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STRATEGIES TO IMPLEMENT HUMAN SETTLEMENTS POLICIES ON URBAN RENEWAL AND HOUSING MODERNIZATION

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PREFACE

The concept of urban renewal can best be interpreted as human settlements improvement. This includes a wide range of actions such as modernization, repair and maintenance of the building stock and infrastructure, the improvement of the urban and rural environment, the upgrading of social and commercial services and related facilities, the improvement of urban and regional transport networks, and the preservation of the architectural and cultural heritage in urban and rural areas. Renewal should be regarded as an integral part of the general settlement development process and, as such, it is influenced by the major changes occurring in Europe. Although change may imply uncertainty, it can also be considered as an opportunity to solve existing and emerging problems and to improve the quality of life in a move towards sustainable development.

The aim of this publication is to draw together the most recent thinking on urban renewal. Considering the importance of housing and urban renewal, especially in central and eastern Europe, the ECE Committee on Human Settlements recommended that a study on strategies to implement human settlements policies on urban renewal and housing modernization should be carried out. Consequently, a task force was established to formulate these strategies with the participation of Mr. W. Förster and Mr. H. Gruber (Austria), Mr. K. E. Hansen (Denmark), Mr. I. Tosics (Hungary), Ms. E. Szolgayova (Slovakia) and Mr. E. Hauri (Switzerland).

The experts of the task force wish to remind the reader that in this study housing and urban renewal refers to the renewal of housing and housing areas. Urban renewal can also mean the renewal of the urban structure, which comprises the urban infrastructure, the business function, etc. They are included in this study only when they are part of a housing area.

Furthermore, when drafting the strategies, the task force looked into the need for appropriate legal, organizational and financial frameworks for urban renewal, which are still missing in some countries. Special emphasis was given to the respective responsibilities of the public sector—at national, regional and local levels—and of the private actors (owners, tenants, business, housing, investors, etc.). Different forms of tenure were investigated as an important factor for renewal activities, and types of problem areas were defined. As a result, the study gives overall recommendations, both for western and for eastern European countries.

The Seminar on renewal and modernization of human settlements: Strategies for policy implementation, held in Vienna (Austria) in 1994, and the 1995 workshops on modernization and renewal policies held in Bratislava (Slovakia) and on modernization policies for built-up areas held in Copenhagen (Denmark) provided substantive input for this publication.

Given the importance of the housing issue in central and eastern Europe, the Committee on Human Settlements recommended that work on the strategies should be continued beyond this publication, so as to assess the progress made in adjusting policies and their means of implementation. The Committee also agreed that the task force should continue work on this topic, to analyse specific issues through case-studies. This work will help to understand how different concepts of renewal are applied to similar situations. There will be an opportunity for developing new methods in implementing housing modernization and urban renewal policies at a national level by analysing each case-study on issues which are outlined in these strategies.

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INTRODUCTION

Socio-economic and political background

In most countries of the ECE region, the political questions concerning housing and settlements have been decisively influenced by the unfavourable overall economic conditions. The western countries of the region have had a difficult economic phase starting from the mid-eighties. Their problems include the increase in unemployment, stagnant or even decreasing real income and rising public budget deficits. While the State showed a tendency to withdraw from the housing market during the eighties, a change is currently detectable. New solutions are being sought in many cases: decisions and measures are being decentralized; in place of intervening, compelling and expensive steps, increasingly flexible and incentive-oriented solutions appear that are less of a financial burden on the public purse. In the western countries this shift can be supported by fixed legal and administrative conditions.

In most of the central and eastern European countries, the disadvantageous global economic situation was combined with radical economic and social changes. Extensive institutional and legislative innovations had to be carried out during a phase of economic decline. The foundation of the old social order had tumbled. The elements of a new social order are still in their infancy.

Housing and settlements are also affected by this transition. Responsibilities and financial means have to be redistributed; issues of planning, building and property as well as legal aspects of renting and other matters have to be regulated differently. Public tenants have become owners and the previously huge central State-regulated public rental sector is now in the hands of independent local governments. There are no established formulas or models that could be of assistance to the new Governments in their socio-economic and political decisions. Western solutions cannot just be copied; they need careful adaptation to the different conditions. Furthermore, the financial means of the local, regional and central political authorities are extremely restricted. Because of this lack of money, priorities have to be established. A high rate of unemployment, poverty in general and rising homelessness are new and important phenomena that must be tackled too.

