

## European urban development: Sustainability and the role of housing

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**Abstract.** In the new Millennium, sustainable urban development is becoming a fashionable topic, almost as popular as globalization or city competition. European countries differ widely from each other on whether they have a national policy for urban development or not, and if so, on the emphasis of such a policy. Pan European organizations are reluctant to establish a clear vision of a desirable European path toward urban development. This is even true for the European Union: although the EU is running extensive systems of support policies, it has no clear expectation of how European cities should develop or what they should look like in the future. (The European Spatial Development Perspective, ESDP, contains some statements about desirable urban development, but this is far from being a binding document or having substantial influence on the allocation of means of support.) The criticism leveled at the EU for having no common policy for the future of its cities should be seen in perspective, as the lack of ideas/patterns for sustainable urban development is even more visible in the accession countries and in Eastern Europe. The dramatic changes in the cities of the post-socialist countries even appear to be moving in the opposite direction - away from sustainability.

Sustainability is a complex phenomenon, having economic, environmental and social aspects. Any concept of sustainable urban development must incorporate sectoral concepts; these must be well integrated in the overarching urban, regional and governance policies.

One sectoral policy of great importance to sustainable development is housing. Without suitable suggestions for housing policies, no concept of sustainable development can be successful (and vice versa). Yet, housing is one of the less frequently discussed aspects of sustainability. This might be explained by the way housing research has developed; economic and social aspects have taken precedence over environmental effects and externalities. Of course, the fact that housing is not part of the common policies of the EU also helps explain the present situation.

This paper elaborates on the link between housing and urban development. Using examples of good and not so good practices, we consider why housing experts should investigate the environmental and spatial externalities of housing policies and why experts working on urban development policies should take the results of such analyses into account. Such collaboration could raise the status of sustainable urban policies supported by suitable housing policies. The analysis presented here pertains to the Western and Central parts of Europe, roughly to the area of the soon-to-be-enlarged European Union. The structure of the paper is as follows. The first chapter discusses models and trends of urban development. The second chapter gives an overview of policies with the potential to influence urban development, followed by good and not so good examples for such policies taken from both Western and Eastern Europe. The third and fourth chapters concentrate on large housing estates, where interventions were needed to ensure the sustainability of development. Finally, chapter five offers some concluding remarks.

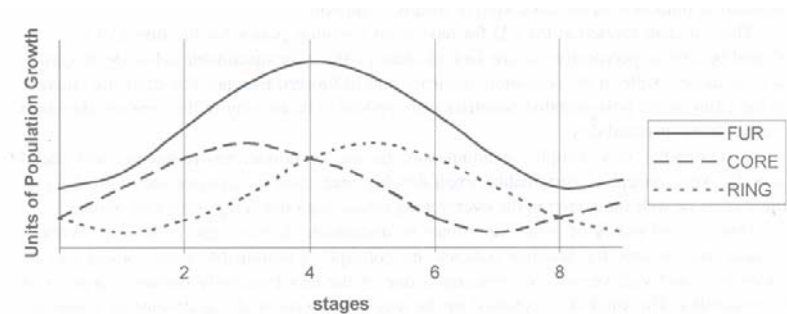
**Key words:** EU urban policies, housing policy, large prefabricated housing estates, postsocialist city development, suburbanization, sustainable urban development

## 1. Urban spatial development in developed countries: Models and recent trends

### 1.1. Models and debates on urban development

Many attempts have been made to describe the development and/or the different forms of urban areas in terms of models. In the following, only two of these attempts are mentioned, one using a dynamic and one a static model, both of which apply to highly urbanized developed countries.

The cyclical model of the dynamism of city development describes the cities' track of development as consisting of subsequent stages of urban development, namely urbanization, suburbanization, des-urbanization, and re-urbanization (Berg et al., 1982).



Source: Berg et al., 1982, pp. 37-38.

**Figure 1. Population size of the core, ring, and functional urban region (FUR) at different stages of urban development.**

In the model depicted in Figure 1, stages 1-3 represent urbanization, 3-5 suburbanization, 5-7 des-urbanization, and 7-9 re-urbanization. These four stages in the cyclical development can easily be interpreted in the figure by looking at the changes in the population of the urban core vs. the urban ring.

There are various interpretations of the cyclical model. Regarding the relevance of this model to the development of the post-socialist cities, there are two potential explanations (Szelényi, 1998, p. 290). According to the 'ecological' explanation of the process of urbanization, the post-socialist cities have taken the same development path as the other cities of the developed countries. However, there is a delay in the subsequent stages of development (e.g., by the time Western cities entered the stage of suburbanization, in most socialist cities urbanization was still dominant). According to the concurrent 'historical' explanation of the process of urbanization, the post-socialist cities have had a qualitatively different development, based on their four-decades-long socialist legacy (for details on this interpretation, see the following examples: Szelényi, 1998: under-urbanization; Bertaud and Renaud, 1997: specific spatial structure and much higher share of industrial land; Buckley, 2000:4: high share of urban population, developed urban infrastructure; cheap public services).

The debate on these two views has not been clarified; both views enjoy a substantial number of supporters. It is not even certain that all post-socialist cities can be assigned to the same category; the more developed ones seem to follow to some extent the cyclical model, while the less developed ones seem to develop according to different patterns (Tosics, forthcoming).

