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Where have all the planners gone? The Law of the Wolf in an Era of Ignorance

Abstract: In the post-socialist countries the sustainability of urban property developments has experienced various destinies amidst a changing housing and planning context. Since the regime changes of 1990 the tendency of the land use and real estate economic system in Hungary has been an extreme variant of neoliberal, opportunistic and large-scale developments and project planning, where typically the plan follows the physical changes with a lag. As a result of project planning, urban regeneration in metropolitan Budapest is almost exclusively based on private investment. A great deal of such projects are already implemented, but many are in a marketing stage, where the difficulty is to attract and convince investors in the midst of falling demand and existing excess new dwelling and office space supply. With the possible exception of mega-projects where government has an interest in securing the provision of infrastructure, the government only gives permission to develop/build. In this paper, first the general imperative for government intervention in the property development is outlined. After that a description of urban regeneration and other property development in the Budapest region is provided. The paper concludes with an evaluation in relation to sustainability and a critical comment on the state of affairs in this context.

Keywords: Budapest region, Hungary, planning, property development, urban regeneration.

1. Introduction

Once upon a time in the Wild West, many a gold digger got lucky. Their stories are well-documented: fearless risk-taking, ingenuity and hard work paid off. On the other hand, the stories of the ones who did not find gold are less well documented. For each winner there must have been several losers. This story serves as a metaphor of present day Hungary and Budapest region in particular – in many ways, an environment akin to the Wild West.

During the period 2002-2010 Hungary was ruled by a socialist-liberal coalition. This period ('the lost eight years') will be known for missed opportunities as well as backwards development in economic and social terms¹. A lion's share of the mistakes made occurred in the Budapest conglomerate. The main question is how a relatively well functioning planning system has given way to a system where practically no coordinated public planning efforts are on the agenda and the market actors can determine the structure of the city region by themselves. Because of the legacy of the communist times the problems are magnified, as compared with a similar situation in western countries where the neoliberal/project planning regime is strong. I refer to this state of affairs as 'the Era of Ignorance'.

The problems are in one way or another related to corruption and insider deals – many of which have led to scandals.² While being critical of this legacy,³ the argument of this paper also acknowledges that all faults cannot be contributed to them. The current economic and social difficulties as well as the lopsided physical development of the Budapest region are in part a result of the current financial crisis, the recent increased energy costs, the structural adjustments needed for EU-accession at the turn of the millennium, and obviously, the breakdown of the state-led industries in the early 1990s. To cite a metaphor used by one of the experts interviewed for this study (hereafter: informants), the present rule is 'the Law of the Wolf'. However, it is anticipated that the government change in spring 2010 will bring considerable changes to this situation. Nonetheless, the new government will be faced with many ungrateful tasks handed by 'the lost eight years'.

Generally speaking, in the old Eastern Bloc countries the ultra-liberal economic ideology adapted after the transition first led to minimum role for planning (New right planning) at the beginning of the nineties.⁴ Then during the end 90s some post-modern planning was introduced (following the western model). However, much of the socialist culture is still around too, which is why the public sector lacks commitment to participate. On the other hand, the developer can apply for a change in plan later as they are not interested in involving the public. It is unlikely that the local authority turns such a proposal down, which more often than not has to do with lobbying practices and even corruption. This is by no means a new practice, considering the communist era lobbying of the central government. (Raagmaa, 2009)

Thus, we can say that after the context in many parts of Eastern Europe changed from complete planning to no planning at all, currently some planning is on the agenda but people tend to distrust the authorities (cf. Ruoppila, 2007). This kind of situation can be compared with circumstances elsewhere, and in particular, the London and UK experience here is worth noting. According to Hamnett (2003), since 1979 in UK the state has set the parameters for the market to operate, and consequently most key decisions are taken elsewhere than in local planning boards. In the absence of substantial government involvement the dynamics of the market shapes the environment. This has been common case in Inner London (and elsewhere in UK cities) since 1970s, as Hamnett notes. He also notes that, especially since the late

1980s, in the UK ‘economics’ have been far more important than ‘policy and plans’ – at least until recently. As a result, a socially desirable environment could not be guaranteed.

It can be argued that a purposefully implemented sustainable development also needs an element of planning, in the form of either indirect measures (i.e. incentives) or direct interventions by the government (e.g. Julegina et al., 2009). Heurkens (2009) notes that even in The Netherlands – a more regulated kind of text-book case than the relatively neoliberal UK case discussed above – a change took place from ‘blueprint plans’ to a system where the public and private sectors do what they both are good at (‘the concession model’). Such a plan is arguably more effective, efficient, transparent, and has the tendency to improve spatial quality. As it happens, in the Netherlands the change is indeed away from the *Polder model*; however, this change is not to the *Anglo-Saxon model*, but to the *Rhine-Land model* which still involves a relatively positive and pro-active role for the national and local governments! Hence Heurkens concludes that a strong planning system prevails in the Netherlands.

In Hungary some basic planning principles were laid down at a time (late 90s) when the economic situation was more positive and the political will towards urban renewal stronger than at present. The reality of total (un)sustainability can be exemplified with the Hungarian type of gated communities (residential park, *lakópark*, *lakókert*), a product meant for the upper-market, quality conscious consumers. The definition of sustainability involves environmental-ecological, social-cultural and economic-financial dimensions. Based on all this evidence the most plausible conclusion is that this category of property developments is currently not sustainable with respect to any of the three dimensions. First of all, as elsewhere, the environmental-ecologic sustainability criterion may also remain unfulfilled if the costs are minimised – except perhaps in the most modern niche market cases.⁵ Then, the residential park is arguably not socially sustainable either as it segregates the wealthy from the poor. Here it should be noted that the international sustainability development agreements include poverty eradication as a vital element (Bramley and Power, 2009). This, of course, works against the *lakópark* agenda. Finally, looking at the economic sustainability,⁶ the following shortcomings can be found with residential parks:

- The quality of the location is often poor – at least in the more recent products which are marketed for the middle-class housing consumers.
- In some cases the same can be said about the building quality – where costs have been pressed down in order to attract younger families and first-time buyers.
- The market situation is marred by diminishing demand and already existing oversupply, which means that trying to sell these products is difficult and many of such dwellings risk remaining vacant for a long time. It is speculated that, in twenty years time, the *lakópark* will be perceived as unfavourably as the *lakótelep* (panel built housing estate) is perceived today.

A rhetorical approach based on literature and a small number of expert interviews are applied as methodology, following Kauko (2003). The argument put forward is that, for urban development to be sustainable an element of smart, context dependent public planning is required, but that this is not the case for either Greenfield or Brownfield areas of Metropolitan Budapest. The thesis of the study is presented in fig. 1. The various elements of fig 1 are subsequently picked up in the text as follows. Section 2 sets up the theoretical foundations on which the evaluation of sustainability in the Budapest region is based (i.e. the left-hand side in fig 1). Section 3 then presents the empirical part of the study, where several aspects are

illustrated using descriptive data and expert interviews (i.e. the right-hand side). Finally, section 4 concludes the study.

