



Success and the city

Learning from international urban policies

Tim Leunig and James Swaffield
Edited by Oliver Marc Hartwich

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The authors have previously worked together for Policy Exchange on Cities limited, a report on urban policy in the UK

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Courtesy of Oliver Marc Hartwich

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The views expressed in the report are those of the authors, and not necessarily of the people we interviewed.

Executive Summary

In our first report, *Cities limited*, we documented the growing divergence between those UK cities that have been performing well and those that have not. We found that over the last decade cities that received significant central government regeneration funding failed to catch up with either the average national performance or a sample of well-performing cities on measures of economic and social well-being.

Three conclusions emerged from this study. First that current urban policy is proving ineffective at helping the worst performing cities to improve and converge to national changes. Secondly some cities suffer disproportionately from geography and are now too isolated from the changing economic landscape of the UK. And finally size matters: larger urban areas appear to be doing better than medium-sized ones, as they benefit from greater agglomeration and hub effects.

Our search for better alternatives took us to six city-regions in five countries. We went to places that have had to address similar urban issues to UK cities, in order to examine how they have designed and delivered urban policy. Our findings from Vancouver, the Ruhr, Amsterdam, Warsaw, Łódź, and Hong Kong are reported in *Success and the City: Learning from international urban policies*, the second in a series of three reports on urban regeneration released by Policy Exchange and Localis.

Findings

Hong Kong was the largest city in our study with close to seven million people, Bochum and Gelsenkirchen in the Ruhr city-region among the smallest, with approximately 375,000 and 250,000 peo-

ple respectively (albeit as part of a much larger city region). This range is roughly equivalent to that between London and Hull or Leicester. Greater Manchester and Glasgow are comparable in size to Vancouver, Birmingham to Amsterdam, and Sheffield to Łódź.

Some of our sample cities are gaining population, some are losing, and this reflects the situation in the UK more widely. Vancouver's population growth between 2001 and 2006 was over seven per cent while in the same period Bochum, one of the main cities in the Ruhr, lost over three per cent, similar to that of Merthyr Tydfil.

Equally some cities have high unemployment (Ruhr and Łódź) while others have a strong local labour market (Vancouver and Hong Kong). For some improvements in local incomes and health are central, for others the issue is sustaining these. This very much reflects the history and the stage of development each of these cities currently stand at.

Density levels vary dramatically with Hong Kong standing out as being remarkable for its crowdedness. By that standard all of the other places sprawl, but none are sprawling places devoid of place or centre.

We examine how urban policy has been structured, delivered and funded in each of these cities and why some of these cities have been more successful at regeneration than others.

City Overview

Healthy City, Happy Citizens?:

Vancouver's Regeneration Experience

- Although Vancouver has minimal powers on paper, its ability to mobilise civic society and negotiate political settlements has allowed the

Table 1

	Vancouver	Amsterdam	Ruhr			Lódź	Warsaw	Hong Kong
			Essen	Bochum	Gelsenkirchen			
Total Resident Population (000's), 2006	2,117	743	581	377	267	768	1,702	6,910
Population Change (%), 2001 - 2006	7.6	1.1	-1.9	-3.3	-3.3	-2.4	1.8	2.8
Density (Population per Sq Mi), 2006	1,906	11,658	7,161	6,710	6,605	6,738	8,440	16,273
Life expectancy at birth (years)	81	77	75	75	75	72	76	82
Unemployment rate (%), 2006	4.4	8.7	16.8	15.0	21.6	7.4	4.3	3.4
GDP per capita (PPP) 2005 (£)	17,288	16,844	25,195	21,488	18,821	4,994	8,612	19,353

city to put in place radical renewal and planning strategies, exemplified by the 2010 Winter Olympics.

- A good and stable working relationship between city leaders and the planning department has led to pragmatic citywide responses to regeneration needs, which has permitted systematic incentives for inner city developments benefitting local communities and the wider city.
- Vancouver prides itself on its high quality of life. The perception of Vancouver as a good place to live and its function as a hub city for the western seaboard of Canada has accelerated population growth levels. This rise in demand has not been met by an associative rise in housing supply.

Shall we go Dutch?: A Local Partnership Approach to Regeneration

- The Netherlands has a long tradition of understanding the importance of spatial aspects to policy. For a comparatively small country it has keenly disaggregated national spatial planning from city planning which has enabled policy at each level to focus on the appropriate scale of activity.

- Strong local government within a highly decentralised country has led to robust competencies at the city level. This culture of policy formulation and accountability from the bottom-up has produced innovative and partnership-led regeneration, with cities working closely with local people, housing associations and businesses.
- Recent years have seen a two-fold change in policy with both a consolidation of initiatives and funding streams and a shift in activity from physically updating cities to ensuring social health, which has involved the incentivisation of the upwardly mobile back in city areas by developing more attractive and diverse cities areas.

Reprogrammed for Growth: Regenerating the Ruhr

- In a similar way to many other areas in Europe, urban policy has been focussed on ameliorating the effects of deindustrialisation and population loss on cities in the Ruhr. The Ruhr does however still have many locational and skills advantages, which offers many opportunities for growth.

- Strong and responsive local government have been able to produce tailored city-led regeneration strategies which have sought to reinvigorate local economies and local communities, and sits in a wider pro-growth approach to city planning in the region.
- Urban renewal funding is held at the city-level and is allocated on population and tax revenue levels. This incentivises local politicians to compete to make their cities attractive and productive, bringing in economic activity, people and skills.
- State-led regeneration initiatives have proved far less successful than those led by cities as they are more prone to mis-appraising the needs of the locality.

Picking up the Pieces: How Poland is Trying to Renew its Cities

- The country's socialist legacy has left Polish cities with large structural, economic and societal issues which urban policy as had to address.
- Urban regeneration did not exist prior to 1989 and neither did an empowered local government. However, nowadays cities are responsible for their own affairs, with high levels of autonomy.
- Growing city freedoms were matched with growing city responsibilities not least in restructuring local economies and labour markets. However, a poor culture of accountability, unresponsive policy formulation and limited funding mechanisms has not produced the urban changes that many would have liked to see. This is made all the more apparent given recent accession to the European Union, which has made available new funding for many cities, but has offered their populations new and attractive alternatives in the west.

- The Polish experience in Warsaw and Łódź points to the importance of engaging civil society and generating a culture of trust and innovative thinking when it comes to regeneration.

Making Money: Urban Regeneration Lessons from Hong Kong

- Reversing the classic assumption that regeneration is a short-term liability for the public purse, Hong Kong, through the Urban Renewal Authority, has engineered regeneration so that it is an asset to city finances and removed from the workings of government.
- Reflecting Hong Kong's commitment to high productivity and low government intervention, regeneration has been centred on developing city efficiencies and high mobility levels with low levels of bureaucracy. Wholesale redevelopment of large urban sites tied to transport infrastructure has been favoured in the short run as the most productive and economically efficient use of scarce urban land.
- In the public psyche regeneration has become closely associated with a perceived erosion of traditional Hong Kong. This has been amplified by the perception that civil society's views are ignored in the process of regeneration.

Conclusions

In Hong Kong, Amsterdam and the Ruhr region we find flexible, effective and accountable city-led regeneration characterised by strong local leadership and innovative policy formulation. Vancouver shares many of these same characteristics but due to its constrained autonomy its successes are harder won and longer in the making. Warsaw and Łódź suffer from an imbalance between local powers and local abilities which has slowed necessary urban changes. In our

final report we will apply many of these findings to the urban regeneration of the UK and produce a set of policy sugges-

tions which aim to give British cities – and the people who live in them – the chances they deserve.

Introduction

Policy Exchange sent James Swaffield, one of the authors of its series of papers on urban policy, to investigate six different cities and city-regions in three different continents – Vancouver, Amsterdam, the Ruhr Area, Warsaw and Łódź, and Hong Kong. His task was to interview policy makers and local government officials, representatives of civil society and academics, as well as ordinary citizens, to find out which urban regeneration policies worked in these places – and why. He looked for common themes that would inform the debate in Britain.

Vancouver is probably the most “European” of North American cities. It is the most densely populated city in North America after New York and San Francisco. This makes it more like many British cities than, say, Detroit or Phoenix. It also has a strong planning department which might provide ideas for how the British system could be made more responsive and effective. Vancouver is proud of its green reputation and has actively discouraged suburbanisation and commuting by car. But although it regularly tops the polls of places where people would like to live not all residents are content. Affordable accommodation is scarce and the argument about high-density living versus suburban space has echoes in every developed country with a housing shortage.

The Netherlands, like Britain, industrialised early and its towns and cities have long histories. More recently, cities such as Amsterdam have also had to deal with the consequences of Sixties social housing and immigrant communities clustered together in pockets of deprivation. In marked contrast to Britain, however, the Netherlands has devolved many responsibilities for social planning to local government. The traditional pragmatism and consensual approach of national government is also apparent at lower levels – local authorities

work closely with housing associations, for example. But events such as the murders of Pim Fortuyn and Theo van Gogh on the streets of Amsterdam have challenged Dutch moderation and brought social inclusion to the forefront of urban policy.

Like many towns of Northern England, Scotland and South Wales, those of the Ruhr Area are the product of the industrial revolution and the demand for coal. That era is over and it will not return. The difficulties are familiar: declining populations, blighted environments and high unemployment. But what have often proved to be intractable conditions in other countries have been met with imagination and determination on the Ruhr. The Zollverein, in is an outstanding example of how to adapt the architecture of heavy industry for the creative and service industries of today. In Germany too, urban policy has worked best when led from the local level.

For 45 years, Polish cities were controlled from the centre and the needs of their populations were firmly subordinated to the requirements of industry and the five-year plan. Since 1989 there has been a chance to see what happens when responsibility for urban policy is transferred from the centre to the level of the region and municipality. The experience of cities such as Warsaw and Łódź shows that the past still weighs heavily: lack of regeneration skills, expertise, continuing deference to higher levels of government and a deep distrust of private enterprise have not made it easy to tackle the urban legacy of communism. Above all, local government has not received the funding to match its new responsibilities, something which those of us in Britain who would like to see more power returned to local authorities should not forget.

Hong Kong is a city that never stands still, never sleeps; a city whose *raison d'être*

is economic; an entrepôt and an entrepreneur's dream. If any city can show the world how to change, and change dramatically, surely it is Hong Kong. But it proves not to be quite the free market ideal that many imagine. The Government owns the freehold on 95 per cent of the land and works closely with a few big private developers. In the process, many of the chaotic, atmospheric streets of traditional Hong Kong are being replaced and the public has little say in the redevelopments – although civil society is becoming more vocal. But compensation for those who are uprooted is generous, there is enough social housing and the metro system has expanded while remaining both cheap and profitable.

Many other towns and cities could have been visited to examine the typical problems of urban renewal. The United States has cities that are declining, such as Detroit, and growing, such as Las Vegas. Rioting in the banlieues of Paris made headlines around the world. Even closer to home, Dublin has been transformed in the past 20 years. All of these would have made good case studies and clearly our five examples do not contain the sum total of what policy makers can learn about urban regeneration from other countries. But we believe that they show the benefits of looking outwards and observing familiar conundrums from foreign perspectives.

1

Healthy City, Happy Citizens? Vancouver's Regeneration Experience

It is easy for a visitor to Vancouver to come away thinking: "Why don't I move here?" The city centre is a tourist magnet, arranged around a magnificent waterfront with views of the ocean and the Rockies. It is compact enough to walk around (a real boon for anyone who has visited an average American city without a car). Stanley Park, a 400-hectare green space with all the quintessential Canadian accoutrements – racoons, beavers, totem poles and Mounties – is on the doorstep of most central residents and easily accessible for others thanks to a large network of cycle paths. Nearby are mountain resorts and world-class skiing centres, such as Whistler, which is jointly hosting the 2010 Winter Olympics with Vancouver.

The city regularly wins accolades for its quality of life. In August 2007 the Economist Intelligence Unit released figures for its annual liveability rankings, which assess living conditions in more than 125 cities: Vancouver came top.² Its score of 1.3 per

cent (0 per cent indicates exceptional quality of life), beat Melbourne and Vienna into second and third positions respectively. The 2007 worldwide quality of living survey by Mercer Human Resource Consulting placed Vancouver joint third with Vienna (Zurich in Switzerland came first).³

British Columbia, with Vancouver at its economic centre, has outpaced national social trends in Canada and the United States. According to the Cascadia Scorecard for 2007, compiled by an environmental NGO, average life expectancy for a resident of Vancouver was 81.1 years,⁴ two years longer than any other north-western state, beating both Washington and Oregon, and 3.5 years longer than New York.⁵ If British Columbia was a sovereign country, it would have the second highest life expectancy after Japan.

Vancouver has low levels of gun crime and heart attacks and high levels of educational attainment.⁶ It has the second highest socio-economic index score in Canada, tied with Ontario and just below that of oil-rich Alberta.⁷ Vancouver's score of 0.52 compares very favourably with the Canadian average of 0.45.

Its high quality of life, coupled with a mature financial services sector that bridges East Asia, America and Canada, gave Vancouver top ranking for "ease of doing business" on the MasterCard Worldwide Centers of Commerce Index in 2007.⁸ In terms of

Figure 1: Greater Vancouver Region¹



1. OpenStreetMap, see www.openstreetmap.org/?lat=49.26&lon=-123.167&zoom=11&layers=B0FT

2. "Where the grass is greener", *The Economist*, 22 August 2007, see www.economist.com/markets/rankings/displaystory.cfm?story_id=8908454

3. The world's best cities are still in Switzerland, *City Mayors*, 3 April 2007, see www.citymayors.com/features/quality_survey.htm

4. *British Columbia 2007 – Cascadia Scorecard*, Sightline Institute, Seattle 2007, see www.sightline.org/research/bc/res_pubs/bc_scorecard07

5. Thompson C, "Why New Yorkers Last Longer", *New York Magazine*, 20 August 2007

6. *The Pan-Canadian Assessment Program (PCAP) and the School Achievement Indicators Program (SCIP)*, Council of Ministers of Education, Canada, Ottawa 2007, see <http://cmec.ca/pcap/indexe.stm>

7. Bussiere P, Knighton T and Pennock D, *Measuring Up: Canadian Results of the OECD PISA Study*, Statistics Canada, Ottawa 2007, see www.pisa.gc.ca/81-590-xie2004001.pdf

8. *Worldwide Centers of Commerce, Index: 2007*, MasterCard Worldwide, 2007, see www.mastercard.com/us/company/en/wcoc/pdf/index_2007_us.pdf



Plate 1: Stanley Park with Vancouver in the background⁹

the availability of competitive trade logistics, interconnectedness and ability to retain talent, the city was unbeatable. Overall, it ranked 28th as the best city to do business in, beaten primarily by cities that were considerably larger - London, New York and Tokyo ranked first, second and third respectively, for example. The attractiveness of Vancouver for businesses has brought annual unemployment rates down from 7.3 per cent in 2003 to 4.4 per cent in 2006,¹⁰ compared to 4.8 per cent for British Columbia in 2006 and

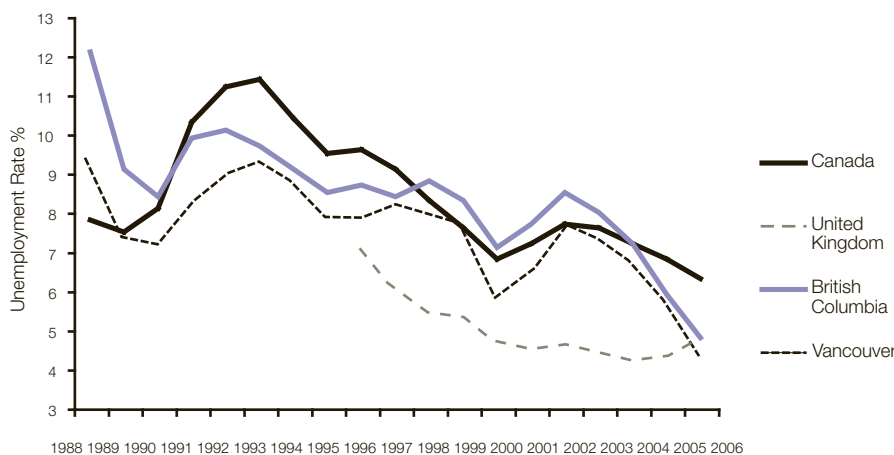
6.3 per cent for Canada as a whole (see Figure 2).¹¹ In a national economy that has been prospering, Vancouver has led the way, although areas such as the Downtown Eastside stand as a reminder of the difficulty in bringing all areas up.

As Table 1 shows, both Vancouver and its catchment area grew very fast between 2001 and 2006. Its annual growth rate of 2.6 per cent, comparable to Jakarta and Cairo, is unprecedented in a city in a developed country.¹² In 2005 46 per cent of the population of the city were classed as immigrants. They are attracted by the prosperous local economy and liveability of the city, but rising population pressure can threaten the quality of life in the long term, as we shall see.

The role of government

Vancouver's enviable geographical advantages cannot be underestimated. But, within its very limited powers, the city has tried to make the most of them. Dr Kennedy Stewart, an assistant professor in the Graduate Public Policy Program at Simon Fraser University in Vancouver, describes Canada as "the most decentralised federal country in the world".¹³ Political and sovereign authority is constitutionally divided

Figure 2: Unemployment rates in Vancouver, British Columbia, Canada and the United Kingdom



9. Parks - Stanley Park - Seawall, SqueakyMarmot, Flickr, 18 April 2006, see www.flickr.com/photos/squeakymarmot/131044236/

10. Labour Force Survey - Labour Force Activity by BC Metropolitan Area (Annual Averages), British Columbia Statistics, British Columbia 2007, see www.bcstats.gov.bc.ca/DATA/dd/handout/lfsmetro.pdf

11. Ibid

12. Leo C and Anderson K, *Being Realistic about Urban Growth*, Canadian Centre for Policy Alternatives, Vancouver 2005.

13. Dr Kennedy Stewart, Public Policy Program, Simon Fraser University, interviewed 29 March 2007.

Table 1: Vancouver Vital Statistics ¹⁴

	Population 2006	Population 2001	Growth % 2001-6	Occupied Private Dwellings	Km ² area
Vancouver	578,041	545,671	5.9	253,212	114
Greater Vancouver	2,116,581	1,986,965	6.5	817,033	2,877

between the national and provincial governments, as outlined in sections 91 and 92 of the Constitution Act, 1867, with the provinces having exclusive jurisdiction over municipal matters. The federal government has responsibility for the national issues – foreign policy, economic and fiscal policy – and tries to avoid tinkering outside these areas; it is both too expensive and too troublesome. In fact, federal government has no direct power in city affairs and cannot directly intervene there.

Below the federal government are the ten provincial governments, and below them are the municipalities (3,500 in total).¹⁵ Both levels have decision-making responsibilities and tax-raising powers. For this study, it is the relationship between province and municipality that is critical. The province, in this case British Columbia, is responsible for providing

education, health, policing and other social services, for its population of approximately 4.3 million. The municipality of Vancouver is responsible for maintaining the infrastructure of the city – basically to make sure that it keeps working. It has more powers than most Canadian cities, thanks to the Vancouver Charter that it was granted by the provincial government in 1886 (see Box A).

James Lightbody, Professor of Political Science at the University of Alberta, classifies the duties of Canadian city governments under three headings: hard responsibilities (basic utilities and public transport); soft responsibilities (policing, planning and zoning, parks, social services, housing and cultural programmes), and financial responsibilities (management of personnel, insurance, revenue collection and debt management).¹⁶ The complexity of the whole system is shown in Figure 3.

14. British Columbia Statistics

15. Lightbody J, *Politics, Canada*, p. 29, Broadview Press, 2006.

16. Adapted from Lightbody J, *Politics, Canada*, p 17, Broadview Press, 2006.

17. Smith P and Stewart K, "Local Whole-of -Government Policymaking in Vancouver: Beavers, Cats, and the Mushy Middle Thesis", in Young R and Leuprecht C (eds) *Canada: The State of the Federation, 2004: Municipal-Federal-Provincial Relations in Canada*, p 13, McGill-Queen's University Press, 2006.

18. *Ibid*, p14.

19. *Vancouver Government Structure since 1886*, City of Vancouver, Vancouver 2007, see http://city.vancouver.bc.ca/ctyclerk/election_systems/chapter1.html

20. *The Relationship of Five Canadian Cities and their Provinces, 2000*, City of Toronto, Toronto 2001, see www.canadacities.ca/caoreport_092000.htm

Box 1: The Vancouver Charter, 1886

Vancouver was founded when the Canadian Pacific Railway company decided to extend the terminus of its transcontinental railroad from Port Moody to the deeper port at Coal Harbour in 1886.¹⁷ Within a year population around this terminus was 8,000, by 1891, 15,000.¹⁸ The booming city needed powers to deliver essential services and the charter was the province's response. Uniquely, it gave the city the power to borrow money and provide services. Vancouver was also granted control over development and the ownership of public areas within its boundaries; in other cities, the province owns public areas.¹⁹ The charter also permitted the municipal council to provide and pay for the promotion or opposition of federal or provincial legislation that might affect the municipality.²⁰

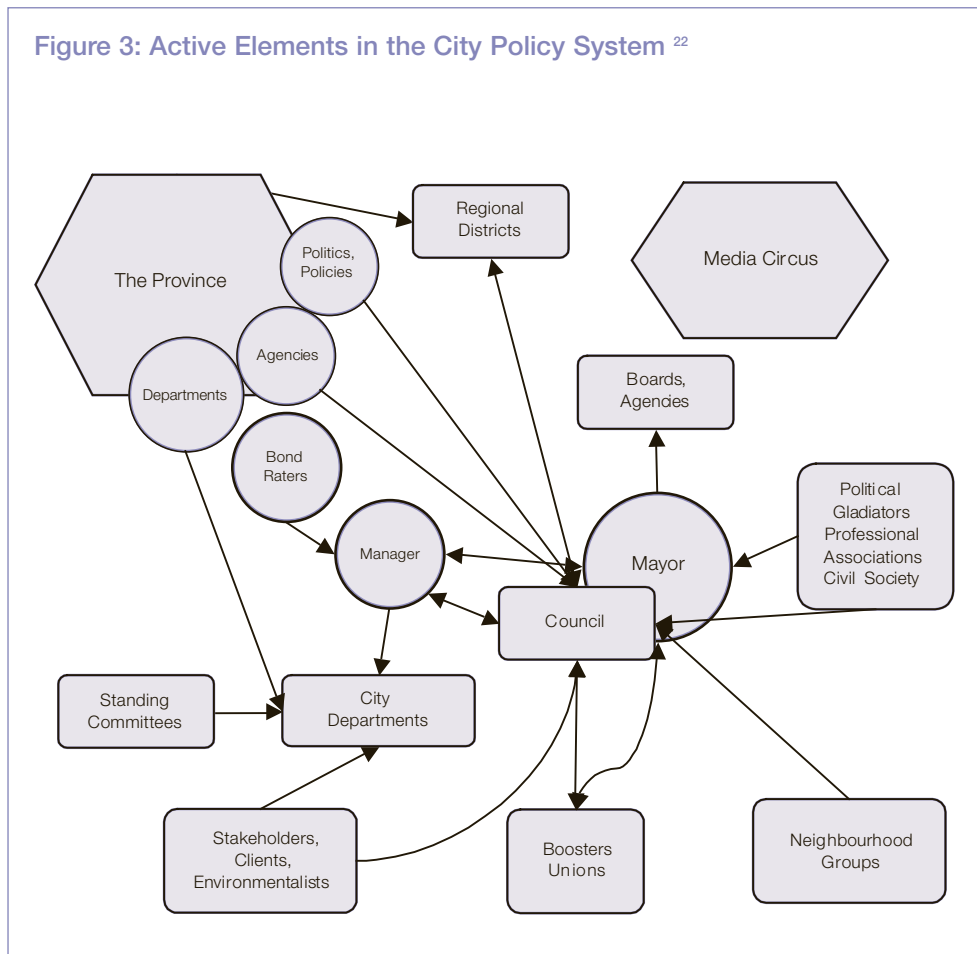
Some policy areas, however, overlap the jurisdictional boundaries of province and municipality. As a result, in 1998 transport was devolved from provincial to regional political level – the Greater Vancouver Regional District (GVRD) – and was made self-funding through levies and user-fees.²¹

Canadian cities do not have a constitutional right to operate independently but are under the legislative control of provincial governments. For this reason municipalities are often called the “creatures of the province”.²³ And to a large extent this is true, but there is room for manoeuvre. Kennedy Stewart describes the process, mysteriously, as a matter of “cats” and “beavers”. These were the terms applied by an academic in 1986 to explain the difference between Canadian and American local

government in their relationships with other political levels.²⁴ He suggested that Canadian city governments were beavers, while their American counterparts were cats. Beavers had only one life and, when faced with danger, were prone to slap their tails and run back to the safety of their dams. Cats, on the other hand, had nine lives and could play games with people, snuggling up to those with power in order to be fed and then slinking round to the next-door neighbour for another meal. As you would expect, governments made up of cats are bolder and win more local discretion than those of beavers.

Canadian cities were more likely to be beavers than cats because of their origins. When its Constitution was drafted Canada simply did not have cities the size of those in the United States, but the

Figure 3: Active Elements in the City Policy System ²²



21. Metro Vancouver, 2008 *Budget in Brief, Vancouver 2008*, see www.gvrd.bc.ca/about/pdfs/2008BudgetinBrief.pdf

22. Lightbody J, *Politics*, Canada, p 79, Broadview Press, 2006.

23. Section 92(8) of the Constitution Act of 1867 gives provincial governments control over all municipal affairs, for example. See Smith P and Stewart K, “Local Whole-of - Government Policymaking in Vancouver: Beavers, Cats, and the Mushy Middle Thesis”, in Young R and Leuprecht C (eds) *Canada: The State of the Federation, 2004 : Municipal-Federal-Provincial Relations in Canada*, p. 13, McGill-Queen's University Press, 2006.

24. Jones V, “Beavers and Cats: Federal-Local Relations in the United States and Canada”, in Oberlander HP and Symonds H (eds) *Meech Lake: From Centre to Periphery*, University of British Columbia Press, 1986.

Box 2: Vancouver Agreement

In March 2000 the governments of Canada, British Columbia and the city of Vancouver signed the Vancouver Agreement. It began as a five-year urban development compact that was later extended to 2010 to provide for the needs of the Winter Olympics. One of its main aims was to support the long-term economic and social development of the Downtown Eastside, a classic pocket of inner-city deprivation that had resisted all attempts to improve it. Ottawa naturally does not want it to stand out as a “black-mark on the city’s copybook”.