In the countries of central and eastern Europe, the process of building up democratic structures and the introduction of market-economy principles are fundamentally changing society with a differentiation in interests and living situations. The transition to the market economy has meant the loss of job security, the loss of secure housing and often the loss of social connections at the place of work. Traditional social ties have dissolved and new ones have to be formed. On the one hand, the life of the individual is filled with more risks, and on the other hand, there is a growing differentiation in opportunities in life. This applies also to housing.

In connection with the privatization of housing, the individual enters into a new relationship with his dwelling. Formerly, it was a service by the public authorities, to which a person was entitled. The use value of the dwelling formed its main aspect, and it could be utilized at a relatively low price. With the reorganization, the responsibility for housing is transferred increasingly to the individual. As a rule, a dwelling has become more expensive. Privatization also means that dwellings become market products and, in the end, the unequal access to land and property will result in a more unequal distribution of wealth.

Due to the differences in the general economic performance, in the efficiency of State regulation and in the functioning of the market in the last decades, housing problems are much more pressing in central and eastern Europe than in the western part of Europe. While there are differences among the countries in central and eastern Europe regarding the level of housing shortage and affordability problems, the poor conditions of the ur-

ban multi-family housing stock due to neglected maintenance in the last decades is a significant problem in all of them.

In view of the budget restrictions in east and west, the danger exists that the State will neglect the housing issues. This applies especially to central and eastern Europe, where the housing problems are particularly pressing, yet the more important questions of survival are dominating everyday politics. Over a long period, neglecting housing will not pay off, because failing new construction increases the shortage and the tensions on the market will grow stronger. And, perhaps even more important, without countermeasures, the existing renewal deficits escalate.

Urban and housing renewal

Renewal of urban settlements can best be interpreted as human settlements improvement. This includes a wide range of actions such as the modernization, repair and maintenance of the building stock and infrastructure, the improvement of the urban and rural environment, the upgrading of social and commercial services and related facilities, the improvement of urban and regional transport networks, and the preservation of the architectural and cultural heritage in urban and rural areas.

Renewal activities thus relate to all areas of the structural environment. This means that for the purpose of this report choices had to be made. The focus of this report is on *housing and housing areas* and their renewal. It concentrates especially on the situation in central and eastern European countries and their potential for renewal activities. In these countries, decay and destruction are advanced, and economic resources are very scarce. However, even in countries with limited resources, it is advisable to find solutions and to apply them. The minimum objective should thereby be to protect what exists from further deterioration until the expected economic recovery. In addition, in the case of central and eastern Europe, the economically difficult time can also be a chance to set important course directions for the future. This mainly applies to the establishment of a consistent legal structure in order to be able to influence future development.

I. OVERALL CONDITIONS FOR URBAN RENEWAL

A. Government structure

One of the important conditions for urban renewal is the structure of the governing bodies. This includes the distribution of the tasks between the different levels and especially the development of the local level. It also includes the internal power relations and budget connections between the central and local governments and (for larger cities) between the different levels of the local government.

The role of local governments to regulate or determine housing and urban renewal depends very much on the political independence of the local government in general and in urban matters in particular. This independence, in turn, depends on the share of the central budget transfers in the local government budgets and on the policy regulation of housing and urban matters.

The distribution of tasks and the influence of central and local governments vary in the western European countries, but most of them have experienced a significant transfer of tasks and of power from central to local governments. In many countries the local government is the main public body for the supply of public services, the regulation of the use of land and the development of local areas. It has the right to determine physical planning, issue building permits and regulate public power in housing renewal.

In some countries local governments also have a relatively strong economic independence from the central Government. They might have their own tax systems, or money is allocated according to objective criteria, which leave fewer opportunities for the central level to influence the local governments in the actual decisions for renewal. The central influence on the local government is then mostly limited to general conditions and frameworks for the local governments.