Among the static models, the best known is probably the compact city, the planners' model for the desirable European city. It can be summarized in the following way: "... making optimal use of the infrastructure of the city, through compact, mixed-use and dense settlement structures enabling effective use of public transport . . . and minimising vehicular movements" (WG Urban Design, 2003, p. 9).

This is a static model, describing a kind of 'ideal' city structure. It goes without saying that debates and alternative models have arisen. One of the challenges to the centralized and concentrated compact city model is couched in environmental considerations. This alternative is the Short Cycles or Green City model, which ". . . suggests a spread-out, low-density city. . . consisting of series of small, compact town-size settlements with easy access to natural areas and space for natural processes" (WG Urban Design, 2003, p. 11). Both models purport to be the 'European alternative' to the highly spread-out American city.

### 1.2. Recent urban development patterns of European cities: Comparative data on urban-suburban growth

Turning from modeling to reality, the data of population moves should be analyzed. This is not easy, as the notions of 'city' and 'agglomeration' are not sufficiently standardized to allow direct comparison. Therefore, the data have to be handled cautiously. More confidence may be placed in data generated by international projects in which the experts of the participant cities took the time (and were willing) to produce common definitions and corresponding data.

One such project was coordinated by Vienna in preparation for the Urban 21 World Congress. Within the framework of the project "Intelligent Mobility. Towards Sustainable Urban Development", data on six Central European cities were analyzed.

**Table 1. The relative change in population 1980-2000, percentages**

| Relative change in population 1980-2000, in percent | City and urban agglomeration | City proper | Urban agglomeration |
|---|------------------------------|-------------|---------------------|
| Berlin  | 11.9                         | 10.3        | 18.5                |
| Vienna  | 8.9                          | 4.9         | 20.9                |
| Budapest  | -0.3                         | -12.3       | 34.5                |
| Ljubljana   | 13.4                         | 2.4         | 31.6                |
| Prague  | 0.1                          | 0.3         | -1.7                |
| Zagreb  | 22.2                         | 22.8        | 20.7                |

Source: Mobility, 2000, p. 26.

The data in the table do not fully support the 'delayed cyclical development hypo thesis' for post-socialist cities. While Berlin and especially Vienna seem to be in the suburbanization stage, the four post-socialist cities can clearly be divided into two groups. Prague and Zagreb seem to show signs of urbanization, the stage before suburbanization, while Budapest and Ljubljana show even stronger signs of suburbanization than their Western European counterparts.

**Table 2. The change in motorization and modal split, 1990-2000**

| Motorization and modal split, change 1990-2000 | Motorization (vehicles per 1000 pop.) |      | Modal split (pub. transp.-walk-car) |          |
|--|---------------------------------------|------|-------------------------------------|----------|
|  | 1990                                  | 2000 | 1990                                | 2000     |
| Berlin   | 325 (1995)                            | 322  | 27-36-37                            | n.a.     |
| Vienna   | 365                                   | 385  | 37-26-37                            | 37-26-37 |
| Budapest                                       | 235                                   | 300  | 66-21-13                            | 50-26-24 |
| Ljubljana                                      | 335                                   | 420  | 20-38-42                            | n.a.     |
| Prague   | 277                                   | 523  | 54-26-20                            | 44-24-32 |
| Zagreb   | 220                                   | 245  | 51-28-21                            | 37-26-37 |

Source: Mobility, 2000, p. 27.

The problems with the data can easily be demonstrated by looking at the information on motorization. The post-socialist cities of Budapest and Prague give a totally different picture than that drawn on the basis of changes in population size. In the rapidly suburbanizing city of Budapest, car ownership seems to be increasing much more slowly than in Prague, which is in the presuburbanization stage with respect to changes in population size. In the case of Ljubljana and Zagreb, there seems to be a closer relationship between the changes in population and motorization.

Without going further into the details of the models or into current trends in urban development, we may conclude that suburbanization and des-urbanization, which are without a doubt the less sustainable stages of development (due to the negative consequences of urban sprawl, such as increasing individual traffic and decreasing environmental quality), are to some extent present in all European cities. Therefore, the problem of how to influence urban development, how to combat the less sustainable stages of development, is relevant to all cities.

## 2. Policies to influence urban development

### 2.1. Overall public policies on sustainable urban development

It is generally accepted that sustainability is a complex phenomenon, having economic, environmental and social aspects. Any concept of sustainable urban development must be based on overarching policies related to governance, finance and taxation, and regional and urban development.

As regards the frequently used term of governance, it is widely believed that the horizontal integration of policy fields on the local level and the vertical integration of the central, regional and local levels are prerequisites for sustainable urban development. The public sector should play a strong guiding role and be cautious about trendy requests for decentralization towards the sub-municipal level, but also about turning over the dominant role to private actors through rapid and overarching privatization.

Considering financial and taxation policies, it is clear that the content of these policies, especially the share of centralized vs. decentralized revenues, should be determined with regard to the territorial consequences (decentralized local taxes might increase the effects of segregation of population groups and that of economic actors).

To illustrate this point, let us consider the effect of the change in Hungarian legislation on the sharing of Personal Income Tax (PIT) revenues between the local and central government in the 1990s. For the first several years, at least half of the PIT revenues remained at the local level; later this share dropped to 5% by the end of the decade. This substantial change influenced the 'behavior' of local governments. In the first years, local governments wanted to attract middle- and upper-class families,

as a good proportion of their high tax payments has been added to the local budget. With the decrease of the local share of PIT, local governments lost their interest in attracting these families, as their high demand on local public services was no longer counterbalanced by tax revenues. Nowadays, most local governments compete for new entrepreneurs, as the business turnover tax revenue remains at present exclusively at the local level.