As a result of the powers given it in its charter, Vancouver has more experience of urban development, and more interest in delivering it, than other cities and has often butted heads with the provincial government over this. In place of failed top-down policies, the city wanted a co-operative approach involving all levels of government, with community participation at the heart of the strategy. The Vancouver Agreement has sent out a signal that collaboration and pragmatism are the order of the day.

Under the agreement, the province allocates funds but allows the planning department, local people and the city to guide the process. Resources are pooled, which has helped to build trust and a sense of change. Inter-governmental financing has been made more flexible and private sector investment actively sought. In 2003, the federal and provincial government each contributed CAN\$10 million, in addition to staffing, resources and financial assistance for projects run through different ministries. Later, the province provided a further CAN\$5.75 million, while the city has contributed through heritage preservation incentives and increased local funding.

country was too big to be run from one capital. This made the region the most logical place in which to locate power; hence Canada is a federal nation with the province at its institutional heart.

But settlement patterns change and political structures are challenged and negotiated; Kennedy Stewart, and his colleague Patrick Smith, felt that the beaver-cat metaphor needed updating in light of changes in municipal powers, especially in Vancouver. Stewart suggests that Vancouver has prospered over the past ten years because it has made itself an “eager beaver”.²⁵ In that time the city has taken action against drugs, held a plebiscite on the 2010 Winter Olympics and negotiated the Vancouver Agreement (see Box B). All these activities fell well outside its constitutional powers, and required the backing of public opinion. It is this “eagerness” – the ability to motivate and mobilise people – coupled with its political and economic muscle as the driver of the West Coast

economy to extract public money from the provincial and federal levels, which lies at the heart of Vancouver’s success. It may not have de jure power, but it has assumed de facto responsibilities.

Making the most of what you have

As with most local governments, Vancouver’s biggest constraint is finance. The federal government collects the majority of taxation revenue, such as income tax. It then allocates funds to the provincial governments and the municipalities, more to the former than the latter. The provinces also give money to their municipal authorities, which are allowed to generate further revenue through local taxes – these account for approximately a fifth of their annual budget. But they are not allowed to borrow money, except Vancouver, or run a public deficit.

Forty per cent of a municipality’s annual revenue is conditional and comes with

25. Smith P and Stewart K, “Local Whole-of -Government Policymaking in Vancouver: Beavers, Cats, and the Mushy Middle Thesis”, in Young R and Leuprecht C (eds) *Canada: The State of the Federation, 2004 : Municipal-Federal-Provincial Relations in Canada*, McGill-Queen’s University Press, 2006

strings attached, for example, in the form of shared-cost programmes or grant-in-aid.²⁶ Cities cannot spend this money how they want, but have to spend it how they are told to by the province or federal government. Their hands are tied. In many ways their situation is remarkably similar to that of local authorities in the United Kingdom.

In general, Canadian cities have been operating under the constraint of reduced public spending: their share of GDP is at its lowest since the Depression of the 1930s.²⁷ Cost-saving exercises have led federal and provincial government to transfer more responsibilities to the cities, which have had to fill gaps in services, by providing some social housing and dealing with homelessness, for example.

Revenue and expenditure generally balance year on year because the city is unable to run a deficit and unwilling to keep a surplus. Total expenditure and revenue in 2006 was CAN\$1.06 billion in 2006 (see

Table 2). Of the items which make up municipal funding for renewal around 6 per cent was spent on planning and development (CAN\$64 million or £30.5 million); 15 per cent on recreation and parks (CAN\$160.3 million); and 9 per cent on community and cultural services (CAN\$ 92.9 million). The Winter Olympics are providing a one-off opportunity to gain substantial cross-governmental investment for infrastructure projects such as the CAN\$1.5 billion Canada Line metro to the airport and the "sea-to-sky" highway linking Vancouver and Whistler.²⁸

History of Renewal

Since 1973, Vancouver has focused on being a liveable city.³⁰ The Seventies were a time of suburban development across North America. Greater car ownership, new patterns of work, and continuing racial discrimination led the affluent middle classes to move out of city centres in

Table 2: City of Vancouver Financial Activities 2006 ²⁹

Revenue	2006 (CAN\$ million)	%	Expenditures	2006 (CAN\$ million)	%
Property taxes,					
penalties and interest	508	48	General government	116	11
Water fees	69	6	Police protection	180	16
Solid waste fees	43	4	Fire protection	81	8
Sewer fees	33	3	Engineering	171	16
Other fees, rates					
and cost recoveries	313	29	Water utility	70	7
Revenue sharing, grants					
and contributions	19	2	Solid waste	45	4
Investment income	30	3	Sewer utility	80	8
Rental and lease income	43	4	Planning and development	64	6
Sale of property	8	1	Recreation and Parks	160	15
			Community and cultural		
			services	93	9
Total	1,065		Total	1,060	

26. Lightbody J, *Politics, Canada*, p 351, Broadview Press, 2006.

27. Yalnizyan A, *Squandering Canada's Surplus: opting for debt reduction and 'scarcity by design'*, Canadian Centre for Policy Alternatives, p 11, 2004.

28. Simon B, "Pleasant? Not in my backyard!", *Financial Times*, 15 January 2006.

29. Ibid.

30. Punter J, *The Vancouver Achievement: urban planning and design*, University of British Columbia Press, 2003

droves. Vancouver failed to fall in line, stopping freeways penetrating the old city and bringing in sweeping restrictive planning controls to encourage people to stay downtown in high density neighbourhoods and to discourage suburbanisation.³¹

The key to its non-conformity lies in the 1960s public protests, led by Jane Jacobs, the visionary urban planner, against the proposed demolition of Gastown and the Downtown Eastside. They were to make way for a major highway, ominously named the East Downtown Penetrator. According to Professor David Ley, a distinguished urban geographer and Director of the Metropolis Project at the University of British Columbia, this successful rebellion against development set the tone for the next four decades of urban change.³² (It is probably not a coincidence that the campaigning environmental organisation, Greenpeace, was founded there in 1971.)

Further, in response to growing public concern about the disappearance of green space, the province stepped in to halt urban development on valuable agricultural land. The Agricultural Land Reserve was established in 1972 and exists to this day in much the same way as the greenbelts in England.

Housing formed the core of renewal until the mid-Eighties, and all three levels of government worked together and achieved substantial success. In Vancouver this period of renewal is best seen in False Creek South, a pleasant 50-acre area of medium density housing just over the river from downtown. As a new build development it benefited from landscaping and high quality housing. It was well connected to the city – an attractive place to live, very much fitting with the environmental goals of the day.

On the opposite bank, False Creek North has had a very different experience of development. An old industrial area, prime for redevelopment, it was chosen as

the site for the 1986 World Expo. The old buildings were demolished to make way for the international pavilions, but under a period of government austerity the grants and funding was not available to publically regenerate this area. Two years later the province sold the land to a Hong Kong developer, who built the high rise business district on the north shore that has more than a tinge of Hong Kong about it, worlds away from the landscape of its neighbour False Creek South.

It was here that the city first started to exploit public returns from private developers – its so-called social bonus zoning. The planning department had the power to alter zoning and adapt developments and decided to allow taller buildings in return for provision of public services. By approving high-rise towers in the development of False Creek North, it gained parks, schools and community facilities. This mutually beneficial policy has continued. Developers like the extra money they can accrue from higher densities and recognise that the public facilities they are forced to provide attract people to their developments. The city gains public amenities, such as social housing, for minimal expenditure by the taxpayer.

According to Christopher Leo and Kathryn Anderson, of the University of Winnipeg, Vancouver is unorthodox in implementing such regulations, but it

Plate 2: False Creek North ³³



31. Leo C and Anderson K, *Being Realistic about Urban Growth*, Canadian Centre for Policy Alternatives, Vancouver 2005

32. Professor David Ley, Director of the Metropolis Project at the University of British Columbia, interviewed 31 March 2007

33. *Glitter*, SqueakyMarmot, Flickr, 8 January 2007

“takes care to keep its exactions economically viable, and its regulations although strict are clear and transparent. As a result, developers complain, but comply nevertheless, because Vancouver is a good place to do business.”³⁴ But a system like this can work only in a high growth city. If it were static or declining, returns would not be high enough for the private sector to take part. This is why it could be applied successfully in Bristol or the East End of London, but not Merthyr Tydfil. The basic rules of supply and demand must never be forgotten.

Because ribbon development has been discouraged Greater Vancouver residents tend to live in compact communities, making it is possible to get around by walking and cycling. Much like Manhattan, Amsterdam or central Paris, Vancouver almost forces you to walk. In the words of Larry Beasley, former director of planning for Vancouver, the city government's philosophy was to restrict commuting into the centre and “to let congestion be an ally”.³⁵ The direct result is one of the highest density downtown area in North America, where over 90 per cent of the buildings are residential, but with a mixed income and private-public profile, and only 10 per cent are available for commercial or other non-residential space.

This is not a story just about those rich enough to benefit from more choice. In mixed neighbourhoods such as in Vancouver, all groups enjoy safer streets, cleaner environments and better, more varied food stores.³⁶ More people using the streets means more passing trade for shops. CCTV cameras – the eyes of a community lost – are not necessary on every corner and building, thanks to the real eyes of the street. A dense population, as in Hong Kong, has brought well-maintained roads, sidewalks, parks and transit systems. There is no underground transport yet, but a line from the centre to the airport is under construction.

A virtuous cycle has been manufactured – restrictive planning, compact city, low car use, more walking, healthier population, safer city, booming economy, growing population. The big question is whether this cycle can be maintained. The city government wants to preserve the quality of life by its density initiatives. Residents want affordable housing in a red-hot market. Are these two desires compatible?

“ In mixed neighbourhoods such as in Vancouver, all groups enjoy safer streets, cleaner environments and better, more varied food stores ”

Upwards and Onwards

Congestion, pollution and the quality of the city environment are consistently claimed to be the main civic concerns of people living in Vancouver. Yet a recent article in *Vancouver Magazine*, “The Density Game”, expressed the concerns of many when it declared that “the single-family house is an endangered species in this city. What's a guy who's always wanted a house to do?”³⁷

As Table 3 illustrates, the gap between earnings and house prices may well prove unsustainable. Demand for housing is rising in the booming city, but supply is restricted by planning regulations. The wealthy can buy themselves out of the impasse – one penthouse on the harbour front with views to the mountains sold for CAN\$7.75 million (£3.7 million) two years ago,³⁸ and between the third quarters of 2005 and 2006 the number of homes sold worth in excess of \$1 million in Greater Vancouver rose by over 57 per cent.³⁹ Low-paid workers are either forced into long commutes (in a city designed to stop commuting) or into sub-standard housing or, worse still, into working homelessness, being in employment but

34. Leo C and Anderson K, *Being Realistic about Urban Growth*, Canadian Centre for Policy Alternatives, Vancouver 2005.

35. Beasley L, *Living First in Downtown Vancouver*, City of Vancouver, 2000, see www.city.vancouver.bc.ca/comm_svcs/currentplanning/living.htm

36. Wen M, Browning CR, and Cagney KA, “Poverty, affluence and income inequality: neighbourhood economic structure and its implications for health”, *Social Science and Medicine*, vol 57, pp 843-54, 2003.

37. Bridge T, Glave J and Harris M, “The Density Game”, *Vancouver Magazine*, April 2007.

38. Leo, C and Anderson, K, *Being Realistic about Urban Growth*, p 9, Canadian Centre for Policy Alternatives, Vancouver 2005:38. Simon B, “Pleasant? Not in my backyard”, *Financial Times*, 15 January 2006.

39. Kerensky L, “Canada's Most Expensive Homes”, *Forbes.com*, 31 January 2007, see www.forbes.com/2007/01/30/most-expensive-canada-forbeslife-cx_1k_0131canadasmostexpensivehomes.html

Table 3: Cost of living and housing: comparison of Vancouver and Winnipeg, 2001 (CAN\$)⁴⁰

	Vancouver CM	Winnipeg CMA	Vancouver > Winnipeg
Median household income	\$ 49,940	\$44,562	12%
Average home value	\$294,487	\$104,331	183%
Rent \$/month	\$814 (20% income)	\$540 (14.5% income)	51%

without a permanent place of residence. This is only half the story. Vancouver has a strong financial and service sector but, in a downtown where 90 per cent of the floor space is residential, office space is being squeezed – a disincentive for new businesses and a worrying trend for the municipality.

Because it has relied on property taxes to fund public spending, city hall has always had a close relationship with the planning department. This is more than ever the case since the arrival of a new mayor, Sam Sullivan, in December 2005 and a new planning director, Brent Toderian the following year. For them the future of Vancouver lies explicitly with their proposed EcoDensity policies, which are supposed to promote sustainability and a sound environmental legacy. They want to shift the emphasis of regeneration from liveability to environmentalism – or what Toderian calls “resilient liveability”.⁴¹ New patterns of development in the city would include a shift to greener amenities, services and systems.⁴² The question is whether the EcoDensity policies are compatible with economic health and affordable living. Table 4 outlines their proposals.

The authors of “The Density Game” are sceptical: “The EcoDensity plan, with its long list of please everyone goals – affordability, sustainability, economic growth – could easily be laughed at as green-hued political fluff.”⁴³

But Professor Ley believes the city can make it work. He reasons that Vancouver never industrialised to the extent of cities such as Baltimore or Buffalo and thus never went through deindustrialisation as they did. Apart from the Downtown Eastside, the city is not faced with intractable distressed districts requiring huge investment. EcoDensity may sound idealistic but the province and central government appear to be lining up behind it, as they did with social housing in the 1970s. “It is as if all of a sudden all the lights had turned green,” one resident told me. When such an alignment occurs the power to change should not be underestimated.

Yet these policymakers may face a suburban revolt. The *Financial Times* reported in January 2006: “Getting to work on time is, for now, a higher priority than cleaner air for many Vancouverites.”⁴⁴ To meet the increasing demand for affordable housing without the environmental disadvantages of ribbon development residential densities have to be increased, and this is causing conflict, especially in the suburbs. Protests about increases in density are nothing new, but one of the most dramatic took place in the suburb of Dunbar West just last year.

The traditional plot size for a house in this area is 50 ft by 50 ft, or 2,500 sq ft – not particularly large, particularly by North American standards. Under the densification drive, especially in the

40. Leo, C and Anderson, K, *Being Realistic about Urban Growth*, p 9, Canadian Centre for Policy Alternatives, Vancouver 2005.

41. Bridge T, Glave J and Harris M, “The Density Game”, *Vancouver Magazine*, p 46, 2007.

42. *EcoDensity: The EcoDensity Charter – Draft, 2007*, City of Vancouver, Vancouver 2007, see www.vancouver-ecodensity.ca/webupload/File/EcoDensity_Charter5.pdf

43. Bridge T, Glave J and Harris M, “The Density Game”, *Vancouver Magazine*, p 46, 2007.

44. Simon B, “Pleasant? Not in my backyard!”, *Financial Times*, 15 January 2006.

Table 4: Suggested EcoDensity Tools and Actions

Neighbourhood Planning

- Re-zoning for higher density housing
- Green rapid transit lines
- Encourage a more home-centred working structure

Green Systems

- Improve the energy efficiency of the built environment
- Use City infrastructure and Parks to generate energy
- More green space
- On-site food production facilities for new homes [gardens]

Affordability and Housing Need

- 20 per cent affordable housing in all new developments
- Incentives for affordable housing growth

Transportation

- Develop a rapid transit network
- Encourage use of public-rights of way
- Car-free neighbourhoods
- Limit parking supply

Amenities and Social Infrastructure

- Invest in parks and public spaces through density bonussing
- Access for all

Heritage

- Transfer of density area outside of downtown to support conservation

City Business

- Use of levies and tax shifting can create incentives to a greener, denser pattern of development

Knight, Kingsway and Arbutus neighbourhoods, the plan is to divide these into two separate plots of 25 ft each. The families of Dunbar clearly see this as a shot across their bows, an attempt to try to erode their quality of life without increas-

ing public services. One night in February 2007, unknown assailants torched these new townhouse “double-dense” properties, causing substantial damage. The message was clear: hands off our living space.

Table 5: A brief history of density ⁴⁵

1973	Agricultural Land Reserve is created to limit urban sprawl. Prior to the 1970s some 6,000 hectares of land was urbanised per annum
1988	Shaughnessy residents fight a proposal to covert 3.2 hectares of neighbourhood parkland into multi-family housing
1991	City council approves the re-zoning of 8 million sq ft of downtown commercial space to residential, Yaletown soon follows
1992	Arbutus residents protest the development of the Molson Brewery site. The condominiums go ahead, but with fewer units than planned
1995	City council adopts CityPlan to help define future growth, create or expand neighbourhood centres, and add density and variety in "neighbourhoods that have little variety now".
1996	GVRD adopts Liveable Region Strategic Plan
2002	Over 500 residents from Dunderave and Ambleside protest a proposed density increase.
2004	Mackenzie Heights goes to war with former MLA Art Cowie over his application to build a three-unit rowhouse. Public protests. Council rejects application.
2006	A Vancouver City report reveals the growing scarcity of affordable housing in the Downtown Eastside.
2007	GVRD tables a report for residential "intensification". Suspicious fires damage newly built Dunbar townhouses. These two units had been opposed by neighbours because they were built on two 25-ft-wide subdivided parcels

Figures clearly show, however, that more housing is needed. Homelessness in the Greater Vancouver Regional District has doubled from 1,121 people in 2002 to 2,174 in 2005, and this is overwhelmingly concentrated in the central city.⁴⁶ But the city is not going to relax its strict planning regulations, especially under its new EcoDensity drive. For the less well-off, this could reduce the attractiveness of Vancouver and speed up the growth of the surrounding satellite towns of Burnaby, Surrey and Richmond. If suburban in-filling is rejected by local residents these cities will benefit, especially as transport improves.

The population of Surrey, for example, grew by over 13 per cent between 2001 and 2006 (Figure 4) and over 118 per cent since 1986. Other areas such as Richmond and Burnaby have grown at lower, but still significant, rates, since 1986 (61 per cent and 40 per cent). Despite rising housing prices, the city of

Vancouver still grew faster than the provincial average growth rate. This would suggest that the density gamble has not yet adversely affected the city.

For a large part this is because Vancouver is so important to Canada. Fourteen per cent of British Columbia's population lives in the city and the majority of the businesses operating in the province are based there. If the province as a whole is gaining population, Vancouver is likely to be at the forefront.

To meet the growing demands on the city for housing, especially affordable housing, without expanding the city boundaries has meant that policy has had to focus on building up density levels in areas where this has not been the norm. Moving the city onwards it seems is now a matter of making it move upwards. Pointing to the city plan of Vancouver that covers the full span of the wall, Cameron Gray, the director of housing for the City of Vancouver, highlights the areas that are

45. Poole R, "A Brief History of Density", *Vancouver Magazine*, pp 46-53, 2007.

46. Social Planning and Research Council of British Columbia, "On our Streets and in our Shelters", *Results of the 2005 Greater Vancouver Homeless Count, 2005*, www.gvrd.bc.ca/homelessness/pdfs/HomelessCount2005Final.pdf

Figure 4: Population growth in the Greater Vancouver Area ⁴⁸



being considered for development or higher density levels.⁴⁷ The large blue areas of industry and manufacturing are the most visible, such as the Olympic Village development in South East False Creek, but other areas are dotted along key transport arteries in the suburbs.

Don Fairburn is a senior strategist at the Canada Mortgage and Housing Corporation, a government body that ensures that low-cost mortgages are available and carries out research into the housing sector. He believes that affordable housing is not so much about maximising the impact of events such as the Olympics, as getting rid of the “just enough money to fail” mentality that pervades the policy community.⁴⁹ The best policies in the world will not be achieved without qualified people to implement them and predictable revenue. In Vancouver’s case, he believes that substandard housing is due to a public sector that cannot compete with the cost-effective systems and innovation of a buoyant private developer market. The provincial government has normally controlled the development of social housing by chan-

nelling funds through many small housing co-operatives. This highly fragmented system has little incentive for large developments and economies of scale and cannot supply enough affordable housing to accommodate the city’s 25,000 homeless or those in substandard units.

The Canada Mortgage and Housing Corporation’s proposed solution is a collaborative, public-private system of delivery, which would offer the economies of scale, consistency and skills base for social housing that developers have brought to private housing for years. It would take the form of a social housing charitable trust with private, municipal, provincial and not-for-profit funding, and would have the financial leverage, efficiency and co-ordinated delivery mechanisms needed to make a real impact. In Fairburn’s words this would allow the “city to finally look after its citizens”.

Falling through the net:
the Eastside Story
The area with most citizens in need of help

47. Cameron Gray, Director of the Housing Centre for the City of Vancouver, and Rhonda Howard, Senior Planner at the Department of Planning at the City of Vancouver, interviewed on the 27th March 2007.

48. British Columbia Statistics.

49. Don Fairburn, Senior Strategist at the Canada Mortgage and Housing Corporation, interviewed on the 29 March 2007.

is the Downtown Eastside (DTES), where average life expectancy is not the second highest in the world but, at 66 years, lower than that of North Korea.⁵⁰

Although Aids, drug-related crime and mental illness are not typical of life in Vancouver, they are all too common in the DTES. Visitor guides are littered with warnings about this small area sandwiched between Chinatown and Gastown: “The worst skid row in North America. Don’t wander into this part of town” warns the Vancouver City Guide.⁵¹ There is even a walking tour entitled “From Commercial hub to Hard Time”.⁵² This is the hidden secret of the city – the poorest tract of land in urban Canada and a problem that refuses to disappear.

Some 16,000 people live in the DTES, about 3 per cent of Vancouver’s population.⁵³ It is responsible for over 20 per cent of all mental health cases and has an average income of CAN\$12,084, a quarter of Vancouver’s average income of CAN\$ 47,309.⁵⁴ Conservative estimates suggest that there are more than 4,700 injection drug users in the area, the death rate due to alcohol is seven times that of the province as a whole, drug related mortalities are 13 times the provincial level and Aids-related deaths, 38 times.⁵⁵

Plate 3: The redevelopment of Woodward’s⁵⁶

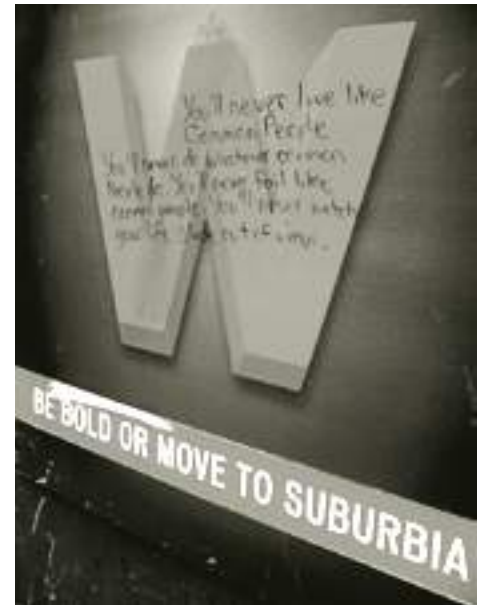


Plate 4: “Be Bold or Move to Suburbia”⁵⁷

The Downtown Eastside was an area of poverty from the beginning. Lumberjacks rented single rooms in hotels there during the extreme cold of the winter months when they could not work. The men would spend their so-called lucky-strike money on prostitutes and alcohol and vice moved in to supply the demand.

Things changed with the world wars, when many of the residents went off to fight. After the Second World War, they returned, often with disabilities and mental health problems and there developed a sub-culture of elderly men with high levels of addiction. At the end of the Sixties, when the city tried to build the freeway into the centre of town, right through the DTES, many of them joined forces with younger protesters. Together, their community activism managed to preserve the area as it was and persuaded the city to invest in more social housing units.

But this was not enough to prevent its relentless decline. Since then the DTES has become the West Coast gateway for drug trafficking; HIV-Aids, TB and

50. World Population Prospects: The 2006 Revision, United Nations, New York 2006, see www.un.org/esa/population/publications/wpp2006/WPP2006_Highlights_rev.pdf

51. *Vancouver City Guide*, Virtual Tourist, 2007, see www.virtualtourist.com/travel/North_America/Canada/Province_of_British_Columbia/Vancouver-903183/Warnings_or_Dangers-Vancouver-Downtown_Eastside-BR-1.html

52. *Downtown Eastside Walking Tour: Vancouver’s Oldest Historic Districts*, City of Vancouver, Vancouver 2007, see www.city.vancouver.bc.ca/comm_svcs/wuf/7DTES.pdf

53. *Housing Plan for the Downtown Eastside*, City of Vancouver, p 14, Vancouver 2005, see www.city.vancouver.bc.ca/comm_svcs/housing/pdf/dteshousingplan.pdf

54. Ibid.

55. Ibid.

56. Kootenayvolcano, *Woodwards Vancouver*, Flickr, 14 June 2007, see http://farm2.static.flickr.com/1390/549403257_81c8650875.jpg?v=0

57. Dan Feeny, *woodwards*, Flickr, 17 June 2006, see www.flickr.com/photos/darkthirty/169214811/

Hepatitis B have taken their toll, as has the corollary of drug dependency – crime. So while the rest of Vancouver has been booming, the individuals displaced by the gentrifying tide have been washed up in the Downtown Eastside – “a node of poverty gravitation”, Professor Ley calls it.

The containment of the DTES has been a good thing for the majority of people in Vancouver, whether of liberal (they should not be displaced) or conservative (they are easier to control if they are in one area) persuasion. It has localised the effects of drug addiction and poverty. (This was the city that caused an international stir by setting up North America's first legal, supervised heroin injection site in 2003.)

Under the Vancouver Agreement (Box B) the province and the federal government agreed to invest in the Downtown Eastside, which has been the focus of a lot of public money over the years. It is a politically sensitive issue both because of its history of poverty and because the majority of Vancouver's citizens are liberally inclined and don't want to be seen to be discriminating against the less fortunate. Jessica Chen, of the planning department, says: “The DTES is a microcosm for local and national political issues.” The city's approach is “revitalisation without displacement”. Without new funding this has not proved so easy, though a special heritage programme for the DTES has helped. This incentive programme helps to offset the costs of rehabilitating heritage buildings in the area, through façade grants, tax exemptions, and bonus density. The bonus density award is sold by the developer of a heritage building in the DTES to a developer with a site elsewhere in the city where the additional density can be accommodated, thereby enabling the DTES developer to recoup costs associated with rehabilitation of the heritage building. Twenty buildings have been

approved for rehabilitation through the programme since its inception in 2003.

However, with the proposed redevelopment of the Woodward's, (Plates 3 and 4) a turn-of-the-century department store and now a designated heritage building for residential and commercial units, it looks as if the area will finally be gentrified. Stephen Hall, of the Canada Mortgage and Housing Corporation, thinks it is inevitable: “Trying to stop the DTES gentrifying is like Russia trying to prevent the market economy,” he says.⁵⁹ The city, albeit presenting a reluctant face to gentrification in public, looks as though it has found a way to renew the DTES. Its task now is to extract maximum public benefit from this market process, something it has become adept at over the past three decades. If it manages to achieve revitalisation without displacement, the DTES may prove to be its proudest legacy. Once again, this is a government strategy that could only work in a growth city.

