department, etc. The main subprograms of the Magdolna Regeneration Model Program in its first phase have been the following:

- (a) Renovation of public rental buildings
  - (b) Renewal of Mátyás Square
  - (c) Creation of a Community House: the “Glove Factory” project
  - (d) Educating program
  - (e) Crime prevention program
  - (f) Employment program, enhancing local entrepreneurship
  - (g) Community development program
- (a) The renovation program refers to the public rental buildings in 100% local government ownership. After a complex physical and social survey the tasks of renovation are defined in cooperation with the local (public) property management company each year. The budget of the works can be expanded by the consent of the tenants if they are willing to contribute to the costs either with their own work or with financial means. As there are a number of smaller works that would be done by the tenants, an offset system has been elaborated,

e.g., compensation in the rentals or in the reduction of rents in arrears. When the works are carried out by a private contractor, a precondition in the contract may be the employment of local people. In 2006 the inhabitants of six houses expressed their will to join to the program. In order to enhance the confidence in the goodwill of the management and of the local council the works generally start with minor but important activities as the cleaning of the abandoned cellars and other common parts of the building with the required tools (gloves, shovels, sacks, etc.) provided by the company. In weekends, generally also the employees of RÉV 8 Ltd. (architects, geographers, sociologists, etc.) take part in physical work together with the inhabitants. Another usual start-up activity is the reparation of the wrecked entrance gates.

- (b) The preparatory work for the renewal of Mátyás Square, a rather dilapidated public space at the border of Magdolna Quarter, started in 2006 with the collection of ideas and wishes of local people, who later were included in the design phase too. The main goal was to create a public space that through its use by all social groups in the neighborhood, would increase their integration to the area. Although students in landscape architecture were also included, in all phases of planning the basic decisions (for instance which part of the square would be enclosed) were made together with the inhabitants, generally on the spot. (The actual start of the renewal was a common work of teachers and pupils of the local secondary school together with university students, social activists and residents who created painted “sitting mounds” – new street furniture for the square.)
- (c) The aim of the creation of “Mátyás Square Community House” was the provision the local people with a public building housing cultural and training programs substituting the activities of the local school attended by children with very different social backgrounds. The programs of the House focuses on creativity, freedom and openness in order to overcome disadvantages accumulated across generations especially among gypsies. In the House that was opened in 2008, “Digital Childhood” programs (video, photo, media) are organized for younger people together with cultural events that are in tune with the various cultural backgrounds of the locals. It is planned that the section of RÉV 8 Ltd. that manages Magdolna Program will also be located in the Community House. In order to stress heritage considerations the House was refurbished from a local glove factory overlooking Mátyás Square.
- (d) The educating program is based on the local primary and secondary school that will be renovated. As the primary school educates nearly 100% gypsy children the idea to unite the two institutions into a 12-class school came to the front in order to help the disadvantaged pupils to obtain a maturity grade. In cooperation with the Community House, functioning also as an “open school,” opportunities for further education, for specific courses for adults will also be provided. Recently the Program focuses mainly on the youth: experiments with specific programs in art education and with a weekly  $2 \times 2$  h “activity program” for children between the ages of 6–10 years, sponsored by the Swedish Embassy are rather promising. (As part of the latter program an agreement with the central library of Budapest was concluded.)

- (e) The program of crime prevention is aimed at the creation of a forum for the cooperation of the various players. A Public Security Working Group was established with the participation of public area inspectors, district wardens, civil wardens, social workers. Several training programs are planned in order to come to an agreement on a common strategy of handling problems of public security and crime prevention in Magdolna Quarter. Naturally the enhancement of the success of the police is in the focus of the program. In cooperation with a civil organization a survey was done indicating that the lack of lockable gates represents the main problem; the implementation of a gate program is under way. As already mentioned, the program won a 36.400 € funding at a tender the application document of which worked out in cooperation with two civil organizations.
- (f) This subprogram consists of three parts. A subsidized retail trade program will help to renew the premises of the small local entrepreneurs in the Quarter, in some cases also subsidies will be given to them in the procurement of the necessary equipment and devices. Also well qualified private craftsmen will be hired to help the small local companies planned to be set up for the implementation of renovation works, who at the same time may be at service of local people. In Magdolna Quarter the Gypsy (Romani) Entrepreneurship Program is of specific importance: this local initiative promotes their integration into the employment market and would enhance the confidence of the general public in gypsy entrepreneurs.
- (g) Under the Community Development Program the Magdolna Quarter Neighborhood Council will be set up with the aim to recreate the lost social contacts, enhance the confidence in the public and private players in the regeneration program.

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# Chapter 5

## PPP in Urban Development in Germany

### Illustrated Using Two Pilot Projects in Leipzig

Silke Weidner, Jens Gerhardt, Jan Schaaf, and Nadja Riedel

#### 5.1 Introduction

Cooperative types of action by public and private players going beyond the legally formalized planning processes have been gaining in importance for some time now at all levels of urban development in Germany. New cooperation in the form of bilateral and trilateral collaboration represents a way of consolidating and expanding the scope for carrying out urgent tasks of urban regeneration. Aware of these possibilities, the City of Leipzig began tapping this potential by specifically involving three groups of players – the public sector, the private sector, and the general public – into the process of urban development and steering their interaction.

The City of Leipzig's initiation of the two pilot projects IQ-OST and GRÜNDERZEIT ERLEBEN was an important step toward public–private partnerships. The projects amalgamate resources. Furthermore, they are by no means limited to the granting of subsidies. IQ-OST and GRÜNDERZEIT ERLEBEN constitute PPP projects on existing property – and the high involvement of local players in both cases provides an excellent basis for trilateral cooperation.

The aim of these mostly privately financed projects is to be primarily achieved by combining classical (formal and informal) instruments with methods of cooperation and planning applied in urban development and new trilateral instruments of cooperation among those involved from the three main groups of players. The two

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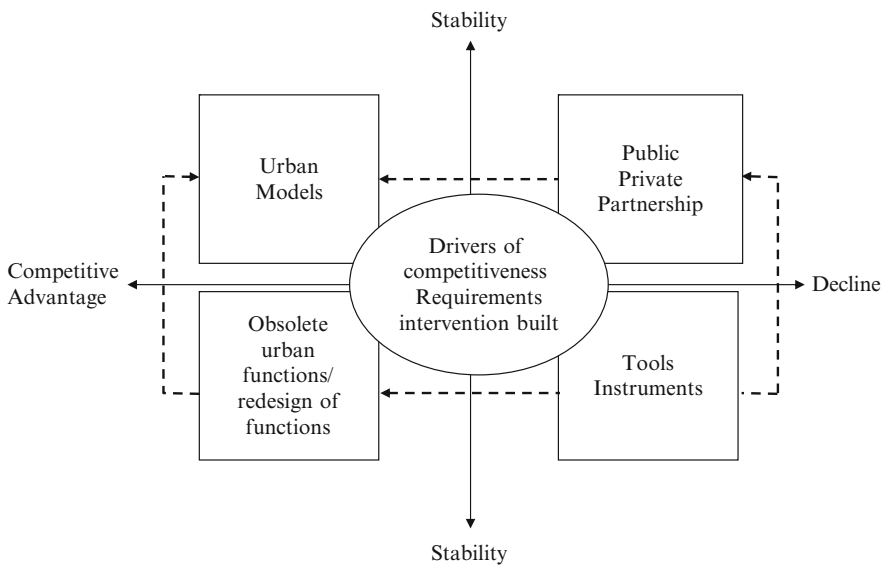
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pilot projects are intended to be two new sources of inspiration for the quarter which could speed up the enhancement of Leipziger Osten. The idea is for the creative and financial input (both already carried out and yet to come) by the public sector to be refinanced in the long term through the savings made as the district becomes stabilized and requires less support.

What the two pilot projects have in common is that they are still both in the conceptual phase – meaning there is still plenty of scope for shaping their final implementation. On behalf of the Leipzig Office for Urban Regeneration and Residential Development (ASW), the Institute of Urban Development and Construction Management (ISB) of the University of Leipzig – acting in a consultative capacity – is assisting part of the development of the two pilot projects outlined below. The project process is described using the principles of the CoUrbIT model, to which the references shown in Fig. 5.1 corresponding to the structures of the pilot projects in Leipzig apply.

In the case of Leipzig, the need to reinterpret urban functions in the district under consideration resulted in the need for extensive intervention, which is to be applied in a public–private partnership using partly experimental instruments.

This chapter begins by outlining the current situation regarding the application of PPPs to the fields of urban development in Germany in order to help the reader understand the Leipzig approach. Reference is made to existing PPP models in construction and how they can be transferred to the scale of an entire quarter. As this transformation is still in its early stages, no tried-and-tested PPP urban



**Fig. 5.1** CoUrbIT model applied to the pilot projects in Leipzig (source: Dalla Longa, 2010)

development strategies specific to Germany could be used, and this prompted us to produce our own Urban Development Guideline.

To give the reader a better grasp of the pilot projects, they are assigned to the intervention models of the Bocconi University. Accordingly, the next section of the chapter describes their spatial, historical, economic, social, and legal context, including connection with the infrastructure and related support schemes. For this purpose, the position of the projects within the region as a whole, in Leipzig and then in the district in question is defined. A detailed explanation of the ideas behind the projects is followed by a description of how the projects have proceeded so far and the next steps planned.

The experience obtained from the Leipzig pilot projects is assessed in the conclusion. In the outlook, the project steps carried out are compared with existing forms of PPPs in urban development and briefly discussed.

## 5.2 PPPs in Urban Development in Germany

Cities in Europe – and hence also Germany – find themselves confronted by investment requirements arising on the one hand from a string of demographic, economic, social and environmentally specific challenges and on the other hand from the key role which has evolved among (or been assigned to) cities in the development of knowledge-based, competitive economies. As in many other European countries, urban renewal has been transformed since the 1990s from the original and exclusive improvement of the building stock to a more complex, more extensive policy of urban development. This new type of urban development policy is expressed in terms such as the “new deal for communities” and the “social city,” and refers to more complex forms of urban development combining traditional investment strategies with economic measures and intensified investment in human capital (cf. European Investment Bank, July 2003, p. 7).

Such investment needs are generally met through the development of long-term, strategic, integrated urban planning. However, financing the resulting clutch of investments is almost always difficult, while investment requirements do not necessarily generate demand for investment because the possibilities, capabilities, and intentions of the individual players (public and private) decide whether progress can be made with urban development projects and whether applications for funding can be successfully achieved by means of strategic investment planning (cf. Department of Communities and Local Government, London) (Mai 2007, p. 4). According to research, the necessary ability to respond on the part of public and private developers fluctuates considerably, the role of municipal administrations as direct investors generally dwindling owing to their precarious financial positions and the rising importance of quasiregional administrative bodies. In this connection, mention should also be made of the inability to embrace reform in Germany compared with other (including European) countries. Its self-imposed role as a “society of

consent,” the federal system, the lack of experience of privatization and outsourcing, a banking system low on innovation, and orientation towards overall strategies have all placed pragmatism on the back foot in Germany. Hence, although the goals are in theory clear, radical changes in terms of attitude and behavior require the use of new, more sophisticated instruments (cf. McCleary 2005, p. 15).

Apart from the known hard exogenous factors, neoliberal ideas, and practices in research and economic policy have for some time been pressing for more dynamism and change in the public sector (cf. Eichhorn 2002, p. 6).

The public private partnership (PPP) – a specific form of social and political public-sector control and task fulfillment – is justified in this context by the general framework and the specific (conducive) political conditions, and is one of the main aspects in the international discussion of administrative reform (cf. Budäus et al. 1996, p. 3).

Then again, the idea behind PPPs is by no means new. In fact PPPs have developed over a period of about 70 years, originating with probably the best known example of initial local cooperation in Pittsburgh in the 1940s (cf. Budäus et al. 1997, p. 19). The PPP was therefore actually first applied to urban renewal.

Although cooperation between the public sector (determination of the aims and fields of activity) and private developers (carrying out schemes) has certainly already been tried out and practiced in connection with urban development schemes, the role of private players has tended to be limited regarding integrated urban development planning and activities in Germany. This can mainly be attributed to the fact that until recently urban development was regarded as the exclusive responsibility of the public sector, the public administration assuming the role of sole planner wielding the classical instruments of development planning and little else (cf. Jakubowski and Herz 2005, p. 1).

Recently, however, the growing demands placed on local authorities coupled with dwindling control capacities and wherewithal have resulted in more attention being paid to encouraging private partners to take part in the initiation and running of long-term projects, increasing the importance of cooperative forms of action at all levels of urban development. Nevertheless, PPPs have by no means become as established in this field as in other areas in Germany such as transport and construction (cf. BMVBS/BBR Hg. Jan 2008, p. 13). This is doubtless because the basic idea behind PPPs goes beyond the usual necessary basic agreements between public (financial outlay etc) and private investors, the choice of private contractors and the transfer of public tasks to private developers in urban development (cf. Kahnert 1992, p. 20).

One important starting point is the greater participation of investors alongside traditional public financial backers. Whereas private investors are already frequently involved in financing public construction and transport infrastructure projects, this is not the case in urban development – mainly due to the lack of financial returns to be expected from large projects. Initial approaches encouraging the investment of private capital in urban development are, however, now taking place – for example the involvement of local retailers in the management of shopping streets.

Due to the limited experience of PPPs in German urban development, it would make sense to address areas where PPPs have undergone a longer period of



development and reliable findings have been produced. Therefore, the role of PPPs in public construction in Germany is briefly examined below.

### ***5.2.1 Structures and Models of PPPs in Public Construction and Their Adaptation to Urban Development***

As far as the development and use of PPPs are concerned, Germany is something of a late developer. To catch up, over the past decade numerous attempts have been made to create the necessary legal and structural framework. Following PPP initiatives in the German state of North Rhine-Westphalia, in July 2004 the German Ministry of Transport, Construction and Urban Development set up a PPP Government Task Force to promote the standardisation of the PPP process in public construction by clarifying basic issues, shouldering coordination, and initiating and monitoring PPP pilot projects and knowledge management (cf. Littwin 2008, pp. 29–30). Taking a view spanning the entire life cycle, PPPs are regarded as a way of extensively transferring responsibilities such as the planning, construction, financing, operation and exploitation of public buildings from the public to the private sector (cf. Kratzenberg 2004, p. 147). The resulting PPP procurement process comprises the following five phases:

- Needs assessment and identification of measures
- Preparation and conception
- Tender and award
- Implementation and contract management
- Exploitation

During the needs assessment phase, the requirement for action and/or investment prompted or motivated by legal requirements or (local) political demands is gauged by the public project organizer. One essential element is the PPP suitability test, which establishes whether a PPP will in principle be more efficient than conventional procurement.

Once the legal aspects concerning public procurement in relation to the project have been clarified and the frequently functional award documents and PPP contracts have been drawn up, the contract is usually awarded following negotiation. Conclusive proof of the feasibility of the PPP project based on budgetary law serves as a basis for the award and signing of the contract (cf. e.g., Alfen 2005, pp. 29–30).

Another way of structuring the PPP process is to adopt a three-phase model, with phase 1 comprising the conception, tender and contract award, phase 2 project realization (planning and construction), and phase 3 beginning with start-up. A modified PPP process meeting the requirements of urban development is described in more detail later in the chapter.

The brief outline of the PPP procurement process in public-sector construction shows clearly that in this field, cooperation between the public and private sectors is

reflected more in a client–contractor relationship than continuous cooperation. Unlike urban development projects, in public construction the project process is relatively transparent and can thus be properly planned. Urban development projects are as a rule determined by an informal preliminary phase and a formal phase, both increasingly requiring moderation processes which in turn are difficult to generalize and hence to institutionalize. Furthermore, the constellation of players is different since the private partner is not necessarily responding to the needs of the public sector (private sector building for the public sector); in fact the exact opposite may arise in urban development projects.