The structure and power relations of the public administration might have a decisive effect on the public control over local development processes. Especially in very fragmented local government systems, sustainable development requires the establishment of a strong regional level.

A good example of the creation of common interest in a fragmented system is the case of the Lyon Settlement Association (Communauté Urbaine de Lyon). This is not a directly elected body but an administrative unit created for a series of tasks. It consists of 55 settlements, covering an area of 1.2 million people in and around Lyon. This second-largest urban settlement association was established by a central government law of 1966. The main activities of the association cover those areas where joint decision-making is more advantageous than fragmented functioning, namely public services, planning, and economic development.

Last but not least, sustainable development requires a comprehensive urban development policy. Taking the problem of urban sprawl as an illustration, many different planning philosophies might be applied. Salet (2001, p. 56) describes these philosophies in detail, based on the different phases of urban development policy in the Netherlands.

- 1960s: the creation of new cities, in order to slow down the development of and suburbanization from existing large cities;
- 1970s and 1980s: the strict separation of urban and rural development, with attempts to direct development needs towards the inner parts of the cities;
- 1990s: regionalization of urban services through concentrated decentralization and support to increase the competitiveness of urban nodes, linked by public transport to each other.

Recently, many examples have appeared of comprehensive, integrated national urban policies existing in EU countries (Soziale Stadt in Germany, Big City Policy in the Netherlands, Politique de la Ville in France, Kvarterloft in Denmark, the Federal Big City Policy in Belgium, etc.). Compared to the rich international practice, the EU support systems related to urban areas (the restricted role of urban factors in the main stream NUTS 2 system, and the small-scale URBAN program with a budget of only 700 million euros for 7 years for all 15 countries) can be considered very limited attempts. Even worse, most of the accession countries do not have any national policies at all for urban development (in some of these countries, even the ministerial responsibility for such a policy remains unclarified).

## 2.2. Sectoral policies for sustainable urban development

Concepts of sustainable urban development must incorporate the results of sectoral concepts in addition to overall public policies. The following list contains some good practices of different cities, but it also mentions some bad practices, i.e., examples of unsustainable development, which are unfortunately very frequently found in European cities.

Proper housing construction and land-use policies may play a prime role in combating sprawl and dispersal in urban areas. The keywords for such policies might include public land-banking, affordable new construction, social mixture, etc. A kind of regional cooperation is unavoidable if these policies are to cover not only the city but also the agglomeration areas.

As an example of large-scale central interventions, in 1990 the Dutch National Government identified 26 VINEX locations within urban areas or closely connected to existing communities, where one million new homes are to be constructed by 2015.

As an example of sustainable local policies, Stockholm, a dynamic and growing city, decided to expand inwards, under a new policy of creating a new mixed part of the inner city instead of building mono-functional suburbs (Perner, 2003).

Vienna and many Scandinavian cities have ensured their direct control over the land market by buying a substantial part of the empty developable land within and around the city. Through such land-banking, the city becomes able to directly influence prices as well as the density and form of future new construction. Most cities combine land-banking with other instruments, such as concentrating new housing construction in areas accessible by public transport.

A quite different example is the case of Spain, where regional planning is the exclusive right of the Regional Governments. However, only a few of them have actually approved such a plan, due to the opposition of local interests. The Madrid Regional Government has been unable since the mid-80s to approve a Regional Strategic Plan that would be compulsory for all local plans. Thus, in the Madrid metropolitan area, "... every municipality around the capital city drafts its own General Plan, without taking into consideration what their neighbours are planning". Only some special planning, for instance planning for natural resources, is able to prevail over municipal interests (Tojo and Güell, 2003).

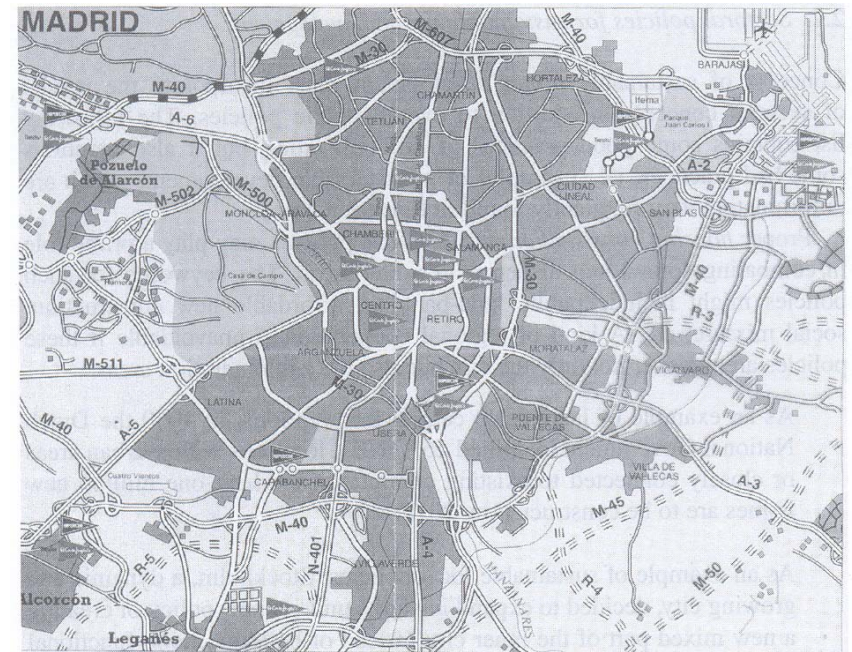


Figure 2. Urban development around Madrid.

