MASTER

Redevelopment of second tier Central-European cities towards a general restructuring strategy

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Redevelopment of second tier Central-European cities

Towards a general restructuring strategy

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April 2007

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After a period of exploring different, interesting subjects, the definitive focus was on Central Europe, therefore gratifying my pursuit for 'international' research. Exploring the particulars of the cities in Central-Europe has been very interesting. From the start, working at ECORYS in Rotterdam was really exciting, whereas working on other projects for ECORYS allowed me to get a foretaste of consultancy work. Together with working on my own thesis and the international trips to Turkey, Romania, Poland and the Czech Republic, the nine months of my graduation period raced by.

With ECORYS giving me the opportunity to visit four cities in Central-Europe, which resulted in more knowledge about the current situation and the particulars of the different cities, the cities of Brno, Ostrava, Krakow and Lodz were visited. The outcome of this trip would not have been as successful without the interviews with people in these cities. I would therefore like to thank the people form the local governments of Brno, Ostrava, Krakow and Lodz together with the project developers, professors and students of the universities and local consultants, for their contribution.

Furthermore, during the graduation process, I experienced good supervision form both the Technical University, in the person of Gordon Brown and Ingrid Janssen, and ECORYS, particularly in the person of Damo Holt, but also of other colleagues. They helped me to shape the process and the developments to the final result, presented in this report, for that I am grateful.

Although it maybe a cliché, I would like to note that the graduation process has been very instructive and a nice period of my study. The situation at ECORYS with nice colleagues and great atmosphere contributed to this fact. Therefore I am looking forward to start working in Rotterdam to pick up things very soon.

In the end, there are of course some other important persons I would like thank. First of all my girlfriend Vera, for her support and her great graphic editing. In addition my parents and the rest of the family and my friends. In addition, I would like to wish you, as a reader good luck reading this report. As it contains a lot of text, I hope you will not get bored too soon, because it contains some interesting thoughts and conclusions.

Bart Stek
April 2007, Eindhoven.
The 'Redevelopment of second tier Central-European cities' thesis can be defined as qualitative research, consisting of 'field research'. The main objective is the formulation of a general restructuring strategy for local governments of second tier cities in Central-Europe that can provide support in their present struggle for economic development together with improvement of the physical quality.

The context is described in sources of literature, with the influence of socialist period on the development of Central-European cities, where researchers emphasize that the socialist regime did influence the cities and determined in many cases the way Polish and Czech cities are currently. During the 40 years of socialism, the accent in cities was on heavy industry and economical solutions for the accommodation of workers and their families resulted in prefabricated housing estates. This had and still has its effect on the physical and economical structure of cities.

After the transition to a market economy the development of cities faced accelerated economic and urban development, where negative aspects were neglected resulting at considerable issues at present time in many cities. In literature, the role of the government is described as important but incapable to solve problems, because of incompetence, missing policies and legislative fundament and most of all the lack of funds. As new policies are developed, more attention from national level is requested in order to help local governments with their struggle for balanced urban development.

Regarding to urban restructuring there are certain problems identified which all have different characteristics and a different approach. This thesis focuses on a general restructuring strategy for second tier cities in Central-Europe and in order to be as complete as possible, different issues have to be formulated in the strategy. The basic principle will be the type of problem that has to be solved, because the problem defines the parameters and conditions to which the different actors react and proceed.

Many sources of literature describe the relevance of a (local) government that has to be well run firm which acts actively and has a problem solving attitude. The role of the government should therefore not be underestimated. Interviewing local governments and their current point of view with respect to urban development in relation with economical structure and interviews with the private sector together with professors of universities has generated a more comprehensive point of view.

From a western point of view some of these cities are really unattractive places to live, with deteriorated streets and housing, industrial sites close to the city centre and of course the large housing estates that are figurehead of the undynamic second tier city, with scattered functions, Greenfield developments, lack of governance and small budgets. Not all of the cities that were observed are similar, having their own issues and characteritics and sometimes do have attractive city centres and places people want to visit.

The comparative analysis considering four case studies of Central-European cities, determines the aspects that apply for almost every second tier city in Poland and the Czech Republic. This is a rather daring statement, but when local government officials would read this thesis, there is big chance they acknowledge the aspects that are found during field research in Central-Europe. The results from the comparative analysis show the majority of all city related aspects can be referred to as city specific, or with some similarity between two cities. This thesis focuses on the general aspects, which are, quite important to the balanced development of second tier cities. More important it is, that local government people assent to the strategy that is presented and take advantage of
Coming to the final conclusions about this thesis, it is difficult to decide which aspects of urban development in the Central European, second tier cities contribute the most to the current situation and will have the biggest effect on city development. Whereas this thesis is of qualitative nature and not quantitative, I can only assume which aspects are more important, substantiated by findings of mostly, quantitative research considering urban development and economics.

The findings that are presented in this Master thesis relate mostly to local governments and can give them more insight about the current problems in some situations and support for getting to deal with the issues that occur in their cities. As they are in many cases dependent on the private sector, because of sold ground positions or lack of funds, they have to realize it is the local government that can create specific conditions and paves the way for further development.

Furthermore, it seems to me that local governments are finding trouble to stay ahead of new development and that they often have been overtaken by developments. The fact that local governments are often one-step behind is reflected in the master and zoning plan which forms the basis of the city strategy. I can only assume that these things are clearly related to each other, but during the interviews with academics and the private sector, many people emphasized the role of the local government has to be more effective and profound.

The tendency to develop mainly Greenfields is to be seen in every city. This depends on the more positive development aspects related to Greenfield development and the negative development aspects with respect to Brownfields. In pursuit of the maximum increase of economic development local governments act as if they find that improvement of the social-economic structure is more important than the physical structure, therefore focusing on relatively cheap and easy Greenfield development, instead of difficult and expensive redevelopment of Brownfields.

I would not consider Greenfield development solely as a negative aspect, but it is closely related to suburbanization and urban sprawl together with traffic congestion, which is occurring in almost every of these cities. With respect to new residential developments, the most obvious counter action to control suburbanization and urban sprawl and reduce Greenfield development, I think, lies in making the inner city a more attractive place to live in, which is of course what this thesis is all about.

The improvement of the attractiveness or physical quality of the inner city could make it a competitive counterpart for residential and in some cases commercial Greenfield development. The development of residential, retail and office space can be filled into the inner city area relatively easily. One important aspect that has influence on the physical quality of inner cities that is not described in literature but is omnipresent, varying in level per city, is the presence of 'blank spots'. Complicated ownership structures often obstruct new developments on these plots, but aside from that, they can easily be developed. Problem is of course the need for renovation of the surrounding buildings in order to get an appropriate development, where in many cases, the ubiquitous factor has an important role, which is money.

Living in large housing estates is rooted in a large share of the city population of Central-Europe. They are used to live in flats and the social-economic mix has always been relatively well balanced,
but nowadays this is changing because of differentiation in wealth. Interference by (local) governments is needed to cope with this rising issue.

When comparing the four cities it is remarkable that besides the similarities also many differences occur as well. Looking at it more closely, the four cities could be divided into two groups. Where Brno and Krakow are the more prosperous, developed cities with an attractive city centre, the cities of Lodz and Ostrava are behind on the field of urban development and economic growth. The main differences I could find where related to the presence of universities together with a large student population, the history of development and the city structure (radial versus grid and polycentric).

In all these cities the specific aspects are an important factor with respect to city development and should therefore not be neglected in an urban development strategy. This can be considered as one of the shortcomings of the general development strategy presented in thesis. The determinants for relative success of Krakow and Brno contrary to Ostrava and Lodz together with the question to what extend these cities relate to each other, would be a subject for further research about the development of second tier cities in Central Europe.
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1 Introduction

1.1 Problem

With the transition into a free market economy in the beginning of the 1990s, the cities in the former socialist countries faced a fundamental transformation. After a 40-year period of government domination and planning, particularly capitol cities started to change under large input of FDI (Foreign Direct Investment). With this inflow of capital and the restitution of property, the real estate markets in the capitol cities of Poland, the Czech Republic and Hungary started to develop, with new retail, office and residential space being developed.

Because of the large capital inflow focusing on the capitol cities, the restructuring capabilities needed to (re)develop former industrial zones were available and consequently cities experienced prosperous years. This could not entirely be said of the second-tier cities, which experienced less attention of international real estate developers and investors. In 2005, broker reports noted that the markets of the Central European capitols already reached their point of saturation and that possible opportunities would be in the smaller cities, hence that it would be smaller markets with lower potential. That, combined with the fact that many developments occurred at suburban ‘Greenfield’ areas, problem areas were neglected and an existing incompetence and knowledge deficiency at (local) governments resulted in an existing city development issue. With an increasing attention of investors looking for opportunities in the second tier cities, local governments face the difficult task to attract and generate as much economic growth as possible in combination with constructive city development, which will also lead to higher physical quality of the second tier cities in Central Europe.

Among the problems that these second tier cities face are:
- Poor quality of inner city areas of second tier cities;
- Unfair competition because of new shopping center developments;
- Transition from communism to democracy has led to a shattered property ownership and impoverishment of the housing stock;
- Decentralization of the government and a knowledge arrears;
- Shortage of affordable housing and a fast increase of rents;
- Many uncontrolled urban developments (urban sprawl);
- Increasing focus of real estate developers on second tier cities;
- Many problems with minorities like the Roma population;
- High unemployment levels and poverty in areas with industry;

Focusing on the urban development topic of second tier cities in Central Europe, local governments now are fully responsible for what is happening in their cities, since the decentralization of state influence during the 1990s. With this change of power, local governments became more aware of their new role, not automatically succeeding in controlling urban development in a way that should increase economic development together with upgrading of the physical quality

The way cities work is a much-discussed topic for researchers to focus on. Local governments have a prominent role in understanding these processes happening in cities, which should be taken into account in the development of new master and zoning plans. Understanding how things work and to what extent aspects are related to each other can provide the first step towards new solutions. The
problem of these cities is knowing the extent to which investment in the character and quality of the physical built environment contributes to their economic development. This can be restated, using the phrase: “Is it what cities do or how they do it” (Malpezzi, Seah and Shilling (2004)).

The initial focus of this thesis was about inner city restructuring of second tier cities with respect to the housing and retail market. This gradually developed into urban restructuring of second tier cities, to a large extent caused by interrelated issues and developments present in the second tier cities that were not restrained solely to the inner city area, but influenced the complete urban area. It is impossible to deal with only retail and housing without encountering other related problems. This is endorsed to the viewpoint of Baudin and Genestier (2002) who state that the future of large housing estates cannot be discussed without reference to the broader issue of urban change. The large estates are often perceived to be a general obstacle to urban restructuring or a threat to the social cohesion within the city (Baudin and Genestier, 2002). Looking at the bigger picture increases the level of abstraction and could have less detail but will probably prevent shortsighted solutions or strategies that will not work because in daily situations there are other factors involved. Although the current situation of the housing market needs attention, it is relatively difficult to restructure the current retail market, because there are no restrictive building regulations and the current situation of the retail market is relatively immature. The ‘restructuring’ of retail therefore lies more in the strategy for new retail developments in the near future.

Current research considering the Central-European cities focuses specifically on the capitol cities and often describes only one or two specific problems and solutions. Therefore, it is important to address both aspects of cities in the subject matter, together with the focus on aspects that are present in second tier cities. Combining these points of departure, the following subject is formulated:

‘Which general restructuring strategy can be formulated in order to improve both the physical and social-economic structure of second tier cities in Central-Europe?’

1.2 Context

The context of this thesis occurs in the former soviet influenced states of Central-Europe. After World War 2, countries as Hungary, Poland and the Czech Republic (former Czechoslovakia) and other more eastern countries became socialist states with strong Russian influence. For a period of fifty years, the countries suffered under the socialist regime, resulting in an economic development gap with the West. With the introduction of the market economy and the entry into the EU, the Central European cities started to develop economically. Nowadays, with the rise of Russia and Turkey and new EU member states like Romania and Bulgaria, Central-Europe is becoming the spill between East and Western Europe.

Under socialist influence cities developed in a different way than the western cities did. With the introduction of market economy, resulting in economic growth, new retail and housing developments nowadays compete with the inner city, whereas people’s living standards are improving and the quality of buildings is very low. Like the Netherlands, questions about urban restructuring exist, but with the emphasis on other aspects. The use of special forms of cooperation could contribute to the improvement of cities, whereas some problems are complex and elaborate. Joining the EU provides them support in several levels. With the decentralization of the government structure, infor-
Information transfer and funding from the EU is very welcome. Changes in legislation are also the result of EU regulation.

Although economic development improved the situation, many cities neglect the negative aspects of their city, where people are suffering from unemployment and industrial areas close to residential areas that are abandoned and contaminated. People are moving to new housing areas and car use is increasing, but many people cannot afford these new wealth products, increasing the gap between rich and poor. Although many Czech and Polish people have always lived in large housing estates and are used to this way of live, deteriorating and social problems are appearing, wanting people who can effort it, to leave as soon as possible.

The urban development issues that are occurring in Central-European cities are sometimes identical to other situations in other countries. Research that has considered these issues, could provide a lead or foundation for solutions in second tier cities. Research by Henderson and Wang (2007) for example, emphasizes that similar growth of individual city sizes is explained by changes in local market conditions, technological change, and changes in national institutions and policies. In addition, Henderson, Shalizi and Venables (2000) conclude that geography matters for development, but that economic growth is not governed by a geographical determinism. Policy is essential in shaping economic changes, although the design of policy is not well understood. Considering these theories in the context of urban design will contribute to a more realistic and comprehensive final result.

1.3 Objectives

This thesis approaches the problem from several perspectives, which in a certain way, complement each other. Whereas this is a Master thesis, the subject is examined in an academic way, often looking at the situation from a municipal point of view, where in occasion, the more problem solving, pragmatic way of thinking towards problems, defines the role of the consultant. Combining this will help to come closer to the objective, which is:

‘Formulate a general restructuring strategy which focuses on the second tier cities of Central-Europe considering both the physical and social-economic structure.’

Other research questions that are relevant for this thesis are:
• On which aspects do the second tier CEE cities differ or show similarities and what aspects can be used to make a selection / judgment?
• What are 'second tier' cities and how can they be defined / qualified?
• What elements are part of the revitalization process of inner city structures and where lay the difficulties?
• Is there any current form of a 'project approach' available?

1.4 Method

For questions about the real world, McGrath and Runkel (1972) formed a cycle of empirical research. As in this thesis, these steps take place regarding the subject: 'redevelopment of second tier cities in Central-Europe.' During the research process, several methods are used to make these steps to
come to conclusions about the real world, thus pointing out what problems occur, what theoretical research says about them and how they relate. As Runkel and McGrath (1972) say: "Plan must come before execution; data collection must come before data analysis. It starts with a problem and gets back to the problem. The end result of the process, however, never arrives back at the exact starting point, even if all goes well." Before jumping to conclusions, the methods that are used will be discussed in this section.

The methodological strategy that is used in this thesis is the 'field study'. The characteristics of the field study are that it results, when performed well, in a faithful report considering the behaviors (city aspects) that are observed, but lacks generalizability with respect to, in this case the cities, and the precision in control and measurement of variables related to the behavior (city aspects) (Kundel and McGrath, 1972). By performing four case studies, in this thesis, the goal is to increase the generalizability of the 'model' second tier city, thus resulting in a 'general' final result, which still misses precision.

In the case of the subject of this thesis several methods are used, which are:

- Literature study, with the purpose of getting insight of previous research that has been done in the field of the subject and related subjects. This provides more information relating to the subject and the point of view of the researchers involved. Literature that is used exists of published articles, internet websites and academic books;
- Interviews with different actors related to the subject, but having specific points of view. Discussing the subject and related aspects with local government officials, local project developers, professors, student(s) and consultants gives more insight in the processes that related to the subject and are playing an important role;
- Observation, where has to be stated that the analysis of a city can be performed in different ways. One is to observe a city by looking at buildings, roads, parks, factories, called the physical structure. Another, not less important part of cities, which is interrelated with the physical structure, is the social-economic structure. Besides the present situation of the physical structure, investors' decisions are dependant on statistics considering the social-economic situation and its development. Therefore both aspects are considered in this thesis, whereas the institutional 'observation' of these cities can be attributed to the interview section;
- The analysis of the gathered information, in order to deduce it to manageable 'chunks'. The method to this was the use of mind maps to give insight to the processes occurring in the cities. In addition, comparative analysis was performed to find resemblance between the cities. With the use of mind maps and the relationships that are pointed out, prioritization of these similarities between cities is then arranged, resulting in a priority list, containing general city aspects in matter of importance;
- Theoretical implication, concerning urban economic theories that can sustain the results of the analysis, together forming the end result of this thesis with aspects of the literature study.
1.5 Organization

The true first step is important for the eventual course of this thesis. After exploring the background of the subject, the next steps of this research are considered, resulting in the ‘project approach’ as stated in the figure on the following page.

Step 1 (Chapter 2 and 3)
First, the selection is made concerning the countries that will be included to this research and the number of second tier cities. This has to do with information sources, EU membership, traveling distance and language barrier. Whereas chapter 2 focuses on the existing literature, aspects like the influence of socialism on cities, current issues and difficulties in cities and the country analysis of the Czech Republic and Poland pass in revue. Chapter 3 discusses the particulars of the real estate development process, by paying attention to the actors involved, development strategies and the particulars of urban development. In addition, there is an in-depth analysis regarding the aspects that literature point out as the most important together with project examples in central Europe. Furthermore, there is attention for relatively new useful forms of cooperation and the positive influence of EU entrance. Together, these aspects, combined with chapter 2, should provide the foundation for the next step.

Step 2 (Chapter 4 and 5)
In order to get more feeling with the subject, the cities of Brno, Ostrava, Krakow and Lodz were visited. Observing these cities provides more information than can be found in books and the internet. Apart from the observations, interviews with local professionals of the municipality, project development companies, consultant offices and universities provided input with respect to urban developments, role of municipality versus private sector and insight in current issues. After returning to the Netherlands, the information is processed resulting in case studies of every city. This information is then used to draw mind maps, thus making the information more tangible. Comparing the city specific aspects will result in a selection of general city aspects and city specific aspects. Finally, the relationships pointed out in the mind map will prioritize this selection, where it then can be used in chapter 6.

Step 3 (Chapter 6)
The purpose of this thesis takes shape in the final chapter, where the general restructuring strategy is composed, addressing the information of the previous chapters. In addition, conclusions of theoretical research mostly regarding urban economics, are used to substantiate this general strategy. Exploring the most important aspects of second tier cities, will help local governments in their struggle for balanced urban growth. Finally, this thesis ends with the conclusions about the subject and its current characteristics.
Determine which countries and cities will be admitted to thesis

Analyse development Central European cities

Determine current issues in CE from literature

Analyse urban regeneration strategies

Examples of restructuring projects in Central Europe

Particulars stakeholders urban development

Framework for urban development in Central European second tier cities and foundation for case study observation and interviews

European Union support Structural Funds

Specialist interviews (consultants, project developers, government officials and professors) and observation four Central-European second tier cities

Create mind map for each city including relations

Comparison city aspects for foundation general development strategy

Verification by specialists ECORYS

Formulate general development strategy

Conclusions and recommendations

Figure 2: Project approach
2 Urban development of Central-European cities

2.1 Introduction

Elaborating on the subject defined in chapter 1, the particulars of the Czech Republic and Poland are analyzed in the literature study concerning the history of Central Europe and its cities. Together with research about the current situations in these countries and their cities, it will be the first step of this thesis. Not only will it give insight in the urban development aspects that play an important role in the capitals, because many research is focused on these cities, it will be possible to compare this to the findings of the interviews and the observations about the second tier cities that will be discussed later in this report. Furthermore, the aspects considered most important by researchers will be discussed more thoroughly in the next chapter.

2.2 Central-European countries analysis

The analysis of the Central-European countries (further in report noted as CE countries) is focused on two countries of the region, Poland and the Czech Republic. Because this research is focusing on the second tier cities of the CE countries the relatively smaller cities have to be analyzed. After a thorough search for useful information, the conclusion is that an information gap existed between information considering the capital and the second tier cities. In order to collect useful information, the focus had to be on Poland and the Czech Republic, whereas these countries are:

- members of the European Union;
- experiencing high level of real estate developments;
- most developed countries of the Central- and Eastern-European region and therefore sufficient information sources;
- geographic closest to Western-Europe and relatively easy to visit.

Definition 'second tier city':
There are several definitions in present literature describing second tier cities:

- A spatially distinct area of economic activity where a specialized set of trade-oriented industries takes root and flourishes, establishing employment and population growth trajectories that are the envy of many other places. (Markusen, Lee and DiGiovanna, 1999.)

- An alternative working definition for second tier cities may be those locations with populations less than two million and greater than 350,000. This definition is based on American cities and in order to meet European standards and to comply with the third tier city definition the population number has to be greater than 110,000 (Sweeney, 2004).

- Second tier cities will have the characteristics that meet the needs of such projects while offering a mix of advantages that make them highly competitive with the largest locations. The second tier cities will have what the large cities have, and have more of it (responsive government, labor growth), enough of it (transportation infrastructure, financial services), and less of it (congestion, housing costs) in a mix that makes them especially attractive. The fundamental value proposition of second tier cities for locating companies is the right size at
the right cost (Sweeney, 2004)

Definition 'third tier city':
The definition Siegel and Waxman (2001) developed regarding to third tier cities has the following elements:
- Cities of between 15,000 and 110,000 in population;
- Cities that are primary to the regional economic base; and
- Cities that were incorporated prior to 1950 and have not tripled in population since 1950.

When the results for the Poland and Czech Republic survey will be combined, the possibility for a more profound analysis is more likely. Before considering the specific country and city information, it is important to examine the existing literature about the 'universal model' of a post socialistic city, in order to optimize the 'problem-identification-process'. Besides, the analysis will try to reveal the existing pattern in the post-socialist cities. The reason for this choice is the fact that it is almost impossible to uncover the structure of the particular cities, given the amount of time, information and the physical barrier that exists at the moment. Uncovering city structures are very time consuming, as Alex Anas formulates it: 'To describe urban structure one must make use of basic data on land uses' (Anas, Arnott and Small, 1997). Unfortunately, this data is not available and therefore the emphasis will be laid on city patterns. 'Pattern' can be defined as: 'a number of arranged or combined information, which gives insight in a certain situation or regular returning or progressing operation' (van Dale, 2006).

Characteristics Post Socialistic cities

The cities in the CEE region have been under a socialistic regime for a period varying from 45 to 75 years. During this socialistic period the development and growth of the spatial structure of these cities was very different from their market economy driven counterparts. The absence of real estate markets had the most pervasive effect on the structure of socialist cities. Densities and land allocation between different uses – mainly industrial and residential uses – were not reflecting demand from consumers but were mostly based on administrative decisions aiming at minimizing input rather than maximizing values (Kornai, 1992). The two basic principles of the socialist urbanization were equality and planned urbanization in which the equality factor returned in the pursuit for equivalent living standards in the urban network. The opposite trend occurred in the form of a stratified society. This hierarchy in society largely depended on the existence of a secondary economy, in which services, goods and information related to the housing market circulated in a private network. The secondary economy was the place where market relations, consumer choice and autonomic economic decisions existed.

Bertaud (2004) points out that CEE-cities must develop an urban planning strategy which focuses on the European culture but takes the socialist heritage into account. It has to consider a strong, prestigious historical city center, the ability of suburbs to develop and deal with the increasing use of private transport.

The historical core of CEE-cities corresponds to the spatial structure of European cities, because this was established centuries before they became under socialist government. The spatial structure of socialist cities is therefore a mixture of a "market economic" core with a socialistic spatial structure in the zones outside of it and built in the socialist period. Urban developments in the core of the former capitalist cities resulted in the construction of representative socialist buildings and squares
suitable for parades. The only form of suburbanization was in large scale housing near the periphery, which attracted the upper class from the city center, because their housing, which was mostly built before World War II, was not renovated or renewed. The reason for that was the fact that it only cost money, due to very low rents and did not bring any form of economic benefits. Urban slums came into being when the gypsy society started to live in these depressed areas of the city.

The socialist political regime had a specific point of view towards land use and spatial planning. The most important was that land had no monetary value and was allocated on a 'per need' basis. The need for restructuring of the build environment did therefore not exist, which resulted in the spreading of the city towards the outskirts. Another view was that land could not be sold or leased to a third party, once allocated to an enterprise. This was the reason that factories only could expand but not relocate if this was necessary for technological reasons. Even when technology and operational arguments resulted in the relocation of a factory, the industrial land left behind was not recycled and often formed a belt around the historic city core (Bertaud and Renaud, 1997).

The use of land for services and retail was allocated in the same way, thus on a spatial norm per unit of output. Because industry was considered as the backbone of the economy, it had a priority on land use, which lead up to systematical under-allocation of the service and retail sector. The most important political, administrative and cultural functions were situated in the city center. The difference about these functions with their Western counterpart was not the location of it, but the diversity and the mixture.

It becomes clear that the socialist way of urban development did have large impact on the development and growth pattern of the CEE-cities. The most important aspects of the CEE-cities due to the socialist regime are (Bertaud, 2004):

- Residential estates of high density panel housing located in the suburbs near periphery, which results in high costs of transportation and pollution;
- Enormous amount of obsolete industrial land close to city centers;
- City center without proper retail and service facilities;
- Weak and poorly maintained infrastructure without the capability to support high residential densities in the center;
- Centrally located areas in cities were disintegrated by the extensive rail network;
- Property rights problems and fuzzy tenure found mostly in centrally located areas which prevents adequate renovation or recycling;
- Absence of proper taxation system;

This figure illustrates the growth pattern of an average Eastern European city. The figure shows the pre-socialist city core and the developments during the socialist period. An important contradiction between the assumption of French and Hamilton (1979) and Bertaud (2004) is the absence of an industrial 'belt' around the historical city core of many CEE-cities and the presence of large scale housing near the periphery, which is asserted by Bertaud (2004). This figure shows quite the opposite

Figure 3: Model of the growth of an Eastern European socialist city.
with first the historical core, then the large scale housing zone around it, further a green belt and recreation zone and finally the large scale industrial zones. The fact that large scale housing was introduced in the late 1950s is emphasized by both French and Hamilton as Bertaud. During this period the ‘mikrorajon’, the Soviet name for micro-region or district, became the basic building block of the Soviet city and other CEE-cities like Warsaw.

The average size of such building blocks could accommodate 5,000 to 15,000 people. It had its own services like restaurants, nurseries, kindergartens, club rooms, school and sport facilities. At a broader scale several blocks aggregated to form a larger residential zone with a population size of 30,000 to 50,000. How far a city as a whole could be described as socialist in its physical organization was largely a matter of the extent to which it was dominated by the ‘mikrorajon’ (D.M. Smith, 1996). It also depended on the level of destruction of a CEE-city after the Second World War, to what extend the basic building blocks were developed. The almost complete destruction of Warsaw resulted in a more socialist orientated city structure with dominant position of the ‘mikrorajon’ districts.

D.M. Smith erected a hierarchy of the ‘typical’ socialist city, where many CEE-cities show similarities with. This hierarchy follows a broad typology of socio-economic and environmental differentiation with some risk of simplification:

1. Inner city, high status of good housing, occupied largely by professional groups; some congestion and pollution, but good access to central services;
2. Inner city, low status areas of old and deteriorating property; environment affected by industrial or commercial development, but good access to facilities of the city centre;
3. Outer areas of relative high status, with relatively high proportions of co-operative flats and fairly good service provision and/or transport to the city center;
4. Outer areas of lower status, with a predominance of state housing, and a relatively high proportion of in-migrants, mainly manual employment, industry with a detrimental environmental impact, low access to service and exacerbated by time lags in construction and infrastructure;
5. Peri-urban areas and suburban enclaves of private housing of very poor quality, much of it occupied by migrants from the countryside, with low or non-existing service provision;
6. Quarters occupied by distinctive ethnic groups, possibly but not necessarily in lower status occupations, probably comprising social cohesive communities, housing possibility reflecting cultural preferences, service provision depending on position within the general spatial structure of the structure;

**Urban change in the post-socialist cities**

A number of writers have recognized that urban areas represent key sites of post-socialist transformation (Smith, 1997; Ghanbari-Parsa and Moatazed, 1999). As cities and larger towns across the
region are often located at the forefront of reforms, taking measurements to restructure and transform their economies, political scenes and societies. In that way, cities are the pioneers of reform (Gritsai and van der Wusten, 1997), shaping policies and breaking new ground, thus experiencing many reforms in a much more exaggerated form (Kiss, 1999). The sheer concentration of employment, economic activity, population and housing in major towns and cities means that the transformations ongoing in Central Europe are deeply and widely felt in urban areas (Pichler-Milanovich, 1994). This aspect speaks up for the fact that this research focus on the largest cities of Poland and the Czech Republic, because of the many appearing constraints and difficulties in these more dynamic urban areas. By its very nature, much of the largest industry is located in urban areas of the biggest cities. The privatization and restructuring of industrial enterprises has a particularly extreme impact on urban areas in the region, remaking not only their labor markets, but also their housing services, cultural and sporting facilities and health provision. As was the situation with industrial space, retail space was also concentrated in urban areas. The city has been the focus of restructuring in the retail sector (Stenning, 2004).

There was considerable debate within Western academia prior to 1989 over what constituted a socialist city and if indeed there was anything unique about the socialist city. French and Hamilton (1979) drew attention to the fact that cities under socialism were shaped by both the ideologies and practices of state socialism. The nature of the Soviet-style planning system, state ownership of land and economy, different economic priorities and rigid mechanisms for land use control meant that the realities of urban development were very different in the Soviet Union and its satellite states than in states dominated by market economies (French and Hamilton, 1979; Pallot and Shaw, 1981; French, 1995). In the post-socialist era, it is clear that the legacies of socialism and the paths of extrication from socialism are shaping the cities of Central Europe in particular ways (Stenning, 2004). Transformations witnessed in the social and physical landscapes of Western cities through, for example, gentrification, the development of suburban malls, the regeneration of city centers and the reshaping of urban public spaces are now also becoming prevalent in cities further east (Stenning, 2004).

The marketization and internationalization of national economies has, more often than not, been led by the restructuring of capital cities and other major urban centers. In part this is because such reforms are debated, legislated upon and implemented by urban elites in centers of government, both central and local (Stenning, 2004). The process of restitution is an inherent conflict that resulted from the shift to a market economy, because it re-imposes the old order of property rights on a townscape transformed by decades of socialist practice (Feldman, 1999). It is also primarily moral – driven by a desire to compensate former owners – rather than economic, though it does serve also to redistribute former state-owned property (Sykora, 1994; Ghanbazi-Parsa and Moatazed-Keivani, 1999) and contribute to development of real estate markets as many restituted owners swiftly sell their property. In countries such as Poland and the Czech Republic the process is still further complicated by demands and concerns of Jewish owners whose property is subject to numerous competing claims for ownership. Furthermore there are few clearly defined legislative structures for urban governance in the region's major cities which creates problems in ensuring cohesion in urban development (Suraszka, 1996).

Considering the role industry had in former socialist cities, the introduction of the market economy led to a decline of production and manufacturing employment in recent decades, especially in the years since 1989. This process was mirrored by a fragmentation of urban labor markets as small and medium-sized enterprises began dominate the economy (Stenning, 2004). The shrinking
employment also contributed to the withdrawal of industry from non-productive activities. A two-track restructuring program was followed by industrial enterprises before and after privatization: first the production process was modernized and then the organization structure was streamlined. As seen in the West, the effect caused redundant spaces in urban areas, which resulted in initiatives to regenerate old industrial areas (Domanski, 2000). Many of the countries of the region have taken special measures to attract new investments whilst other have seen the development of new retail spaces on old industrial land.

As well as industry, the retail sector evolved in the years after 1989. One of the new trends that characterize retail provision in post-socialist cities is the development of out-of-town centers. During the socialist period, state supply and distribution networks centered on neighborhood shopping centers and city center provision of higher goods dominated the retail economy (Coles, 1997). For instance in Poland the number of retail outlets increased by 80,000 to over 300,000 between 1987 and 1991 and the share of private ownership increased from 15.2% to 96.6% (Jelonkiewicz, 1999). Though present under communism, open-air markets have been subject to a dramatic expansion under post-socialism in major cities and often in border towns, in sports stadiums, around bus and rail stations and on dedicated sites (CZako and Sik, 1999; Sik and Wallace, 1999).

In recent years the Central European retail market showed an increase in retail provision in a fixed premise, which was encouraged by the appearance on the market by foreign firms. Much of this ‘new’ provision has appeared in out-of-town shopping centers (Jelonkiewicz, 1999), but international chains are also challenging local traders in city center locations, as can be seen in recent years. Many of these developments are focused on huge leisure and retail complexes involving bars, restaurants, multi-screen cinemas and bowling alleys.

The development of retail space has occurred alongside the expansion and improvement of other commercial space. Both consumer and business services were greatly underdeveloped within the socialist economy and have experienced an unmatched boom in the last decade (Kovacs, 1994; Gritsal, 1997). These new service sector developments have encouraged a spurt of new office growth, both through construction and renovation, and a significant reshaping of urban skylines.

One important consequence of the retail and office expansion was the shortage of urban residential space. Cities under socialism tended to have high levels of domestic space in central areas. The weak development of business and consumer services reduced the pressure on urban space and resulted in less developed processes of residential suburbanization. Much former residential property has been transferred to non-residential use, through processes of restitution and privatization (Sykora, 1994). This often occurred in clear contravention of land-use regulations (Pichler-Milanovich, 1994) and had impact on the social composition of urban populations, whereby the poorer populations were forced out of the cities (Gdaniec, 1997). This gentrification creates major problems for meeting the housing need of lower income households. As housing markets develop and wealthier residents get access to mortgage finance, there are dangers that peripheral housing estates will become ‘ghettoised’ and become home to more marginalized groups (Sykora, 1999).

The major factors that lay behind the changes in the internal spatial and physical structure of cities are the concentration of employment opportunities in the service sector, changes towards globalization, growing awareness of environmental quality and the new urban planning models of sustainable development. Besides, the socio-economic transformation of former socialist countries towards
pluralistic democracy and market economies played an important role as well (Kaliopa, Dimitrovska and Andrews, 2005). The characteristic changes in the land-use pattern of post-socialist cities are similar to those identified in other European cities (Bourne in Kivell, 1993):

- Growth of the urban fringe, or suburbanization;
- Re-urbanization/revitalization of the central areas;
- Growth of need for infrastructure, especially transport;
- Growth and decline of particular urban junctions (e.g. relocation of industry away from city centers and establishment of shopping centers on the outskirts of towns).