A similar situation applies to the contractual structure of a PPP model, which is mainly determined by the client (i.e., the public sector). Depending on the current and needs-based initial situation of the public client, PPP contract models can be divided into the following types:

- PPP purchaser model
- PPP FM leasing model
- PPP letting model
- PPP owner model
- PPP contracting model
- PPP concession model
- PPP company model

The PPP purchaser model is a suitable option if the public client definitely plans to acquire ownership of the building no later than the completion of the operating phase. If the public client wishes to rent the building only during the operating phase and merely wants to secure the possibility of acquisition through a purchase option (because the subsequent usability of the buildings, fixtures and fittings by the client or a third party is uncertain), the PPP FM leasing model or the PPP letting model can be used. If the main emphasis is on the refurbishment or (partial) construction of buildings or facilities owned by the public client, the PPP owner model or the PPP contracting model should be applied. If construction or operations are likely to be refinanced by fees paid by future (third-party) users of the building, the PPP concession model is the one to choose. If the public client requires close involvement in the decisions taken by the private contractor and therefore joined a project company for the construction and operation of the building, the PPP company model is required (cf. Alfen and Fischer 2005, p. 29).

The main types used at the national and regional level in Germany are the PPP letting and PPP owner models. Among local authorities, apart from these two types, the PPP contracting model is frequently used. The PPP company model (i.e., the establishment of a public–private company) is barely used at present at either the national, regional or local level (cf. Grabow 2005, pp. 26, 29, 46–49).

The above classification of PPP models largely based on legal differences is symbolic of the difficulty of structuring the variety of form of PPPs; it all depends on the specific problem at hand, the tasks and fields of cooperation, the legal framework, and the initiating and active players. The same can be said of the

modification and transfer of PPP findings from public construction to urban development. In this respect, it would very probably make more sense to differentiate between PPPs by the type of cooperative activities and the intensity of cooperation. This could best be done in a preliminary stage in order to generate a spirit of cooperation and/or a climate of partnership as well as to institutionalize the initial committees (conference, working parties and cooperation rounds). Other structuring characteristics could include the cooperative drafting of models, goals, plans, and strategies as well as liaison regarding coordinated programs to be jointly performed (and possibly also jointly financed). Ultimately, a PPP can also be structured in urban development via the binding coordination of measures and individual projects as well as cooperation in project implementation to new, cooperatively borne institutions for the independent realization of joint projects (cf. Kestermann 1992, p. 15). The ideal case is doubtless to endeavor to create a horizontal and vertical network of cooperation among projects and institutions (cf. Girmscheid, 2004, p. 127).

PPPs can in theory be applied to a wide variety of fields (economic development, urban development, improving the urban quality of life, promoting training and qualifications, social responsibilities, etc). Due to the complex problem situations, integrated strategic approaches are frequently applied – including in the realm of urban development. As far as urban development is concerned, many (informal and formal) forms of cooperation are conceivable and are practiced. However, at institutional levels, the PPP company model appears especially relevant. It should be observed that such cooperation needs to combine the policy dimension (aims, main ideas, measures and the provision of resources) with the operational dimension (pursuit and realization of the agreed aims) such that the mutual advantages can be achieved for all the players involved (cf. Kestermann 1992, p. 17).

Then again, empirical findings also indicate that the profitability and operational efficiency of public–private companies is about the same as that of public corporations, meaning that this form of PPP will not necessarily result in improvement. Interpreted in economic terms, this can be attributed to the particularly serious conflict of aims in private–public companies and the resulting higher operational inefficiency – although this is not to say that eliminating this potential conflict is impossible (cf. Mühlenkamp 2006, p. 39).

Thanks to the autonomy enshrined in Article 295 of the EC Treaty, local authorities and councils are free to decide the manner in which they wish to deliver their services, including the structures they wish to use. Consequently, the interest of private-sector players in carrying out investment can be aroused or encouraged by creating a corresponding (urban development) framework or launching publicly initiated projects (cf. Kahnert 1992, p. 23). Experience from the Anglo-American countries in particular demonstrates that in order to attract private investors, three conditions are required: the assumption of risk by the public sector, the guarantee of rapid implementation, and the guarantee of other public investments in the district concerned.

## 5.2.2 *Idealized Project Sequence*

Deliberations concerning the ways in which the two pilot projects could be continued were preceded by considerations regarding the idealized course of a PPP project in the field of urban development. A PPP Urban Development Guideline was compiled in order to make the “soft” project developments in the case of the pilot projects less context-dependent and to give them a generalized basis. This approach was taken because currently small-scale urban development projects are structured even in the first phases in a manner which closely reflects the location in question and are not examined in advance on an abstract level.

### 5.2.2.1 PPP Urban Development Guideline

The Institute of Urban Development and Construction Management’s PPP Urban Development Guideline was based on the structure of the core processes of classical project development containing (cf. Gondring 2004, p. 270) the following phases (which may overlap):

1. Forging the project idea
2. Location and market analysis
3. Utilization concept
4. Economic feasibility study
5. Building regulations study
6. Financial examination
7. Implementation
8. Marketing

Furthermore, the construction Guideline drawn up by the Federal Minister of Transport, Building and Urban Affairs (BMVBS) Task Force was consulted when developing this idealized project sequence (cf. BMVBS 2007, p. 5) (Fig. 5.2).

One useful idea contained in the PPP procurement process phases was that of a PPP suitability test before starting an extensive feasibility study, to see whether a particular project is suitable for organization as a public–private partnership and can hence be recommended to proceed.

The PPP Urban Development Guideline recommends the following development phases:

1. Identifying needs and measures
2. Conceptual phase
3. Preparation
4. Implementation

The crucial point in the structure is the PPP suitability test, because whether the project is to go ahead depends on the results. As described above, the test should be carried out early on in order to minimize or justify the spending of public resources.

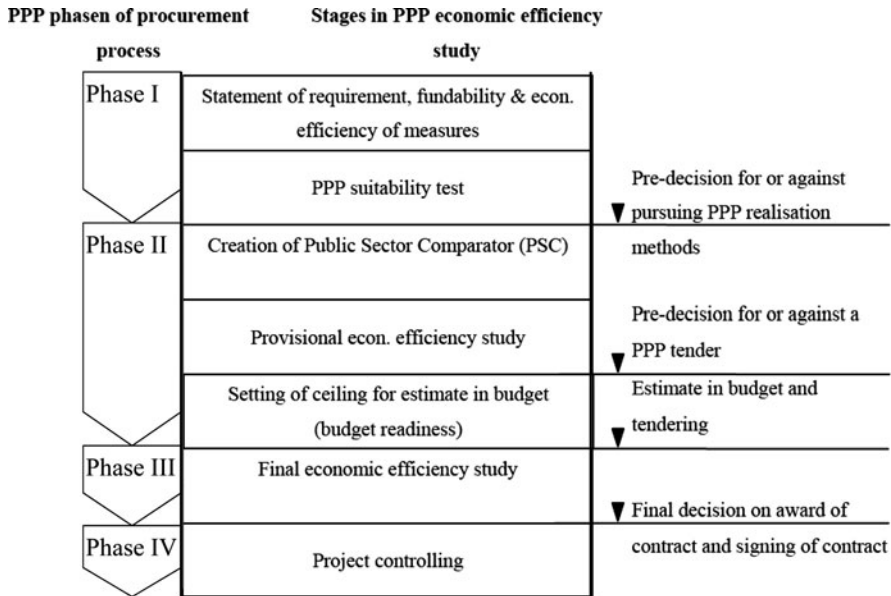


Fig. 5.2 PPP procurement process phases by BMVBS’s PPP Task Force (source: BMVBS 2007, p. 5)

The exact conception of the PPP suitability test is an item of research that has still to be carried out. An initial outline of the PPP suitability test is presented in Sect. 5.2.2.2.

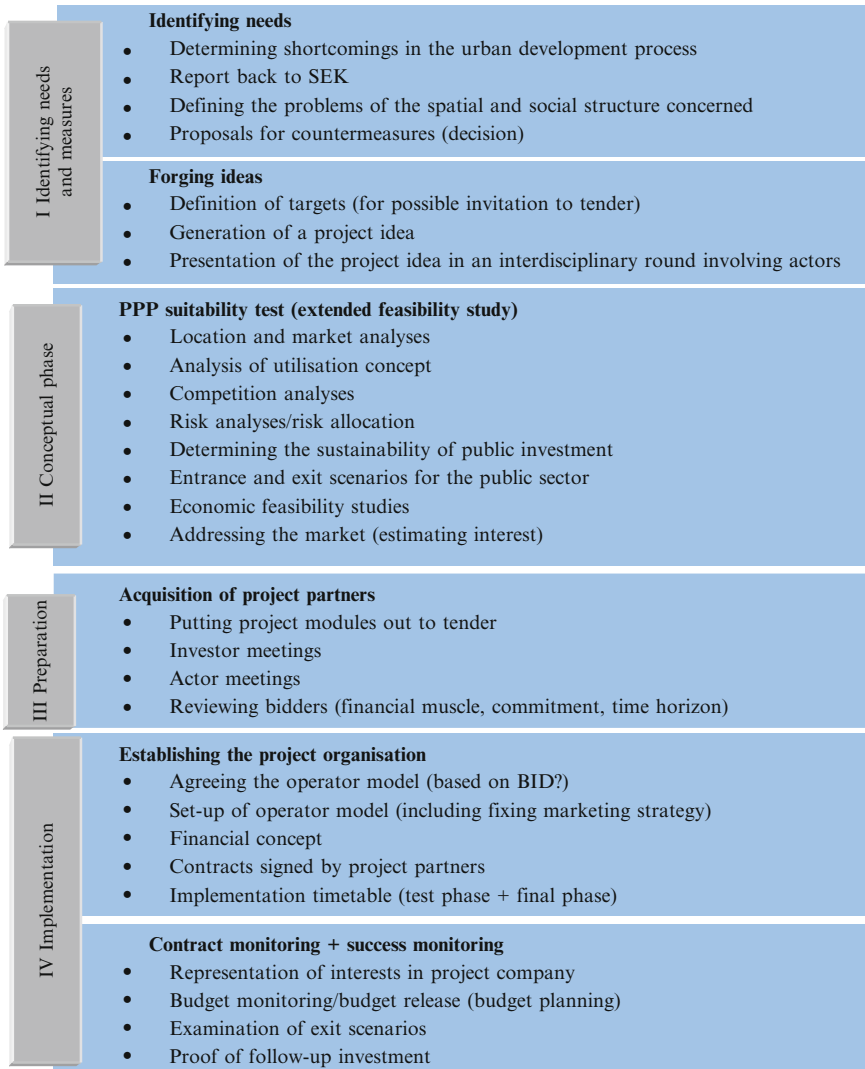
Determining the sustainability of public investments was integrated as a new module of the feasibility study phase. This is commonly used in practice as a controlling instrument after the completion of a project and/or as an argumentation instrument when applying for funding to be continued. In the PPP Urban Development Guidelines, the determination of the sustainability of public investment is defined as a condition for further project development.

Considering the project’s sustainability ought also to help establish whether the project aims and the expenditure required in order to reach them are in proportion with each other. Intervention will be required if the positive impact of the project has been overestimated and the push effects desired for the quarter are not anticipated.

Regarding the players (who could also carry out development phases or parts thereof), it can be forecast that in the phase of identifying needs and measures, bottom-up processes will increasingly be encouraged. These processes should support the generation of a project idea. The aim would be for the local players concerned to identify with the project idea and to comment on it from their own specific angle. Both aspects provide the basis for activating these players to implement this idea during further development. In addition, local players’ stance on the project represents one of the most influential criteria deciding whether urban development projects can be carried out.

To ensure a project structure that has been devised can be sustainable, bottom-up strategies should be interwoven into the entire course of the project. As noted above,

the success of development hinges on the attitude of local players. However, the participation model described must also be examined in terms of conflicts of interest among local players. Conflicting aims may for example occur if an actor involved in participation will later be available as a potential implementing party. The bottom-up process must not be allowed to create a competitive advantage for those involved which could infiltrate the subsequent tendering phase. In order to prevent this, the local authority reserves the right to take top-down decisions (e.g., by holding competitions whose outcome is not controlled without the local authority) (Fig. 5.3).



**Fig. 5.3** PPP urban development guidelines (Institute of Urban Development and Construction Management) (source: by the authors)

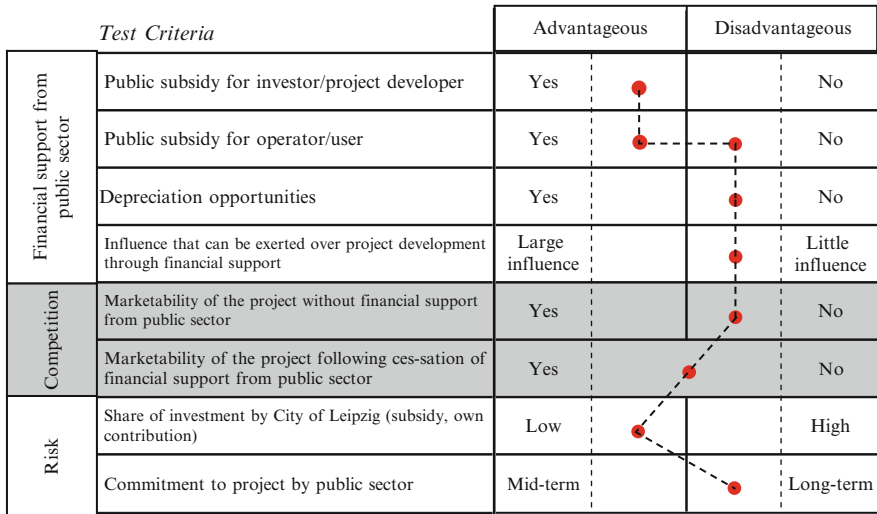


Fig. 5.4 Example polarity profile for PPP suitability (source: by the authors)

### 5.2.2.2 Example of a PPP Suitability Test

An initial impression of a project’s PPP suitability is provided by the polarity profile, in which advantageous and disadvantageous criteria for the development of a PPP are compared. The diagram addresses the following areas:

- Control possibilities for the project through subsidies and grants
- The marketability of the project
- Risk

The test criteria in which the three areas are divided are accompanied by states which are regarded as advantageous or disadvantageous for a PPP urban development project. In the case of the example in Fig. 5.4, the negative characteristics clearly predominate, meaning continuation of the project would have to be sharply queried.

## 5.3 The Leipzig Pilot Projects

To prepare the detailed explanation of the pilot projects in Leipzig, first of all the macrolocation (the city of Leipzig) and then the microlocation (the quarter in which the projects are based) are described. Reference is also made to the historical phase of socialism in eastern Germany, which played a key role in the evolution of Leipzig’s structure and is the reason for the process of restructuring currently

underway. Knowledge of these three levels is essential in order to understand the factors prompting development and the content of the pilot project.

### 5.3.1 Leipzig: The Macrolocation of the Pilot Projects

Leipzig has a more than 506,000 inhabitants. With the population continuously dwindling after World War II and declining especially dramatically in the 1990s, Leipzig is now one of the few cities in eastern Germany where the number of inhabitants is actually rising again and which can look forward to stable population growth (cf. Statistical office of Free State of Saxony 2007) (Fig. 5.5).

Following the upheaval caused by German reunification, deindustrialization and the processes of globalization, Leipzig has managed to consolidate and build up its economy. In its efforts to engage in regional and even broader networking, Leipzig has joined forces with the large Saxon conurbations of Dresden and Chemnitz/Zwickau to form the European metropolitan region known as Sachsendreieck (“Saxon Triangle”) and also has close ties to the neighboring city of Halle. Both these factors have helped make the regional economy one of the strongest in eastern Germany (cf. Seidel 1998). Leipzig concentrates in particular on five economic clusters: healthcare, biotechnology and the life sciences;



**Fig. 5.5** Position of Leipzig in Germany; the dotted line show the border of East Germany before the October 1990 (source: by the authors)



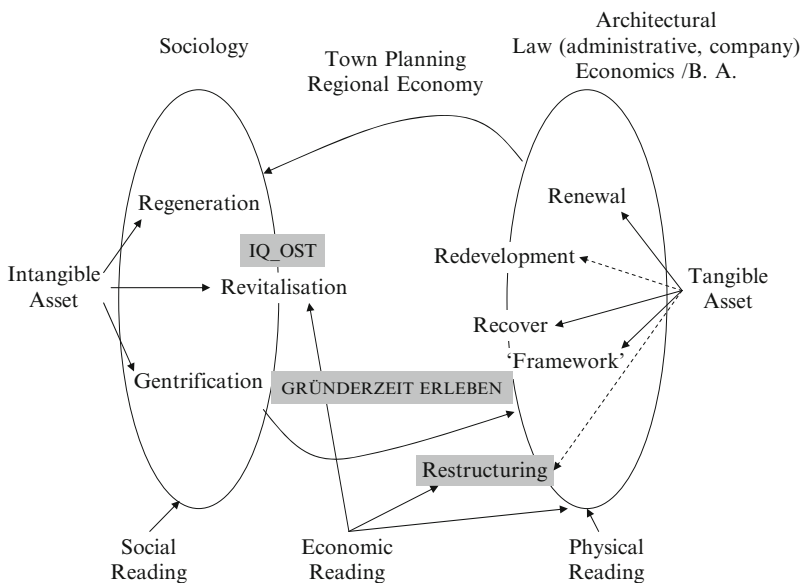
automotive construction and components; the media and telecoms; energy and the environment; and business services and enabling technologies (including logistics).