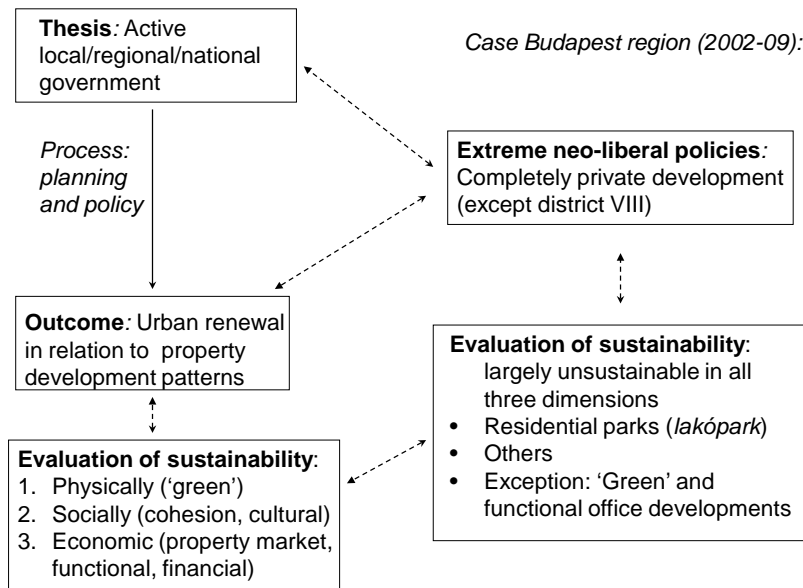


Figure 1. Evaluation of sustainability in this study: ideally and in the case-study.

2. Planning sustainable development and real estate

2.1. The flexibility of planning systems

Tiesdell and Allmendinger (2005) define (public) planning as ‘intentional governmental inventions intended to achieve desirable societal objectives’. According to Monk and Whitehead (1999) planning is understood as a set of rules and regulations that today also involve negotiations and bargaining. Using the notions of Healey (e.g. 1991) the development outcome is determined by resources (finances and power relations), rules, and ideas of the actors. All these may change through time, for example the regulations regarding the amount of public space become stricter, or the market for the end product collapses. Given the fundamental changes in society throughout the post-war era, Upton (2002) claims that there is a need for a debate about the system of values that we have in planning in relation to what we want. According to Peel and Lloyd (2007) a new ethos for land use planning is emerging, but that tensions arise because of two different requirements: on one hand the need to include the public, and on the other market efficiency and guaranteed private property rights. In fact, planning evaluation has become multidimensional (i.e. covering environmental, social and economic dimensions) and dependent of the institutional context in terms of property market, cultural and identity factors and so forth; furthermore, the communicative turn has introduced an element of interactivity to the previously linear exercise (see Khakee et al., 2008).

The issue of a given planning system being *too conservative* is often mulled over. Speaking in general terms, the role of spatial planning is today questioned due to the difficulty of

controlling processes in an environment where the market often is in the driving seat (see e.g. Levy, 1992). According to Allmendinger and colleagues (2005), planning is seen as lacking impact to achieve wider goals, being inapt to modernise, and inhibiting economic growth in the face of devolution and broader changes towards entrepreneurial, open and flexible governance. Hajer and Zonneveld (2000) warn that the 'network society' poses some inevitable treats for the effectiveness of traditional planning systems and an institutional repositioning is required. Bertaud (2006), in turn, claims that micro-management of land use is never successful because planners lack operational detail (p. 104), and because necessary rezoning is slow, costly and difficult (p. 105-106). Peel and Lloyd (2007) argue that the success of a neo-traditional pluralistic planning is uncertain as this ideology still draws on traditional planning system structures (see also Jones and Orr, 2004).

The opposite of this, assumed *excess progressiveness*, may be true in some cases too. Peirce (2002) shows the complexity of the urban renaissance agenda in Britain: it is [sic] to be considered elitist (rather than viable and coherent) in a country context where urban sentiments never were strong, and where still today rural and suburban houses and locations are preferred to urban living. When propagating a move to urban areas, tensions arise between government goals and the market place. While some elements of the urban renaissance are marketable, tradeoffs between attributes such as social mixing and public service reliability makes a truly coherent strategy difficult to implement as other elements such as demand for uniqueness and homogeneity run counter to the whole purpose of urban renaissance. Peirce concludes that urban renaissance has serious image problems.

Geurs and van Wee (2006) simulated land use and migration patterns and related them to the compact urbanisation policies implemented in the Netherlands between the years 1970 and 2000. They concluded that, when avoiding urban sprawl and related problems, the planning has to be considered successful during that time-period. However, insofar as facilitating housing preferences is concerned, this planning system has failed, because Dutch housing consumers apparently want low-density housing more than housing with good accessibility (cf. Kauko, 2005). Ruoppila (2007), on the other hand, is optimistic about the future of urban planning in Estonia. He then distinguishes two phases of planning institutions in Tallinn: the first, *ad hoc* planning as any coherent planning system was practically absent – this was roughly from the early nineties until the early 'noughties'; and the recently established one with restrictions on building rights – a stronger system already, even though development in this system is always privately initiated and the land privately owned (cf. Golubchikov, 2004; Tsenkova, 2007). The obvious caveat to make here is that there are marked regional differences as to the present role of 'planning'.

2.2. The sustainability of planning systems

The advent of sustainable development in the 90s meant that strategic planning came back with the EU Initiative after a nearly 20 years absence (Heurkens, 2009). In fact, since the early 1990s sustainability has become the overarching goal of urban planning – first the essentially environmental dimension, but later the broader definition that embrace social and economic dimensions on top of the environmental ones (Bramley and Power, 2009). Aptly, Leishman and Warren (2005) set out to tackle the question: What are the valid criteria for a *sustainable urban form*? Is it mixed use, diversity, economic factors or other outcome? While 'traditional suburbia' that has developed through urban sprawl is unsustainable in all three main dimensions, is the new solution going to be more feasible, given that most house-buyers have strong preferences for suburban or out-of-town areas with low densities?

While normally, price, location and size are the three most important determinants of housing choice, in a conjoint survey of new house builders in the UK, Leishman and Warren (2005) found that house price, location and size are not important for all market segments. For some socioeconomic and demographic groups other property specific features matter most, such as the layout and features of the room. The next question of interest was then: How does the private house-building industry respond to this existing demand? In contemporary times poorly, is the answer. Leishman and Warren point out that this is to some extent the fault of planning, which is supply driven everywhere – in other words, the planners outline standard categories without much connection to the nuanced preferences. Hence, the logical recommendation is for planners to carry out research on property buyers' preferences.

On the other hand, it can be argued that, if only profit, and not use value or the interest of the wider community, is considered, any property development project will be unsustainable in the long run. Rachel Fisher (2010), who is active within the *Sustainable Cities Programme* in the UK, argues that sustainable development needs planning to target interventions at the most appropriate scale. One of the two virtues sought after is to preserve a coherent community in relation to transport, energy and such. The other is to create an ethos of 'the city' in relation to cultural and political leadership as well as citizen activity. She stresses nevertheless that no one-size-fits-all policies or regulations are appropriate here.