Lessons learnt

Vancouver has tailored a development and renewal model which is perfect for its current conditions. High quality of life, a strong employment base and a growing population have permitted the city to be adventurous, even radical. A policy such as the proposed EcoDensity plans would not work in a declining city, the initial costs are too high both to government and people, yet it could work in Vancouver.

It is not only its willingness to take risks in renewal that sets Vancouver apart; it is also its ability to be an “eager beaver” and to play the political system skilfully in a period of relative austerity.

Given that the city enjoys an active civil society, a competent civil service and strong leadership, its devolved fiscal and decision-making powers allow it to take risks and design its own vision. The safe-injection site, for example, was

58. Jessica Chen-Adams, Planner, Central Area Planning at the City of Vancouver, interviewed on 28 March 2007.

59. Stephen Hall, Senior Adviser on Public/Private Partnerships at the Canada Mortgage and Housing Corporation, interviewed on 29 March 2007.

frowned upon by central and provincial government, but the city had the power to implement it; and the measure has significantly reduced the worst consequences of drug abuse.

The ability of the city to enter into agreements with private developers so that many of the disadvantages of new developments are offset by improvements that benefit the population as a whole also stands out, although this is made easier in the context of high land values and high

demand. Allowing accountable city officials to decide the trade-offs for growth lies at the heart of success, as Germany will also demonstrate.

The future danger lies in the affordability gap in Vancouver's housing market. If Vancouver retains its crown in the next Economist Intelligence Unit livability survey this could be at the cost of gentrification and driving the low income residents of mixed neighbourhoods into the surrounding urban areas.

2

Shall we go Dutch? A Local Partnership Approach to Regeneration

In 1977 *The Economist* coined the term “the Dutch disease” to describe the wholesale decline of the manufacturing industry in the Netherlands, coupled with high unemployment, a generous social security system and growing public debt caused by a commodity driven overvalued exchange rate.¹ Dutch cities in the 1970s were welfare cities *par excellence*: for every 100 full time employed people, 86 were dependent on benefits. By 1983, 18 per cent of the workforce was unemployed.² Other countries, Britain among them, suffered similar symptoms particularly in the 1980s. What is unusual about the Dutch disease is that urban policy played a part in the cure.

In the Netherlands, as in Poland, Germany and the UK, the period after 1945 had been a time of massive house building to meet new levels of demand. Under the prevailing modernist vogue in architecture new public housing often came in the form of high-density homogeneous apartment blocks, dwellings which at the time offered higher levels of floor space and good sanitary facilities, but which became shunned and isolated over the prevailing decades. As the housing stock aged and people looked towards making a step forward on their housing-career, these areas experienced significant population loss. This in turn led to the deterioration of the neighbourhood cultivating a general air of neglect over time, compounding the migration towards the suburbs.

Historically urban home ownership rates in the Netherlands have been lower than those of its neighbours, such as France, Belgium or Germany.³ On average owner-occupiers make up only 25 per cent of the market in Dutch cities and in Amsterdam only 14 per cent owned their own home in 2001.⁴ Twenty-five per cent of the entire Dutch housing stock was located in the 15 per cent of municipal areas designated as vulnerable or problematic. Government policy had inadvertently contributed to this situation because its grants for regeneration were assessed and distributed on the basis of “need”, and thus cities naturally played up to the status of being “needy”. There was also a redistributive factor at work: to counter any income inequality between and within cities, the vast majority of funding was being spent on those perceived as most in need. The system led local governments to favour social housing development, concentrated on poorer areas, rather than a balanced housing system.⁵ In effect they were pushing the most socially mobile people away from the city.

This fact underlies the Government’s plan for renewal in the 1990s: to boost home ownership to 65 per cent of the Dutch housing stock by 2010, meaning that 700,000 mostly inner-city rented dwellings would have to be transferred to private ownership; changing neighbourhood composition; to get neglected hous-

1. “The Dutch Disease”, *The Economist*, pp 82-83, 26 November, 1977

2. Terhorst P and van der Ven J, “Urban Policies and the ‘Polder Model’: Two sides of the same coin”, *Tijdschrift voor Economische en Sociale Geografie*, vol 89(4), pp 467-473, 1998

3. Ministry of Housing, Spatial Planning and Environment, *What People Want, Where People Live*, p 19, The Hague 2001

4. *Ibid*

5. Dielmen F and Wallet C, “Income differences between central cities and suburbs in Dutch urban regions”, *Tijdschrift voor Economische en Sociale Geografie*, vol 94(2), pp 265-275, 2003

ing stock back on to the market and improving and rebuild unpopular neighbourhoods. You could say that encouraging gentrification had unconsciously become part of government policy, albeit with a social conscience.

The Government’s intention was to reduce the stock of social housing either by demolition or sale, so that the proportion of privately rented and owner-occupied dwellings increased. Because greater choice of housing would be available, it was hoped that as people became more affluent they would move *within* a neighbourhood, not out of it. (Its 2001 report, *What People Want, Where People Live*, was clear about the disadvantage of suburban development: the Government estimated that if everyone was to live in his or her preferred environment, 35 per cent more housing space would have to be made available over and above the levels proposed for 2010.⁶ To reach its own targets, another 85,000ha across the country would have to be released for development by 2030.)

Turning declining post-war neighbourhoods into places that attract and, more importantly, keep middle-class families is difficult because the majority prefer life in low density, green areas. “Most people have a preference for the suburbs because they

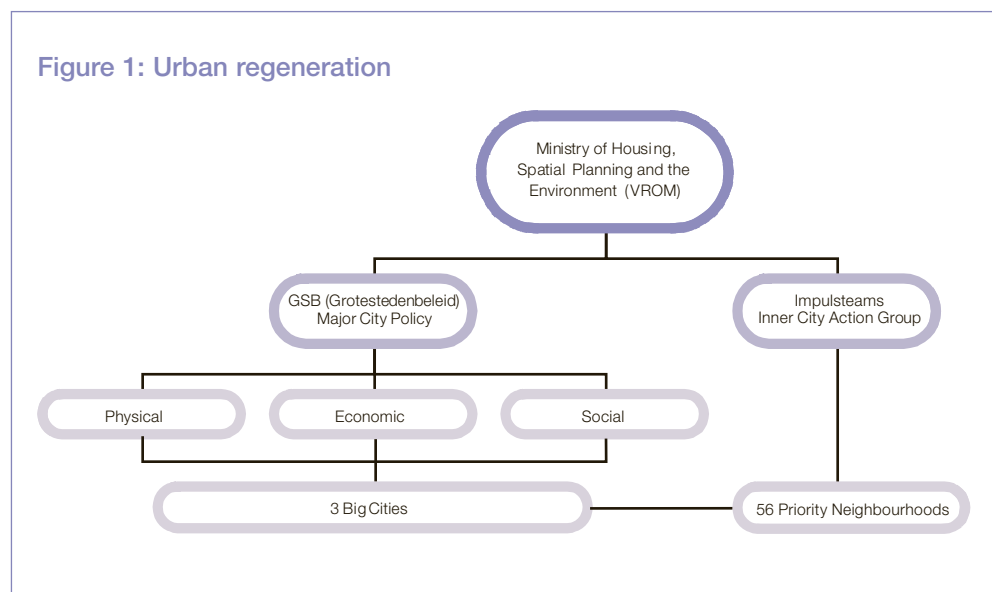
are in a good location for commuting into and out of the regional labour market. Some areas in cities are very cut off and do not allow for this currently,” says Professor Hugo Priemus, professor emeritus in “Housing”, Delft University of Technology.⁷

In 1994, these targets were enshrined in national policy, the *Groestedenbeleid* (GBS), or big cities policy, which replaced 42 previous central subsidy schemes for regeneration (much as the Single Regeneration Budget did in the UK in 1993).⁸ The Government decided that its role would be limited to setting the policy guidelines and transferring funds to local governments. The GSB subsidies were divided into three “pillars”: economic, social and physical development (Figure 1).

Thirty-one cities receive three-quarters of the GSB budget of approximately €1 billion per annum. All other places can apply for access to the remaining quarter of the budget through one of the 12 provinces who manage the budget for the “non-direct” municipalities.

Of the 32 cities, Amsterdam, Rotterdam, The Hague, and Utrecht receive half the budget of the order of €375 million and this is scaled so that Amsterdam, the largest, gets the most.

Figure 1: Urban regeneration

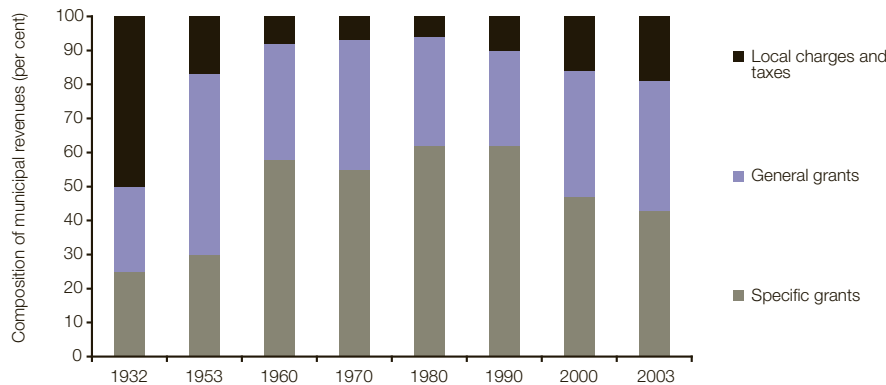


6. Ibid, p 15

7. Professor Hugo Priemus, Professor Emeritus in Housing, University of Delft, interviewed 6 March 2007, Delft

8. *Major City Policy*, Netherlands Ministry of Housing, Spatial Planning and the Environment, The Hague, 2007, see www.sharedspaces.nl/pagina.html?id=10969

Figure 2: Composition of municipal revenues in the Netherlands (per cent)



Although housing has been the cornerstone, investment was also concentrated on transport: airports, rail, road and ports were considered critical to the future. According to Dr Pieter Terhorst, of the University of Amsterdam, urban policies have improved the links between cities and other countries, and in getting investment and people to move to the cities.⁹ This became known as the *mainport* approach to development. Increasing the accessibility of the Netherlands was used as a trigger for economic growth, and Schiphol is testament to the success of this strategy. As improvements in this sector have materialised, policy has started to shift towards *brainport* – strengthening education and quality of life to harness returns from a well-educated workforce.

Capacity of local government

Regeneration is primarily a task for the municipalities, which have been autonomous bodies since 1848. Cities are required to produce five to ten-year development programmes and after this they are allowed to allocate and spend their budget, which they receive in advance, as they choose. It is taken for granted that cities must have the opportunity to find their own trajectory for development and improving the quality of life for their citi-

zens – within the bounds of national guidelines (the so-called “performance fields”). Most importantly, cities are assumed to know best how much they can raise in local taxes for regeneration and are also allowed to borrow money from the BNG national bank on secure long-term loans.¹⁰

Since 1929, local government has had three sources of finance: the general Municipal Fund, specific grants and income from taxes and land management. Figure 2 illustrates how the composition of funds has varied over the years.¹¹

Cities have a high degree of financial flexibility. Even in the case of yearly grants, cities are under no obligation to spend all the monies within a year; they can use them to build up reserves and borrow against them to deliver long-term change. Willem Korthals Altes, Professor of Land Development at Delft University, says this is helpful because investment in the urban environment does not neatly accommodate a yearly budgeting system.

“Financial conditions are set up to give local government the capacity to follow through the decentralised policies of the national government. Dutch municipalities participate directly in urban regeneration projects by buying brownfield sites, redesigning and servicing them, and selling the sites on to private developers and housing associations. Dutch municipalities are

9. Dr Pieter Terhorst, Faculty of Social and Behavioural Sciences, University of Amsterdam, interviewed on 5 March 2007

10. Altes Korthals W, “Local government and the decentralisation of urban regeneration policies in the Netherlands”, *Urban Studies*, vol 39(8), pp 1439-1452, 2002

11. Terhorst P, “Amsterdam’s path dependence: still tightly interwoven with a national accumulation regime”, in Harding A (ed) *Territorial Advantage? States, Cities and Regions in the Global Age*, Blackwell, forthcoming

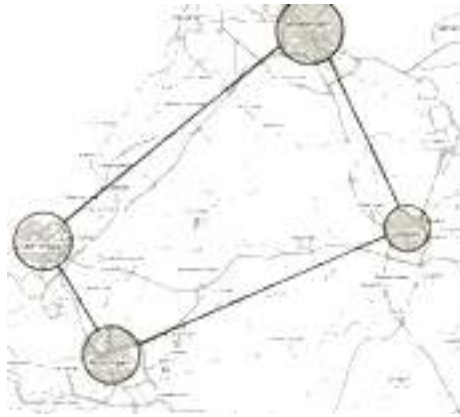


Figure 3: Map of Randstad

willing to take the market risks associated with such a policy.”¹² In this sense they share greater similarities with the Urban Renewal Authority in Hong Kong than local authorities in the UK.

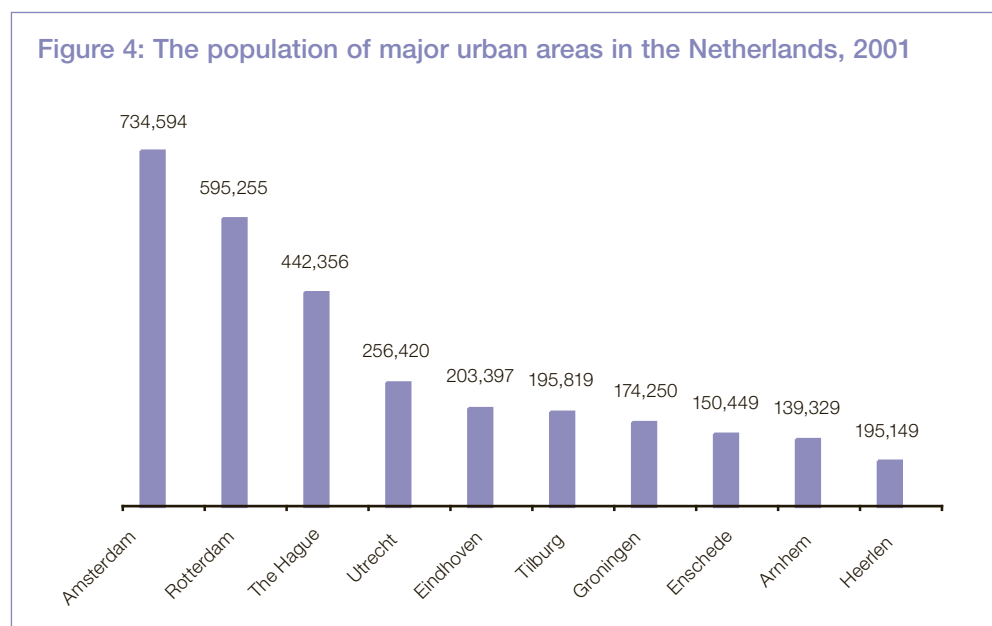
Dr Karien Dekker, of the University of Utrecht, explains that although national steering is very strong, cities are given space to tackle their own urban problems – of course, they would always prefer more autonomy. Cities run social programmes for citizenship, homelessness and drug addiction, for example.

Their powers are considerable, but municipalities do not own or administer social housing as local councils do in Britain. In the Netherlands, this is the

responsibility of the housing associations (*woningcorporaties*) and the two work closely together, particularly in Amsterdam where 15 housing associations own 54 per cent of the city housing stock (another 22 per cent are privately rented leaving only 24 per cent owner-occupied). The public and government may tend to view the housing associations as quasi-public agents, but in reality they are businesses; not for dividend private developers with a social edge. Some associations prefer to emphasise their market role and others their social role, but both are taking on regeneration because they know there is money to be made through neighbourhood improvement and more owner-occupied dwellings, as well as social gains.

Housing associations and local government are closely aligned because one has the money and the other has the skills. “Some councillors and housing association directors work together, some don’t. A lot of the time it depends on personalities,” says Dr Dekker. “The Hague has been good at attracting international businesses and organisations, like the International Court of Justice. Consequently, many well-paid international executives live in The

Figure 4: The population of major urban areas in the Netherlands, 2001



12. Altes Korthals W, opcit, 2002

Table 1: Amsterdam statistics, 2006

	Municipality of Amsterdam	Metropolitan Amsterdam
Area (km ²)	167	703
Population	743,000	1,388,000
People per km ² (density)	4,500	2,000
Number of houses	379,000	640,000
Average number of people per household	1.96	2.17

Hague. Nearby Rotterdam has the large international harbour which has attracted international businesses for centuries, but which also results in a concentration of low-income, low-skilled workers.”¹³

The Case of Amsterdam

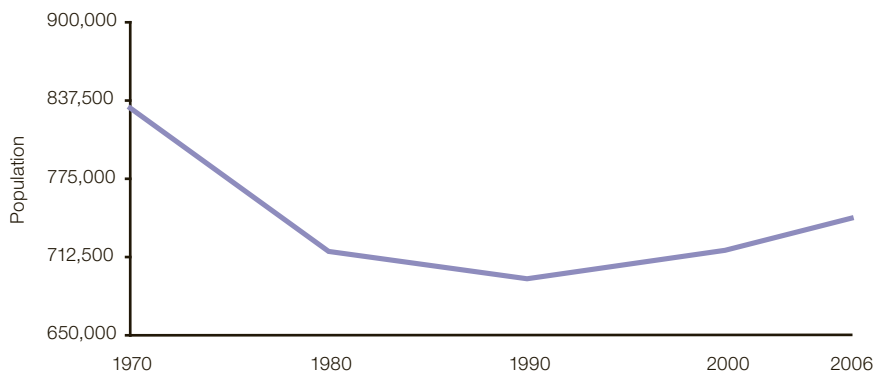
Amsterdam is the largest city in the Netherlands. Together with Rotterdam, Utrecht and The Hague, it makes up what is known as the Randstad, the economic heart of the country (Figures 3 and 4).¹⁴ The city has been afflicted more than most by poor housing and inner-city decline and so provides an ideal window through which to view the evolution of national policy, local government responses and the radical changes that urban areas in the Netherlands have experienced over the past thirty years or so.

More than three-quarters of a million

people live in the municipality of Amsterdam, which covers an area of 167 sq kms (Table 2). If the larger Metropolitan Amsterdam area is included, the population increases to close to 1.4 million.¹⁵ Its density of 4,500 people per sq km is similar to central London; 34 per cent of Amsterdam’s total population lives in the centre (also similar to London).

In the 1960s and 1970s the city followed the national strategy of building new dwellings that were almost exclusively social housing. This prompted the departure of the majority of middle and upper class households from the town centre to the suburbs, causing the population loss observable in Figure 5. Population in the city is rising again, but is still well below the levels of the 1970s because many people have moved out to the suburbs and households in general have been thinning.¹⁶

Figure 5: Municipality of Amsterdam population, 1970 to 2006



13. Dr Karien Dekker, Urban and Regional Research Centre, University of Utrecht, interviewed on 8 March 2007, Utrecht

14. *Urban Audit*, European Union 2007

15. Metropolitan Amsterdam is composed of Amsterdam, Diemen, Ouder-Amstel, Amstelveen, Zaanstad, Almere, Haarlemmermeer, Aalsmeer, Uithoorn, and Weesp en Muiden

16. Kazempov Y, *Visual Paths through Urban Europe*, Blackwell, 2004; Gemeente Amsterdam, *Stadsdelen in cijfers* 2006, 2006

Box 1: Bijlmermeer, Amsterdam – 30 years of renewal

Bijlmermeer is an area of high-rise apartments in South East Amsterdam. Built in the mid-1960s as a response to the housing shortages across the country, it was intended to attract middle-class families by being “a modern city where the people of today can find the residential environment of tomorrow”.¹⁷ Between 1968 and 1975, 13,000 dwellings were built in 31, ten-storey, 300m-long blocks to a Le Corbusier construction manual.¹⁸

The liveability of the dwellings did not match their idealistic design and supply soon outstripped demand: in 1985, 25 per cent were vacant.¹⁹ The citadel of modernism had become just another problem estate with high levels of crime and unemployment.

Renewal efforts began in earnest in 1983, and were targeted at improving the built environment through upgrading existing stock with some success – the Ajax football club had built a new stadium nearby, and the large Amsterdam ArenA office complex had emerged opposite the station. Nevertheless, nearly 20 years later development has not been completed. The problem for the municipality and housing associations has been what to do with the high-rise buildings, but the local people were in no doubt – 70 per cent of people in the area, and 60 per cent of tenants actually living in the blocks, favoured demolition and the construction of a better space.²⁰

In 2002, a final plan was approved, setting forth a wholesale demolition and rebuild programme for the area. Total investment by 2010 will be €1.6 billion, €450 million of which will produce no return; a figure of €35,000 per household.²¹ The city of Amsterdam and the housing associations each provided 50 per cent of the total.



Figure 6: Bijlmermeer, Amsterdam

Perversely, in their attempts to counter growing income inequalities, central and local government increased them: moving out was the only choice for those who wanted to own their own home. They left behind an inner city where almost all the housing was social housing, a disadvantaged population with high rates of unemployment and a private sector unwilling to engage in the area. Bijlmermeer district has followed the typical trajectory from idealistic Sixties' construction, to piecemeal attempts at reform and finally demolition (Box 1).

Even at the beginning of the 1990s, between 85 and 90 per cent of all housing

in Amsterdam was still social housing. Koos van Zanen, of the Amsterdam city planning department, says: “It acted as a barrier to development and growth. There was not enough tenancy turnover; people were unwilling to move out and unable to move in; illegal sub-letting was common. It was vital therefore that private ownership levels started to rise.” To meet government targets more than 50 per cent of Amsterdam's housing stock would need to change tenure in less than a decade.

The majority of Amsterdam's funding is derived from the central tax system, in particular the Municipalities' Fund and specif-

17. Helleman G and Wassenberg F, “The renewal of what was tomorrow's idealistic city. Amsterdam's Bijlmermeer high-rise”, *Cities*, vol 21(1), pp 3-17, 2004.

18. *Ibid*, p 5

19. *Ibid*, p 7

20. *Ibid*, p 8

21. *Ibid*, p 9



Plate 1: Museum based regeneration – Vondelpark and the NEMO science museum

ic grant schemes, to which local taxes are added. The municipality could do very little, he says, without the 15 housing associations that own and manage the social housing, 86 per cent of the entire housing stock in Amsterdam. “They became critical to making the city work and getting it to change and have now agreed to build 5,000 houses per year, 70 per cent of this to be owner-occupied.”

Gert Urhahn, who runs an urban design company based in Amsterdam, explains that the areas that needed help were also the liabilities on the housing associations’ balance sheets, neighbourhoods of little demand and over-supply.²² Thus it suited both the municipality and the associations

to push for changes in housing tenure. Because the housing market in the city was so buoyant, these “sink” areas could be made profitable and healthy as soon as their infrastructure and society was reconnected to the city as a whole.

As well as a shortage of domestic housing in Amsterdam, there is also a shortage of office space. Businesses that have been unable to move into the city because affordable offices were not available, have located instead in large peripheral developments, such as at Lelylaan and the World Fashion Centre between Amsterdam and Schiphol airport. In the 1980s, the municipality focused on regenerating areas such as Westerpark and De Pijp, both of which had suffered badly

Table 2: Foreigners/Ethnic minorities with more than 10,000 inhabitants in Amsterdam, 2002

	Surina- mese	Moroccan	Turkish	Indonesian	German	Antilleans & Aruban	Other
Total population	71,979	59,178	36,035	21,151	16,931	12,299	130,061
% of total population	9.8	8.0	4.9	2.9	2.3	1.7	17.7

22. Gert Urhahn, Director, Urhahn Urban Design, interviewed 6 March 2007, Amsterdam



Plate 2: New office centres outside of Amsterdam – World Fashion Centre



Plate 3: Inner City Amsterdam

from industrial decline and loss of jobs. Now it turned to attracting new industry.

“In terms of workplace, housing and social networks, Amsterdam is far too inaccessible,” says Van Zanen. “New economies need openness. This is why we have been concentrating on bringing in cultural industries and creative people.” The creative industries, as in London, generate significant employment in the city. He has estimated that over 31,000 jobs are part of the creative industries, 7 per cent of total city employment and that over half of those people are working from home. As the economy changes, and work and non-work life merge into the same locations, cities have to adapt and support such shifts, he says.

The social pillar of renewal

In the past few years, urban regeneration has gained a new and pressing objective. The Netherlands’ cities have always had large ethnic minority groups, a legacy of its colonial and trading history. Amsterdam is no different: 47 per cent of its population is classified as ethnic minorities (Table 2).²³

In the past, sectarian problems were mainly confined to conflict between Catholic and Protestant. However, since the murders of the anti-immigration politician Pim Fortuyn and the avant-garde filmmaker Theo van Gogh on the streets of Amsterdam in 2002 and 2004 respectively, ethnic strife has made social cohesion and

safety questions of national debate.²⁴ The Government is trying to address the perceived loss of Dutch identity and tolerance in the major cities. The Ministry of Housing, Spatial Planning, and the Environment (VROM) has been given responsibility for promoting social integration and an extra minister to oversee it. The current Cabinet’s motto of “living together, working together” is in essence an urban mission.

Professor Priemus says that the ministry is moving away from its usual concentration on housing towards “a more social understanding of regeneration”, which has involved lobbying, even pressing, the housing associations to take on more responsibilities. In the 1990s, housing associations were seen as part of the problem, because they had inadvertently built whole neighbourhoods of social housing and were resistant to change; now they are to be part of the solution. The change is significant. As well as correcting the mis-

Figure 6: Amsterdam Nieuw West²⁵



23. Kazenpov Y, *Visual Paths through Urban Europe*, Blackwell, 2004

24. Pim Fortuyn was murdered by a Dutch animal rights activist and Theo van Gogh by a Moroccan-Dutchman, see Buruma I, *Murder in Amsterdam*, Atlantic Books, 2006

25. *Amsterdam, Westelijke Tuinsteden*, Kei Centrum, Rotterdam 2006, see www.kei-centrum.nl/view.cfm?page_id=1897&item_type=project&item_id=96

Table 3: Housing composition in Nieuw West, 2000 and projected 2015²⁶

	Social Rent	Market Rent	Owner-occupied	Total
2000	41,000	5,000	8,000	54,000
Demolition	-13,300	0	0	-13,300
Renovation	-800	+800	0	0
Sales	-3,500	0	+3,500	0
New builds	+5,600	+4,200	+14,500	+24,300
2015	29,000	10,000	26,000	65,000

takes of the past, the idea is to prevent blighted areas from developing in the first place.