The influence of the central level was very strong in the central and eastern European countries in the socialist period and was also clearly felt in any decisions on urban renewal. Later this influence became more indirect, but remained significant through the high share of targeted central transfers in the local budget. In some countries local dependence did not change until the collapse of the system, in other countries considerably fewer decisions were determined from above several years before the political changes occurred. This increase in local independence, however, was accompanied by a dramatic decline in central transfers.

The relation between the central and local governments in central and east European countries was modified substantially around 1990 when, as a step towards decentralization, the ownership of the State rental stock was transferred to the local authorities. The situation became more difficult, however, in cities with a two-tier local government system in which the ownership, revenue collection and allocation rights had been transferred to the lower (e.g. district) level and the higher (municipal) level lost all its redistributive powers.

Paradoxically, a new impetus for urban rehabilitation came from the privatization programmes. In most central and eastern European countries the privatization of public rental housing to sitting tenants became a priority programme, and in most countries prices were set at a very low level ("giveaway" privatization). So, even if laws made the housing-related use of the privatization revenues compulsory, local governments received relatively little revenue (compared to the loss of the most valuable part of their housing stock, which they had to sell cheaply). Even so, the privatization revenue

created some basis for the renewal of the remaining local government rental stock. On the other hand, in some of the privatized houses new owners started to renovate their property, collecting cash from the residents and taking loans from the banks.

New regulations were introduced to strengthen the decision-making power of local governments. The ownership of the public rented stock was transferred to the local councils, which in some cases obtained the right to set rent levels and to establish a local system of housing allowances. They were also given the responsibility for making decisions on the privatization of housing management and determining some of the basic rules on housing privatization.

In some of the countries, however, central housing policy soon took the opposite direction. It strengthened the rights of tenants of public rented dwellings, while removing the rights of local authorities to make decisions about their housing stock. This policy aimed to decrease the political influence of local governments. For this reason the new role of central Governments in the region concentrates more on the extensive regulation of privatization than the regulation (and subsidization) of urban rehabilitation. With the transfer of public housing to the local level, the central Governments also pushed away the responsibility for rehabilitation. Local governments are also in financial trouble and are unable to carry out costly rehabilitation. Consequently, like the dramatic drop in new construction, rehabilitation has also come to a standstill.

B. Housing policy

1. Housing problems

Urban renewal policies are resolutely linked with the housing issues. Depending on the availability, affordability and quality of sufficient dwellings at national and local levels, urban renewal targets vary. Housing shortage was the main reason for developing national housing policies in the past. As housing represents one of the most important conditions for the quality of human life, well-designed housing policies are one of the basic conditions to guarantee human well-being.

Although in all European countries public authorities have been involved in housing programmes since the Second World War, housing shortage is a well-known phenomenon in many cities in central and eastern Europe and to some extent in western Europe, making both new housing construction and urban renewal schemes a main issue. Other problems are the poor physical condition of many buildings and the need to gradually improve them to current standards, the deterioration of whole neighbourhoods and of their social structures, problems of marginal groups, etc.

In central and eastern Europe, new housing projects have almost completely come to a halt through political change. Due to demographic developments, there is, however, a further requirement for new housing. Yet, with the transition to a market economy, the requirement criterion recedes into the background at the expense of demand. The State has virtually withdrawn as investor. New housing constructed by the State or other builders can only be let with massive subsidies. New production is therefore concentrated on the luxury segment. A wealthy minority of the population now represents the demand.

In almost all these countries rents are often still too low to cover regular maintenance costs. Therefore, new models of subsidies and of rent regulation have to be developed considering technical necessities as well as affordability.

In many countries in central and eastern Europe the housing shortage is so serious that urban renewal activities have lower priority and the main interest in urban renewal is given to historic inner-city areas. Under the centrally planned economy, funds for conservation were allocated for historic heritage, making it possible to restore historic urban

cores of important towns or tourist centres. A great number of small and medium-sized towns suffered from economic stagnation and failed in maintaining both their housing stock and historic buildings.