2.3. The 'property friendliness' of planning systems and land use regulations

From the point of view of real estate economics, the planning process is a specific type of institutional influence: non-uniform, being under constant flux, and having a deterministic starting point. Planning institutions furthermore define the boundaries of property market activity. According to Tiesdell and Allmendinger (2005), in the UK planning is interrelated to the property markets – and can be seen as 'contours' that advantage certain players and strategies. In such a system agency (i.e. the actor's capability for decision-making) and structure are in a fluid dialectic. Furthermore, the broader scope of planning is understood as something that goes far beyond the constrained supply caused by land use regulation – recent planning research recognises *risk*, for instance.

According to Tiesdell and Allmendinger (2005), four kinds of planning tools can be noted in relation to different market characteristics: *market shaping*, *regulation*, *stimulation* and *capacity building*. Tiesdell and Allmendinger (2005) argue that empirical research on state-market relations determines the optimal 'package' of tools, and that market shaping is particularly important here. In other words, to provide authoritative information as a basis for action! This can be backed up by empiry: for example, in the Netherlands the planning system is rigid but it provides reliable information, whereas in the UK the planning system is flexible, but does not provide reliable information. We can dwell further on the aforementioned pairing of the 'rigid but reliable' Dutch and the 'flexible but unreliable' British planning system. In a more positive planning system, such as the one in the Netherlands, where building land is supplied publicly, and the system of Master Plan is showing all uses, the housing supply is not as constrained as in the British case of 'development control', where permission must be applied for all changes in use, as Cheshire (2005) rightly notes. A rigid system based on Master Planning may be *more regulated* than the British system, but it is in this sense *less restrictive* – and there is less room for speculation, because in such a spatial approach all uses have to be accommodated (cf. Kauko, 2003). Meen and Andrew (2004), on the other hand, argue that the experiences of planning policy and area-based regeneration initiatives – the main

instruments for influencing the structure of housing markets – have not been promising in European cities.

According to Adams and colleagues (2005), in general, the interrelations between state and property market have changed from a ‘market-state dichotomy’ to a ‘market-state dialectic’, where governance enhances the capacity of government, in the face of increasing conflicts, complexity and change. These authors argue that, as ‘participation’ replaces ‘intervention’, to take away either state or market is shallow and only leads to partial analysis (p. 241). They purport an interdisciplinary understanding of state-market processes in land and property, given that the state can learn from the market and *vice versa*. Adams and colleagues argue that the state should learn that the property markets are always disaggregated and dynamic. And – all the same – market actors desire predictability (although this is ironic, given the notion of markets being disaggregated and dynamic, they point out). This justifies state participation; however, there will inevitably be unpredicted side-effects of policies and plans. Adams and colleagues also argue that the market actors in turn can learn about ‘three arenas of the state’: (1) accepting that sustainable development is the ‘Ends’ for market and state actors alike, whereas ‘Means’ such as increased densities may be contested and evaluated in the face of governance and cooperation; (2) acknowledging that the state can change the market for better or for worse, and that it should be accepted that the state may have different goals than the market actors; (3) getting acquainted with the four mentioned types of planning tools the state has at its disposal: to shape, stimulate, regulate or build capacity.

2.4. Urban regeneration – a planning or property practice?

Urban regeneration comprises economic, social and environmental dimensions, and is carried out differently in each country depending on the particular roles of the state and local government, the private sector, as well as the community itself (Couch and Fraser, 2003). This is a task that traditional urban planning alone was not capable of handling. Nonetheless, urban regeneration may be treated as a planning measure in the broad sense. In Europe the earliest urban regeneration experiences are from UK, following the first urban policy initiatives laid down by the labour government in the late 1960 in response to the poor industrial competitiveness and dysfunctional social structures of British cities. Of the vastly different frameworks for carrying out urban regeneration across Europe, the undisputable successes of urban regeneration are those where the state remained in possession of the developed land. Given this conclusion, reached by Couch and Fraser (2003), the issue to discuss is whether a planning system should be only concerned with urban sprawl and environmental externalities and issues related to the market, or also with urban regeneration, infill and the reuse of Brownfield land. These authors also point out that the extent to which urban regeneration is embedded in the mainstream planning system varies across countries: for example, in the Netherlands and Belgium urban regeneration is treated as an extension of the planning system, whereas in the UK planning and urban regeneration are altogether different matters.

The urban regeneration property performance index for British cities, by Adair and colleagues (2005), informs about the role of property markets in urban regeneration policy for waterfront, inner city and housing estates. It thereby comprises a measure of the performance in relation to traditional markets in terms of rent, yield and total performance. Adair and colleagues show that an urban regeneration area too can be a vibrant market, where public interventions cushion market slumps. However, the property market outcomes of urban regeneration is an under-researched topic, which is why this market segment is less appealing for investors,

compared to other kinds of property and non-property based investment vehicles (cf. Cameron and Doling, 1994; Jones and Watkins, 1996; and Rosenburg and Watkins, 1999).

The issue of whether or not ‘mixing’ is feasible is dividing views (cf. Hall, 2007; Song and Knaap, 2003). The question whether constructing affordable housing has a negative impact on property values has attracted a lot of attention and ties to the issue of how neighbourhood restructuring and consolidation of the urban environment is to be assessed (Nguyen, 2005). Monk and colleagues (2005) point out that some affordable housing is often included within private developments, amid fears that this practice reduces the property value. They observe that the vast majority of local authorities in UK have affordable housing policies embedded in their local plans. Tiesdell (2004) combines the debate about affordable housing provision and property development with the issue of mixing developments of different price-levels within one and the same building project, and concludes that design strategies alone (at any spatial level) are insufficient to create ‘mixed-communities’ that also would be socially satisfactory.

2.5. Conclusions

The key to the analysis is what the institutional circumstances are when a given project begins. From a production economic point of view the development corporation has two strategies: *minimising costs* or *increasing the added value* of the project, in this case maintaining a quality of the location. In a publicly initiated project the balance inevitably shifts towards the former, if the number of private actors is increased. Why should a project aimed at private profit-making take an interest in improving the common good? If neither the end user, nor the project developer is willing to contribute to the funding then the quality level of the residential environment will be reduced. (See Verhage, 2002)

Wide variation prevails in the role of planning process and there are also differences in the attitude of evaluators towards planning system change. The general trajectory is clear, however. During the last *ca.* fifteen years, planning practice in general – while remaining relatively conservative in some cases – has undoubtedly become more open and flexible. At a first glance, this is nothing but a healthy development, given the various globalisation and governance arenas which cannot be controlled by ‘traditional’ planning. However, the reality is different than the idealism of those actors who are confident of being able to keep locations viable. When we look at this in the most general terms, we observe weakened planning in Western Europe and a planning void in Eastern Europe. And in the present situation of downturns and crises, the relatively new sustainability criteria have put further requirements for a successfully run planning system.