The illustration clearly shows the trend of dispersed spatial development: the establishment of the second and third ring motorways around the city will obviously attract suburban development of a residential, industrial, commercial, leisure, etc. character.

In regard to the existing housing stock, housing management and maintenance policies are of key importance for sustainable development. Without ensuring the proper handling of the existing housing stock, the ageing buildings will not be competitive with the different forms of new construction that are dominating suburban development.

Vienna can be considered as one of the leading examples of systematic urban renewal policy for older areas. Based on the extensive public rental stock, but also dealing with the problems of private rental buildings, the city achieved, with massive public subsidies, the renovation of most pre-war housing areas, offering in this way good alternatives for living within the city, as opposed to moving out to the suburbs.

Germany has achieved in Europe the biggest results in comprehensive renovation of the post-war large housing estates. Starting with pilot projects around 1991-92, within ten years the overwhelming majority of the former East German prefabricated housing estates were totally modernized. The results of these extraordinary efforts can very nicely be seen, e.g., in Berlin. In this way, the large housing estates, built from a public perspective in a sustainable way (keeping the residents within the city boundaries, supplying them with good public transport, an environment-friendly heating system and substantial green areas), could in principle also have become competitors of the suburban housing forms.

However, it did not happen quite like that in reality: the real effect of the huge investments and extraordinary renewal efforts proved to be much more modest than it could have been. In many cities, especially in the smaller ones and in those that were dependent on one big industry, a substantial part of the renovated units on housing estates have become vacant in the recent years. The main reason is the strong political determination of the renewal policy, which did not take into account the other (e.g., employment) factors of local housing market development. As a result, in many cases the residents of renovated housing estates moved to other regions to find jobs. Moreover, the potential results of the well-intended massive improvements of large housing estates were undermined by direct government subsidies to new suburban dispersed developments.

Considering the social policies, the establishment of an adequate and coherent social safety net (with targeted social subsidies, housing allowances) is of key importance to ensure the affordability of better located and/or renovated housing units to the lower status social groups as well, and thereby to make a social mix possible.

In Western Europe, around 40% of the population receives, in some form or another, targeted social allowances, either directly or indirectly connected to income level and the housing situation. This is crucial in order to keep the vulnerable social groups in their existing housing, as opposed to becoming homeless (Tosics and Erdösi, 2001).

Targeted housing allowances are also important from another perspective. These income-related payments make it possible to raise prices to express real costs and public preferences, contributing in this way to the more efficient functioning of the housing market (Kessides, 2000, p. 32). In many countries, special schemes are used in the case of urban renewal to enable broad sections of the original population to continue to live in the area.

Besides housing units, workplaces constitute another important determinant of mobility within and between settlements. The public sector has limited means to influence the establishment of workplaces (especially under the increasing influence of EU competition regulations). Thus, the public sector relies more and more on the tools of transport policies to influence the frequency and form of mobility. Transport policies include increasingly differentiated elements, replacing the one-sided emphasis on road building and the exclusive use of expensive-to-develop public transport by more complex tools of intelligent mobility, such as intermodality, internalizing the externalities from private vehicle use, and parking policy (Kessides, 2000, p.38).

Developments in the commercial and trade sector are creating further demand for mobility in the form of urban/suburban transport. The public sector must strive to regulate the private development processes in these sectors. It must intervene either through prohibitions (e.g., in the Netherlands large shopping centers are not allowed outside the urban areas) or through positive discrimination of the more sustainable within-

the-city commercial forms, which cannot compete on the market with the economically more efficient large shopping centers. One example of such intervention is the 'main street program', applied with success in many Western European cities.

Infrastructure development policies might concentrate on improving the quality of urban public services, concentrating on services with a large element of the public good (Kessides, 2000, p. 28), as opposed to the development of new infrastructure networks in greenfield areas. Policies to develop the environment might concentrate on the protection of greenfield areas and on the retrofitting of brownfield zones, as opposed to the uncritical support of economic actors in their search for the cheapest place to establish new businesses.

From this overview, it is clear that housing is among the most important public interventions influencing urban development, with a huge potential to contribute to the sustainability of this development. Even so, housing analysis mostly concentrates on economic and social aspects, and much less on the environmental/spatial dimension.

### *2.3. Problems of sustainable development in Central and Eastern Europe*

Although the debate about the specificities and consequences of the socialist approach to urban development is still ongoing, it is clear that these cities had developed in many respects very differently from their Western European counterparts (see, e.g., Hegedüs and Tosics, 1996). Some of the specificities (e.g., the very high share of industrial land within the city limits, or the 'camelback' shape of density gradient, meaning a high density in the city center, followed by a much lower density in the transitional belt and again by a high density in the outer housing estates, Bertaud, 1999) were not totally in line with sustainable urban development in the socialist period. Other elements (e.g., the highly developed urban infrastructure; the cheap public services), however, may be considered positive in this regard. Thus, the main features of the socialist model - the high level of centralization in decision-making and the high share of public ownership - have produced mixed results from the perspective of sustainability.