These transformations of urban pattern are mostly a product of the restructuring of urban activities and social changes rather than of demographic growth. Although many opportunities exist in the large cities with respect to vacant land plots for development, many disputes about land restitution to former owners have limited the land development in inner cities. One solution for governments is the example of Berlin, with its 'Investitionsvorranggesetz' (priority of investment law), that enables the political authorities to grant the land in the city to high capital investors and merely remunerate the former owners (Keivani, Parsa and McGreal, 2001).

Commercial development constitutes an important force that has substantially contributed to a massive reorganization of land-use patterns in the CEE cities in the post-socialist era. Local governments in most of the former socialist countries have facilitated real estate and commercial property development using land in their ownership, together with development grants and the easing of planning control and land-use regulation (Kaliopa, Dimitrovska and Andrews, 2005). Comparable similarities occur when analyzing the revitalization process in historic cores:

- Concentration of commercial and government functions;
- Development of offices, multipurpose commercial centers and tourist oriented facilities, like hotels, restaurants and shops;
- Refurbishment of existing buildings predominates but new development is also present;
- Supply of land and buildings for (re)development has resulted from quick privatization of real estate and the sale or long-term leasing of vacant municipal land has facilitated private commercial development;
- Gentrification promoted by the private sector and city government (luxury municipal dwellings and reconstruction of dilapidated premises and attics into apartments).

More negative consequences of the revitalization processes are:

- The decline of residential function (e.g. leasing to commercial uses generates up to 50 times higher revenues than regulated rent from housing);
- Non-existence of detailed planning regulation that would constrain these changes: the city government has promoted commercialization by selling or leasing the last empty plots for commercial development, with lack of recognition of need for public purposes;
- Damage to historical heritage: conflicts between the interests of commercial developers and the protection of cultural heritage;
- Unsympathetic design of new buildings often does not fit or respect existing morphological context;
- Development control procedures have not been well used;
- Traffic congestion, parking problems: the decline of public transport caused by an increase in private car ownership and a shift in model split in favor of car use.
In the latter half of the 1990s, development interest moved towards certain inner city districts and outer city areas, as a result of structural changes and differentiation in commercial market demand and the scarcity of available land left in the city center. The urban changes that have occurred in inner city areas can be summarized as follows (Kaliopa, Dimitrovska and Andrews, 2005):

- Physical upgrading has been associated more with commercial functions than housing (e.g. secondary business nodes established in strategic locations near public transport and major roads);
- Revitalization of older neighborhoods with higher-quality residential environments, which had retained higher social status during the communist era (e.g. single family houses and villas and zones of apartment housing dating from the nineteenth century);
- Scattered housing (re)development: new apartments for sale in condominiums (virtually no new private rental housing), located in dispersed fashion on vacant zones in the inner city or at the edge of social housing estates. These residential complexes now form well-off residential enclaves within the existing structure of the city;
- Residential upgrading and gentrification of small pockets of original village housing in settlements which have been overrun by twentieth-century urban growth of the city;
- Differentiation of social housing estates (e.g. revitalization of housing estates in better locations, with improved public transport accessibility and ‘image’);
- Reduction of industrial uses: large redundant industrial and warehouse zones have been released for other uses, predominantly commercial development, shopping centers and housing;
- The changes in the inner cities not only had positive results, but also common problems occurred:
  - Degraded urban areas, areas of former industrial use, barrack sites and ‘black’ housing (housing built without planning permits);
  - Undeveloped local centers without clear identities;
  - Increasing social polarization of housing estates; problems of revitalization, maintenance and management;
  - ‘Edge city’ development jeopardizing of important established city center viability, reducing attraction for business and employment (e.g. shopping and business centers on the outskirts of towns);
  - Ad hoc infill development jeopardizing continuity of important established city-wide systems (e.g. open space and green areas networks, landscape structure);
  - In-fill development with no respect for the characteristic identities of established city areas.

The characteristics of urban change in outer city areas are as follows:

- Residential suburbanization takes several forms, such as speculatively built housing for sale or sale of plots for housing construction, transformation of existing villages by random developments scattered across the suburban area;
- Very limited involvement of foreigners in suburbanization;
- Residential suburbanization contributes to a reversal of the traditional socio-spatial pattern of the city, with the socio-economic status of population declining with distance from the centre;
- Commercial development has more significant impact on the transformation of outer city areas than housing construction (e.g. concentration in complexes built along major highways – ‘ribbon development’ – and important transport intersections and subway stations);
- An important proportion of retailing is moving to the suburban zone (e.g. out-of-town shopping...
centers) and suburban business parks and office complexes are being created (this is largely
in response to greater personal mobility with the rise in car ownership):
• No speculative industrial and warehousing development yet, but high potential for develop-
ment of industrial properties at the major junctions on the motorway network;
• Suburbanization is adding another ring to the existing spatial structure of the city.

Kalopa, Dimitrovska and Andrews emphasize that the most significant problems of urban change in
inner city areas are as follows:
• Coalescence of existing traditional village settlements into suburban agglomeration with re-
sultant loss of identity;
• Transformation and loss of identity of cultural landscape and cultural heritage;
• Pollution of underground water resources due to insufficient technical infrastructure and im-
proper waste management;
• Increase in individual car traffic with resultant congestion and decline in use of public trans-
port, leading to decline in service.

Tosics (2004) discusses the spatial changes and the link to urban planning and policy making. The
following text is based on his findings. As the post-socialist period in city development is dominated
by the private sector, the ownership of land is largely privatized, the public decision-making rights
are decentralized, the most dynamically growing areas of the city are those to where the financially
strong upper-class wants to move and the office and retail developers want to invest. The upward
mobile areas are therefore:
• The wealthy inner city areas (condominiums in centrally located residential areas, easily ac-
cessible mixed use areas);
• The examples of improving urban renewal;
• The target areas of the suburbanizing middle classes.

As a consequence of the pull effect of these dynamic areas, middle- and upper class families move
out from certain parts of the housing stock. In the lack of public interventions from the unwilling upper
level and the unable local (district) governments, some areas are quickly deteriorating. Amongst the
downward mobile areas are:
• The deteriorating, ghettoizing areas on the edge of the inner city (dominated by minority
ethnic groups and low income);
• The Brownfield areas;
• Some of the large housing estates (those which are the worst located, most difficult to ac-
cess);
• Some of the suburban settlements (being located at the edge of the agglomeration, offering
cheap real estate, becoming the target of 'social suburbanization').
2.3 General overview Czech Republic

Introduction

In order to get to the bigger picture, the most important aspects are presented in this section. The more deliberately described country analysis of the Czech Republic can be found in the appendix. One of the substantial effects of the socialist period, is the presence of deteriorated large housing estates, which nowadays lead to socio-spatial segregation (Sykora, 2004). The locations within the city that does attract the attention of investors are the city centre, zones in the inner city and suburban locations. These locations have experienced the most radical urban change. Besides the housing estates, the Czech government has identified Brownfields as problem areas. This does not
mean there are comprehensive urban policies for getting to the problem.

**Economic and social position of cities**

Since 1991, the Czech cities have encountered a rate of decline of the urban population, caused by out-migration and natural demographics. Aging of the city population was caused by the urbanization after World War 2 and results in natural decline. The city of Ostrava is different in this matter, with a younger age structure. Another demographic issue is the change of household structure, where the group of couples with children has declined with 9 percent in ten years, especially in cities.

After the economic transition, the local urban labor markets were strongly affected, with declining employment in the manufacturing and construction sector. Brno and Prague managed to switch to the service sector, resulting in new employment. The high unemployment level in Ostrava proves that they were less successful in changing the economic structure. The salary levels in the second tier cities is just above country level, far behind the city of Prague, which has an average of +40 percent on national level. The housing structure in the Czech Republic shows that 56.5 percent of the housing stock are apartments. This stock is largely represented in the large cities, where the level of rental stock is relatively high as well.

**Urban problems**

The main urban changes after the transition into a market economy were mainly influenced by globalization, public policies favoring unregulated market development, economic restructuring in terms of de-industrialization and the growth of producer services and increasing social differences (Reiner and Strong, 1995). The cities have been affected by uneven urban development, resulting in bigger contrasts between areas. Unfortunately, this process is neglected by the government on national level and left to local solutions (Sykora, 2004). Current development shows that more prosperous people move to new apartments in the inner city or suburban area. This leaves the poorer people together in large housing estates.

The country analysis shows that the urban problems considered by the central government are Brownfield sites and the housing estates. Although there is some attention for these two problems, substantial urban policies are still not in place in order to approach these problems. Furthermore, city population is declining and there is no match between the economic activity of inhabitants and the available jobs. Local governments now have to face these issues, because the central government is not coming with solutions. In the Czech cities, there is much attention for historical cores and the suburban areas. Sykora (2004) emphasizes, that physical plans are very important to control urban development, but that there is a lack of a common and coherent framework identifying problems areas and therefore governments miss the formulation of policies and programs.

The major change in physical urban space is the development growth in suburban areas. Closely related to that is urban sprawl, which is a more uncontrolled form closer to the city limits. The economic, social and environmental consequences of sprawl threaten sustainable development throughout the Czech Republic (Sykora, 2004). With the commercialization in inner cities, the share of residential land use declined, which resulted in out-migration. The trend from 1996 shows the introduction of shopping on suburban locations, which results in a shift of traffic streams, causing congestion. Together with the increasing use of car and decreasing use of public transport, prob-
lems are more likely to get worse.

Sykora (2004) emphasizes that the uneven urban development has an impact on urban space. Politicians see this as a natural outcome of the market mechanism and are more focused on economic growth, rather than balanced urban development.

**Urban policies**

The main national policies that have effect on urban development are housing policy, environmental policy, regional policy and support for FDI (Foreign Direct Investment). The general framework for the system of local government, local government finance and physical planning, provides the general conditions for the operation of cities in the resolution of urban problems (Balchin, 1999). The resolution of urban problems, including the use of national and supranational (EU) support is highly dependant on the rights, responsibilities and actual activities of municipal (city) government (Sykora, 2004).

Since the beginning of the 1990s, an increasing number of cities have been involved in the preparation of the municipal development programs referred to as strategic plans. Strategic planning has direct implications for the construction of annual municipal budgets, linking long term visions with the actual annual allocation of finance and the realization of specific projects (Sykora, 2004). Physical plans are the major instrument for cities to control the territorial development, including the location of new developments, the types of buildings to be constructed, the relationship between different functions and the main infrastructure.

**The organization of urban policy**

There is no integrated national urban policy in the Czech Republic, which leaves responsibility with the local governments. Urban development is strongly influenced by the financial situation of local governments. In addition, there are no national sources for problem solving. Despite efforts made, many cities still do not use land or real estate policies. The main problem of the central government policies towards urban issues in the Czech Republic is the lack of a common and coherent framework that would identify problem areas and attempt to formulate integrated, nation wide, cross-sector policies and program targeting urban questions.

Besides the general country analysis of the Czech Republic, this thesis will concentrate on its two largest cities (Prague excluded), as a part of the field research. According to statistics the cities of Brno (365,000 inhabitants) and Ostrava (311,000 inhabitants) can be determined as the second tier cities of the Czech Republic. In the appendix, the particulars of these cities and their current development issues will be described, whereas the general overview is described in chapter 4.
2.4 General overview Poland

Figure 6: Map of Poland.

Introduction

In this paragraph, the changes in the Polish cities will be discussed. Because it is impossible to present all of the changes, only the most significant and that have fundamentally character and meaning will be highlighted. In 1990, power in local units, also cities, was transferred to reborn local
government structures (Parysek, 2004). Local government became the basic territorial structure of civil society, and structure of local administration. Practically every Polish city has an approved strategy of social economic development and comprehensive program of the town’s development. One concern is the permanently tight and unbalanced budgets. Thus there is an imbalance between the remit of the municipal authorities as defined by the legislature and the means they have at their disposal.

**Economic and social position of cities**

With the economic transition the concealed unemployment rate was uncovered, resulting in high levels even above 20 percent in the beginning of the 1990s. The change of economic structure resulted in the following changes in big cities: Parysek, 2002):

- Appearance of stretches of streets offering prestigious shopping;
- Appearance of modern, though low standard, outlying shopping centers;
- Delineation and development of new investment areas, also on city peripheries;
- Modernization of communication routes and limitation of wheeled traffic in centers as well as the construction of car parks, including so-called ‘buffer’ ones along the margins of the downtown districts;
- Change in the model of residential construction manifesting itself in the building of small, often ‘closed’ housing estates with an atmosphere of their own. The architecture of which departs radically from the typical unimaginative blocks of flats of the socialist period;
- Undertaking of projects for the renewal of the historic urban architecture, including residential buildings, areas formerly industrial, transport, military use, old storehouses, and to a very modest extent high rise estates of the 1950s and ’60s;
- Development of single family housing in the suburban zone;
- Attempts at de-concentration of building, especially in compactly built towns, which is intended to improve the functionality of communication routes and ‘de-congest’ the downtown district.

The objectives and demands of a market economy raise the question of how the Polish cities should be modernized and whether the process of re-urbanization and re-industrialization should be introduced. The new regional structure indicates a basic trend, which is the collapse of the old industrial regions and the deepening relative underdevelopment of the eastern part of the country. The relative prosperity generated by the transformation along the western border contrasts sharply with the stagnation and persistent high unemployment along the eastern border with the former Soviet Union States. This regional situation is a concern of all urban areas and the problems exceed the capabilities of the local government.

**Urban problems**

The main urban problems in Poland are unemployment, housing shortages and technical- and social-communal infrastructures, as emphasized by Wedlawowicz (2004). The rapid increase in car ownership contributed substantially to the rapid initiation of urban sprawl around the largest cities and has strengthened the suburbanization process. An average of 10,000 hectares of agricultural land has been given away to urban development every year since 1990.
National urban policy

Nowadays governments have come to the conclusion that the market economy will not resolve all the problems, which has resulted in the fact that urban policy has become an integral part of spatial policy. The organizational problems of urban policy concern the crisis in management and administration at the urban level, particularly at the metropolitan level, whereas the many different boroughs within one city create coordination problems. Furthermore, local governments have limited financial and legal freedom of action for the solving of urban problems (Weclawowicz, 2004).

The revitalization of urban areas is considered the most challenging current urban problem. Local governments cannot cope with this problem alone, because they lack the financial aspects and the organizational capacity. A new National Development Plan 2007-2013 is now under construction. This will pay attention to urban issues, but the current stage of discussion is still far away from formulating a coherent urban policy in Poland (Weclawowicz, 2004).

Like the situation in the Czech Republic, Poland is going to the same process with many similarities in present issues. The collapse of the industry sector resulted in high unemployment numbers. There are large differences between regions in Poland, for example between Krakow and Lodz. Besides unemployment, other important problems are housing shortages and lack of technical and social infrastructure. Although the central government is working on new development strategies, the main problem is missing capital, therefore depending largely on private sector investments. Furthermore, because of inactive zoning plans, cities are unable to influence new investments. The city analysis of Poland, as part of the field research, will also concentrate on its two largest cities (Warsaw excluded). According to statistics the cities of Lodz (762,000 inhabitants) and Krakow (753,000 inhabitants) can be considered as second tier cities. Like the Czech Republic analysis, in the appendix the particulars of different cities and their current urban development issues will be outlined.

2.5 Conclusion

Many sources of literature describe the influence of socialist period on the development of Central-European cities, and emphasize that the socialist regime did influence the cities and determined in many cases the way Polish and Czech cities currently are. During the 40 years of socialism, the accent in cities was on heavy industry and economical solutions for the accommodation of workers and their families resulted in prefabricated housing estates. This had and still has its effect on the physical and economical structure of cities. After the transition to a market economy the development of cities faced accelerated economic and urban development, although negative aspects were neglected resulting at considerable issues at present time in many cities. In literature, the role of the government is described as important but incapable to solve problems, because of incompetence, missing policies and legislative fundament and most of all the lack of funds. As new policies are developed, more attention from national level is requested in order to help local governments with their struggle for balanced urban development.
3 Urban restructuring framework

3.1 Introduction

Exploring the particulars of the post-socialist countries and the development of their cities requests more insight to aspects that are related to urban development and could contribute to the formation of the general restructuring strategy, which is the objective of this thesis. With respect to urban development, aspects like important actors, development process and strategies, particulars of major problems and examples of solutions should provide more affection with the subject and aspects that play an important role. With respect to restructuring of cities, it is important to describe the meaning of it. Whereas the word restructuring is used more often with respect to urban redevelopment, two definitions express the meaning of this word regarding to this thesis:

- 'Quality impulse to increase the social and economic vitality of an urban area by strengthening the structure of the urban area and with that makes a positive contribution to the city (Klaren, 1999).'
  Note: Most of the time restructuring is all-embracing and therefore focuses on leisure, retail, housing and offices.

- 'Concept by which several directed policy measurements are indicated, which are focused on the physical-technical aspects that have social economic consequences for the living environment (Keeris, 2001).'
  Note: The concept of restructuring is nowadays seen in the context of city renewal. This renewal calls for an integral approach of the problems risen on regional and city level, as on neighborhood and district level. With that, three highly related points of interest can be distinguished. These are the physical/technical quality, the composition of the service level of the built environment and the economical and social aspects.

3.2 Important city characteristics

With the problem solving way of thinking in mind, it is important to know more about aspects that literature points out as most important. Observation of four cities indeed proves the aspects that will pass in review are considerable issues in Central-Europe. Therefore, the particulars of these issues are pointed out in the following section.

Large housing estates

One of the most noticeable features of the new accession countries’ housing systems is the high level of owner-occupation. They are far higher than the old EU15 average of 65% of all dwellings. Only the Czech Republic has a relatively small share of owner-occupation. Yet, it has a co-operative sector where rights can be bought and sold, which accounts for 17 percent of the stock. The Czech Republic has recently suspended further housing sales, although other countries are still keen to extend the further progress (Ball, 2005).
Several difficulties have arisen, which are:
- Poverty and ownership: Many new owner-occupied households, especially if they are not
working, have very low incomes and as a result, have been able to do little with their properties. Apart from the implications for those households, this has frozen housing transactions in wide parts of the stock, which in any case were generally low and created difficulties in renovating rundown buildings;

- Institutional gaps. Many of the institutional arrangements associated with developed owner-occupied housing markets are still early stages in Central and Eastern Europe, such as well-defined property rights, easy marketing and transfer of property, insurance in various ways, good valuation and building quality assessments and effective mortgage finance. Efforts to overcome these problems are initiated, but it will take years before the results become fully embedded into the framework of housing markets;

Great attention in Central-Europe has been focused on mortgage finance in ways that have few parallels in the Western European tradition. Mortgage borrowing has been seen as the keystone in transition to a normal financial and market-based housing system. Many of the CE governments provide mortgage interest tax relief and subsidize long-term housing savings schemes. There have been some notable increases in the use of mortgages, but despite the scale of activity and subsidy, mortgage lending has not developed to become anything like as significant as it is in Western Europe (Ball, 2005).

Many sources of literature who discuss large scale housing estates in the Central European cities describe the current situation as problematic, highlighting the poor quality of the post 2nd World War prefabricated housing estates in the inner cities. With regard to the real estate development process, where the owner of real estate is an important actor, it is interesting to focus on the background and the current situation. One could raise the question whether there is a problem or not and what is the point of view of the inhabitants about the housing blocks. Looking through the eyes of a Czech or Polish dweller it becomes clear that high quality housing is not their first priority. Not only are they used to live under these circumstances for years, their newly obtained ‘wealth’ is spent on other things like a mobile telephone, a new car or holidays. While the large post-World War two housing estates are often seen as not so very nice places to live in, the opinions of the inhabitants themselves show a large differentiation, which in fact implies that judgments and stigmas should be encountered critically (Musterd and van Kempen, 2005). Only when the ‘societal urgency’ is high enough and people are demanding better living standards, than it is really a problem. This demand of better housing is growing, caused by increasing gas prices and energy bills. Municipalities move the problem of deteriorated housing stock higher on the priority list, together with their focus on other large problems like former industrial sites with contaminated soil. Problems concerning soil sanitation and environmental issues are more demanding. An important aspect of an initiative for these areas is to evaluate public and private level of demand/urgency for new developments. Furthermore (local) governments should be well organized on the different levels that can be distinguished, as can be seen in this figure. On the strategic level a vision is formulated for the city as a whole and partial plans exist to point out which are the key elements and locations in the urban development of city. It is important to set up a planning, for both a short term as well as a long-term time span, because of the
period of government of four years.

The problem of local governments is the focus on short term planning, because they endeavor results that shows the ‘successes’ of their period of government. The tactical level departs from the question what can be realized, which depends on the tactical work of stakeholders. Finally, the operational level deals concretely with the fact how things will be realized. In the case of the housing market the key issue is the existence of mixed ownership in housing estates. It is important that (local) government actively searches for a solution, which probably will not be univocal. The background of this problem is relevant when searching for solutions and can be described as follows.

The current situation on the housing market is characterized by the mixed ownership in housing estates which occurred during the economical transition period. In this period, residents offered the chance to buy the apartment they were living in. The money flew back directly to local government officials, who did not make reservations for future developments. Many residents who obtained housing property traded their ‘property rights’ to other buyers (slumlords), or kept it in order to sublease it to other people. This aspect resulted in a very nontransparent housing market situation. Furthermore, there were residents who did not accept the governments’ offer, because rents were very low and not even sufficient to keep up maintenance.

Buying the property would lead to an increasing cost of living. In the years after the owner ‘swap’ people who did not buy their dwelling also started to sublease to other people. Next to that, municipalities brought the remaining rental dwellings together in a municipal ‘housing company’. Due to this there existed several different types of ‘ownership’ within one housing estate. The different groups of interest, local government, property owners and tenants, are represented in an association of proprietors. Because there are tenants and property owners in one building and brought together in the association of proprietors the municipality foots up the bill of maintenance, although there is no money available. When governments determine to take hold of the situation, they can try to move the dwellers out of the housing estates they want to renovate or demolish, by displacing residents from one estate to another, so that complete housing estate will become free of occupants. This is a time consuming method, but it reduces the costs for local governments to get vacant buildings in order to attract and stimulate new inner city developments. The shortage of money for maintenance started to become a large problem, because the quality of the housing estates from the point of completion decreased in a steady pace, intervening maintenance only kept the quality on the same level for a minimum period of time. Nowadays this level has dropped to a certain new minimum. Only because residents share the opinion that the quality aspects like safety, public health and hygiene are sufficient, people
are not complaining. The quality of housing keeps dropping, while there is not enough money to perform maintenance work. A probably useful approach for the deterioration problem is one where governments and property owners are learned to understand that the housing estate they own, represents a certain value. When they realize this, it is possible to move forward to the next step and that is value management and quality improvement, because when this is applied it becomes clear that a dwelling has increased in value. This will lead to finance-ability, because when people realize that a dwelling represents a certain value, a mortgage can be negotiated. In order to realize this scenario and start this way of thinking, an organizational and institutional framework has to be erected by the government which focuses on this matter.

Other, more legislative acts are introduced in countries like Hungary and Slovakia. In Hungary for instance, the Condominium Act has been amended, which decreases the 'blocking right' of the minority of owners in the case of decisions on renewal. Furthermore, some subsidies have introduced to stimulate the renovation of privatized, multi-family buildings. Besides, attempts in Slovakia have been done in order to strengthen condominiums by raising awareness among condominium flat owners about their homeownership obligations and to attempt to improve the efficiency of management and renewal (Tosics, 2004).

In 'Restructuring large housing estates in Europe', Hall and Rowlands (2005) argue that the regeneration process represents an excellent example of ‘place making’. By which the promotion of the social, economic and environmental well-being of diverse places (large housing estates) and the development of institutional capacity to achieve this is meant. Although Hall and Rowland (2005) focus only partially on Central European countries, the emerging trends that are recognized correspond to these countries as well. These are:

- The decline of manufacturing industry as the key economic driver and its replacement by the ‘knowledge-based economy’ (based on the application of information and computer technology, innovation, research and design and the pursuit of added value in the production of goods and services);
- The fragmentation of conditions of work, including the decline in collective labor organization and class based politics, the polarization of the labor market between well-paid skilled workers and ‘disposable’ unskilled labor, plus persistently high levels of unemployment;
- The fragmentation of consumption, including greater gender, ethnic and environmental sensitivity and the increasing diversity of lifestyle choices;
- Geographical fragmentation, including the polarization of disadvantaged residents of declining urban neighborhoods, including large estates and ‘growth’ poles elsewhere.

These changes have important implications for place. First, new urban forms have arisen in response to the perceived failures of the past, including those associated with large estates. Dominant contemporary urban ideals (the compact city) prioritize compactness and social and land-use mix in order to facilitate social and economic interaction and reduce car use. Furthermore, the political, economic and social assumptions that underpinned the planning, development and management of the large estates are no longer relevant. Hall and Rowlands (2005) argue that the new order of

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**Number of dwellings built per 1,000 inhabitants**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>2.5</td>
</tr>
<tr>
<td>Poland</td>
<td>2.3</td>
</tr>
<tr>
<td>Hungary</td>
<td>2.2</td>
</tr>
<tr>
<td>Slovakia</td>
<td>2.4</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.4</td>
</tr>
<tr>
<td>Lithuania</td>
<td>1.1</td>
</tr>
<tr>
<td>Slovenia</td>
<td>3.1</td>
</tr>
</tbody>
</table>

*Figure 10: Number of dwellings.*

*Source: Housing Development in EU countries, 2003*
urban governance is characterized by:
1. Diversity as a wide variety of stakeholders are potentially implicated;
2. Fragmentation, as political power is diffused between a variety of individuals and institutions;
3. Uncertainty, as social, economic and political change is an ever present reality.
This is why 'place making' through collaborative planning becomes an obligation – to increase strategic governing capacity and reduce conflict and uncertainty – and a challenge. More information with respect to place making is stated in the appendix.

Another relevant aspect of the restructuring process is existence of social cohesion and its relationship with the ethnically mixed population composition of large housing estates. Certainly in North West Europe an increasing share of the population is of non-native origin, presenting a challenge to social cohesion. This is comparable with the situation in Central Europe, where the Roma population can be seen as the 'social excluded' population. In general, social cohesion is a positive factor, which may help overcome the differences between groups. Social cohesion is a goal to be pursued to help the regeneration of the large housing estates. It is important though, to consider whose cohesion it is that is being pursued, since too much cohesion within one group can easily lead to exclusion of another group.

The future of social cohesion in ethnically mixed large housing estates lies in accepting the fact that they are increasingly multi-ethnic and will not form one big cohesive community. Cohesion then takes the shape of mutual respect for differences based on commonly agreed rules about society's organization. In order to include all groups, democratic principles that allow all groups in the estate to become active in shaping their own lives should be followed rather than principles based on religion, prejudice or national history (Dekker & Rowlands, 2005).

It is not exceptional for policy makers to believe in physical determinism and use the instrument of physical restructuring to resolve social problems. The suggestion that there is a link between the physical and social condition of an area is increasingly supported via two policy trends that seem to prevail in Europe today. One refers to the emphasis on the use of 'integrated' policy programs. Although this concept is vague, many policy makers derive from it the belief that they should deal with physical, social and economic interventions simultaneously. This kind of integration suggests that there are strong relationships between these dimensions, which can easily result in the development of physical plans to resolve social problems. The second policy trend that supports the linking of social and physical issues is area-oriented targeting. The suggestion here is that most problems are capable of being resolved within a specific area. If these problems are predominantly social, physical measures will also still be directed to these areas (Musterd & Ostendorf, 2005).

In general, the link between physical characteristic (number of stories, number of entrances per building) and social characteristics (vandalism, graffiti, unemployment) is strong, but probably caused by a third set of intermediary variables, such as the housing allocation strategies of local government authorities (putting 'problem families' into unpopular neighborhoods). Support for large-scale housing restructuring, aimed particularly at the post-war high-rise estates, has continued up to the present day. This continuation may partially be understood by the fact that physical interventions, through demolition or otherwise, do not always aim to bring back the former residents or resolve the social problems in the metropolitan area. Furthermore, Musterd and Ostendorf (2005) share the opinion that there are two solutions for socio-economic problems and one solution for physical
Problems, as the table below will show:

<table>
<thead>
<tr>
<th>Association between types of problem analyses and types of policy solutions:</th>
<th>Problem analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Socio-economic</td>
</tr>
<tr>
<td>Solution</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Table 1: Intervention model large housing estates
Source: Restructuring large housing estates in Europe, 2005

With respect to existing literature regarding the impacts of displacing people from the restructured housing estates, the relationship between the social and physical character of problems and solutions, several ways of thinking point out the emerging visions of the large housing estates.

Öresjö (1999) emphasizes on the strategy of large-scale restructuring projects to avoid concentration of poor households in the most problematic areas (read: the areas with high ethnic concentration). The intention was to attract more middle- and higher-income people to settle in polarized areas. One of the inevitable aspects in the process of urban restructurin is the displacement of low-income groups, because adequate accommodation cannot be offered to everybody in the same area. Urban restructuring does not lead to the resolution of social problems, but merely their relocation: in particular it is the people in a relatively weak position who leave the area of urban restructuring and move to other disadvantaged neighborhoods. When displacement effects take place, the impact of displacement can be relatively mild if sufficient accompanying measures are taken (Musterd & Ostendorf, 2005).

The current situation concerning the large housing estates in Europe and the solutions that come out, like demolition, can be arranged in a theoretical and practice framework. The arguments put forward to explain demolition have to be considered with care, because they are specific to each estate and each country and accord with the relevant social, economic, political and cultural history. The different points of view are outlined in the appendix.

**Brownfield regeneration**

Definition:

- 'Brownfields refer to territories which have or had been built up or which have been affected by the extraction of mineral resources, waste disposal or use for military purposes.' [www.czechinvest.org](http://www.czechinvest.org)
- 'An abandoned, vacant, derelict or underutilized commercial or industrial property where past actions have resulted in actual or perceived contamination and where there is an active potential for redevelopment' (NRTEE, Canada).

According to Alberini, Longo, Tonin, Trombetta and Turvani (2003) Brownfield clean-up and reuse are attractive to communities and policymakers for three reasons. First, Brownfield cleanup reduces the adverse effects of the site's soil and water pollution on human health and ecological systems. Second, the reuse of Brownfields helps stop the conversion of Greenfields and rural sites to urban areas and other development patterns that generate environmental problems, congestion and sprawl. Third, redeveloping abandoned industrial sites promotes economic growth in inner cities.
and is, therefore, a potentially important component of sustainable growth (Alberini, Longo, Tonin, Trombetta and Turvani, 2003).

Although change of urban land uses is not a new phenomenon, market dynamics and urban development forces were usually sufficient to keep pace with the amount and the increase rate of these sites to avoid the disintegration among new and old structures. It usually took the form of a replacement of an old structure with new ones. Different factors in the last two decades had increased the pace of this change to a new dimension. While earlier changes took the form of addition to the urban structure, the current changes can be described as a substitution of existing structures. Technical innovations, new organizational concepts and political shifts, combined with the changing market dynamics in the fields of production, services and infrastructure lead to radical changes in the distribution patterns of these functions and hence in the spatial structure of cities generating many abandoned and under-used Brownfields in many cities (Elgendy, Seideman and Wilske, 2006). These areas are often very complicated to be redeveloped and to be integrated in the urban structure because often the ownership situation is complex, there is lack of investors’ interest, the high financial risk is there and the complexity of coordination among the usually large number of concerned actors is present. These circumstances lead to economic disintegration of large areas or even whole districts and social segregation in the cities. Market dynamics and formal planning alone have proved to be insufficient for reintegration these areas again in the urban structure of the cities. Furthermore, development of such areas usually requires more time and effort in planning and coordination among the usually large number of concerned actors (Elgendy, Seideman and Wilske, 2006).

The regeneration of Brownfields is a key part of reducing Greenfield use. Land recycling is thus an important part of any land use management strategy. Mobilizing the potential of Brownfields in towns and cities depends crucially on the initiative and commitment of both public and private stakeholders, who determine events on the land through their activities, utilization and intervention. The systematic rehabilitation of Brownfields requires the integration of their potential in the land use cycle, which is illustrated below in figure 11. However, until now the necessary planning, cooperation, information, management and financing incentives have not been in place. A further consideration is municipalities’ virtually unbounded willingness to release land for construction, as they continually chase financial gain by tempting new residents and businesses and thus neglect fiscal consequences of such expansion as well as demographic developments. This especially dampens the prospects of mobilizing Brownfields in cities and regions with a surplus of space for housing and industrial projects in their green belts (Preuß and Ferber, 2005).

Besides the general need for greater awareness given the long-term economic, social and environmental impact of the continued expansion of residential areas and transport infrastructure, land utilization must be subject to binding quantitative and qualitative supervision. Various approaches, such as introducing binding regional and construction planning regulations, reforming the real estate tax system or the system of municipal financial equalization and trading in land licenses, are the subject of intensive debate among experts. Only a suitable mix of planning, regulative law and fiscal approaches will guarantee long-term success in sustainable land management, according to Preuß and Ferber (2005).
Despite the negative image of Brownfield regeneration, there are opportunities for both the public and the private sector initiative. One reason for the private sector to develop a Brownfield site is the locations which may offer exceptional profits from successful redevelopment. Besides, from a public sector point of view, the development may contribute to both the economic and community development goals of the municipalities in which they are located (Meyer, 2000).

Literature about this subject from the United States argues that the costs and risks associated with the reuse of these sites makes them uncompetitive with Greenfield development. The obstacles to the redevelopment of Brownfield sites are real, but recent experience demonstrates, that despite the problems, Brownfields redevelopment is possible and rewarding. Brownfield regeneration brings benefits beyond the extends of the site itself to the wider community which are (Meyer, 2000):

- The possibility of new employment for local residents;
- Reduced risks from past contamination and a lower likelihood of additional pollution;
- Increases in the tax base associated with new activities;
- Increased attractiveness of the community at large to other new businesses;

The public sector should look beyond the site-specific impacts to consider the broader community impact as well.

Each Brownfield site is a mirror of the activities which took place when the site was used by industry. Whereas Greenfield sites are virgin sites free from manmade obstacles, Brownfields often contain a conglomerate of buildings, infrastructures and industrial residues of varying toxicity. These include environmental contamination, industrial equipment and foundations, sealed surfaces, fences or walls and underground technical networks, which may not be known of in advance. In addition, Brownfield
sites are connected to transportation, communication, power and even social facilities. Although the capacity or standard of this structure may be insufficient for proposed urban developments, its existence is of enormous physical as well as legal importance. The fact that Brownfields are already incorporated into the urban fabric and surrounded by urban uses sets distinct limits to the additional traffic capacities required when underutilizing is extinguished and urban densities increase. As a result, the provision for sufficient transportation capacities is one major bottleneck planners have to be aware of in reuse schemes (Koll-Schretzenmayr, 1999).