Amsterdam Nieuw West –
Regeneration on the Ground

Amsterdam Nieuw West is one of the 13 special areas selected under the Government’s *Groestedenbeleid* (GSB) for urgent regeneration.²⁷ In pockets, up to 80 per cent of its population is Turkish or Moroccan and the area’s biggest social problem is high youth unemployment.²⁸

The area lies to the West of the city centre (Figure 6), cut-off from the heart of Amsterdam by the intercity railway linking the city to Schiphol and beyond. Nieuw West was built after the Second World War to provide much needed homes, but its high concentration of social housing proved a couple of years later an insuperable disadvantage. It developed into a “sink” area, marked by poverty and unemployment.

In 1999, 70 per cent of dwellings were social housing and the aim is to reduce this to 45 per cent (Table 3). According to Gerard Pouw, an urban sociologist in charge of renewal in Nieuw West, the sale of social housing and the work they are doing to improve public space is making it easier to attract people and investment into the area. So far housing associations, in collaboration with the municipality, have

demolished more than 13,300 houses and built 24,300 new homes.

At the same time action has been targeted at providing more and better space for businesses, as well as stimulating local economic entrepreneurship, especially among local youth groups. As it is only 15 minutes from both Schiphol and Amsterdam by rail, on paper it should be a boom area for new office development. The municipality’s policy document on the area, *Richting ParkStad 2015*, stresses that regeneration should be based on increasing the range of workspaces as well dwellings.²⁹ A sentiment Gerard Pouw agrees with, especially when it come to business start up needs. “They are old and of the wrong type. The dominance of poor quality housing also affects the matter. The area’s image is bad.”

Although the number of jobs in the area has increased, unemployment rates have remained stubbornly high. In 2006, a “New Coalition for the Neighbourhood” scheme began, bringing together local councillors, the director-general of a ministry and an independent expert to tackle the problem. It is too early yet to know if it will be effective, but the early signs are good.

“Holland in general is very good at the hardware. It isn’t as good at the software side,” concludes Gerard Pouw. He means that changing the built environment – the hardware – is a lot easier than changing the kinds of people – the software – who live there. Governments often assume that a

26. Gert Urhahn, Director, Urhahn Urban Design, interviewed 6 March 2007, Amsterdam, see note 1.

27. Ibid

28. Ibid

29. Bureau Parkstad, *Richting Parkstad 2015*, Gemeente Amsterdam, Amsterdam, 2004

Table 4: GSB 5-year budget, 2005-2009 (€ millions) for the four largest cities

City	Amsterdam	Rotterdam	The Hague	Utrecht
Per annum budget (€ millions)	113.5	86.7	73.9	23.6

change in the hardware by itself will bring around a natural change in society. Sometimes it does, at others it simply displaces the problem. For Nieuw Park change depends to a large extent on raising education levels and aspirations among hard-to-reach groups, such as ethnic minority youths, not only on improving the local environment.

The majority of the investment has been financed through the central government grant to the municipality under the GSB policy and through the sale of new properties. The total investment is estimated at between four and five billion Euros when infrastructure is accounted for, though the real net cost to the municipality was €104 million, around 3 per cent, and to the ten housing corporations involved, €99 million.

Future Directions

The GSB is now in its third round (GSB III), tagline – “co-operating for strong cities”. It spans 2005 to 2009 and has a central government subsidy of €3.7 billion (Table 4). The social pillar is the one under the greatest scrutiny, especially since a new minister for social cohesion was seconded to VROM. Seven targets are now in place for social regeneration during GSB III, with even more stress on social integration – participation, safety and citizenship, for example, as well as on improving education levels. After 2002, implementation of the GSB in particular areas was accelerated, with 56 urban areas nominated to get special attention (Note 2); in addition 13 areas where special difficulties require the co-ordination of many agencies have been identified and targeted (Note 1).

The number of urban areas targeted changed in 2007, and now stands at 40 priority neighbourhoods. Gerard Pouw, suspects that the choice of the 56 is based more on political expediency than absolute need, but is happy to go along with the policy: “If they give us the money, we will dance with them,” he says.

There are no punitive mechanisms the national Government can use to penalise municipalities that fail to pull their weight. Instead, it uses local accountability mechanisms during and at the end of the initiative to ensure that change is occurring. During the project the national government uses the Major Cities Monitoring unit to observe how municipalities are doing from a national level. As Gerben Helleman of KEI, the expert centre for urban regeneration in the Netherlands, suggests it acts as a “national thermometer” of change, explicitly not a tool for testing how well individual municipalities are doing, but one to look how the country as a whole is doing.³⁰

At the end of the renewal period comes a final evaluation of the local impact of the policy. Unlike in the UK municipality evaluation is based not on performance or achievement but instead on effort and commitment. As Gerben Helleman explains, “local courts of Audit are called in to check this effort. They investigate whether public funds are spent regularly and effectively. So there is no research about the outcomes, but only on whether the money has been spent on the performance fields indicated by the National government. The Dutch call “single information – single audit”, single information on the regeneration programme, single audit by the locality. “My personal observation,”

30. Gerben Helleman, KEI (Urban Renewal Knowledge Network), interviewed 9 March 2007, Rotterdam

Gerben continues, “is that we use local accountability mechanisms and measurements to ensure that the local goals are reached, and the local courts are more capable to do these judgements. The national government is too far away from the practical experience to decide which measurements should take place and if the money is spent well.” This switch from top-down to bottom-up evaluation both empowers local people and produces better results on the ground, lessons which the UK might well learn from.

“Under its motto of ‘living together, working together’, the Government is making urban regeneration the mechanism to encourage social cohesion,” agrees Frank Wassenberg, senior researcher on urban renewal and housing at Delft University.³¹ However he is uncertain whether mixed communities increase integration. “I’m not sure if mixing income alone is sufficient. Because people live in close proximity does not mean that they will be integrated. For me the real question is getting a mix of lifestyles in an area, not just groups of people. The government wants integration, not to make everyone ‘Dutch’ but to ensure that policy makes all groups participate in a wider Dutch society.”³²

“National government is fearful that some Dutch cities are heading towards growing income inequalities,” confirms Gerben Helleman at KEI. “The physical renewal is partially about stopping this segregation. This means breaking up the rental stock and creating a more differentiated housing stock so that people who would of otherwise left can make a housing career in their own neighbourhood.” Like so many others, Helleman stresses that housing associations are central to the whole process. “The municipality depends on housing associations when it comes to housing stock matters. Some local governments have even started to hand over control of public space to them.” This may be for the best, he thinks. Housing associations have the skills and financing to change areas, and local government, despite its powers,

cannot meet national policies to increase home ownership levels by itself. “They are certainly doing interesting things. In Rotterdam one has bought the SS Rotterdam [an old cruise ship] and is converting it into a restaurant, a hotel and training facilities for socially vulnerable people.”

“ The national government is too far away from the practical experience to decide which measurements should take place and if the money is spent well.”

Arjen van der Burg, a spatial expert at the ministry of housing, spatial planning and the environment (VROM), says: “Some would say urban renewal was finished business. It is not easy to detect why things should be done... financial circles sometimes suggest that spending on urban regeneration should be stopped in 2000.”³³

As far as the GSB is concerned, “the physical pillar was the most successful”, he believes. It has also been very successful at mobilising the internal capacities of urban government. Connecting cities together has been central to developing growth and regenerating certain urban districts. Matching labour market access to public transport and infrastructure in particular has been done very well. Even when it comes to access to childcare and other life/work infrastructure, the Netherlands and its cities, have a reasonable record, says van der Burg.³⁴ Currently, VROM has started on a number of initiatives to tie infrastructure and renewal together. For example, VROM and Dutch Railways have joined forces to redevelop railway stations to increase both accessibility of areas and the mobility of the people who live or use them.³⁵

A Critical Overview

In 2004, Professor Priemus wrote about “the disparity between dreaming and

31. Frank Wassenberg, OTB Research, University of Delft, interviewed March 6 2007, Delft

32. Vermeijden B, “Dutch urban renewal, transformation of the policy discourse 1960-2000”, *Journal of Housing and the Built Environment*, vol 16, pp 203-232, 2001

33. Arjen van der Burg, spatial expert, Ministry of Housing Spatial Planning and the Environment, interviewed on 8 March 2007, The Hague

34. See Karsten L, “Housing as a way of life: Towards an understanding of middle-class families’ preferences for an urban residential location”, *Housing Studies*, vol 22(1), pp 83-98, 2007; Karsten L, “Family gentrifiers: challenging the city as a place to simultaneously build a career and raise children”, *Urban Studies*, vol 40(12), pp 2573-2584, 2003

35. “Minister Cramer and Dutch Railways join forces to redevelop outdated railway station areas”, Ministry of Housing, Spatial Planning and the Environment press release, The Hague, October 2007, see <http://international.vrom.nl/pagina.html?id=11070>

doing” in urban renewal.³⁶ Although the development of policies was in overdrive, their implementation was in arrears. Thinking about cities, especially in policy terms, had become fashionable, and developed into a busy research arena, however, the mechanisms that could make these changes happen on the ground were lacking. Much the same could be said of urban regeneration in Britain.

He singled out six failings. First, because resources had been allocated to urban areas in need of renewal in the absence of competition or accountability, development in many Dutch cities was wasteful. To provide an incentive for efficiency, Priemus recommended awarding more money to areas that deliver development the quickest.

Secondly, he noted that training and pay levels were below that of equivalent jobs in the private sector: improving pay and career development would help to attract higher calibre staff.

Thirdly, the line between public tasks and municipal participation was becoming blurred, so that it was difficult sometimes to distinguish between officials who performed public tasks, such as issuing building permits, and those that were charged with negotiating with private interests. This ambiguity led to conflicts of interest

and the potential for corruption.

Fourthly, many private investors were wary of committing themselves financially because of the difficulty in securing long-term funding for urban areas.

Fifthly, government policies should be better co-ordinated. They needed to concentrate on building up neighbourhoods so that they held on to upwardly mobile residents, rather than concentrating investment on individuals who then moved out, leaving only the hardest-to-reach people.

Finally, government needed to ensure that at all times it was part of the solution, not part of the problem. In some circumstances this might mean exercising more restraint, allowing local actors to create local solutions, instead of directly intervening. To set-up the conditions for local government to succeed, but accept that some will fail.

Each of these six points should strike a chord for those who have been involved with the regeneration process in Britain. The Audit Commission’s evaluation of the New Deal for Communities, for example, picked up on many of the same points.³⁷

LESSONS

Regenerating cities and city districts has been a central part of the Dutch political

Table 5: Budgetary overview of investments in urban vitality, 1999-2002/2003-2010 (€ million)

	1999-2002	2003-2010	TOTAL
Industrial parks	64	264	327
Key projects	48	198	245
Monument preservation	55	232	286
Traditional urban renewal	198	825	1,023
Local environment nuisance	16	66	82
Quality of life, Big Cities Fund	43	175	218
Total	423	1,759	2,182
Per annum spending	141	251	198

36. Priemus H, “Housing and New Urban Renewal: Current policies in the Netherlands”, *European Journal of Housing Policy*, vol 4(2), pp 229-246, 2004

37. *An Early Progress Report on the New Deal for Communities Programme: English Regions*, National Audit Office, 2004, see www.publications.parliament.uk/pa/cm200304/cmselect/cmpublic/492/492.pdf

agenda since the 1950s, as it has been in Britain. Most similarities end there, however. In the Netherlands, urban revitalisation has been a city-led exercise – central government gave cities the flexibility to succeed, as well as equipping them with the fiscal abilities to meet their aspirations. In the UK, the reverse has been true. Either local areas have been bypassed or given just enough rope to hang themselves – taking on too many responsibilities without the means or knowledge to see them realised.

The Netherlands is pragmatic and realistic about urban change. Funding for regeneration is housed within one grant system, which lowers the administrative time for municipalities to access money. It is also large enough for strategic changes to be enacted, especially for the biggest cities. The funding has guidelines attached, but these are flexible; an annual grant does not necessarily have to be all spent within the financial year. “Decentralise if possible, centralise if necessary”, this is the motto of Dutch regeneration.³⁸

In general, although the Government does involve itself in spatial planning, building infrastructure and the environment, it realises that it is not the most appropriate political level to carry out urban regeneration. To a large extent, thanks to Dutch history, it trusts municipalities to look after themselves if they are

equipped with the funds and decision-making powers required. The cake has been divided out in fair and efficient manner across different levels of government.

Hugo Priemus and Ronald van Kempen estimate that investments in urban regeneration between 1999 and 2010 will be approximately €2,182 million (Table 5).³⁹

Such an active land policy is far better for the cities, and the country as a whole, than the reactive one that is found in the UK. The gap, which Priemus identified, between policy thinking and action remains, but this is a reason for devolving more power to cities; they are more likely to know what is happening to their economies and residents, than civil servants in The Hague. There is also more emphasis on making results measurable as well as increasing transparency and decreasing bureaucracy.

The GSB policy was very successful in physically upgrading housing stock, but the Dutch have found that social issues and conflicts remained even so. This is why much greater emphasis is now being placed on social improvements centred around education, employment and integration. Jane Jacobs, must have known the feeling when she wrote, in the *The Death and Life of Great American Cities*: “It is fashionable to suppose that certain touchstones of the good life will create good neighbourhoods – schools, parks, clean housing and the like. How easy life would be if this were so!”⁴⁰

38. Vink B and van der Burg A, “New Dutch spatial planning policy creates space for development”, *disP*, vol 164(1), pp 41-49, 2006

39. Priemus H and van Kempen R, “Restructuring urban neighbourhoods in the Netherlands: four birds with one stone”, *Netherlands Journal of Housing and the Built Environment*, vol 14(4) pp 403-412, 1999, figures converted from Guilders at a 2.2 exchange rate

40. Jacobs J, *The Death and Life of Great American Cities*, p 122, Pimlico, 2000

Note 1: 13 priority areas

	Municipalities and neighbourhoods:	Indication of special issue addressed
1	Amsterdam, Nieuw West	Economic participation of youth
2	Amsterdam, Overtoomse Veld	Elementary schools
3	Rotterdam, Zuid (Pendrecht, Bloemhof, Hillesluis)	Private homeownership
4	Rotterdam, Zuid (Pendrecht, Bloemhof, Hillesluis)	Youth
5	The Hague, Zuidwest	Strengthening of social ties
6	Utrecht, Overvecht	Social and economic stimulus
7	Zaanstad, Poelenburg	Primary health care and integrated Youth care
8	Den Helder, Nieuw Den Helder	Antillian community
9	Heerlen, MSP (Stad Oost)	Major city problems
10	Hengelo, Berflo Es	Public – Private Co-operation for Livability
11	Deventer, Rivierenwijk	Infrastructure
12	Emmen, Revisited	Future of youth with foreign back ground
13	Haarlem, Slachthuisbuurt	Social, physical and economic stimulus

Note 2: 32 cities / 56 deprived neighbourhoods

	Municipality	Neighbourhoods
1	Alkmaar	Overdie/Schmereiland
2	Almelo	Almelo Zuidwest (Ossenkoppelerhoek/Kerkelanden)
3	Amersfoort	De Kruiskamp/de Koppel,Randenbroek/Schuilenburg
4	Amsterdam	Westelijke Tuinsteden, ZuidOost, Noord (De Banne/Nieuwendam Noord)
5	Arnhem	Presikhaaf, Malburgen
6	Breda	Breda Noord-Oost (Hoge Vlucht/Doornbos-Linie), De Heuvel
7	Den Bosch	Boschveld, Barten/Eikendonk/Hostad
8	The Hague	Zuidwest, Transvaal, Duindorp, Laakkwartier/Spoorwijk, Rustenburg/Oostbroek
9	Deventer	Rivierenwijk, Keizersland
10	Dordrecht	Dordrecht West (Oud Krispijn/Nieuw Krispijn/Wielwijk/Crabbehof)
11	Eindhoven	Woensel Zuid (Barrier/Woensel-West/Oud-Woensel),Tongelre (Doornakkers (and partly) Lakerloopen)
12	Emmen	Emmen Revisited (Angelslo, Bargenes, Emmerhout)
13	Enschede	Wesselerbrink, De Velve Lindenhof
14	Groningen	Vinkhuizen, Lewenborg
15	Haarlem	Delftwijk, Europawijk Zuid
16	Heerlen	Heerlen Stad Oost, Grasbroek/Musscemig/Schandelen
17	Helmond	Binnenstad-Oost
18	Hengelo (Ov)	Berflo EsLeeuwarden Achter de Hove – Vegelin, Vrijheidswijk
20	Leiden	Leiden Noord (Groenord/Noorderkwartier/De Kool), Leiden Zuid-West
21	Lelystad	Zuiderzee/Atol
22	Maastricht	Maastricht Noordwest (Malberg/Boschpoort)
23	Nijmegen	Willemskwartier
24	Rotterdam	Zuidelijke Tuinsteden (Pendrecht, Zuidwijk, Lombardijen), Oud Zuid (Katendrecht, Afrikaanderbuurt, Tarwewijk, Bloemhof). Crooswijk Noord, Rotterdam West, Hoogvliet
25	Schiedam	Nieuwland/Groenord
26	Sittard-Geleen	Lindenheuvel
27	Tilburg	Oud Zuid, Nieuw Noord
29	Utrecht	Overvecht Zuid, Kanaleneiland Noord, Hoograven, Zuilen/Ondiep
30	Venlo	Q4
31	Zaanstad	Zaandam Zuidoost
32	Zwolle	Holtenbroek

3

Reprogrammed for Growth: Regenerating the Ruhr

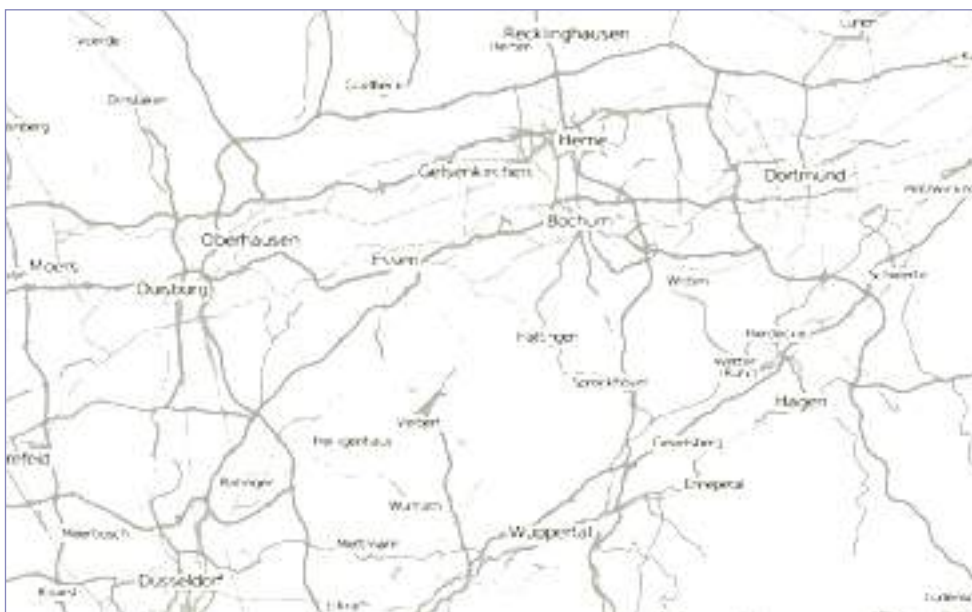
Instead of a diamond, the first Roman Catholic Bishop of the Ruhr, Franz Hengsbach, had a piece of moulded coal set in his signet ring to symbolise his concern for the miners of his diocese. His choice could not have been more apt: the “worker’s bishop”, as he became known throughout Germany, was inaugurated in 1958, just as the mines and heavy industry, the backbone of the Ruhr economy, began to decline – bringing unemployment, depopulation and environmental blight in their wake.

Originally a rural backwater of small towns and villages, the Ruhrgebiet, or Ruhr Area, owes its existence as a large conurbation to the Industrial Revolution, when coal mining took off.¹ As the regional economy grew, the labour market boomed and hun-

dreds of thousands of people moved to the area to fill jobs in the mines, coking plants, steel mills and factories associated with names such as Krupp and Thyssen. The Ruhr became the biggest industrial region in Europe. City limits expanded to accommodate the newcomers and new land uses; rail and water networks increased mobility and accessibility, as well as trade.

In Essen, for example, the population doubled from 10,000 in the early 1850s to more than 20,000 in 1861; it was more than 118,000 in 1900 and at the end of the First World War had skyrocketed to almost 440,000. Such rapid population growth was experienced in all cities of the region. At the outbreak of the Second World War the population for

Figure 1: The Ruhr Area



1. Unless otherwise stated, references to the Ruhr in this report refer to the Ruhrgebiet or Ruhr Area

the Ruhr as a whole was close to 4.5 million people.²

Coal mining in the Ruhr peaked in the late 1950s, while population figures reached close to six million in the early 1960s, and further expansion was expected. However, when the price of German coal first became uncompetitive on international energy markets, what had seemed only a temporary setback turned out to be a lasting effect. To ensure its continued existence, mining had to be heavily subsidised by state and federal governments. This slowed its rate of decline, but did not stop it. There were 590,000 people employed in the Ruhr mines in 1956 compared to about 30,000 today. Subsidies will finally come to an end in 2018.³

Patterns of growth

In contrast to other conurbations of comparable size, such as London, Paris or Berlin, the Ruhr did not develop around an existing centre; rather many small centres grew in parallel and largely independently of each other. Structurally, it has more in common with the Lancashire mill towns that grew into the Greater Manchester area, or the Flemish weaving towns that grew into the Flanders urban area, though on a larger scale.

A report from the Institute for Town and Country Development of North Rhine-Westphalia summarises the consequences of this polycentricity: “The landscape was used and formed according to the rationality of industry with its big structures. For the newly arrived migrant there were new settlement areas, which were not aligned to the – hardly existing – cities, but to the factories and mines. Cities like Oberhausen and Gelsenkirchen were developed more or less from scratch. To be attractive to the migrants from rural Eastern Europe and to offer the workers the chance of a degree of subsistence, loose settlements without a real centre were

built.”⁴ The Ruhr hardly had an identity apart from its industrial roots and was fragmented into a large number of political units. Even today, when commuting to work, it is not impossible to drive through three, four or even five “separate” cities within half an hour.

This fragmentation is one of the characteristics that makes the Ruhr a special case for the study of urban regeneration policies. The others are the sheer scale of the regeneration required – the population still numbers over five million; the time it has taken – more than five decades; and the co-operation involved from many different levels of government – local, district and state and federal.

Regeneration did not mean simply improving the conditions of a clearly defined part of a town, but developing a new *raison d'être* for a whole region suffering under changed economic circumstances. Dramatic population loss had left the cities with an oversupply of housing and infrastructure and an undersupply of jobs. Urban renewal had to rebuild the cities, manage neighbourhood conflict and attract new economic activity. It needed to reprogram the region for growth and stop people leaving at such a rate. It was a massive task given that the Ruhr didn't have a single university before 1965 and parts were so heavily polluted that during his first campaign to be German Chancellor, in 1961, Willy Brandt declared: “The sky above the Ruhr must become blue again.”

Political structures

The development of the Ruhr is reflected in the political structures of the region. The Ruhrgebiet did not exist before industrialisation. Some of its towns and villages were part of the Rhineland, others part of Westphalia, and the two did not have much in common. After the Second World War, the British military adminis-

2. Statistisches Reichsamt (Hrsg.): *Statistisches Jahrbuch für das Deutsche Reich*, 1919–1941/42

3. Faust H, “Das Ruhrgebiet – Erneuerung einer europäischen Industrieregion”, *Europa Regional*, vol 7, p 11, 1999

4. *Das Ruhrgebiet – ein besonderer Teil der Metropolregion Rhein-Ruhr*, Institut für Landes- und Stadtentwicklungsforschung und Bauwesen des Landes Nordrhein-Westfalen, (Hrsg), p 4, Dortmund, 2003

tration decided that Rhineland and Westphalia should be combined to embed the strategically and economically important region into a larger political unit – the state of North Rhine-Westphalia. However, the government districts, an administrative level below the state government, which were also set up by the British, all had their capital cities (Münster, Arnsberg and Düsseldorf) outside the Ruhr area itself.

Under Article 28 of the Basic Law – the German constitution – cities play an important role in the structure of the German state as they are guaranteed the right to regulate their own affairs. They are responsible for town planning, social and cultural services and other areas that are important in the context of urban regeneration. The result of this structure of government for the Ruhr is a patchwork of decision-making. Many decisions that affect the social and economic development of a city are made at city level, but often with support and funding from government district or state government (*Land*) level. The federal government does not have much influence on the detail of urban policies, which are largely devolved.

History of urban policy

For the first sixty years of the 20th century, the Ruhrgebiet was programmed to grow. The population approached six million in the early 1960s, and it was thought possible that the region could eventually reach seven or eight million. Unemployment was so low that in 1962 there were five vacancies for every job seeker. Gastarbeiter (*guestworkers*) from Italy, Spain and Greece – and later many more from Turkey – arrived to fill them, and often stayed.

The belief in progress and development seemed without bounds. The number of cars registered in the area increased more than tenfold between 1949 and 1963, and

with increased car use more motorways were built – for example, the A2 was extended to the Netherlands and the *Ruhrschmellweg* (fast Ruhr road), connected the cities of the Ruhr from East to West. The region also got its first university in 1965 when the Ruhr University opened in Bochum, a mass of concrete architecture. New theatres and opera houses were opened. Everything old had to go because nothing should stand in the way of modernity. *Stadtsanierung*, meaning a rehabilitation of the city with the aim of making it “healthy”, was the buzzword of the day.⁵ Unfortunately this rapid urban development coincided with the beginning of the coal industry’s decline: a dangerous combination for urban policies.

“ Unemployment was so low that in 1962 there were five vacancies for every job seeker ”

The modernising spirit of the 1960s produced what the economic historian, Tim Schanetzky, has called *Endstation Größenwahn* or end-of-the-road megalomania, the title of his study of *Stadtsanierung* in the Essen suburb of Steele.⁶ Situated on the banks of the Ruhr, Steele is one of the oldest parts of the region: its history as an independent town can be traced back to the year 840; it was a prosperous centre of trade in the Middle Ages. When the industrial development of the Ruhr took off in the 19th century, Steele became a commercial centre for a large number of small shops and trades, serving the surrounding mines and factories. It was also a transport node for river and rail networks. The city’s growing prosperity was marked by newly built churches, schools, law court and post office. Its medieval framework houses were preserved and blended in with the Art Nouveau

5. *Sanierung* derives from the Latin word *sanus* translated as healthy

6. Schanetzky T, *Endstation Größenwahn - Die Geschichte der Stadtsanierung in Essen-Steele*, Essen, 1998

houses built at the turn of the century. In 1929 Steele was incorporated into the city of Essen.