The transition period in the 1990s was dominated by decentralization and privatization in all of the Central and Eastern European countries, although the scale of these processes differed from one country to the next. Unfortunately, neither decentralization nor privatization led to more sustainable development. In fact, just the opposite happened: in the process of decentralization, local governments attained real independence in most countries, but the main consequence of the decrease of direct central control was fragmentation (the decisions of the settlements could not be coordinated, the public interests connected to the level of the larger areas were not represented satisfactorily). Privatization helped to find 'real owners' for the previously not very efficiently managed public goods. However, this led simultaneously to the almost total withdrawal of public subsidies, as a consequence of which previously subsidized and well-developed services started to deteriorate (e.g., multi-family housing, urban transport, water-sewage services).

Post-socialist cities are facing serious obstacles to sustainable development. The present conditions - more than a decade after the fall of socialism and the turn towards capitalistic, market-oriented city development - are not satisfactory, neither from the perspective of overall sustainability, nor from that of sectoral policies for sustainability.

Regarding overall policies, the present fragmentation of the local government system (and the usual lack of a strong middle level of administration between the central and the local governments) limits the possibilities of national policies in governance, especially regarding the options for any policies in favor of urban development and the big cities.

The comparative analysis of Urban Development Programs in the framework of the 'Urban Governance, Social Inclusion and Sustainability' project (UGIS, 2003) has clearly shown that Central and East European countries, represented in this project by Hungary, belong to the most decentralized category. There is no urban framework program set up by the public sector, neither at the central nor at the local (municipal) level (Tosics and Dukes, forthcoming). The underlying reasons can easily be traced; they lie in the general tendencies of the 1990s, when central control and regulation over the development of cities had been almost totally given up (Tosics and Szemző et al., 2003).

The circumstances are not helping the development of strategic planning, and conscious regional policies are absent. Comprehensive privatization has placed serious constraints on any attempts to directly influence land policy. Taxation policies were often directly contradictory to the sustainability aspects of urban development. (The local share of the PIT and of the business-turnover tax induces local authorities to attract from the cities the higher income households and the more profitable businesses.) There are also serious constraints on sectoral policies for sustainable urban development. Take housing, for example. In rapidly privatizing countries (e.g., Hungary, Slovenia, South-East European countries), the public sector has lost the option of direct intervention, as decisions about maintenance and renewal of multi-family buildings were superseded by the conversion to condominiums, organized on a building-by-building principle. On the other hand, in the more cautiously privatizing countries (e.g., Poland, Czech Republic, Slovakia), the remaining rigid institutional and regulatory regimes are often the main obstacles. The situation is not very different in the other sectors, due to the decrease of public ownership, the limitations on regulatory power, and the withdrawal of public support.

Given the circumstances, the development of the post-socialist cities is not being directed towards sustainable urban development at all. In some of the cities (e.g., Budapest), the suburbanization of the population has already speeded up considerably; in others, this process is delayed, but the conditions show a shift in this direction (e.g., in Prague most shopping centers are being built outside the city).

Taking the present situation as the starting point, policies for sustainable development should aim to gain control of the suburbanization process, to slow down the decline of the cities, and to support the sustainable elements of city development, moving in the direction of compact city development.

In this regard, two elements of city development are of absolute importance. One is urban transport; this entails linking workplaces, commercial facilities, and residential areas (changing in the last decade very rapidly from the dominance of public transport towards the dominance of individual transport). The other is the future of the large post-war prefabricated housing estates, where a substantial share of the urban population lives (losing in social status and showing the first signs of physical degradation).

The problems mentioned for both of these elements are crucial, and they are in many regards interconnected. Nonetheless, in the following section, the paper concentrates on the second one, namely the future of the large housing estates in Central and Eastern European countries and cities.

### **3. One of the key problems of sustainable urban development: The large housing estates**

#### *3.1. Political and financial background of the development of large housing estates*

The idea of building new housing in concentrated forms, apart from and neglecting the existing structure of the cities, dates back to the inter-war period. This type of development is found in countries where the modernist movement of architecture was especially strong. The wider application of this idea became prevalent in Western Europe after the Second World War. It served as a tool for the large-scale public housing construction program that was intended to address the housing shortage. High-rise policy dominated Western countries for at least two decades. Since then, it has been assessed as a failure of public policy, its intended benefits having been distorted by private interests, especially large construction corporations and design professionals (Dunleavy, 1981). In most Western countries, the failures of this policy (unpopularity, high expenses, deterioration of social life) became clear in the course of the 1970s, leading to sharply declining public support and a quick end to high-rise construction.

The biggest 'accomplishments' of high-rise building are found in socialist countries, where the construction of large housing estates became part of the command society and the planned economy. It formed an essential element of the top-down, centralized housing policy. In these countries, politicians and planners on the national level determined how many flats were to be built and set all their parameters. In the framework of the five-year plans, the central aims were negotiated with the sub-national administrative units (strictly controlled by the central level). In an iterative process, the plans for these units - especially at the level of counties in Hungary - were finalized. Local governments had little say in the process; they were mostly

consulted on the selection of the construction areas, but not on the size or other important parameters of the housing estates, the buildings or the flats.

The local neighborhoods - e.g., the districts in Budapest - had no influence at all on the process of housing estate development.