Brownfields also lack acceptance as potential development sites due to potential developers’ fears that these sites cannot compete with Greenfields at other levels. Often these fears are based on misconception or lack of information concerning site preparation, cleanup costs and land acquisition. Because physical and financial obstacles tend to dominate the conception of Brownfields, unique qualities of these sites which may increase their redevelopment potential are often neglected (Koll-Schretzenmayr, 1999).

The investigation of case studies by Martina Koll-Schretzenmayr (1999) has revealed that urban planning concerns are neglected to a very high degree during Brownfield redevelopment. Planners primarily pay attention to urban design instead. As the planning process for Brownfield redevelopment can be complex and complicated, failure of redevelopment projects is caused mainly by overlooking essential procedures within the planning process and basic interdependences between single procedural elements. One of the most critical elements influencing Brownfield development is soil contamination. The precise localization of soil contamination on a Brownfield site is the vital precondition for placing uses, preparing a comprehensive plan and setting up necessary legal requirements. The different case-studies also reveal that strategies in use for the redevelopment of Brownfield sites are predominantly derived from typical strategies for Greenfield development. Therefore, the practice of site partitioning and step-by-step implementation of separate subsections of the site is quite widespread.

**Situation Poland**

Post industrial land (Brownfield) development policy is taking shape in Poland and efforts are being made to add value to such sites and assist with the regeneration of urban city centres. Nevertheless, the so called “blighted land” syndrome due to actual and often perceived risk of contamination has resulted in investors opting for Greenfield sites. The problem has been exasperated by the introduction of stringent contaminated land remediation standards which in effect drastically increase the cost of developing Brownfield sites in Poland. The need for a practical Brownfield strategy is required for future sustainable development of urban areas in Poland. The EBRD bank encourages Brownfield redevelopment directly and indirectly through involvement in projects and real estate Funds developing Brownfield sites in the region. (EBRD, 2006)

**Situation Czech Republic**

In the Czech Republic there is no unified national funding stream for Brownfields regeneration. Rather, funding of individual projects takes place via a range of mechanisms. These include European Union, National and Regional sources. However project implementation is left mainly to local decision making. CzechInvest is involved in national policy formulation and in influencing the distribution of funding. Like Poland the Czech Republic has a National Brownfield Strategy in draft form with the final version being expected at any time. (Anchor and Lungová, 2006)
Based on the results of three cases from Stuttgart, Milan and Budapest, Elgendy, Seiedermann and Wilske (2006) come with an illustration of the common aspects regarding the conflict between market-driven planning that is based exclusively on formal processes and the sustainable development of the site, the district and the cities. These aspects are mainly related to the circumstance of the development inside the city in an existing structure following the market orientation. These aspects are:

- Planning responding only to direct market forces, without considering the special requirements of Brownfields comes up with solutions that can not be economically feasible;
- Planning for sites inside the city often come up with plans that cause external indirect costs (e.g. for infrastructures, street networks). Legally, investors are usually not obligated to pay these costs. Meanwhile, public administration is not willing or can not pay these costs. This situation in a formal planning process leads to a blockade situation or the failure of the whole project. Investors are often not aware of the interconnections between the needed measures in the surroundings and the success for the project;
- Planning reacting to short-term market demands may lead to the failure of the development. Flexibility in market driven planning is often missing. It usually sets a special profile reacting to the current demands or estimated demand without considering possible changes during the long planning and implementation process;
- Dealing with development of inner city sites often requires dealing with other sites that are interconnected in their development. It is not the role of investors to look for the overview about this aspect, but it is the role of the city administration to achieve this overview and to keep it actual. This type of development requires dealing with different actors: owners, investors, inhabitants and also different departments in the city administration. The needed information and coordination to deal with this type of sites is widely spread and often not accessible to all actors;
- For the city administration which has to deal simultaneously with hundreds of such sites it is important to estimate the availability of each site or a group of sites on the time axis. This information is important to find out where and when an active development is needed.

3.3 Ingredients for successful project development

Alexander Garvin focuses on project ingredients, which have to present in a new real estate development project and discusses them in relation to multiple situations. The six ingredients that must be dealt with for any project to succeed are: market, location, design, financing, entrepreneurship and time. If any of these six ingredients is absent or if they are not combined in a mutually reinforcing fashion, the project will fail. Understanding of how these elements operate and interact will increase the likelihood of favorable results (Garvin, 2002). This can provide a guiding principle when starting new projects in their municipality. Although similarities occur between problems in US cities and Central-European cities, local conditions play an important role as well.

<table>
<thead>
<tr>
<th>Description per sector and ingredient</th>
<th>Markets</th>
<th>Retail</th>
<th>Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Urban planning prescription must reflect both market demand and supply. The demand side requires user population with enough spending power and the willingness to spend it.</td>
<td>As long as there are more convenient or attractive alternatives, no new retail facility is likely to capture any significant share of the market.</td>
<td>Physical reconstruction is not a solution to urban shrinkage. It may make city districts safer or more convenient. Where consumer demand is strong, redevelopment can provide cities with the means of retaining its customers. It is more difficult to assess the effectiveness of residential redevelopment as a device for retaining population.</td>
</tr>
</tbody>
</table>

Table 2: Description per sector of markets
Source: The American City by Alexander Garvin (2002)
### Description per sector and ingredient

<table>
<thead>
<tr>
<th>Location</th>
<th>General</th>
<th>Retail</th>
<th>Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two elements are important: a site's inherent characteristics and its proximity to other locations. Proximity is time and space. The spatial dimension of proximity involves independence with neighboring areas. Recognition of changing demand for different locations is often quite slow.</td>
<td>Government should consider assistance only to projects that bring new customers, rarely pilfer customers from other retail facilities and generate additional activity in the surrounding neighborhood.</td>
<td>Inner-city redevelopment becomes more feasible when it does not involve complete clearance and retained economically healthy businesses or when it removes land uses that have serious negative impact on surrounding properties.</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Description per sector of location  
Source: The American City by Alexander Garvin (2002)

<table>
<thead>
<tr>
<th>Design</th>
<th>General</th>
<th>Retail</th>
<th>Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>The physical manifestation of any prescription and therefore is integral to its success or failure from time of inception. Enduring aspects of design are: the arrangement of project components, their character and landscaping, the relative size of those components. Each element affects a project's utility, cost and attractiveness.</td>
<td>When an area is losing its market to other, better functioning facilities, the best way to fight back is to augment existing retail structures with similar up-to-date alternatives. Important to pay sufficient attention to the movement of customers as they make their way to their destinations, when developing new retail space. Character is as important to the design of shopping facilities as the organization of its constituent parts.</td>
<td>When redevelopment consists of an independent project rather than a network of interconnected projects, neither the project nor the surrounding city can benefit from that development. New buildings whether well designed or not, are not the key to economic or social revival. A decaying integration of the old and new buildings is important. Large open areas are no more inherently incompatible with an exciting urban development than new buildings. When they take form of the vast emptiness of many redevelopment projects, they deaden rather than revitalize the city around them. Urban areas need open spaces that attract people and the activities that they bring with them. Important elements are a reinforcing interaction among the project's retail customers, residents and office workers and a synergistic relationship between the project and the rest of the city.</td>
<td></td>
</tr>
</tbody>
</table>

Table 4: Description per sector of design  
Source: The American City by Alexander Garvin (2002)

<table>
<thead>
<tr>
<th>Financing</th>
<th>General</th>
<th>Retail</th>
<th>Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>When this involves governmental action the financing comes from taxes. Financing is essential to private sector activity. Privately financed projects need capital to cover start-up costs, short term development loan to pay expenses until it is operational and a permanent mortgage to replace the other two when the project is complete and tenanted. Establishment of mortgage insurance programs may lead to an increase in housing construction.</td>
<td>Developers find it difficult to finance retail revitalization schemes, because banks and insurance companies are wary of investing in areas with vacant stores and deteriorating retail facilities. Government should reduce this risk by participating in project planning and assisting in property acquisition. Government can provide money without appearing to subsidize the developer by assembling and holding the site until it is ready for development, eliminating real estate taxes during the holding period and covering the cost of carrying the property until permanent financing can be arranged.</td>
<td>Development sites are sold at a price that reflects the 'highest and best use' of the property. In redevelopment projects, sites are sold at a lower price that reflects the reuse specified in the redevelopment plan. Inevitably, the actual costs of acquiring, carrying and preparing the property for this reuse will exceed even that lower price. By subsidizing the difference between the gross project costs and a resale price that is justified by this planned reuse, government makes that reuse financially feasible.</td>
<td></td>
</tr>
</tbody>
</table>

Table 5: Description per sector of financing  
Source: The American City by Alexander Garvin (2002)
Entrepreneurship

Each prescription requires talented public and private entrepreneurship. Without the extra drive that entrepreneurs supply, the other players would be overwhelmed by uncertainties of the market place. Entrepreneurs search for best profitable developments with a minimum of risk. A successful combination of activities of bankers, bureaucrats, property owners, developers, architects, engineers, contractors and other actors are needed for revitalization. The difference between private and public entrepreneurial activity is the form of payment.

Retail

Automobile made mass marketing possible. When businesses are uncertain about an area or a project, government participation can help overcome this hesitation, coordinate the various players and take the necessary risks. It can do this by analyzing the market, planning the project, acquiring the property, and sometimes relocating tenants and preparing sites for development. That leaves the ultimate developer with the no less difficult job of finding retail tenants, putting the financing together, building the project and operating the facility.

Housing

Just as financing has to be provided for both the site and for development, so does entrepreneurship. An intervention of the government was the introduction of public competition when offering important parcels for development. Each developer/architect team had to demonstrate its ability to design, finance and build its proposal. Other sites were sold directly to users who had the necessary financial strength to develop them.

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Table 6: Description per sector of entrepreneurship
Source: The American City by Alexander Garvin (2002)

<table>
<thead>
<tr>
<th>Entrepreneurship</th>
<th>General</th>
<th>Retail</th>
<th>Housing</th>
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<td></td>
<td>Each prescription requires talented public and private entrepreneurship.</td>
<td>Automobile made mass marketing possible.</td>
<td>Just as financing has to be provided for both the site and for development, so does entrepreneurship.</td>
</tr>
</tbody>
</table>

Table 7: Description per sector of time
Source: The American City by Alexander Garvin (2002)

<table>
<thead>
<tr>
<th>Time</th>
<th>General</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Three time sequences affect success: 1. The period during which a person passes through an area. 2. What will occur 24/7. 3. May take decades, during which political and financial climates will change many times. Important that diversity of uses are there, that give each other constant mutual support both economically and socially. A district should attract people for different purposes at different times of the day. Successful planning also requires a strategy that will remain appropriate over long periods of time. The only way to ensure that market demand will spill over into the surrounding area is to plan NOT to satisfy that market within the project. For a project to generate a sustained market reaction in surrounding areas, it must exploit linkages to those areas.</td>
<td>It may take years to put together a retail revitalization scheme. The government can use its power of condemnation to shorten the time needed to assemble a site. By purchasing the site and holding it until a project is ready to go, it can eliminate the cost of carrying the property (e.g. interim interest, real estate taxes and operating expenses). The single most important time period for the financial success of any shopping facility is the time customers spend there. If the time that customers spend in a retail facility is central to its financial success, the time they do not spend there is crucial to the health of the surrounding city. Retail revitalization schemes that minimize downtime are very cost-effective. They also produce a level of vitality that cannot be duplicated by dividing land uses and activities among separate districts. The unintended consequences of inadequately conceived retail revitalization projects arise because public officials focus their attention on specific projects, rather than on the community as a whole. When government money closes the gap between available private financing and project cost, the public should get a commensurate return on its investment.</td>
</tr>
</tbody>
</table>
3.4 Participating parties

Public sector

The public sector has an important role in the management of spatial restructuring in post-socialist cities. The post-socialist countries face the similar difficulties in complex urban challenges, the Western European countries faced in middle of the 1970s. Western European countries response was the development of integrated public policies. In the case of the post-socialist countries the partly similar changes happened with two decades' delay. The effects of the market-oriented changes were partly different in Central Europe, because of the different development path. The origin was to be found in the fact that the market-oriented changes of the early 1990s led to more sudden and dramatic increase of social inequalities and the fragmented and privatized circumstances of the post-socialist period made it very difficult to develop new, integrated policies.

The current proceedings of the government are not satisfactory, with respect to the regulative function in the quick market development. The reason for that is that the local public sector in the post-socialist cities is poor en very much limited in power. The fact that the budget allocated by the central government to local governments is not adequate enough for municipalities to fulfill all their tasks and responsibilities lies on the bottom of this problem. Next to that the local government is only to a limited extent able to get the real price from the private actors for services and for real estate sold to them:

- In the first stage of transition the private actors simply did not pay the price, because in the vacuum period there was no clear regulation and enforcement;
- In the second stage private actors start to pay some price, but this was collected and used on another level of government and private actors were for a increasing part unable to pay the prices;
- The third stage of transition the payments should come to the city level and an income tested overall social subsidy program should enable private actors to pay;

Under the give situation the local public sector is unable to exert real influence on the market processes. Not even an equal partner position is possible with the private sector in PPP, as the public sector has to hand over extra rights to the private partners to compensate them for the missing public contribution (Tosics, 2004). An example was the development in Zugló (Hungary), where instead of the local government the developer financed the decontamination of the land. In return a higher building density was allowed, which had negative consequences for neighboring residents.

Local governments can try to face up these existing shortcomings by focusing on strategic planning, but it is very difficult to gain control over regional development. Compared to the public sector of Western countries, the Central European cities are very much lagging behind in the level of control over market processes. They are also criticized by other stakeholders, like developers who argue against more public control, because the public sector should withhold development with unnecessary regulations. On the other hand, environmentalists claim that they are too weak and corrupt to regulate private development.

The current situation shows that there are still substantial barriers impeding the expansion of public control over market processes. In the near future this will continue to lead to problems between the municipality and districts (green areas, building rights), surrounding settlements (spill over effects of development), private developers (shopping centers) and residents, without easy solutions (Tosics, 2004). There are two reasons, why the territorial conflicts are still not extremely dramatic in the post-socialist cities. First, the size of the lowest class of society is relatively low within the urban population (with a still insignificant share of immigrants in most countries and the excluded roma population which is not overrepresented in the cities). Furthermore the opportunities of the higher classes of
society to carry out housing market mobility towards segregated high prestige areas are up till now quite limited, but is changing fast, as the supply of high quality new housing is increasing. Tosics (2004) predicts that further delays in the development of integrated public policy that answers to the emerging challenges of market development will lead quickly to similar dramatic conflicts, like the ones in many Western European cities one-two decades ago.

In general there are four particular ways (apart from the planning system) in which central government helps set the framework for the development process. In the first place, the level of development activity is directly influenced by government economic policy. Relaxation of monetary restriction, for instance, can stimulate economic growth and development initiatives. Secondly, the balance between public- and private sector development reflects the severity of any restrictions imposed on capital expenditure in the public sector. Thirdly, through taxation incentives, central government can enhance the comparative attraction of property as a form of investment or of particular locations or types of property. Finally, urban and regional development policies pursued by central government can help stimulate development in the private sector or involve development in the public sector (Adams, 1994).

Besides these key ingredients for ‘success’, there are other aspects that are relevant in the process. Certain aspects should be kept in mind by the government when dealing with inner city restructuring (Garvin, 2002):

1. Know the problem, taking into account that choices depend on market insight;
2. Organization, in which planning and value management are crucial;

Furthermore, it is necessary that (local) governments get more insight in the way processes elapse in society. It is important to know the many aspects that have impact on the whole process and situation. This complicated situation can be dealt with by planning in phases, in which one have to keep the size of the scale in mind. Another typical inner city restructuring problem is the problem of ‘free riders’, in which the current real estate owners benefit from investments done by other actors. Local governments should therefore strive for a ‘level playing field’, to make sure that everybody’s interest is served equally by honestly splitting the costs and revenues. Proportions between the different actors should be kept in mind. This ‘level playing field’ is also applicable on risk sharing during the real estate development process. Risks can be divided, shared, phased into time (in which risks also can be divided as well as shared) and concessions can be made. The government’s role is a regulating one, given the fact that she is the only one who is able to do this.

Especially in the smaller cities there is immature local government, whereas the governments of the larger cities are more influenced by international forces. The process of inner city restructuring can be made more attractive when the zoning plan is changed in favor of the inner city, by making it harder to develop the suburban Greenfield locations. In reality, this is more complicated, because governments do not always comply with these decisions. Furthermore they have to adopt an active attitude, regarding the inner city development process, because the passive position will not solve the problems. This point of view is recognized more and more by (local) governments and even the European Union.

Complications in the real estate development process occur during every step, often caused by the non-transparent handling of both public and private actors. The public sector should therefore
provide a clear decision-making process (i.e. building permission) and policies. More insight in the present private actors and their competency is also required. The actors involved in the whole process all have their own strategy, which has its influence on the real estate development process. Depending the kind of actor, a strategy could be: risk avoiding – daring; specialist – generalist; develop solitary – together (network); include the whole production chain – co-maker; Brownfield – Greenfield; functional – modernistic; focusing – integral; project development – area development.

Residents

From a micro-level point of view, local participation is concerned with the belief of policy makers that local participation produces more effective policy outcomes. The involvement of residents can improve policy, since residents can bring significant knowledge as to what will and what will not work locally: what facilities would be used and what would rapidly be daubed with graffiti and be abandoned (Taylor, 2000). Residents can be crucial in both the diagnosis of the systematic causes of problems an in deciding who should be engaged in resolving them (Wilkinson and Applebee, 1999).

Another important objective encouraging policy makers to involve residents in drawing up policy is to develop more democratic policies in which citizens are heard and are empowered (Font, 2003). Furthermore, local participation can be developed in order to create or increase human and social capital. Local involvement is collective action – involvement in influencing, planning, managing and working in local activities and services; it develops the skills and confidence needed if social exclusion is to be dealt with effectively (Taylor, 2000).

Local participation also has its downside from the policy makers’ point of view. Two reasons can be discerned for opposing the involvement of residents. The first is related to the possibly undemocratic representation within the participation process. Many forms of urban governance (including local participation) are not open to all the stakeholders (the whole neighborhood). Governance can be closed to those who are not involved (Elander and Blanc, 2001). The question of whether the participating residents represent the whole neighborhood has become a classic debate (Font, 2003). The second reason for policy makers to oppose local participation is related to their expectation that the demands of participants will be unrealistic. Participants may have no appreciation of technical difficulties and might not take the arguments of other sectors into consideration.

Apart from the fact that residents deserve the opportunity to participate, they also have to be willing and able to do so. Besides a lack of interest, local participation can also be affected by residents’ lack of knowledge of how to participate. In addition to personal factors such as educational level, the provision of information is also important. According to Olsen (1995), the will to influence policies is the most important motivating element leading citizens to take part in participatory mechanisms. A study of local participation by Docherty (2001) refuted the idea that willingness to participate is mainly explained by ‘compositional factors’ of the population, such as level of education and socioeconomic class. An important factor in explaining the level of participation is the residents’ level of confidence that their neighborhood is improving. The mutual trust between the citizens and the local government authority is also a stimulating factor in local participation (Ángels and Gallego, 2002). The focus of a restructuring project in the neighborhood can affect local participation. The aims of the interventions can vary from improving the social structure, for example.

Organizational forms of local participation

Organizational forms of local participation can be categorized by type of representativity, level of
citizens' power and top-down or bottom-up orientation. These organizational forms may co-exist in each particular participation process.

- Associative and individual participation: Wuthnow (1998) argues that patterns of local participation have changed; to some extent, organizations and clubs have been replaced by looser, more individual forms of participation. In 'associative participation', representatives of residential associations or other groups or organizations are involved in the participation process. In 'individual participation', individuals who are not linked with any particular association represent personal interests. Although some participation processes are characterized by a combination of individual and associative participation, they are still dominated by group representatives.

- Share of power: Power determines who participates and in what ways. One of the obstacles to participation is the reluctance of local politicians to share power with local lay people. The political will to share power is therefore important for the type of local participation found in the policy-making process (Del Pino and Colino, 2003). Successive studies of local involvement agree that, in most participatory programs, communities have remained on the margins of power, even when they are relatively well organized (Hastings, 1996; Taylor, 2000). A higher level of participation does not automatically result in more effective or more democratic policy. Without specific resources, residents' power may not give the expected or desired results. According to Wilcox (1998), different levels of participation are appropriate in different circumstances to meet the expectations of different interests.

- Top-down and bottom-up: In many cases, local participation is initiated by local, regional or national government authorities. Their aim is to enhance the position of the authorities and gain the confidence and support of the public (Skelton, 1997). Government authorities can also initiate local participation to strengthen the 'voice' of the residents in decisions concerning their 'place' and meet the objectives as stated above. In a bottom-up form of local participation, residents put themselves forward to make their voices heard. They ask the policy makers for more power in decision-making processes. In practice, these two forms of local participation are expected to have different organizational forms and produce different results.

Knowledge management

Knowledge management should be understood as a process leading towards a culture of openness to information that constantly needs to be reconsidered with respect to its aims and means. Information can only be transformed into the generation of new knowledge if it is integrated into the actor-network structures of the development and management of a housing estate as a reflexive structural element of running the estate. A process of constantly gathering information, developing it into knowledge-based action and checking the outcome of actions in order to fine-tune the next steps, is required. In order to make use of the relevant information, knowledge management should be context related and should therefore stretch across the boundaries of the estates; knowledge management needs to be inclusive in order to avoid overlooking important items. Knoor-Siedow and Tosics (2005) conclude that utilizing knowledge in an estate context has, as a prerequisite, democratization at the local level and the enabling of players to participate in the sustainability of large housing estates. Both emphasize that the practical application is especially important in the cities of Central and Eastern Europe, where the phenomenon is not only less well known, but also the conditions for its application are not so well developed. Important actors within the knowledge management process are lacking power (the civil organizations) or not yet interested (politicians and housing managers). Helping to improve knowledge management skills in these societies is of prime importance, not only for enabling sorely needed knowledge transfer, but also for the improvement
of the institutional structures and policy making. Finally, if knowledge management can become an important asset to the sustainable rehabilitation of large housing estates, it will ease the way into collaborative forms of development action and open up the scope for more democratic forms of action by putting the parties involved on a more equal level with regard to information and enhancing capacity.

Private sector
Several, relevant different parties can be distinguished as the private sector. With respect to the real estate business, a relatively small group is responsible for new developments. When observing the retail market, nearly all new shopping centers and out-of-town retail facilities are developed by international project development companies that use local contractors for construction work. This is, to some extent, the case for offices as well, although Czech and Polish project developers are more active in this field as well. Industrial and logistic real estate is relatively popular among investors and in many cases new logistic and industrial parks are developed by international project developers. The focus of local project development companies is on new residential development, which is constructed by local contractors.

The current situation shows there is little cooperation between private and public sector on new development projects. This situation is improving slowly, but with conditions where the private sector can build almost everything they want, like new retail or housing, without appropriate involvement and consent of local governments, the private sector does not have to commit to many fundamental restrictions. Nowadays, new residential development clearly focuses on Greenfield development with the realization of new apartment buildings and single-family housing. The one-sided development situation, with the private sector as initiator, is in some cases reason for local governments to put out tenders for new complicated development opportunities, thus interesting the private sector to come with new development ideas on locations that are preferred by the municipality.

Relationship between different actors
Many involved in real estate employ an approach that is simultaneously limited and/or uni-dimensional, thereby compromising their perspective and comprehension of the full magnitude, richness and diversity of the real estate discipline. Consequently, that strategies, decisions and actions based on such compromised comprehension lead to less than-effective involvement and to suboptimal results is not surprising. Because the real estate discipline lacks coherence and concurrence about what is the essence of real estate and what are the operative paradigms for comprehending and making order of the discipline, there is need for a strategic framework that is simultaneously synthesizing, integrating and comprehensive (Roulac, 1996). The table below shows the relevance between the actors in the real estate development process.
3.5 Aspects planning and development process

For several decades, one of the major tasks for spatial planning and city development was planning for urban growth to meet the increasing demand for urban land. This tendency is reflected not only in planning practice but also in planning legalization and planning education. On many cases of inward developments of cities, the subject lies among different planning levels (national, regional, local) and different sectors. In order to deal with these situations coordination among different levels and different sectors is needed.

Formal planning instruments and tools are mostly formed top deal structured problems or subjects.
Although it provides the legal framework for the realization of plans, planning tasks and especially tasks that deal with Brownfield development are often very complex and the problems are not easily predicted at the beginning of the process (Scholl, 2005). The more determinable the problems and their solutions are, the more probable that they can be solved with the usual organization structure and procedures. In the contrary, the more indeterminable the problems are, the higher is the need for a tailored organizational structure and procedure.

The needed coordination or cooperation to deal with Brownfield developments requires different combinations and constellations of actors, levels and sectors. Formal planning is not sufficient to deal with the requirements of developing Brownfields and informal planning can be an additional "tool". The current situation in cities calls for a more informal assistance to overcome the problems and conflicts that are connected with inward development.

Three major aspects that are related to the planning and development process are (Elgendy, Seidemann and Wilske, 2006):

- Strategy, not disconnected actions: Brownfield development planning requires cooperation among the many different actors of the public and private sector. This means providing confidence between the players, exploring opportunities for cooperation and negotiating deals and solutions that can be accepted by all participants. It is typical for projects of inward development that not everything can be stipulated exactly and not all aspects of a solution can be elaborated in the same detail level. That is why a clear strategy for action is needed and has to be developed by the participants, which acts as a guideline that steers different decisions and actions. Following a strategy means to choose between the different options for action. One important aspect is that these options can change due to different circumstances that affect the general conditions for a development project. It should be periodically checked if the followed general development direction is leading to the supreme goal, or if a reorientation is needed. This can be done in a periodical assessment of the situations as well as recommendations for further activities including estimated costs, a timeframe and proposed responsibilities. This assessment of situation has to be based on a clear overview on the situation. Creating and maintaining the overview is a central aspect for strategic actions and decisions. The lack of an overview leads very fast to blind actionism, as no focal points can be identified. This overview includes timeframes, spatial representations, quantitative estimations about specific aspects, as well as the resulting costs that are connected with each solution (Scholl, 2005). Beside its importance for the preparation of a strategy the overview can additionally be used to improve the information and coordination between the members of the process as well as external actors and to be prepared to use opportunities purposeful.

- Process orientation not planning making: All actors have to accept a new perspective on the given situation that is not only based on their own requirements but also reasonable notice the
requirements of the other actors. For this, a process is needed that induces innovation, which can be reached with the following elements (Ibert, 2003):

- Open process: The process should be open and there should be as few preconditions as possible as well as the possibility to challenge given preconditions in the process;
- Extraordinary environment: The given interaction patterns between the actors should be replaced temporarily. There should be as few hierarchies as possible and an environment should be established that equalizes power asymmetries as far as possible. This can be reached with complement temporary organizations. In tasks that have high level of uncertainty organizational structure and procedures should be arranged as simple as possible, so that flexibility can be preserved facing unexpected problems (Scholl, 2005);
- Learning processes: The actors have to extend their points of view and to learn about the many linkages between different aspects of the given situation. These learning processes can be supported if external experts take part in the process not only developing concepts but also supporting the formulation of strategies for the further actions;
- Concurrence and redundancy: Only if the participants are confronted with different and contradicting solution concepts, innovation can take place. It is not important to have perfect concepts but always to have the chance to combine different aspects of different concepts to new solutions.

- Test planning: This is an instrument that can be used in two ways. One way is that it can be used to prepare an assessment of situation. This is the most important in the starting phase of a process when the overview is fragmentary as well as uncertain and the members of the process have to start the cooperation and to overcome mistrust. The first step in the beginning is to establish a consistent view on the situation, on the interest of the different actors and on the resulting conflicts. The goal of test planning in this case is to explore which more detailed information is needed, the main conflicts and possible solutions as well as first assessment of the situation. This means that the broad connection between overview and assessment of the situation should not be a description of the situation but problem oriented creativity.

The second way test planning can be used in the methodical unit of strategy, assessment of situation and overview is to work out different actions when the strategy is set. For this an ordinate process is needed in which a test planning can be integrated. This may not be necessary for all elements of a strategy, but in many cases the work on the realization of a proposed action delivers insights that need to be integrated in the assessment of situation and strategy. That means, that test planning is not only an instrument to open a process but also to clarify details in a longer process and to support periodical assessments of situation. The method of test planning is based on some basic rules. These rules are concurrence of not less than three and not more than five interdisciplinary planning teams, iterative planning, simple organizational structure but clear roles for the participants, simple timeline and a defined duration (Elgeny, Seidemann & Wilske, 2006).

### 3.6 The development process

#### Current process

The real estate development process is a complex method which consists of several separate co-
constituent processes. During this whole process the involved actors have to take account the different ingredients for a successful final result. The three main actors, who will be discussed in this thesis are: the government (local); the real estate developer; and the investor / user of real estate. The reason why only these actors will be discussed is because they are the main characters in the development process with the most interest and power and to keep in mind of the overview and application of the 'approach' in general. The different actors are involved in the process which consists of the following constituent process:

![Diagram of project development process]

**Initiative**

Every real estate development project needs someone or something who takes the initiative. This could come from a real estate developer, building contractor, investor or from the (local) government or a company searching for a new accommodation. The concept and vision stage generates the largest profit, certainly when the initiator owns the land. Recent developments in the Central European real estate markets show that new investment opportunities for international investors are scarce. This results in an active approach of investors to obtain new real estate by participating in the early stages of development. The role of the local government in Central Europe has been one of absence and a non-active approach. After the introduction of the market economy, governments took the view that a urban development should be dealt with by market forces in order to get best result. There was almost no interference/guidance by local governments. Recently governments have adjusted their opinion about this point of view, because private parties chose for low-risk developments with maximum return and disregarded the more complicated, inner city 'black spots'.

**Land acquisition**

Certainty about the available and suitable location, costs and the amount of time that is related to acquiring land are essential for further plan development. Nowadays real estate developers purchase land in an early stage or even before any initiative, in order to get involved in new development projects and to secure future production. With regard to land acquisition it is more complicated to obtain inner city land plots, because of the relatively small size of plots and the mixed ownership. This is certainly the case with large housing estates which can be found in many cities within the inner city perimeter. Besides the problem with a mixed ownership, the former industrial areas within city limits often contain contaminated soil. In the case of new real estate developments on the areas, one should bear in mind of the additional costs that comes with soil sanitation. Both aspects will be discussed more thoroughly hereafter.

**Plan development**

This phase in the development process consists of four main aspects. Plan development is a frequentative process, in which the main aspects are elaborated and fine tuned on each other. The
main aspects are:
- Market study: market orientation which effects the real estate concept and its specifications;
- Architectural plan: design process and preparations for construction;
- Legal plan: consists of possibly zoning adjustment procedures, necessary concessions and
  the preparation of future contracts with different actors;
- Financial plan: estimating future costs and revenues, financial risks and project return. Next to
  that different financing possibilities are examined. This all results in an investment proposition
  and finance plan.

Realization
After the plan development process, the realization process starts. The contractor(s) can be involved
in different ways and in different stages of the process. It is possible that a client chooses for a close
and early introduction of contractor and thereby using the specific knowledge for a better design
and construction process.

Sell / Rent
In almost every situation, the real estate developer starts with the sale and pre-renting process be­
fore construction begins. Construction is determined to start when a certain percentage (as agreed
upon) is sold.

Inner city dynamics
With respect to inner city dynamics, the figure below shows the different functions and relation­ships
of the inner city and the surrounding areas. With a dynamic and attractive inner city, the possibility
on the factors and context on the left side is more likely to occur. This demands good interaction
between the aspects that described in the right boxes and high quality of the aspects that are
pointed out at the bottom.
Complex decision-making

One of the important issues in the restructuring process is the complexity of decision-making, which is characterized by several elements (Spaans, 2000):

- There are many actors with conflicting interests;
- The decision-making is interrelated with other decision problems;
- There is much uncertainty about the nature of the problems;
- The gathering and distribution of information causes problems;
- Short- and long-term considerations cut across each other;
- Decisions are irreversible.

E. ten Heuvelhof (1993) emphasizes that it is impossible to organize and direct all small and large decisions which are made during decision-making processes about complex projects, in order to coincide on the one or a couple of moments. Policy processes in which both public and private actors participate, are taking place in networks; the government is not the central actor, but one of the participants in the policy process.

![Diagram of Urban dynamics](image)

**Figure 15: Model of Urban dynamics**

*Source: Joubert and Musterd, 1994.*
3.7 Development strategies, structural funds and cooperation

Public Private Partnership and Joint Ventures

A Public Private Partnership (PPP) is a partnership between the public and private sector for the purpose of delivering a project or service, which was traditionally provided by the public sector. The PPP process recognizes that both the public sector and the private sector have certain advantages, relative to the other, in the performance of specific tasks. Private sector innovation, technological, financial and management expertise are but some of the attributes, which the private sector can contribute. Through a partnership arrangement, the public and private sector can combine to provide quality public services and infrastructure in the most economically efficient manner.

Under a normal PPP contract the local authority specifies the required outcome and the private partner is responsible variously for designing, building, operating or financing the asset to the local authority requirements. Additional risks are transferred to the private partner who will price these accordingly in the contract. At the same time, the local authority will seek to obtain the best possible value for public money from the overall project.

Public Private Partnerships usually involve a State Authority contracting with a private partner to provide works or services. The State Authority may, however, decide to enter into a joint venture arrangement as an alternative approach for undertaking works or services.

A joint venture company is a distinct form of Public Private Partnership. When a joint venture company is established, it has a separate legal identity and it is through this company that the common enterprise of the public and private partners is carried out. The local authority and the private sector partner will own the shares of the joint venture company and there will be a board of directors, usually made up of representatives of the shareholders.

Joint venture companies are usually formed, because the parties have complementary objectives and by joining their strengths in a joint venture company, there is a greater chance of success than if the parties worked independently.

In some situations, however, the local authority may prefer to have greater input regarding the ongoing direction and outcome of the project, and a shareholding in a new joint venture company might provide this input. The local authority may also require a share of the commercial returns and would be prepared to accept the risks associated with these returns. Finally, the local authority may feel that it has some expertise to add to the project, and therefore would be capable of contributing to the successful day-to-day running of a joint venture company.

One of the key differences between a joint venture company and other PPP options is that it creates a new business by using the complementary resources of both the private and public sectors. Other PPP options are methods of procuring a particular asset or service. When this asset or service has been completed, the contractual arrangement is over. However, a joint venture company will continue to provide a service indefinitely until the partners decide that it is no longer necessary or desirable. (Source: http://www.environ.ie)

Central and Eastern Europe have a real opportunity to improve their infrastructure at low cost by embracing Public Private Partnerships (PPP) initiatives. At the session on PPPs in Central and East-
ern Europe experts emphasized the advantages for the state sector in obtaining value for money by adopting a new form of financing roads, hospital and school building programmes and provided concrete examples of how it is already happening.