The cases above show that sustainability of planning in relation to property development and urban regeneration is remarkably different in different parts of the world. The remainder of the paper investigates how the Hungarian and Metropolitan Budapest circumstances correspond to the described general (or at least European or Western) property and planning processes, and how sustainable these circumstances are perceived to be in the light of the evaluation criteria set up in fig. 1 and this section. For example, with respect to Fisher’s (2010) criteria for urban sustainability we notice already by casual observing that Budapest is a total failure! And against the backdrop provided by Tiesdell and Allmendinger (2005), for Hungary, the casual conclusion would be that the planning system is *even more flexible than*, and, in terms of information provision, is *even less reliable than* the British system.

3. What planning? This is private development!

3.1. Background

The current housing market situation in this country can be characterised by a falling demand to a great extent caused by the financial crisis and oversupply originating from speculative building activity from the pre-crisis years. Ball (2010) notes, that Hungary is a bankrupt country and that the strong housing market slump that, like in so many other countries, begun in year 2008 is likely to continue throughout the year 2010. On the other hand, the per capita GDP in Hungary increased steadily (the highest annual change being as much as 8.9%) between 1991 and 2006. However, a slight but clear flattening of the trend from around 2003 onwards is identifiable (see fig. 2). This notable slowdown in GDP per capita development coincides with the point of time when the coalition regime led by the *Hungarian Socialist Party (MSzP)* – essentially the offspring of the old communist party nomenclature – regained the power after an intermezzo of a four-year leadership by a centre-right coalition led by the *Alliance of Young Democrats (FiDeSz)* – the main centre-right party.

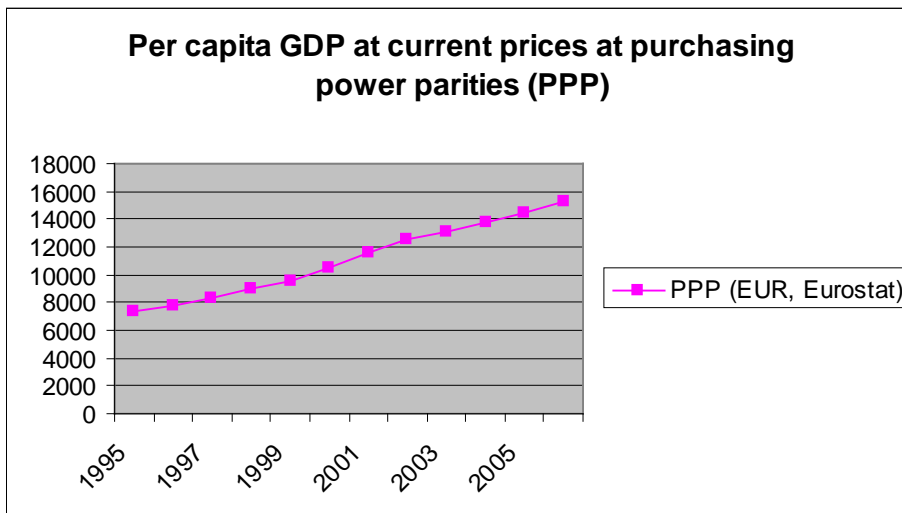


Figure 2. Development of per capita GDP in Hungary (Source: Central Statistical office – KSH).

Budapest not only is the capital of Hungary but also the political, cultural, economic, commercial and transport centre of the country. Its population of approximately 1.7 Million inhabitants comprises 17% of the total Hungarian population – the corresponding figures for the whole agglomeration are 2.5 Million and 25%. While the housing stock in Budapest shows an annual increase, the density in terms of households is declining with comparable pace 2001-06 (see figures 3 and 4). This is manifestation of a variety of reasons: the new dwellings are bigger, household size is shrinking and people are increasingly moving from the city to the urban periphery of the agglomeration.

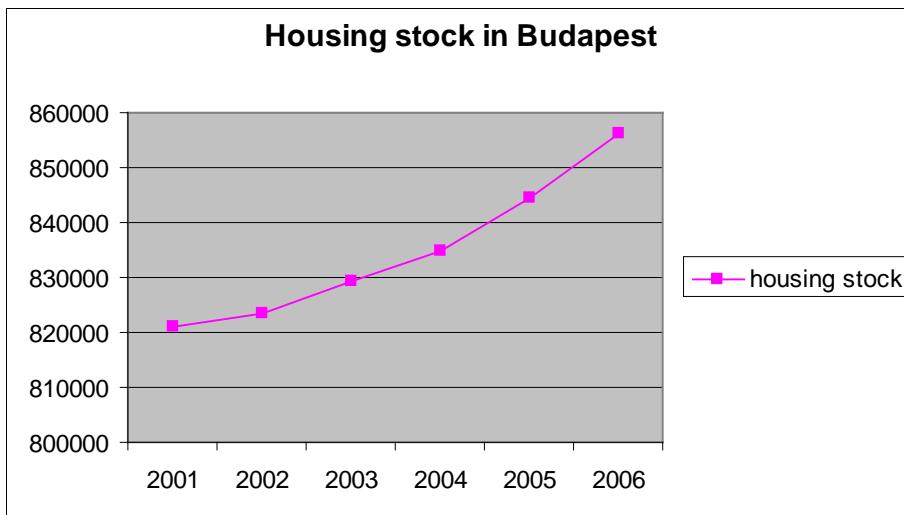


Figure 3. Development of the housing stock in Budapest (Source: Central Statistical office – KSH).

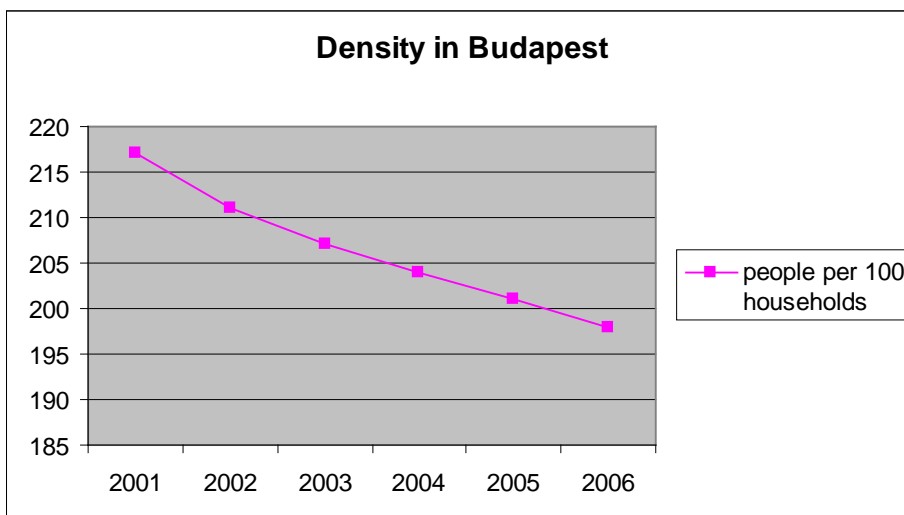


Figure 4. Development of the density in Budapest (Source: Central Statistical office – KSH).