Besides the shortage and deterioration of housing, affordability is the third major problem. In western Europe price controls were often gradually lifted parallel to the introduction of demand-side subsidies (housing allowances, interest rate subsidies and tax deductions), which made price increases possible without generally sharpening the affordability issue. The problem of the poorer part of society arose in the 1980s with the decline of the welfare state. With the exception of some richer countries, income and housing subsidies were increasingly concentrated on the poorest segment of households, as a consequence of which the standard of affordable housing for the poor decreased, middle-income households had to pay more for housing and homelessness again became a problem.

In central and eastern Europe affordability was not a substantial problem for many decades. People who got access to State-rental housing had no problems paying the subsidized rents and utilities. Other segments of society used subsidized loans and their own work (self-help) to get access to owner-occupied housing. Finally, families who could neither get access to rental units nor to owner-occupied units had to try to:

- Buy units on the real-estate market without any subsidies; or
- Wait for some possibilities while doubling up with the parents; or
- Renting parts of flats on the private market.

The last two cases were, however, not considered as affordability but rather as shortage problems.

After the collapse of the political system, these countries withdrew many of the subsidies in the framework of an overall economic restructuring. Utility prices increased close to the world-market level and rents have also been increased. At the same time the average level of income increases was much lower and there was a substantial income differentiation. As a consequence affordability became in a very short time a considerable problem: the housing expenditures of many households increased to too high a percentage of their incomes. In countries where means-tested allowance systems were not introduced, the proportion of families in arrears increased dramatically and it is only due to the existing legal/institutional/social problems that cases of eviction and foreclosure are not very frequent.

2. Housing in the national economic context

Conditions for housing in every country depend on the special economic and political circumstances in that country. It is important to recognize that policies for housing and for housing rehabilitation often vary from country to country because they have to be adjusted to specific conditions. The general economic level of a country—measured as the gross national product (GNP)—makes a decisive framework for the possibilities for consumption of housing and for investments in new housing and housing renewal. In 1990 the Organisation for Economic Co-operation and Development countries on average invested 5.1% of GNP in new housing and renewal of existing housing. This figure varied, however, from 3.8 to 7.3. The historic development in western Europe shows that the share of GNP invested in housing has increased with increasing GNP up to a certain point. Thus in the last 15 years housing investments in western Europe have stagnated, but at the same time there has been a change from investments in new building to renewal of existing housing.

Differences between countries concerning investments in housing and their application can, however, not be explained solely by differences in housing needs and economic capacity. The general economic policy in a country determines in many ways the economic conditions for housing. Some countries have conducted an anti-inflationary pol-

icy, while others have allowed high inflation to occur, which has resulted in high interest rates on loans for housing. In these countries there has been greater need for government support of housing investments. Also, variation in general taxation principles has a considerable effect on conditions for housing. In most countries interest on loans for housing can be deducted from the taxable income or investments can be written off. These tax rules affect housing expense and influence the competition between different tenures. Countries with very favourable rules for taxation of interest have a high share of owner-occupied housing, while countries with no right to deduct interest payments have a very low share of owner-occupiers.

The development of market trends has had a strong effect on housing investments. In periods of economic boom, investments in housing have increased more than the rest of the economy, and in times of depression the investments have fallen further. In many countries Governments have changed their housing policies in periods of boom or depression to get better control of the economy and of employment. It is typical that in times of falling investments in new housing, Governments often take action to increase investments in housing rehabilitation.

In western Europe as well as in central and eastern Europe the gap between the poor (the unemployed, the underprivileged, the migrants) and the rich is growing. Increasing social inequality, long-time unemployment and, finally, serious governmental budget restrictions appear in most countries. This development has increased the need for Government support to solve housing problems, although the ability of Governments to provide resources for housing has been reduced.

3. Housing as a private or public responsibility

Another important cause of differences between housing policies and housing problems in different countries are divergent political attitudes towards the role of Government in the housing sector. This attitude has also affected urban renewal and housing rehabilitation policies. In all western countries the State has been involved in housing, but in some countries the role of the State has been curtailed to making only the essential adjustments to what fundamentally has been seen as a market sector. In other countries housing has more or less been seen as a kind of public good that all citizens are entitled to possess. Among these countries some have chosen to give the public sector a strong and direct role in the provision of housing, while others have relied more on a strong regulation of the market.