Peter Covelliers of the European Investment Bank explained that under traditional forms of project structuring, the state simply pays a contractor to build a road or other form of infrastructure. Such projects often run over both the completion date and budget. Since the state then takes over running the facility, the private sector has often provided poor quality infrastructure, leaving the taxpayer to pay more for a product which has been delivered late. By contrast under PPP a private consortium is responsible for financing the cost of building infrastructure and is paid a fee for providing services to the state under a long term contract, lasting on average over 30 years, committing it to provide a service on time and to maintain and operate a building or road in a cost effective way.

(Source: http://www.ceinet.org)

PPP structures are typically more complex than traditional public procurement of fixed assets, although traditional procurement’s apparent simplicity becomes more questionable when proper account is taken of the risks involved. PPP complexity is due to the number of parties involved and, particularly, the mechanisms used to share the risks. The funding costs of PPP’s are also higher, reflecting: the impact of the risk being carried by the private sector, the cost of the additional loan structuring, and the private sector’s higher financing costs. For the public sector, this is compensated by the private sector accepting a proportion of the risks and, in certain cases, the acceleration of investment programs otherwise subject to public sector borrowing constraints.


European Union Structural Fund

The European Union has several programs and funds for the development of, in this thesis, Central Europe. The most important and influential programs are stated in this paragraph, presenting opportunities for cities and regions to apply for.

Cohesion Fund

The Cohesion Fund is aimed at Member States whose Gross National Income (GNI) per inhabitant is less than 90% of the Community average. It serves to reduce their economic and social shortfall, as well as to stabilize their economy. It is now subject to the same rules of programming, management and monitoring as the ESF and the ERDF.

For the 2007-2013 period the Cohesion Fund concerns Bulgaria, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia. The Cohesion Fund finances activities under the following categories:

- trans-European transport networks, notably priority projects of European interest as identified by the Union;
- environment; here, Cohesion Fund can also support projects related to energy or transport, as long as they clearly present a benefit to the environment: energy efficiency, use of renewable energy, developing rail transport, supporting intermodality, strengthening public transport, etc.

The financial assistance of the Cohesion Fund can be suspended by a Council decision (taken by
qualified majority) if a Member State shows excessive public deficit and if it has not resolved the situation or has not taken the appropriate action to do so.

Member States submit applications for financing to the European Commission, which generally decides on funding within three months. The proposals must include key elements explaining what and why it is being proposed, the feasibility and financing of the project and the impact it will have in socio-economic and environmental terms. All projects must comply with Community legislation in force, in particular the rules on competition, the environment and public procurement. The Commission analyses, if all conditions for the financing are met, including:

- The economic and social benefits generated by the project in the medium term, as demonstrated by a cost-benefit analysis;
- The project's contribution to achieving Community objectives for the environment and/or the Trans-European Transport Network;
- Compliance with the priorities set by the Member State;
- The project's compatibility with other Community policies and consistency with operations undertaken by the Structural Funds.

The total rate of the EU assistance cannot exceed 85% of public or equivalent expenditure and depends on the type of operation to be carried out. For projects, which generate revenue, the support is calculated taking into account the forecasted revenue. The polluter-pays principle (the body that causes pollution should pay for it) has an impact on the amount of support granted. For projects to be carried out over a period of less than two years or where Community assistance is less than EUR 50 million, an initial commitment of 80% of assistance may be made when the Commission adopts the decision to grant Community assistance. The combined assistance of the Fund and other Community aid for a project shall not exceed 90% of the total expenditure relating to that project. Exceptionally, the Commission may finance 100% of the total cost of preliminary studies and technical support measures – in view of the limited budget available for such levels of support this is restricted to EU wide technical assistance.

(Source: http://ec.europa.eu)

Urbact

The objective of "Support to Cities" is to provide an expert to work with individual cities to facilitate strategic reflections from cities who want to develop an integrated urban project. Support will be focused on the methods used to achieve integration of partners and co-ordination of linked activities and problems. The presence of an experienced expert, drawing on concrete examples of successful projects and methodologies will allow the city to explore the benefits of developing integrated projects. Using his/her knowledge, the expert will be able to advise the city how to shape and adapt project and strategy designs to accommodate the different challenges of working across different themes and with multiple partners.

A strong and pro-active input will be required from participating cities themselves: to ensure maximum impact, it will be essential that each city assembles an appropriate team to work with the expert. This means that policy/strategy officers and technicians must be made available, but also senior officers and elected representatives responsible for decision-making. In addition, it will be the city's responsibility to make sure the right people are available from other key actors/organizations with responsibility for providing services to inhabitants (police, community, health, local businesses, education, housing, employment etc.) at the city level, and also from the region.
The support itself will consist of the following elements:

- Access to an extensive list of experienced European experts specialising in the integrated approach;
- Support from an experienced expert for a maximum of 8 days (of which 5 days spent on-site with city representatives & partner organisations);
- Access to a searchable document library of city case studies & strategies;
- Each city will receive a report produced by the expert following completion of the assignment. The report will contain the expert's recommendations & summarise key conclusions of discussions. It will identify jointly agreed priorities, timescales, milestones, and key tasks;

(Source: http://ec.europa.eu)

**European Regional Development Fund (ERDF)**

The ERDF aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. In short, the ERDF finances:

- direct aid to investments in companies (in particular SMEs) to create sustainable jobs;
- infrastructures linked notably to research and innovation, telecommunications, environment, energy and transport;
- financial instruments (capital risk funds, local development funds, etc.) to support regional and local development and to foster cooperation between towns and regions;
- technical assistance measures.

(Source: http://ec.europa.eu)

**Business Improvement District**

A Business Improvement District (BID) is a publicly sanctioned, yet privately directed organization that supplements public services to improve shared, geographically defined, outdoor public spaces. Moreover, such organizations subscribe to a self-help doctrine, whereby a compulsory self-taxing mechanism generates multi-year revenue. The name 'BID' is mostly used in the United States (http://web.mit.edu).

In Canada the name used for a 'BID' is often called the 'BIA', which stands for Business Improvement Area. The definition that is used by the TABIA (Toronto Association of Business Improvement Areas) is: a Business Improvement Area (BIA) is an association of business people within a specified district who join together, with official approval of the City, in a self-help program aimed at stimulating local business. They use their own money in an ongoing effort to draw more prospective customers to their area by improving the attractiveness of the area and promoting it as a good place to shop, visit and do business. Once a BIA is approved by City Council, every business within its boundaries automatically becomes a member. There are no exceptions, under the principle that all who benefit should be required to bear their fair share of the cost of the program, thus excluding the chance of free-riders. While a BIA arises from the retail and professional activities of a main street, it has a profound effect on the surrounding area. It serves as an economic and social anchor, helping to stabilize and revitalize the local community (http://www.toronto-bia.com).

Several European countries, like the United Kingdom and Slovakia, have introduced the BID to their cities, thus implementing the legislative foundation that is required. The current situation in Central-Europe shows no legislative fundament, although there are private initiatives for the establishment of a Town Centre Management (TCM), which is a non-binding version of the BID.
3.8 Conditions for Foreign Direct Investment

From the beginning of the transition period FDI shows substantial geographical bias between individual cities and levels of the urban hierarchy. The level of FDI is much lower in medium sized cities and small towns, except near borders with EU member states. The level in which cities attract FDI depends on certain city aspects that have to be in place. Hamilton and Carter (2005) identified the following key aspects needed for a sufficient inflow of FDI:

- Good transport accessibility by land, air or sea to markets, production and supply chains of multinational enterprises and European management of those MNEs;
- Proximity to the European Union to minimize transport and transaction costs;
- State enterprises undergoing privatization which offer specific assets, such as market share, product profiles, output capacity, established trade networks, skilled labour or even technological potential; these factors induce MNEs to make strategic investments with respect to the Central and Eastern European, European Union or global economy;
- Availability of cheap and often quite skilled and well educated labour;
- Good local material and technical infrastructure including derelict or unoccupied industrial premises or abandoned military bases to attract major single, or groups of inward investors;
- A central position in a dynamic regional economy which creates a sufficient market threshold to support substantial growth of consumer services;
- Local entrepreneurship in various forms, such as an active indigenous business community keen to upgrade the urban environment or to provide outsourced goods and services for MNEs, or a progressive city authority with innovative policies to attract inward FDI;
- A core urban heritage of pre-socialist origin, i.e. buildings or zones of Romanesque, Gothic, Renaissance, Baroque, classicist or expressionist architecture, which endows a city with a distinctive character and a potential for tourism, gentrification and a quality of life not too divergent from cities in EU states;

The impact of globalization on city restructuring in Central and Eastern Europe through FDI has been varied, especially between the region's two distinct geographic parts: north and west, and south-east. Economic forces and market opportunities have played the strongest role in the former, geopolitics in the latter. People in Central Europe have embraced change with great commitment and handled transition very competently. Only a minor part of foreign investment has gone into the housing sector. However, such projects can have a considerable influence on social life in particular areas (Hamilton and Carter, 2005).

3.9 Conclusion

In this chapter, a large quantity of information has passed in review, since urban restructuring depends on many actors, processes and in- and external forces. One of the principles in real estate development is that a successful development is dependant on location, location, location. New trends, in for instance retail development in Central Europe, shows this is not entirely true, as it is also depending on the size, the speed of realization and the degree it is distinguished from other shopping centers. Regarding to urban restructuring there are certain problems identified which all have different characteristics and a different approach. This thesis focuses on a general restructuring strategy for second tier cities in Central-Europe and in order to be as complete as possible.
different scenario's have to be formulated. The basic principle will be the type of problem that has to be solved, because the problem defines the parameters and conditions to which the different actors react and proceed. Many sources of literature describe the relevance of a (local) government that has to be well run firm which acts actively and has a problem solving attitude. The role of the government should therefore not be underestimated. In the next chapter, attention will be paid to interviewing local governments and their current point of view with respect to urban development in relation with economic structure. In addition, interviews with the private sector together with professors of universities should generate a more comprehensive point of view.

The particulars of urban restructuring in Central Europe that have been discussed in the first chapters can be represented in one simplified framework which will be the foundation for the expert interviews and the results that emerge from it. The most important aspect of this framework is that both the social-economic structure and the physical structure are considered. Furthermore, it focuses on the most important physical issues, but looks at them from different perspectives. In addition this framework should give insight in the relations and specifics per section and should present, for instance, which aspects are related to the Brownfields or inner cities. Understanding relations and getting more insight in how things work in these cities should give a solid basis for the final strategy, presented in chapter 6. The full version of the interview form that was used in the Czech Republic and Poland is included in the appendix.

The framework stated above evolved in an extensive version, still considering the social-economic structure confronting the physical structure an its aspects, but with more nuance. This was influenced by the observation and interview phase. In case of the physical structure, the aspect that can be seen as binding upon the physical structure is the infrastructure, and will therefore be considered essential to urban development and integrated into the mind maps in the next chapter. In addition, this thesis discusses the current situation from the local government's perspective. In this more distinctive framework, the municipality has both an institutional and physical form, which will apply in the mind maps as well.
4 Expert survey and observation

4.1 Introduction

With the foundation set in the first three chapters, the next step in the process is interviewing professors of universities, local governments, project development companies and consultants together with the observation of the cities of Brno, Ostrava, Krakow and Lodz. The interviews made a valuable contribution to the formation of a picture with respect to these cities. Especially professors of universities were very discerning about the current situations of ‘their’ city. The development they considered the most crucial / had the most negative influence was urban sprawl and/or suburbanization. Local government officials were very helpful, providing information regarding current developments and ‘their’ way to economic growth. Attracting new companies in both the light industrial and science-technology sector resulted to be their main goal. The private sector, represented by project developers commented critically on the uncertainty caused by missing master and zoning plans and the long procedures for application of building permits. Furthermore, there is an improving relationship between the public and private sector, although some remarked there is not much interaction between the two.

This paragraph presents a general overview of the tendency in the second tier cities resulting from field research and interviews. In total, this thesis contains for case studies, which are located in the appendix. The situation described there is more elaborate and addressed to the particulars of the individual cities of Brno, Ostrava, Krakow and Lodz.

4.2 General overview case studies

Municipality

During the Czech Republic and Poland field study, it became clear that there are many differences between the cities and many specific aspects are involved in the different physical structures. That is why it is important to discuss the different types of areas and their particulars, according to the observation and the interviews with specialists, based on the framework that was introduced before traveling to Central Europe, which should result in a surveyable outcome. The section with the city reports, as stated in the appendix, describes the current situation in the cities and for the outcome of this research, it will be important to combine the different aspects in order to get a more comprehensive approach towards urban restructuring.

Besides the different types of locations and their particular characteristics, there are certain difficulties and complications that apply in almost every situation. The main cause for that is with the central and local government. After the transition period many responsibilities were directed from central to local level whereby to the local government’s opinion, the market economy and its private actors would take care of the spatial development of the city and its surroundings. Reality showed and sometimes still does, that local governments were more concerned about their own interests and their period of government, than a pro-active approach in city development.

An important and essential policy plan, which was not available because of that, was and still is
the city master plan and its additional zoning plan or land use plan. The absence of an up-to-date master plan restrains new developments in the inner city area and also contributes to urban sprawl and other Greenfield developments, because developers are not motivated to develop sites in inner cities or Brownfields and naturally choose for more easy developments with lower risks. Furthermore, the overall complaint with private actors is that a situation with no master plan often deters foreign investors because there is more risk for postponed development and other complications when a certain area is not included in the master plan.

An aspect local governments scarcely use are incentives which can trigger developments in the way that corresponds to the vision of the city. This can be applied to policies as well as certain areas within the city. One example is the use of Special Economic Zones, for instance in Lodz, where favorable conditions are set for foreign companies, like a tax reduction, in order to persuade them to establish their business in this area. A development that can be seen in some of the four municipalities is the introduction of new city strategy, which focuses on new development areas, mainly at the city limits where it easy for companies to settle. What these strategies miss is the more integral approach, which can be found in a decent master plan, about the development of the whole city and not only looking at investment opportunities for international companies.

As mentioned above, there is an overall deficiency on practical and organizational skills at local governments on the field of urban development. Next to that, a merely heard complaint was about the missing know-how and involvement of city planners in order to design a sustainable urban plan which takes the current trends and overall vision of a city into account. The organizational structure of Public Private Partnerships and Joint Ventures between local governments and private actors is still not used in the cities of Brno, Ostrava, Krakow and Lodz. Although this way of organizing new developments can prove its value for those cities, they often have heard about it but do not know how to set up this kind of developments.

Academics of the universities in Poland and the Czech Republic emphasize that the biggest problem the cities face is the decreasing population in the inner city as a result of sub-urbanization and / or urban sprawl. This brings several problems with itself, like the traffic flows directed from and to the city on roads which are not calculated for these kinds of traffic flows. Many of these roads are located outside city limits where local governments are not responsible for improvements or maintenance of these roads, while the central governments do not recognize the problem by supplying additional budget for improvement activities. Also the internal infrastructure of the cities is loaded up because of increasing and changing traffic flows. The use of cars in both the Czech Republic and Poland is still increasing and has been doing so for many years now.

Another accessory circumstance is the change of the social-economic structure of the inner city and the large scale housing estates. The current situation shows that the more prosperous part of the population is moving to new apartments and single housing, which are located in the suburbs and near the city limits and leaves the relatively poor people behind. The relatively good situation in these areas will probably change when this trend continues to develop. The current situation of the large housing estates will be discussed further in this report. Another negative impact of sub-urbanization is the decline of the local city budget, because the amount of budget cities receive from the central government merely depends on the population number. Apart from this trend, city budgets for urban redevelopment are highly insufficient, whereas many municipalities can not contribute to new private initiative developments in supplying budget for public space and some times even infrastructure.
Because people go to the city centers with high street retail for buying consumer products and shopping as a recreational purpose, both the supply of shops, the quality of the public space, activities, presence of leisure and spending power contribute to a vital and lively city center.

**Brownfields**

The problem of Brownfields needs to be nuanced because in the four Central European cities Brownfields can be distinguished in the heavy industrial type with highly contaminated ground, the so-called Blackfields. Next to that, there are also sites where used to be light industrial manufacturing, which partially have different types of real estate, like large workshops. These types of manufacturing plants have a typical character, which often dates from the beginning of the 20th century and can be considered as Brownfields. It goes without saying, that it is much more complicated to redevelop a Blackfield than a Brownfield. This point of view needs a subtle distinction in geographical aspect, because the strategic location of a former-industrial site plays an important role in its development.

For instance the city of Ostrava is known about the large amount of heavy industrial sites, sometimes still in use, which are spread all around the city with major locations to the south and the north-west. At the moment the central government is planning a highway to the north-west of Ostrava, which brings potential developments to the areas near the highway, where logistic parks and manufacturing plants can be located. In the Czech Republic a government company, called Czech Invest, maps all the present Brownfield sites and the contamination level, resulting in a clear overview cities can take into account in their masterplan.

Whereas the city of Ostrava has a lot large scale Brownfield sites, many sites in Lodz are relatively small and also partially hidden behind the façade of buildings at the road. At first sight, redevelopment of these sites looks much easier, because of the low-scale smaller risk effect but the examples of successful Brownfield regeneration are often on a large scale. One important reason for that is the economy of scale and the ability develop a more integrated project. Besides, in many cases the large sites are owned by former state companies or industrial families, which by-passes the problem of a mixed-ownership situation.

As mentioned in the first paragraph the level of contamination can influence a Blackfield’s development. In order to solve this problem the land has to be decontaminated, which is often the responsibility of the landowner. In both the Czech Republic and Poland there are scarce examples of land decontamination procedures funded or subsidized by central government funds or European Structural Funds. In many cases local governments are not able to start the required procedure for fund application on their own. They also have a lack of own budget which does not contribute to a problem solving situation.

The regeneration of Brownfield sites also depends on the stage of that particular city on the 'city development scale'. This 'city development scale' emphasizes the different stages in which a city is situated and roughly begins with the city during socialism and ends with the fully developed western city. This 'city development scale' will be illustrated below and points out the process of city development on a time related scale. The regeneration of Brownfields is closely related to this process, whereas the priority with respect to new developments tends to shift from Greenfield development to Brownfield development when the economic situation of a city is maturing. The opinion about types of development is also related to the amount of funds, both central and international, that can be obtained, which is subject to maturity and actual know-how of the local government. In certain cases...
local governments are not even aware of the possibilities in the field of subsidies and funding and often do not know how to apply for them.

Another aspect about Brownfields, which should be taken into perspective is the percentage of Brownfields that are located within city limits and the share that are not. At least for the Czech Republic, which is endorsed by Czech Invest, the percentage of Brownfields in rural areas and small cities (average population of 20,000 people) is by far greater than the share of Brownfields within the second tier cities. This explains why the amount of funds for regeneration or decontamination of Brownfields that is available for second tier cities is marginal. In Poland the phenomena of Brownfields is hardly recognized. In the case of Lodz, many post-industrial grounds are secluded from revitalization and pertain to single area on individual rules, which endorses the fact that there is no common policy.

Inner city

The cities of Krakow, Lodz, Brno and Ostrava are very different from each other, but they also show some important similarities. In order to give a detailed overview considering the complications within inner city areas all the particular problems the four cities experience are described in this section. The reason why there are differences between these cities is related to the stage of overall city development in the field of social and economic aspects and the urban structure and geographical position. The different stages in city development will be discussed further in this report in chapter 6, because it can give assistance to a specific approach for second tier cities.

The characteristic irregularity particularly seen in the cities of Lodz and Ostrava was the presence of ‘blank spots’ in the historical core and also in the rest of the inner city. ‘Blank spots’ can be described as relatively small areas within the build environment which are unused, often deteriorated open spaces where used to buildings. They are used for car-parking (for instance in Krakow), waste and garbage storage or have no function at all. Relatively poor people live in these areas in Lodz and the situation in Ostrava is not very clear in this field. These areas contribute to a negative image of the inner city and form a serious problem. The mixed ownership of these plots, caused by the restitution and the inheritance of land plots by a younger generation, makes them more complicated to develop. Besides, the surrounding areas should be renovated as well, as the contrast between new and old buildings would be too much. At first sight these areas tend to have much potential which likely can be explored due to an integral development, with consideration of other site specific factors, like plot size and public spaces and facilities. The possibility to expropriate the ‘blank spots’ by local governments could give them an opportunity to put pressure on the owners or to take the initiative for new development.

Many inner cities are now facing the increasing use of cars which leads to traffic congestion. Most of the time ring roads are experiencing more traffic and need enlargement. Especially the cities of Krakow and Brno experience this problem, which can partially be explained by the fact that these cities have a radial city structure, which surrounds the historical core. The structure of Lodz can be described as a grid-structure, with spacious roads and one way traffic directions in the city centre. Ostrava’s polycentric structure provided the city with large arterial roads to connect the different parts of the city with each other. It is also hard to define the inner city of Ostrava because of the polycentricism.
As mentioned before the population of many inner cities is declining, because of urban sprawl or suburbanization. When the inner city is not attractive enough for people they can move to new housing with green spaces, but it will certainly not attract new inhabitants. This downward spiral makes the situation futureless and requires an impulse which both the private as the public sector can answer for. This situation was to a large extend present in Lodz and Ostrava, and to a small extend in Brno.

Considering the inner city without the historical core, one aspect that is frequently present are old industrial buildings, often still in use like power plants and production halls. In many cases these factories are surrounded by residential buildings and contribute the negative image of the housing estate areas. Aside from the problem to relocate these companies, the solutions are rather limited when surrounded by large housing estates.

In general, the cities that are included to this research show many new developments in the residential sector, but only a marginal share is located in the inner city. The opportunity to develop is much cheaper and easier on Greenfields and until there is no restrictive legislation preventing this type of developments, it hardly looks that this process will change in the near future. Remarkable is the fact that new developments in the inner city are sold very quickly, which proves that there is a lot of demand for high quality housing. In many cases project developers and investors are reserved to new kinds of developments and wait for opportunists to take the initiative. This kind of initiatives can trigger many other developments and local governments should therefore support this with subsidy or incentives.

In a situation where the local government has sufficient land positions it would be relatively easier to redevelop the inner city. Unfortunately, this is not the case in the cities that are discussed in this research. Inner city land is owned by private citizens or companies, which makes the public opinion about inner city development very important and strong. In the case of Brno the local government does own relatively large plots of land, but these areas are ground leased to citizens for small-scale gardening purposes, often for long period of time. This kind of areas have high development potential because they are closely situated near the city center, are not contaminated and there are no large buildings. In this case, the municipality of Brno has recently started with an approach where leasing periods are not extended any more. When visiting these cities in Central Europe one notices that each city has, besides the general problems which occur in almost every city, its own problems. An example of this are the plot sizes in Lodz, which is discussed at the city outline in the appendix. For Ostrava, this is the polycentric structure and the presents of heavy industry in the ‘inner city’ part of the city.

Two real estate sectors that are highly represented in inner cities are the residential and retail sectors. Closely related to each other, the situation of the retail sector is different in the four cities. With the most developed scene in Krakow, where besides new shopping centers, high street retail is also very developed. In Lodz, the presents of two new shopping centers in the inner city are the main attractions, while in Ostrava there is no high quality shopping center and no high street shops with western brands. There is one new shopping center development in process and the city of Brno is expanding its supply of retail space. Many new developments and the kind of retail developments differ from location and size. Both the city center and the out of town locations are being developed depending on many circumstances. In the case of Brno, new developments create difficult situations, because it stimulates a traffic flow from the large residential area in the north of the city to the
south where new developments are being realized. This flow of traffic largely burdens the ring road around the historical core.

**Large scale housing estates**

The Central European cities are all well-equipped with large scale housing estates, which are often build during the socialist era. These are characteristic areas, but in general, there exist many similarities. First, the presence of the Roma population, who has a solitary way of living and is often ignored by the rest of the population. In many cases, the Roma population occupies the low quality buildings.

Difference in housing quality is very common in these cities, depending on the period of construction. The general atmosphere in the large housing areas can be described as motionless, with a lot of green public space and small parking facilities. Furthermore, because of the high population numbers and density of these areas it is attractive for international chains to establish a hypermarket. Chains like Tesco, Makro, Carrefour enMetro are found in these parts of the cities. Next to this relatively new retail stock, there are also shops originating from the socialist period. These are old, small-scale single floor buildings, where supermarkets and restaurants are located.

Also in the case of the large scale housing estates the general approach of local governments is relatively passive towards the improvement of the un-dynamic areas. First of all the context of the large housing estates is different than the situation in Western-European countries which are, in general, inhabited by ethnic minorities and poor people. In Poland and the Czech Republic, also relatively prosperous people live in flats. Living in flats is one of the basics people have used to live with and have accepted. With increasing wealth, the future of these housing estates is probably not certain, whereas the demand for improving living conditions is increasing, when looking at all new apartment developments. This is for instance also stimulated by the increasing cost of living, which originates in the fast increasing gas and oil prices combined with poor isolation.

Remarkable is the fact that almost no flats are being demolished, because of the high costs and the demand for residential space. In many situations, private owner initiative has resulted in the renovation of buildings, which are then equipped with new plastic window casing and new exterior like balconies. From outside it is hard to notice what improvements have been made inside the buildings. In some cases these improvements are made individually, but also examples of complete flat renovations occur. Another reason why flats are not demolished is the demand for housing and the relatively small vacancy levels in these buildings.

In both countries, the local government is the owner of some of the flats, which are often used for social housing and have a regulated rent system that does not even cover the cost price. The overall tendency one gets in these cities is that the local government and certainly no project developers are giving any priority in order to improve the situations in the large-scale housing estates.

**Infrastructure**

The "binding" factor of the physical aspects described above is infrastructure. This comes in many forms and conditions and differs per city and region. Exploring the infrastructure of Brno, Ostrava, Krakow and Lodz, it becomes clear that the economic developed cities face more problems with
respect to congestion. This can be explained by the fact inhabitants of these cities own more cars, but it could also be related to city structure. The cities with real congestion problems are Krakow and Brno (and in a smaller extent Lodz), which have a radial structure. Ostrava and Lodz, facing less congestion problems, whereas these cities have a polycentric and grid structure.

With congestion present in three out of four cities, this problem is growing and requires solutions. Whereas the central government develops new highways, partially funded with EU funds, the other important roads, connecting the highways and villages to the second tier cities, need enlargement. Besides, the inner infrastructure of second tier cities needs extension as well, certainly with car use still increasing.

Another aspect, that is problematic and occurring in all the cities, is the presence of extensive rail infrastructure. This issue is related to the Brownfield sites and are interconnected. Finding a solution or getting investors/funds for Brownfield regeneration would complete make the rail infra redundant. So solving one problem, could bring opportunities for the other, which is relevant, because nowadays these railway tracks and switchyards occupy a lot of urban land. Furthermore, removing railroads would in many cases mean removing barriers within inner cities.

4.3 Conclusion

The aspects that are described in the paragraphs above give a general view of the current situation in the second tier cities. This general view and the aspects of cities and their problems, corresponds in many ways with the existing literature, although often based on the capital cities. From a western point of view some of these cities are really unattractive places to live, with deteriorated streets and housing, industrial sites close to the city centre and of course the large housing estates that are figurehead of the undynamic second tier city, with scattered functions, Greenfield developments, lack of governance and small budgets. Not all of the cities that were observed are similar, having their own issues and characteristics and sometimes do have attractive city centres and places people want to visit.

In order to pursue more detail about the aspects that occur in almost every city and the aspects that are city related, in the next section there will be overviews, so called mind maps, of every city that represent the current situation. These mind maps can give more insight in the relationships between the different aspects of the four cities and can be used for the foundation of the most important aspects in the general list that derives from the comparison of Brno, Ostrava, Krakow and Lodz.
5 Implementation research information

5.1 Introduction

Comparing cities in order to find similarities and differences between them depends among other things on the level of information that is available per city. Besides the amount of information, it is also important to get more insight about complications and developments by talking to people who have a different view on city development. In general, the perspective of the several parties differs. For instance, professors from the universities in these cities are generally more pessimistic about the current situation and development of the city than people from the municipality. Whereas city officials often present a more rosy view and sometimes neglect negative aspects that are present. The third party, project developers stand between them, whereas their role is more confined to some relatively small projects. Often they complain about a missing or outdated master and zoning plan and long qualifying periods for building permits, because these aspects interfere with their new potential development projects.

Besides information gathering by literature and interviews another method that is used is observation. During the visit to these cities, many different parts of the cities are visited, in order to get a comprehensive overview. All the aspects that are included in the mind maps of the cities are therefore related to that city only. During the processing of the aspects the possibility and 'feeling' sometimes existed that some aspects were also present in other cities, but these could not be proven by numbers and literature or be confirmed by local sources and were therefore not included to other cities' mind maps.

5.2 Mind mapping

Theory of mind maps

Returning from Central-Europe with many experiences in the cities of Brno, Ostrava, Krakow and Lodz it was important to arrange my thoughts together with all the facts I gathered in order to generate more insight in the processes and developments of these cities. Tony Buzan presents one method that can be used for this kind of 'brainstorms' in his book: 'The mind map book' (2006). As a master in psychology, English, mathematics and the general sciences, he describes the working of the brain and presents his method to get to radiant thinking. Radiant thinking refers to associative thought processes that proceed from or connect to a central point. The other meaning of 'radiant' is also relevant: 'shining brightly' and 'the focal point of a metric shower' - similar to the 'burst of thought' (Tony Buzan, 2006).

Buzan emphasizes that the way to gain access to this way of thinking is through the 'mind map', which he claims, is the external expression of radiant thinking. A mind map always radiates from a central image and every word and image becomes in itself a sub centre of association, the whole proceeding in a potentially infinite chain of branching patterns away from or towards the common centre (Buzan, 2006). According to Buzan (2006) 'the mind map is an expression of radiant thinking and is therefore a natural function of the human mind. It is a powerful graphic technique, which provides a universal key to unlocking the potential of the brain. The mind map can be applied to every aspect of life where improved learning and clearer thinking will enhance human performance.'
The mind map has four essential characteristics:
1. The subject of attention is crystallized in a central image;
2. The main themes of the subject radiate from the central image as branches;
3. Branches comprise a key image or key word printed on an associated line. Topics of lesser importance are also represented as branches attached to higher level branches;
4. The branches form a connected nodal structure.

One important difference with the this theory of mind maps and my elaboration comes with the second phrase of the third point, where topics of lesser importance are not attached to higher level branches in my results, because this would in some way quantify the generally qualitative aspects of these cities. This is also the reason why it is hard to use variation in thickness of arrows between aspects, because in that case there will be a quantitative 'load' attached, which cannot be underpinned.

The mind maps of the cities that are shown on the next pages illustrate the main structure with the name of the city in the centre and the main categories the city aspects can be ascribed to. After this selection, the cause-effect relations between different aspects with black arrows were pointed out. The next step focused on the influences aspects have on each other in a positive or negative way. Red (negative) and green (positive) arrows have pointed out these relations. Adding these relationships results in a clearer overall picture per city about aspects that have influence, positive or negative, on each other. In literature about mind maps, there is no information about drawing conclusions from them, but these elaborated mind maps can contribute to the comparison between the different cities that will be discussed in next paragraph.