With regard to public planning and policy issues, there are a number of pessimistic and even sinister considerations which are discussed further below. Firstly, party politics cause tensions within the district council, and between district councils. In general there are policy conflicts between adjacent districts on one hand and between district and city district authorities on the other hand. One of the informants noted that this problem with conflicts between municipalities applies outside Budapest too and that this mostly can be considered as a consequence of the law of year 1990 – later established institutions (the act of 1997; the ordinance of 1998) were more or less just cosmetics in this respect. Moreover, these problems were not only about party politics, but more about the lack of experience in the early 1990s, according to him. He nevertheless suggests that the 1997 act was “an important turning point of the transformation process” as it plausibly constituted “the first considerable legislative

reaction of urban planning to the serious changes of the early 90s.⁷” He also asserts, however, that Hungary should have needed this act much earlier.

In Budapest attracting subsidies and the absence of social rehabilitation are crucial issues (see e.g. Kauko, 2006; Földi, 2006). This is a manifestation of the broader picture of urban restructuring in post-communist countries. In Central and Eastern Europe (CEE) the policymakers have adapted neoliberal policies to circumstances where old social equality considerations have been substituted, rather discontinuously, for typically western urban management and development jargon such as ‘image creating for city marketing’ and championing of public private partnership (PPP), although, in the latter case with only limited success in Hungary. A lot depends on how local regimes can be coordinated to strengthen the policy making environment in facilitating a change towards the better. In many Western countries a relatively centralised approach has been the key to creating successful housing and environment. In a CEE context such an approach is obviously unpopular – also in Budapest planning and policy is decentralized and fragmented, and therefore marred by conflicts, as already noted.

3.2. Urban development processes

As far as planning policy and land use are concerned, the city of Budapest is administratively at the same time a municipality and a metropolitan region. Lots of conflicts and inefficiencies impede the development of Budapest (Locsmáncsi et al., 2000). According to Barta and colleagues (2006) during 1990-2005 uncoordinated, irrational and unconsidered urban development activities took place in Budapest, such as inefficient and incomprehensive conservation of architecture, debatable ‘science and technology parks’, and projects of ‘cultural use’, which resulted in losses and missed opportunities. Perhaps the most controversial of such activities, the *Budapest urban development concept (BUDC)* was approved in year 2003. This comprises a fifteen year development strategy. Related to BUDC, the *Podmanický* programme is a mid-term action programme that among others includes rehabilitation of Brownfield land. It ‘focuses on strengthening community transport and knowledge-city functions, environmental-friendly thinking and sustainable urban development’ (Barta et al., 2006, p. 67-68).

As was made clear at the outset, this is an extraordinarily clear example of the situation in which the market steers almost all property development. Since the regime change of 1990 the tendency of the land use and real estate economic system in Hungary – with Budapest as economic powerhouse – has been an extreme variant of neo-liberal, opportunistic and large-scale developments and project planning, where typically the plan follows the physical changes with a lag. The projects are mostly on Brownfield lands at the outskirts of the cities, although a certain share of them caters for city-core and inner city as well as for suburban and out-of-town locations. While there are several flagship projects, an area known as *Info Park*, the high-tech industrial and office park on the former would-be EXPO site in district XI (in fig 5. north of the railway, between the Kelenföld station and the river Danube) is worth mention here. Apart from the Hungarian hi-tech companies, several multinational corporations have established office there, and even a branch of the EU administration is being located on the site.

The high tech industrial theme park known as *Talents* is located near Batorbágy, ca. 20 km west of Budapest. In this area already some developments have materialised. This is now the most peripheral part of the agglomeration, but as it is located along the M1 motorway towards

Vienna and no similar areas exist towards other directions it has an interesting ostensibly dynamic and promising position among area development and property investment, amidst the otherwise bleak Hungarian economy. The curiosity is that even though it is situated a good journey further of Budaörs and Törökbálint which are seen as the original edge of the agglomeration (see fig. 5), it is considered a solid place for residential investment for prospective foreign individuals – either people planning a career as a knowledge professional in the area themselves or for property investment based on the goal of letting it out for ‘good paying tenants’ – presumably knowledge workers. This area is being touted as the ‘new Silicon Valley’ of the *Budapest Business Region* – for investors, real estate investors, officials, and skilled workforce alike. While already a residential park and conference hotel are completed at the end of 2009 these are still early days to assess the investment potential of this area. A great deal of such projects are already implemented, but many are in a marketing stage, where the difficulty is to attract and convince investors in the midst of falling demand and existing excess new dwelling and office space supply (cf. Kauko, 2009). According to an informant, another reason for the weak demand for urban renewal in Budapest is that increased suburbanisation has led to a considerable loss of the City population.

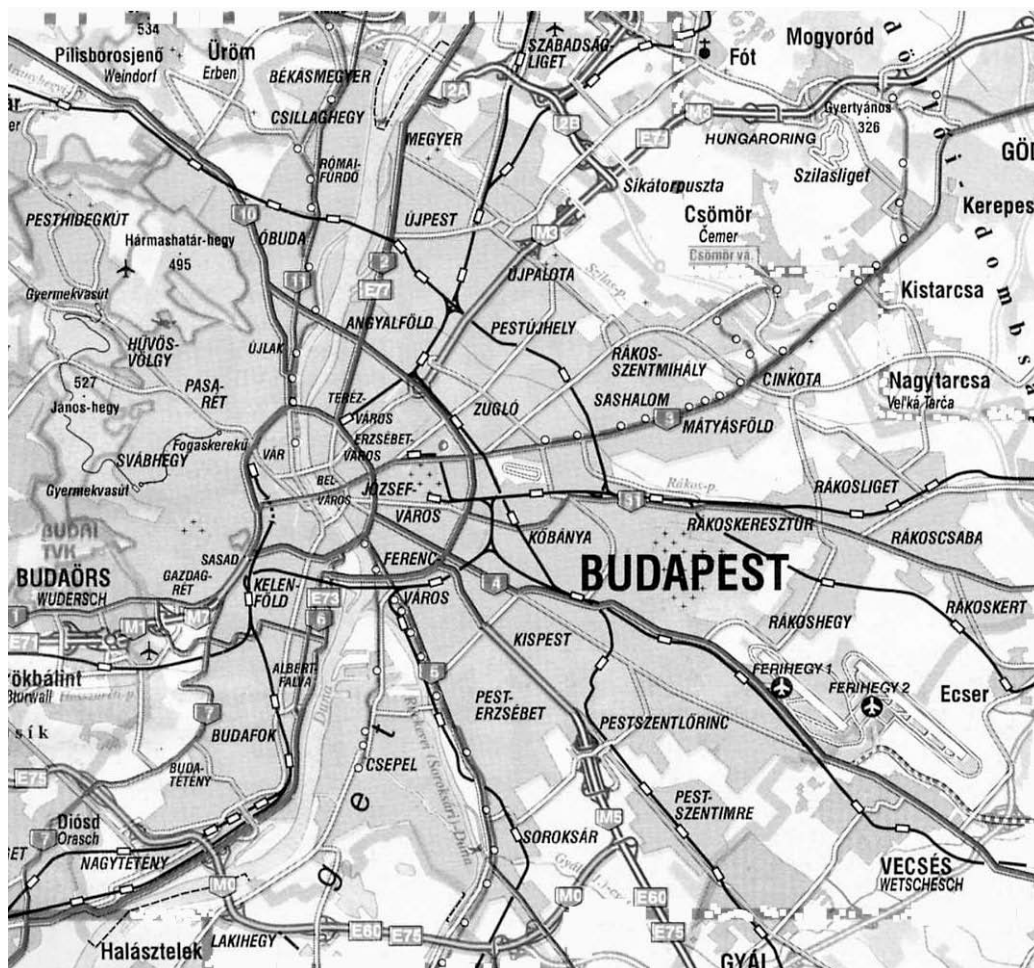


Figure 5. Budapest metropolitan region

While some academics say that at present a more appropriate turn is taking place in relation to the spatial development of Budapest, it is not seen in daily life. Decisions are often still made