Although the old Steele was fortunate to escape heavy damage from Allied bomb attacks in the Second World War, it was not meant to survive the urban policies of the 1960s and 1970s. The city council of Essen had expected the growth of the city to continue and started to plan for high-rise, high-density settlements on its eastern outskirts (Oststadt). These were typical dormitory towns, with just a few shops, primary schools and a good transport connection. Steele was meant to provide them with a medium-size urban centre.

Elmar Stuckmann, a local historian who grew up in Steele and has been the headmaster of the Carl Humann Gymnasium, its grammar school, since 1979, describes how the mood of the 1960s turned against the old structures of Steele. "People thought they had to reinvent the suburb almost from scratch. The old housing was thought to be inappropriate, roads and public transport were unable to cope with the increased traffic any more, and so there was a mood to radically turn things around," he says.⁷ In practice, this meant the demolition of large parts of the old city of Steele.

For the planners at Essen's town hall, the traditional centre of Steele was a thorn in their side. It threatened to hamper the development of their Oststadt project, and its mix of residential and commercial uses was in open conflict with contemporary planning philosophy as expressed, for example, in Le Corbusier's Athens Charter.⁸ Business interests also backed a rigorous *Stadtsanierung* in Steele. Hertie, a chain of department stores, was eager to build a new flagship store there to serve the extra 30,000 people who were expected to move to the Oststadt. The company started to buy land for it even before the Essen planning committee first debated the case. Schanetzky believes that this behaviour fed the rumours that were rife about corrup-

tion between the planning bureaucracy and Hertie.⁹

In the end, *Stadtsanierung* in Steele turned out to be disastrous on almost all counts. The expansion of retailing in Steele remained well below expectations, probably because purchasing power in the dormitory towns was rather low and the population did not grow nearly as fast as projected. The plan to make Steele an attractive retail centre did not work: in 1965, there had been 224 shops, in 1983 there were only 171 left. Hertie's department store closed down in 1979 after only seven years, with losses of 45.6 million Deutschmarks.

But the effects on the suburb were even more dramatic: mature housing was replaced by concrete apartment blocks, some of them 21 storeys high. The settlement that had begun its life on the banks of the Ruhr was now separated from the river by four to seven lanes of highway. The modernisation of Steele's transport links did work, however, and the suburb is well served by dozens of rail, bus and tram lines. Yet Steele's main station, another oversized block of concrete, clashes uncomfortably with the Baroque buildings of the Fürstin Franziska Christine Orphanage opposite.

Over the course of its urban renewal programme, about one billion Deutschmark of public and private money was spent on the suburb – with highly questionable results. Hattingen, 13 kilometres from Steele, did not attract the same funding. There, too, the planners were keen to renew the old town centre, but lack of resources, and perhaps also lack of planning expertise, led to much more cautious programmes primarily aimed at preserving and renovating the existing fabric. Today Hattingen's town centre retains its medieval charm, with narrow lanes, half-timbered houses and buildings covered in regional slate; shops, restaurants and street cafés are thriving. Hattingen is a reminder of how Steele used to look before *Stadtsanierung*.

7. Elmar Stuckmann, headmaster of Carl Humann Gymnasium, interviewed 9 February, 2007

8. Zimmermann M, "Rezension von Tim Schanetzky's Endstation Größenwahn", *Forum Industriedenkmalpflege und Geschichtskultur*, vol 2, p 54, 1999

9. Schanetzky T, "Stadtsanierung und Strukturwandel im Einzelhandel: Das Beispiel der Hertie-Investition im Essen-Steele der sechziger Jahre", *Akkumulation*, no 12, pp 12-17, 1998

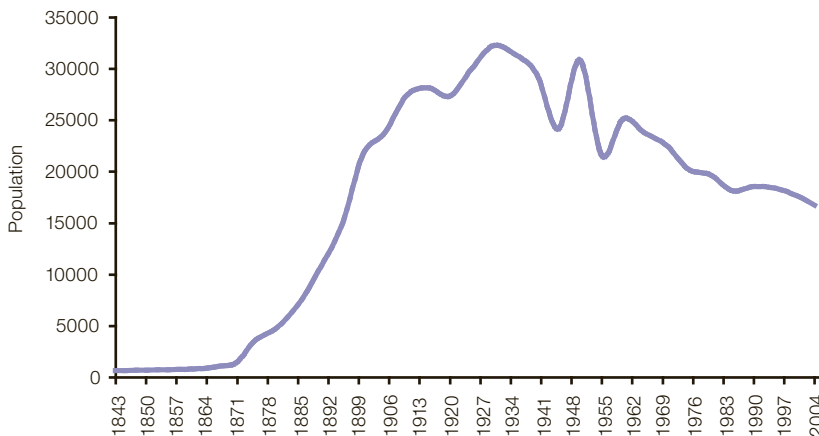
Box 1: Bismarck, Gelsenkirchen

Bismarck, a suburb of Gelsenkirchen, lost out heavily with the decline of steel and coal in the area. Unemployment became ingrained when the Graf Bismarck colliery shut in 1966. Population declined by over a quarter between 1970 and 2004 and currently hovers around the 17,000 mark, little more than half its 1950 level (Figure 2).

Aspirational families did not want to live there, a situation that the local government was not willing to accept. Through new housing schemes and a new school, and the conversion of the old site of the coalmine into a public park, the area was gradually improved. In one of the new developments, 28 homeowners physically built their own houses, under the slogan “*Einfach und selber bauen*” (Building it simply yourself). An aptly-named “muscle mortgage” lowered their purchase costs and they bonded with their neighbours and the neighbourhood in the construction process.

Although the state government of North Rhine-Westphalia supported the renewal of Bismarck, the planning and project management was the responsibility of local town planners. Importantly, local politicians were to be held accountable for delays or mistakes.

Figure 2: Bismarck, Gelsenkirchen population between 1800 and 2004¹⁰



The Social City

The lessons for German urban renewal policies from Steele have been learned; a planning disaster of similar scale would probably not be possible any more. For one thing, German planning law has changed to incorporate more citizens’ participation in the planning process. Just as important, the public mood today is very different from that of the 1960s and

1970s. Those years were shaped by a kind of utopian modernism that rejected the old and swept all before it. The megalomania of the times was increased by the fact that the Ruhr was still expected to grow, leading planners and businesses alike to completely misunderstand the role Steele could play in the region. Their non-consultative and non-participatory approach only made matters worse.

10. Gelsenkirchen Bismarck/North Schalke, Soziale Stadt NRW, 2006, see www.sozialestadt.nrw.de/stadtteile/profil_gelsenkirchen.html&prev=/search%3Fq%3Dbismarck,%2Bgelsenkirchen%26hl%3Den%26rlz%3D1B3RNFA_enGB230GB233

Today's urban regeneration policies tend to be much more modest and closer to the people. Since 1993, the state of North Rhine-Westphalia has followed a programme initially called the "action plan for districts with special renewal needs", a euphemism for socially and economically disadvantaged parts of the cities, and now known as *Die Soziale Stadt* (the social city). The overall goal is to support the renewal of the built environment and the social stabilisation of declining areas by a combination of small-scale social programmes, infrastructure projects, economic and environmental improvements and measures to improve the image of an area. Such local initiatives are usually funded for five to ten years. In 2006 there were 37 such projects in the state in 29 different cities.¹¹

To achieve lasting change, the social city programme concentrates on investment, participation and local management. Initial public investment in the most problematic places is meant to encourage private investment to continue the development. For example, in Gelsenkirchen, one of West Germany's poorest cities, the suburb of Bismarck received funding for environmentally-friendly housing, a comprehensive school and a park on the site of a former coalmine (Box 1). What was intended, and eventually achieved, was to make the suburb more attractive to aspirant families – who would have never considered bringing up their children in Bismarck before.¹² The inflow of such people helped to stabilise and improve the suburb and halt its depopulation (Figure 2).

All funding comes with a time limit: no permanent subsidies are given. A second aspect is equally important: funding does not come from the state government alone, but always from a mix of sources. The state government oversees and co-ordinates the social city programme, but contributes only about 40 per cent of the funding; a

third comes from the federal government, and the rest has to be paid by local councils – so communities do not get something for nothing. However, there is a degree of flexibility in this, allowing the state to differentiate between rich and poor councils. Karl Jasper, at the State Ministry for the Built Environment, explains that whereas the affluent state capital of Düsseldorf would probably have to pay for 40 per cent of the cost of its regeneration projects, less well-off councils such as Duisburg and Gelsenkirchen would be required to pay only 20 per cent or less.¹³

In a system of local government finance in which budgets are heavily dependent on the number of inhabitants and local tax revenues, there is a clear incentive for local politicians to make sure that urban regeneration funding obtained from a higher tier of government helps to lay the foundations of future economic success.

Urban policymakers at the state level also realised that it was impossible to renew declining suburbs without involving their inhabitants. To achieve this, the red tape involved in granting project funding to citizen groups has been reduced, so that now they don't have to fill in complicated forms. This measure is meant to stimulate competition between local groups for funding of their projects, generating new ideas in the process.

The Zollverein – industrial heritage and design

State and city co-operation was essential for the preservation and renewal of the Ruhr's industrial heritage which is still underway. The Route-Industriekultur is a 400km circuit that guides visitors to industrial monuments, museums and industrial sites that are still in use.¹⁴ The Rheinlbe Tip in Gelsenkirchen, for example, is now an open space and outside art gallery, which was built on the site of an old col-

11. Städtenetz Soziale Stadt NRW, *Kontinuität in der Sozialen Stadt – Welche Perspektiven hat die integrierte Stadtteile ntwicklung nach der Förderung? – Tagungsdokumentation 2006*, Dortmund, 2006

12. Evans AW and Hartwich OM, *Bigger Better Faster More: why some countries plan better than others*, p 25, Policy Exchange, 2005

13. Karl Jasper, Ministerium für Bauen und Verkehr des Landes Nordrhein-Westfalen, interviewed on 2 February 2007

14. *Route Industriekultur*, Das Ruhrgebiet, 2006, see www.route-industriekultur.de/en/map/

liery which closed in 1928, similarly the Aquarius water tower in Styrum built by Thyssen in 1892, has been redeveloped into a multimedia museum.

At the centre of this heritage programme is the site of the Zollverein industrial complex, which consisted of a coalmine, opened in 1932, and the gigantic coking plant, built in 1961 that powered the German postwar economic miracle. The coalmine closed in 1986, and the coking plant in 1993, leaving behind Bauhaus-designed factory buildings, miners' housing, a large immigrant population and high rates of unemployment. The state of North Rhine-Westphalia bought the site, placed it under the monument protection and preservation act and restored it over the next 15 years. In December 2001, Unesco added the Zollverein to its list of world heritage sites, describing it as an "extraordinary industrial monument" and "icon of industrial culture". Without doubt, Zollverein had been a technical and architectural masterpiece of its time, symbolising optimism and modernity. The question was what to do with it now. The answer given by Essen's council and planners was to transform it into a centre of design and culture.

Today the Zollverein is the home of the state's design centre. For this project, the award-winning British architect, Sir Norman Foster, modified the old boiler house. The coking plant houses spectacular studios for artists. There are permanent exhibitions, a museum on the history of coalmining, a ceramics workshop and events spaces that can be hired for functions. The latest addition is the School of Management and Design, a non-profit-making company run as a public-private partnership, that occupies a futuristic cubic building and a museum of the Ruhr is about to open.

"Zollverein is a true lighthouse for our city. It is internationally recognised as a



Plate 1: Zollverein – Shaft XII

place of culture and design and it has become one of the top attractions of our city," says Hans-Jürgen Best, Essen's head of planning.¹⁵ More than half a million people visited Zollverein last year and not only as day-trippers – the first B&B's have opened in Katernberg.

Katernberg is one of Essen's poorer quarters. For decades it had depended heavily on Zollverein, by far its biggest employer. After the mining complex closed down, the social problems of the suburb became pressing. From the late 1980s, the city council pursued special regeneration programmes for Katernberg, which became part of the social city initiative in 1993 and received funding from the state government. The renewal work itself is mainly carried out through a network of local planners, citizen's initiatives, church groups and charities.

Within Zollverein is the business centre called the ZukunftsZentrumZollverein (the Future Centre Zollverein) – or Triple Z, as it is usually known. Here former mining buildings have been adapted to meet the needs of small and medium-scale companies, many of which are start-ups. Unusually, Triple Z is a stock corporation. When it was founded, shares in the company could be bought by the local population, and politicians and businesses also showed their support by becoming co-owners. So far, more than 40,000 individuals have become shareholders. Triple Z

15. Hans-Jürgen Best, Head of Planning, Essen, interviewed February 2007

also received some temporary support from the council and the state government under the social city programme.

Triple Z is intended to provide an environment in which small companies can start and grow. By creating new jobs, the hope is that it will contribute to the structural change that Essen and the Ruhrgebiet need. The centre management has the freedom to provide solutions tailor-made for small companies – offices and light industrial space, conference rooms, a cafeteria and some accounting services are all available to Triple Z tenants.

Although it is a profit-making enterprise, and has just started to be profitable, there is a social element to Triple Z as well. A scholarship scheme offers artists from anywhere in the world free accommodation in an old signal tower that has been dedicated to the arts, plus money and materials for a year. Artists from Colombia, Japan and Poland have taken up this offer.

Another huge project of industrial renewal is taking place on the western edge of Essen's city centre, the Krupp-Gürtel (Krupp belt), where 230ha of land formerly used by Krupp had become derelict. The area, almost four times the size of Essen's city centre, provided the perfect opportunity for Essen's planners to expand the centre and completely reshape the face of their city. With ThyssenKrupp's new corporate headquarters, now under construction, at its core, the area will provide a mix of working, living and leisure facilities.

In contrast to the success of these locally controlled projects, the state-led IBA Emscher Park development, has had less glowing results. A ten-year programme begun in 1989 by the state government of Nordrhein-Westfalen, it sought to build economic centres and then link them together to revitalise the regional economy in the Emscher Basin, a strip several kilometres wide and stretching over 70kms from Duisberg to Dortmund. According to Professor Hans Blotevogel, of the School of

Spatial Planning, University of Dortmund, it imposed a grand narrative of design, culminating in island after island of regeneration in isolation, each cut-off from each other and critically from the surrounding area.

"It was an illusion to locate a science park in Gelsenkirchen," Professor Blotevogel said.¹⁶ "Science was not that area's strength. It was like building a cathedral in a desert; impressive, but utterly useless. It added little to the area, and it still followed a path of decline." He considers scale is critical: "Successful regeneration needs to be working on a scale of 300,000 people if it is going to work. Sufficiently large to access economies of scale, competencies and fiscal thresholds, yet small enough to allow local decision-making."

Professor Bernhard Butzin, of the University of Bochum, is equally sceptical: "Gelsenkirchen did not need a science park, what it needed was longer term, local growth... What you are left with is a perforated city; a Swiss cheese construction with areas that have public funding and areas that do not; poles of innovation and poles of deprivation."

Although cities largely make the decisions about how they will develop and fund these changes, there is one disadvantage to this otherwise desirable devolution: the region as a whole can end up losing from wasteful competition between cities for finite resources. When ThyssenKrupp moves from Düsseldorf to Essen, for example, the latter will gain but the region will

Plate2: Science Park in Gelsenkirchen



16. Prof. Hans Blotevogel, School of Spatial Planning, Dortmund University, interviewed on 11 February 2007

not. There is no point shrinking cities battling over a declining resource base. A combination of competition and co-operation is the most sensible way forward; what is needed is more co-operation within the region and more competition between regions to attract external direct investment.¹⁷

Shrinking cities

The phenomenon of shrinking cities may be associated more with East than West Germany, but its impact upon the Ruhr region is clear. Between 1961 and 2006, Essen experienced a 20 per cent reduction in its population. Over 140,000 people left the city, equivalent to the population of Blackburn. Gelsenkirchen over the same period lost 116,000 people, 30 per cent of its population. In relative terms, it changed from being the size of Bristol to that of Nottingham. Bochum, following a slightly different trajectory, lost 7 per cent of its population between 1976 and 2006. Figure 3 illustrates the rapid growth of these cities until the 1960s and their more recent population loss.¹⁸

In sum, these three cities lost well over a quarter of a million people over four decades. As the population base shrank, tax

revenues fell and the needs of the remaining residents rose.

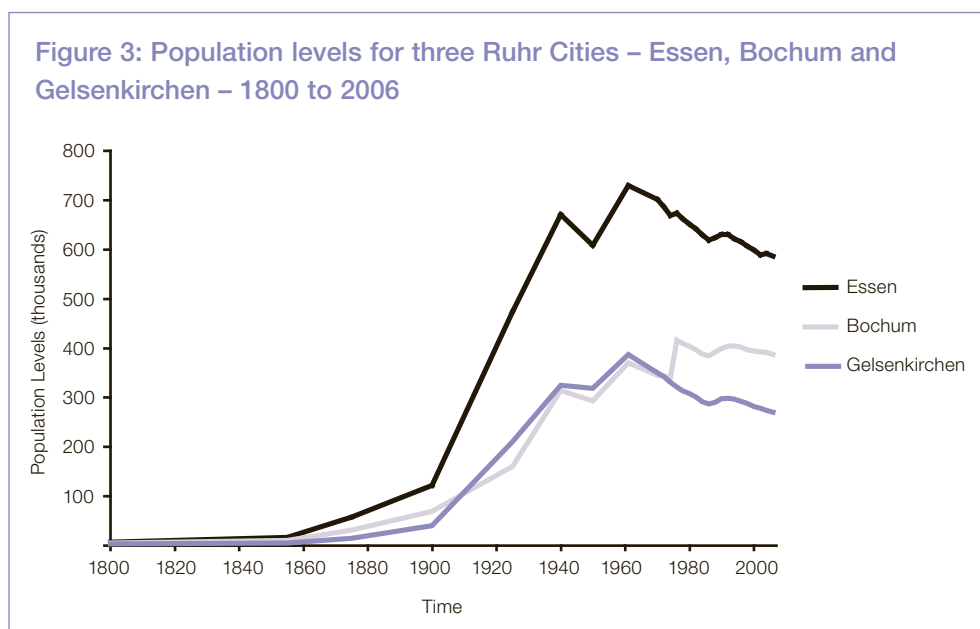
Pockets of Decay

Population loss is one of the key problems for the Ruhr. “In shrinking cities we are seeing both a graying and a deskilling of the population,” says Professor Butzin. “Population levels are declining absolutely and the socioeconomic profile of the population is being recomposed. Globalisation and demographics are driving this process”.

“The demand for regeneration has been broken in the Ruhr,” Professor Butzin explains.¹⁹ “Brownfield levels are building up, tied to growing suburbanisation of housing and economic activity. A new economy in the region, as well as in the world, means that labour markets are far more flexible and changing rapidly.”

“The Land has failed to understand the growth of these issues in the Ruhr.” Policy is lagging behind changes on the ground. “A twofold policy needs to be started; a pro-growth policy in growing areas and one in shrinking areas.”

“Urban regeneration needs two interdependent strategies; an economic competitiveness policy and a place-making policy,”



17. Cheshire P and Gordon I, “Territorial competition: Some lessons for policy”, *The Annals of Regional Science*, vol 32(3), pp 321-346, 1998

18. Jessen J, “Urban renewal – A look back to the future: The importance of models in renewing urban planning”, *German Journal of Urban Studies (DfK)*, vol 45(1), 2006

19. Professor Bernhard Butzin, Institute of Geography, Ruhr-University Bochum, interviewed 10 February 2007

he continues. “Because new economic structures are underpinned by the quality of the social capital and labour force available, it is critical that areas invest in retaining and enhancing skills. Economic activity will locate in skill rich areas. Skills will stay in economically active areas.” Development will naturally follow provided that the people with skills do not leave.

“ It is critical that areas invest in retaining and enhancing skills. Economic activity will locate in skill rich areas. Skills will stay in economically active areas”

However, he admits that the old industrial sites offer the opportunity to green the city. “They also give a certain flexibility to the urban structure in the future.” Some commentators even celebrate the extra space afforded by cities whose populations are shrinking. Wolfgang Kil, who writes on architecture, published an influential book on subject entitled *The Luxury of Emptiness*.²⁰ Others regard space, which was once at a premium “as a burden”.²¹ They believe there is too much infrastructure and too much housing, all of which cities have to maintain.

Green spaces, in particular, are expensive to keep up and are often one of the first areas to suffer funding cuts. German cities have been looking at developing low cost, but high impact, public spaces. Forests, for example, are cheap to both develop and maintain and have become a favoured use of space in and around shrinking cities. Equally, empty or derelict areas on the edge of cities have been converted into semi-communal agricultural or horticultural land, which are both now productive areas, environmentally beneficial and an asset for communities.²²

For housing, some neighbourhoods have embarked on lowering density levels in areas of low demand. Instead of opting for outright demolition, local neighbour-

hoods have sometimes chosen to remove every other row of 19th-century town housing to opening up the area. Another approach has been the “turning three into two” policy, in which neighbours acting together to buy adjacent derelict or unoccupied buildings, and use the cleared space for extensions or larger gardens.²³

Stimulating these virtuous cycles between economic productivity and embedding skills, lies at the heart of successful city regeneration. It is therefore not the gaps in the city that stand as the biggest challenges for these cities, but the gaps in the population. Skills have to come first; development will then naturally follow - provided the skills do not leave.

Conclusion

Not all of the experiences of the Ruhr are directly applicable in a British context, but there are lessons to be learned, especially for areas that have suffered severe loss of heavy industry, such as South Wales and the North of England. Unlike these areas, the Ruhr has many locational and geographical advantages. With a common border with Belgium and the Netherlands, Amsterdam and Brussels within a 100 mile radius, and excellent road and rail infrastructure, it is centrally-located in a strong European economy – a real asset for an area looking to transform itself.

Industrialisation brought great wealth to the area and radically changed it. In its wake it left high unemployment, an unfavourable demographic profile, and derelict city areas. The cities must expect to shrink further in future years. This can be a painful process for those such as Essen that once planned its infrastructure for a population of 750,000 and now finds itself just below 600,000 with the prospect of further population losses.

Many of the inner urban areas are pockmarked with derelict industrial sites. Over 8,000ha of brownfield sites are document-

20. Kil W, *The Luxury of Emptiness, (Luxus der Leere)*, Taschenbuch, 2005

21. *German Cities: Success Beyond Growth?*, Urban Age German Symposium, City of Halle 2006, see www.urban-age.net/03_conferences/conf_halle.html

22. Ibid

23. Ibid

ed within the region, and estimates suggest that over 300,000 inhabitants will move out of the inner cities to the outskirts of the Ruhr and the federal state in general by 2020.²⁴ Finding a use for the old industrial areas such as Zollverein and Gelsenkirchen-Bismarck has been central to encouraging people to stay in the cities.

Visitors are often surprised by how green the region is. Derelict brownfield sites, a burden on local budgets and a daily reminder of what once was, have been imaginatively developed by radical cultural investment, such as in Zollverein and in the other monuments of the Route-Industriekultur. Young and creative industries have been attracted in by the architectural projects that keep the exteriors of once great buildings and convert the interiors for modern offices.

Cultural activities have also become an important factor for the region with internationally renowned museums, theatres and opera houses, such as the Aalto Opera House and Folkwang Museum in Essen and the Schauspielhaus theatre in Bochum. Essen has been named Europe's capital of culture in 2010 underlining

these new ambitions for the Ruhr.

The cities and region as whole, have worked hard to rebuild success. Local government has the power to make changes and the incentives to see them through. The vital link between pride in an area and the ability to build on it was strengthened. Cities were not looking beseechingly outwards for help but inwards for opportunities. Local institutions had a genuinely aspirational attitude.

Unlike in Britain, they were helped by a pro-growth planning system, a local government that was both motivated and accountable and a civil society that was vocal enough to hold local officials to their many promises. When local urban renewal decisions were taken at a national level, failures were more likely. Both Steele and the science park in Gelsenkirchen are testament to this. On paper they were good and sound projects, on the ground they proved inappropriate: instead of identifying and delivering on the advantages that these areas offered, they tried to invent new ones for them. There is an obvious lesson here for Britain.

24. Butzin B and Noll H-P, "Sustainable Brownfield Regeneration in Europe: Improving the quality of derelict land recycling", *Materialien Zur Raumordnung*, vol 66, Bochum, 2005

4

Picking up the Pieces: How Poland is Trying to Renew its Cities

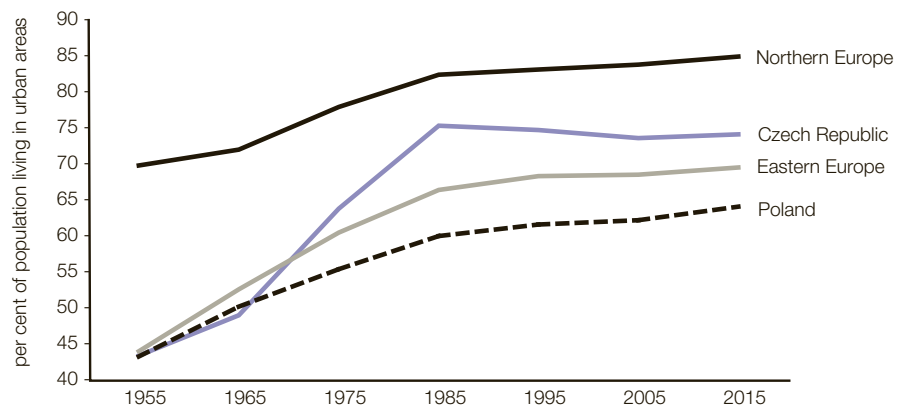
Poland's story since 1989 has been one of radical change: entrance into a free-market economy, resurgent democracy and, in May 2004, accession to the European Union. Regeneration in cities such as Warsaw and Łódź is centred on physically updating cities and regions, improving environments and regional infrastructure to match the pace of economic development.

In 1850 only 13.6 per cent of Poland's population lived in towns and cities. By 1900 it had risen to 25 per cent.¹ (In Britain, 75 per cent of the population was urbanised at the turn of the century).² In the race to develop cities, Poland started late, suffered vast destruction during the war and was further held back by 45 years of socialist rule (Figure 1). Since 1989, it has constantly been playing catch up.