Note that when reproducing this thesis, the mind map section should be printed out in color.
Figure 17: Mindmap of Brno
Figure 18: Mindmap of Oslova
Figure 19: Mindmap of Krakow
Figure 20: Mindmap of Lodz
5.1 Comparative analysis

One of the important aspects of this master thesis is to find a general way or handle for local governments to improve the quality of the urban environment without losing economic strength. The process that preceded this comparative analysis examined literature about the current situation and developments in these second tier cities and field research which included interviews and observation. With the process of comparing the four cities with each other in order to extract the similarities and differences of them, the first step to the foundation of a general strategy for second tier cities in the Czech Republic and Poland was made. In this table below, all the aspects that are present in the mind map of every city are highlighted. Next, these cities were compared for similarities and because of that given a color that represents the level of similarity. In this case, the color green stands for resemblance in every city. Secondly, the color yellow stands for aspects that occur in three out of four cities. Furthermore, orange was given to aspects with resemblance in two cities and red represents a unique aspects. On the next two pages every city aspect is colored in order of resemblance.
<table>
<thead>
<tr>
<th>Birm</th>
<th>Ostrava</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inner city</strong></td>
<td><strong>Inner city</strong></td>
</tr>
<tr>
<td>Attractive historical core</td>
<td>Government city centre owned by private + public sector</td>
</tr>
<tr>
<td>Imposing city centre with public and private initiatives</td>
<td>No retail developments in city centre</td>
</tr>
<tr>
<td>New inner city retail developments</td>
<td>Difficulty accessing sensitive city areas</td>
</tr>
<tr>
<td>High footfall city centre at day time</td>
<td>Lack of public and private initiatives; venues for lively city centre</td>
</tr>
<tr>
<td>City centre with clear boundaries and no 'Tense zone'</td>
<td>Problems with traffic congestion</td>
</tr>
<tr>
<td>Redeveloped buildings city centre</td>
<td>Lack of facilities and services needed for lively city centre</td>
</tr>
<tr>
<td>Preserved historical buildings</td>
<td>Low footfall in city centre</td>
</tr>
<tr>
<td>Presence of green areas in city centre</td>
<td>Merely single street with few shops</td>
</tr>
<tr>
<td>Retail and service shops in city centre</td>
<td>Limited pedestrian zone in city centre</td>
</tr>
<tr>
<td>Population decline in city</td>
<td>Lack of private sector initiatives; development initiatives</td>
</tr>
<tr>
<td>Share of older people in city centre increasing</td>
<td>Many green areas in city centre</td>
</tr>
<tr>
<td>Issue perception of within city Quarters</td>
<td>No residential development in city centre</td>
</tr>
<tr>
<td>shorter parking space city centre</td>
<td>Central area development for business and retail complexes</td>
</tr>
<tr>
<td>Accessibility problems with public transport</td>
<td>Lack of leisure facilities</td>
</tr>
<tr>
<td>Strong public spaces</td>
<td>Quality urban environment decreasing away from city centre</td>
</tr>
<tr>
<td>Rival city structure</td>
<td></td>
</tr>
<tr>
<td>Low offer entertainment facilities for young inhabitants</td>
<td></td>
</tr>
<tr>
<td>Many protected green areas in inner city</td>
<td></td>
</tr>
<tr>
<td>Across no residential development in inner city</td>
<td></td>
</tr>
<tr>
<td>Quality urban environment decreasing away from city centre</td>
<td></td>
</tr>
<tr>
<td>Complex surrounding structures and real estate</td>
<td></td>
</tr>
<tr>
<td><strong>Municipality</strong></td>
<td><strong>Municipality</strong></td>
</tr>
<tr>
<td>All department development areas are Birens</td>
<td>Social-economic structure more important for planning projects</td>
</tr>
<tr>
<td>Internal to town retail development</td>
<td>Adapter R (Opex impact) from new developments</td>
</tr>
<tr>
<td>Increasing economic development</td>
<td>Adaptation of existing commercial use for residential use</td>
</tr>
<tr>
<td>New developments approaches</td>
<td>downhill income trend in city centre</td>
</tr>
<tr>
<td>Totally active city approach</td>
<td>District Master Plan zoning plan</td>
</tr>
<tr>
<td>Lack of knowledge about PFP</td>
<td>meritorious approach municipality</td>
</tr>
<tr>
<td>Absence development initiatives by municipality</td>
<td>Deficient international Apli-Industrial lectures</td>
</tr>
<tr>
<td>Low city budget for Brownfield regeneration</td>
<td>Low cost development initiatives by municipality</td>
</tr>
<tr>
<td>High demand by municipality for redevelopment areas</td>
<td>Missing income at municipality</td>
</tr>
<tr>
<td>Improving mortgage systems</td>
<td>No use of PFP or City Venture</td>
</tr>
<tr>
<td>27% municipal budget for housing, service and land development</td>
<td>Lack of legislative framework for new development strategies</td>
</tr>
<tr>
<td>Special savings account with subsidy for housing</td>
<td>High unemployment 15%</td>
</tr>
<tr>
<td>16% unemployment, inward plant production works</td>
<td>High unemployment 15%</td>
</tr>
<tr>
<td>Large share population (young high density area)</td>
<td>Large share population young high density area</td>
</tr>
<tr>
<td>Development technology and Industrial/Infrastructures parks</td>
<td>High unemployment 15%</td>
</tr>
<tr>
<td>City depending largely on private initiatives</td>
<td></td>
</tr>
<tr>
<td>Lack of legislative framework for new development strategies</td>
<td></td>
</tr>
<tr>
<td>Existing zoning plan</td>
<td></td>
</tr>
<tr>
<td>Control of dots centre area</td>
<td></td>
</tr>
</tbody>
</table>

**Infrastructure**

- Mass transport for rail/cable commercial (railway) developments
- Increase in car use
- Heavy traffic
- Strategic location of Ostrava near borders
- Strategic location of Brownfield near railway

**Brownfields**

- Extensive industrial history in Birm
- Many Brownfields sites owned by municipality
- Many Brownfields sites contaminated
- Large Brownfields sites in city centre
- Central government fund for ecological clean-up contaminated sites
- No attention for Brownfield regeneration
- Large municipal budget Brownfield regeneration
- Potential EU Structural Fund for Brownfield regeneration

**Housing**

- Social housing is becoming less common
- Suburbanization
- Changing housing quality demand
- Increasing demand for high-quality housing
- 25% Poor owned by municipality with high rents
- Increasing demand for high-quality housing
- Small scale Urban Sprawl
- Renovation flats by private initiative
- Low level new housing developments

**Table 9. City characteristics**
Table 1: City characteristics

<table>
<thead>
<tr>
<th>City</th>
<th>Inner core</th>
<th>Brownfield</th>
<th>Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodz</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

5 - Implementation research information
5.2 Foundation for general development strategy (field research)

The next process step is the arrangement of all aspects, resulting in a distinct foundation that will be discussed in the general restructuring strategy. It shows that the general aspects represent the minority of all aspects of these cities. Although this can be explained in a negative way, e.g. not representative and to limited, I think, together with the issues derived from literature, most of the aspects in green and yellow represent the main issues and developments with the biggest impact on urban development. Furthermore, the aspects in orange are related to the aspects in the left and right column and will therefore not be neglected in the general restructuring strategy, because sometimes-successful solutions or developments in other cities can be good examples for other cities.

Table 10: Priority list urban similarities and differences
5.3 Feedback to literature
Not all negative and positive city aspects presented in literature will be admitted to the strategy presented in chapter 6, for the reason that they were not acknowledged by interviewees and not identified during observation. Although the results of the field research of the four Central-European cities represents the current situation at this moment, interviewing more people and exploring these cities more elaborately, will probably result in more city aspects. Local government officials should therefore consider this thesis as the foundation towards a new restructuring strategy and city analysis and will probably be able to supplement the list with city aspects. It is almost certain that the list can be more extensive, although convincingly most important aspects are included, but due to limited budget, time and interviewees that were very busy, this is the result. Aspects that were described in literature but not identified in these cities, will not be included to the general restructuring strategy, because it is difficult to place them in the context of cities and will affect the validity of the mind maps.

5.4 Conclusion
The process and steps made in this chapter are essential for the final result, considering it determines the aspects that apply for almost every second tier city in Poland and the Czech Republic. This is a rather daring statement, but when local government officials would read this thesis, there is big chance they acknowledge the aspects that are found during field research in Central-Europe. The results from the comparative analysis show the majority of all city related aspects can be referred to as city specific, or with some similarity between two cities. This thesis focuses on the general aspects, which are, quite important to the balanced development of second tier cities. More important it is, that local government people assent to the strategy that is presented in chapter 6 and take advantage of it, not only by implying it when this is possible, but also by making them more aware of the current development issues they face.
6 General restructuring strategy

6.1 Introduction
The formulation of the development strategy could help local governments in their struggle for economic growth and urban development. Consisting of field research and literature, the aspects that will be passed in review are substantiated by the development specifics that are described in chapter 3. The combination of literature, field research, results from interviews and mind mapping will be founded with theoretical research outcomes with reference to the different aspects. Furthermore this chapter presents the different stages of city development in retail and housing, starting from the beginning of the socialist period till the present moment. The stage of development of the second tier cities differs between cities, where spending power and city size play an important role in new retail developments.

6.2 Development phases of Central-European cities
The cities in Central Europe are improving very quickly, but there is much difference in the level of progress of the cities, when putting them on a time related scale. Especially for the former socialist countries it easy to determine what their point of departure is. From this point the different real estate sectors of a city start to develop, which is depending on many factors, but looking at the whole situation of Central Europe development phases can be determined.

The first phase in the development timeline is the period after World War II until the fall of the Berlin Wall and the end of socialism in Central Europe. In this report the particular influences of socialism have been described, but it is evident that to some extend cities developed in a certain way.

The second phase is the transition period in which the Foreign Direct Investments started to flow, because foreign companies were attracted by the new opportunities the Czech Republic, Poland and Hungary. The inflow of capital was largely directed to the capital cities, which resulted in a vast development. The first developments in the retail sector were the hypermarkets and big boxes that were successful because the concept of western style shops was new for the population. The housing sector was specifically focusing on the restitution of the former state ownership.

The third phase is characterized by increasing wages and spending power in the capital cities and the maturing retail sector. In this stage, western brands entered the market and were located at the high street shops and new shopping centers on both inner city and out of town location. Because more investors and project developers were interested in the opportunities these emerging markets provided, new shopping centers and big boxes deluged the market. Also during this stage, housing developments in the capital cities started and apartments were build. In the second tier cities the development of large scale hypermarkets started, also located near the large concentrations of people. The residential market did not show many new developments, probably because of the underdeveloped mortgage system and relatively low income levels in comparison with the capital cities.

The fourth phase is characterized by the saturation of the retail market, because the supply of retail floor space has in some cases exceeded demand which is closely related to the purchasing power of the city population. Still new developments are realized, but the risk of failure is far greater than
in the early stages of development of the retail market. Increasing income has also resulted in more residential developments which are often located in green areas at city boundaries and suburbs. In the second tier cities the development of higher quality retail schemes, like shopping centers with western brands are being realized. The location depends on the type of scheme which is developed, as many shopping centers are situated in inner cities often close to the historical core. Instead retail warehousing and big boxes are located outside the inner city because of the large floor space per unit and the large parking space that is required. Next to that it is important that the quality of the historical core is attractive enough for western brands to establish a unit shop. When this is not the case, they wait for a shopping center to be developed. The residential market also shows increasing developments where the main trends are suburbanization and urban sprawl. Land plots in small villages and also locations within city limits are being developed, frequently with new apartments, but also with single family housing.

The next phase in city development shows the coming saturation in the retail market of the second tier cities. Like the capitol cities the market of these smaller cities is able to cope with a certain number of retail floor space. When this number is reached, project developers seek opportunities in other cities. Like the situation in the capitol cities, it will be a matter of time and economic growth how much new retail developments will be realized in these cities. In comparison to Netherlands, the average retail floor space in these areas is still relatively low, and even here there are new developments planned. In this phase the residential developments expand as the demand for high quality housing grows, which also results in higher housing prices. Next to that, local governments of second tier cities begin to realize the negative impact these developments can have on the current situation and overall development of the city. For example the situation in Brno where new retail developments in the south attracts many people living north causes traffic flows in the inner city leading to congestion problems.

6.3 Theoretical framework

Examining the current situation and developments in the Czech and Polish cities resulted in supplementation, in many cases, of the existing literature about the second tier cities in Central Europe. In this thesis there are five main categories in which all the aspects of the different cities can be classified, that is to say inner city, municipality, infrastructure, housing and Brownfields. The foundation of my conclusion is based on literature about urban development and growth, city economics and solutions how to deal with some of the current issues. One has to bear in mind that most of the literature is based on US examples and statistics and may not always be interchangeable to situations in Central European countries.

Theoretical aspects:

1. In the US the density of residential activity within urban areas has changed dramatically, as a consequence of suburbanization. The ‘voluntary’ nature of this process, called urban decentralization, generated a number of concerns about the welfare of metropolitan area populations. One of these concerns is a rising disparity between neighborhoods, especially the decline of incomes in central cities relative to those of their suburban counterparts. As metropolitan areas expand, the majority of both employment opportunities and relatively
high-income households may shift from centre to periphery, thereby creating a widening income gap between these two areas. Over time these differences may then become more pronounced as the poor become increasingly isolated from productive interactions with wealthier neighbors. A number of studies suggest that over a time period, poverty became more concentrated within the urban areas (Mayer, 1996). Furthermore Kasarda (1993) and Abramson (1995) find that individuals living in poverty became increasingly concentrated within poor neighborhoods. According to Wheeler (2006), urban decentralization tends to be accompanied by significant increases in income inequality.

2. The development of cities in the 20th century, both social-economic as physical, is a topic researchers have tried to explain based on statistical data. Recent study presented in Real Estate Economics magazine focused on the influence (local) governments can have on economic development of a city, by looking at agglomeration economies and how they attribute to changes in earnings. There is strong evidence that relative growth effects are related to both localization and urbanization economies (Malpezzi, Seah and Shilling, 2004). According to Malpezzi, Seah and Shilling (2004), approximately three-fourths in metropolitan growth rates can be explained by local conditions unrelated to industry mix. The remaining metropolitan growth rates are attributed in industry mix, interaction between industry mix and local effects. Also when a city has a higher growth due to the local relative growth effect, it also tends to have a low growth term due to industry mix and vice versa. In addition to demonstrating that industry-mix matters somewhat, but that local factors matter more, Malpezzi, Seah and Shilling (2004) confirm the results of other studies that demonstrate that local growth effects are related to both urbanization and localization economies. Another finding is the suggestion that metropolitan areas with low initial earnings per capita will exhibit higher returns on the margin, drawing investment and raising growth rates until economies converge. Taken together, the results drawn by Malpezzi, Seah and Shilling (2004), show that the growth of local economies is no random walk, but is partly forecastable. Thus there are states of the world in which investment in particular markets are more or less favorable, at least probabilistically. Specific policy implications include that despite the near ubiquitousness of efforts by local officials to peg one's fortunes to one 'hot' industry after another, the results suggest it is tempting, but wrong, to credit the overall patterns of metropolitan economic development largely to industry mix. While Malpezzi, Seah and Shilling (2004) find some effect of industry mix and some interaction with local factors, it is largely the latter that determines metropolitan growth. Furthermore there is literature about the relationship between local taxes and growth; the emerging consensus seems to be that higher taxes may reduce growth rates if services (especially core

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1 A reduction in production cost the results when related firms locate near one another. Firms can be related as competitors in the same industry, by using the same inputs, or through providing output to the same demographic group. The fashion industry, for example, experiences agglomeration economies because they can share specialized inputs (photographers, models) that would be too expensive to employ full time. Retail stores have agglomeration economies when located in shopping malls because they have access to a large group of potential customers with lower advertising cost. Agglomeration economies is given as one of the primary reasons for the emergence of urban areas (http://www.AmosWEB.com, AmosWEB LLC, 2000-2007)

2 Agglomeration economies (costs, cost reductions) resulting from the concentration of the same or similar activities: e.g. benefits resulting from the local access to a specialized work force or the specialized reputation of a locality (to which some but may be not all of these specialized activities contribute) (http://faculty.washington.edu/krummel/glossary.html)

3 A reduction in production cost is the results when diverse activities are located in a concentrated urban area. Urbanization economies applied to all types of activities that benefit from assorted urban ‘amenities’ such as public utilities, government services, information services that are inclined to experience decreasing average cost with large scale production. If, for example, a city has sufficient demand for a more efficient, larger scale electrical generation plant, then everyone can benefit from lower electricity rates (http://www.AmosWEB.com, AmosWEB LLC, 2000-2007)
education and infrastructure services) are properly accounted for. Because these services and taxes are correlated, models that include one but not the other obtain insignificant results (Malpezzi, Seah and Shilling, 2004). Next to that cities with a high relative growth term tend to attract capital investment both in the base and non-base industry. A high growth rate in the non-base industries however, lowers the growth component due to industry mix, holding all else constant. Growth rates are positively related to the percentage of college graduates related to income per capita at the beginning of the period. One important conclusion from the research of Malpezzi, Seah and Shilling (2004) is that still many issues are unresolved, including whether metropolitan growth is caused by what cities do, how cities do it, or both. On the other hand Malpezzi, Seah and Shilling (2004) find that relative growth, or local productivity (how city do things) dominates industry mix (what they do). Metropolitan areas with low initial earnings per capita will exhibit higher returns on the margin, drawing investment and raising growth rates until economies converge. The result of the study emphasizes that local officials should focus on 'back to basics' policies as improving education and infrastructure in order to pursue economic development, instead of focusing on 'hot sectors'.

3. Brownfield clean-up and reuse are attractive to communities and policymakers for three reasons. First, Brownfield cleanup reduces the adverse effects of the site’s soil and water pollution on human health and ecological systems. Second, the reuse of Brownfields helps stop the conversion of Greenfields and rural sites to urban areas and other development patterns that generate environmental problems, congestion and sprawl. Third, redeveloping abandoned industrial sites promotes economic growth in inner cities and is, therefore, a potentially important component of sustainable growth (Alberini, Longo, Tonin, Trombetta and Turvani, 2003). Their research indicates that developers find sites with contamination problems less attractive than other, and that they value liability relief, which confirms their expectation that contaminated sites are less desirable because of associated clean-up costs, but refutes earlier claims that liability does not matter. Developers are not deterred by prior contamination once it has been cleaned up, suggesting that contamination stigma is probably not very important, and appreciate fast-track review of development and remediation plans, direct financial incentives and flexible cleanup standards. Alberini, Longo, Tonin, Trombetta and Turvani (2003), point out that government can provide incentives like letters of no further action, certificates of completion or covenants not to sue that reduce or eliminate future liability risks. They can also reduce uncertainty about future changes in cleanup standards and immediate cleanup costs, by offering streamlined review of development project plans. Finally they can offer direct financial incentives to the developers in the form of loans, grants, rebates and/or tax credits. Furthermore developers with Brownfield experience tend to engage in projects at larger sites and with larger buildings and tend to have greater revenues per project. The likelihood of selecting the contaminated site vis-à-vis a pristine (e.g. Greenfield) site, increases by roughly 11% for every additional 10% subsidy for developers with contaminated site experience. For non-contaminated site developers this percentage is only 2%. According to Alberini, Longo, Tonin, Trombetta and Turvani (2003), projects worth 7 million Euro in revenue need to be compensated with 2.5 million Euro of subsidy, in order to persuade developers to regenerate a contaminated Brownfield site.

4. Research done by Campos and Kinoshita (2003) describes the determinants of FDI inflows to transition countries. Results show that institutions, extent of economic reforms and agglomeration economies are the most important determinants for Central Eastern European
countries. Moreover, countries with good institutions, greater trade openness and fewer restrictions on FDI flows are likely to receive more FDI. The key question they ask in their paper is how important are institutions and the agglomeration effect relative to other factors in the host countries. They find that these two factors are the most important ones. Furthermore, FDI motives vary greatly between the non-CIS and the CIS countries. In the non-CIS countries that receive FDI mostly in the manufacturing sector, institutions and agglomeration are the main considerations for investors.

Johnson (2006) two main groups of FDI determinants: traditional and transition-specific. The traditional determinants are based on three types of FDI, efficiency-seeking, market-seeking and resource-seeking, and are represented by proxies for market demand, production costs and natural resource abundance. The transition-specific variables include transition progress, privatization method and corruption. Results from his research suggest market-seeking is an important motive for investment in the CEE economies, but not in the CIS economies. The analysis suggests that the larger inflows of FDI to the CEE economies than the CIS economies primarily can be explained by better opportunities for market-seeking investment due to stronger host country demand, a faster process and possibly less problems of corruption (Johnson, 2006). Government action is unlikely to be able to generate market-seeking FDI. Instead, governments should make sure that there is progress in transition. Furthermore, a proper organization of the privatization process can provide an important tool for maximizing the inflows of FDI.

5. Rosenthal and Strange (2004) come with local industrial policy implications derived from the research about innovation, economic growth and productivity. There are policies to improve the economic environment in a general way and politics designed to attract particular industries or even particular firms. There is evidence that general sorts of policies, like provision of physical infrastructure, protection of person and property, moderation of taxes or improvements to education can be successful in promoting prosperity. The most important thing to remember when considering policies to attract specific industries or firms is that there appear to be strong forces at work leading to agglomeration (Rosenthal and Strange, 2004). The existence of agglomeration economies means that in order to attract any firms at all, it may be necessary to attract a critical mass. Finally it may not be possible to duplicate elsewhere the circumstances that led to successful agglomeration in another place.

6. Strange, Hejazi and Tang (2005) developed a model that shows that firms are attracted to agglomeration if they face competitive instability, have a strong skill-orientation or are innovative. The mechanism is that in a thicker market (either a large city or industry cluster) there will be a more diverse range of resources available to meet randomly arising challenges or opportunities. Whether the uncertainty arises from instability in an establishment's product, skill requirements or innovativeness, agglomeration is valuable because it gives firms a greater ability to adapt to uncertainty.

7. Vernon Henderson (2003) states that as development proceeds, eventually de-concentration occurs for two reasons. The economy can afford to spread economic infrastructure and knowledge resources to hinterland areas. Second, the cities of initial high concentration become high cost, congested locations that are less efficient locations for producers and consumers.
8. Franz, Maier and Schröck (2005?) emphasize that there are difficulties with the term Urban Sprawl, because it is hard to distinguish sprawl from related term like suburbanization, urban growth, or suburban development. Also there is no agreed way of measuring sprawl, partly because of the lack of a generally accepted definition. One of the definitions for this thesis could be: Unplanned urban development that runs counter to the objectives of spatial development is identified as sprawl (Gassner, 1978). Another is: de-concentration processes of urban functions combined with the spatial expansion of urban uses into rural areas (Gleaser and Pumain, 2003). Franz, Maier and Schröck (2005) conclude that the decision whether a certain empirically derived value characterizes sprawl or not is in the hands of the researcher, policy maker or policy activist.

9. Duranton and Puga (1999) discuss the issues on the structure of systems of cities. The first aspect, efficiency of the urban system as a whole still is a point of discussion. Models in the spirit of Henderson (1974) tend to suggest that urban systems without central regulation will be efficient in terms of size and numbers. This is true, provided that some mechanism enabling the creation and development of new cities is present. The two usual mechanisms are autonomous local governments or the market, with land developers. Duranton and Puga (1999), come up with a few policy perceptions that are clear. For instance, anything that hinders the creation and development of new cities, such as poorly-defined property rights, is likely to result in inefficient urban systems. Furthermore there appears to be need for both large and diversified cities and smaller and more specialized cities.

10. Glaeser, Gyourko and Saks (2005) suggest that those who are interested in urban and regional growth must think about housing markets and in particular the nature of the housing supply. After all, firms in a region cannot expand or establish employment without new homes to house new workers. Furthermore they say that in places where limited regulation and low density facilitate the construction of new homes, urban success is more likely to take the form of higher population levels.

11. Kahn (2003) comes with the fact that the only root cause for the growth of sprawl is the automobile. He thinks that the negative quality of life impacts have been overstated and thinks the problem of sprawl lies not in the people who have moved to the suburbs but rather the people who have been left behind. In the US edge cities were made possible by the automobile and as long as the car remains the dominant transport mode, sprawl is likely to remain the dominant urban form. The economic and social consequences of sprawl do not appear to be dire.

12. Anas and Rhee (2004) calculated in their model (US-based) that congestion tolls may generate only slight efficiency benefits and that they are a ineffective tool for reducing urban sprawl under the long run conditions that we simulated. Congestion tolls are, however, known to be difficult to implement although there are hopeful signs that they might be broadly feasible in the future due to advances in electronic tolling devices. But even if tolls may not be possible, a number of close second best such as gasoline taxes and parking taxes do exist (Anas and Rhee, 2004).

13. Henderson, Shalizi and Venables (2000) conclude that geography matters for development, but that economic growth is not governed by a geographical determinism. Policy is essential
in shaping economic changes, although the design of policy is not well understood. There are two important messages from literature about the management of urban structures. First is the importance of concentration. Second is the fact that de-concentration does occur at a certain stage in a country's development.

14. Linz, Müller and Schmude (2003) discuss the industrial heritage in the CEE region. One example of Poland describes the negative effect of the EU legislation on Special Economic Zones. SEZ are strong instruments of establishing new enterprises, because they offer extensive tax breaks and other advantages for businesses. As a consequence of accession EU, Poland now has to reduce subsidies offered as investment incentives to businesses.

15. Henderson and Wang (2007) emphasize that similarly growth of individual city sizes is explained by changes in local market conditions, technological change, and changes in national institutions and policies. Technology, policy and institutional effects on individual city growth are heterogeneous. Technology improvements help bigger cities more, while increasing democratization levels the playing field across cities, allowing smaller cities to compete more freely for firms and residents.

16. Davis and Henderson (2001) point out in analyzing the urbanization process, the paper confirms many traditional views and also uncovers a new set of important findings. There is a large informal literature on "urban bias," suggesting that government policies concerning infrastructure investments, trade protection policies, and price controls influence the rate of urbanization (e.g., see O and references therein; also Renaud). These influences are definitely there, but we will make the rather simple and intuitive point that their effect on urbanization is indirect, through the impact on agriculture and manufacturing per se. That is, urban bias policies affect sector composition, which in turn affects urbanization. But they have little or no separate direct effect on the rate of urbanization itself. Their main conclusions are the following. Structural changes in the economy as a result of development drive urbanization. The Williamson effect exists where urban concentration first increases and then decreases with development. Political and policy variables have little or no direct effects on urbanization, only indirect effects through their effects on income and sector composition. Urban concentration is affected significantly by a wide range of political or politically determined variables, including democratization, federalism, and whether a country was a former planned economy. In addition interregional investment in transport infrastructure, both waterways and roads, work to reduce urban concentration, opening markets to hinterland cities.

17. Munneke (2004) concludes that zoning impacts land prices. If zoning is inflexible, there is no need to look beyond the price impact based on the current allocation of land. However, if zoning is flexible, the current zoning structure can be realigned to take into consideration the changes in the parcel's economic environment. An important question then becomes, if the current level of zoning does not reflect the market allocation of land, will parcels be rezoned toward a market allocation of land? In other words, are parcels rezoned in a manner that leads to higher land values? If zoning is indeed flexible and values are used to guide zoning decisions, one would expect to see the probability of a zoning change increase as the value in an alternative use increases, relative to its current use. The estimation of a zoning change equation provides strong evidence, with the exception of vacant residential parcels, that the probability of a parcel being rezoned increases as the maximum value in an alternative use
increases, relative to the price in its current use. The results indicate that the probability of rezoning increases as the expected price in a use other than the parcel’s current use increases relative to its price in its current use. This indicates that in the face of zoning constraints, as reflected by the probability of a parcel zoned to a particular use, zoning changes are sought and approved that lead to a higher expected return for the parcel.

18. Bertinelli and Black (2003) consider that myopic policies designed to reduce the degree of over-urbanization by limiting urbanization will tend to have an adverse impact on economic growth, lowering an economy’s steady-state level of technology and potentially leaving the economy stuck in a development trap. This suggests that policies designed to remedy potential overurbanization may have adverse dynamic effects. In addition, spatial redistribution, rather than a curtailing of an economy’s urban population may remedy the costs of overurbanization without these negative dynamic effects. However, a full understanding of this requires in-depth knowledge of the costs of infrastructure investments required for urban population decentralization.

19. When describing the sprawling of the post-socialist city in Poland and Hungary, Kock (1999) distinguished such initiating factors as environmental pollution of the compact city, an increase in the crime rate, and growing costs of upkeep in the city. He observed that it was not only upper-middle-class people who moved to the suburbs but also those of a lower status.

6.4 Restructuring strategy

One of the aspects that make this thesis different from many other research reports is the fact that there has been some research done about the development of the cities in Central Europe, especially the capital cities, and the current issues that play an important role in urban development. Outcomes of these reports address only one or two city aspects (problems) in their conclusive strategy. I think, looking at the bigger picture, from the municipal point of view, gives more insight of how city aspects (problems) are related to each other, to come with a more overall strategy rather than looking at these aspects separately. Henderson, Shalizi and Venables (2000) conclude that policy is essential in shaping economic changes, although the design of policy is not well understood. This strategy can provide help to local governments to elaborate the policies that will be beneficial to urban development. The approaches and solutions stated is this strategy, apply for the present issues discussed in earlier stages of this thesis, but one has to bear in mind the fact that there are not such things as univocal solutions is this kind of situation. Local government officials should seek therefore, for that possibility which provides the best solution given the set of parameters.

Budget
When looking from the municipal point of view all the city aspects that are selected are relevant because their responsibility considers the whole city and it is their task to deal with these aspects the way they think is right. Based on the level of development of the city, local governments have their priorities. For instance the cities of Krakow and Brno do not have to pay at lot of attention into the attractiveness of the city centre, whereas Ostrava and Lodz have to improve certain aspects to attract more people and make it a more dynamic place to visit. Interviewing local government officials confirmed the position of municipalities, which is the fact that they have relatively small
budget considering the amount of issues they have to deal with. In order to obtain more fund cities started selling municipal land to the private sector, thus making them more dependent on them and their initiatives.

**Municipal applications**

Together with the absence of a working and updated master and zoning plan, cities lost control on urban development. The fact that the economic development outranks development of the physical quality did not contribute to a balanced urban growth. Although many local government officials have the best interest for their city, there are aspects that would improve conditions. First of all, the interviewed people did not think that positive about local governments and their actions. Aspects that were mentioned were lack of know how, old workforce with short-term solutions and neglecting the bigger picture, bureaucracy resulting in long waiting periods for building permits and uncertainty with project developers and cases with a lack of involvement. For example, in Lodz the study of urban planning is very unpopular among students and the workforce at the municipality exists of a relative old workforce. Attracting new young planners for instance can change perspectives and vision within the urban planning office. Cities like Ústí nad Labem and Krakow already changed the situation and also worked with younger people. Furthermore all municipalities heard about the Structural Funds, but this far, none of them attracted funds from the EU for urban development purpose. An active approach together with determinism could help in this situation for it is not an easy way to acquire such funds.

**Foreign Direct Investment**

All four cities governments strive for economic growth by attracting FDI which provides new jobs and construction activity. Research done by Campos and Kinoshita (2003) describes the determinants of FDI inflows to transition countries. Results show that institutions, extend of economic reforms and agglomeration economies are the most important determinants for Central Eastern European countries. Moreover, countries with good institutions, greater trade openness and fewer restrictions on FDI flows are likely to receive more FDI. Furthermore, they find that the presence of institutions and the agglomeration effect are the most important factors. According to Johnson (2006) there are two main groups of FDI determinants: traditional and transition-specific. The traditional determinants are based on three types of FDI, efficiency-seeking, market-seeking and resources-seeking, and are represented by proxies for market demand, production costs and natural resource abundance. The transition-specific variables include transition progress, privatization method and corruption. Results from his research suggest market-seeking is an important motive for investment in the CEE economies, but not in the CIS economies. The analysis suggests that the larger inflows of FDI to the CEE economies than the CIS economies primarily can be explained by better opportunities for market-seeking investment due to stronger host country demand, a faster process and possibly less problems of corruption (Johnson, 2006).

Government action is unlikely to be able to generate market-seeking FDI. Instead, governments should make sure that there is progress in transition. Furthermore, a proper organization of the privatization process can provide an important tool for maximizing the inflows of FDI. Blomström and Kokko (2003) argue that good governance in the area of FDI policy is to consider the investment incentive packages as part of the country’s overall industrial policy, and make any incentives available on equal terms to all investors, foreign as well as local. The incentives should focus in particular on those activities that create the strongest potential for spill-overs, including linkages between foreign and local firms, education, training, and R&D. It should also be noted that the country’s industrial
policies in general are important determinants of FDI inflows and effects of FDI. By enhancing the local supply of human capital and modern infrastructure and by improving other fundamentals for economic growth, a country does not only become a more attractive site for multinational firms, but there is increased likelihood that its private sector benefits from the foreign participation through spill-over benefits.

It is remarkable that none of the local governments used incentives to improve FDI inflow to their city. Only the city of Lodz and especially its surrounding villages established Special Economic Zones. Although it looks an easy tool for attracting new companies, Linz, Müller and Schmude (2003) describe the negative effect of the EU legislation on Special Economic Zones. They think SEZ’s are strong instruments for establishing new enterprises, because they offer extensive tax breaks and other advantages for businesses, but a consequence of accession EU resulted in the fact that Poland now has to reduce subsidies offered as investment incentives to businesses. Investment in the retail sector has seen a tremendous increase, since the beginning of the 1990s. With the current professionalism and involvement of international project developers, new retail developments are very prestigious with western standards and shops. The development of a shopping centre, when located on the right position, can bring a quality impulse to city centers, also attracting many people, making it a more attractive place to be and dynamic. The relatively smaller second tier cities without now retail supply should therefore try to attract a new development in the city centre, instead of an out-of-town location, drawing people away from the city centre. As can be seen in the example of Ostrava, putting out a tender by local governments for a specific location, in this case the city center, can result in the development of a new shopping center. In some situations, local governments have to bear in mind that such a development requires an investment in public space as well, which should often be contributed by the municipality.

**Inner city development**

Municipalities are responsible for all developments that occur within their city limits, or sometimes even outside of it. There is certain area within the city that gets more attention and is often the economic core of the whole urban area: the inner city. Central to strategies for and involvement in the inner city real estate market is to recognize the role and importance of place (Roulac, 2003). The inner city is part of the larger global space construct and each of them in the global space construct is in competition with other places for people, business and capital. As people can choose were they wish to be, which has been changing in Central-Europe, attracting people to a place depends on that place’s appeal. With learning a crucial twenty-first century priority, promoting learning can promote the prosperity of the inner city real estate market (Roulac, 2003). Striving for a dynamic and economic vital inner city should get high priority within the city’s master plan, which should seek for opportunities to attract people instead of letting them move the suburbs. Furthermore, there is interdependency between the economic vitality of a place and the property located in that place and every property is influenced by what happens in the inner city (Roulac, 2003).

With respect to the four inner city examples, there were enormous differences to be found determining the physical quality of these places. Deterioration of buildings and infrastructure, I think determines largely the physical quality of an area. Complemented with the presence of ‘blank spots’ and Brownfields in inner city areas, there are clearly four aspects that need serious attention. Not every aspect demands the same approach, whereas the deterioration of buildings, which is private property, asks for other solutions than infrastructure that is the concern of the public sector. In the case of deteriorated private property, the reason often lies in the fact the owners have insufficient
fund for renovation. One example policy used by a municipality in Poland was with regard to tax relief for city inhabitants on the only condition that they would invest this tax in the improvement of their property. Another option for this could be the Business Improvement District, in case of retail or businesses. This American example combines local initiatives and private funding without free-riders with the upgrading of specific areas, mostly in inner cities. At this moment there is no legislative fundament for implementing a BID, but by setting up these conditions, in this case on state level, public initiatives can be stimulated more deliberately.

In case of infrastructure developments the local governments can use a relatively new form of cooperation, certainly for Central-European countries, called Public Private Partnerships (PPP). Although the current situation shows a limited legislative foundation for PPP in Poland and the Czech Republic, it could be a useful tool for urban development projects in the near future. From the governmental viewpoint, PPP can reduce risk and the amount of fund needed by municipalities, and speed the development process, whereas the private sector benefits form obtaining long-term maintenance contracts. First step would be to the application of new policies and legislation on state level, succeeded by active knowledge spillover to local governments. Concrete improvements to the inner city infrastructure are the construction of new roads and pavements, basic facilities (gas, water, and sewerage) and renovation of public squares and parks. In the case of Lodz the lack of facilities in the city centre has negative impact on the development of the present 'blank spots', because new developments would have difficult access to basic facilities. Also the conversion of streets into pedestrian zones with, for instance cobble-stones, changes the purpose of the street when considered well, and throws such a street open for other uses. The other aspects that were considered as weaknesses of inner cities are the Brownfield sites including extensive railroad infrastructure and 'blank spots'.

Brownfield regeneration

The emphasis on heavy-industry during socialist times left its seal on many cities. Also in England this problem occurred resulting in many research reports with respect to this problem. Several aspects play an important role and determine how to regenerate a Brownfield. First, the presence of soil contamination is very important, often resulting in high cleanup costs. Alberini, Longo, Tonin, Trombetta and Turvani (2003) indicate that developers find sites with contamination problems less attractive than other, and that they value liability relief, which confirms their expectation that contaminated sites are less desirable because of associated clean-up costs, but refutes earlier claims that liability does not matter.