on political grounds. Thus, lots of corruption occurs at the district authority level, and furthermore, conflicts prevail between district authorities, when these are in the hands of different political parties. The government is accused of not being democratic, and in Budapest several public investment decisions have led to problems that have developed into scandals. Based on this account it seems very unlikely that any redevelopment happens unless owners and developers gain profits. Therefore, from a technical point of view, the role of the municipality ought to be more active – when they too operate based on profit making, because rezoning for higher uses for higher profitability generates higher selling prices (cf. Kovács, 2009). One of the informants furthermore outlines the importance of competent managers and the possibility to form covenants between developers and district authorities.

3.3. The sustainability of land use in Metropolitan Budapest?

The urban experience under post-socialism is characterized by difference, dynamics and increasing heterogeneous process where the space for manoeuvres is opened up for corporate centres of the global economy on the one hand and for local actors on the other hand (Stenning, 2004). In Budapest like in many cities in Eastern Europe, due to the economic restructuring, new ownership and the emerging property market, huge spatial changes occurred, but with different pace in different parts of the urban area (cf. Kovács, 2009). And as already noted, the context changed from complete planning to no planning at all, which had problematic consequences for sustainability in general and social sustainability in particular. Moreover, Barta and colleagues (2006) point to serious negative environmental externalities caused by the marked restructuring and transformation processes. They claim that the biggest problem today in all Brownfield areas of Budapest is soil contamination: in particular, that ground water is extremely dangerous close to river Danube. According to a survey on regulation and ownership by the same authors another problem is the low intensity of use of land and buildings; in fact, Budapest is very loosely structured in relation to other big European cities. A future challenge is how to integrate the under-utilized railway yards into the urban structure? This calls for *new regulation activities* beyond just focusing on valuable land as is the case at present.

After the fall of communism, the attempts to solve the problems in the 1990s resulted in the so called The Budapest Model – which Pallai (2003) tries to defend. In general, planning and policy in post-socialist Hungary is decentralised and fragmented, even though the 1996 Act on Spatial Planning and Development tried to improve county and regional levels. In accordance with the issues noted above, two issues can be brought up with regard to the planning and urban development of the Budapest region:

1. The issue concerning the hierarchical structure of area development designated in land use plans and zoning ordinances of Budapest.
2. The issue about conflicts across municipalities.

For the first issue, one informant points out that, according to land use regulations, everywhere in Hungary one can only build in ‘inner areas’ not the ‘outer areas’⁸. On a higher spatial level of land use regulation there is the distinction between ‘framework’ (ART, regional/metropolitan) and ‘detailed’ regulations (RRT, local level); and to make this picture even more complex, on a lower spatial level there is a distinction between ‘building’ and ‘non-building’ land.⁹ On the basis of empirical evidence he stresses that these distinctions and this hierarchy existed even before the year 1990. Curiously, Locsmándi and colleagues (2000,

pp. 23-24) claim something else: that the new act of 1997 and the ordinance of 1998 would have made "... the administrative border between external and inner areas of municipalities irrelevant in planning matters."

For the second issue, as already explained, the new act put the districts on the same level with metropolitan municipality, which meant a lot of conflicts across districts and between the city and individual districts. Fortunately for Budapest, the 1997 act on planning and building contained a specific provision for Budapest in the sense that a more hierarchical structure was retained through the two tier planning system of Budapest. This has filled some of the 'planning vacuum' of the 1990s as well as removed some of the conflicts between different district authorities (see Locsmánci et al. 2000). According to an informant, "in planning issues the new hierarchical structure at least on paper guarantees some kind of coordination."

According to the same informant, much of the Hungarian everyday practice of planning has not improved significantly since the study by Locsmánci and colleagues was written ten years ago (and Pallai's report on the neoliberal Budapest model five years ago). While the systems and the tasks contributed to the planning system might be reasonably satisfactory democratic and justice terms, problems of inefficiency still occur in everyday practice, these relate both to the legitimating of the planning system and to the incompleteness of how existing laws and regulations are followed. Already Locsmánci and colleagues (2000, p. 41) noted that 'a radical shift' has occurred in the actors and patterns of development, which, together with the tendency of plans becoming more detailed, has led to a proliferation of plan amendments.

It can be argued that the increased weight of private ownership and private development would have necessitated a more comprehensive regulation covering the whole settlement (Barta et al., 2006, p. 60). Now there are contradictions between district and metropolitan planning. Plans for road network improvement around Budapest occur partly on Brownfield land. The outcome is twofold: (1) in attractive areas the market takes care of the development; (2) in other areas the passive planning system cannot improve the situation and these areas are left derelict as active planning lacks resources and political support (cf. Kauko, 2006, app. 3).

Földi (2006) asserts that, while sporadic opportunities arise for developers, a guiding strategy at the national level is still missing in Hungary. Refurbishment of landmark buildings and renewal of central sites has occurred for profit-making through property development and also for antiquarian value, where oriented towards protection of *heritage*, but comprehensive social sustainability that would be predominantly oriented towards the inhabitants is non-existent. An overall weak sustainability aspect is a consequence of the above described policy coordination failures that prevail across Budapest municipalities (i.e. districts) and between the city and the neighbouring settlements (see Földi, 2006; Tosics, 2006).

3.4. Urban regeneration and property development in Budapest

Inventory of the current situation

It is to note that all current projects are completely private – the local government has no role beyond giving permission in any of them. The following comprise the most important ones:

- *Simplom Udvar* – in a project by *ING RE*, 100 new homes were built in connection with a large shopping centre.
- *Duna City* (see subsection 3.5. below.)

- *Öböl project* – a public park on the Buda side in district XI; waterfront dwellings built by a Portuguese company.¹⁰
- In district IX, a residential project near the *Lurdy* center, the *Olimpia group* (one of many Israeli development companies operating in Budapest) bought the site from a Spanish investor, who in turn had bought it from a private person.
- *Marina Part* in Angyalföld (district XIII) near *Duna Plaza* is the first large Danube waterfront project, comprising exclusive flats rented for well-to-do buyers.