The political and economic framework for the construction of new housing estates differs between the two parts of Europe. In Western European countries, the period of high-rise construction can be seen as a distortion of public policy by private interests. In contrast, in the socialist countries, it was an essential part of public policy, in which the decision-makers were influenced by particular interest groups (large public construction companies and planning institutions) within the public realm, having created a strong interest coalition (Hegedüs and Tosics, 1992). Consequently, the construction of high-rise housing estates lasted much longer in the socialist countries (in most cases up till the collapse of socialism). Flats on these estates constitute a much larger share of the housing stock (20 to 40 percent of the total stock on estates of over 2500 units, compared to 3 to 7 percent in the Western countries; the maximum share of units in large housing estates is over 70% in some regions and cities in the socialist countries, while it is 20-25% in Western countries; EA.U.E - IRS, 2000, p. 10).

#### *3.2. The changing situation of the large housing estates in Central and Eastern European countries in the transition period (the case of Hungary)*

The construction of large housing estates ended much more suddenly in Hungary than in other socialist countries. From the early 1980s on, the exceptional situation of housing estate construction was gradually terminated, as the special state subsidies were withdrawn and individually built units received the same amount of state support. Consequently, the demand for units on new housing estates decreased quickly, and their construction was practically terminated by the end of the 1980s.

The 1989-1990 change of the political and the economic system brought about the total change of all organizational, institutional, and financial aspects of the existing large housing estates. The most important pillars of the housing estate ideology disappeared, but so did the command society and planned economy - and national-level housing policy too. As the most visible sign of this change, housing was first transferred from central into local government responsibility in 1991. Then, by the middle of the decade, through compulsory privatization (with the Housing Act of 1993, containing a section on Right to Buy) the responsibility was transferred to the residents, who became owners. As a result, housing estates, once dominated by state-owned rental and cooperative housing, became a bundle of owner-occupied flats (now having 85-100% owner-occupied housing). The owners of the flats were organized into condominium associations on a building-by-building basis; in the process of privatization, the Law on Condominiums (originally dating back to 1924) was applied as compulsorily determining the management form of the privatized buildings.

Parallel to these changes, the administrative setting became very different from that of the socialist period, as the level of local government became very strong (in Budapest especially at the lower, district level). One indication is that not even the normative central government subsidies are tied to specified purposes (i.e., the 'housing normative' can be used for any other purpose if the local government so decides). Last, but not least, changes in the income and cost structures should be mentioned. While rents of the (few) remaining public rental units increased slowly, utility payments - especially the price of district heating, electricity, water and sewage - rose dramatically, resulting in a higher housing cost-to-income ratio than in Western cities.

The present situation of the large housing estates is very complex. This housing/urban form has strong advantages but also serious disadvantages at the same time.

Compared to other housing forms, the large housing estates have important advantages. From the perspective of the users, housing estates are well equipped with different facilities. The flats are designed for full comfort and built to high modernization standards; the basic public services are also present in these neighborhoods. From the perspective of the cities, housing estates have the advantage of providing large

green areas. Furthermore, the district heating systems and the generally good public transport service are all seen as important elements of sustainable urban development.

At the same time, however, the large housing estates also have serious problems. Although the Law on Condominiums provides a clear legal situation, the "minimizing housing related payments" strategy, usually applied by the owners, and the deficiencies of financial support from the central and local government lead to growing problems:

- The postponement of major renovation works (which would be necessary 20-25 years after the construction of the estates) is becoming common practice.
- There are increasing problems with the public spaces (streets, squares, playgrounds), as these are not well maintained and are largely occupied by parked cars.
- As a consequence of the dramatic increase in housing-related costs, there are growing difficulties with families in arrears. (Based on a national survey of 2002, 20% of all households cannot afford to pay housing expenditures regularly and 7% of all households accumulated big arrears, and these figures are usually even higher on the housing estates; see Tosics, Erdósi and Somogyi, 2003).

The roots of the growing physical and social problems lie in the sharp market-oriented change of the institutional and financial systems. While utility companies and banks are being privatized, and prices are surging, no overall social safety net exists. (Even this task has largely been decentralized to the local Government level: the local Governments get a social normative but decide themselves how they will spend this money.) Only a thin layer of the most needy groups receive targeted social allowances in the framework of the social security regulations.

To illustrate the likely consequences of the changes briefly described above, let us consider the case of the South-East European cities. Here, market-oriented changes came much more suddenly and affected a population much less prepared for such changes than in the Hungarian case. In Tirana, for example, the legal regulation for condominiums was not in place when mass privatization happened; thus, the responsibilities for maintenance of the common space in privatized buildings were not clarified. Besides, the families, who suddenly became owners, after being tenants for decades, were poor. Neither they nor the local Governments had the power, money, or willingness to intervene in the maintenance and renovation of commonly owned parts of the property. As a result, housing estates are now already in real trouble; the physical deterioration of the facades, staircases, elevators, and public spaces is much more advanced than in other post-socialist cities.

Market-oriented changes have not yet had such serious consequences in Hungary. The physical deterioration of the buildings and public spaces is just starting; only the first visible signs are observable in some of the housing estates. It is very likely that in Hungary it will be the social deterioration which will advance more quickly, due to the increasing mobility processes.

In Hungary, the better-off families move out of the housing estates to alternative housing forms and locations, and so the social mix of the residents is decreasing. The major targets of residential mobility from housing estates are the outskirts and suburban areas of the big cities, leading to all of the well-known problems of urban development dominated by sprawl.