Developers are not deterred by prior contamination once it has been cleaned up, suggesting that contamination stigma is probably not very important, and appreciate fast-track review of development and remediation plans, direct financial incentives and flexible cleanup standards. Alberini, Longo, Tonin, Trombetta and Turvani (2003), point out that government can provide incentives like letters of no further action, certificates of completion or covenants not to sue that reduce or eliminate future liability risks. They can also reduce uncertainty about future changes in cleanup standards and immediate cleanup costs, by offering streamlined review of development project plans. Finally, they can offer direct financial incentives to the developers in the form of loans, grants, rebates and/or tax credits. Furthermore, developers with Brownfield experience tend to engage in projects at larger sites and with larger buildings and tend to have greater revenues per project. The likelihood of selecting the contaminated site as distinct from a pristine site (e.g. Greenfield), increases by roughly 11% for every additional 10% subsidy for developers with contaminated site experience. For
non-contaminated site developers this percentage is only 2%. According to Alberini, Longo, Tonin, Trombetta and Turvani (2003), projects worth 7 million Euro in revenue need to be compensated with 2.5 million Euro of subsidy, in order to persuade developers to regenerate a contaminated Brownfield site. Secondly, the share size of the Brownfield location and the ownership structure has influence on its future development. Besides, the former factory buildings can make a plot more or less attractive for developers, when looking for example at the situation in Lodz, where former factories where stripped and disconcerted of buildings from the socialist period, making them ready for a new retail or residential function.

Furthermore, the location itself can play an important role. For example, new infrastructure developments like highways near Brownfields close to city limits can generate spin-off in the form of regeneration projects. Thus, Brownfields with a strategic location possibly have more chance of being regenerated, although the support from local governments is also needed. Although a large share of the (former) industrial sites is abandoned, there still are situations where industrial activity is present in inner city areas. Relocation seems the most logical solution to this problem, but this will send prices for regeneration up. Making an inventory combined with prioritization of Brownfield sites with development potential could help local governments to decide which location has biggest potential.

The current status quo shows both a lack of cleanup budget or subsidy and missing incentives as discussed in literature. This is related to the fact that local governments are in pursuit of the fast economic growth and therefore, in many cases, aim for relative cheap and easy Greenfield development near city limits and good infrastructure. Personally, I think spin-off of successful regeneration projects should not be underestimated and local governments should make carefully thought-out decisions which area is qualified for funding. Malizia (2003) states that certain areas may be too expensive to help, at least in the near-term, given limited resources and the need to focus investments spatially to achieve adequate scale. In these areas, the objective should be to help existing residents and businesses find locations that are more viable. As harsh as this option may seem, private investors will come to understand that the public intend to ignore these areas for some period of time. Although asset values may decline, increased certainty about the future of these areas should narrow the range of alternative futures considerably. More certainty should provide a countervailing tendency that may eventually lift asset values in these areas (Malizia, 2003). With respect to the relatively low budgets of municipalities, public financial support should focus on two or three integral projects, in order to have certain effect on urban scale. Local governments should strive for potential spin-off that will spread around the initial investment giving an impulse to the whole neighborhood or depressed area. In situations where local governments invest in many projects, but with small investments, possibility of further spin-off will be marginal without resulting in further improvement of surrounding areas.

'Blank spots'

Closely related to Brownfields, but with different aspects are 'blank spots', which can be found moreover in the relatively poorer cities, like Lodz and Ostrava. 'Blank spots' are often located on the corner of streets, but also present within housing blocks. These open spaces invite for new development, because it are small-scale open spaces with clear boundaries, no buildings and no contamination. Reasons for lack of attention of the private sector for new developments could be rooted in several aspects. First cause could be absent housing demand or underdeveloped housing market together with low quality housing and urban environment. In a situation like this, developing
only the ‘blank spot’ will cause differences between the new building(s) and the rest of the street. This could work out positively in a situation where the current owners will improve the exterior of their building. The other way around is possible as well, where project developers will not be able to sell their property because the negative image of the rest of the neighborhood.

Therefore getting to this issue requires more than just filling in the blank spots, but improvements to the physical quality and character should be made. Another solution should be found regarding to complicated ownership structures of ‘blank spots’. Due to the restitution of former state owned property, many situations occur where belongings were passed to multiple beneficiaries. An option for this problem could be the introduction of a more transparent and dynamic land market, with a clear overview of current ‘blank spots’ supply. More trade and attention to this aspect should make owners more aware of the (financial) possibilities. One interfering aspect is Greenfield development, where project developers do not face these kinds of problems related to ‘blank spots’.

**Regulation**

With accession to the EU resulting in a more stringent government structure and way of working; probably reducing corruption in the relatively new member states, the master and zoning plan can provide local governments with a powerful instrument to influence urban development. The application of the local strategy in the master plan should reflect in the zoning plan as well. The zoning plan can direct certain aspects of urban development by pointing out development areas for specific land uses. I do not think zoning is the answer to the problem of suburbanization; although it can probably have some influence on urban sprawl. Local governments should not try to control the process of urban growth, whereas Bertinelli and Black (2003) consider that shortsighted policies designed to reduce the degree of over-urbanization by limiting urbanization will tend to have an adverse impact on economic growth, lowering an economy’s steady-state level of technology and potentially leaving the economy stuck in a development trap. This suggests that policies designed to remedy potential over-urbanization may have adverse dynamic effects. In addition, spatial redistribution, rather than a curtailing of an economy’s urban population may remedy the costs of over-urbanization without these negative dynamic effects. However, a full understanding of this requires in-depth knowledge of the costs of infrastructure investments required for urban population decentralization (Bertinelli and Black, 2003).

The presence of an up-to-date master and zoning plan has direct influence on the initiatives of the private sector. They will respond to the new zoning plan by obtaining new land positions at locations where they can develop new projects. This can decrease uncontrolled residential development near city limits, called urban sprawl. Suburbanization is more difficult to compensate by new master and zoning plans because the surrounding villages and towns have their own zoning plan that cannot be controlled by local governments of large cities. An updated master and zoning plan is also needed because in many cases local governments have sold their land to the private sector. One important condition considers the opinion of local government officials about Greenfield development. They first have to realize that economic development is important, but neglecting deteriorated areas such as Brownfields makes the city not a better place to live in, resulting if further suburbanization and urban sprawl.

The level of Greenfield development is depending on demand for new residential, commercial and industrial functions. The development of new, spacious, high quality housing is caused by changing housing demand through economic development and poor standards of housing dating from the
socialist period. This results in development of new houses and people leaving the city to live in quieter, green areas. This trend has occurred in the United States as well, were it had several negative side effects. According to Wheeler (2006) the density of residential activity within urban areas in the United States has changed dramatically, as a consequence of suburbanization. The 'voluntary' nature of this process, called urban decentralization, generated a number of concerns about the welfare of metropolitan area populations.

One of these concerns is a rising disparity between neighborhoods, especially the decline of incomes in central cities relative to those of their suburban counterparts. As metropolitan areas expand, the majority of both employment opportunities and relatively high-income households may shift from centre to periphery, thereby creating a widening income gap between these two areas. Over time these differences may then become more pronounced as the poor become increasingly isolated from productive interactions with wealthier neighbors. A number of studies suggest that over a time-period, poverty became more concentrated within the urban areas (Mayer, 1996).

Furthermore Kasarda (1993) and Abramson (1995) find that individuals living in poverty became increasingly concentrated within poor neighborhoods. According to Wheeler (2006), urban decentralization tends to be accompanied by significant increases in income inequality. Bearing this mind, the situation in Central-European cities with a relatively large share of old flats, could change over time. Only when this happens the effect can more negative with a possibility of ghettoizing. This development asks for interference of the local government before things could get worse. It is a complicated matter, because in the four cities, except Ostrava, there is relative strong demand for housing.

New residential development is taking place, but not enough to fulfill demand. It would therefore be very difficult to restructure these large housing estates by replacing some of the flats for housing with lower densities. This example is shown in Amsterdam, where certain areas of the Bijlmer are redeveloped with single-family housing and apartments. It is not the normal way of thinking about restructuring for local governments in Central-Europe, whereas demolishing of residential buildings is a regular process in these countries. In addition, many private initiatives nowadays results in renovation of flats. During my visit, I noticed new plastic window casings in relatively old flats. The dichotomy with respect to building quality and renovation that exists in housing estates, is probably caused by ownership situation. It would therefore be much efficient to demolish government owned buildings than private owned buildings. The problem with that is the relocation issue of the present tenants to other forms of housing and the complex ownership structure per building or flat. In some deteriorated housing estate cases, the common good should be more important than the interest of one family, although they have to be treated respectful, expropriation should be made possible in order to allow new developments to take place.

Greenfield development
Coming back to the other phenomenon, closely related to suburbanization, is a certain way of Greenfield development, called ‘urban sprawl’. Franz, Maier and Schröck (2005) emphasize that there are difficulties with the term ‘urban sprawl’, because it is hard to distinguish sprawl from related term like suburbanization, urban growth, or suburban development. In addition, there is no agreed way of measuring sprawl, partly because of the lack of generally accepted definition. Franz, Maier and Schröck (2005) conclude that the decision whether a certain empirically derived value characterizes sprawl or not is in the hands of the researcher, policy maker or policy activist. The term used in this thesis defines urban sprawl as: ‘a patchy use of land, where various land-uses (residence, retail,
offices, industry) are spread out at low densities over large distances, with empty or underused spaces in-between. This spatial pattern is inefficient in terms of transport (distances covered for daily activities are much larger, and low densities make public transport less viable), infrastructure (since new development demands the distant extension of water, electricity, roads, etc., rather than relying on the existing network) and the waste of open space around cities, which is built over even as areas in the center remain unused (http://www.itdp.org/RUilldex.html, 2007). When describing the sprawling of the post-socialist city in Poland and Hungary, Kok (1999) distinguished such initiating factors as environmental pollution of the compact city, an increase in the crime rate, and growing costs of upkeep in the city. He observed not only upper-middle-class people moving to the suburbs, but also those of a lower status.

Car use
Furthermore, Kahn (2003) comes with the fact that the only root cause for the growth of sprawl is the automobile. He thinks that the negative quality of life impacts have been overstated and thinks the problem of sprawl lies not in the people who have moved to the suburbs but rather the people who have been left behind. In the US edge cities were made possible by the automobile and as long as the car remains the dominant transport mode, sprawl is likely to remain the dominant urban form. The economic and social consequences of sprawl do not appear to be dire (Kahn, 2003). This situation in the United States could eventually appear in all the Central-European cities as well, although in a smaller scale, causing traffic congestion and unnecessary Greenfield development. Therefore, planning restrictions could reduce, in a healthy way, urban sprawl, which is dependent on the vision and point of view of local governments and their ability to bear in mind the attention for a balanced urban development.

Already mentioned above, the instigator of urban sprawl is the automobile. With the economic development of Central-Europe car ownership increased drastically, this resulted in more traffic on cities’ infrastructure that is not calculated for current amount of vehicles. Another problem that occurs is the shortage of parking space. Cities with an attractive city centre, like Brno and Krakow, will find more difficulties in planning new parking facilities because of lack of space. Therefore, cities like Ostrava and Lodz should consider this aspect when focusing on city centre development. The solution to the congestion and urban sprawl according to Anas and Rhee (2004) calculated in their model (US-based), is that congestion tolls may generate only slight efficiency benefits and that they are a affective tool for reducing urban sprawl under the long run conditions that we simulated. Congestion tolls are however, known to be difficult to implement although there are hopeful signs that they might be broadly feasible in the future due to advances in electronic tolling devices. However, even if tolls may not be possible, a number of close second best such as gasoline taxes and parking taxes do exist (Anas
In the case of Central-European cities, the probability of introducing these aspects is close to zero, because there is no money for electronic tolling devices and gasoline and parking taxes should unnecessary reduce the competitiveness of the countries with other countries. Logical response to congestion is expansion of infrastructure, thus adding more roads. In order to so, local governments should get more state funding for new infrastructure between the city and the towns and villages in its surroundings. These provincial roads are becoming more important because of suburbanization, but the connection to the city is rather bad and state government postpones improvements, although they are responsible for its maintenance.

**Employment**

As stated before, besides residential development, Greenfields are being developed for commercial, industrial and infrastructural purpose. Through this way, local governments try to create employment, by offering easy development spots, near highways and close to city limits. Comparing the four cities, there is resemblance in the kind of employment they foster, whereas every city looks for opportunities in the light-industrial sector. The slight difference originates in the fact that cities have an extensive university network that provides yearly input of highly educated young professionals that attracts international science and technology companies. This provides an additional opportunity for work and new investment.

When comparing unemployment numbers of the four cities, Krakow and Brno have less unemployment than Ostrava and Lodz, while they are cities with different universities and large student populations. Henderson and Wang (2007) emphasize that similarly growth of individual city sizes is explained by changes in local market conditions, technological change, and changes in national institutions and policies. Technology, policy and institutional effects on individual city growth are heterogeneous. Technology improvements help bigger cities more, while increasing democratization levels the playing field across cities, allowing smaller cities to compete more freely for firms and residents. This theory proves relevant in this thesis, whereas Brno and Ostrava, and Krakow and Lodz could be seen as each other’s competitors with both the same size, the city with the largest technological fundament surpasses the other. This could imply that cities like Lodz and Ostrava should invest more in education, on the contrary, they could also focus on the level of democratization.

With respect to new industrial factories Glaeser, Gyourko and Saks (2005) suggest that those who are interested in urban and regional growth must think about housing markets and in particular the nature of the housing supply. After all, firms in a region cannot expand or establish employment without new homes to house new workers. Furthermore, they say that in places where limited regulation and low density facilitate the construction of new homes, urban success is more likely to take the form of higher population levels. This point of view partially endorses my opinion about this issue, because with the establishment of new factories, workers have better opportunities for housing. Considering the other sentence, I think limited regulation and low density as can be seen in the second tier cities urban success is not taking form of higher population levels, caused by suburbanization and urban sprawling.
6.5 Conclusions and recommendations

'Redevelopment of second tier cities in Central Europe' presents the results of a qualitative exploration research considering the particulars of four second tier cities in Poland and the Czech Republic addressing the changing situation of urban development together with the positive and negative aspects that occur in these cities at the moment, combined in a general development strategy.

The reason for this subject derives from the growing attention of Western and Eastern international companies searching for opportunities to establish a new business, develop new real estate or buy real estate in Central Europe. Together these new developments under the name of FDI (Foreign Direct Investment) change the economic situation and with that the urban landscape. Where the capital cities of Central Europe the main beneficiaries of FDI inflow at the beginning of the transition period, nowadays the second tier cities get more attention and they have to employ full sail in order to handle new urban developments. More insight in current urban development issues is needed to support these cities to improve the physical structure without impairing economic development.

More insight in the situation and processes occurring in these cities can support local governments of the involved cities together with other second tier cities in these countries, to improve the physical quality of the city, thus making the city more attractive for both inhabitants and businesses. Understanding how things work or originate and influence each other can help local governments in their pursuit for improving their city, both in an economic and physical way. Although the general city aspects are representative for many cities, it is important not to neglect the city characteristics, which can have much influence whether one city is 'successful' or shows a lag in development. According to Malpezzi, Soah and Shilling (2004), approximately three-fourths in metropolitan growth rates can be explained by local conditions unrelated to industry mix. The remaining metropolitan growth rates are attributed in industry mix, interaction between industry mix and local effects.

Literature study about urban development in Central Europe resulted in describing the influences of the socialist period on cities and an overview of current urban particulars and developments. This study was the foundation for the framework designed for interviews and observations in Brno, Ostrava, Krakow and Lodz. Especially the specialist interviews gave more insight with respect to government action and the deep-down city aspects. This made it possible to design the mind maps with relationships drawn between different aspects, enabling the influential aspects to become more visible. The city aspects I found in literature helped me to address and determine the city aspects during my visit to Brno, Ostrava, Krakow and Lodz. Comparing literature with my personal findings shows there is much resemblance between the two in order to get to the final key elements of the general development strategy a comparison between the four cities was made, filtering the similarities of these cities. The general development strategy was then based on literature, relationships pointed out in the mind maps and examples seen in these cities.

Coming to the final conclusions about this thesis, it is difficult to decide which aspects of urban development in the Central European second tier cities contribute the most to the current situation and will have the biggest effect on city development. Whereas this thesis is of qualitative nature and not quantitative, I can only assume which aspects are more important, substantiated by findings of mostly, qualitative research considering urban development and economics. The fact this thesis focuses, in a certain way, from the municipal point of view, it is impossible to leave out the conclusions about the role and acting of the local governments. Their role is to bring together public and
private interests in way they think is right for the development of their city. Besides this subject, there are three other subjects that embody almost every aspect that is presented in the mind maps. These subjects are suburbanization/urban sprawl, Brownfield/Greenfield development and the inner cities.

- The findings that are presented in this Master thesis relate mostly to local governments and can give them more insight about the current problems in some situations and support for getting to deal with the issues that occur in their cities. As they are in many cases dependent on the private sector, because of sold ground positions or lack of funds, they have to realize it is the local government that can create specific conditions and paves the way for further development. There are so many aspects they have to consider in order to achieve economic development together with urban development that it will be challenge to improve these cities the way they think is right. Personally I think one of the first steps to fulfillment of their goals is to get a definite idea about the things they want to achieve and translate this to an elaborate master plan and zoning plan. From conversations with local government officials, I got the idea they are giving much attention to the current situation, but the missing of essential policy instruments like mentioned above leads to frustration of the private sector, which in many cases could complement local governments, as they are needed for new developments. Apart from the willingness of local government to improve the situation, missing knowledge about new development strategies like Public Private Partnerships or Joint Ventures, absence of supporting legislative framework and short-term solutions combined with outdated (socialist) planning thoughts, contribute to their inefficiency. Furthermore, it seems to me that local governments are finding trouble to stay ahead of new development and that they often have been overtaken by developments. The fact that local governments are often one-step behind is reflected in the master and zoning plan which forms the basis of the city strategy. I can only assume that these things are clearly related to each other, but during the interviews with academics and the private sector, many people emphasized the role of the local government has to be more effective and profound. An improved local government attitude can contribute to the use of new development strategies, clear master and zoning plans and a more balanced urban development. According to Malpezzi, Seah and Shilling (2004), metropolitan areas with low initial earnings per capita, like second tier cities in Central-Europe, will exhibit higher returns on the margin, drawing investment and raising growth rates until economies converge. But these cities have to consider that the entry of Romania and Bulgaria into the EU could bring more competition, whereas these new members have lower wages. Related to this new development, Malpezzi, Seah and Shilling (2004) also emphasize that local officials should focus on ‘back to basics’ policies as improving education and infrastructure in order to pursue economic development, instead of focusing on ‘hot sectors’.

- With the increasing economic development, cities develop new real estate with different functions on specific locations. This leads to a demand for land on which the buildings can be developed. Roughly these new developments can be realized on two different types of areas: Greenfields and Brownfields. The tendency to develop mainly Greenfields is to be seen in every city. This depends on the more positive development aspects related to Greenfield development and the negative development aspects with respect to Brownfields. In pursuit of the maximum increase of economic development local governments act as if they find that improvement of the social-economic structure is more important than the physical structure, therefore focusing on relatively cheap and easy Greenfield development, instead of difficult
and expensive redevelopment of Brownfields. With respect to this tendency I do not want to claim that Greenfield development is a negative aspect in these cities' development, but with so many deteriorated, contaminated old industrial sites within the inner city and near city limits, there is a lot of development potential which now has negative influence on these cities, that sooner or later have to face these problem areas.

- As stated above I would not consider Greenfield development solely as a negative aspect, but it is closely related to suburbanization and urban sprawl together with traffic congestion, which is occurring in almost every of these cities. Bertinelli and Black (2003) consider that short-sighted policies designed to reduce the degree of over-urbanization by limiting urbanization will tend to have an adverse impact on economic growth, lowering an economy's steady-state level of technology and potentially leaving the economy stuck in a development trap. This pleads for looking at other opportunities to control suburbanization and urban sprawl, but not to stop new housing developments, thus controlling it more the direction the local government has foreseen. When describing the sprawling of the post-socialist city in Poland and Hungary, Kok (1999) distinguished such initiating factors as environmental pollution of the compact city, an increase in the crime rate, and growing costs of upkeep in the city. He observed that it was not only upper-middle-class people who moved to the suburbs but also those of a lower status. Although not only upper- and middle-class people moved to the suburbs, the social-economic mix in the large housing estates is decreasing, as a result of the more prosperous people leaving these estates, according to Wisniewska (2006). Wheeler (2006) points out that in the US the density of residential activity within urban areas has changed dramatically, as a consequence of suburbanization. The 'voluntary' nature of this process, called urban decentralization, generated a number of concerns about the welfare of metropolitan area populations. One of these concerns is a rising disparity between neighborhoods, especially the decline of incomes in central cities relative to those of their suburban counterparts. As metropolitan areas expand, the majority of both employment opportunities and relatively high-income households may shift from centre to periphery, thereby creating a widening income gap between these two areas. Over time these differences may then become more pronounced as the poor become increasingly isolated from productive interactions with wealthier neighbors. A number of studies suggest that over a time period, poverty became more concentrated within the urban areas (Mayer, 1996). Furthermore Kasarda (1993) and Abramson (1995) find that individuals living in poverty became increasingly concentrated within poor neighborhoods. According to Wheeler (2006), urban decentralization tends to be accompanied by significant increases in income inequality. Living in large housing estates is rooted in a large share of the city population of Central Europe. They are used to live in flats and the social-economic mix has always been relatively well balanced, but nowadays this is changing because of differentiation in wealth. Interference by (local) governments is needed to cope with this rising issue. With respect to new residential developments, the most obvious counter action to control suburbanization and urban sprawl and reduce Greenfield development, I think, lies in making the inner city a more attractive place to live in, which is of course what this thesis is all about.

- The improvement of the attractiveness or physical quality of the inner city could make it a competitive counterpart for residential and in some cases commercial Greenfield development. The development of light industrial, logistics and technology parks require a lot of land surface and accessibility. The development of residential, retail and office space on the
other hand, can be filled into the inner city area relatively easily. One important aspect that has influence on the physical quality of inner cities that is not described in literature but is omnipresent, varying in level per city, is the presence of 'blank spots'. Complicated ownership structures often obstruct new developments on these plots, but aside from that, they can easily be developed. Problem is of course the need for renovation of the surrounding buildings in order to get an appropriate development, where in many cases, the ubiquitous factor has an important role, which is money. According to Roulac (2003), the implications of the interdependency of choices made by capital, companies and people in the context of place have profound implications for inner cities. Inner cities that aspire to prosper need to be places in which people choose to be. Roulac (2003) emphasizes inner cities should identify, champion and invest in those activities and resources that meet the desires, preference and requirements of the people that companies seek to attract. By attracting these people, inner cities will attract companies who in turn will attract the capital that will promote economic development activity.

This thesis in first instance focuses on the corresponding aspects of the cities in Central-Europe. When comparing the four cities it is remarkable that besides the similarities also many differences occur as well. Looking at it more closely, the four cities could be divided into two groups. Where Brno and Krakow are the more prosperous, developed cities with an attractive city centre, the cities of Lodz and Ostrava are behind on the field of urban development and economic growth. The main differences I could find were related to the presence of universities together with a large student population, the history of development and the city structure (radial versus grid and polycentric). However, are these aspects the true reasons for 'success' for Krakow and Brno, or are there other determinants having much influence on their current status of development. As stated before, according to Malpezzi, Seah and Shilling (2004), approximately three-fourths in metropolitan growth rates can be explained by local conditions unrelated to industry mix. The remaining metropolitan growth rates are attributed in industry mix, interaction between industry mix and local effects. Malpezzi, Seah and Shilling (2004) find that relative growth, or local productivity (how city do things) dominates industry mix (what they do). Thus in all these cities there also many specific aspects that can be an important factor with respect to city development and should therefore not be neglected in an urban development strategy. This can be considered as one of the shortcomings of the general development strategy presented in thesis. The determinants for relative success of Krakow and Brno contrary to Ostrava and Lodz together with the question to what extent these cities relate to each other, would be a subject for further research about the development of second tier cities in Central Europe.
Appendix

Open expert interview

1) Introduction of myself and the subject of my thesis.
2) What is the name/job/current project/experience/company etc. of interviewee?
3) Explanation of restructuring framework and then consider each field separately and discuss the following aspects:
   a. Important actors;
   b. Restraints and how to react on this;
   c. Opinion government policy (giving of rules, favorable conditions, zoning, grants, cooperation);
   d. What are positive aspects;
   e. Own experiences/opinions about the different areas.
   f. What are the most important sub-structures?

Important to consider the physical structure as point of departure and from there transfer to the social-economic structure. The framework is the main aspect of the interview and with the information of the interviewees I will try to make this as complete as possible.

![Restructuring framework](image)

4) What are the largest shortcomings in the city? (which areas/aspects within the city need the most attention and how can this be solved properly)
5) What are the main threats in the city (for example: congestion, crime, deterioration, insufficient funds, policy central government etc.)
6) What are the most important opportunities for the city?
7) When there is any time left it would be useful to ask for the current development process and its particulars. A per phase verification of the complications about what and with whom. How are these flaws being solved at the moment and what is the ideal problem solution according to the interviewee.
Country analysis Czech Republic

The period of over 40 years of division between the Capitalist West and the Communist East could not change the main direction of long-term developments. Urbanization in the Czech Republic was influenced by 19th century industrialization. Before the 2nd World War, the Czech Republic was highly industrialized and urbanized. The larger towns and cities experienced a concentration of production capacities in industrial complexes during the communist times. While the basic social, education and health services developed, other service branches were comparatively neglected (Sykora, 2004). During the transition since the beginning of the 1990s cities that have been adjusting noticed the effect it had on the economic base and labor markets. Furthermore the communist system left the major cities with vast areas of large multifamily housing which were built by prefabricated technology. The deterioration of these large scale housing blocks calls for regeneration, because the physical decline results in a social decline as well. Transformations after the communist period have brought an increase in social differences, leading to a growing socio-spatial segregation, thus changing the socially homogenous space of socialist cities (Sykora, 2004). Nowadays the urban development is focused on the most attractive locations in historical city centers, adjacent nodes, zones in the inner city and in suburban locations. The ongoing trend is the stagnation and decline of development in the highly uneven urban areas. Government has identified the housing estates and Brownfield sites as problem areas, still there is a shortage of urban policies that aims at a balanced economic, social and environmental development that would bring benefits to all urban citizens and entrepreneurs which provides chances for all neighborhoods (Sykora, 2004).

Economic and social position of cities

In the Czech Republic, in 2001 10.3 million people lived in an area of 78,864 km². Over 70 percent of the population is urban and 63.6 percent of inhabitants live in towns and cities with a population over 5000. The country consists of 6,258 municipalities and 14 regions, all with elected representative assemblies. There are four major cities in the Czech Republic with a population of more than 150,000 inhabitants: Prague (1,17 million), Brno (370.000), Ostrava (317.000) and Pizen (165.000). Rate of decline of the urban population since 1991 has been faster than in the country as a whole. The cities lose population through natural demographics and out-migration. Mainly in Prague and Brno, people are out-migrating towards the suburban areas.

<table>
<thead>
<tr>
<th>Number of inhabitants</th>
<th>Change in percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Population</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>9,807,968</td>
</tr>
<tr>
<td>Prague</td>
<td>1,140,654</td>
</tr>
<tr>
<td>Brno</td>
<td>344,268</td>
</tr>
<tr>
<td>Ostrava</td>
<td>297,171</td>
</tr>
<tr>
<td>Pizen</td>
<td>152,560</td>
</tr>
</tbody>
</table>

Source: Czech Statistical Office

The change is the result of an ageing population, which is caused by very low fertility in the whole country, including the cities. Because after the 2nd World War urbanization was a major trend, the people that moved to the city now reach the end of their economic activity are much more repre-
sented in the cities, which leads to a new challenge. The city of Ostrava is different in this matter has a younger age structure.

<table>
<thead>
<tr>
<th>Age</th>
<th>0 – 14</th>
<th>16 – 64</th>
<th>65 +</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>21.0</td>
<td>16.2</td>
<td>66.3</td>
</tr>
<tr>
<td>Prague</td>
<td>18.5</td>
<td>13.4</td>
<td>66.2</td>
</tr>
<tr>
<td>Brno</td>
<td>19.7</td>
<td>14.4</td>
<td>66.1</td>
</tr>
<tr>
<td>Ostrava</td>
<td>20.8</td>
<td>16.4</td>
<td>67.8</td>
</tr>
<tr>
<td>Pizen</td>
<td>19.8</td>
<td>14.1</td>
<td>67.9</td>
</tr>
</tbody>
</table>

Table 12: The age structure of population, share in percent (1991-2001)
Source: Czech Statistical Office

The structure has rapidly changed since 1991. In 1991, the most common type of household was couples with children, followed by couples without children and then by singles. In 2001, the sequence was reversed. The major change concerned the share of couples with children, which declined by nine percent. This trend is more pronounced in the large cities.

Table 13: The structure of households in 2001 (share in percent)
Source: Czech Statistical Office

<table>
<thead>
<tr>
<th></th>
<th>Couples without children</th>
<th>Couples with children</th>
<th>Family of single adults</th>
<th>Single parent with children</th>
<th>Singles</th>
<th>Multimember non-family households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>29.1</td>
<td>25.5</td>
<td>5.5</td>
<td>8.0</td>
<td>29.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Prague</td>
<td>24.9</td>
<td>18.3</td>
<td>6.8</td>
<td>9.5</td>
<td>36.8</td>
<td>3.6</td>
</tr>
<tr>
<td>Brno</td>
<td>26.7</td>
<td>21.3</td>
<td>6.2</td>
<td>9.5</td>
<td>33.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Ostrava</td>
<td>26.2</td>
<td>23.2</td>
<td>5.6</td>
<td>9.3</td>
<td>33.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Pizen</td>
<td>29.0</td>
<td>20.6</td>
<td>5.5</td>
<td>8.9</td>
<td>34.2</td>
<td>1.8</td>
</tr>
</tbody>
</table>

In many Czech cities the structure of the economic activity of their inhabitants and the available jobs does not match. During communism the emphasize lay on the industrial sector with some cities who had an industrial base with over half of their employment in manufacturing, although there were cities with less manufacturing and a more apparent service sector. After the economic transition the local urban labor markets were strongly affected by the economic restructuring. While employment in manufacturing and construction declined, the number of people in services increased. In some cities, like Prague and Brno the decrease of industrial employment is set off by the service sector employment. Others, like Ostrava, still have a large present manufacturing sector, accounting for 37 percent of the total employment (Sykora, 2004).

Unemployment has steadily increased since the beginning of the transformation in 1991. The national unemployment rate passed the level of 10 percent in January 2004. Regional differences appear, as can be seen in the North Bohemia and North Moravia region, where in the city of Ostrava an unemployment rate of 17 percent is recorded. Brno has lost many manufacturing jobs and the city government is attempting to attract production capacity to the newly established industrial zone. Salary levels in the major cities are slightly above the national average. Only the level in Prague is far above the average (+40%), which can attributed to the involvement of international companies and the structure of employment by industrial branches (Sykora, 2004).
The housing stock in the Czech Republic consists of 56.5 percent of dwellings in apartment blocks, 42.6 percent in single family houses and the remaining fragment in other types of buildings (usually flats in predominantly non-residential buildings). In the Czech Republic 47 percent of the dwellings is owner-occupied, of which 36 percent in single family houses and 11 percent in owner-occupied apartments in condominiums. Furthermore 29 percent remains in the rented sector (about 6 percent in the private rented sector), 17 percent in de cooperative sector and 7 percent are cases of other forms of tenure. A large share of the rental stock remains in the three largest cities of Prague, Brno and Ostrava. The wholesale privatization familiar in other East European countries did not take place, so that Czech cities differ markedly from those in other transition countries (Sykora, 2004).

Since 1989, the main transformation in the spatial pattern of the former communist cities and their metropolitan areas included: the re-invention, commercialization and expansion of the city centers; the dynamic revitalization of some areas within the overall stagnation in inner cities; the radical transformation of the outer city districts and the urban hinterland through commercial and residential suburbanization (Sykora, 1999; Ptácek, 2000). The city centers and suburban areas have been the territories undergoing the most radical urban change. While most of the 1990s were characterized by the huge investment inflow into the city centers associated with their commercialization, physical upgrading and population decline, since the late 1990s suburbanization has been the most dynamic process changing metropolitan landscapes (Sykora, 2004).

### Urban Problems

The post-1989 urban change in the Czech Republic has been conditioned by the government led reforms aimed at the establishment of capitalist system based on pluralist democracy and the market economy and at the integration into international political and the economic systems. The establishment of market principles of resource allocation and growing exposure to the international economy constituted the basic preconditions for the development of spontaneous market-led transformation of the economic, social and cultural environment. Urban change has been especially influenced by internationalization and globalization, public policies favoring unregulated market development; economic restructuring in term of deindustrialization and the growth of producer services and increasing social differentiation. In the cities, the government directed reforms, especially privatization and price and rent deregulation, created conditions for the establishment of local property markets (Reiner and Strong, 1995).

The reorganization of the urban land use was triggered by the operation of land markets after the increasing demand of foreign companies in the private sector. This resulted in the replacement of existing activities with new and economically more effective uses and physical upgrading. In comparison with transformations in physical and functional urban structures the social change has
been slower. With the current social tendency there is a great possibility that serious urban problems can develop in the years to come. The cities have been affected by uneven urban development. Some large zones undergo stagnation and even decline, which is in contrast with areas experiencing growth and a booming economy. Currently there is no political debate on national level which focuses on the urban problems. There is some attention for the decline in post-war housing estates and to Brownfield sites, but most problems are seen as local in nature and left to local solutions (Sykora, 2004).

Both decline and growth can be associated with the physical problems in Czech cities. The Brownfield sites, left by industry and army and the small areas of deteriorating inner-city housing can be seen as the most concerning aspects of the physical decline in cities. Besides the physical aspect, the social decline is a major problem in the post 2nd World War prefabricated housing estates. The extent of the housing estates and the current out-migration of more prosperous citizens will lead to large concentrations of physical and social problems in future decades (Sykora, 2004).

Physical problems are related to urban and metropolitan growth, mainly during the beginning of the 1990s, where the new investments resulted in strong pressure on central parts of cities. Although these investments had a positive impact on the physical quality of the city, it also contributed to the densification of the organization and form of the central city. Together with the increasing use of cars congestion was a logical consequence. Apart from that, Czech city centers usually have historic cores, which led to conflicts between investors and protectors of historical buildings (Sykora, 2004).

The major change in physical urban space was the development growth in the suburban areas. The character of the post Socialist city undergoes change because of rapid commercial and residential suburbanization, which leads to the form of urban sprawl. The economic, social and environmental consequences of sprawl now threaten sustainable metropolitan development throughout the Czech Republic (Sykora, 2004).