The political attitude to housing as a private or public good has also changed over time in most countries, mostly as a consequence of new developments in housing problems and in the economic conditions for housing. When discussing the development of housing policies three (or even four) stages may be distinguished in most ECE countries:

- (a) After The Second World War: quantitative stage—housing shortage, strong governmental involvement in housing, mostly centrally organized;
- (b) Qualitative stage—housing policy more concerned with the quality of housing, often linked with improvement and maintenance of the existing housing stock, encouraging private investments in western European countries;
- (c) Privatization and distribution stage—according to the growing role of market influences in this phase more attention is given to the problems of distribution, critical considerations of the effectiveness of various aspects of the State housing policies, reduction in general subsidies, and decrease in new housing construction as a consequence of budget restrictions;
- (d) New housing shortage (mainly in specific population groups) in some ECE countries, discussion of new target-oriented strategies.

These stages often overlap and can require attention simultaneously.

Experiences in western Europe also show that quantitative problems have to be solved with the help of the central (national) political level, but after solving the most urgent needs for housing a partial shift towards the local level is reasonable and usual.

During the first phase of transition most central and eastern European countries more or less abolished the overall State housing policy. In some cases the State moved both properties (housing) and responsibilities to the municipalities without providing the necessary legal, financial, administrative or organizational conditions for that radical change. This increased existing tensions in the accessibility and affordability of housing and the problems of deterioration and poor maintenance. However, in some of these countries signs of positive change are visible, with the public sector gaining greater responsibility and local authorities having a more significant role supported by appropriate instruments.

4. The need for a basic legal framework for housing

What is particularly significant in the experience of western European countries is the careful delimitation of responsibilities among those involved in the housing market: the national, regional and local authorities, private investors and builders, financing institutions, private owners, voluntary housing associations, non-profit and cooperative groups, the inhabitants, etc.

Legal frameworks both for urban renewal and for new housing construction are very important to make housing markets work properly. They consist of general and special laws, concerning property rights, building quality, security for loans in real estate, rights and duties of residents, etc.

In countries in transition many problems are the result of inconsistent legislation and financial instruments. On the one hand, many reasonable regulations exist, but they are not supported by appropriate financial policies and budgets; on the other, many laws are no longer suitable and their adjustment takes a long time. The introduction of a market economy means, first, the redefining and distribution of property rights as well as the development of a collective agreement in law and of the necessary institutions. For housing it means a clear regulation of property ownership to ensure investments in renewal, the redistribution of responsibilities as well as of funds from the central to the local authorities, binding planning and building regulations, legislation on tenants' protection with sanctions for violations, new mechanisms for decision-making which allow the population concerned to articulate and assert their needs, etc.

5. Instruments used in housing policy

The instruments used by Governments in western Europe in their housing policy system can be divided into four main categories:

- (i) Provision of capital for housing—housing finance;
- (ii) Support for housing production or consumption through payment of subsidies;
- (iii) Direct provision of housing through public-owned or controlled agencies—social housing;
- (iv) Regulation of the housing market—rent control, etc.

Housing and urban renewal are capital-intensive. In some western European countries the State has taken some control over housing finance to secure a provision of sufficient capital at a low price. In other countries Governments have supported the formation of special market institutions for housing finance or have made special regulations on the capital market to facilitate housing finance. In view of the budget situation in the western as well as the central and eastern countries of ECE, financing with governmental

means alone is difficult today. Many western countries of the ECE region have therefore increasingly turned to the private money market. This, however, requires first the existence of an efficient banking system that turns savings from the private households into housing production. In central and eastern Europe such systems are still in their infancy. Given the economic situation, it is also not possible for the population to build up the necessary savings. Thus, an efficient private money market can only be an objective for the future. In the transition period financing of the renewal programmes has to be secured by other solutions.

Subsidies are primarily intended to support an increase in housing production and improvement, and to make decent housing affordable for the lower income groups. Subsidies may be directed either to the builders (housing associations, etc.) in the form of "object subsidies" or to the inhabitants (tenants or owners) as individual allowances. Object subsidies (or general subsidies) are usually given under specific conditions—e.g. rent control or reservation of the dwellings for certain groups of the population—and may consist of grants, low-interest loans provided by national or local institutions or interest subsidies for housing loans granted by private mortgage institutions or banks. Other instruments are tax deductions and other forms of tax support. Individual allowances, or needs-related subject subsidies, are given to households under specific conditions, mainly related to income, size of the family and of the dwelling, and housing expenditure.