Although Poland's population has gradually become more urban, it will still be dramatically under-urbanised in 2030 compared to the rest of Europe. By this date, the Netherlands will be 88.6 per cent urban, Germany 80 per cent and France 82.9 per cent.³

Even in comparison to Eastern Europe as a whole, Poland is still lagging behind. Poland and the Czech Republic were comparable in terms of urban population in 1955, yet by 2015, 10 per cent more Czechs will be living in urban areas, three-quarters of the population. Bulgaria, Belarus, Hungary and the Ukraine will all have more than 70 per cent of their population living in cities by 2015, while only Hungary will be less urban than Poland (Table 1).

Figure 1: Per cent of population living in urban areas in Poland and the UK⁴



1. Korcelli P, "Urbanization and the urban system", in Degórski M (ed), *Natural and Human Environment of Poland: A geographical review*, Stanislaw Leszczycki Institute of Geography and Spatial Organization, 2006

2. Crafts N, *British Growth during the Industrial Revolution*, pp 57-62, Oxford University Press, 1985

3. World Urbanization Prospects: *The 2005 Revision*, United Nations Department of Economic and Social Affairs/Population Division, New York, 2005

4. Ibid

Table 1: Urban population levels in selected Eastern European Countries⁵

Per cent population at mid-year residing in urban areas, 1955-2015 (%)

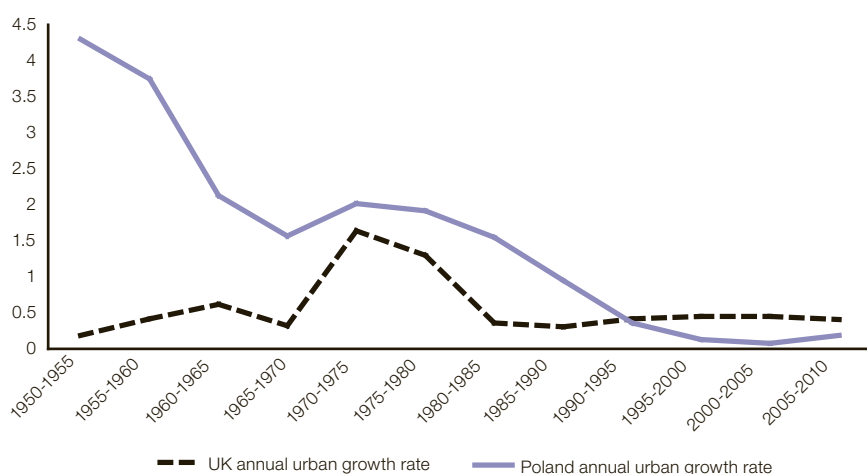
Country	1955	1965	1975	1985	1995	2005	2015	Change
Belarus	28.9	38.1	50.6	61.8	68	72.2	76.7	47.8
Bulgaria	32.2	45.8	57.6	64.6	67.8	70	72.8	40.6
Czech Republic	43.3	48.9	63.7	75.2	74.6	73.5	74	30.7
Hungary	54.4	58	62.2	65.1	65.2	66.3	70.3	15.9
Lithuania	34.1	44.5	55.7	65	67.3	66.6	66.8	32.7
Poland	43.2	50.1	55.3	59.9	61.5	62.1	64	20.8
Slovenia	23.8	32.5	42.4	49.6	50.6	51	53.3	29.5
Slovakia	31.7	37	46.3	54.2	56.5	56.2	58	26.3
Ukraine	41.4	50.6	58.4	64.7	67	67.8	70.2	28.8
Eastern Europe	43.9	52.5	60.4	66.3	68.2	68.4	69.4	25.5
Europe	53.4	59.7	65.6	69.3	71.2	72.2	73.9	20.5

The centrally planned economy, and city development strategy which accompanied it, meant that for over 40 years cities did not grow as they did in Western Europe, North America, Australia, or any other country that was trading in the global economy.⁶ Cities in socialist countries were planned from the centre. There was no consultation or sensitivity to local needs, and they were supposed to grow according to set targets tied to five-year economic plans

based on exploiting natural resources and industry. How big they were to be, how they were to grow and how people were to live in them had already been set in stone or, rather, concrete.

In 1945, Poland was half as urbanised as the UK. This was well below the ideal level for industrialisation and effective utilisation of the labour force. The first decade of socialism brought with it a sustained period of city building and shift from a rural to an

Figure 2: Per cent urban population growth in Poland and the UK, 1950 to 2035⁷



5. Weclawowicz G, "Poland", in van Kempen R, Vermeulen M and Baan A (eds), *Urban Issues and Urban policies in the new EU countries*, Ashgate Publishing, 2005

6. *World Urbanization Prospects: The 2005 Revision*, UN Dept of Economic and Social Affairs/Population Division, New York, 2005

7. *World Urbanization Prospects: The 2005 Revision*, United Nations, New York 2005

urban country. The population of its cities grew at over 4 per cent, a rate of change last seen in Britain in the Victorian era. By the time of transition to a market-based economy in 1989, city building and migration to the cities had slowed down dramatically (Figure 2). This was not because urbanisation had reached saturation point but because the cities that existed were of such a poor nature and structure that they found it remarkable difficult to grow even though it was much needed.

Jiří Musil, professor of sociology at Charles University in Prague, has highlighted four key effects socialism had on cities.⁸ First, it abolished private property and the land market, in Poland's case through the Decree of Communalisation in 1945. Complex pricing mechanisms were replaced with a uniform cost of land. Services, industry and people were distributed in a manner that in a market economy would be labelled economically perverse. Factories were located in central business districts, where retail would have been expected. Retail and business failed to group together as there were no economic advantages in doing so. Location in cities indicated nothing about the market value of land.

Secondly, all businesses were nationalised. Expansion of large enterprise ceased, entrepreneurs disappeared and the government consolidated smaller businesses, often forcing them to merge with larger ones. Big industrial complexes became the standard manufacturing unit, and these still exist in many Polish cities, testaments to the socialist past.

The third effect was the redistribution of all existing housing space and the fourth, the regulation and planned allocation of housing. People could no longer choose where they lived; communities splintered, causing social cohesion to decline.

In socialist rhetoric cities were the vehicle for delivering an equal and just society,

but in practice this meant above all that they were to be the means of promoting industrialisation. Resources were channelled to industry rather than to housing or infrastructure development. When urban populations boomed in the early 1950s, there were serious housing shortages to which the Government responded by building massive housing estates around the edge of the cities. These grim developments still provide much needed housing, but are inaccessible, poorly provided with basic amenities and very depressing.

Jane Jacobs suggested that Soviet cities depended on what she called “transactions of decline” for their survival.⁹ Whatever wealth was created by Soviet cities was siphoned off to subsidise other parts of the country. This stunted city growth and made rural and less developed areas dependent on cities. A vicious circle of dependency and economic marginalisation was initiated.

The incentive to invest in and maintain the city disappeared. This pattern was evident in Poland too and presented a huge problem to people, firms and government when the country entered the market economy. While the Polish cities are slowly reorganising to function effectively in the new conditions – specialising in services in the central districts, suburbanising, creating economies of scale – this is a slow process. Like matching all the sides on a Rubik cube – it is slow and equally difficult.

Background

Poland's cities are immature compared to those of its capitalist contemporaries. Professor Grzegorz Węclawowicz believes that they are held back by a lack of many of the expected elements of city living.¹⁰ “Urban places were merely additions to industrial plants and became subordinate to their requirements in organisational terms. For the ruling communist clique, cities were viewed as loci of political sup-

8. Musil J, “Changing urban systems in post-communist societies in Central Europe: Analysis and prediction”, *Urban Studies*, 1993, vol 30(6), pp 899-905

9. Jacobs J, *Cities and the Wealth of Nations: Principles of Economic Life*, p 218, Vintage Books, 1985

10. Professor Grzegorz Węclawowicz, *Institute of Geography and Spatial Organization*, Polish Academy of Science, Warsaw, interviewed 19 February 2007

port on the part of the working class, and of industrial production, but not of commercial activity or the exchange of information.”¹¹ So not only is Poland as a whole under-urbanised, but the cities that they do have are not cities as we understand them; they are to a large extent “fake”.

For example, under socialist rule unemployment officially did not exist anywhere in the country. Then in 1989, it suddenly emerged for the first time since before the Second World War. By 1994, unemployment was 16.4 per cent; by January 2006, it was 18 per cent. These figures are high but not surprising. Moving a workforce with skills concentrated on heavy industry into the new manufacturing and service-based European economy was always going to be incredibly difficult. Simply, there was not enough economic activity to absorb the surplus labour.

Unemployment has spurred the well-educated younger generation to seek their fortune in other EU countries. Just as Ireland suffered a brain drain in the 1980s, so Poland is now and this is taking a toll on its cities. Even Warsaw, far and away the wealthiest area, cannot compete: GDP per capita for Warsaw was €15,832 in 2001, compared to €40,986 for London.¹² When I spoke to people in Warsaw, the general consensus was that business growth – and therefore city change – was being hampered by a shortage of skilled labour.

It is not easy for Poles to move from rural areas to city centres. Wages may be higher, but a housing shortage has sent prices soaring relative to purchasing power, especially around cities like Warsaw and Krakow. Now that Poland is part of the EU free labour market the monetary rewards of moving to another country are far greater than relocating within Poland.

Polish city renewal

Before 1989 no one ever spoke about the need for renewal. Cities were simply

viewed as necessities for industry and little else. Then in a complete reversal, the State withdrew from city governance, leaving local government in charge, with massive repercussions for regeneration and city growth.

Local governments, which had existed more in name than practice, were brought back to life. The Spatial Development Act 1994 gave local authorities powers to draw up local development plans and target social ills such as unemployment, social exclusion, criminality, vandalism, homelessness and pollution. Importantly, local governments were also made responsible for housing provision, previously a central government responsibility.

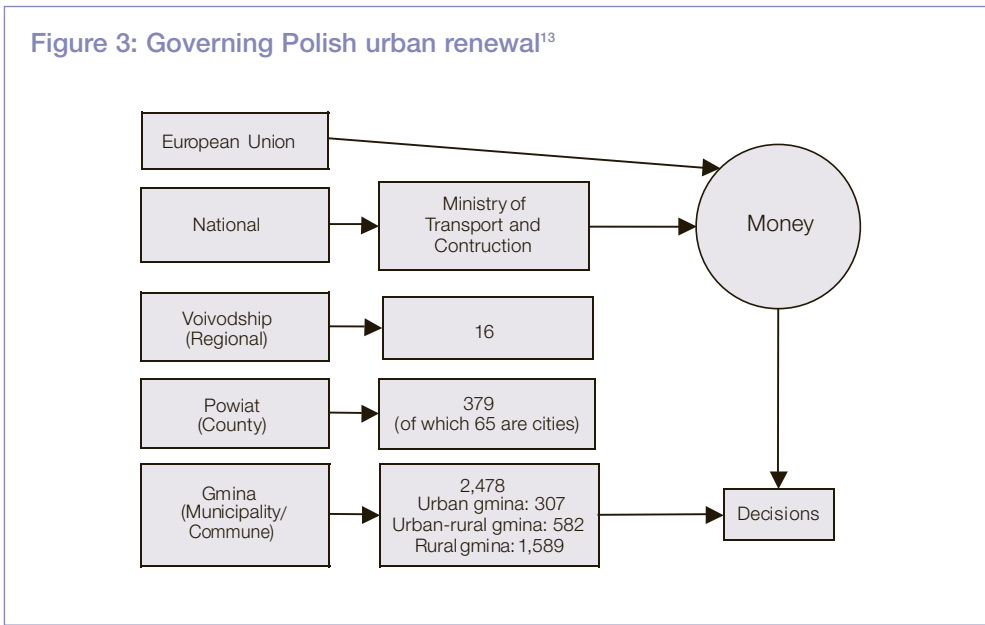
Having powers and knowing how to use them are two different things, however. After 45 years at the bottom of a highly centralised chain of command, local officials had to find out how to run a city and how to deal with previously unknown actors such as entrepreneurs from the private sector. Central government may have given local government a blank slate to change their areas, but the blank cheque did not follow. Their decision-making powers were not matched by financial powers, nor could they look to the centre for ideas for it, too, lacked expertise.

Figure 3 illustrates that governance was to be based on what is known in EU jargon as subsidiarity – the idea that central authority should have a subsidiary function, performing only those tasks that cannot be performed effectively at a more immediate or local level. Perhaps in a reaction to decades of central planning, all urban decisions were to be taken at the urban level, though funding was still to come from the national level, and supra-national levels such as the EU.

To fill the gap in knowledge and expertise, a number of professional organisations emerged, such as the Union of Metropolises (1990), the Union of Polish Towns (1990), and the Association of

11. Weclawowicz G, “Urban Issues in Poland”, in Degórski M (ed) *Natural and Human Environment of Poland: A geographical review*, Stanislaw Leszczycki Institute of Geography and Spatial Organization, 2006

12. *Urban Audit*, Regional Policy – Inforegio, 2007, see www.urbanaudit.org



Polish Cities (1991). These helped to spread the word about methods for attracting business, building infrastructure and assisting populations, and have grown in importance since EU accession in 2004.

The Spatial Planning and Spatial Management Act 2003 defined the scope and procedures of appropriation of land for specific uses, establishing the principles of development and regulating how conflicts between citizens, cities and the State should be resolved. Cities are recognised as the economic drivers of the country, the force for modernisation. They are also the tools for raking in EU structural funding – though critics complain that they are not doing their best to access the money that is available or changing quickly enough.¹⁴ Grzegorz Węcławowicz says that, despite the reorganisation of political and economic

life, “urban policy is still in disarray”.¹⁵

I looked for the truth of this in two cities, Warsaw and Łódź, which are very different (Table 2). The capital, Warsaw, is still the most successful city in Poland; it has the highest GDP and the highest percentage of the population. Łódź is a medium-size city of over three-quarters of a million people; its per capita GDP is only 42 per cent that of Warsaw.

ŁÓDŹ

Łódź (pronounced “woodge”) is situated on the wide plain of the central Polish lowland, where stock-herding and farming first began in Europe.¹⁶ The town started life as an agricultural and trading centre, and remained so until the end of the 18th

13. Główny urząd statystyczny, *Powierzchnia i ludność w przekroju terytorialnym w 2006 r.*, 2006, see www.stat.gov.pl/cps/rde/xbcr/gus/PUBL_powierzchnia_ludnosc_teryt_2006.pdf

14. Węcławowicz G, “Urban Issues in Poland”, p 191, in Degórski M (ed) *Natural and Human Environment of Poland: A geographical review*, Stanisław Leszczycki Institute of Geography and Spatial Organization, 2006

15. *Ibid*, p 185

16. Bogucki P, *The Neolithic Mosaic on the North European Plain*, 1989, see www.princeton.edu/~bogucki/mosaic.html

Table 2: Łódź and Warsaw Statistic

	2003	GDP (€ million)	National %	Population (thousand)	National %	GDP per capita (€)
Łódź		5,808	2.5	779	2	7,455
Warsaw		29,732	13	1,690	4.5	17,593

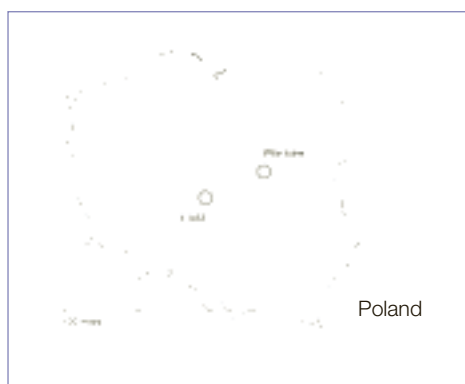


Figure 4: Łódź and Warsaw

century when it was liberated from Prussian control by Napoleon. Łódź was transformed in 1824 when the government chose it to be the centre of a new textile-based economy. The city was redesigned, and much like New York, it was constructed on a grid pattern to allow ease of movement for people and raw materials. This regimented layout survives to this day.

The population rose by over 600 per cent in less than 25 years, from 49,500 to 314,000 people.¹⁷ It was even branded the “Polish Manchester” in its heyday. Housing sprang up around factories and transport nodes. Those four and five-storey tenement blocks built round a central courtyard still account for the majority of housing in the centre of the city.

Unlike Warsaw, Łódź sustained only modest damage during the Nazi Occupation and the Second World War, so the pre-1900 factories and tenements in the centre, together with a surrounding ring of large post-1960s housing estates, are the terrain for renewal today. “The most obvious impact of communism upon the Łódź central area was the sheer scale of the neglect of the urban fabric,” wrote Ray Riley, of the University of Portsmouth, in 1997. “At the end of the command economy in 1989 the central area still bore the heavy imprint of the earlier political period.”¹⁸

Łódź is in the centre of the voivodship (or region) of Łódź, an area of 135 sq km

with a population of 2.5 million, of whom 65 per cent live in the 42 cities in the area.¹⁹ Łódź is by far the largest of these, although it is losing population – down from 786,000 in 2001 to 768,000 in 2006; representing 30 per cent of the voivodship.²⁰ This is a little larger than Leeds, which had 719,000 residents in 2004; and representing 36 per cent of West Yorkshire’s population.

Twenty-one per cent of Łódź’s population lives in social housing,²¹ compared to 18 per cent in the UK, and 24 per cent in Leeds. Unemployment is about 22 per cent; compare this to Tower Hamlets, the worst performing area in the UK in 2006, which had a 14 per cent unemployment rate, and the need for economic growth is obvious. GDP per head is £4,994. The city’s population has a tertiary education level of 13 per cent; compared to Newcastle which has 15.5 per cent and Leeds with 19 per cent for example.²² Its university is one of the top three in Poland. Up to 42,000 students are enrolled there at any one time, injecting the city with a youthful edge.

Renewal in Łódź

With sustained local government activity following 1989, Łódź is transforming itself from an area of acute deindustrialisation to one with prospects. It has done this by concentrating manufacturing and retail growth, rescuing its industrial heritage and creating a new image for itself. It wants to be seen as, first, a gateway for manufacturing into the new Europe and beyond and, secondly, as the retail centre of the new Poland. Some of these aims have been realised in the area known as Manufaktura (Box 1).

Radical change was urgently needed, says Professor Tadeusz Markowski, President of the Polish Town Planners’ Association and Chair of the Department of City and Regional Management at the University of Łódź.²³ For over four decades,

17. Ibid

18. Ibid, p 456

19. *Łódź: Economic Guide*, Entrepreneurship & Jobs Development Office, City of Łódź, 2006

20. *Łódź, Urban Audit*, see www.urbanaudit.org/CityProfiles.aspx

21. Ibid

22. *Neighbourhood Statistics*, Office of National Statistics, London, 2005, see <http://neighbourhood.statistics.gov.uk/dissemination/LeadHome.do?bhcp=1>

23. Professor Tadeusz Markowski, President of the Polish Town Planners’ Association and Chair of the Department of City and Regional Management at the University of Łódź, interviewed 20 February 2007

Łódź's economy was entirely devoted to supplying textiles to the Soviet Union. After 1989 this fixed and stable demand vanished. Recognising that it had a comparative advantage in the textile and clothing sector, it set about restructuring its skills to a new market. Private textile enterprises have grown rapidly and developed links to the West rather than the East. South East Asia does challenge the sustainability of this sector but the importance of speed of production and delivery in the fashion industry should not be underestimated. Professor Markowski estimates that between 1993 and 1997 the private clothing sector directly and indirectly generated more than 1,000 jobs; in 2005, the textile industry employed 10,346 people.²⁴

Yet, while employment has grown, improvements in housing and infrastructure have lagged behind. Poor living standards are a consequence of the command economy that dictated how the city worked for over 40 years. "All Polish cities except Warsaw, have neglected the condition of their city centres," admits Professor Markowski. "This is very much linked to the process of socialist city building and the lack of a land market. In Łódź, the local government still owns between 60 and 70 per cent of the land in the city, and this means change is very, very slow."²⁵ (This is probably not only a question of land own-

ership. As we will see in Hong Kong the Government owns all the land.)

As soon as the economy was restructured, large swathes of the city were left marked with derelict buildings, but of great architectural interest (Plate 1). Tourism and leisure activities are increasing, and vitally, manufacturing and logistic operations have entered the city.

Manufacturing growth was achieved to a large extent thanks to the special economic zone (SEZ) established in 1995. At the end of 2005, special zones had been established in more than 130 towns.²⁶ They offer new foreign businesses exemption from property tax for five years and complete freedom from income tax. By 2005 Łódź's SEZ had attracted 130 new businesses including Bosch-Siemens.²⁷ In October 2007 five new firms gained permits, investing over €95 million and employing 725 people.²⁸ In general terms, it is one of the more successful SEZs in Poland, with total investment amounting to €400 million on a site of 900 ha.²⁹

This has helped to relieve unemployment, which fell from 19.6 per cent in January 2004 to 16.8 per cent in June 2005.³⁰ Although this figure is still high, it is below the national average of 17.7 per cent.³¹ However, the EU has ruled that SEZs are anti-competitive because of the tax breaks that they offer in what should be

Plate 1: Łódź factories and built environment



24. Łódź: *Economic Guide*, Entrepreneurship & Jobs Development Office, City of Łódź, 2006

25. Professor Tadeusz Markowski, Dean, Faculty of Management, University of Łódź, interviewed 20 February 2007

26. Domański B, "Manufacturing, mining and energy supply", p 238, in Degorski M (ed), *Natural and Human Environment of Poland: A geographical review*, Stanisław Leszczycki Institute of Geography and Spatial Organization, 2006

27. Ibid

28. "More investment permits in the Lodz SEZ", Polish Information and Foreign Investment Agency, Warsaw 18 October 2007, see www.paiz.gov.pl/nawosci/?id_news=1605&lang_id=1

29. "100 investors in Łódź SEZ", *The Warsaw Voice*, 26 September 2007

30. Łódź: *Economic Guide*, Entrepreneurship & Jobs Development Office, City of Łódź, 2006

31. *Poland: OECD Economic Outlook 82 – Preliminary Edition*, Organisation for Economic Co-operation and Development, Paris 2006, see www.oecd.org/dataoecd/6/32/20213254.pdf

Box 1: Manufaktura

Izrael Poznanski's textiles factories once dominated the West side of the city. Between 1872 and 1892 it was said that over 80,000 spindles were operational across 12 different sites.³² As in Bourneville in the Midlands or Port Sunlight on Merseyside, good housing was provided close to the production areas, accommodating 4,000 employees. This district was called Manufaktura, and colloquially known as "the city within the city". At the turn of the nineteenth century it was the economic heart of Łódź.

The communist government nationalised the factories and renamed the company Poltex. In 1997 it was closed, having lost its main customer, the Soviet Union and unable to compete efficiently on the open market. But now Manufaktura is on the rise once again. As you enter Łódź a billboard running alongside the road reads: "Manufaktura Drives Łódź". On another it proclaims: "Manufaktura: Brave Face of the New Łódź".

In 2000, three years after the last textiles were produced it was bought by the French property developers Apsys, who turned it into Poland's largest shopping centre. It was the most ambitious regeneration project since the rebuilding of Warsaw's old city in the 1950s. This is renewal though culture and consumption. As in the Zollverein in the Ruhr Area of Germany, many of the unique architectural structures that were the zenith of functional design a hundred years ago have been preserved and adapted: Manufaktura's old turbine hall now the home of the city's first super night club.

Plate 2: Manufaktura



a unified market. All existing exemptions from taxation must be removed by 2017 and no new zones may be started.

Interestingly, the companies that invested in the Łódź SEZ are starting to take on new functions. They are moving beyond simple manufacturing and investing in research and development. For example, Philips is building its new European headquarters there.³³ Perhaps to encourage others to follow, the city wants to develop a science park. So far wages and salaries in Łódź have remained well below those of

other Polish cities, such as Krakow or Warsaw.³⁴

Łódź is well placed in the heart of Poland to trade with an expanded EU. For this reason the redevelopment of Fabrycka station has been given a high priority. Apart from infrastructure, housing is the biggest obstacle to change. The whole city is circled by large, modernist public estates which are isolated from places of work. This stock has been neglected and now offers a poor quality of life. The scale of physical neglect is massive, after years of

32. *Łódź in your pocket*, Your Pocket Guides, 2006, see www.inyourpocket.com/poland/city/lodz.html

33. "Philips' Lodz HQ", *The Warsaw Voice*, Warsaw, 4 August 2004, see www.warsawvoice.pl/view/6185/

34. *Ibid*

under-investment in housing. In the next ten years, 300,000 new houses will be needed in Łódź. Given that in 2001 Łódź had 331,668 dwellings, this is equal to a near doubling of the housing stock.³⁵

However, much of the housing stock in the centre, especially along Piotrkowska Street in the old Jewish quarter, has a very complicated legal status. It was, confiscated from the Jewish population during the war and the legal title of 30 to 40 per cent of this housing is unclear. But to deal with claims is a laborious process and compulsory purchase orders are slow and very sensitive given the city's turbulent history of property confiscation, first by the Nazis and then by the State.

Perhaps the biggest problem for renewal in Łódź is lack of know-how. Although Łódź has taken significant steps forward, this wasn't really thanks to the local administration. "What policies are done, are done in a haphazard way," comments Professor Markowski. "We do not know how it should be organised; everyday there seems to be a new answer. New and novel ideas are definitely needed, but there is something to be said for a consistent approach. I think this has to start with the formulation of a national policy stance. Strong decentralisation has really encouraged the development of a self-government system, but it is still not a complete market economy...You must not underestimate how strong the state sector still is."

Without the impetus and incentives that the European Union offered, many of the people that I spoke to felt that change would have been much slower. In a system traditionally based on hierarchies, devolving responsibility seems to have sent local government into a spin. "Cities are all racing towards a line, but without the ideas to get there," said Professor Markowski.

After Poland joined the EU it became clear that its cities could access a lot of new

funding if they submitted suitable plans. Łódź submitted its first city plan in December 2005: the work of 43 people over 18 months. For the first time it saw the city as a whole, recognising that renewal depended on the built, social, and economic environment, as well as the local infrastructure.

There still exists a post-Soviet suspicion that private enterprise in public matters is *de facto* corrupt, an attitude that has limited co-operation through public-private partnerships. Indeed partnerships in general are viewed with suspicion. This distrust and stasis is not confined to Łódź, of course. In the words of Dr Maciej Turata, of the University of Łódź: "Poland is paralysed by its constant need to get permission and to look to be told what to do by those above them."³⁶

Warsaw

Outside Warsaw's central station stands the tallest building in Poland – the Joseph Stalin Palace of Culture and Science. A gift of the Soviet Union in 1955, it dominates the skyline. This monument to socialist endeavour is now flanked on either side by consumer heaven – the Złota Centrum Complex and the Marszałkowska Galeria Centrum where mass-market brands like Marks & Spencer and H&M tempt the shoppers. Whether this is playful coincidence or the rebuttal of the old by the new is not clear, what is critical is how the city manages to advance the market economy and leave behind the rigidities of central control.