There are problems concerning land use and the distribution of functions within the cities and their wider regions. Besides the Brownfield sites, central city commercialization and commercial suburbanization have had noticeable impact. A rapid decline in the share of residential land use in the inner-cities and cut migration of city centers resulted where the result of commercialization. Commercial suburbanization has particularly affected the spatial location of retail facilities, commuting for shopping purposes, and the spatial mismatch in the distribution of jobs in metropolitan areas. While, in the 1990s, most retail outlets were concentrated in central city shopping areas and in secondary centers within cities, at present a large share of shopping introduced in suburban hypermarkets and shopping malls, to which people travel by car from the inner city. The spatial movement of shopping trips has totally changed since 1996. Especially Brno experienced a displacement of shopping facilities to the south of the town, while most new suburban residential districts are to the north of the town. This resulted in a major stream of traffic, traveling through the city center causing traffic congestion. Furthermore a spatial mismatch is developing between the location of jobs and residences, as people who work in the suburban area live in the inner city and vice versa the trend is noticeable that the more prosperous people move to the suburbs (Sykora, 2004).

A rapid increase in individual car traffic is circumscribed by a yet-to-be-completed road infrastructure. The construction of ring roads and bypasses that would channel traffic out of the inner cities ranks high among the preferences of city governments. In the meantime, road congestion and pollution
affect several intra-urban locations. Public transportation has lost passengers and the modal split has changed in favor of the private car (Pucher, 1999). However, urban governments have allocated large shares of city expenditures to the upgrading and extension of city public transportation and to the development of integrated metropolitan transit systems (Sykora, 2004).

Unemployment in the Czech Republic causes many social problems, in particular in the urban areas where labor markets have undergone economic decline. Most people in these areas live in housing estates, where deterioration is happening as a result of tenants' rent arrears and homeowners' limited financial resources. Another problem in these areas is the increasing segregation. With growing income inequalities and established housing properties, local housing markets are divided into segments that also have their spatial expression (Sykora, 1999). The upper class of the population concentrates on the city centers and high status inner city neighborhoods. A recent development in this field is the increasing movement towards the new clusters of inner city condominiums and especially the newly built districts of suburban housing. The leaves the less prosperous population with the deteriorated, inner city housing zones, which often are associated with declining industries and Brownfield formation. A specific urban social problem is the segregation of parts of the Roma population in some cities, where they intentionally allocated local government housing in poor condition. Some local government authorities purposely build shelters for municipal tenants who do not pay their rent and move them into this type of very simple housing, which are located on the edge of urban areas (Sykora, 2004).

Post-communist urban development is characterized by an uneven impact on urban space. Most politicians see this unevenness as a natural outcome of market mechanism that is creating an economically efficient land-use pattern. At some time in the future, this spatially uneven development could threaten economic efficiency, social cohesion and environmental sustainability. The question of social justice and social cohesion, issues of environmental impacts and sustainability and more balanced spatial development have until now been subordinated to the preferences related to the promotion of economic growth (Sykora, 2004).

National urban policies

Urban problems do not feature in public debates. This lack of attention is mirrored in the lack of any urban policy. There is no explicit national urban policy in the Czech Republic and any integrated national government framework or approach towards cities and their problems. Urban problems are tackled by city governments, which in some instances are supported by national government programs. Urban problems are not monitored on the national level, although there are some city governments that regularly monitor various types of urban trends using a broad range of (this activity is usually a part of city strategic planning). With respect to the national government impact on cities, there are certain sector problems that find their expression in urban areas. The main national government policies that have an effect on urban development are housing policy, environmental policy, regional policy and support for FDI. Furthermore, the urban development network is conditioned by national priorities in the construction and modernization of the transport network. The general conditions for the operation of cities in the resolution of urban problems are provided by the general framework for the system of local government, local government finance and physical planning (Balchin, 1999). In the Czech situation it is advisable to look first at the role and opportunities open to city governments and their actual activities in dealing with urban problems and only then to the external (national government and EU) policies that can be used for urban problem solution (Sykora,
Urban planners are territorially associated with highly urbanized areas that consist of the built environment and human activities from work to housing and leisure. The urbanized areas of cities in the Czech Republic are covered by one local government jurisdiction. The resolution of urban problems, including the use of national and supranational (EU) support is highly dependent on the rights, responsibilities and actual activities of municipal (city) government authorities (Sykora, 2004).

In the Czech Republic, municipalities gained considerable independence immediately after the political change at the beginning of the 1990s. The Czech municipality is an independent legal and economic body, which takes decisions and bears responsibilities on its own behalf. A municipality has its own means and financial resources and manages them independently according to the conditions laid down by law. Municipalities have the right to acquire, dispose of, and manage municipal property, adopt a municipal budget, establish legal entities, adopt a municipal development program, approve a local physical plan and issue municipal decrees that are valid on its own territory. The capital city of Prague and statutory towns can approve a local generally obligatory decree referred to as the Statut, which divides the municipal territory into districts or quarters, establishes a second tier of local government (boroughs), and specifies the decentralization of responsibilities from the municipality to its boroughs. For instance, Prague, Brno and Ostrava own real estate, although they delegate the management of certain properties, such as housing, to their boroughs (Sykora, 2004).

Municipalities are required to provide municipal development in accordance with the interests of their residents. To that end, they may allocate finance, use municipal real estate and other property to promote local development, and cooperate with other municipalities, state administration and the private sector. The municipalities are obliged to maintain local streets, care for primary school facilities and social and health services, maintain the water supply, sewage disposal, waste management etc. These services can be provided by municipal enterprises established and owned by the municipality or in cooperation with private sector firms (Sykora, 2004).

The basic policy and planning documents set out in the Municipal Act comprise the municipal development program that specifies the long-term priorities of socio-economic development, the medium-term physical plan and the municipal budget that specifies financial and in particular investment allocation in short-term. Since the beginning of the 1990s, an increasing number of cities have been involved in the preparation of the municipal development programs referred to as strategic plans. They are often used in large cities to identify the main priorities in economic, social and environmental development through collective bargaining involving the elected representatives, private entrepreneurs and the citizens. Strategic planning is gaining in importance in decision-making conceived as a process-orientated strategy based on building communication and achieving consensus among the stakeholders and the identification of common objectives that are important for partnership and the integration of top-down and bottom-up approaches. In contrast with physical planning that is based on the specification of limits for a development, strategic planning is a proactive type of approach. Strategic planning helps to integrate and coordinate municipal policies and investment priorities in a variety of fields including physical planning and transport policy into one coherent framework, allocate responsibilities for particular fields, and find internal as well as external financial sources to implement approved development priorities. Strategic planning also has direct implications for the construction of annual municipal budgets, linking long term visions with the
actual annual allocation of finance and the realization of specific projects (Sykora, 2004).

Physical plans are the major instrument for cities to control the territorial development in their municipality, including the location of new developments, the types of building to be constructed, the relationship between the different function and the main infrastructure. Planning documents can have the form of a regional plan, a general land-use plan for a municipal area or a local regulation plan for an inner urban area. The principal authority responsible for the procurement of urban physical planning documentation is the municipal city government authority. The procurement of regional physical plans is at the regional level and these plans are approved by Regional Assemblies. Regional physical plans may cover and regulate spatial development across many municipalities and coordinate development in metropolitan areas and urban regions (Sykora, 2004).

The organization of urban policy

There is no integrated national urban policy in the Czech Republic. The major public actor that governs urban development and attempts to resolve urban problems is the local government authority. Cooperation based on public-private partnership is still undeveloped. There are, however, examples of joint ownership and operation in the utilities sector and build-operate-transfer schemes in the area of urban infrastructure. Urban development is strongly influenced by the financial situation of local governments and is thus dependent on the system of local government finance. The application of various national government policies towards cities and urban problems requires co-financing from municipal budgets. There are urban problems for which national sources do not support a solution. Cities attempt to fight such problems through using their own financial sources. The system of local government finance therefore creates an important framework for the fulfillment of the policy goals of urban government authorities (Sykora, 2004).

In January 2001 a new system was introduced to eliminate the sharp disparities in per capita tax revenues of the municipalities. The current system is based on the sharing of revenues from selected taxes on a per capita principle. Large cities have a larger income per capita in comparison with smaller towns and municipalities, reflecting their role as centers for their surrounding areas. Municipalities have negligible revenues from property tax represents only about two percent of total municipal revenues. Municipalities can differentiate the property tax level in various parts of their territory to influence development in particular areas or zones. Czech city governments are important investors; they allocated an average of 40 percent of their budget into investment during 1993-2001 (Blazek, 2003).

Despite several changes in urban policies there are still weaknesses in contemporary urban policy and planning in Czech cities. Despite the efforts made, many cities still do not use adequate marketing/promotion strategies or land and real estate policy. Sustainability principles remain matters of rhetoric rather than implementation. Cooperation between city governments and the private sector often miss a coherent framework and confrontation prevails in communication between the city officials and non-governmental non-profit organizations (Sykora, 2004).

According to the Housing Policy Document, the main housing problems include a lack of affordable housing, a spatially uneven distribution of the housing stock and the poor maintenance and consequent dilapidation of housing (MMR, 2001). A priority in the HPD is the care of the existing housing stock, its modernization, the renovation, reconstruction and regeneration of whole housing
areas in the major cities. The state subsidizes the production of new municipal rental housing, housing for elderly and the provision of technical infrastructure for all kinds of housing construction. Besides, several programs are aimed at the reconstruction and modernization of the housing stock, to resolve problems with the dilapidated housing and with the structural problems of houses built with prefabricated technology (Sykora, 2004).

Brownfield regeneration, compact city and anti-sprawl arguments all play an important part in the State Environment Policy and the Sustainable Development Strategy for the Czech Republic. However, the implementation of the declared aims to protect suburban land against sprawling tendencies, to stimulate inner city regeneration and to support the integration of public and private transportation rests on the policies and investment priorities outside the Ministry of Environment itself (Sykora, 2004).

The main problem of the central government policies towards urban issues in the Czech Republic is the lack of a common and coherent framework that would identify problem areas and attempt to formulate integrated, nation wide, cross-sector policies and programs targeting urban questions. In reality most of the support of FDI flows into Greenfield locations, while the State Environmental Policy declares that development should be directed towards inner city revitalization and the restriction of sprawl outside the compact city (Sykora, 2004).

There are two particular zones within Czech cities that are currently threatened by downgrading and these areas will need an active urban policy support to overcome their problems in the next few decades. These are the Brownfield sites and the post 2nd World War housing estates. Major growth is concentrated in the suburban zone. If Brownfield sites and housing estates are neglected in the near future, more firms and wealthier people will leave for the suburbs, while the deterioration process will continue in the inner cities that will result in a downward spiral (Sykora, 2004).
Country analysis Poland

Economic and social position of cities

With respect to the towns in Poland, the most important factors in their growth have been the privatization of the economy, development of enterprise, the emergence of business environment institutions, foreign direct investment, innovativeness and scientific and technological progress. An important aspect of the Polish economy is the large share of jobs in the public sector (49.2%). Furthermore, a feature of the economic transformation has been the establishment of many small- and medium-sized businesses in every domain of economic activity. The ascendancy of special services, called business environment services, played and are still playing a significant role in the economies of Warsaw, Cracow, Lodz, Gdansk, Wroclaw, Poznan, Szczecin and Lublin. With the introduction of the market economy the concealed unemployment rate was uncovered, whereas it almost did not exist before 1989. There is a visible dependence between the unemployment rate in cities and their size and economic structure. Bigger ones and those with a diversified structure tend to have lower unemployment figures (Parysek, 2004).

The process of metropolitanization of cities is one of the effects of the systematic transformation in Poland. A great city with an exceptionally concentration of globalization effects is considered a metropolis. In Poland the metropolises of national scale include Poznan, Wroclaw, Krakow and Gdansk (Lever, 2000 and Kulinski 2000). The affiliation of Poland to the European Union is expected to accelerate the process. The change of economic and social conditions in Poland has led to changes in the spatial development of cities. The following changes are readily visible in big cities (Parysek, 2002):

- Appearance of stretches of streets offering prestigious shopping;
- Appearance of modern, though low standard, outlying shopping centers;
- Delineation and development of new investment areas, also on city peripheries;
- Modernization of communication routes and limitation of wheeled traffic in centers as well as the construction of car parks, including so-called ‘buffer’ ones along the margins of the downtown districts;
- Change in the model of residential construction manifesting itself in the building of small, often ‘closed’ housing estates with an atmosphere of their own whose architecture departs radically from the typical unimaginative blocks of flats of the socialist period;
- Undertaking of projects for the renewal of the historic urban architecture, including residential buildings, areas formerly industrial, transport, military use, old storehouses, and to a very modest extent high rise estates of the 1950s and ’60s;
- Development of single family housing in the suburban zone;
- Attempts at de-concentration of building, especially in compactly built towns, which is intended to improve the functionality of communication routes and ‘decongest’ the downtown district.

The reflection of socialist era can be seen in the Polish cities. During the 40 years with socialist influences, the so-called ‘socialist city’ was implemented, with not much success. Specific aspects like equally residential buildings (blocks of flats), housing of the people’s authority (state and party administration, police and security), public utility buildings and shopping pavilions, predominated the urban landscape of the socialist city. Most Polish cities were concentric, with a historical core. The core was enclosed by residential and industrial buildings from the 19th and 20th century and
these were surrounded (penetrated) by a post war building pattern of low-standard blocks of flats. Depending on the size of the city, they formed bigger or smaller barracks-type housing estates and often suffered from a lack of services. Another shortcoming was the poor supply of public transport and infrastructure. The housing blocks were equipped with ‘estate service centers’ which included medical facilities, shops (grocery store, post office, few shops with industrial goods, a few service establishments) and a community center. Living conditions in these cities were hard for most of their residents. As the population increased, the living conditions only decreased more, because the increase was not matched by municipal investment and the existing infrastructure. Despite these poor circumstances, the cities in Poland acted like a magnet to people in the rural areas, because they offered education and jobs.

Since 1989 the face of the Polish and Central European city has been changing. Nowadays many people find suburbs more attractive than the inner city, because of lower housing prices and better living conditions (economical as ecological). Especially in the biggest cities, towns have become attractive locations for investments. Those with a balanced economic structure and modernized infrastructure have much potential for growth (Parysek, 2004).

According to the last National Census (2002), the proportion of people living in urban areas is 61.8 percent. Most of the population increase since 1946 has been concentrated in urban areas. The national urban system of Poland has a polycentric character without the primacy of the capital, as in the Czech Republic or Hungary. Throughout the whole post-war period the ranking of the cities by size has not changed significantly. The objectives and demands of a market economy raise the question of how the Polish cities should be modernized and whether the process of re-urbanization and re-industrialization should be introduced. The new regional structure indicates two basic trends: first, the collapse of the old industrial regions and the deepening relative underdevelopment of the eastern part of the country. The relative prosperity generated by the transformation along the western border contrasts sharply with the stagnation and persistent high unemployment along the eastern border with the former Soviet Union. This regional situation is a concern of all urban areas. The second trend concerns the formation of the newly prosperous regions with production adapted to the requirements of the new economic situation: highly competitive domestic and international markets. The traditional disparities between rural and urban areas and between small and large cities have also substantially increased (Weclawowicz, 2004).

The highly urbanized belt stretching between the two relatively prosperous metropolitan areas of Wroclaw and Cracow, currently with a ‘black hole’ in the middle (Upper Silesian), has the opportunity to become another large urbanized region of progress. The basic regional and urban problem concerns the issues of the conurbation of Upper Silesia, which have to be economically reconstructed. This region needs substantial support as the last large coalmining region in Europe. The problems here clearly exceed the capabilities of the local government (Weclawowicz, 2004).

The economic prosperity of the cities also has its educational dimension. The standardization of school tests introduced for the first time in 2002 revealed that in urban areas the better school results correlate highly with the districts and cities with residents of higher social status. Furthermore the economic and managerial hierarchy in the urban system is clearly visible in the analysis of the headquarters of large enterprises. The location of 1,000 of the largest enterprises in term of revenue indicates the predominant position of Warsaw and other large cities. In spite of the legacy of the past period, the cities in Poland have many important assets (Kuklinski, 2000). These include the
relatively good quality of the labor force, favorable geographical or geopolitical locations, an urban and industrial fabric readily adaptable to the new requirements and a relatively low level of intra-urban disparities. However, in the previous decade Poland failed to modernize her cities to the level that would guarantee their competitiveness in an integrated Europe (Weclawowicz, 2004).

**Urban problems**

The general economic dynamism and growth connected with socio-economic transformation have not been equally shared by all regions, cities or social groups within the cities. Furthermore, in the economically successful cities, the processes of marginalization, social exclusion and segregation have taken place. The main urban problems in Poland are:

- Unemployment, which is the underlying factor in the increase in poverty and social exclusion;
- Housing shortages, especially on affordable housing and the increasing modernization gap of the housing stock;
- Technical and social-communal infrastructures;

Unemployment is the most crucial general economic and social problem in Poland, one which also concerns the urban areas. From 1998, when the average unemployment rate was below 10 percent it increased to 20 percent in 2004. In the rural areas, which account for about a third of the total number of unemployed, the basic problem is the hidden unemployment. In the former industrial cities in general, about a quarter of the economically active population remains unemployed (Weclawowicz, 2004).

<table>
<thead>
<tr>
<th>City</th>
<th>Unemployment rate in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warsaw</td>
<td>6.2</td>
</tr>
<tr>
<td>Lodz</td>
<td>18.8</td>
</tr>
<tr>
<td>Krakow</td>
<td>8.4</td>
</tr>
</tbody>
</table>

Table 15: Unemployment rate in the cities
Source: Central Statistical Office (http://www.stat.gov.pl)

Poverty is concentrating among the homeless, pensioners, the unemployed and people in poorly paid employment. State policy can be blamed for the increase of poverty in most of the cases of the unemployed and the underpaid employees in the public sector. An estimation made in 2003, emphasized that 25 percent of the whole Polish population, were below the objective poverty line. This percentage is less in cities with more than 500,000 inhabitants (3.1%).

Another basic problem for Polish cities is the housing situation. Currently the whole housing stock represents 12.4 million dwellings, with 45.4 million rooms. Nearly two thirds of the housing stock is located in urban areas. There are 327.6 dwellings per 1000 populations, a figure which places Poland at a very low relative position in Europe. In 2002, almost 22.2 percent of the population in Poland still lived in overcrowded dwellings and 12.2 percent in conditions considered to be substandard. The prevailing privatization process associated with the transformation has changed the ownership structure considerably. On a national scale the majority of the housing stock is in the private sector: 55 percent, compared with 44 percent in 1988. Nevertheless, at 41.7 percent the cooperative sector remains dominant in urban areas, although the private sector share increased from 25 percent in 1988 to 37.5 percent in 2002. State policy concentrates on the support of new construction at the expense of the maintenance and improvement of the existing stock. The modernization of substandard
urban areas, especially large housing estates, requires a substantial improvement of the current legislation. The basic barrier in this field is the lack of public resources and incentives from the local government authorities. An additional constraint is the lack of clear legislation and a pattern of good practice of cooperation of the public-private partnerships (Weclawowicz, 2004).

Another trend that needs the attention is the decline in fertility in Poland, that began in the early 1990s. The total fertility rate will probably decrease further from the current 1.25 to 1.10 in 2010. The key problem will be the population growth and aging of the Polish population, especially in the urban areas. The population of the largest cities in Poland is expected to decline in the next few decades (Weclawowicz, 2004).

The problems of the transport system concern the modernization of the national and regional roads and the coordination of local and regional interest. The current 'crisis' situation in transport infrastructure limits the competitiveness of the whole Polish urban system and of individual cities. The rapid increase in car ownership contributed substantially to the rapid initiation of urban sprawl around the largest cities and has strengthened the suburbanization process. An average of 10,000 hectares of agricultural land has given away to urban sprawl every year since 1990 (Weclawowicz, 2004).

**National urban policies**

After fourteen years of post-communist transformation, urban policy in Poland is disarray. The origin of this disorder is the neglect after 1989 of spatial planning, particularly in regional policy, in favor of the market mechanism. The tacit assumption was that the market mechanism would replace the central planner in the allocation of resources. The neglect of regional policy could also be partly explained by the behavior of the regional planners and planning staff (Weclawowicz, 1998).

Nowadays governments have come to the conclusion that the market economy will not resolve all the problems. This attitude has had an important impact on the formulation of strategic plans for particular cities. In theory, the National Spatial Development Policy Document, approved in 2001, formulated state policy with respect to urban development for the first time since 1989. Urban policy has become an integral part of spatial policy. This document assumes the further integration of Polish space with European space and has indicated the importance of urban issues. The finance generated from the national budget, from structural funds of European Regional Development Funds and from European Social Funds will be concentrated on three priorities: the upgrading and modernization of infrastructure used for strengthening the regions' competitiveness; the strengthening of the regional base and human resources, and local development. The most relevant topic in the first priority is the development of urban transport in Warsaw and Upper Silesia. Realization of the integrated project, which involves urban public transport by facilitating the integration of rail transport with other forms of communication, will improve the development opportunities of this region. Furthermore the third priority is relevant as well, as it focuses on local development and revitalizing degraded areas (Weclawowicz, 2004).

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1 The expansion of metropolitan areas with largely uncontrolled new land use of previously less developed areas surrounding a more urban core.
The organization of urban policy

The administrative organization of the country involves three tiers of territorial division. Since 1990, the Local Government Act has delegated some basic responsibilities to the lower level and the ‘gmina’ (the lowest government level) has become the basic unit of the territorial structure. The rapid shift of control over urban space from central to local level has created many problems. The new local government authorities had not been prepared to deal with the emergence of numerous new actors, mostly from the private sector. The Spatial Development Act 1994 provided local authorities with two legal planning tools: local spatial plans and strategic plans. The elements of urban policy and urban development can be found in numerous strategies, planning concepts and local plans that have emerged. Since then, proposed strategies have been based on the geographical location assets, improvement of the already existing economic potential and production, the search for a new function for a city or a new niche in the market or the creation of better living conditions (Weclawowicz, 2004).

The organizational problems of urban policy concern the crisis in management and administration at the urban level, particularly at the metropolitan level. For instance, Warsaw was a municipal association of 11 boroughs (gminas), with the largest Centrum borough accommodating a million inhabitants. Such a structure created many coordination problems. Each ‘gmina’ had a different status, different objectives and different interests bringing about conflicting and colliding competences. Since October 2002, Warsaw has again become one administrative unit (Weclawowicz, 2004).

Since the transition process started in the beginning of the 1990s, local governments have become more aware of their responsibilities for urban development. This resulted in improvements in the maintenance of the communal infrastructure and the housing stock and the creation of more pleasant urban landscapes. Local authorities do, however, have limited financial and legal freedom of action, to control and reduce unemployment, social exclusion and poverty, criminality and vandalism and homelessness. Local governments can influence the allocation of shopping sites and everyday services. The idea of subsidiary has created a favorable atmosphere for the promotion of active attitudes among the population. The numerous local development strategies became the first experience of social participation in the determination of the future of residents’ own cities, the expression of local interests and negotiation with respect to long-term goals and short-term plans (Weclawowicz, 2004).

The introduction of the free market at the time of transition went hand in hand with the shift of responsibility for housing provision from the central to local government level. During the last 14 years of socio-economic reform in Poland, the central government has prepared several instruments aiming at improving the housing situation, but in most case these instruments did not correspond well with each other. They have also suffered from a lack of continuity. The only direct state level intervention that has remained consists of measures in the case of technical problems occurring in prefabricated housing construction in cities. The allocation of subsidies from the central level has been directed to the housing cooperatives as the owners of the housing stock. A national urban policy still is a distant prospect. One important aspect that has to occur is the revitalization of urban areas, which is considered to be the most challenging current problems. Local governments cannot cope with this problem alone, because they lack the financial assets and organizational capacity. Brownfield sites often represent a large part of a city’s structure. Revitalization and investment in the urban development are therefore strongly connected to environmental issues and the transport system (Weclawowicz, 2004).
A new National Development Plan 2007-2013 (NDP) is now under construction. This will pay attention to urban issues, but the current stage of discussion is still far away from formulating a coherent urban policy in Poland. The low priority for urban issues is reflected in the fact that in the set of programs, strategies and analytical documents planned for elaboration, as an information base for the final version of the NDP there is nothing which concerns urban and metropolitan development in Poland (Weclawowicz, 2004).

The current situation in the Polish real estate market is characterized by increasing urban renewal, initiated by the private sector. This is the result of a policy change within the Polish government, which aims for new zoning plans of Polish cities. In many cases the existing plan becomes inoperative, although the new zoning plan is ‘under construction’ and not active. This resulted in a situation in many cities where there was not an active zoning plan, which led to increasing developments, because project developers’ plans were not restricted by a legislation framework. An incidental circumstance was the longer procedures, because of the bureaucracy at local governments who are responsible for approval of development plans (Weclawowicz, 2004).

The governmental planning system level is still complicated and does not have sufficient enforcement possibilities for implementing strategic decisions. Nor are there effective procedures for coupling the system with bottom-up feedback. There are no sufficiently defined rules incorporated into the regional plans and programs for settling any possible controversies surrounding the governmental programs. Also at the local level, the various issues are difficult to introduce properly. The communes, and local communities in general, have many opportunities to avoid the imposition of unwanted programs and projects, for example through prolonging the procedures surrounding the preparation of local plans, sustaining social and judicial processes etc. The planning is not comprehensive at both the local and regional level, divided into the physical development and strategic plans. The number of enacted local plans is unsatisfactory at the local level. However the Spatial Planning and Spatial Management Act has made it easier and quicker for a commune to elaborate and enact a local plan, but financial problems mean commune planning activity remains at a somewhat low level. Some communes also prefer to manage space through administrative decisions rather than local plans, through misunderstanding the advantages of flexibility. This naturally leads to space suffering damage and unbalanced development (www.eukn.org/poland).

Urban restructuring examples

Example Lodz

The city of Lodz recently experienced some large-scale Brownfield regeneration on two different locations, one in the city centre and the second one adjacent to it. The largest regenerated area was called Manufaktura, a former textile factory, in the 19th century the biggest factory of Europe. In 1997 the plant closed its doors, but within two years the whole complex was bought by a project development company. Combining new buildings with renovated old structures resulted in an attractive all in one shopping centre with entertainment and cultural functions, located at the end of Połtrowska-Dworcowa, the main high street shopping area of Lodz. Secondly, the other project also considered an old factory plant, which was recently renovated. Only the outer walls and the original construction remained when the build up process started to convert the former factory into a luxurious loft and condominium complex. All the outer walls were sandblasted, bringing back the original color of the
red bricks. The project proved to be a huge success, whereas all the lofts and condominiums were pre-sold in only one week. The whole project is expected to be finished in 2008.

As is discussed before in this thesis, there are certain contradictions in the development of urban areas, on both suburban as inner city level. The next case studies will evaluate the aspects that went wrong or were a success. By means of these case studies more conflicts in the inner city development process will be exposed (Tosics, 2004).

![Figure 23 and 24: Example of redevelopment former factory](image)

**Example Középsó Ferencváros (Hungary)**
Mass privatization made territorially concentrated, organized urban renewal an exception, instead of usual case. The reason why this became possible in Ferencváros was indeed exceptional: the decision of the district local government on area-based renewal preceded the Right to Buy law, thus this area became exempt from compulsory privatization. As a consequence of a well-elaborated PPP strategy, and concentrated help also from the Budapest municipal level, this area is the most successful case for urban renewal in Budapest. Despite the relatively high share of public investments (amounting to some 20-30 percent of total investments), the partial exchange of population, i.e. gentrification was unavoidable. Even after the pushing-out of the lowest income and ethnic portions of the original residents, there are conflicts between the original and the incoming new residents. Even larger problems are caused by the families moved to other parts of the city (although with improvement of their housing situation) (Tosics et al, 2003).

**Example of Zugló (Hungary)**
From the point of view of the whole of the city the densification of the residential areas on the edge of the inner city is most welcome, as the best alternative to suburbanization. Under the given circumstances the densification is the result of pure market processes: single family or low density multi-family areas are rebuilt by developers with higher density residential parks. There are two types of conflicts emerging from this densification process: on the one hand the original residents complain about the spillover effects (deteriorating parking situation, increasing traffic, decreasing green areas), on the other hand environmentalist groups attack the new higher density developments in the green-belt areas within the city, interpreting this process as the win of investment interests against environmental values.
Example of Budapest
Some very densely built-in neighborhoods at the edge of the inner city are becoming increasingly deprived in physical and social sense. Despite mixed tenure structure, the social structure becomes more and more homogenous, leading to ghetto symptoms in the public schools (extreme segregation with large majority of ethnic groups) and the general feeling of unsafety in the neighborhood. The local, district government is unable to change the unfavorable trends, and the fragmentation of the local government system, with the lack of coordination between the sectoral policies, does not give more hope for that. The most difficult of such crisis areas can only be tackled by area-based direct interventions, with the participation of the central level.

Example Budapest
The collapse of the socialist industry led to the emergence of large brown-field areas in the transitional zone. As the share of industrial areas was much larger in the socialist cities than in their western counterpart, it is clear that most of these areas can only hope in total functional change. Taking regard of the financial difficulties of the city local governments, and of the increasing supply of green-field development options towards investors, many of the Brownfield areas have no chance for close restructuring. Restructuring will most probably be very polarized, according to the locational characteristics of the Brownfields.

Example of Budapest
The share of large housing estates is much higher in the post-socialist cities (amounting to 40 percent of the urban population), than in their western counterparts (3-7 percent). Since the early 1990s substantial polarization prevails among the estates: due to the extent of housing privatization, the demographic processes and the geographical position of the estate within the city, the position of the different large housing estates in the real-estate market hierarchy became very different. In some of the estates, notably Havanna in Budapest, privatization has led to a (most probably temporary) increase of the estate in the real-estate market hierarchy, further strengthened by the efforts of the district local government to improve safety and the conditions of the public areas (Erdosí et al., 2004). However, some large housing estates will quickly deteriorate in the near future, first from the perspective of social structure, later reinforced by the physical aspects, as well.

‘Place making’
Healey (1997, 1998) defines ‘place making’ as the promotion of the social, economic and environmental well being of diverse places and the development of institutional capacity to achieve this. The process of place making implies networking, partnerships and institutional capacity building, the objectives of which are to develop the institutional capacity for planning in the context of diversity, fragmentation and uncertainty. The following aspects of Healey’s (1997, 1998) work are relevant for this thesis:
• The integration in policy making: A particular problem in many European countries is the separation of different ‘policy communities’, each having specific responsibility for a particular aspect of economic and social life (planning, housing, health, education, social services, transport) and a lack of coordination between them. Also, in particular in Central Europe, the problem may be a lack of central government guidance and coordination. Integrated place making also implies the necessity to acknowledge the distinction between spatial policies (regeneration programs that are implemented at a neighborhood level, for example) and a-spatial policies that may have spatial impacts and the potential for these to be in conflict.
In the context of large estates, for example, national housing policy and benefit reform are key influences on the outcomes at estate level and may even undermine local regeneration efforts.

- Collaboration in policy making: Integration implies a collaborative approach to planning. This approach implies cooperation on the development of long-term strategies for areas rather than the development of time-limited, project-specific partnerships and networks. Traditionally, these have prevailed within regeneration programs.

- Stakeholder involvement: Networks and partnerships need to acknowledge the need for the participation of new types of stakeholders (local residents) and not just the old ones like public authorities. In the context of estate regeneration programs in Europe, local participation has been a decisive influence in some countries (Spain), has long been encouraged by central governments in others (United Kingdom), but has largely been absent from the states of Central Europe.

- Local knowledge: Knowledge is identified as a key resource. Collaborative planning implies the construction of mechanisms that are sensitive to cultural differences between stakeholders in ways of thinking, valuing and communicating.

- Building relational resources: It is important to construct the infrastructure of positive relations between government, citizens and businesses where information, knowledge and understanding can flow. Capacity building needs to be combined with institutional reform; otherwise the burden is placed on the excluded: in this instance the residents of large housing estates.

By definition, place making involves the definition and pursuit of 'ideal types' of place. These can be divided into two broad categories. First, there are generic images and visions that apply at a societal level, 'social cohesion' for example. In the context of large housing estates, a 'cohesive' estate may be one that is deemed to conform to this ideal. Second, there are images and visions that apply specifically to large estates. The most important of these is the notion of 'social mix' pursued directly or indirectly through tenure diversification and/or gentrification (Hall and Rowlands, 2005).
## Framework large scale housing

The future of large housing estates cannot be discussed without reference to the broader issue of urban change. The large estates are often perceived to be a general obstacle to urban restructuring or a threat to the social cohesion within the city (Baudin and Genestier, 2002).

Arguments in favor of demolition point out the fact that the concerning buildings have achieved their original objectives. They are considered to be obsolete and too expensive to maintain and to rehabilitate.

In many cases, the estates that were built according to Modernist principles (high density, separation of home, work, transport and recreation functions) do not have the ability to adapt to traditional and emerging urban forms and leads to their demolition.

The existence of the residents' misuse of the large estates. The housing design could no longer be adapted to the current housing demands of households. The problems concern essentially the higher density and the lack of private areas and live-ability.

As a result of the suburbanization of middle-class households and the concentration of low-income people on the estates, some estates have become financial burdens for landlords.

Despite the implementation of various policies, many estates have become the focus for conditions of rising social and spatial segregation (Haussermann, 2000).