### 5.3.2 The Process of Restructuring in Leipzig

The current processes of urban renewal throughout Leipzig correspond to the restructuring of urban structures. The term “restructuring” is derived from the model put forward by the CoUrbIT, Bocconi University in Milan, (Dalla Longa 2007, 2009, 2010) in which urban development measures (open interventions) are defined and categorized in terms of their social, economic and physical dimensions (Fig. 5.6).

Restructuring measures prove necessary when the physical urban structure is no longer able to meet its inhabitants’ requirements. The reasons for these changes are not necessarily inadequate urban functions but usually serious social, economic and political upheaval. Restructuring processes are therefore mainly encountered in Eastern European cities following the break-up of the previous communist structures like the transition of the market economy in place of the planned economy the housing market was highly influenced by.

The poor physical urban structure (poor regarding for example its degree of refurbishment and the standard of housing and commercial space) leads to the



**Fig. 5.6** Position of Leipzig within the urban intervention models (Dalla Longa, 2010 and in this book Chap. 2, source: by the authors)

migration of the population to other districts containing residential areas with a more acceptable standard owing to recent developments. However, since these housing areas are frequently located outside the core city, this triggers suburbanization processes. The vacant inner-city areas will then need to be further developed as part of restructuring schemes and raised to current standards in order to be able to hold their own on the market. Generally speaking, a combination of social, economic and physical interventions aimed at the complete revision (usually in the form of modernization) of the city or certain urban districts is required. Apart from the improvement of the existing building stock, the urban areas are redefined in terms of their microeconomic and social functions. Given the huge amount of capital needed for such measures, the combination of private and public capital or other forms of cooperation are frequently required.

Restructuring measures can include elements of redevelopment (i.e., the adaptation of functions and the use of the physical building stock) and recovery (adaptation of buildings in the form of refurbishment and modernization) as well as regeneration and revitalization, as will be seen using the example of the pilot projects in Leipzig.

The need for restructuring measures in Leipzig triggered the social and economic changes precipitating the above-mentioned system upheaval. The lack of housing in East Germany meant that there was high demand to rent dwellings well below the usual standards (i.e., with no indoor WC or bathroom). In particular, the maintenance and modernization of inner-city “Gründerzeit” (fin-de-siècle) housing had largely been neglected and was in a miserable condition by the time of German reunification.

In Leipzig, transformation took the form of both the departure of large sections of the population and new housing estates on the outskirts and in the surroundings. These new residential areas were more attractive than the existing inner-city dwellings because they were of a much higher standard and because ownership was much more straightforward. Vacancies rocketed in the areas of unrefurbished inner-city Gründerzeit housing, parts of which had already been uninhabitable in the East German era (at the time of reunification, about 103,000 homes were in need of refurbishment while some 25,000 were vacant and uninhabitable).

Extensive refurbishment and modernization schemes were essential in order to reduce vacancies and improve districts. Investment by mainly private owners and developers was supported by means of subsidies and special tax breaks etc. The improvement of the housing environment as well as roads and footpaths, etc. was initiated by the public sector.

The process of restructuring in Leipzig is not yet complete. Whereas some areas (e.g., the Waldstrasse district) have now been almost completely refurbished and have high occupancy rates, in other areas (e.g., Leipziger Osten/east Leipzig), the lower quality of Gründerzeit housing has led to problems in both the degree of refurbishment and the high number of vacancies (Table 5.1).

**Table 5.1** Position of Leipzig in the urbane intervention models (source: by the authors)

	Restructuring	Leipzig
Focus	Complete revision/reorientation of urban concerns owing to rapid social and economic changes	Renewal of above all vacant Gründerzeit city-center districts owing to low demand following massive construction in the suburbs and outside Leipzig
Absent/obsolete urban functions	Does not necessarily depend on inadequate urban functions	Insufficient standard of housing in inner-city quarters
District character	Entire city or significant areas within a city	Gründerzeit housing distributed throughout the core area
Intervention/measures	E.g., demolition, new construction	Refurbishment and modernization of buildings; some cases of demolition followed by new buildings; improvement of the housing environment; assistance in the form of subsidies, special tax breaks, etc.

### 5.3.3 *Informal Planning Instruments and Priorities of Urban Restructuring*

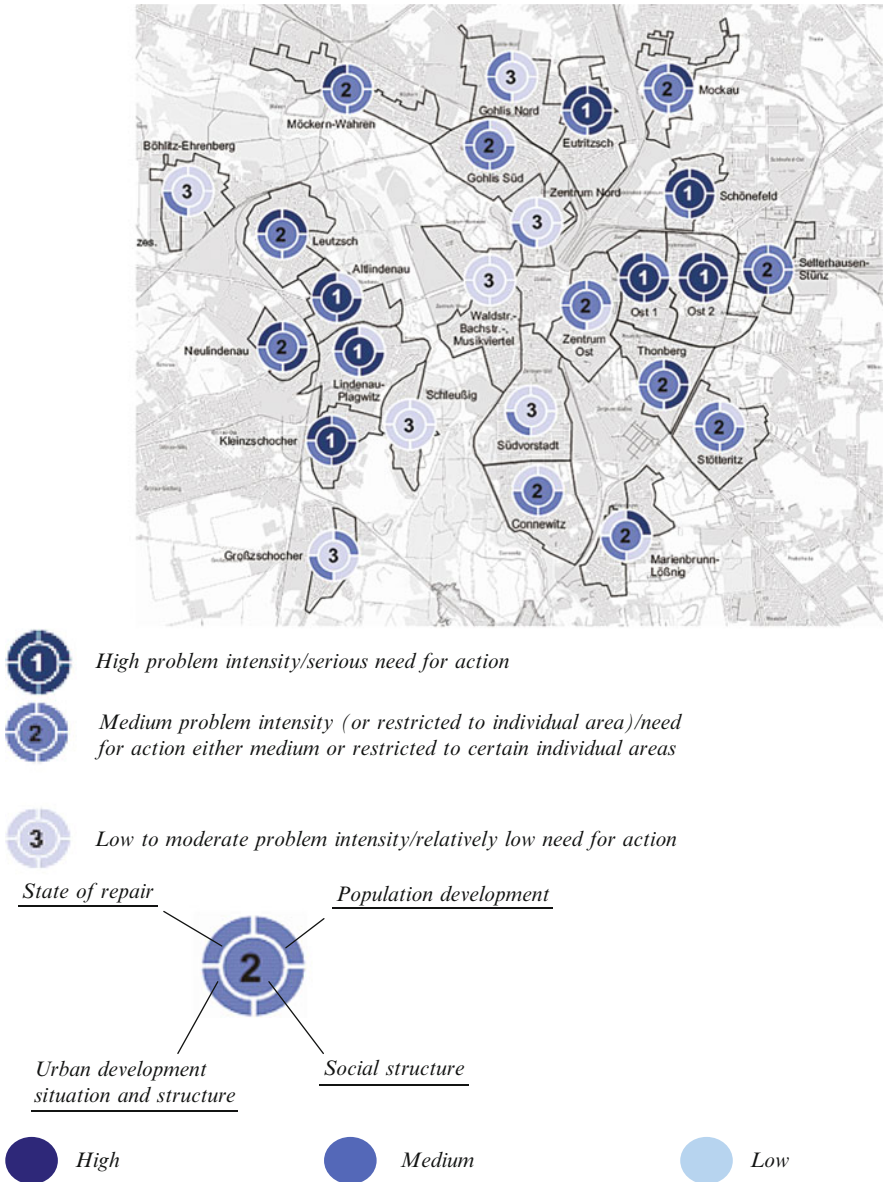
Since the mid 1990s, Leipzig has pursued an integrated form of urban development planning which steers processes of urban development in a strategic manner geared towards implementation.

All formal instruments are used to steer growth, urban sprawl and new construction in the city. As Leipzig is fractionally shrinking, informal instruments are gaining importance. The main one is the Housing Construction and Urban Regeneration Development Plan (STEP W+S) (drafted by the Office for Urban Regeneration and Residential Development together with the City Planning Office and approved by the city council in 2000 and 2003). STEP W+S is of direct importance to the work of the municipality but not legally binding on owners or investors (para. 2: abs. int. doc. City of Leipzig/ASW).

In STEP W+S adopted in the year 2000, priorities of future activities throughout the city are listed and prioritized. The districts are then categorized by the development strategy that needs to be applied in each of them (cf. Stadt Leipzig, Stadtentwicklungsplan, p. 82). STEP W+S' is intended to bring about unified action on the part of the administration and the focusing of investments, including the consistent coordination of support schemes. In the next step, models and measures precisely geared to the needs of individual districts are defined in the sectoral urban development plans.

The classification of districts by problem intensity was carried out in accordance with the density and accumulation of restructuring and preservation priorities within a small area as well as the overlap with social problems and potential demolition. Because diverse problems are concentrated in Leipziger Osten (east Leipzig), resulting in a weaker position compared with other districts in the city, its

problem intensity was rated as very high (cf. Stadt Leipzig, Stadtentwicklungsplan, p. 89). Based on the differences, Leipzig can be divided into the following support areas along with the programs to be implemented there. The weighting of problem intensities is shown in Fig. 5.7.



**Fig. 5.7** Weighting (specific method of City of Leipzig) of districts by the need for urban development (STEP W+S/Leipzig) (cf. Stadt Leipzig 2000, p. 82)

### **5.3.4 *Leipziger Osten (East Leipzig): Microlocation of the Pilot Projects***

#### **5.3.4.1 The Emergence of the Microlocation as the Reason for the Restructuring Process**

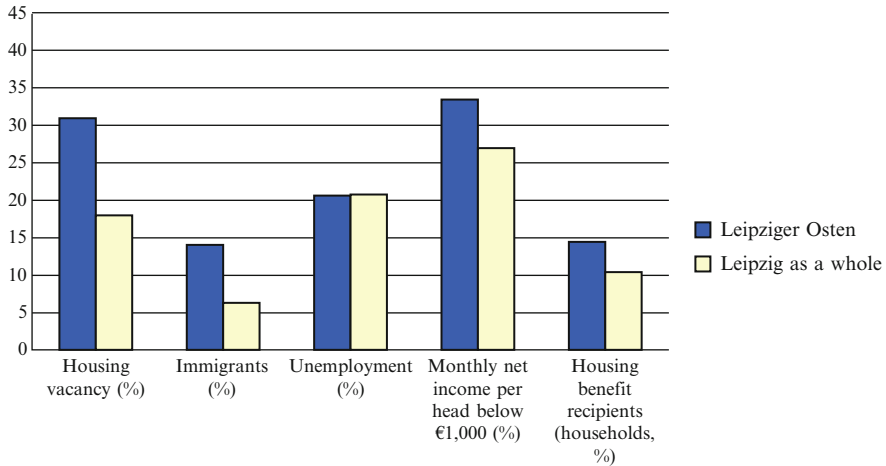
Leipziger Osten, where the pilot projects GRÜNDERZEIT ERLEBEN and IQ-OST are based, was designated in the year 2000 a support area within the national and regional government program “Stadtteile mit besonderem Entwicklungsbedarf – die Soziale Stadt” (Districts with a Particular Development Need – the Social City). Leipziger Osten primarily comprises the districts of Neustadt-Neuschönefeld and Volkamsdorf along with parts of Reudnitz and Anger-Crottendorf.

Neustadt-Neuschönefeld and Volkamsdorf arose in the second half of the nineteenth century in connection with the initial expansion of Leipzig and its rapidly growing population following industrialization. The districts are characterized by the dense multistory perimeter development commonly used for housing at this time. Compared to other housing projects in Leipzig dating back to the same era, the focus here was clearly on functionality rather than prestige. Accordingly, the tenants comprised socially weak groups and railway workers. The dense construction and the intensive use of land also meant that very little space was left for common areas like parks and gardens. Apart from essential institutions such as schools, kindergartens, hospitals and poor houses, hardly any other public buildings were erected in Leipziger Osten (cf. Briel and Kirschner 1999).

The neighborhood is furthermore characterized by gaps in the once dense housing stock and numerous dilapidated buildings requiring demolition. A handful of the resulting infill sites had prefabricated housing built on them before German reunification. One significant part of the area is Eisenbahnstrasse, the central traffic axis, which passes through all the districts in the east. The importance of Eisenbahnstrasse as the main shopping street in Leipziger Osten greatly declined after reunification. At the same time, pollution rose from the growing volume of traffic on this arterial road, and this had a negative impact on housing in the vicinity.

#### **5.3.4.2 Hard Location Factors of the Microlocation**

Compared with Leipzig as a whole, Leipziger Osten is beset by far more far-reaching structural problems. The main reason for this is the concentration of socially weak sections of the population – both Germans and immigrants. The proportion of foreigners as well as the level of unemployment and poverty are much higher here than anywhere else in the city (cf. Stadt Leipzig 2006, pp. 5, 59, 62). Then again, all three parameters in the area vary between the districts of Volkamsdorf and Neustadt-Neuschönefeld (see Fig. 5.8: Statistical survey of Leipziger Osten and Leipzig as a whole).



**Fig. 5.8** Statistical survey of Leipziger Osten compared with Leipzig as a whole (cf. Stadt Leipzig 2006, pp. 5, 59, 62) (source: by the authors)

Despite the massive development of the infrastructure (such as the improvement and restructuring of Eisenbahnstrasse) and investments in green areas and open spaces, the situation within the district has only been marginally improved. The main publicly financed schemes over the past few years are the extensive improvement of Eisenbahnstrasse and the restructuring of the main traffic axis in the district as well as the conversion of gaps between buildings into green spaces and the thorough redevelopment of Rabet Park. The good public transport service and the existing road network as well as the proximity to the city center are all positive aspects that are beneficial to Leipziger Osten owing to its position (Fig. 5.8).

### 5.3.4.3 Soft Location Factors of the Microlocation

Owing to its comparatively negative statistics, Leipziger Osten does not enjoy a high reputation among the people of Leipzig. More than anywhere else in Leipzig, it is regarded as a problem district with high crime, a higher concentration of poverty, and unattractive housing. Ever since it was built, it has been afflicted by its image as a socially weak area of workers' housing – which is a severe obstacle to any attempts to enhance the district and only compounds the problem. Additionally, the degree of social intermixing is much lower there than elsewhere in Leipzig. This in turn increases the negative effects of long-term unemployment, poverty, and the district's image – which ultimately is partly shaped by the local residents.

The area's appearance is dominated by simple, narrow housing and merely a very few green spaces. It is only in recent times that public money has been spent on trying to eliminate this deficit, although the resulting mid-term and long-term

impact on the image of Leipziger Osten cannot yet be predicted. But one thing seems certain: merely improving the infrastructure is unlikely to eliminate the problematic situation.

#### 5.3.4.4 Urban Development Instruments (Conceptual District Plan; Integrated Action Plan)

The basic instrument of urban development in Leipziger Osten is the Conceptual District Plan (KSP LeO) for the Leipziger Osten district (cf. Stadt Leipzig 2002, p. 11). This informal plan with a time horizon of about 20 years provides a model for district development and lays down short-, medium- and long-term priorities, partly in order to give investors planning confidence. The Conceptual District Plan was drawn up in 2002 and defines the tenets contained in the Housing Construction and Urban Regeneration Development Plan for Leipzig as a whole with respect to Leipziger Osten.