On the other hand, certain new inventions aimed at actively (re)generating favourable conditions for the buyer have emerged on the market. In the campaign of *Elephant Holding*, the developer pays part of the interest of the loan.¹¹ In the respective campaigns of *ForestHill Natura project* (district III) and *Reviczky Liget* (district XVIII), if 15 new buyers join together, they receive a 15% reduction in price together with an allowance of 5% for the VAT (hence 20% reduction in total). Similar but smaller scale innovations exist too.¹²

Sustainable development strategies

The prices of new built are always higher than the second hand market, which would suggest that including a higher cost post contributed to sustainability is viable. However, only in the office market sustainability elements are established actively – glass surface, green heating, technical issues and so forth. In Törökbálint the *Pannon telecom* headquarters building got a prize for being the ‘most innovative’; this is not only about technology, but also how to organise the work in a functional sense. In another case, in 2007 the developer who won the planning contract for building the ‘Government district’ site near *Nyugati* railway station aimed at a ‘green building’. Thus it was useful to emphasise in the bidding that, although it is more expensive than a normal solution, there is a growing interest in it. For example, the local government might give permit only if the developer makes provision for public area services, such as enlarges the tram-line. However, almost no similar solutions exist on the residential market – just heating insulation; more important is the colour and appearance.

However, no social or economical sustainability aspects about how the new building(s) will fit into the surrounding environment are on the agenda, because developers do not care about such. Thus only matters internal to the project are considered. However, a ‘healthy mix’ in realised dwelling types is encouraged: large flats, flats for young starters, studios, and other types in one and the same project. In accordance with the descriptions above, an informant notes that in Hungary sustainability is yet not the top agenda, although certifications such as BREEM are used by a few market players who are trying to differentiate their products (mainly new built office buildings) on the market. Solar power is introduced in a small number of hotels, and most recently in a municipal renewal project involving private condominiums in the largest prefab building housing (ca. 3,000 residents) in District III.

According to an informant most (but not all) of the new developments in Hungary are ‘residential parks’. These are, however, usually not separated physically from the surrounding environment, like in many other countries in the world. In principle these comprise a favourable development, given the current property market downturn, but socially they are often dubious. Economically they might offer functional diversity onto a supply driven market – thus in principle a sustainable aspect – but the market is already met in Budapest. There are also smaller private developments that do not belong to this category; these are ordinary condos without fenced areas.¹³

According to an informant there are no serious and real considerations about sustainability, as urban sprawl is everywhere and especially in the Budapest region. Furthermore, he notes that the economic position of local governments differs a lot across Hungary; in many cases local public goods such as the maintenance of the street networks lacks necessary funding. He continues that a local government can get funds from real estate developers by allowing new areas to be built. In the 'outer' type of areas one can build only if the plan is changed. For this to take place, the local government – which at times is corrupt – needs to be lobbied first. The motive for a change in plan then is the anticipated enormous rise in land rent. The municipality also benefits from the building of public infrastructure, at least in the short term.

This seems good for everyone, but not necessary for the sustainability of a city-region. As one of the consequences, the green zone around Budapest is shrinking. On the other hand, this informant points out that the sustainability rhetoric is popular as it is required in EU funded projects. However, many of such projects are in principle triggered by property developers as opposed to government. The problem then is to get the private and public sectors to work together. At the moment the plans are changed after the site already has been developed.

3.5. The Case of *Duna City*¹⁴

The starting point

In 2006 first connection concerning *Duna City* was made between a planner, architect and urban and real estate consultant (*Ecorys*). The plans/discussions concerned functions, building size, volumes, architectural outlooks, and most importantly market prices for this 'mega project' in the southern part of district IX. This project team started to change the regulation plan and the *Duna City* consortium begun to buy land from the area. Two Hungarian based investors participated in the consortium: (1) *Questor* – a small investment fund; (2) *Groupius* – a construction company.

The wholesale market *Nagyvasartelep*, market hall and building beside it, are Hungarian historical heritage – this is the core of the project. After that the aim was to acquire smaller plots and eventually reach Soroksári út, a main artery for southbound traffic on the Pest side. All works, including the demolishing of a railway line and bridge was done privately; however, a deal was made with the district authorities, with the aim of trying to change the regulation plan to allow higher densities.¹⁵ That it should not be allowed is obviously the cultural sustainability argument: that the new developments never should 'compete for airspace' with the old churches, parliament and other heritage buildings of the city! Nonetheless, to allow some higher building densities outside the ring road are discussed though, because another argument is that, if the aim is to develop Budapest into a polycentric – and thereby more sustainable – direction, we need sub-centres (following the example of Berlin)!¹⁶ The district authority supported these plans, but the metropolitan government also had the right to decide due to the size of the project. Ongoing discussions in the metropolitan government suggest that there will be a development agreement. The benefit for the metropolitan government is that the city will get a lot of infrastructure investment. This brings us to the first question of analytic interest.

Is any kind of sustainability element included in Duna City?

It can be argued that the (changed) regulation plan together with agreements with the municipality can produce an outcome with certain sustainable aspects. First, the traditional

arguments of sustainability such as energy saving or ‘green buildings’ have been discussed, but whether they will be included is uncertain at the time of writing. Second, affordable housing is already included in the development plans and this will not be changed. Third, public infrastructure – as mentioned above, an important factor – is already secured. However, the original ambitious idea of connecting with the above mentioned *Info Park* situated on the other side of the river will probably be too difficult to implement. In the following, we look at these elements more closely.

The site had advantages as well as disadvantages. On the positive side, it takes only five minutes to the city core, in other words its accessibility is good. On the negative side: one issue is that the public transport is not so good, although in the long term metro line 5 will connect *Szentendre Hév* (the northbound regional train running on the Buda side) with *Rackéve Hév* (the southbound regional train running on the Pest side, with end stop next to the *Duna City* site); another is that the ‘mental map’ of Budapest people is that the *Lagymanos Bridge* has a ‘mental burden’ as it is ugly and demarks the beginning of the traditional ‘industrial wasteland’ of the city. Fortunately, land here was mainly used as a logistic area. Thus it is not as contaminated as the discussion on Brownfields in Budapest above suggests. Yet it could be a high-prestige project comprising office, retail and residential functions. The idea is wise: to utilise the existing morphology including waterfront location.

Looking at the residential projects, the idea is to provide different kinds of housing projects. In particular, high-rise buildings with lower priced dwellings were to be built next to the railway. All other buildings apart from the abovementioned heritage parts were demolished, and instead road connections and traffic junctions were built. In fact, at present the site is ready for development.

For the potential sustainability of the planned office and retail buildings, a Dutch architect bureau had some ideas concerning environmental-ecological sustainability such as ‘green’ building and geothermal energy (which would even be cheaper in the mid-term). However, such plans are on an idea level only as the detailed plans are not ready yet, and the project since 2008 is experiencing uncertainty stemming from the current financial crisis. This brings us to the second important question of interest for this case.

Does demand still exist for Duna City?

The project is currently in standby due to financial difficulties.¹⁷ However, it is anticipated that the financial situation changes, which then would generate the necessary demand. The problem is that the current financial difficulties mean an uncertainty about whether ‘green’ aspects will be supported. Here the aim is to wait for the government changes that ostensibly take place after the election in 2010. The investors of the project are, in fact, backed by the newly elected government (i.e. the opposition of 2002-10), which, in effect means that when the government changes, the policies that have been touted by the opposition such as subsidies for sustainable design and house-building will be put in practice, thereby leading to a situation where continuing the *Duna City* becomes viable again. It is argued that housing is the key to the construction industry – a strong driver of the Budapest and Hungarian economy. Therefore it is not unreasonable to expect that this sector will be subsidised by the new government.¹⁸ If such a change triggers the completion of the project in its most sustainable mode (i.e. including ‘green’ design, affordable housing, and public infrastructure) it must be considered a shift in policymaking to the right track.