<table>
<thead>
<tr>
<th>Theory</th>
<th>Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>The future of large housing estates cannot be discussed without reference to the broader issue of urban change. The large estates are often perceived to be a general obstacle to urban restructuring or a threat to the social cohesion within the city (Baudin and Genestier, 2002).</td>
<td>New social program in Italy with the aim of moving away from the traditional approach affects the social mix by renting affordable dwellings to specific social groups and by creating public spaces. This program has therefore necessitated the coexistence of a mix of actors and public and private resources (Zajczyk, 2004).</td>
</tr>
<tr>
<td>Arguments in favor of demolition point out the fact that the concerning buildings have achieved their original objectives. They are considered to be obsolete and too expensive to maintain and to rehabilitate.</td>
<td>In Germany there still exist two housing models, with in the East a supply of one million vacant apartments. Despite high investment in the rehabilitation of large housing estates, some neighborhoods still have a negative image (Droste and Knorr-Siedow, 2004).</td>
</tr>
<tr>
<td>In many cases, the estates that were built according to Modernist principles (high density, separation of home, work, transport and recreation functions) do not have the ability to adapt to traditional and emerging urban forms and leads to their demolition.</td>
<td>In the UK, governments since the 1970s have given priority to encouraging owner-occupation. The ‘Right-to-Buy’ program has resulted in the sale of the better quality properties on the more attractive estates to the more affluent tenants. Besides a demolition program is developed, which is targeted at the worst properties, with worst problems.</td>
</tr>
<tr>
<td>The existence of the residents’ misuse of the large estates. The housing design could no longer be adapted to the current housing demands of households. The problems concern essentially the higher density and the lack of private areas and live-ability.</td>
<td>In the Netherlands, the demolition has taken place especially within the Big Cities Policy framework, as a solution to address deprivation problems in the old post-Second World War neighborhoods. Next to that the aim was to attract well-to-do households by offering better opportunities to the existing residents, enabling them to find attractive accommodation in the same area and avoiding the need for them to go elsewhere to build a housing career (Musterd, 2003).</td>
</tr>
<tr>
<td>As a result of the suburbanization of middle-class households and the concentration of low-income people on the estates, some estates have become financial burdens for landlords.</td>
<td>The legislation in France allows the demolition of 200,000 apartments, the rebuilding of 200,000 apartments and the rehabilitation of 200,000 apartments. This physical measure is intended to resolve the ‘social crisis’.</td>
</tr>
</tbody>
</table>

Table 16: Framework housing estates
Source: Restructuring large housing estates, 2005.
Table 17: Interviewees

<table>
<thead>
<tr>
<th>Name</th>
<th>Company</th>
<th>Position</th>
<th>City</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Wiltmann</td>
<td>Technical University</td>
<td>Principle of faculty Urban Development</td>
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<td><a href="mailto:wiltns33@gmail.com">wiltns33@gmail.com</a></td>
</tr>
<tr>
<td>Miss Olesińska</td>
<td>Czech Invest.</td>
<td>Regional project manager</td>
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<td><a href="mailto:olesinska@czvce.com">olesinska@czvce.com</a></td>
</tr>
<tr>
<td>Miss Zuzula</td>
<td>Municipality (City strategy office)</td>
<td>Head city strategy office</td>
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<td>zuzula@<a href="mailto:kosinska@czvce.com">kosinska@czvce.com</a></td>
</tr>
<tr>
<td>Mr. Kubec</td>
<td>Municipality (City strategy office)</td>
<td>Geographer</td>
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</tr>
<tr>
<td>Mr. Hült</td>
<td>CTP Invest</td>
<td>Project manager</td>
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<td><a href="mailto:huelt@ctpinvest.cz">huelt@ctpinvest.cz</a></td>
</tr>
<tr>
<td>Mr. Bednar</td>
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<td>Ostrava</td>
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</tr>
<tr>
<td>Miss Novotisky</td>
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</tr>
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Case study Brno, Ostrava, Krakow, Lodz

Brno

Municipality
The city of Brno is located in the southeast of the Czech Republic and is the second largest city of the country with a population 365,000 people. The age structure of the city points out a large productive class, with an age between 15 and 64 years old, of 70%. The landscape of Brno was hollowed out with Brownfields shrinkage of the manufacturing sector in the 1990s. Especially in the city centre, the development of the service sector had the most impact, because of the concentration of new finance and business services and specialized shops. In addition to this, the suburban locations experienced growth in the field shopping centers, hypermarkets and DIY (do-it-yourself) stores (Sykora, 2000).

Since the beginning of the economic
Mainly in the south of Brno, the commercial zone developed quickly, because of the nearby junction of two major highways. There is a trend noticeable, which reveals the shift in the location of newly build retail space from the city centre to the suburban zone (Sykora, 2000). The suburbanization of Brno is considered as an uncontrollable process by the municipality. This is reflected in the master and zoning plan, which specifically focuses on Greenfield locations for new developments and therefore reinforces the whole process. Although focusing on new investments in the light-industrial and science and technology sector, the municipality makes no use of incentives in order to attract more companies. The use of PPP and Structural Funds are familiar subjects, but were actually never utilized during recent development projects. These aspects could prove useful in Brno's situation, where the local government is largely dependant on the private initiatives, because city budgets for solving physical urban problems are never sufficient. With respect to the new development 'strategies' it is important to state that the legislative fundament, required to employ this kind of methods, is not very solid. Although Brno's zoning plan is not influencing the function of new developments, a new concept zoning plan is introduced to give more grip on the cities development.

The new developments of suburban retail, warehousing and industrial zones resulted in new jobs in the suburban area, therefore challenging the centre of Brno, where the most jobs are located. This polycentric pattern, with a strong dominance by city centers is emerging in metropolitan areas. The suburbanization of non-residential functions, particularly of retail and warehousing has been more dynamic and influential than residential de-concentration (Sykora, 2000). With more companies establishing their business in Brno, enhanced by the large student population, the economic situation in Brno is improving. Next to that, recently central government functions (high court) returned in Brno, after a period of 80 years. The current situation now shows there is a shortage of high-educated young professionals.

**Inner city**

The historical core of Brno also was subject to several processes of which commercialization was of high importance. This emerge was noticeable in the increase of commercial functions (business offices, retail, restaurants, hotels, etc.) in the total land use of the area. The initiators of this process were foreign trade and business service firms and domestic financial sector companies with a demand for commercial space. As a result of that, existing residential properties were refurbished and functionally changed making them suitable for commercial purposes. The development of new offices and multipurpose commercial centers has been another consequence of the increasing demand. Supply of land and buildings for development and redevelopment was made available by the quick privatization of real estate during the first half of 1990s and through sales or long-term leases of municipal land for private developments (Sykora, 1994).
The revitalization of the physical appearance of buildings and more effective utilization of downtown space flowed from the development and redevelopment of real estate. Industrial units, stores and vacant places were replaced by advance service functions with highly intensive space utilization, such as banks and other financial services, etc. Commercialization caused further concentration of jobs in the city centre and densification of the built environment. A negative side effect was the reduction of the residential function and the rapidly increasing car traffic. With a small and overloaded historical core, Brno can reduce the pressure on the city centre by developing the ‘South Centre’, a potential restructuring site of former industrial use. The main obstacle is the presence of the existing rail way track, which separates the ‘South Centre’ from the old city centre (Sykora, 1994).

The present condition of the city centre can be stated as attractive, with renovated buildings, western brand shops and a shopping centre, pedestrian zones and well-maintained public squares. At day time the city centre is visited by many people and the presence of historical buildings with governmental functions contributes to the attractiveness of the city centre. Strangely enough, after working hours, when shops are closed, the city centre becomes an un-dynamic place, with low footfall, which is the result of missing entertainment facilities, like restaurants and bars. Even there were such establishments present, they were poorly visited by inhabitants of Brno. One reason for that is the relative withdrawn lifestyle of the older generation, who are not used to get out in the evening. Furthermore, the population number of the inner city is declining. In 2001, 33% of the Brno population lived in the suburban zone. Most of the people who live in the suburbs belong to the rural population and have a social status that is below average. The historical core or city centre has clear boundaries, which is stressed by the ring road.

With a relatively attractive city center, the problem with parking space is there. One aspect that complicates matters for possible development of parking garages is the fact that a large share of the historical core has unmapped cellarage. With a relative high building density in the historical core, the remaining part of the inner city contains large areas with private vegetable gardens (15 percent of urban area is covered with them), mainly used by the older generation. The municipality sees these gardens as potential development areas and has plans to solve the land lease issue regarding these gardens, by supplying new land lease contracts for much shorter periods of time. There is much resistance to these new plans, whereas there is strong public opinion in Brno.

Besides these private gardens, there are protected green areas like parks located in the inner city. With these green areas, the private gardens and the high density of the historical core there are almost no residential developments in the inner city. Although there are opportunities, like Brownfields and old deteriorated buildings going further away from the city center, these sites first need demolition of the existing property, which is not a common thing to do in the Czech Republic. In addition, complicated ownership structures hinder new developments on these locations as well.

The major problem of the inner city in Brno is the existence of degenerating industrial zones and adjacent working-class housing. As the city centre is enclosed
by a large zone of degenerating industrial and residential areas, the municipality of Brno faces a large challenge to expand the attractive quality of the historical core to these adjacent areas, resulting in more attractive inner city.

**Infrastructure**

In the southern part of Brno a clear tendency shows that the locations near the highway are popular among project developers for new commercial areas. The small towns and villages near Brno, which have increasing growth, experience new residential developments along the direction of and adjacent to the highway, as can be seen on the picture. The problem with out-of-town roads has to do with the central government not maintaining and expanding these roads. With the increasing car use and suburbanization, traffic congestion is taking serious forms.

The location of Brno from a geographical point of view is relatively positive, where it is located very closely to capitals and other large and important cities. The local government is want to explore this advantage by the development of a new rail way station, which will be relocated, resulting in a new opportunity for the old location. With projects like this, the local government is using tenders to attract new developments to the city and to interest project developers.

**Housing**

Closely related to the congestion problem and highlighted by mister Wittman, principle of the faculty of urban planning, is suburbanization. With an average increase of the suburbs around Brno of 15 percent during the last five years, Brno’s population is decreasing. The housing quality of the housing estates is relatively low, although private initiatives are seen, renovating old buildings. A special subsidized savings account for housing purpose exists, giving more people the opportunity to improve the quality of the property or to buy a new house.

Like situations in other cities, there is an increasing demand for high quality housing, which results in new developments on relatively cheap Greenfields that are easy to develop. The other side of the market, the housing estates, is for 30 percent owned by the municipality. On locations very close to Brownfields, deterioration and social problems are increasing. The municipality is seeking for opportunities for residential development within city limits, which could balance the negative flow towards the suburbs.

**Brownfields**

As the city of Brno seeks for new residential development opportunities, there are many large-scale Brownfield sites relatively close to the city centre, whereas Brno has a relative extensive industrial history. As pointed out on the map, there are many small and large scale sites identified close to the historical core and present in the inner city. Many Brownfield sites are owned by the municipality, who are planning new light-industrial function for these sites. The present structures and contaminated soil on these sites will in many cases constrain new developments. In some cases parts of the industrial buildings is still used, which should force the municipality to relocate these businesses.
There is a central government fund for ecological cleanup of contaminated sites, which could be helpful in case of Brno. The fact that many municipalities will apply for this kind of fund, reduces the chance for acceptance and application of it. Aside from the new prepared function for Brownfields, there is almost no attention for Brownfield regeneration, e.g. no actual plans. This probably relates to the fact that municipal budget for Brownfield regeneration are low. There are some potential EU Structural Funds, which could lead the way to new regeneration possibilities.

**Ostrava**

**Municipality**

The city of Ostrava exists of three main cores that grew together with in the real hart of it, a large scale, contaminated and abandoned Brownfield area, heritage of the socialist period. The city has a negative image, whereas many people refer to it as the black city or industrial city. Comparing it with the city of Brno, Ostrava is like one-step behind, with a less attractive city centre, not many new developments in the inner city, missing master and zoning plan but no congestion or sprawl. The three different cores have separate governments, which makes it more complicated to execute public policy. Another aspect that plays an important role is the lack of municipal budget for redevelopment of problem areas.

With the collapse of the heavy-industry sector in Ostrava, the unemployment level went up and today 15 percent of the labor force is unemployed. Local government officials are trying to attract new international companies to the region and recently were successful with the announcement of Hyundai to establish their new production facility. In their pursuit for FDI, like the other cities, they do not use incentives to attract new businesses. Furthermore, there is strong demand for new inner city retail. By putting out a tender and by cleaning a former Brownfield site, the municipality succeeded in contracting a new project developer who will realize a new shopping centre together with other residential and commercial functions. The local government hopes that this development will generate new spin-off projects that improve the physical structure. With the high unemployment levels in Ostrava, the economic development is more important than the physical structure.

Although the municipality is active and focusing on the improvement of Ostrava, one of the deficiencies of the local government, as stated by one of the interviewees, is the low level of commitment at some sections of the local government and the lack of a working master and zoning plan. It is therefore, relatively easy to change the land use of some locations, which does not always have to be a negative issue. This results in Greenfield developments that are relatively easy to develop. The negative aspect related to this change is the short-term solution and ‘island-effect’ with different uses within a particular area. This is influenced by the older workforce without sometimes outdated socialist thoughts. Like other municipalities, they have never used PPP or Joint Ventures, which is negatively influenced by the legislative fundament.
Inner city

The inner city of Ostrava is unattractive and is one of old cores of the polycentric structure with deteriorated buildings, close to the river. The grayish environment with a clear view on many large scale Brownfields does not invite people to visit the city. The absence of modern shopping and other entertainment facilities contributes to this negative image and results in low footfall. Closely located near the inner city are the large scale Brownfields, that are the true, geographical center of the city. There are new developments in the pipeline, like the mixed-use development of Multi Development on former Brownfield site, named Karolina.

In order to make the city centre more attractive for people with cars, the municipality is now realizing a new underground parking facility located on the market square. Although this is a positive development, the inner city of Ostrava needs more private initiatives in the residential and commercial sector. The presence of ‘blank spots’ could be an opportunity, whereas these are relatively easy places to develop. Interventions of the local government are often small scale, when there is no support from the central government. Although the physical quality is relatively low, compared to Brno, when moving to the city limits, away from the centre, the quality of the environment decreases even more.

Infrastructure

The current quality of Ostrava’s infrastructure is relatively good. Public transport connects the large housing zones to the ‘city centre’. In the near future a new highway is planned to the northwest of the city, bringing new development opportunities and providing more potential to the strategic location of Ostrava. The fact that highways and arterial roads are attractive places for new developments can be seen in both Czech cities. To the south of Brno and Ostrava new logistics and light-industrial parks are being developed on Greenfield areas.

Related to the Brownfield problem, Ostrava has an extensive railroad infrastructure, which puts up barriers between different parts of the city and occupies a large amount of land. Another more natural barrier between the city centre and the eastern residential part is the presence of a river. Large difference in height between the river and its surrounding result in wide riverbanks without a clear function. Till now, these barriers did not contribute to traffic congestion, which is not a problem in Ostrava. With the current condition of roads and pavements, it will be likely, that with economic growth and increasing car use, this will form a problem in the near future.

Resulting from the polycentric structure and the influence of the socialist era, the city of Ostrava has shatterd functions, with living in the south and west and retail and shopping in the centre and out-of-town. The organization of the city is also very stretched, resulting in long travelling distances. The presence of the Brownfield area in the heart of the city has a clear contribution, whereas a total regeneration of this zone, although not realistic at present time, would join together the ‘islands’ of Ostrava.

Housing

The housing market of Ostrava shows many vanacies, because rents are higher in Ostrava than in the surrounding villages and town. The large housing estates, which are present in Ostrava to a large extent, form individual ‘living islands’, with public transport getting from the center to these places. On photo’s on the next pages there are examples of these estates, where nowadays, private initiatives
result in renovation of the deteriorated flats. These can be funded with the special subsidized savings account, many Czech people have. Although there is an increasing demand for new, higher quality housing, the main focus of project developers is on Greenfields and not on the inner city, which lead to relatively small-scale form of urban sprawl. The level of new developments is not very high, as the private sector is not convinced of the opportunities Ostrava’s housing market has to offer.

**Brownfields**

The Brownfield situation in Ostrava needs serious attention, because its presence is everywhere and large scale. Combined with the related rail infrastructure, Brownfields occupy over 15 percent of the total urban space of Ostrava. The local government is prioritizing the Brownfields with respect to the level of contamination and concern. This is one of the possible actions the municipality can take, because the budget for Brownfield regeneration does not compensate for the soil cleanup costs. With the EU-membership, policies regarding to the de-contamination of soil became more stringent, making it more expensive to regenerate certain sites. In the case where national funds were applied for soil cleanup and demolition of former factories, the effect is immediately there, with new development projects on this site. Unfortunately, these kind of fund are very scarce, leaving the local government with the contaminated grounds and looking for other possibilities.

Other possibilities are in the field of Structural Fund, provided by the EU, where in the case of new members, a relatively large flow of capital find its way to the depressed areas. Other ways of help presents itself in the form of consultans giving advice to local governments. Although the municipality tries to find solutions to the problem, the two aspects that can give a impulse to this city are FDI and the construction of the new highway, which can have positive effect on Brownfields in the surrounding area.
Krakow

Municipality

Krakow’s current urban landscape reflects its long history. Already in 965 A.D., Krakow was a center of economic activity and in the 11th century, it was the main seat of the first Polish kings of the Piast dynasty. Like many other European cities, the center was its historic core with a network of arterial roads radiating outward from the core. During the 45-year period that lies before the entry into free market and democracy, central planners shaped the spatial development of the city of Krakow. The design standards and locations of new housing estates built during this period were entirely supply driven. Socialism left a durable imprint on the spatial organization of the city. In the near future there are some strengths, like the combination of an exceptionally attractive urban environment and an intellectual tradition, which can give Krakow a comparative advantage among other European cities. The municipality of Krakow is anxious to maintain this advantage and for this reason the preservation of the quality of the urban environment has become one of the main themes of the master plan (Bertaud, 1999).

The city of Krakow has traditionally been one of the leading scientific, cultural and artistic centers of Poland, the former residence of the Polish kings and a national capital, considered by many to remain the spiritual heart of Poland due to its history of more than a thousand years. Krakow is also a major center of local and international tourism, attracting seven million visitors per year.

From requests for building permits, land market values and the spatial distribution of land transactions can be concluded that the city of Krakow is shifting towards a more compact city. Bertaud (1999) emphasizes that the zoning plan (1994) did not support the cities development strategy, because of the prescriptive zoning and a narrow range between minimum and maximum floor area ratio (FAR). These points of departure decrease the ability of market forces to bring about the needed changes in the current land use. Because of the low FAR allowed, the zoning will also devalue the potentially most valuable land. The existence of the ‘hole’ in building density between the inner city and the high density satellite towns in 1996, shows that negative regulative function of the zoning plan. The map of Krakow, on the next page, illustrates three high-density centers at about 7 kilometers from each other, separated by areas of relatively low density. Remarkable is the population density of Nowa Huta, the ‘model socialist town’ created in the 1950s to the east of Krakow.
Dale-Johson, Redfearn and Brzeski (2004) found that pricing reflects concentration around the city center as well as around several sub-centers. The rise of wages and increases in the cost of transportation resulted in a concentration towards the center. Rising prices in the secondary centers could arise from the mismatch of land uses left over from socialist management of land markets. Dale-Johson, Redfearn and Brzeski suspect that the model socialist communities that married heavy industry and high-density residential development left large populations of underserved consumers that retail developers are competing for in bidding up the price of proximal land. This would also be the same for foreign hypermarkets bidding up the price of locations near major transportation intersections.

A remarkable issue is about the electric tram buffer zone. In the plan with objectives an increase of the use and efficiency of the existing tramway was ordered in order to maintain a public/private transport mode split of 70%. In contradiction of the plan, allowable building densities were not different in the tram buffer zone. By prohibiting high residential densities within the buffer zone, zoning will eventually contribute to greater population dispersion which will make the use of private cars more necessary in the future (Bertaud, 1999). Combined with increasing car ownership in Krakow, in 1995 198 people of the 1000 had a car and in 2000 this number has risen to 322, congestion is lurking (Andrzej Rudnicki, 2002).

**Inner city**

The inner city of Krakow can be divided in the part with the historical core and the belt around this core which have often embankments that are diversified with open green spaces and industrial sites with light industrial activities. The historical core of Krakow is the main attraction for tourists with high quality shops and historical buildings and public spaces. This historical core is defined by a green bell and at some locations the old city walls. The relatively small historical core does have a high building density with many old buildings and there is not much space left for new developments. Several parts of it qualify for renovation because in often the ground level façade and entrance of shops are upgraded, which can not be said of the upper levels of these buildings.

The area that needs more attention is the other part of the inner city which can be distinguished by its grayish ambiance but still has more character than the streets of Lodz inner city. When moving more to the outer limits more and more old factory plants appear together with green spaces. Furthermore the amount of blank spots is increasing as well, but not to be compared with Lodz. The sites that are located close to historical core are in many cases still in use or partially empty spaces that can be developed, like the large area to the south-west of the city near the river bank.

From the municipal point of view the redevelopment of the inner city is a very complicated issue which is caused by several elements. First of all a large share of the real estate supply is owned by the inhabitants of the city and they form a strong public opinion restructuring of areas in the inner
city of Krakow. They municipality has a passive approach towards inner city restructuring and leaves initiatives to the private sector, who are often developing apartments at the city limits, just like the situation in Lodz.

In the end of the 1990s, the lack of office space in the city center and in areas with good accessibility in the suburbs was a major bottleneck for the economic transformation. Interventions like the transformation of apartments into office space were applied. At the same time large areas of well located land were either under-used or vacant (Bertaud, 1999).

**Infrastructure**
The city of Krakow is improving its infrastructure, with the adjustments made to new urban junctions and ring roads. These interventions are needed, because the city is facing increasing car use, causing traffic congestion. The increasing use of cars also results in decreasing numbers of public transport use. With the city centre being almost entirely a pedestrian zone, the traffic concentrates around the historical core. Another form of traffic that is increasing very quickly is passenger transport by plane. Nowadays, Krakow is seen as an attractive city, with well preserved historical buildings, which attracts many tourists from other EU countries.

The city of Krakow is relatively stretched out, alongside the radial arterial roads that lead to the city limits. In addition, many functions are scattered, with housing, for instance Nova Huta, in the east, closely located to an area with clear boundaries, like the Mittel steel factories. Shopping centers current develop on open places between the city centre and the concentrated large housing areas.

**Housing**
During the 1950s and 60s, urban planners created heavy industry, such as the Nova Huta steel mills, and a land use pattern that was not as functional as the European city at the end of the twentieth century. The massive housing projects developed, were systematically located close to the places of production and its pollution. Because food and other household needs were distributed centrally, commercial (retail) uses were not located near these high-density residential areas (Dale-Johnson, Redfearn and Brzeski, 2004). Looking at the current situation of these dwellings, it does not meet the quality demanded by professionals in services and high-tech industries. In order to respond to this need, well-located land with industrial land should be converted to residential and services use (Bertaud, 1999). The current situation shows many improvements in this field, with new retail facilities close to high populated areas.

Founded in the 1950s as the idealist ‘socialist city’, Nova Huta (meaning ‘new steelworks’) located close to Krakow was centered on the former Lenin Steelworks. Transformations since 1989 have led to the characterization of Nova Huta rather as a place of insecurity, restricted mobility and ‘entrapment’. A vast range of new leisure facilities, such as multiplex cinemas, shopping malls and a water park, shimmers attractively on Nova Huta’s western edges, but only serves to highlight the exclusivity of leisure today. The loss of financial

![Figure 31: Population density around city centre](image)
support from the steelworks and the growing commercialization of social and cultural facilities have not only eroded levels of provision in Nowa Huta (see, for example, Radlowska 2002), but also the community's autonomy from Krakow. Krakow has become the focus for work, for leisure and for consumption.

An evaluation of the spatial distribution around the historic core (previous page) results in this histogram, which has a 'camel back', as is pointed out by the bows. This is often seen with post socialist cities and indicates that the city is by nature not very compact, when compared with a city the same average density, but with a convex, negatively sloped profile, such as large Western cities.

Krakow is the second fastest developing residential market after Warsaw. Based on the data published by the Central Statistical Office (GUS), in the year 2004, 4,500 dwellings were completed, while in the first quarter of 2005 the number reached 1,000. Residential supply on the primary market is far behind the revived demand, which since the beginning of 2004 has remained on the high levels. Given the state of the market potential clients are forced to buy dwellings at the very early stages of development, or even at the planning stage. The most intense development of residential schemes takes place in the southwestern and northern area of Krakow due to the largest number of available plots of land. The biggest advantages of those locations are peaceful and green neighborhood, numerous public transport routes and competitive prices.

**Brownfields**

Many land areas to the east of the city center are for industrial use. Approximately 28% of the municipal land area is dedicated to industrial use (Bertaud, 2004). The city council of Krakow has approved a revitalization plan of the previously industrial Zablocie district. Local authorities plan to use EU money to regenerate this area into an elegant district. The Zablocie zoning plan envisages a large number of projects such as renovation work on old buildings, improvements to the transport infrastructure and recreational facilities and will naturally bring increased construction activity in the region. The zoning plan sets out building regulations such as build density and build height for the area meaning that property developers effectively have planning permission without the need to complete the time consuming WZ process in order to get planning permission, which is the case for the majority of the rest of the city of Krakow.

With new private initiatives focusing on Greenfield development, there still is need for the regeneration of Brownfield sites around the city center, that have been absorbed by the further expansion of Krakow. Like the situation in the Czech cities, Polish municipalities have small budgets for Brownfield regeneration. Furthermore, they have sold municipal land in the inner city to the private sector, leaving themselves dependant on private initiatives. So far, there has not been much attention for Brownfield regeneration by the local government. The problem also has to do with many factories that are still working, making it more difficult to find solutions for these problems.
Municipality

The city of Lodz is situated in the center of Poland with a population number of 776,297 in 2004. The origin of the city dates from the beginning of the 19th century, when people found the location of what now is the city Lodz a strategic place between two rivers for the textile and manufacturing industry. In 1820 a campaign is started to turn Lodz in a center of manufacturing. During the 19th century, Lodz develops into the biggest textile production center of the former Russian Empire. The population in 1870 has grown to a number of 70,000 people and between 1870 and 1890 the city enjoys the most intense industrial growth. By the outbreak of the Second World War Lodz rates as one of the most densely populated cities on the planet with a population of approximately 13,000 people per square kilometer. Nowadays the city of Lodz experiences a high unemployment level, with 15% of the people without a job, because of the declining industry. This is one of the reasons why young educated people leave the city because there is no work for them as well, apart from the fact that the city has nothing to offer. They leave Lodz for cities in the rest of Europe where they have more opportunities.

During the interviews in Lodz with project developers, their biggest complaint was the absence of a master and zoning plan. The original plan considers only a marginal area of the city of Lodz in its plans, which makes it hard for developers to develop these areas in the inner city. Especially for a large share of the old factories and housing estates, there is a lack of guidance and insight in other functions of these areas and buildings. The city used to be divided in zones for a specific function, but nowadays these functions are all mixed up in the zones. Next to that, it is also difficult to change the function of an industrial area into that of residential or commercial use.

The problem of the city center or ‘historical core’ is the fact that there is no guidance of the municipality how to develop or improve the ‘blank spots’ which are present in force. The local government does not have money to support developments with grants or subsidy, but does also not set up favorable conditions for private actors in order to boost inner city developments. One example one of the interviewees gave was about a city in Poland where people would not have pay any tax when they would invest the money in improving their property. The municipality of Lodz did introduce a mechanism that would provide inhabitants of the city center new housing in case they would give up their property, thus freeing the road for new developments.
The current city strategy with respect to real estate focuses on several points which are:

- Map all the real estate and surrounding areas available for development;
- Establish cooperation between companies who provide market information to get potential investors informed;
- Establish cooperation between municipality and developers for the construction of high-class office space and preparation of plots for investors;
- Introduce favorable conditions, like remaining free from property taxes, for developers who meet specific conditions set by the local government;
- Selection of most attractive plots for investment in Lodz;
- Priority to the development plans for selected areas;
- Process improvement of the development of other plots.

The current strategy of city tends to look like a move in the right direction, but the reactions of interviewees are not that positive. The newly elected mayor lacks a pro-active approach for the whole situation. On top of that, the central government is uncertain about their policy and strategy for Lodz. They still do not seem to know how to restructure the city of Lodz, besides how to attract new international investors. There should be a simple spatial plan that would make it easier for private actors to develop in the inner city.

Taking into account the current situation of Lodz the specific problems for Lodz are the outdated and incomplete Master plan, the passive approach of the local government to inner city restructuring, the typical size of land plots, urban sprawl and multiple ownership situations. At the moment almost all initiatives come from private actors and who are not familiar with developments by Public Private Partnerships, mainly because the local government does not know how to use this kind of cooperation and risk sharing. Another initiative by citizens of Lodz is the start of a TCM (town center management), which is a kind of forerunner of the BID (Business Improvement District).

Inner city

The historical core of Lodz has a particular structure which origins from the founding of the city during the beginning of the 19th century. This location was chosen because of the presence of two rivers, which were needed for the textile industry. The most interesting aspect of this structure is the original size of the land plots which have a measurement of 21 meters width and 200 length. This measurement made a plot ideal for the production of textile, because the first part near the road was used for living and production purpose and the rest of the plot for the growth of linen and cloth. Later the production of wool was introduced in Lodz, where the sheep could easily be held at the backyard of the plot. This particular size of plots makes it difficult for the city the restructure the ‘historical core’ of Lodz, because developers are not interested in the 100 meters of land which is located at the end of the plot and far away from the street. Next to that many buildings and the land where they are built on have a fuzzy ownership structure, because of the transition of property during the beginning of the 1990s and the several beneficiaries per plot that arise because of decease. The current situation in the inner city can be described as

Figure 33: Main shopping street Lodz
messy, with many trouble spots or 'blank spots' at the corners of cross-sections and also in the middle of building blocks. These blank spots are open spaces where used to be buildings who were demolished or collapsed because of the decreasing quality. Instead of buildings, they are nowadays used for waste storage, unpaved parking space or just as an open space with low quality. Only the main shopping street of Lodz, Piotrowskastreet, is free of such irregularity and is a place where many banks, cafes, restaurants, hotels and B-quality (non-western) shops are located. It forms a bridge between the main shopping facilities in Lodz which are Galeria Lodzka and Manufaktura. Whereas Galeria Lodzka is a traditional shopping center with many shops with the western brands which is located near a large cinema complex, Manufaktura is a former industrial complex that is renovated and enlarged with a large shopping center. Manufaktura also has cultural and leisure functions, besides all the shops with western brands and can be considered as a national example of what is possible with industrial heritage.

When one looks at the quality of the inner city the conclusion is that there is a huge difference with Krakow. There are several reasons for this difference which can be sought in the age and origin of the cities. Whereas Lodz was founded in the 19th century on industrial grounds, the city of Krakow is a medieval city and has been the capital of Poland. The city of Lodz is a grayness city with a grid structure where not many developments occur in the historical core and where the quality of roads, pavements and public space is very poor. Furthermore, the quality of public transport like the tram system is declining and often trams break down. Another negative aspect is the difference in height of many buildings in one street, which shows many blank walls that are not maintained well. The poor quality of the 'historical core' also originates from the people who live there. In contrast to many other cities, like for instance Krakow, the lower income households occupy the historical core of Lodz. In general, the housing does not have modern facilities like central heating and sewerage. This situation does not contribute to the improvement of the attractiveness of the 'historical core'. One phenomenon in Lodz and in Krakow is the presence of small kiosks often at cross sections who sell cigarettes, public transport tickets, maps etcetera. The remarkable thing about these kiosks is that they own the land they use, which is about 5 to 6 square meters. Because this small piece of land is located at the front of the narrow and long land plots, it makes the rest of the plots almost useless because their entrance is the place where the kiosk is located. This is the fact for the city of Lodz and the ownership situation in Krakow uncertain.

After the development of Manufaktura people could see that the industrial heritage can be allocated for different functions. This potential was also discovered by Opal, a property development company from Australia, who are now developing a former industrial complex of Scheibier, one of the major German companies located in Lodz, which was responsible for the growth of Lodz. This year the renovation of one of the major factory buildings is started, which contains a sandblast process and total makeover of the building into luxury lofts. Because the 500 lofts were all sold within one week which was a total surprise for the developer, new industrial building sites were allocated near the Scheibier complex to start with renovation. This process can be described as a spin-off effect and also shows that one development can trigger other developments. The development market in Lodz needs this kind of initiatives that can be used as example for other projects. This example shows that there is enough demand for new housing, but the question should be asked how much demand there is left for such luxury housing developments in the inner city. One important aspect of renovating cultural heritage is that it has to be approved by the city conservator. During the (re)development process each step has to be discussed and approved by the conservator as well. As becomes clear from the current developments in the city of Lodz almost all the initiatives come from the private
Looking at the current development activities in the inner city one can determine that not much progress in being made. Especially the historical core does not seem to evolve positively after the major investments made for the development of Manufaktura and Galeria Lodzka. Although the demand for new housing is high according to several sources, the ownership situation and an incomplete master plan result in developments at the city limits. Another reason why developments occur outside the inner city is the land price which is very low (€ 25,-/m²) when comparing it to cities like Warsaw (€ 100,-/m²), Krakow (€ 65,-/m²), Wroclaw (€ 65,-/m²) and Poznan (€ 70,-/m²).

Infrastructure

The city of Lodz also has a very extensive railroad infrastructure, which is there for the support of the different industrial complexes. The current status of public transport is relatively bad, with many trams breaking down every day. New tram carriages are introduced to the present infrastructure. The opportunity for Lodz is the development of a closer connection with Warsaw. The future completion of two motorways, with a junction near Lodz, the modernization of the rail connection with Warsaw and the possible future location of a new international airport on the western fringe of Warsaw Metropolitan Area could prove beneficial developments for Lodz (Weclawowicz, 2004).

Housing

The city of Lodz has, as many other Central European cities, an extensive supply of large-scale housing estates. These areas exist of many prefabricated flats, which are located relatively close to the north and south of the ‘historical core’ of Lodz. These areas have large open green spaces and besides the older and small-scale supermarkets often, a hypermarket like Tesco, Carrefour and Makro is located in these areas with a high population density. On important aspect of these large-scale housing areas is that no buildings are being demolished. In some cases private initiative of inhabitants results in the renovation of the flats. One sign of renovation that can be determined from outside is the application of plastic window casing.

Probably the biggest difference between large housing estates in Lodz and Western Europe is the kind of people who live in them. While many social minorities and poor people live in the estates in Western cities, the social-economic level of the inhabitants of flats in Lodz is more diverse. The reason for that is that the percentage of people who live in flats is by far higher than in many Western cities. Relatively rich and educated people also live in these flats. Still there is the Roma population who often withdrawn themselves from society and live in the deteriorated buildings. There is a slight change happening because many new developments at the city boundaries of Lodz are realized in green areas. A large share of these developments exists of apartment buildings which are sold for a price between € 250,- and € 1000,-. According to professor Wisniewska of the Technical University of Lodz (faculty of Urban Planning) the biggest problem is urban sprawl in Lodz. With this she means the uncontrolled developments of residential areas in the natural environment at the city boundaries. Urban sprawl is not the same as suburbanization, because this would be a flow of people from the city to the small villages in the neighborhood of Lodz. One of the reasons for this urban sprawl is the tendency of people to live in green areas and the lack of a comprehensive Master plan for the city by the municipality. Development companies buy the land near the city limits and obtain a building permit within a month or two. After the building permit is granted, they can develop the apartments often without any complications.
Brownfields
The presence of Brownfields in the inner city areas is not as extensive as the map of the city tries to prove. No heavy industry is located in the inner city, only abandoned factory plants or factories that still are in use. At the boundaries of the inner city of Lodz to the north, a large industrial area is still active and is a large employer for many people.

Contrary to the city of Brno and Ostrava where Brownfields are situated in the inner city the city of Lodz shows almost no large Brownfields at first sight. In Lodz, former industrial areas are more hidden behind the façade of buildings which often have small entrances. In this case the plot size is an important factor because situations occur where several plots are joined together and accommodate a relatively small factory. Also in many cases, these factories are still in use for light industrial activities. The main industrial areas are connected by railroads and to the north of the city, the largest industrial area is located near the large housing estates. During the socialist era the pollution was a serious threat to the people of Lodz, whereas the quality of groundwater was seriously affected.


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