To complement the Conceptual District Plan for Leipziger Osten, in 2003 the Integrated Action Plan for Leipziger Osten was produced. The Action Plan interlinks the initial measures contained in the model to create an overall strategy using areas of action, includes and develops other measures in the catalog, and defines those in charge of measures and the financial instruments to be used (cf. Kaufmann 2003, p. 4). This integrated approach fronts the task of combining and implementing spatial, economic, social and ecological aspects of urban development into a strategy of district enhancement in a spirit of cooperation with all the players involved (Fig. 5.9).

#### 5.3.4.5 Available Instruments of Support

Leipziger Osten is a priority area of urban regeneration where diverse subsidy programs are used and combined. A study area was declared and incorporated into



**Fig. 5.9** Detail from the Conceptual District Plan for Leipziger Osten 2020 (source: cf. Leipzig 2002, pp. 38–39)

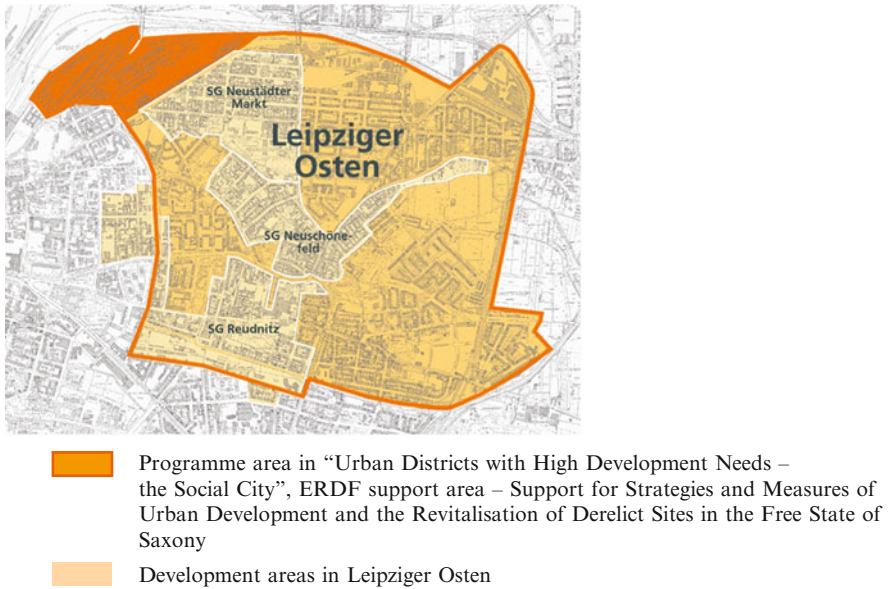


Fig. 5.10 Designated development areas in Leipziger Osten (source: cf. Leipzig 2002, p. 17)

the Social City grant program, which is actually just one of the many financial instruments applied in the area and which could also potentially be used in connection with the pilot projects IQ-OST and GRÜNDERZEIT ERLEBEN.

Below the subsidy programs which would qualify for use in the various instances of project development are listed (Table 5.2).

In 2000–2006, more than €19 m in subsidies were invested in the Leipziger Osten program area. This funding came from various national support programs as well as from the European Commission (ERDF). A wide range of projects was supported such as urban renewal projects, economic and employment projects, social projects and participation projects (Fig. 5.10).

Urban renewal projects	€10.5 m
Economic and employment projects	€7.5 m
Social projects	€1.15 m
Information, participation, management	€0.62 m

## 5.4 Pilot Project: International Quarter (IQ-OST)

### 5.4.1 The Integrated Urban Intervention Model of IQ-OST

The other weak economic basis of Leipziger Osten (east Leipzig) are, in addition at unemployment, the retail sector that is consisting of just small units and with limited ranges of goods. The lower level of education (due for example to language



**Table 5.2** Programs available for IQ-Ost and GRÜNDERZEIT ERLEBEN (source: by the authors)

Program	Subject	Program organizer	Source of financing
Social City	Investment projects in the areas of citizen involvement, urban district life, local businesses, labor and employment, district centers, social, cultural and education infrastructure, housing, housing environment and ecology, and local quarter management	(1), (2)	1/3 Federal Government 1/3 Free State of Saxony 1/3 local authority
ERDF (European Regional Development Fund)	Advancement of arrangements concerning the development of regional competitiveness in the areas of education and science, industrial economy, infrastructure as well as environment and ecology, against the background of the ambition to decrease economic, social and socioeconomic as soon as ecological disparities between the European regions	EU	Volume of cofinancing by EFRE: Objective-1-regions: up to 80% Objective-2-regions: up to 60% Other regions: up to 50%
Urban Development Refurbishment and Development Schemes	Urban development and regeneration measures to eliminate urban development shortcomings in a formally defined redevelopment area pursuant to the Construction Code, special urban development legislation	(1), (2)	1/3 Federal Government 1/3 Free State of Saxony 1/3 local authority
Urban Restructuring in Eastern Germany (Engl. tr. of: Stadtumbau Ost)	Overall measures on the basis of urban development programs in defined support areas	(1), (2)	
(a) Regeneration measure	Enhancement of urban districts	(1), (2)	1/3 Federal Government 2/3 Free State of Saxony and local authority
(b) Demolition funding	Demolition of vacant housing not required in the long term	(1), (2)	1/3 Federal Government 2/3 Free State of Saxony and local authority

(1) Federal Government

(2) Regional Government

difficulties) also impacts on economic development in the district. In addition, initial segregation tendencies are apparent between German inhabitants and those with a background of migration as well as between sections of the population who are unemployed and those in work. The poor structural condition of many of the mostly narrow buildings also prevents positive development, giving Leipziger Osten a negative image throughout the city.

The idea behind the IQ-OST project, which is dealt with in more detail in Sect. 5.4.2, is to improve both the economic structures and the district's image. The concentration of businesses with an international ownership structure should encourage the involvement of local residents and also make the project unique within Leipzig as a whole. However, improvement will entail the establishment of a different range of goods on sale in retail outlets and changes to the narrow building stock. These measures will have to be supported and reinforced by marketing and communication activities. In terms of these aims and the measures considered, the project IQ-OST coincides with GRÜNDERZEIT ERLEBEN (cf. Sect. 5.5).

We can consider IQ-OST as an microintervention of urban restructuring (Dalla Longa, 2009) with the influence of other different urban models as revitalization and others.

The aims of these measures (urban revitalization) are to establish a dynamic economic structure and to make the quarter as a whole and the project area more attractive. This can be done by interventions in the building stock (refurbishment, modernization) as well as with focused marketing and communication strategies. Revitalization measures are often geared towards cultural or tourism themes (Table 5.3).

**Table 5.3** IQ-OST and revitalization (source: by the authors)

	Revitalization	IQ-OST (International quarter)
Focus	Promotion of economic aspects in the quarter	Economic and image aspects
Absent/ obsolete urban functions	Economic deficits, e.g., attractive retail, unemployment, low number of business start-ups	Weak economic basis, poor retail structure, high unemployment
District character	Area with low economic dynamism	Initial segregation tendencies owing to the economic problems, the district's negative image, narrow building structure
Intervention/ measures	Creating a new attraction and a new urban demand by means of specific selective measures and initiatives, e.g., communication projects, marketing measures, quarter marketing	Promotion of retail by means of the new retail types and different range; integration of local residents; improvement of the district's image throughout Leipzig and at a regional level; establishment of a new tourist attraction

Categorizing the project IQ-OST solely in terms of its economic aims would be too one-sided. In addition to improving the economic basis, the project also focuses on the social problems apparent, particularly segregation. The relatively low levels of education and employment compared with the rest of the city are to be improved by means of for instance integration and education measures as well as the involvement of the local population. In addition, the interventions will help improve the quarter’s image. Consequently, the project can also be classified as a regeneration scheme (Table 5.4).

The following diagram shows the position of the project IQ-OST within the urban intervention models between revitalization and regeneration.

### 5.4.2 Potential Project Partners of the IQ-OST

Both the public and private sector are involved in the project IQ-OST. As they are at some point typical or unique for urban development processes in Leipzig, the potential players are described. Table 5.5 gives an overview of the potential project partners.

**Table 5.4** IQ-OST and regeneration (source: by the authors)

	Regeneration	IQ-OST (International Quarter)
Focus	Social aspects	Social problems
Absent/ obsolete urban functions	Difficult social situation: segregation, high proportion of foreigners, high unemployment and crime	Disadvantaged German and foreign population; segregation tendencies; low level of education
District character	Poor areas, out-of-the-way suburbs, frequent agglomeration of different problem areas	Segregation tendencies owing to the economic problems, the district’s negative image, cramped building structure
Intervention/ measures	Immaterial intervention, combination of different policies, involvement of local residents; also for example changes to building structure in order to respond to social circumstances	Integration program, integration of foreign residents into the labor market, improvement of the quarter’s image

**Table 5.5** Possible project partners (source: by the authors)

Public sector	Private sector
City of Leipzig	Individual owners
Leipzig Local Authority (ASW)	Project developers
LWB	Investors
District Management	Operators
Quarter Management	Users/Tenants
Investors	
Operators	
Users/Tenants	

### **5.4.2.1 City of Leipzig**

The council is made up of 70 councilors belonging to different political parties and alliances depending on the results of the local elections. The council is chaired by the mayor. Fundamental responsibility for municipal self-administration falls to the council, whose job it is to decide on important issues of weighty political, economic (the distribution of the budget) and social importance (e.g., the drafting, modification, and repeal of zoning plans).

### **5.4.2.2 Leipzig Local Authority and the ASW**

The local authority acts on behalf of Leipzig City Council. It comprises all the departments and their organizational units that administer local affairs. The local authority structure is made up of a series of departments; the ASW belongs to the Department for Urban Development and Construction (Department VI).

Acting on the basis of the urban development plan, the ASW submits proposals to Leipzig City Council regarding the demarcation of support areas and the level of the related financial contribution to be provided by the local authority which is required in connection with EU, national and regional programs in order to receive the funding applied for.

The ASW is in charge of implementing support programs. Funding is used for certain purposes on the basis of integrated action strategies drawn up in cooperation with local players for the individual support areas. One key measure by the ASW in this connection is the implementation of district or quarter management, which is arranged for by the ASW.

### **5.4.2.3 Leipziger Osten District Management**

In line with the aims of the Social City grant program, a system of district management was also set up for the Leipziger Osten area in the year 2000.

The Social City financial support program was launched in 1999 in Germany in order to counter the increasing social and spatial division in towns and cities. The program's aims include for example:

- To stabilize and improve physical housing and living conditions as well as the economic basis in the urban districts concerned
- To boost life opportunities by passing on abilities, skills and knowledge
- To strengthen each area's image, those living and working or otherwise engaged in the area, and identification with the quarter

In Leipzig, the ASW is in overall charge of the implementation of the Social City program. By setting up a district management team, the ASW performed a central measure ensuring good public involvement and the coordination of the various players and local authority departments. In fact the urban district management team

is regarded as a key instrument of integrated district development as it also functions as the link between the local authority and the local players in the district.

The tasks of the district management team include the steering of the flow of financial support, while on a conceptual level it elaborates and updates areas of activity in connection with district development and assigns responsibilities and support instruments to measures and tasks. Furthermore the district management organizes and moderates the Forum Leipziger Osten, the neighborhood platform. The district management team consists of staff of the ASW along with an appointed urban and environmental planner. The district management team is hence directly integrated into the ASW and immediately subject to its directives. The aim of the district management team is to reduce the disadvantageous distance between the administration and local players, to encourage cooperation and participation, and to set up the necessary related structures.

In the 2000–2006 program period, a total of €620,000 was available for the system of district management which was used to finance all the activities and tasks of the district management team.

#### **5.4.2.4 Quarter Management Volksmarsdorf**

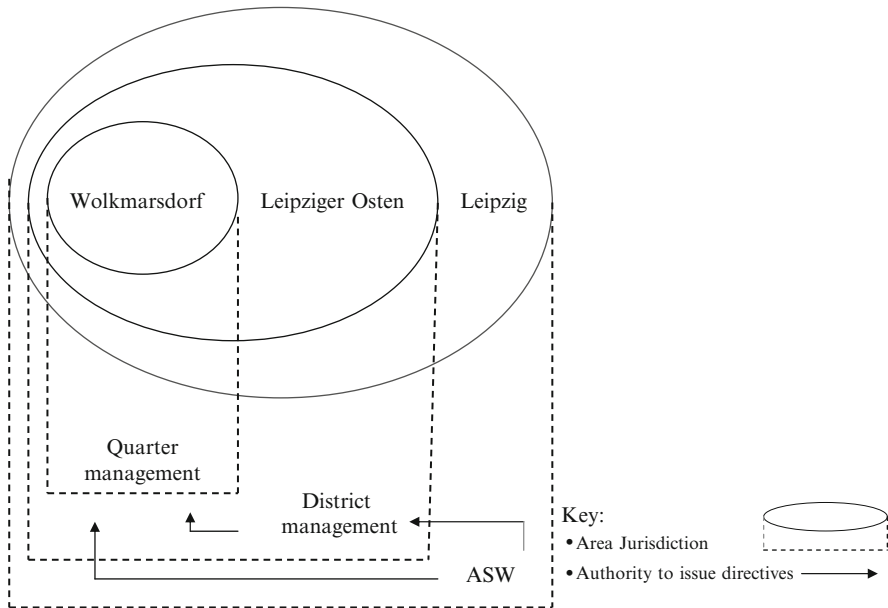
In 1999, the City of Leipzig approved the establishment of a quarter management team by the ASW in Volksmarsdorf to activate the district and hence local players which operates on the local scale of the urban quarter and is in charge of the highly operational tasks of the concrete preparation and implementation of projects connected to subsidy programs for Leipziger Osten as well as their networking. Project-related involvement on the part of local residents also takes place under the guidance of the quarter management.

One special aspect in Leipzig is that beneath the level of the district management team, a quarter management (QM) team was also introduced for the areas of Volksmarsdorf und Neuschönefeld. The reasons were the above-average size of the Leipziger Osten program area compared with other program areas in Germany and to ensure more direct communication and involvement on the part of local residents.

The QM team is directly tasked and financed by the district management team. The QM team is organized by a local consulting agency, which deploys one quarter manager for each area and also runs a quarter office/citizens' office. The primary aim of QM is to activate local residents. It is e.g., designed to:

- Make the housing environment more attractive and improve the district's image
- Soothe conflict among residents which could otherwise lead to more social separation
- Support local businesspeople and improve the mix of different businesses

The needs and viewpoints of residents and other players in the area provide the starting point for the content of all activities. Their expectations and ideas must be taken up, systematized, and weighted. Any conflicts emerging need to be



**Fig. 5.11** Jurisdiction of the administration as well as the district and quarter management in Leipziger Osten (source: by the authors)

negotiated, with the different interest groups in the area being treated equally. The district and quarter management teams pave the way for the two pilot projects. However, they are not explicitly tasked by the ASW with the concrete implementation of project content (Fig. 5.11).

#### 5.4.2.5 LWB

LWB (Leipziger Wohnungs- und Baugesellschaft mbH) is a municipal housing association whose mission is to provide a broad section of the population of Leipzig with affordable housing. In 2004, LWB was the biggest owner of housing stock in Leipzig with a market share of 20%.

LWB is a municipal owner-owned enterprise and a wholly owned subsidiary of the City of Leipzig. It has no legal personality, constitutes a separate asset, and in organizational and financial terms is disincorporated from the local administration. LWB is not covered by the City of Leipzig's budget. Although as the owner of LWB, the City of Leipzig acts as the company's guarantor, LWB still operates as a private-sector company.

The majority of the buildings belonging to IQ-OST (7 out of 12) are owned by LWB, which makes the overall development of the block easier: the homogeneous ownership structure allows quicker liaison, which in turn should accelerate project development for IQ-OST.

Hitherto, the ASW has prepared project development for IQ-OST in cooperation with LWB. However, LWB has not yet received a political commission to implement IQ-OST, something which could only be achieved through a resolution passed by Leipzig City Council. Nevertheless, the ASW backs cooperation with LWB, which in the ASW's view is a more workable basis for project development than a political resolution compelling LWB to carry out project development (l. pa.1: abs. int. doc. City of Leipzig/ASW).