Warsaw and its surrounding area generate 12.5 per cent of national GDP, attract a quarter of all foreign direct investment (FDI), and account for 80 per cent of the country's new office space. Between 1991 and 2000 FDI increased from €11.75 million to €5.75 billion, a rise of over 7,000 per cent. Over 20 per cent of the population

35. See appendix A

36. Dr Maciej Turata, Department of City and Regional management, University of Łódź, interviewed on 20 February 2007

have a university degree.³⁷ Although Krakow challenges it on cultural grounds and Poznan economically, Warsaw is undeniably the most important city in Poland and has the highest GDP per capita (Table 2).

Yet only 4.4 per cent of the population live in the capital: 1.6 million in the city centre and more than 2.6 million in the wider Warsaw area. The historic centre of the old city, destroyed during the war, was famously reconstructed in the 1950s and officially recognised as a World Heritage Site by Unesco in 1980. It is now undergoing gentrification and rents there have been rising rapidly. The new middle class is moving to in the growing suburban belt and areas such as Konstancin, known as the Polish Beverly Hills, are especially popular.

But the housing shortage and rising inflation mean that many of Warsaw's citizens still depend on social housing, much of it in urgent need of regeneration. Forced segregation under the Nazis, and tight controls on population movements under communism imposed rigid and unnatural systems of social interaction on to all cities in Poland. In Warsaw this is especially true of the doughnut ring of estate developments that circle the city centre, and which were built to house population growth as the city recovered during the Fifties and Sixties. This is where the majority of social housing is concentrated; and where 36 per cent of the city's population lives. The Wrzeciono estate in Warsaw is a good example of the revitalisation issues that these large urban estates pose for Polish cities (Box 2).

Renewal of social housing has been held back by a resistance to engage with the private sector. The experience with public-private partnerships (PPPs) is a good example of this tendency, says Grzegorz Buczek, an architect and Secretary of the Main Committee for Planning and Architecture in Warsaw.³⁸

PPPs were introduced in the mid-1990s to spearhead market-led change in the city.

They proved a useful legal and financial tool for transferring freeholds and public properties from State to private ownership, an enormous task. From 1995 to 2002, PPPs produced solid results for urban areas, empowering the private sector and encouraging the public sector to take an interest in city change. However, the initial gains were lost as the Government began to regulate how the private and public sectors could interact, culminating in the rigid structures laid down in the Public-Private Partnerships Act 2005.

Over-regulation has dissuaded private companies from co-operating with local government, and has also increased the public sector's distrust of "profit" in public works. As a result long-term privately financed infrastructure projects, so important to the future success of Warsaw, are effectively outlawed. The Public Finance Act limits the total indebtedness of local government to not more than 60 per cent of its income in that financial year and all long-term commitments are included in the total indebtedness category. This makes it almost impossible for local government to take on long-term projects. Further, for the purposes of tax, PPPs are viewed as service agreements and therefore subject to VAT at 22 per cent – another disincentive to development.

Plate 3: Old tenement housing, Warsaw



37. Weclawowicz G, "The Warsaw Metropolitan Area on the eve of Poland's integration into the European Union" pp 223-247, in Hamilton I, Andrews K, & Pichler-Milanovi N, *Transformation of Cities in Central and Eastern Europe: Towards Globalization*, United Nations University Press, 2005

38. Grzegorz Buczek, Main Committee for Planning and Architecture, interviewed 02 February 2007

Box 2: Wrzeciono

Located near the Vistula, the river that bisects the capital, in the north-western part of the city, Wrzeciono was constructed in the 1960s and 1970s. Its multi-storey buildings are of very low standard, but in the 1990s modern, better quality housing was added.

Grzegorz Węclawowicz, of the Polish Academy of Sciences, who has carried out research on the estate, says that the original Wrzeciono community consisted of blue-collar workers working in the adjacent steelworks. “Inhabitants were fairly homogenous and lived in dwellings of comparable standards, sharing similar styles of life”.³⁹ By 1989, after years of low productivity and isolation from external markets, the heavy industry sector was in decline. Many workers in the steelworks lost their jobs and unemployment on the estate was high. Even now 38 per cent of residents are on welfare – and not only the older generation. Opportunities and aspirations are low; crime and drug addiction are rife.

As well as unemployment, residents suffer from social isolation – only 9.5 per cent participate in a sports club, cultural association or other social activity.⁴⁰ Cut off from both the labour market and from society at large, the estate has become an island of deprivation.

Housing co-operatives and district authorities are the most powerful actors in area change, and they have focused on renovating the existing housing stock, taking advantage of grants for insulating buildings and a 20 per cent renovation tax allowance. In Wrzeciono, policy efforts have concentrated on the privatisation of social housing stock and improving living environments.

But physical changes in housing standards do not automatically confer a social dividend; unemployment, drug addiction and crime have not disappeared. Local government has tried to identify the most vulnerable people and provide them with community support. At the same time policing on the estate has been stepped up and, most importantly, a concerted drive made to get people into work. There are labour clubs that help residents with the contacts necessary to get a job and some short-term job creation schemes have been organised by government agencies.

Although the estate is now far better maintained than it was, Węclawowicz’s survey found that 73 per cent of the respondents from the area were unaware of the policies that had been put in place; 92 per cent still thought unemployment was the major problem on the estate; and only 3.5 per cent of the people said the situation had improved.⁴¹

Yet the market economy may be providing the answer. Gentrification is slowly penetrating Wrzeciono; better-off newcomers are buying the newer properties dotted around the older stock, bringing hope of improvement but also possibly the seeds of future trouble.⁴²

Grzegorz Węclawowicz believes that “local government is just afraid to get involved with the private sector”. The situation is worrying because, since 1994, municipal government has been required to develop a planning strategy, which includes a local physical development strategy (LPDS) concentrating on renewal, and oversee its implementation. As part of this, it has had to come up with its own planning system and regulations.

The planning strategies are a long-term commitment and therefore difficult to

finance because of the budgetary rules. Although 95 per cent of cities have developed one, in practice local governments have often had to fall back on more piecemeal approaches to city change. The fact that property tax is calculated on long time lags compounds the problem, especially when they make up 14 per cent of the municipal budget: if development brings rising values, local government will see no financial benefit until five years down the line when the value of the land is recalibrated. This is often beyond the time horizons of local politicians.

39. Ibid, p 16

40. Ibid

41. Węclawowicz G, Guszczka A, Kozłowski S, Bielewska A, Adamiak A, Krasowska M, Fader A, & Bierzyński A, *Large Housing Estates in Warsaw, Poland: Opinions of residents on recent developments*, RESTATE report 4f, p 58, Utrecht 2005

42. Hills J, *Ends and Means: The Future Role of Social Housing*, CASE report 34, London 2007

Public participation in renewal provides a further disincentive. After so many years of silence, people are eager to join in consultation exercises. But Ewa Korcelli-Olejniczak, of the Polish Academy of Sciences, suggests that giving equal privilege to all voices is wrong.⁴³ In cases it has produced documents without expert analysis and without a “main-idea” on how to change the city. It also drags out the process, in some cases to over three years and cultivates an anti-development outlook. As a result LPDSs are implemented on average between three and four years after they were drafted, longer in bigger cities, by which time they are often out of date.

“Urban policy is an incomplete puzzle without an idea of either what the picture on the box is or where the pieces are,” says Grzegorz Buczek. This is, he thinks, a direct result of subsidiarity having gone too far. Because national government has not set a framework for urban policy, local government has either avoided undertaking policy or gone about it in a piecemeal, almost random way. Only the Ministry of Construction, which was made responsible for developing a national urban policy in August 2006, issues orders from the centre, so questions of bricks and mortar tend to dominate planning. Buczek comments: “Bricks will sort themselves out if the economy is doing well.”

Subsidiarity has had a dramatic effect in post-socialist Poland. Devolving power is all well and good, but unless the skills and willingness to use them exist at local level to undertake development, the opportunity for change is limited.⁴⁴ So far a lack of understanding or experience of local development has led to failure of delivery. The lack of co-ordination is so profound that it is not unknown to have a situation where an estate of more than 120,000 people could have five schools but no public health facilities, such as in

Kabaty, a neighbourhood in the south of Warsaw.

As long as “subsidiarity is national government’s urban policy, change will be slow,” says Buczek. “There is a need for a small revolution.” And as long as local government is effectively discouraged from developing Warsaw and national government loath to intervene directly, the city will only change slowly.

The future of Polish cities

The First Congress of Polish Cities organised by the Association of Polish Cities in 2003 identified four areas that must be addressed if cities in Poland are to renew themselves. First, regeneration will only improve if income flows to local authorities are liberalised. Secondly, the state financing system should be decentralised so that local taxes and subsidies benefit the local area. Thirdly, a comprehensive revitalisation policy has to be established by local government. Finally, new legislation should be designed to encourage public-private partnerships, regional development and spatial planning.

If these four points are realistically addressed then Polish cities have the potential to thrive; without them the window of opportunity afforded by membership of the EU could be lost. The country is already suffering from a brain drain, losing the young to those countries and cities which offer better opportunities and wages. If this generation is permanently lost, development in Poland could be crippled. On the other hand, designing and putting into practice proper development is a way to attract them back.

Criticism should be tempered, however, given the size of the task in 1989 and the lack of experience in undertaking development. As Professor Markowski says: “Eighteen years after the end of Soviet rule it is easy to change the physical structure of the cities, but not the mindsets of the peo-

43. Dr Ewa Korcelli-Olejniczak, Centre for European Studies, Polish Academy of Sciences, interviewed 19 February 2007

44. Prud’homme R. “The dangers of decentralization”, *World Bank Research Observer*, vol 10, pp 201-20, 1995

45. Markowski T, "Major tendencies and structural problems of major Polish cities in the new economic context", *D/SP*, 103, p 5, 1997

ple who run them. It is difficult for local authorities to recognise and accept the simple fact that they will be one of many

investors in the city, not even the most important one, and that encouraging private investment is their principal task."⁴⁵

5

Making Money or Preserving Memories? Urban Regeneration Lessons from Hong Kong

On any Saturday, Fa Yuen Street in Hong Kong is a seething mass of addicts all searching for the same fix: sports shoes. Colloquially known as Sneaker Street, it is dedicated to the fine art of the trainer. Towering displays of shoes line each side of the street threatening to engulf the pedestrian. The area, called Mong Kok (meaning flourishing or busy corner), is one of the most densely populated places in the world, a jumble of traditional shops and markets, commercial and residential space.

This traditional Hong Kong is a world away from the clone-town model of retail found in Western shopping centres. But you must visit Sneaker Street soon if you want to enjoy the old: it is one of several hundred projects designated for complete urban renewal. Its probable future can be viewed only a couple of minutes walk away, in Langham Place, a 120,000 sq ft, 59-storey shopping mall, hotel and office complex that typifies the changing face of Hong Kong.

Langham Place was opened in 2004, a joint redevelopment by the Urban Renewal Authority (URA) and a property company, Great Eagle Holdings that replaced four city blocks and cost HK\$11 billion or approximately £1 billion.¹ It is now a commercial and tourism centre and has dramatically changed the character of

Mong Kok. Visitor numbers, the economic value of the area and its image have all been raised. But many local residents and conservationists have not welcomed the change. The delightful Bridal Gown and Bird Streets disappeared under the rubble; ground rents have gone up, forcing out small independent retailers, who have been replaced by large chains. Chaotic vibrancy has been replaced by well-organised malls.

“Many lament the loss of character in Mong Kok as it undergoes renewal,” wrote a journalist investigating the area in 2007. “Twenty years ago, there was a variety of small businesses such as tailors and herbal tea shops...but many have been replaced by chain stores. There’s not much left of old Mong Kok.”² Many felt that their memories and communities were lost in the quest to renew the area. And they were not consulted.

There are good reasons for renewing the district. The shops on Sneaker Street may be prospering, but the residential units above them are inferior structures, offering below average living conditions. Traders and residents are therefore at odds over the plans to bulldoze the area. Traders would much prefer a more modest project of rehabilitation that would improve the social and economic environment without displacing their businesses. Residents want

1. *Moving Forward with Urban Renewal*, Urban Renewal Authority, Hong Kong, 2006

2. Moy P, “Out of Character”, *South China Morning Post*, Life Section (C5), 22 March 2007



Figure 1: Hong Kong³

the URA to buy their properties as soon as possible, as they can get up to three times their market value in compensation if they own the property.

Urban environment

Even a cursory glance at a map of Hong Kong shows that it is a unique city. Made up of over 260 islands on the Pearl River delta, connected by the Mass Transit Railway (MTR) and Kowloon Canton Railway (KTR) and stretching to Kowloon and the New Territories, this is archipelago urbanism.

Hong Kong covers 1,000 sq km, yet only 170 sq km are actually built on.⁴ This is a staggering figure given that close to 7 million people live on 17 per cent of the land.⁵ In density terms, there are 357 people per ha. In the five boroughs of New York, there are 39 people per ha, 258 people per ha in Manhattan.⁶ Efficient public transport has been essential to mobility, while lack of space has prevented the segregation of population to the degree that occurs in American, European or even other Asian

cities. The only affluent enclave that stands out is the colonial residencies of the Peak.

From the top of the Peak, the dragons' backs of the city's skyline (as the architect Rem Koolhaas once described it) immediately signal that this is a global powerhouse, a commercially orientated, efficient and cost-effective city. But these mega-structures that dominate your field of vision are surrounded by old and dense residential, commercial and public spaces which thrive on the markets and the hawkers that line them. More than in Manhattan or the City of London, the two worlds of the skyscraper and the old city sit tight together.

This interaction between the political economy of the city and the form of the city was brought up repeatedly by the people I spoke to. The political structure of Hong Kong is relatively simple (Figure 2). According to the Basic Law initiated in 1997 with the transfer of sovereignty from Britain to China under the "one state, two systems" agreement, Hong Kong controls its own internal domestic policies, including health, migration, education, crime

3. Outline Zoning Plans, Planning Department, The Government of Hong Kong Special Administrative Region, Hong Kong, 2008

4. Cookson Smith P, *The Urban Design of Impermanence: Streets, Places and Spaces in Hong Kong*, MCCM Creations, 2006

5. *Ibid*, p 79

6. *New York – County, Population, Housing Units, Area, and Density: 2000*, US Census Bureau, Washington DC, 2000

and macroeconomic conditions. China controls foreign policy and defence. It also wields great influence over the appointment of the Chief Executive.

Despite its small size Hong Kong is not a unitary state. It is composed of 18 urban area district boards, comparable to the Greater London boroughs. Unlike the Chief Executive and his Government, members of the boards are elected, but have only limited powers. In the words of Adrienne La Grange, Professor of Housing at the City University of Hong Kong, they are “effectively powerless in terms of renewal”, except for their nuisance value in developments.⁷

There are four other factors critical to an understanding of how the city works. First, Hong Kong, like many other ports, has traditionally been an extremely open city, a transitory place rather than one of prolonged settlement. Mass home ownership is a relatively recent phenomenon; between 1982 and 1997 ownership of private housing increased from 56 per cent to 72 per cent.⁸ People began to see the city as a home rather than simply as a market place.

This shift coincided with the 1989 financial deregulation in Japan. Japanese capital flooded into the immature Hong Kong debt market looking for returns and found it in property: real estate prices increased eightfold between 1984 and

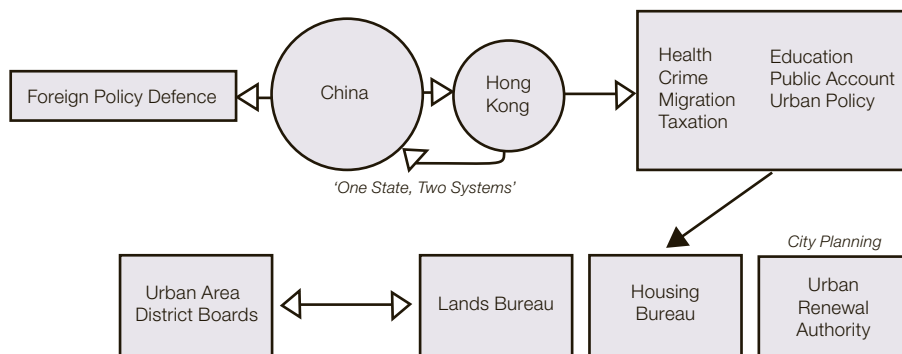


Plate 1: Hong Kong Skyscrapers

1997 (figure 5).⁹ This was a crucial period of city building and much of the modern cityscape was fashioned during this time of hyper-investment.

Secondly, Hong Kong’s people have a culture of respecting authority and accepting decisions. This has meant that city planning decisions have not normally met with too great a degree of resistance. Just as the population shuns conflict, government avoids intervention, especially in how the city works and grows. This leads to the third point, that when it comes to urban development, government generally follows the course of least resistance and greatest profit. In Hong Kong, the new and modern is seen as good, while the traditional is seen as backward. To own a “sec-

Figure 2: Hong Kong’s Political Structure



7. Dr Adrienne La Grange, Department of Public and Social Administration, City University, Hong Kong, interviewed on 21 March 2007

8. La Grange A and Pretorius F, “Shifts along the decommmodification-commodification continuum: Housing delivery and state accumulation in Hong Kong”, *Urban Studies*, vol 42(13), pp 2471-2488, 2005

9. Jessop B and Sum N-L, “An Entrepreneurial City in Action: Hong Kong’s Emerging Strategies in and for (Inter) Urban Competition”, p. 2301, *Urban Studies*, vol 37(12), pp 2287-2313, 2000

ond-hand” apartment, for example, is considered inferior; being “modern” reflects the right image to an international audience. This mentality lies at the heart of Hong Kong’s recent growth.

The Land

The Hong Kong Government sees itself as being a revenue generator rather than a revenue distributor.¹⁰ By the standards of developed nations, it is a minimalist government with comparatively low overheads, low outlays and levels of public debt. Government spending is only 17 per cent of GDP, well below half that of the UK.¹¹ Hong Kong has one of the freest economies and one of the lowest rates of personal and business taxation in the world. In a 2006 survey it was ranked first in terms of government efficiency. Of course, it is no more immune to outside events than anywhere else and during the Asian financial crisis of 1998, the Government had to intervene to defend the currency; interest rates peaked at 16 per cent.¹²

Under the “one country, two systems” agreement, state land was transferred from the British to the Special Administrative Region (SAR). State land makes up over 99 per cent of the total land stock of the country and it is the Government that sells leases for development on the land, normally for a period of 99 years.

Annual land lease and development sales account for on average between 25 and 35 per cent of the Government’s budget (Figure 3). The importance of this revenue stream is very clear: in 2004 alone, land sales receipts came to HK\$21 billion – a pot that is vital if public borrowing and personal taxation are to be kept to a minimum. The city also has to bear in mind that it pays 95 per cent of healthcare costs and that its population is ageing (Figure 4). This is the result of increased longevity, later childbirth and strict controls on unskilled immigrants from the mainland.

As with personal and commercial taxation, net receipts from land sales tend to conform to general market trends, an area over which the Government has minimal control. During the Asian economic crisis between 1998 and 2000, ground rents fell and many marginal office and residential developments lay empty. But during a buoyant market encourages the Government to sell leases to take advantage of high prices driven by high demand for business and residential premises (Figure 5).

Land reclamation is a further option, although a very expensive one, and has allowed the Government not only to increase the supply of land to a restricted market, but also to bolster the public accounts as well. For example, when Hong Kong needed a new airport to replace Kai Tak, it set about a four-year, HK\$160 bil-

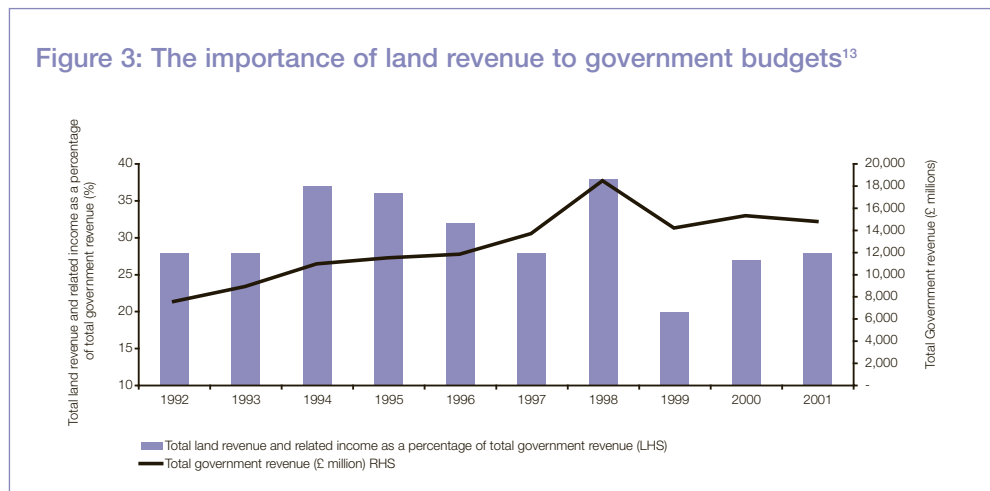
10. La Grange A and Pretorius F, “Shifts along the decommodification-commodification continuum: Housing delivery and state accumulation in Hong Kong”, *Urban Studies*, vol 42(13), pp 2471-2488, 2005

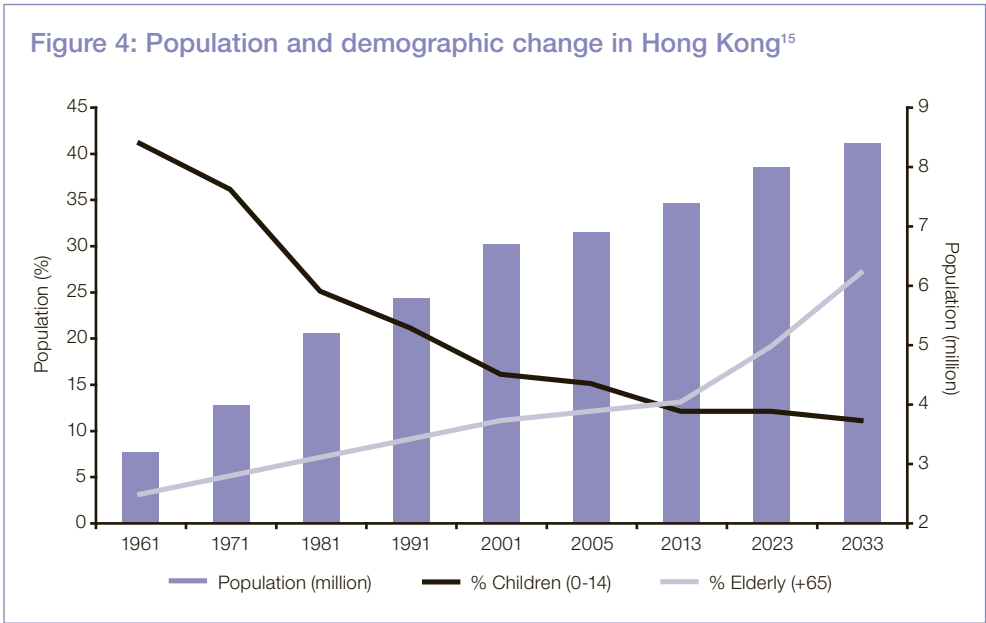
11. Leigh L, “Hong Kong Special Administrative Region: Macroeconomic Impact of an Aging Population in a Highly Open Economy”, *IMF Working Paper*, WP/06/87, 2006, see www.imf.org/external/pubs/ft/wp/2006/wp0687.pdf

12. *Effects of the Asian Crisis on Hong Kong*, Institute of Global Conflict and Co-operation, University of California, 2002, see http://igcc.ucsd.edu/pdf/afc/afc_hongkong.pdf

13. Smart A and Lee J, “Financialization and the role of real estate in Hong Kong’s regime of accumulation”, *Economic Geography*, vol 79(2), pp 153-171, 2003

Figure 3: The importance of land revenue to government budgets¹³





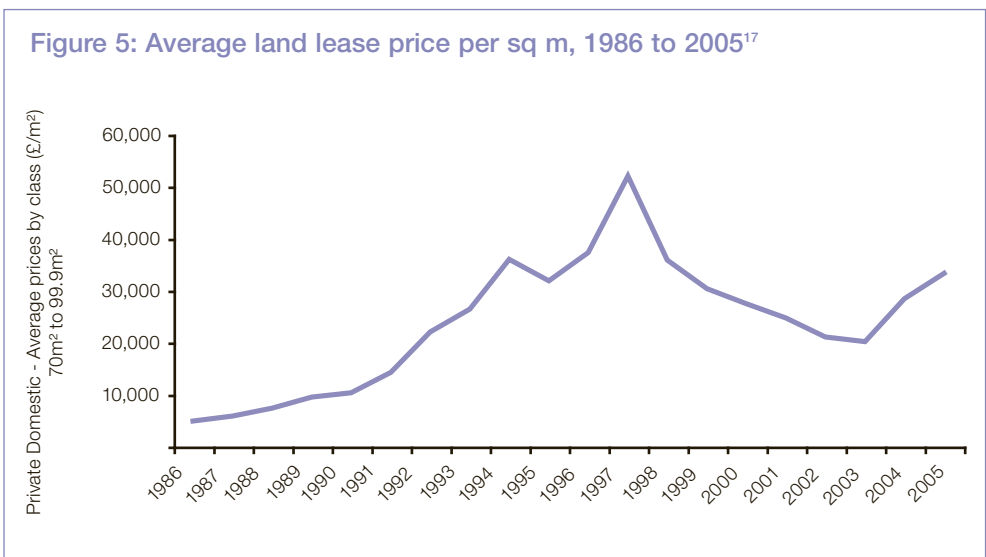
lion project (£10.5 billion) reclaiming the strait between the islands of Chek Lap Kok and Lam Chau on which to build Hong Kong International Airport.¹⁴ However, since 2005, a moratorium on reclamation has been in place to prevent the silting up of the shipping lanes into the harbour.

Professor La Grange believes that the State has become such a savvy land developer because it is profoundly in its interests to be so. “But,” she adds, “this leads to a massive conflict of interest between the needs of the people of Hong Kong and the wants of the Government.”

The Urban Renewal Authority

The fact that land sales are a vital part of the public purse has far-reaching consequences for urban renewal and planning. Renewal is a matter of financing the city rather than reviving failing areas, as it tends to be in other countries. Getting new developments in attracts capital and contributes to the public account.