4. Property development ‘gone mad’? Some concluding comments

Hamnett (2003) shows how, since 1979 in UK the state has set the parameters for the market to operate, and, as a consequence, most key decisions are taken elsewhere than in local planning boards. In the new circumstances, the profitability matters most, and a socially desirable environment cannot be guaranteed. As a result land use regulations and strategic planning functions are seen as unnecessary at best and unwanted at worst by the decision makers. This neo-liberal mode of decision-making is copied by the urban area and property development circumstances in present day Hungary and the Budapest region. This lamentable state of affairs indicates unsustainable development practices regarding the provision and maintenance of the built environment. The problem is that due to the serious financial constraints that the local public economies face, and because planning as an ideology is not popular, the system is not clear and there is plenty of ambiguity in terms of the specific instruments of land use regulation and environmental policies in Hungary. It must be kept in mind that in many cities in Eastern Europe the context changed from complete planning to no planning at all. Today some planning is on the agenda but people tend to distrust the authorities.

In Budapest, and more generally in the CEE urban context, massive changes in the built environment have taken place (and continue to take place). The question of debate is whether such developments are socially just or sustainable – even economically – as the non-profit sector is missing and owner-occupation is the norm. In other words, when social goals are lacking, it is the profitability of the investment that drives urban property development, and then it all boils down to one question: how to raise funds? In such circumstances maintaining the business activity is difficult and one needs to try every possible strategy. It is thus unsurprising that private investors are attracted with all possible semi-legal means (as was asserted by Ragmaa in the Soviet context).

Especially for urban regeneration Budapest is unsustainable (using these definitions) as social goals are lacking altogether and only the supply-side and profit matter. The goal in a strategy where the middle-class is targeted is that building new owner-occupied housing would attract more affluent neighbourhood population and thereby lead to economic and social revitalization, which subsequently would accumulate across the city and generate a regional ‘knock-on’ effect. The inevitable problem is however the inability of such a strategy to provide housing for low income groups in a polarized housing and labour market (see Cameron, 2006). A further problem is that in Hungary the new gated community-like developments (residential parks) are almost completely seller-driven. Arguably, a turn towards a more sustainable paradigm of property development and urban renewal would be possible only if the projects become more buyer- and tenant-driven. This would however only be likely through establishing some kinds of demand side financial incentives. For this we need courageous policymakers and market actors – innovative individuals who could see a possibility to marry the spirit of Mother Theresa with that of Bill Gates.

All may not be lost. At the time of writing we can already speculate about the consequences of the government change that takes place in May 2010. Can it get worse? Probably it cannot. To clean up after the MSzP is going to require Herculean efforts! Nonetheless, FiDeSz who are the election winners must be given a chance to show that they take their task seriously! After all, they have used rhetoric that gives confidence in urban and real estate sustainability. Even a comeback of planning is possible in Hungary.

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Interviewed experts

Anonymous, Lecturer, University of Szeged, discussions 14 October 2009 and 30 December 2009; emailing correspondence 18 January 2010 and 11 March 2010.

Ákos Jakobi, Lecturer, ELTE, discussion 28 September, 2009.

Krisztián Karácsony, Managing Director, ECORYS Hungary, discussion 17 December 2009.

Gábor Locsmáncsi, Professor, Budapest University of Technology and Economics, discussion January, 2005.

Gábor Soóki-Toth, Manager, Skoglund Holding, emailing correspondence 27 January, 2010.

David Valkó, Otthon Center, 29 September 2009.

Notes

¹ *The Economist* writes (8 April, 2010): “The Socialists have been in power for eight years, during which the economy has done badly, poverty has soared, corruption has flourished and the dire situation of the country’s Roma minority has worsened.” This was a few days before the parliamentary election that resulted in a landslide victory for the opposition.

² Corruption scandals related to suspicious real estate deals of local government officers are weekly news in Hungary in recent years. The most extreme example is the Mayor of Budapest District VII, who at the time of writing is in prison!

³ This refers to the respective regimes of the libertarian Budapest Mayor Gábor Demszky and the former socialist Prime Ministers, Ferenc Gyurcsány and his successor Gordon Bajnai.

⁴ The post-1990 Hungarian governments opted for ‘shock therapy’ instead of maintaining *de facto* institutions that could have worked if only small changes had been made. This was of course in accordance with the neoliberal policy suggestions of the World Bank. Ellerman (2010) argues that as neoclassical economics was adopted as paradigm in all former Eastern Block countries, the formal rules set by outsiders did not manage to overtake the prevailing informality in relation to *de facto* institutions! This recognition of locals who in the end knew better than western ‘expert advisors’ resonates with other criticism of the World Bank (cf. Lux, 2009). Ellerman is spot-on when he notes that primarily “...antipathy to parallel experimentation comes... from authoritarian regimes or organizations who have no interest in sponsoring a genuine alternative.” Indeed this fits the Hungarian circumstances.

⁵ In fact, during the EXPO Munich 2008 panel discussions a Hungarian developer-owner claimed that his company had managed to reduce energy costs by 50-60%.

⁶ While it may be efficient to exclude freeriders in this way, sustainability by definition does not concern one particular group of privileged people. Perhaps economic sustainability cannot be defined in global terms, but at least it is definable as the long term benefits for the community that arise by reinvesting possible cost savings.

⁷ Another act about regional development and planning was adopted in 1996 (the first act on regional development in CEE that time).

⁸ One can build in the outer areas too, but here the restrictions are usually considerably stricter than for the ‘inner areas’. This is why property developers so often wish to change the status of the ‘outer areas’ to ‘inner areas’ (as was pointed out by an informant).

⁹ There is a distinction between ‘building’ and ‘non-building’ land - the former is for minimum 10% coverage (up to even 80%) and the latter for max 5% coverage (see Locsmáncsi et al, 2000).

¹⁰ This case has also developed onto a scandal when the information about the insider deal made by district XI leaked out. It has turned out that before the Portuguese investor bought this old part of the Buda docklands area known as *Kopaszi gát* for the market price the local authority had sold it to a holding company for ‘peanuts’.

¹¹ To be precise, this concerns the part above 3%, for example, if the interest rate is 12%, the developer pays 9%.

¹² For example, in the *Marina Part* project a small portion of the dwellings have a later right-to-buy option.

¹³ One of the informants adds that, in relation to the building of gated communities, big differences prevail across municipalities, depending on the local stakeholders.

¹⁴ The following subsection is based on discussion with one of the informants.

¹⁵ This has not been issued at the time of writing.

¹⁶ And we must admit that a new high rise buildings might (and often will) be heritage too one day.

¹⁷ In *Duna City* no such innovative financial schemes as described above are implemented; nor is there any targeting of foreign tenants or investors.

¹⁸ The new government will presumably invest in ‘green’ and sustainable thoughts – at least this is in the agenda.