#### **5.4.2.6 Individual Owners**

As mentioned above in connection with LWB, individual property owners are in the minority in Block 99. The owners are known to the ASW, are mostly owner-occupiers, and can therefore be involved in negotiations concerning the restructuring of the block.

#### **5.4.2.7 Project Developer**

Another potential partner for the IQ-OST project is the project developer, whose core business is within the value creation chain of the property sector (cf. Schulte and Bone-Winkel 2002, p. 447). Project developer subtypes vary in terms of the characteristics of risk and process involvement as outlined below.

#### **5.4.2.8 Investors**

The investor in the developed real estate is its long-term owner. The aims pursued by the investor are similar to those of the investor developer; indeed, the two may be one and the same. As in the case of the investment developer, the investor may of course also be an owner-occupier.

#### **5.4.2.9 Operator**

The operator is in charge of marketing and managing IQ-OST in the start-up phase. Block management in which the various areas of responsibility are institutionalized could cover, e.g., the following range of services:

- Marketing management
- Technical management
- Infrastructure management
- Commercial management

#### 5.4.2.10 Users/Tenants

Depending on how the IQ-OST project is finally carried out, the intention could be one of three options: the creation of ownership among the block's users, solely letting premises, or a combination of the two. Ultimately, the groups of users who are to be addressed as a result depend on the definition of the project idea. In coordinating discussions hosted by the ASW, the following potential users are currently specified:

- Small business: providers of high-quality multicultural services
- Retail: multicultural retailers
- Small business: exhibition areas
- Offices
- Residential

#### 5.4.3 Project Idea

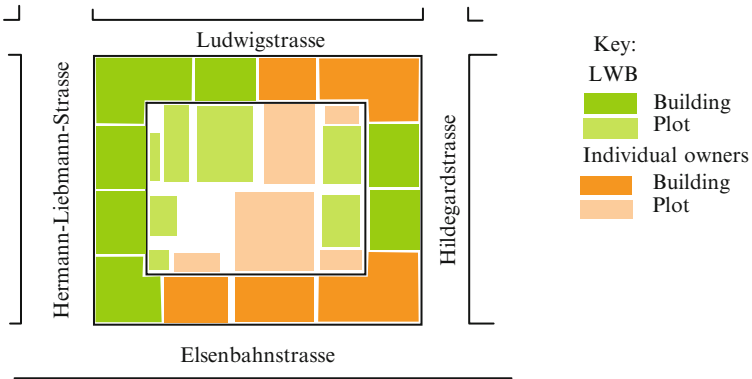
One of the main characteristics of IQ-OST is the fact that the structure of goods and services available has become geared to the relatively high proportion of inhabitants with a background of immigration. This large number of people with a foreign background is unique in Leipzig and harbors potential for strengthening the local economy. The idea behind the project is therefore to concentrate this form of multiethnic diversity within a new international retail and service center in a Gründerzeit block, which to a certain degree already exist in the area or could in addition be attracted there from other parts of the city or even the surrounding region.

The City of Leipzig regards IQ-OST as a driving force for the sustainable stabilization of the quarter and by taking part in the project intends to spark economic benefits which will eventually result in the need for public-sector support for the area being greatly reduced. This accounts for the City of Leipzig's interest in entering into partnership with the private sector for the project.

The Gründerzeit block (Block 99) planned for the development is to be used for retail, small businesses and services reflecting non-German cultural areas. Given the interest in incorporating residential functions into the building (including for the business proprietors), this was not ruled out as an option before the examination of the project.

The Gründerzeit block – the architectural framework for the project – is on the main shopping street (Eisenbahnstrasse) in LEIPZIGER OSTEN. It comprises 12 five-storey buildings containing flats and shops with different owners. They are beset by an alarmingly high rate of vacancies. During the further development of the project, the architectural framework was adapted. It was suspected that the rear of the block on Ludwigstrasse could not be successfully developed because of its less attractiveness to occasional customers. Therefore the project now concentrates on the buildings alongside Eisenbahnstrasse.





**Fig. 5.12** Ownership structure of Block 99 (source: by the authors); view of Block 99 (source: ASW); view of the courtyard of Bloc 99 (source: ASW)

One important tack taken by the project is to develop the inner courtyard into a shared area accessible from the surrounding roads via open passageways. It is intended to hold IQ-OST marketing events in the courtyard and to partly put it to commercial use (e.g., as al fresco areas for restaurants) (Fig. 5.12).

### 5.4.4 Project Progress

The progress of the IQ-OST project involved several steps based on the idealized PPP Urban Development Guidelines explained elsewhere in expand the chapter title. It should be pointed out that the guidelines were still being developed by the University of Leipzig when the City of Leipzig was already involved in the conceptual and preparatory phase for parts of the pilot project. Consequently, the PPP suitability test contained in the guidelines could not be carried out before the two phases mentioned (possibly resulting in their abandonment).

Therefore the development of the project was as follows: first the needs and measures of Leipziger Osten were identified. This step was followed by conceptual work which included the proposal of a project structure with the establishment of

three different variants, the assessing of the variants and finally the recommendation of the preferred variant.

#### 5.4.4.1 Identifying Needs and Measures

In order to identify the needs of and possible measures for Leipziger Osten, several analyses were carried out which dealt with different aspects (Table 5.6).

The project idea was first addressed in conjunction with players from the borough (e.g., quarter and district management as well as local associations) in June 2006 when a draft program was compiled. The preliminary investigations and the description of this program were condensed in an exposé which contained three variants for project implementation, each comprising a different arrangement of the planned uses – housing, retail, services, small businesses, restaurants and bars – on the individual areas making up the Gründerzeit block.

In connection with the EU project CoUrbIT, in the first step case studies of public–private partnerships in Germany in all sorts of areas not necessarily related to the pilot project in Leipzig were examined in order to recommend three of the examples given by Bocconi University in Milan for further consideration (cf. ISB, 10 case studies). In the second step, the University of Leipzig examined successful PPP case studies throughout Europe which were thematically related to the Leipzig pilot projects. Using a scoreboard system (cf. ISB, Progress Report, p. 2), six of these projects were systematically selected and talks were held with the main players of the case studies. The reports of the discussion partners and the detailed consideration of the various case studies provided important impetus which was incorporated into the project development variants.

**Table 5.6** Overview of the conceptual basis for IQ-OST and GRÜNDERZEIT ERLEBEN (source: by the authors)

Activity	Date	Content
Resolution on Housing Construction and Urban Regeneration Development Plan	10/2000	Urban development concept paper for Leipzig
Resolution on Conceptual District Plan for Leipziger Osten	09/2002	Urban development concept paper for Leipziger Osten
Analysis of businesses on Eisenbahnstrasse	07/2003	Survey of Eisenbahnstrasse: Core catchment Potential spending power Shops Retail turnover Turnover forecast
Integrated action plan	2003	Overall strategy using action areas for Leipziger Osten

#### 5.4.4.2 Conceptual Work

To continue the project process in June 2006 the ASW commissioned a study within the EU project CoUrbIT to determine the economic sustainability of the approach with respect to the necessary turnover and the potential spending power in IQ-OST. The study concluded that ethnic retail would in theory be economically sustainable (i.e., sufficient necessary turnover and potential spending commitment) as long as regular joint advertising attracted regular customers and enabled the center to become well-known enough in the catchment area (cf. Bauer, M./ Behling, M., *Geschäftslage Eisenbahnstraße – Wirtschaftliche Tätigkeit*, p. 8). The potential analysis described is the first of a number of modules in the feasibility study for IQ-OST.

During the conceptual work for IQ-OST, the University of Leipzig was appointed by the ASW to submit proposals for a number of different suitable project and management structures. These were then examined and evaluated by both institutions and one variant was recommended. This work was carried out in four steps:

1. Development of initial variants
2. Identifying the players
3. Assessing the three variants
4. Recommendation of a preferred variant

Initially, three variants were worked out and possible players were identified. Furthermore, the project developments of the different variants were illustrated by using two different diagram types. One of them visualized possible partners in a project variant and the relationships between them. Possible contractual relationships could for example concern the following aspects: rent, financial support tied to conditions, sale or an authorisation agreement, e.g., for the transfer of courtyard space. Additionally, relationships between the possible partners may also consist of support, e.g., in the form of marketing, area management, consulting or funding acquisition. The diagrams did not reflect tasks and instructions passed on internally without being contractually agreed (Fig. 5.13).

The second type of diagram illustrated the project development variant over time. Therefore the milestones of the respective project development variants were fixed on an abstract timeline starting with the preparatory phase (for the division of phases in the PPP guidelines) (Fig. 5.14).

The third stage of the recommendation process was the assessment of the three variants. The variants were first evaluated on the basis of the cost effectiveness of the planned investments required for the refurbishment, conversion (adaptation) and operation of the property in IQ-OST assuming implementation. The individual variants were then considered in the light of the results and examined in terms of their PPP suitability. To support the decision process, an approximate economic feasibility study was carried out as the economic feasibility of the project is a crucial point for finding investors and owner-occupiers willing to participate.

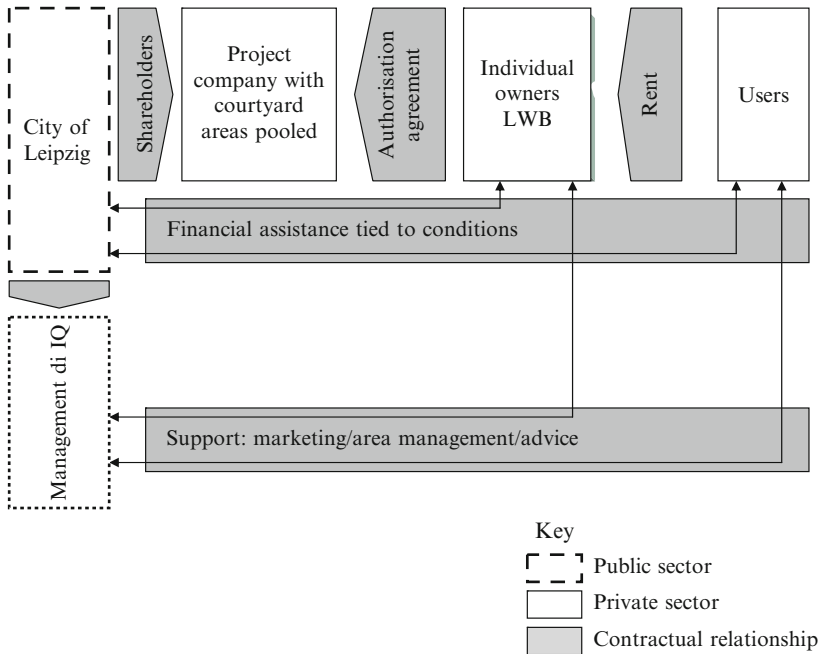
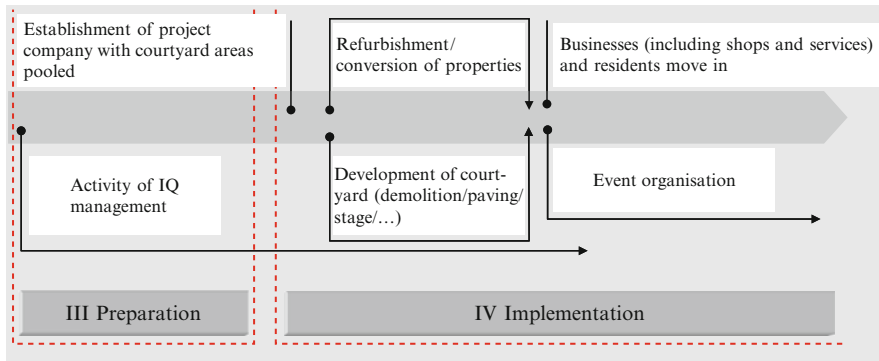


Fig. 5.13 Project partners in Variant 2 (source: by the authors)

Given the poor structural condition and high vacancy rates of most of the buildings in IQ-OST, refurbishment would first of all be needed so that the buildings could be let on the market.

In the economic feasibility study, the building work required and the rent that could then be earned were compared by using the example of a building on Hildegardstrasse. The distribution of space (living space, small business and retail space) within the building reflected one variant in the exposé. A period of 20 years was considered. (Market wisdom dictates that an investment must pay for itself within this period at the latest if it is to be undertaken by an investor.) A dynamic income and expenditure study was carried out based on the income and expenditure occurring at different times and being discountable with respect to the time of the initial investment by applying the principle of discounting. An optimistic letting rate was assumed which was higher than that encountered in the rest of the area but could be justified by the synergy effects of the IQ-OST project, such as the redevelopment of the courtyard and its joint management and utilization.

However, this was offset by the refurbishment costs. In addition to these one-off costs, running costs (including maintenance) – as a percentage of the construction and refurbishment costs – were also taken into account over the whole period considered.



**Fig. 5.14** Example of diagram “Time schedule” (source: by the authors)

One further assumption was that the City of Leipzig would be willing to fund the project as both an incentive and in return for a commitment to participate in the scheme for possible investors. Although this would not be enough to enable conventional refurbishment, rejecting the project out of hand as unfeasible would have been overhasty at this stage. Instead, solutions need to be found for each property and each owner so that refurbishment can proceed, e.g., partial refurbishment for the time being and more work being carried out personally by the owners.

As the shared inner courtyard was considered as a key element – at least in the alternative of using a block as an architectural framework for IQ-OST – its development also had to be taken into account. Arranging and making the courtyard usable and then managing it could optionally be shouldered by the City of Leipzig for a fixed time period. A simple redevelopment of the courtyard was assumed.

One-off development costs of around €428,000 were estimated which had to be accompanied by annual expenditure on maintenance and management. Additionally management (for marketing, website, etc.) and organizational costs had to be taken into account as well. The annual total costs hence amount to €32,160. In total, the expenditure to be borne by the City of Leipzig in the support period 2008–2013 totalled €620,760; after 2013, the owners/users of Block 99 would be responsible for the running costs themselves.

After comparing the polarity profiles and the summary of the appraisals, formal courtyard management was chosen as the preferred variant. Securing cooperation on the part of owners and users in the initial phase by means of a formal obligation would be especially important for the sustainability of IQ-OST.

The various development possibilities of a concrete public–private partnership in connection with the project were the second reason for opting for the formal solution for the entire block. This variant would have enabled the City of Leipzig to be visibly involved in the project on behalf of citizens and in the initial phase it would be able to shoulder risks which had been obstacles to private-sector investment by redeveloping the courtyard in advance.

## 5.5 Pilot Project: Gründerzeit Erleben

### 5.5.1 Position of the Project Within the Urban Intervention Models

The project GRÜNDERZEIT ERLBEN is primarily designed to improve the local economic sector. Since the current retail sector is weak owing to the generally inadequate economic basis, new retail structures attracting customers from other areas that also trigger new economic impetus are to be established. This can help create jobs, encourage the establishment of new private enterprise, and ultimately also make the district better known elsewhere. The narrow building structure is explicitly used in order to emphasize the characteristics of Gründerzeit architecture. As shown in detail, the current, rather negative image could hence be considerably improved and a new Leipzig tourist attraction could be established. Furthermore, apart from its external image, the district’s inhabitants would also receive an opportunity to identify more closely with their quarter. One important measure in connection with the project would be the initiation of marketing and communication strategies designed to generate external impact.

Owing to the economic characteristics mentioned, the project GRÜNDERZEIT ERLEBEN (like IQ-OST; cf. Sect. 5.4.1) could be classified within the context of urban intervention models of revitalization. (For a more detailed explanation of revitalization, see Sect. 5.4 and others sections) (Table 5.7).