“Renewal in Hong Kong is not a case of solving dilapidation and no-go areas like in the UK, it never was because they really didn’t exist,” Peter Cookson Smith explains.¹⁶ An honorary professor in the



14. *Hong Kong International Airport*, SPG Media PLC, London 2008, see www.airport-technology.com/projects/c-heklapkok_new/

15. Council for Sustainable Development, *Enhancing Population Potential for a Sustainable Future*, p 43, 2006

16. Dr Peter Cookson, Honorary Professor, Department of Architecture at Hong Kong University and Director, Urbis, interviewed 20 March 2007

17. *Private Domestic – 1982-2006 Average Prices by Class, Rating and Valuation* Department, Hong Kong, 2007, see www.rvd.gov.hk/en/publications/pro-review.htm

Department of Architecture at Hong Kong University and director of an urban design company, he is a respected commentator on architectural, planning and urban renewal matters in Hong Kong.

Urban regeneration in Hong Kong has concentrated on developing easy-access, high-profit sites and not on stimulating or rebuilding the urban areas that exhibit the greatest need. Historically, this is very much the product of a scarce land market and a vibrant economy. It fits with the laissez-faire attitude of the State, Cookson Smith says, “that for the Government regeneration is a case of what not to do, rather than what to do”. Regeneration has had to pay for itself, as Hong Kong itself had to while it was a colony, and in turn it has filled the State’s coffers through land lease sales.

From a public policy perspective the only concerns were that the city was allowed enough space to grow and change, so that it could support changing trade composition and patterns. “The city was a chessboard of opportunities both for the Government and private developers. How it changed was all a matter of strategy, and renewal was a key pawn in the game”.¹⁸

In the early 1970s, the Government had introduced a few pilot schemes to improve slum areas in Hong Kong, with minimal impact. Its main concern was to build new urban developments away from the centre of Hong Kong, now known as the New Territories, to house the rapidly increasing population. Influenced both by theory and experience of New Town developments in England during the Fifties and Sixties, ten new urban centres were designed around rail transport hubs for easy travel to the city centre, and gradually built over fifty years. They consisted of between 60 and 70 per cent social housing and were large enough to accommodate half of Hong Kong’s population growth needs for the next decade.

Changes to building regulations in 1956 and 1962 allowed for higher and denser developments with lower building quality.

These were short-term measures to allow supply to keep pace with demand, particularly for residential developments. At the same time a water shortage meant that supplies of freshwater could not keep pace with construction needs. Sea-water replaced freshwater in concrete mixes, greatly speeding up the corrosion rate of the material and undermining the building structures. Chungking Mansions on Nathan Road in Tsim Sha Tsui is typical of the results. The decayed 17-storey building of five blocks is now the source of very cheap accommodation for immigrant populations.

In the light of deteriorating building stock and an urgent need to free up development space in the city the Government set up the Land Development Corporation to oversee regeneration. According to Dr Stanley Yeung, of Hong Kong Polytechnic University, the agency’s origins lay in Mrs Thatcher’s urban policy of the 1980s.¹⁹ To a large extent the LDC was a copy of the London Docklands Development Corporation (LDDC) and the broader Urban Development Corporation concept.²⁰

The Land Development Corporation was set up as a quango with a HK\$100 million endowment from the Government.²¹ It had planning powers for large developments, including compulsory purchase, and could reconstruct buildings that were below expected living standards. Economic maximisation was its first priority and the social agenda secondary. It cost the State a minimal outlay, but still allowed it control over change. As Peter Cookson Smith succinctly puts it, “This was a case of expedient urban renewal through redevelopment.”

In 2001 the new Hong Kong Government replaced the Land Development Corporation with the Urban Renewal Authority, modelled on Singapore’s redevelopment authority. However, it inherited the land the corporation had bought – plots for more than 225 projects – and also inherited its staff. The URA was given the task of

18. Cookson Smith P, *The Urban Design of Impermanence: Streets, Places and Spaces in Hong Kong*, p 81, MCCM Creations, 2006

19. Dr Stanley Chi-wai Cheung, Associate Professor, Department of Building and Real Estate, The Hong Kong Polytechnic University, interviewed on 21 March 2007, also present Tang Bo-Sin, Associate Professor, Department of Building and Real Estate and Kevin Ka-lun Lau, Research Assistant, Department of Building and Real Estate

20. Leunig T and Swaffield J, *Cities Limited*, Chapter 3, Policy Exchange, 2007

21. Adams D and Hastings E, “Urban renewal in Hong Kong: transition from development corporation to renewal authority”, *Land Use Policy*, vol 18(3), pp 245-258, 2001

regenerating these projects over 20 years in a financially sustainable manner. After this 20-year period the URA will cease to exist.

The URA is not a government department, nor a part of the Lands Bureau or Housing Bureau, but an independent quango, a statutory body with a board that is accountable for the use of public money. Unlike the LDC, the URA has a clear mandate to improve not only the physical environment, but also the social and economic environment of urban areas.²²

In 1997, the incoming Government wanted to tackle urban regeneration in a “big way,” says Billy Lam, the Managing Director of the Urban Renewal Authority. It wanted an institution that would drive the development of a new Hong Kong; one which would cement its position as the epicentre of the new economic system that China and India would stimulate. But the new Government’s plans were disrupted by the Asian financial crisis, which delayed the establishment of the URA by four years. “The URA was very much a creature of circumstances; unfortunately it was born at the wrong economic time,” admits Lam. Nevertheless, the Government injected HK\$10 billion (approximately £850 million) of equity capital into the authority for 2002-03 to 2006-07.²³ A further HK\$30 billion is earmarked for the next five years. It is clearly designed and empowered by government but removed from it, a duality at the heart of its successes and failures.

The biggest advantage to the Hong Kong system of regeneration is that it actually makes a profit. In many respects the URA is more like a business than a government institution. Like a business it has to report to stakeholders. This accountability means that it must not lose money in the long run. It can borrow and owe monies and it can invest its capital in the stock market. Its audited accounts for 2005-06 showed a balance of HK\$ 6.2 billion. It received more than HK\$ 4.9 billion from property developers in that financial year (Table 1).²⁴

A typical project was the redevelopment of First Street-Second Street and Bedford Road-Larch Street plots, which the URA put out to tender in 2005. Revenue accrued from the auctioning of these sites totalled HK\$2.7 billion (£180 million). Kerry Properties, one of the big five developers – the others are Cheung Kong (Holdings), Sun Hung Kai Properties, Henderson Land and Sino Land – acquired the project in an open auction. The URA spent HK\$0.6 billion (£40 million) buying the land and compensating owners, so this represents a net profit of HK\$2.1 billion. Although these prices were substantially inflated by the proposed extension of the West Island Line MTR, this still is not a bad return for a government agency.

The URA approach to regeneration
In Hong Kong, regeneration is about redevelop-

Table 1: URA financial statements²⁵

HK\$ million	FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07
Current assets	1,390	1,499	1,527	1,685	1,642
Sale of land revenue collected					
on behalf of Government	720	463	45	2,837	2,688
Development charge collected					
on behalf of Government	159	81	207	264	527
Value of development projects completed	16	19	13	26	87

22. Ibid, p 17

23. *Annual Report 2005-2006*, Urban Renewal Authority, p 55, Hong Kong, 2006, see www.ura.org.hk/html/c222000e10e.html

24. Ibid p 111

25. *Financial Report*, Urban Renewal Authority, Hong Kong 2007, see www.ura.gov.sg/ar/2007/ar07-10.pdf

oping the city to allow economic growth, although official policy also recognises the need to improve living standards and finding new functions for old spaces: “Redevelopment of many old urban areas is essential owing to the poor standards, lack of amenities and dilapidation of many old buildings, as well as the pressing need to improve the living conditions of those residing there...This is the core of the urban renewal problem that the URA is mandated to resolve.”²⁶ The URA refers to its work under the rubric of the Four Rs: Redevelopment, Rehabilitation, Revitalisation and pReservation.

Redevelopment

In 2006 there were 14 redevelopment projects underway. The aim is to put together a land package that will attract developers in, and then to sell this on for development. The URA acts as a middleman. It solves ownership issues with the plots either buying out residents and leases or serving compulsory purchase orders, compensates and rehouses the affected residents, and finally clears the site for the private developer. It does not build redevelopment projects itself; it merely creates the potential economies of scale. Because the Government has control of most of the land, the URA can set a price that will subsidise the cost of extending the MTR where necessary (Box 1).

Compensation rates for people displaced by development are well above market rates; alternatively a resident might be able to have



Plate 2: First Street – Second Street Redevelopment

his 60-year-old flat replaced by one that was only a few years old in the same area. Not surprisingly, site assembly costs for the URA are three times more than those of a private developer, according to Billy Lam. But it is worth the expenditure: developers get large land sites, residents get better housing conditions and/or compensation and the URA makes enough money from the exercise to cross-subsidise rehabilitation and preservation work, and improvements in transport.

But Professor La Grange expresses reservations: “You cannot underestimate the way in which private property is viewed. It is almost god-like. This is why redevelopment is so problematic. If 80 per cent agree to move, then the other 20 per cent of residents are compelled to sell. To some this removes their fundamental rights, but for the URA it gets over the last-man-standing problem.”

Box 1: MTR

Studies for an underground transit system were first begun in the 1960s as Hong Kong’s population increased. Construction began in the 1970s, since when the system has been constantly extended.

More than 2.6 million passengers travel on the MTR (Mass Transit Railway) on an average weekday, 76 million in an average month.²⁷ It made a profit of HK\$ 7,750 million in 2006, and its total assets that year were valued at HK\$ 120,421 million.²⁸ It is 76 per cent owned by the Hong Kong Government and the remainder is owned by shareholders who can trade shares on the stock market. Fares are between HK\$4 and HK\$26, or 25p and £1.75, with the average cross-town trip costing approximately 80p. This is an affordable, profit-making public service, which runs 24 hours a day and with minimal delays.

26. *Ibid.*, p 25,

27. *MTR Patronage Figures for December 2007*, MTR Hong Kong, 2008, see www.mtr.com.hk/eng/investrelation/patronage.php

28. *Financial Information*, MTR, Hong Kong 2007, see www.mtr.com.hk/eng/investrelation/financialinfo.php

Rehabilitation

Not all regeneration involves tearing down the old and replacing it with new build. A tradition of private multi-occupancy buildings without communal management has led to overcrowding and neglect in many places. So far, says Billy Lam, 16,000 units in 178 buildings have been improved since 2001 – more than three times the number of buildings affected by redevelopment.²⁹ The URA applies four incentive schemes to encourage renovation (Box 2).

Revitalisation

Revitalisation is about improving the physical quality of an area and rekindling life in local neighbourhoods. As the URA annual report states, “Revitalisation is the final piece of the jigsaw...[the] strategy is to plan and design flexibility to bring out the best of each district according to its historic, social, economic and demographic characteristics”.³⁰

For example, the URA is revitalising two rows of ten early 20th-century tong lau, traditional Chinese tenement “shop-hous-

es” in Mallory and Burrows Streets near Wan Chai (Plates 3 and 4). They are being refurbished and turned into a 18,000 sq ft workshop for artistic and cultural industries, as well as 3,000 sq ft of public space. Michael Ma, the Director of Planning and Design, says that it will cost HK\$ 200 million and require maintenance work every three years, rather than the eight to ten years typical for new builds, because the buildings are made of timber.³¹

Preservation

For the URA preservation is about maintaining heritage buildings and areas but giving them a new function with an economic purpose. This is a move away from the “living museum” mentality of heritage, as Billy Lam puts it, to a working museum one. The authority has a mandate to preserve buildings of cultural or architectural interest and has established a conservation advisory panel to rule on buildings of cultural worth. But it is at pains to stress that heritage can go hand-in-hand with adaptation for economic benefits.

Box 2: Rehabilitation Mechanisms

The Urban Renewal Authority oversees four schemes for encouraging rehabilitation of buildings:

- **Building Rehabilitation Loan Scheme:** This provides secure, interest-free and means- tested loans for building improvements to properties that are more than 20 years old. A maximum of HK\$100,000 can be borrowed and the repayment period varies.
- **Better Mortgage Loan Scheme:** This is a joint initiative between the URA, the Hong Kong Mortgage Corporation and 17 banks, including HSBC and Citibank. It offers preferential mortgage terms, in terms of interest rates and repayment structures on properties that are to be rehabilitated. Mortgages of up to 70 per cent of the property’s value are designed to increase home-ownership rates.
- **Building Rehabilitation Materials Incentive Scheme:** It offers free goods, such as paint and plumbing materials, to be used in the rehabilitation of buildings. Free professional advice on how to use them is also available.
- **Third Party Liability Insurance:** This is available for buildings in the above schemes and offers better protection for tenants in rehabilitated buildings. It involves either a 50 per cent subsidy for third party liability insurance, or HK\$6,000, whichever is lower.

29. *Annual Report 2005-2006*, Urban Renewal Authority, p 29, Hong Kong, 2006, see www.ura.org.hk/html/c222000e10e.html

30. *Hong Kong moving forward with urban renewal*, Urban Renewal Authority, 2007

31. Michael Ma, Director, Planning and Design, Urban Renewal Authority, interviewed on 23 March 2007

What the renewal critics say

Of the four policies, revitalisation seems to be the most flexible, but also quite vague. It is a work-in-progress, as opposed to a well-defined policy; a means to placate critics of redevelopment more than anything else. And there are a growing number of civil society groups demanding consultation on some of the URA's large-scale schemes. Peter Cookson Smith comments: "The Urban Renewal Authority is not a sensitive urban machine, but one designed to generate money. It is basically a painting-by-numbers exercise which has led to too much insensitive private development."

Paul Zimmerman, city activist and founding member of the NGO, Designing Hong Kong, agrees. He complains that there are no financial incentives for heritage preservation, just disincentives. "The projected image is that Hong Kong must be flexible for the global economy, this means that Hong Kong cannot let development be slowed by heritage."³²

For many critics the root of the problem lies in the lack of accountability and legitimacy in the political and decision-making process of the Special Administrative Region. Dr Chan Wai Kwan, of the Hong Kong General Chamber of Commerce,

explains that public consultation is really a one-way process.³³ In a case such as the proposed redevelopment of Wedding Card Street, the URA will generally favour redevelopment over rehabilitation as suggested by the residents, as it generates the greatest returns. Yet he is quietly optimistic citing the "planning by the people" in Wan Chai H15 and Redcar Street, and the pressure from NGOs such as the People's Council for Sustainable Development and Designing Hong Kong (Box 3).

Corruption is also a real issue. Since 2001, five URA officials have been imprisoned after inquiries by the Independent Commission against Corruption. They were found guilty of collusion with either developers or business partners, who had bought up property cheap in areas that were soon to be announced as renewal projects.³⁴ The generous compensation available means that individuals can make substantial returns on renewal speculation. For example, in 2002 two men were sentenced to two years in prison for defrauding the URA of HK\$1.675 million.³⁵

Property developers have also started to operate as a cartel. The five big developers will in effect buy all available renewal sites. With the scale of developments on

Plate 3: Before revitalisation - Mallory Street/Burrows Street Project, Wan Chai



Plate 4: After revitalisation - Mallory Street/Burrows Street Project, Wan Chai



32. Paul Zimmerman, interviewed on 20 March 2007

33. Dr Chan Wai Kwan, Hong Kong General Chamber of Commerce, interviewed 23 March 2007

34. Independent Commission Against Corruption, 2008, Hong Kong, see www.icac.org.hk/en/home/index.html

35. Ibid

Box 3: Designing Hong Kong

Designing Hong Kong is a not-for-profit organisation, whose aims are:

- To promote the city's welfare without compromising its future
- To identify ways and means of enhancing the quality and sustainability of Hong Kong's living environment
- To undertake research and studies into the design and development of Hong Kong's living environment
- To educate and raise the awareness among the community of the need to protect and enhance the living environment of Hong Kong, and the ways and means to do so
- To form alliances among members of the community with a common interest
- To undertake any and all lawful acts and deeds which are necessary and conducive to attaining the objects of the company³⁶

It is part of a growing civil society movement that wants to preserve and enhance the city, and, critically, to hold the Government and URA to account. They have been lobbying hard for the redesign of the harbour front, which they consider the heart of Hong Kong.

offer, and the capital levels needed to invest to get these plots, the smaller developers have been driven out the market, leading to less competition and more standardised development.

Billy Lam is sympathetic up to a point. There may be some validity in claims over lack of accountability, but he feels that there is a class issue at work. The better-off are using the destruction of heritage as stick to beat them with, without acknowledging the positive work they do, especially in improving living conditions. He concludes that it is easy for an outsider to revel in a nostalgic notion of romantic decay in old Hong Kong; the individuals living with the decay would rather see an improvement in their housing and environment. Anyway, the URA has a statutory responsibility to be fiscally prudent, and therefore cannot be the heritage-preserving machine that many had hoped for. It has to concentrate on schemes that will return the greatest revenue for the least cost – the large redevelopments such as Langham Place or Kowloon Tong.

Some critics wonder whether the URA is necessary at all. They believe that the city would have renewed itself irrespective of government activity because of its position as the financial and trade centre for a booming China: the URA is doing a job that is not needed. “The URA simply intervenes too much in areas that it just does not need to,” concludes Dr Chan Wai Kwan.

There is something to this. Acquiring sufficient land is not an insurmountable problem for private developers. Although arguments about improving the social conditions of the population in certain areas formed the logic of renewal in the early days, these issues are disappearing rapidly. The *raison d'être* for a renewal body in turn is diminishing. It is a reasonable guess that when the Urban Renewal Authority's 20-year lifespan elapses in 2021 renewal will not continue to be an area of public intervention. For the freest economy in the world, with some of the lowest levels of government bureaucracy, this would be only natural.

36. *About Designing Hong Kong, Designing Hong Kong*, Hong Kong, 2008, see www.designinghongkong.com/designcontest/aboutus.php

Conclusion

Hong Kong has taught us that renewal can be an asset to the public accounts, rather than a liability if the proper mechanisms are put in place. In this case, the State owns most of the land, and the Urban Renewal Authority has the power to use compulsory purchase orders and generous compensation schemes to carry out city-wide approach to change. The cost is that profitable redevelopment has been generally preferred to rehabilitation whatever the desires of the people. Although public participation is limited, the URA acts as a buffer against overt political interference, which is not to say that government pressure is not felt.

Professor Le Grange concludes: “Hong Kong’s urban structure is foremost about efficiency and efficient land use, and it works thanks to two things: its transport systems and its massive amounts of public housing.” These safety nets of high connectivity and low segregation of people, have

allowed the city to be flexible in response to local and global changes, integral to economic health. The URA attempts to provide this flexibility without spiralling social costs, such as poverty and massive population displacement.

But there is growing pressure from a civil society that wants a say in its city. Trust between the URA, the Government and the people needs to be improved. Urban regeneration without accountability can lead to inappropriate projects. In all probability, Sneaker Street will follow the course of Langham Place and be transformed into a thoroughly modern commercial centre. It will generate new jobs and opportunities, but existing ones will be lost. It is a shame to lose the unique character of a Sneaker Street or Wedding Card Street, but that is the price the Government of Hong Kong has chosen to pay. The flexibility of the city, both in its economy and its structure, is the root of its success – but at the cost of its past.

6

Conclusion

This tour around the world has revealed many things, and taught us important lessons. In this chapter we begin to draw together some of the key findings that we have learned, findings that we will return to in the third publication in this series.

We found that size matters. Vancouver, Hong Kong, Amsterdam and the Ruhr region all gain from being large. We do not believe that this is a coincidence. Within Britain, London is a remarkably successful city, but so too are many of our other major cities. Leeds and Manchester, for example, are more prosperous than the satellite towns that surround them, places like Bolton and Oldham, Dewsbury and Wakefield. Of course size is not everything: York, Harrogate and Macclesfield are successful small towns. But in general the rule holds: it helps to be large. More than that, it helps to be the largest in the area, or at least the hub of the area. Both Vancouver and Hong Kong are hub cities, in a way that, say, Bradford and Liverpool are not. Hub cities attract high value added services, which is to their advantage, but which can in turn be a problem for neighbouring, rival cities.

We found that the degree of flexibility given to local areas matters. When areas have to do what they are told, by bureaucrats hundreds or even thousands of miles away, regeneration is stifled. Where local areas are given more autonomy, regeneration appears easier. The extreme case of this is obviously Hong Kong, where the “one country – two systems” constitutional position guarantees Hong Kong a degree of autonomy that is globally

unique. Hong Kong has faced many challenges over the past two decades, including uncertainty and fear of change, economic turmoil in the region, and the rise of local economic rivals such as Shanghai. Yet through all of that Hong Kong’s government was able to act with considerable autonomy, to be entrepreneurial. The benefits are apparent to anyone who visits the city.

“ When areas have to do what they are told, by bureaucrats hundreds or even thousands of miles away, regeneration is stifled. Where local areas are given more autonomy, regeneration appears easier ”

No other area has the same degree of autonomy as Hong Kong. Nevertheless, Germany gives considerable freedoms not only to the states – protected under the nation’s federal constitution – but also to its cities. That commitment to keeping power local runs deep in the German political system. Cities in the Ruhr, such as Essen and Bochum, have the freedom to experiment, to adapt to local conditions. Essen, for example, has used those freedoms to devise local incentive mechanisms to attract firms such as ThyssenKrupp. A tradition of decentralised power structures is also strikingly seen in the Netherlands and Canada, leading to more competent, although still limited, autonomy. Vancouver can break with national policy, Amsterdam can design its own development and fund it locally. It is hard to imag-

ine local authorities being able to do likewise in Britain.

But freedom alone does not guarantee success. The Polish cities of Warsaw and Łódź have considerable freedom, perhaps as much freedom as Essen and Bochum in Germany. Yet they have had much less success in regenerating their areas. Success requires knowledge, as well as freedom. Here Warsaw and Łódź suffer very badly. Since the Second World War these cities were part of a highly centralised system, in which local authorities were not required, expected, or encouraged to think for themselves. This was a system characterised by dependency on the centre, not entrepreneurial activity in cities across the country. In contrast Germany's federal system expects and almost requires local areas to be different to each other, to look for fresh ideas, to think. There is potential in Poland for regeneration, especially in the context of rising demand and

incomes following accession to the European Union, but realising this success will require local areas to think for themselves, to develop and adapt, and to be both effective and accountable.

Finally, we have seen that location matters. Vancouver is an innately attractive place to live, with a good climate, and a magnificent location. The same is true for Hong Kong, whereas it is less obviously true for the other cities that we have visited. Some things, such as harbours and mountains, cannot easily be replicated. Nor is it easy to place a city at the economic centre: Amsterdam and the Ruhr are lucky to be at the centre of one of European economy, such as Liverpool was once – but is no longer – lucky to be the principal European port for transatlantic trade.

It is the interactions between size, location, freedom and ability that will form the four cornerstones of our third and final publication.

Appendix A: Key Figures

	Year	Vancouver	Amsterdam	Essen	Bochum	Lódz	Warsaw	Hong Kong	Sources
DEMOGRAPHY									
Total Resident Population (000's)	2006	2,117	735	592	390	787	1,610	6,910	Urban Audit, Statistics Canada, Hong Kong Census and Statistics Department
Demographic Dependency Index:									
<20 years + >65 years / 20-64 years	2006	55.3	48.4	63.9	59.0	55.6	55.1	50.7	Urban Audit, Own calculations
Non nationals as a proportion of total population (%)	2001	40.0	9.0	9.0	9.0	0.1	0.2	5.0	Urban Audit, Statistics Canada, Hong Kong Census and Statistics Department
Total number of households (000's)	2006	817	406	301	195	352	758	2,220	Urban Audit, Statistics Canada
Average size of households	2006	2.6	1.8	2.0	2.0	2.2	2.1	3.1	Urban Audit, Statistics Canada, Hong Kong Census and Statistics Department
Nationals that have moved to the city during the last two years as a proportion of the total population (%)									
Non Nationals that have moved to the city during the last two years as a proportion of the total population (%)	2001	5.4	0.9	4.1	5.4	1.5	2.9	n/a	Urban Audit, Own calculations
Non Nationals that have moved to the city during the last two years as a proportion of the total population (%)									
Life expectancy at birth for males and females (years)	2001	81	77	75	75	72	76	82	Urban Audit, Cascadia 2007, Hong Kong Census and Statistics Department
ECONOMIC									
Mastercard Worldwide Centers of Commerce Index	2007	28th	11th	n/a	n/a	n/a	49th	5th	Mastercard
Annual average change in employment over 5 years	2005	0.8	n/a	-0.33	0.24	-2.1	-6.9	n/a	Urban Audit, Vancouver Economic Unit
Unemployment rate	2006	4.0	8.7	16.8	15.0	7.4	4.3	3.4	Urban Audit, Vancouver Economic Unit, Hong Kong Census and Statistics Department
Proportion of male residents unemployed, 15-24 years (%)	2001	9.7	6.3	7.2	7.7	44.1	35.3	24.2	Urban Audit, Statistics Canada, Hong Kong Census and Statistics Department
GDP per head (PPP) (£)	2005	17,288	16,844	25,195	21,488	4,994	8,612	19,353	Urban Audit, Canadian Centre for Policy Alternatives, Hong Kong Census and Statistics Department
Self-employment rate (residents) (%)	2001	20.0	12.7	8.9	7.2	8.4	9.2	n/a	Urban Audit, Statistics Canada
Total number of recorded crimes per 1,000 population	2001	35	183	97	87	45	57	1	Urban Audit, Vancouver Police Department, Hong Kong Police Department
BUILT ENVIRONMENT									
Livability Index Ranking	2007	3rd	13th	n/a	n/a	n/a	n/a	117th	Mercer Consulting
Area (mile squared)	2006	1,111	64	81	56	113	200	425	
Population per squared mile	2006	1,906	11,658	7,161	6,710	6,738	8,440	16,273	Statistics Canada, own calculations, City of Rotterdam, Statline.nl, Stadt Essen
Proportion of households living in social housing (%)	2003	2.4	56.0	14.7	16.5	21.3	14.4	16.9	Urban Audit, Vancouver Housing Centre, Own Calculations, Hong Kong Census and Statistics Department

Appendix B

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Success and the city: Learning from international urban policies, the second in a series of three reports on urban policy published by Policy Exchange, explores why some cities have managed to deliver urban policy more effectively than others. Research in six city-regions in five countries across three continents – Vancouver, Amsterdam, The Ruhr, Łódź, Warsaw, and Hong Kong - demonstrates that there are valuable lessons to be learnt by British cities when it comes to the future of urban policy.

Collectively, the message from these cities is clear: the most successful have the powers to initiate change, the freedoms to think and be innovative, and the mechanisms to hold local change to account. But the most successful also benefit strongly from their location, size and accessibility – doing urban policy in Hong Kong and Vancouver is easier than in Warsaw or Łódź in part because they are globally well-positioned and sufficiently large.

Giving cities powers cannot buck geography, but it does allow them to respond proactively to the conditions that they face, freeing them to maximise their potential.