Paradoxically, privatization has had different consequences in some of the housing estates in Budapest, in those, which were said to be the worst, due to their low social status and edge-city position. After the 'giveaway' privatization, many of the 'problem families' (of ethnic origin and/or unemployed) sold their cheaply acquired flats at market prices and moved out of the city to flats or houses that could be operated and maintained at much lower costs. Due to the relatively low market price of the vacated flats on these estates, usually younger families moved in.

As a result, the social status of some of these estates increased after privatization. This trend, running against the mainstream changes on housing estates, might only be temporary, however.

#### **4. The future of large housing estates: A major challenge to sustainable urban development and housing**

The large housing estates of the post-socialist cities pose one of the greatest challenges to sustainable urban development and housing in the cities of the Central and Eastern European countries. It is obvious that there are too many flats on the large housing estates, compared to the need and demand for such units (especially in those countries where no general housing shortage exists any more). Moreover, comprehensive redevelopment schemes would be necessary to avoid the threatening physical and social deterioration of the housing estates. However, the financial means do not seem to be forthcoming, neither from the residents, nor from the local or central governments.

Western European cities offer plenty of well-known examples of both possible strategies for the large housing estates - comprehensive renovation of the estates versus partial or total demolition of the buildings and redesign of the public areas.

Given the present economic position and housing situation of the postsocialist cities, the complete demolition of large housing estates is not a viable option. This is not even necessary at the moment, as housing estates in these cities are still more highly placed in the local housing hierarchy than they are in Western European cities. Therefore, in a social sense, most estates have deteriorated much less than their Western counterparts.

The future of the large housing estates should not be considered from a narrow territorial point of view. Changes on these estates might lead to intensive mobility processes, affecting broader aspects of city development.

It would be particularly harmful if the changes on the housing estates would promote suburbanization, directly connecting the decrease of a relatively sustainable housing form with the increase of a much less sustainable one. Thus the challenge is particularly difficult. The renovation and partial downsizing of the large housing estates must be carried out in such a way that it will not contribute to the downsizing of the already decreasing cities, i.e., that it will not foster urban sprawl.

This is a very complicated task, especially in those Central and Eastern European countries where the overwhelming majority of the housing stock has already been privatized. In these countries, there are no longer any administrative or institutional actors with a clear responsibility for the housing estates.

This task would call for an optimal coordination of different sectoral policies, especially the following ones:

- housing policy, in the framework of which the financial and institutional schemes for housing estate redevelopment should be developed, concentrating on those areas where this is an economically viable option in the long run;
- urban policy in a broader sense, ensuring the upgrading of the public spaces and the development of public transport in the housing estates, while also providing the conditions for alternative sustainable urban housing forms for those families who have to leave those housing estates that are not viable in the long run;
- social policy, creating the social safety net for a smooth transition in the situation of the poorer families on housing estates.

At the moment, not only is the coordination of the above-mentioned policy areas lacking in Central and Eastern European countries, but the policy areas themselves are absent. Most aspects of housing, urban and social policies have been shifted from the central to the local governments. Thus, to achieve the necessary degree of integration among the policy fields on the level of the central government, some of these aspects should be re-nationalized i.e., taken back from the local governments. As such developments are quite unlikely in most of these countries, a kind of 'second best solution' could also be worked out, so that the required integration might be achieved at the local level; this could happen through an enabling type of regulation at the central level or by subsidizing integrated local government policies.

The lessons that can be drawn from the German case are of particular importance to Central and Eastern European countries. Germany is the only country with a comprehensive experience of tackling the renovation of large housing estates in post-socialist cities.

In the early 1990s a political decision was made to renovate the entire prefabricated housing stock of the new Länder within 10-15 years (otherwise, as the economic analysis has shown, there would be no economic rationale for renovation). This has by and large been completed. In East Berlin, for example, out of the 273 thousand panel flats, 166 thousand have been renovated and 66 thousand partially renovated, while only 41 thousand remained unrenovated at the end of 2002. The average cost of renovation was 20 thousand euros per dwelling. All the main actors (tenants, housing companies, municipalities, regional and central government) had contributed to the costs. A considerable share was paid by the inhabitants; in Eastern Germany, the rent was 8 times higher in 1997 than it was in 1990. At the beginning of the new Millennium, however, serious problems emerged. By the end of 1999, roughly one million flats were empty in Eastern Germany, and this figure rose to 1.3 million three years later. Many of the empty units are on large housing estates, some in renovated buildings (because these are the most expensive to rent). The German government is currently making plans for the mass demolition of empty buildings, largely on housing estates. At the end of 2000, the first 250 million euros were designated to carry out this aim (Focus, 2000).

Although there has not yet been an overarching critical analysis of the causes of this controversial situation, at least two things have become clear. The deficiencies in the ambitious government policy are due to the fact that the renovation plans were drawn up centrally, with no regard for the local economic situation. There was no analysis whatsoever of the future of the local job market, nor was there any analysis of the future demand for housing. Moreover, the central government generously subsidized alternative forms of new construction: every German who went out into greenfield areas to build single-family house received many thousands of euros in subsidy, while leaving significant problems behind in the city.

As the German case suggests, a central government concept is necessary, but it is not sufficient for a successful renovation program for large housing estates. Assuming that the future demand for housing will be concentrated in areas where jobs are available and/or created, local plans will also be necessary.

## **5. The way forward: Sustainable urban development based on active public sector policies and cooperation between the actors**

### *5.1. Conditions for more sustainable urban development in Europe*

The analysis of the case of the large housing estates yielded important insights into some aspects of the very complex problematic of sustainable urban development. Based on this analysis it is possible to formulate some general conclusions.