As described above, one aim of GRÜNDERZEIT ERLEBEN is to develop a new tourist destination for Leipzig with appeal over a wide area. This would necessitate improving the building stock on Hedwigstrasse. To create the basis for the establishment of Gründerzeit uses, far-reaching structural alterations are

**Table 5.7** GRÜNDERZEIT ERLEBEN and revitalization (source: by the authors)

	Revitalization	GRÜNDERZEIT ERLEBEN
Focus	Promotion of economic aspects in the quarter	Economic and image aspects
Absent/obsolete urban functions	Economic deficits, e.g., attractive retail, unemployment, low number of business start-ups	Weak economic basis, poor retail structure, high unemployment
District character	Area with low economic dynamism	Initial segregation tendencies owing to the economic problems, the district’s negative image, narrow building structure
Intervention/measures	Creating a new attraction and a new urban demand by means of specific selective measures and initiatives, e.g., communication projects, marketing measures, quarter marketing	Promotion of retail by means of the new retail types and different range; integration of local residents; improvement of the district’s image throughout Leipzig and at a regional level; establishment of a new tourist attraction

**Table 5.8** GRÜNDERZEIT ERLEBEN and redevelopment (source: by the authors)

	Redevelopment	GRÜNDERZEIT ERLEBEN
Focus	Building condition	Building structure
Absent/ obsolete urban functions	Buildings in the district in poor condition and without adequate use	High need for refurbishment; flats with outdated standards and layouts; limited supply/shortage of suitable retail and commercial space
District character	Areas molded by industrial production; residential areas with few amenities	Initial segregation tendencies owing to the economic problems, the district's negative image, narrow building structure
Intervention/ measures	Redefining the functions of the area; improvement of the building structure	Refurbishment of buildings; adaptation of layouts; conversion of ground-floor use; combination of different properties

essential. Apart from refurbishing and modernizing the building stock, the housing areas on the ground floor would have to be converted into retail and commercial space. The upper stories would also have to be converted to a different use or have the layout of flats changed. The possibility of combining properties to provide sufficient room to accommodate new commercial operations would have to be considered.

This massive intervention into the building structure can be regarded as redevelopment. Redevelopment makes sense whenever the building structure in a district cannot be used adequately owing to its poor condition or the nonstandard design of the building stock. Redevelopment can also involve the in the form of refurbishment and redefining uses (Table 5.8).

It can be seen from the previous explanations that the project GRÜNDERZEIT ERLEBEN cannot be clearly categorized into the urban intervention models. Instead, the project contains elements of both *revitalization* and *redevelopment*.

### 5.5.2 Project Idea

The pilot project GRÜNDERZEIT ERLEBEN (Experiencing the Gründerzeit) provides for the establishment of demonstration workshops historically related to the Gründerzeit era along Hedwigstrasse, which leads into Eisenbahnstrasse (Fig. 5.15).

The idea is to redevelop Hedwigstrasse as a single unit to reflect the time at which it was created. By acting as a reminder of the Gründerzeit, it is a key element of the project. It is intended to foster the emergence of a collection of museums, arts and crafts, historical trades, the sale of traditional and handmade products, cafés and restaurants, demonstration workshops, and practical courses for the general public, all set in an atmosphere reflecting the Gründerzeit. The demonstration workshops and the modified street would make up an outdoor concept which to a



**Fig. 5.15** Aerial view of Hedwigstrasse. In the box stippling IQ-OST

certain extent could be compared with the new shopping center type but which refrains from a purely indoor solution. The thematic density of the project would create a new tourist destination in Leipzig and help to secure the long-term attractiveness of the city for both residents and visitors.

The GRÜNDERZEIT ERLEBEN project idea arose from observing development trends in the area, discussion with local players at the Leipziger Osten Forum and its study groups, as well as working in various workshops (including the Neighborhood Workshop during the EU project Re Urban Mobil). The idea was largely prompted by the combination of the following three background aspects:

1. The Gründerzeit – the era that shaped Leipzig more than any other
2. The tradition of craftsmanship in Leipzig
3. The acute need for action in Leipziger Osten

### ***5.5.3 Potential Project Partners of Gründerzeit Erleben***

The players assumed for the project development of GRÜNDERZEIT ERLEBEN are of the same type as those considered for IQ-OST (Sect. 5.4). The only deviations concern the specific profile of investors, individual owners, users and tenants. Therefore they are not explained further. Still, one potential project partner should be mentioned. As the Gründerzeit is an era that shaped not only Leipziger Osten but also the city as a whole, it is of overall importance for Leipzig itself. Therefore the development of Gründerzeit-related projects is taking place in several quarters in Leipzig. In order to coordinate and harmonize the different projects and provide a broader basis for the marketing of the Gründerzeit theme, a foundation at the city



level was established in which the different players of the various projects are grouped to promote synergy.

### **5.5.4 Progress**

The two pilot projects IQ-OST and GRÜNDERZEIT ERLEBEN are very close together, being divided by just the width of one block. This means that the measures enhancing IQ-OST as described in Sect 5.4 would also have a positive impact on GRÜNDERZEIT ERLEBEN. To avoid unnecessary repetition when recording the progress so far in the GRÜNDERZEIT ERLEBEN project, only those steps are described which are solely connected to GRÜNDERZEIT ERLEBEN.

Similar to the description of IQ-OST, first of all the project phases for GRÜNDERZEIT ERLEBEN refer to the idealized PPP Urban Development Guidelines explained in Sect. 5.2.2.1. Once again, it should be born in mind that the guidelines were still being worked on by the University of Leipzig when the City of Leipzig was already involved in parts of the conceptual and preparatory phase of the pilot project. This explains why the PPP suitability test featured in the guidelines was not applied before the phases mentioned, which might have led to their abandonment.

#### **5.5.4.1 Identifying Needs and Measures**

Similar to IQ-OST the identification of needs and measures of the GRÜNDERZEIT ERLEBEN project was done within various workshops with different experts. Furthermore, the conceptual basis of IQ-OST as illustrated in Federal Government, (2) Regional Government.

That can also be applied to the project GRÜNDERZEIT ERLEBEN. At the beginning of the GRÜNDERZEIT ERLEBEN project, the ASW held a workshop for local experts (February 2006) in which the viability of the project was discussed for the first time among the diverse group of players. The workshop was attended by a wide range of possible players or participants of the project, including representatives of the Museum of City History, Leipzig Chamber of Skilled Crafts and Trades, the local residents' association, Leipzig Chamber of Industry and Commerce, an architects' office, a consulting firm (e.g., for market and sales research), Aufbauwerk Leipzig (an organization with enormous expertise and experience regarding projects cofinanced by the EU) and the ASW. As a result of the meeting, it was agreed to pursue the project idea. Concrete user groups were set up and initial proposals put forward on how to "reenact" the Gründerzeit on Hedwigstrasse.

In a subsequent coordination meeting in April 2006, initial steps were agreed to launch project development. The meeting was attended by several players who had already participated in the first meeting. Some decisions were reached concerning

for instance the character of the project, its size and its possible target groups. The meeting's results were summarized in a project draft, a marketing outline and a flyer all featuring a uniform corporate design. Later on the projects were presented to potential users and property owners on Hedwigstrasse. The positive reception of the project by both groups corroborated the decision to further develop GRÜNDERZEIT ERLEBEN.

Following this the project was pitched to a broad audience for the first time at the NEUSTÄDTER BREAKFAST.<sup>1</sup> This step was accompanied by the launch of the project's website ([www.gruenderzeit-erleben.de](http://www.gruenderzeit-erleben.de)). Families, associations, societies, local businesses, and other visitors were invited to attend the breakfast to discuss the proposals. The sequel to NEUSTÄDTER BREAKFAST was held in July 2007 under the motto "GRÜNDERZEIT ERLEBEN."

### 5.5.4.2 Conceptual Work

On the basis of this initial conceptual outline, the ASW commissioned two feasibility studies on the project designed to examine the possibilities of implementing it from different angles. Therefore a feasibility study regarding the local craft potential and an economic feasibility study were drawn up. The first was drawn up by the Chamber of Skilled Crafts and Trades and identified a sufficient number of potential craft businesses in the Leipzig area expressly interested in becoming involved in the GRÜNDERZEIT ERLEBEN project. In addition, the chamber conducted research into existing demonstration workshop projects which could act as a model for Leipzig.

The second feasibility study, which was carried out by a local consulting firm, addressed the economic feasibility of the project and included aspects such as the number of actual customers required annually. According to the results, about 400,000 visitors annually would be necessary to successfully run the project. The study underlined that the number of visitors needed would be a serious challenge, as some of the other popular sights in Leipzig have less visitors. However, it also stated that the number could be achieved assuming certain conditions were met. These included for example the creation of an outstanding tourist attraction in connection with the implementation of GRÜNDERZEIT ERLEBEN or the achievement of the necessary concentration of different craftspeople whose work is a source of fascinating information and entertainment to visitors.

As described for IQ-OST, the proposal for a project structure for GRÜNDERZEIT ERLEBEN recommended a series of four stages (development of initial variant, identification of the players, assessment of the variants and recommendation of one). These included consideration of a project structure in Development

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<sup>1</sup>The NEUSTÄDTER BREAKFAST was held outdoors around Heilig-Kreuz-Kirche (Church of the Holy Cross) on Neustädter Markt and Hedwigstrasse.

Phase I of the identification of measures and needs, which were subjected to the PPP suitability test and helped the University of Leipzig recommend a preferred variant.

Similar to IQ-OST, the appraisal of the variants took the form of assessing the economics of refurbishing, converting (adapting) and operating the properties for the GRÜNDERZEIT ERLEBEN project. As in Sect. 5.4, the conclusions were then taken into account in the evaluation of the individual variants, which were then studied in more detail in the PPP suitability test.

The background to the economic feasibility study for the GRÜNDERZEIT ERLEBEN project was similar to that of IQ-OST because the building structure, the degree of refurbishment and the estimated vacancies are comparable.

Refurbishing the buildings was therefore again the first step for implementing the project. Identical initial values were used in the simple (dynamic) developer calculation.

Once again, alternatives to complete refurbishment also needed to be considered. One approach was to initially concentrate on refurbishing the ground floor so that it could be let in connection with the GRÜNDERZEIT ERLEBEN project. This tack would of course greatly reduce the refurbishment costs. Then again, owing to the low rents attainable (as in IQ-OST), even with 100% of the space let out the premises could not be profitably managed within the period considered. On the other hand, the results were more positive this time, meaning that providing financial assistance for the refurbishment of the ground floor zone would make sense.

In another project module, Hedwigstrasse would need to be improved by the City of Leipzig in order to create a uniform framework for GRÜNDERZEIT ERLEBEN.

Of all the variants, a single-phase anchor tenant model emerged as the preferred variant for GRÜNDERZEIT ERLEBEN. The model is based on cooperation between the city of Leipzig and companies active throughout Germany to jointly develop GRÜNDERZEIT ERLEBEN. The greater financial scope would enable the entire Hedwigstrasse to be converted and opened in one step. Key elements of the variant include the establishment of flagship stores of project partners (retailers) set up during the Gründerzeit as anchor tenants as well as the City of Leipzig setting up a management team and being a shareholder in the project company.

The institutionalization of project implementation and the fact that the project risk and project results would be easy to calculate were the advantages of this variant. Since decisive investments would only have to be carried out once a project company had been founded, the model remains flexible and switching to a different variant could be possible.

The preferred variant was subsequently presented to several possible investors in the GRÜNDERZEIT ERLEBEN project. However, a final decision on investment has not yet been reached. Furthermore, another feasibility study was carried out. Several suggestions for changing the proposed project structure and the establishment of a new one were made. The proposals included the establishment of several associations such as for the refurbishment and maintenance of the building stock, for the management of the GRÜNDERZEIT buildings, and a Hedwigstraße

residents' and tenants' association in order to promote their interests. However, proposals on how to finance and organize/steer these associations are still required.

## **5.6 PPP-Relevant Deductions from the Leipzig Pilot Projects**

Seen from a German angle, the administration in Leipzig is adopting a new tack by wishing to involve the private sector as a creative, powerful partner in the identification and implementation of urban development tasks. This understanding of the joint adaptation of the city to the changing framework has been realized experimentally in the pilot project in Leipzig. Given the model status of IQ-OST and GRÜNDERZEIT ERLEBEN, it would be a good idea to take stock provisionally of the two projects.

Below, therefore, the findings regarding public–private cooperative urban development from the Leipzig pilot projects are summarized and raised to a more abstract – yet not generalized – level. The process of the pilot projects described above, the players involved in them, and the instruments they used are examined for useful findings.

### ***5.6.1 Process and Players***

The main challenges of a PPP urban development process are its optimum control and exact timetabling. After all, questions of providing resources, players' obligation, identification with project aims and hence the success of a project all depend on the process durations and responsibilities. With this in mind, below variables are combined that can raise planning certainty in connection with the application of a PPP to an urban development measure by specifying the time-frame and responsibilities. The findings are directly derived from the experience of the pilot projects.

#### **5.6.1.1 Culture of Participation**

The structure of a PPP urban development project is greatly influenced by the constellation of players working together within it as partners. The fact that the constellation of players for this type of project is much more complex compared with a PPP construction project was explained in detail in Sect. 5.2. Moreover, in the “stakeholder approach,” even those players who are merely affected can directly or indirectly influence the course of measures. Against this background, it is important to encourage those concerned to play a more active role merely by virtue of the above-mentioned fact that projects are initiated by the city's administration which, to a large extent, are to be borne by the private sector.

PPP urban development can be divided into the forms of cooperation of informal and formal partnership. Informal partnership predominates in Phases I and II (using the phases specified in the ISB PPP Urban Development Guideline) and boils down to participation. This begs the question of the form, extent and time of such participation, which is broken down into the involvement of bodies both inside and outside the administration.

Reflecting the integrated approach to planning agreed in Leipzig and contained in the corresponding planning documents, as far as internal bodies in the administration are concerned, the various departments relevant to the PPP project should be named and approached. This tack uniting different public bodies and consulting their expertise ought to eliminate any administrative conflicts between different departments stemming from different strategies. Furthermore, it would serve to ring-fence and assess the content of the project. Applied to the GRÜNDERZEIT ERLEBEN pilot project, reference can be made here to the necessity of integrating it into Leipzig's marketing strategy as well as the economic sector and the education sector. The locally based project idea, which in the case of GRÜNDERZEIT ERLEBEN is designed to have an impact over a much wider area, requires the development of a city-wide strategy for the marketing of Leipzig's Gründerzeit architecture in order to reach the project's envisaged target group of tourists. However, conceptual and image work on this scale is beyond the scope of the original project framework. This additional dimension became apparent to those involved during the course of the project and provides an opportunity to intensify public-public partnership – in this case between the urban development and tourism sectors.

The reasons for integrating the private sector early on in the project were explained at length in Sec. 5.2. The acceptance of the private sector as a crucial project partner ought to be apparent from the initiation of the second form of participation outside the administration. The first question that needs to be raised is whether sufficient motivation exists for private players to take part in the PPP project development process. Possible incentive structures (which still need to be systematically examined) include financial compensation, offering binding scope for their own ideas, and discernible information lead from which participants would hope to gain an advantage regarding the acquisition and implementation of sections of the PPP project.

Using inside information is recommended as an incentive. This legitimate information lead could ensure an advantage during the subsequent contract award procedure for those involved in the preparatory phase.

If the project is sufficiently attractive for the private sector, prompting cooperation, this commitment could eventually secure the institutionalization of the participation procedure. The aims of ensuring this continuity in participation are:

- To maintain the transparency of project steps
- To have the project steps reinsured through the private sector
- To build up relationships of trust and loyalty

Judging by the experience of the pilot projects in Leipzig, the final point on this list is particularly important. Apart from the subsequent operators of IQ-OST and GRÜNDERZEIT ERLEBEN, individual owners, and willing investors need to be regularly integrated into the creation of the structural framework for both projects in order to encourage their identification with the projects' content and potential.

The neutral moderation and monitoring of the PPP process provides an important basis for a culture of participation. The monitor should be assigned the role of revealing and negotiating the interests of both project partner types in order to prevent shifts in interest diverging from the project goal. The moderator's tasks should enable the moderator to achieve a position that is independent from both partners. (For example, an urban development/investment fund manager, with consideration of the scope of competence.) With both district and quarter management in Leipziger Osten being appointed directly by Leipzig City Council, this begs the question of whether the authorities specified can live up to the role of neutral moderation.

#### **5.6.1.2 Tightening Project Delimitation in Terms of Content and Area**

The shifting project delimitations in terms of content and area during the process are significant for the pilot projects in Leipzig. The reasons are located in their formation phases, which differ considerably from traditional project development.

The global aim of traditional project development is to earn an attractive return while the cause may be an existing project idea or the availability of a property or free capital. Right from the start, this form of project development has a clear market orientation stringently adhered to by the initiating player.

By contrast, urban development schemes have the global aim of contributing to the stabilization or improvement of a city quarter. The poor state of a quarter prompts the local administration to come up with an idea for a project that will counteract the district's undesirable dynamic. In Leipzig's case, as outlined above, the aim was to have the pilot projects developed to a large extent by the private sector.

As stated, the ideas for urban development projects frequently do not arise from the market's demand situation but are instead derived from the existing problems and potentials of the area concerned. Project initiators and developers are usually different bodies. Returns on capital are regarded by the public initiator as a subgoal necessary to achieve the described global aim at the level of the district. It can therefore be concluded that PPP urban development projects started by the public sector can only achieve adequate market proximity step by step in dialog with the private sector. The process implied here is reflected in the fact that when projects responds to the market, their content and spatial catchment area may change sharply. One way of shortening the process would be to involve the private sector at the brainstorming stage. In the PPP Urban Development Guideline (ISB), an

ideas competition is proposed in which the economic feasibility of solutions has to be outlined as a way of involving the private sector early on.

### **5.6.1.3 Local Authority Self-Commitment**

By integrating the private sector at the early stage of identifying needs and measures, the administration takes on the responsibility of offering participants a reasonable planning horizon. Players who have been activated can inject important insight and experience into the PPP urban development project – a contribution whose value will fade if the project is substantially delayed. Such uncertainty will prompt players to lose interest and withdraw from the process and must therefore be avoided.

One way of preventing delays is for the administration to enter into more self-commitment within decision corridors agreed beforehand. The findings from commissioned studies into project development such as competition and profitability analyses as elements of a feasibility study should result in a firm decision being taken to continue or abandon the project. This assumes that the studies deliver the information necessary for a decision to be taken – which must be ensured by means of the contractual agreements with those appointed to carry them out.

## **5.6.2 Instruments**

The instruments used so far in the Leipzig pilot projects include integrated planning documents and action plans to assess the situation in the quarter (Housing Construction and Urban Regeneration Development Plan, Conceptual District Plan, Integrated Action Plan for Leipziger Osten), elements of feasibility studies to determine how workable the project ideas were, and marketing measures.

In addition, it needs to be underlined that when contracting assessments of this type, possible bias (perhaps due to internal interests) must be ruled out. For example, a conflict of interests will arise in the case of experts who can expect to be considered for follow-up contracts once a project has been given the thumbs-up, as this could influence the outcome of the study.

Another instrument that could be used is risk compensation. The incalculabilities during the course of a PPP urban development project mentioned above create a considerable potential risk, provision for which needs to be made by the private-sector partner in the form of additional capital. An actor may incur costs through keeping capital in reserve and might not invest in a project if this will make it unprofitable. In this case, the public sector must provide a risk buffer if it wants the project to continue. This insight will probably accelerate project implementation or at least counteract its delay since both variants are directly reflected in the level of risk compensation. Accordingly, risk buffering is not just an implementation instrument but also a contract management (controlling) instrument.

The assumption of risk shares is not limited to conventional financial instruments such as sureties and interest subsidies etc but can also take the form of reliable investment assurances by the local authority. As far as the example of the GRÜNDERZEIT ERLEBEN pilot project is concerned, the improvement of the amenities on Hedwigstrasse would be a possible investment assurance by the local authority.

Whether the risk to be shouldered can still be accepted as a reasonable burden on the local authority needs to be examined using the PPP suitability test. Its function is to identify how attractive the project is to the private sector and the resulting form of risk allocation. This instrument has been integrated as an element of the PPP Urban Development Guideline (ISB) but only used in certain sections, which explains why it needs to be examined in more detail.

## 5.7 Summary and Conclusion

PPPs are regarded in Germany as a modern organizational approach, and not just for the field of urban development – although it should be noted that fashion is also an important determining factor in the institutionalization of a PPP arrangement. The public–private companies preferred above all for urban development projects represent complex, complicated, conflict-ridden, and per se, inefficient organizational arrangements which only appear useful for very specific problem constellations. The question arises as to whether characteristics can be identified in which the gain in effectiveness of such an arrangement can compensate for its loss of efficiency (cf. Kirsch 1997, p. 339). A public–private institution should pursue a business policy geared to the stakeholder approach and build on the pillars of the economy, ecology and social affairs – and not focus more or less exclusively on the return on capital using traditional financial parameters.

Another important development requirement in connection with PPPs in urban development is the subsidization of urban development projects. In European urban development subsidization, however, a large number of methods are used to additionally subsidize selected projects, especially those involving national public funding (e.g., from central government, regional government or the local authority). This principle of subsidization arose because the funding provided was no longer sufficient to subsidize all projects and EU funds cannot be used in all cases since local authorities are often unable to stump up their own contribution. The dwindling funding contrasts with the constant or even rising need for investment in urban development. Another problem is the fact that subsidies are paid only once and not on a regular basis. Any added value arising from successful projects remains in the project and is not used to finance new projects.

One way of boosting the sustainability of urban development subsidization is hence the intensified involvement of investors unrelated to the project concerned alongside traditional public backers. Even if almost unlimited sums of credit capital and private equity are theoretically available to finance urban development



projects, this will not necessarily lead to the simple provision of capital. Thanks to the new EU initiative JESSICA (Joint European Support for Sustainable Investment in City Areas), therefore, the member states are to be given an opportunity to use revolving financial instruments in integrated urban development. This should increasingly prompt a switch towards market-orientated financial instruments in which part of the funding is not granted any more as a subsidy but rather in the form of loans or guarantees in order to ensure the sustainability of investments and in addition to generate capital from private investors and financial institutes by holding out the prospect of healthy returns.

There is hardly any experience of using these instruments in most European countries. In fact in many cases uncertainty reigns regarding the added value and concrete application of these instruments. The main exceptions are the UK and France, where for some time now these instruments have been employed to support urban development investments. It would clearly be logical to link these new financial instruments to the introduction of concrete PPP structures – an area which needs to be closely examined.

### Annex

Case Ia		
	PUBLIC	PRIVATE
PRE-DEVELOPMENT	X	
DEVELOPMENT		X
BUY		X
OPERATE		X
USE		X

Case IIa		
	PUBLIC	PRIVATE
PRE-DEVELOPMENT	X	
DEVELOPMENT		X
BUY		X
OPERATE		X
USE		X

Case IIIa		
	PUBLIC	PRIVATE
PRE-DEVELOPMENT	X	
DEVELOPMENT		X
BUY		X
OPERATE	X	X
USE		X

Case IVa		
	PUBLIC	PRIVATE
PRE-DEVELOPMENT	X	
DEVELOPMENT		X
BUY		X
OPERATE		X
USE		X

Case Ib		
	PUBLIC	PRIVATE
PRE-DEVELOPMENT	X	
DEVELOPMENT		X
BUY		X
OPERATE	X	
USE		X

Case IIb		
	PUBLIC	PRIVATE
PRE-DEVELOPMENT	X	
DEVELOPMENT		X
BUY		X
OPERATE	X	
USE		X

Case IIIb		
	PUBLIC	PRIVATE
PRE-DEVELOPMENT	X	
DEVELOPMENT	X	
BUY		X
OPERATE	X	
USE		X

Case IVb		
	PUBLIC	PRIVATE
PRE-DEVELOPMENT	X	
DEVELOPMENT		X
BUY		X
OPERATE	X	
USE		X

Case IIIc		
	PUBLIC	PRIVATE
PRE-DEVELOPMENT	X	
DEVELOPMENT	X	
BUY		X
OPERATE	X	
USE		X

Fig. 5.A1 Overview of former development variants of International Quarter (IQ) (source: by the authors)

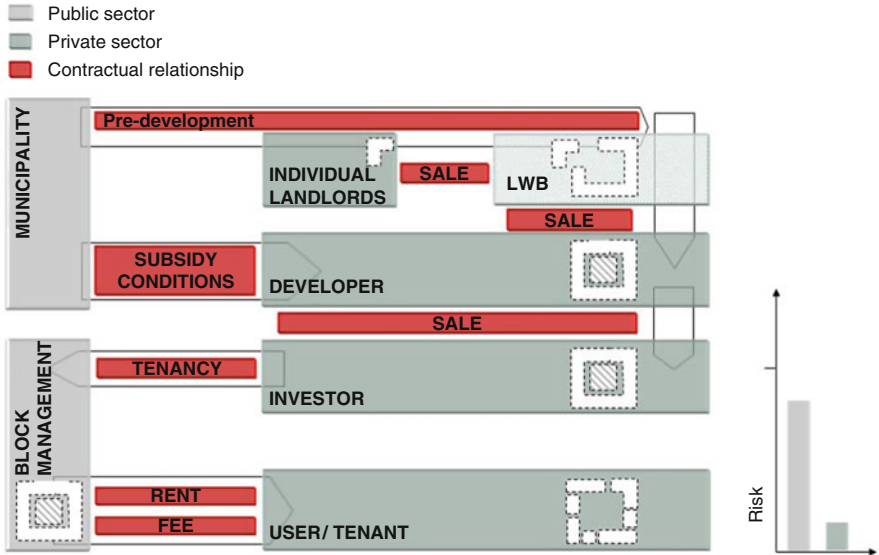


Fig. 5.A2 Former development variant Case Ib of International Quarter (IQ) (source: by the authors)

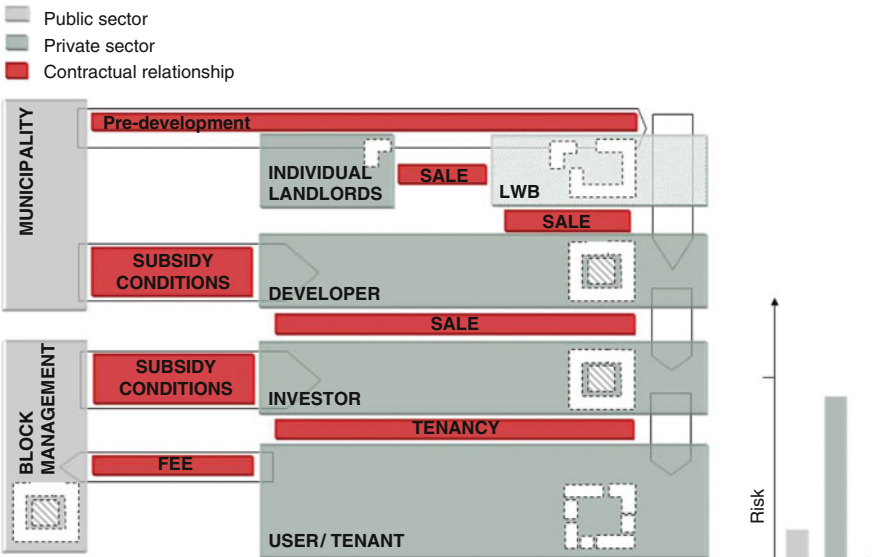


Fig. 5.A3 Former development variant Case Ic of International Quarter (IQ) (source: by the authors)

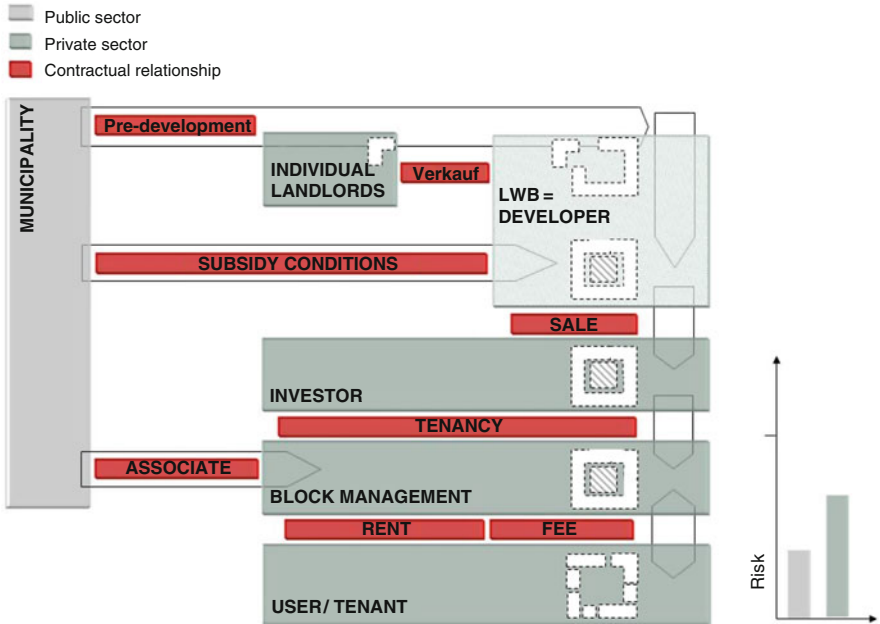


Fig. 5.A4 Former development variant Case Ia of International Quarter (IQ) (source: by the authors)

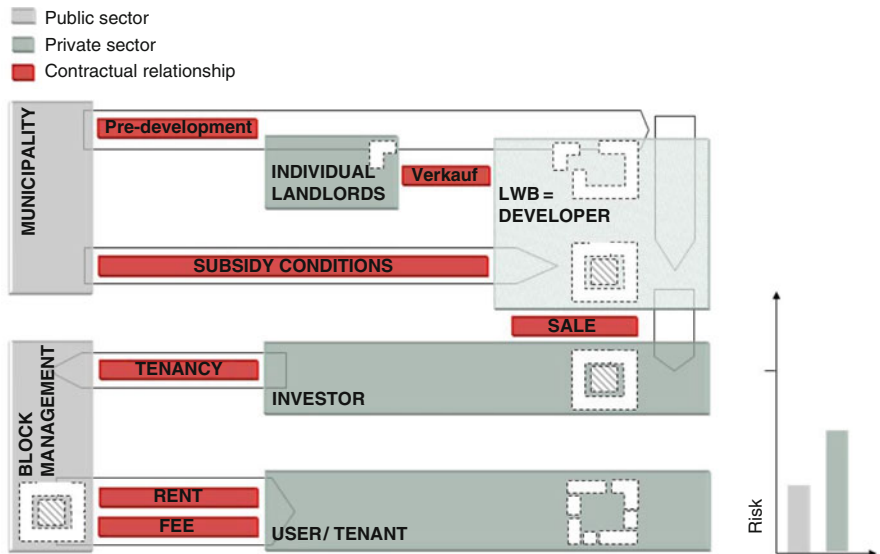


Fig. 5.A5 Former development variant Case Ib of International Quarter (IQ) (source: by the authors)

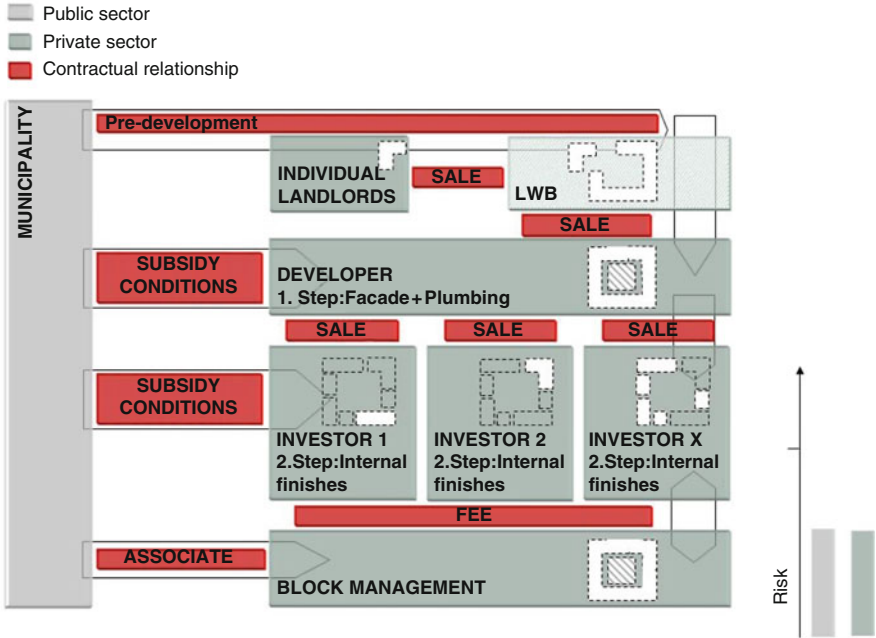


Fig. 5.A6 Former development variant Case IIIa of International Quarter (IQ) (source: by the authors)