Sustainable urban development can only be successful when it integrates innovative overall policies (governance, financing and taxation, public administration, comprehensive urban development policy). Furthermore, the development of urban areas can only be sustainable through regional cooperation, based on strategic thinking and planning, while also assuring coordination of sectoral policies (land use, housing, transport, social policies, etc.).

All the main actors - the cities/regions, the national governments, and the EU - have to take appropriate and coordinated steps towards sustainability.

The cities have to develop their strategic development thinking and plans within the framework defined by authorities at the regional, national, and EU level. This means linking housing development concepts and urban transport plans to regional development (using, e.g., the notion of 'urban villages' or the idea of multi-functional housing developments close to public transport; Kessides, 2000, p. 35) and implementing these plans on the basis of local circumstances.

At the national level, the sustainability of urban development should be part of the effort to promote economic competitiveness. Cities will not become competitive on the international scene if they are separated from their regions and if dispersed development predominates, with a parallel deterioration of urban areas. Therefore, national governments should establish the necessary framework for sustainable competition in a legal, financial, social and institutional sense, with special regard to the following:

- creating regions, to serve as a framework for cooperation between the city and the agglomeration;
- defining the content of financial and taxation policies, in light of the territorial consequences;
- clarifying the priorities of national housing policy, particularly regarding the maintenance of the existing stock and the social aspects of the inhabitants;
- formulating a comprehensive urban development policy, with special attention to environmental considerations and the problem of urban sprawl;
- setting up a system within the framework of which the local governments have to decide about the local strategy for sustainable development (including, among other things, the desired future share of large housing estates).

Sustainable urban development is impossible in Europe without the active contribution of the European Union. A visionary view on sustainable European urban development would be needed. At present the ESDP is the only EU document containing statements about sustainable development.

However, the urban dimension is only one of the aspects discussed there, and though discussed it is given a subordinate role. (Urban sprawl and social segregation in cities are only given a few short paragraphs; the problem of transport is exclusively dealt with in a regional, not an urban context; large housing estates are only mentioned once in the whole document; see ESDP, 1999.) Thus, the non-binding character of the ESDP is problematic, but so is its content, i.e., the low priority given to urban public transport and urban housing dimensions.

The basic principles of a European model of sustainable city development should be worked out and given political support. Then, the EU support systems should be adapted to reflect the principles of this model. Among the various support methods, urban transport (to be included in the Cohesion Fund) and housing should play an important role. In the case of housing, at least the Open Method of Coordination, which is already being put into practice for social policies, should be used to coordinate activities among member states, if no direct EU responsibility can be taken for housing (as not being part of the common policies).

Thus, the EU has to take some responsibility for housing. This will be one of the main factors in the next 10-15 years determining whether or not the development of Europe will lead to sustainability. The EU has to prepare a general framework and support system, while concrete actions should be taken locally, under nationally specified conditions, as sustainability always has to be based on local realities.

### *5.2. The role of housing and urban research in sustainable urban development*

The general statements made in this paper, buttressed by concrete examples taken from large housing estates, call for hard work on the part of housing and urban analysts. They have to prove that without more interventions in housing policies, urban sustainability will be hard to attain. In order to achieve sustainability, besides the 'internal' topics, housing research should pay more attention to the externalities - i.e., to the indirect role that housing policies can play in European urban development.

Thus, housing should play a crucial role in sustainable urban development. Although the link between urban development and housing is important, it is usually not functioning properly. There seems to be a 'double failure' in this relationship. On the one hand, public interventions, policies aimed at sustainable urban development, do not acknowledge the potential role of housing; its role is not acknowledged at the international level, nor at the national or even the local level. Even in countries where important urban development policies are introduced, housing policy is usually not connected to them. (An example of the missing link between urban and housing policies is the German housing estate renewal policy.) On the other hand, housing analysis does not deal sufficiently with the external spatial and environmental effects of

housing policies. A critical analysis of housing policies (e.g., by Tosics and Hegedüs, 2001) could show that in many countries, instead of providing one-sided subsidies for new housing construction, maintenance and social subsidies would be more in line with sustainable urban development. (An example of the missing link between housing and urban policies is the Polish effort to solve the housing shortage: housing policy goals are rarely differentiated according to different local urban conditions.) The case of large housing estates is not just one of many challenges to sustainable urban development. In the EU accession countries, this problem can be considered as the single largest and most concrete challenge to sustainability for the near future, which makes cooperation between different sectoral policies and research indispensable.

Just to recapitulate, the questions we set out to answer in this paper are the following:

How is it possible to manage the renewal and partial downsizing of the large housing estates, which are fulfilling the sustainability criteria (district heating, large green areas, good public transport) but are almost totally privatized (condominium associations make the decisions, the local and central authorities do not take care), in local housing markets that are decreasing?

How can this task be carried out in a sustainable way, without downsizing the already declining cities - i.e., without giving further impetus to suburbanization? To make this task even more complex, this exercise has to be completed under the circumstances of noninterventionist central and local Governments and an extremely immobile population.

Because of the magnitude of the problem and the very grim outcomes to be expected if no interventions take place, we can be certain that the coming years will be interesting, to say the least, for housing and urban research.

Furthermore, consultants could be playing an important role, especially if they have good advice to offer and the decision-makers are willing to listen.

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