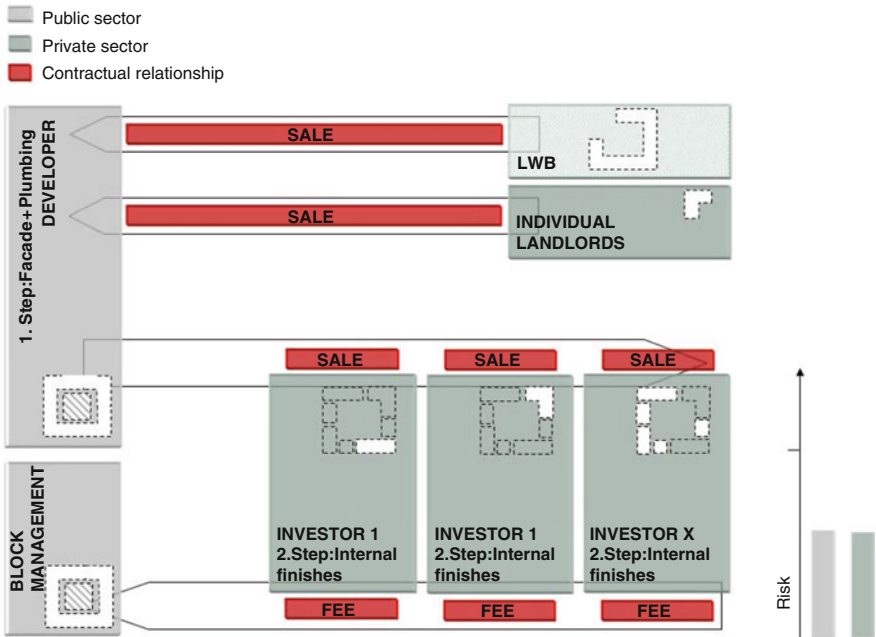


Fig. 5.A7 Former development variant Case IIIb of International Quarter (IQ) (source: by the authors)

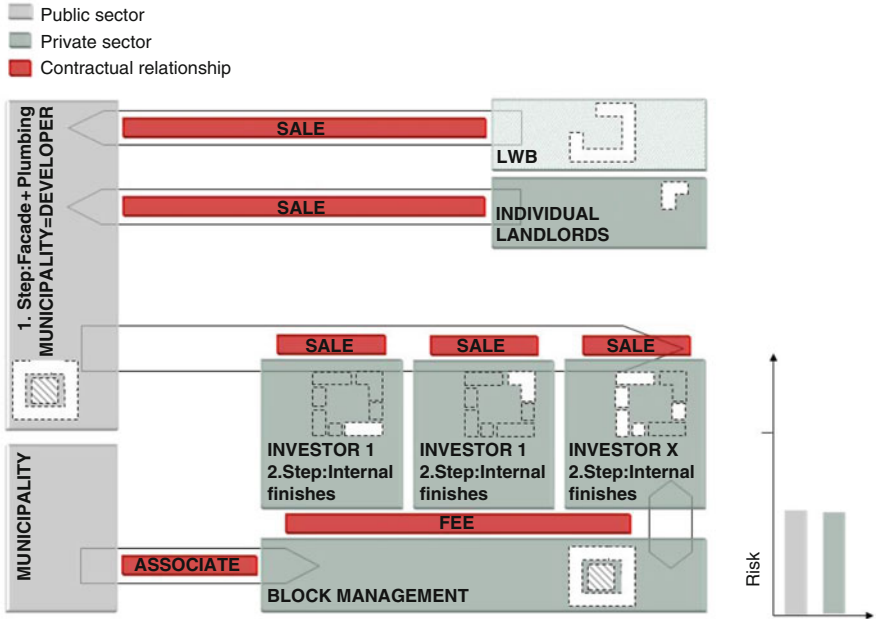


Fig. 5.A8 Former development variant Case IIIc of International Quarter (IQ) (source: by the authors)

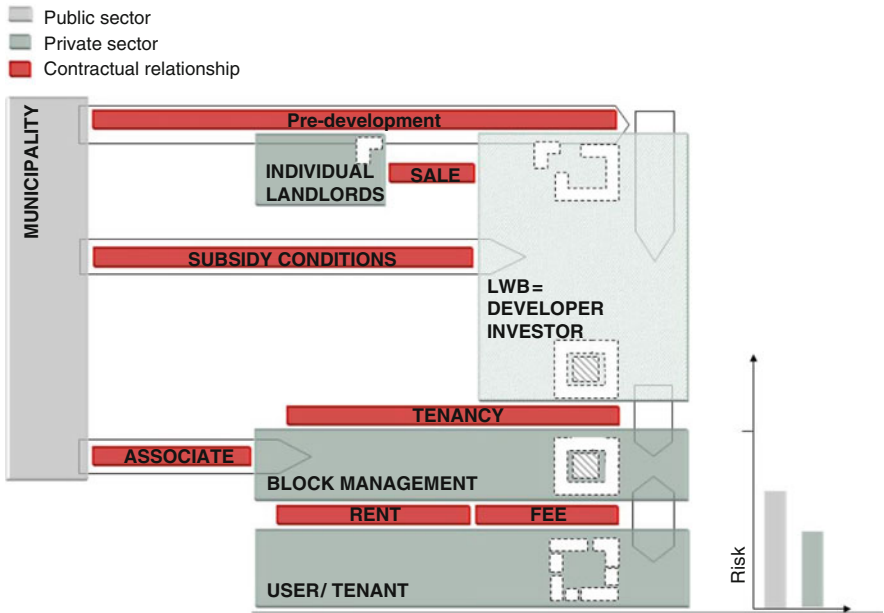


Fig. 5.A9 Former development variant Case VIa of International Quarter (IQ) (source: by the authors)



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# Chapter 6

## Conclusion

Remo Dalla Longa

After systemizing the proposed model as well as the used concepts and terms, the book addresses three main in-depth analyses.

Stanghellini and Copiello have focused on the detailed analysis of the Italian urban system and the “framework” especially, as dealt with by CoUrbIT model. Italy is never easy to be investigated due to the variance between large cities (Milan, Genoa, Rome, and Naples) and medium-size cities as well as the North and the South. Stanghellini and Copiello investigate Italy from all the perspectives and use quite rigid and uniform criteria.

The reference is urban renewal, through the creation of mixed companies. A scheme of analyses with original interpretations have been created.

The analytical contribution on Italy was aimed at providing a specific reference to subjects that historically operated in the market; however, Italy needs to be considered with its full peculiarity of being structured with medium-sized cities with small and medium-sized companies: a reality which cannot be compared, for different reasons, with the French, English or Germans (Herrschel and Newman 2002; Salet et al. 2003).

The presence of an urban renewal in a consolidated market structure intended to enhance the differences with the analyses centered on renewal within postsocialist cities. The wide spectrum of analysis allowed for a better comparison with the model of restructuring.

No such example of an analysis of case studies exists in Italian literature, with such precise schemes so as to allow a comparison of the cases considered with high accuracy and to identify the starting and processing times of the renewal. Within the different cases investigated, which Stanghellini and Copiello have analyzed, it is possible to obtain a variety of interactions among the different subjects acting inside the “framework.”

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Direct comparisons with the existing literature may better highlight the peculiarity of Stanghellini and Copiello's contribution (Chap. 3) than others'.

Within the context of a comparison with European cases, Arbizzani and Civiero (2007) tackle "niche elements" of the recovery (refurbishment). The proposed cases cannot be compared with what was proposed in Chap. 3 in terms of the accuracy of assembly and reference to a model. Still, based on a comparison with other European cities, Morandi (2003) proposes a case of urban renewal in Milan with a transformation of functions from one industrial settlement to another (research and University). Also, in this case, the method used is different and more likely to be compared with another case in Milan (Dalla Longa 2010), even if the latter has a different profile and requires a different approach. Always within the context of a European and Community comparison, Procacci and Rossignolo (2006) confront two cases of local authorities (Turin and Cinisello Balsamo) which have changed their role from development controllers to promoters, this being highly implicit in the partnership role of the local government as described by Stanghellini and Copiello; Procacci and Rossignolo, however, deal with the case from a participation perspective (leadership and stakeholders), whereas Chap. 3 focuses more on the assembly of "framework."

The application of the restructuring model in Budapest allows an examining of one of the most significant cities in the center of Europe: Budapest becomes significant as a paradigm of the ongoing restructuring and goes beyond Hungarian boundaries, to "embrace" a wider geopolitical and economical area.

As a big scholar of Budapest, Locsmandi proposes a particular approach: he turns the spotlight on the city in a very systematic way and looks at the city's macro- and microchanges due to the restructuring: he looks at Budapest from different perspectives and always with a large amount of knowledge of details and particulars. The reading of his contribution allows both to get a coherent and efficient picture of the ongoing restructuring and to compare it with renewal phenomena in other western cities. If on one hand Stanghellini and Copiello apply their analysis and research to the entire nation (Italy), on the other hand Locsmandi applies the same analysis and research to the Hungarian capital, by considering the city a laboratory for testing for the type of restructuring. Budapest is the city in Hungary whose built-up area absorbs 25% of the country population and is a permanent laboratory not only for Hungary but for the whole of central Europe. One of Locsmandi's peculiarities consists in starting with one of the principles of CoUrBIT model: the replacement of obsolete functions which, as far as the post-socialist cities of central Europe and especially Budapest are concerned, have been "atomized," i.e., converged into two "multipliers" (a) the widespread inclusion of the market and the reutilization of many urban assets; (b) "globalization" in which Budapest is fully included.

Many studies on "restructuring" in Hungary and, more in general, in Central Europe, cannot leave the analysis of Budapest's "laboratory" out of consideration (Tosics et al 2003; Szemzo and Tosics 2005; Dovenyi and Kovacs 2006). There are no similar examples as Locsmandi's; Kauko (2006) analyzes the growth of the area values and the new housing settlements in Budapest. Kauko's analysis focuses on two districts (8th e 9th), as Locsmandi's, but Kauko limits his investigation to

housing only. Similar elements as dealt with by Locsmándi are to be found in Tosics' (2005, 2006): the reference and the restructuring as well as the numerous changes in Budapest due to the advent of the market. It concerns small and interesting contributions. Locsmándi broadens the horizon and thoroughly investigates the obsolescence and replacement of manifold functions which are only slightly more than briefly mentioned in Tosics'.

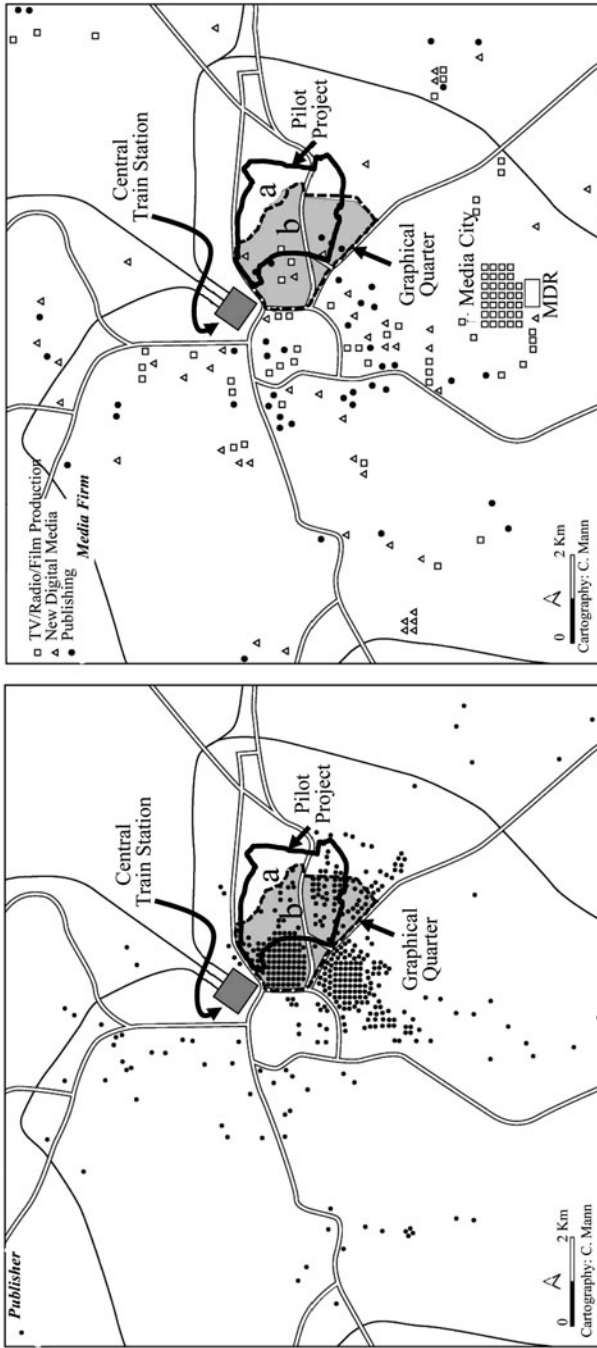
Other contributions on Budapest concern industry restructuring and the impact on the city after 1989 (Kiss 2007) or the globalization applied to Budapest in connection with some new architectural forms also (Szirmai and Barath 2005).

The city of Leipzig, as a basis, has an application of pilot projects with special attention dedicated to their boundaries. They are selected in a semicentral area of the city, which has been strongly abandoned by the population. The question is: "how," "with what tools," and "in which subjects" can the abandoned or underused assets can be reemployed? With such a question in mind, it becomes essential to work on the tools, the borough manager and the PPP formula and to enter the living space of people, the social groups and families. The pilot projects make this verification possible. The details appear greater than for Budapest's investigation. Locsmándi considers the entire city as a reference and proposes many details of different kinds, which, even if interconnected, make up for the in-progress picture of Budapest. Weidner et al. instead insist on the selection of many particulars. The biggest merit of Weidner et al. consists of starting with the CoUrbIT model, in order to break down the details and explain the restructuring through the details itself.

Some recent contributions on Leipzig have already pointed out some critical and peculiar aspects of the city while moving from postsocialism to "market."

Haase and Holzkamper (2007) point out the loss of population in the central city compared with the external parts of the city. This is partially due to the decline of the urban fabric inside the city, with low class settlements at low standards. Production is replaced with "media firms" (Hutton 2008) and retail business, which are mainly located outside the urban fabric: this situation is much more evident in Leipzig rather than in other German cities (Henschel 2002). Thanks to a new model (Bathelt and Boggs 2005), the new services and media firms (television, radio, film production, new digital media, publishing) arise from "the ashes" of the old publishers. A comparison between the old production settlement (before the Second World War) and the new settlement of services and media firms is consistent with the new design of the city. After the world war, during the socialist period, the "publishers" area lost its vigor: it could not retain its status as a National and International center of these industries (Bathelt 2005). The "Graphical Quarter," denominated the German book trade, i.e., the old production area of the publishers, can be taken as a metaphor of the city. It was located close to the most central area of the city (Zentrum Ost), where the pilot projects *Gründerzeit Erleben* and *IQ-OST* are based (Fig. 6.1).

Other contributions on Leipzig point out the forms of participation in the neighborhood quarters as opposed to the new forms of restructuring (Smith 2000), to the emergence of groups and to the involvement of city dwellers in the process of urban restructuring (Rink 2000). All of this occurs without high levels of



**Fig. 6.1** (First picture) Leipzig's traditional book publishing cluster, 1939; (Second picture) Leipzig's new media industry cluster, 2000 (source: based on Bathell and Boggs 2003). (a) Area where the pilot project (case study) was collocate; (b) Leipziger Osten Neighborhood

conflict. We cannot forget that Leipzig, in the years 1990–1994, lost 85% of industry jobs and had its bureaucratic machinery dismantled, thus increasing the growth in crisis and the implosion of the city (Rink 2000).

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