Most ECE countries have developed mixed subsidy schemes aiming both at stimulating new housing and urban renewal as well as at strengthening the demand side. However, the extent of subsidies and their character have depended on the actual housing market situation, depending on the general economic conditions and the housing problems. In some countries high inflation and high interest rates have made it necessary to provide extensive object subsidies to keep up a certain level of housing production. As the housing shortage has diminished, the subsidies have often been transformed into support for renewal or into individual subsidies.

Public provision of housing was formerly the most important part of housing policies in eastern Europe. In western Europe public provision of housing has been used in various forms and to a varying extent. In many countries social housing has been provided by semi-private non-profit housing companies under public control. The purpose of social housing has been to build at low cost and to make it possible for local authorities to allocate dwellings to families with special needs and housing problems.

It is the experience of many western European countries that a social housing sector of a certain size is important not only to solve housing problems for the poor but also to avoid the formation of slums. If the social housing sector is too small, there might be an increase in segregation and a concentration of social and physical problems in certain parts of the housing market that promote decay. In some cases local authorities have also concentrated too many families with low income, thus causing deterioration and social problems.

Regulation means that Governments intervene in the market mechanism. This may take the form of legislation protecting tenants against eviction, etc., rules for the allocation of dwellings to tenants, rent control for private rental housing and price restrictions on co-operatives, restrictions on closing down dwellings or transforming them into other tenures, rules for the organization of cooperatives or owner-occupied flats, etc. Regulation of the private rental sector in western Europe has been extensive in times of housing shortage, but has in many countries been relieved in recent years. Still, most countries provide legal protection for tenants and some kind of rent control or protection from exorbitant rents. The problems with many of the rent control systems have been that they, to a differing extent, have taken away the incentives for landlords to invest in maintenance and improvement of the dwellings. On the other hand such regulations have contributed to avoiding social segregation and severe conflicts.

6. Tenure categories

The effectiveness of urban renewal policies is strongly influenced by the forms of tenure. Support to or regulation of certain forms of tenure can influence the housing market and represent two of the instruments of a central State housing policy. Characteristics of housing tenure are not static, but depend on a range of social circumstances and should be considered in specific historical and economic contexts. Forms of tenure include, in most countries:

- (a) Social-rented sector (State, municipalities, non-profit housing associations, etc.), mostly highly subsidized and in many cases reserved to certain income groups;
- (b) Private rental sector (profit-oriented, but in some cases regulated by State laws);
- (c) Owner-occupied sector (privately financed or—indirectly—publicly subsidized);
- (d) Mixed forms of tenure (shared ownership, cooperatives, etc., with or without public involvement).

In private rental housing there are often conflicting interests between the owner (landlord) and the tenants, who have very little influence on their housing. This clash between investor interests and consumer interests in the properties means that there are weaker incentives to maintain and improve the dwellings, and initiatives from one of the parties can provoke conflicts.

The risk of conflict is smaller and incentives for renewal are greater in social housing—especially if the tenants are given more influence. However, in many countries a strong bureaucratic management of social housing makes it impossible for tenants to demand improvements or to carry them out themselves.

In owner-occupied one-family houses the resident and the owner are the same person and it is easy for residents to decide on and carry out maintenance and improvement. The problem is that only the better-off part of the population can raise capital to buy their own house. In some countries, however, the policy has been to stimulate the owner-occupied sector, often without securing future maintenance works by subsidies, etc.

In owner-occupied flats the residents have control over the private dwellings, but have to cooperate on common matters for the whole building. Without well-organized cooperation between the residents it could be difficult to take decisions on maintenance and improvements.

Special problems arise in buildings with mixed forms of tenure. This is very common when rental housing has been transformed into owner-occupied flats. In these buildings conflicting interests between several parties make it difficult to carry through effective administration and maintenance.

II. URBAN RENEWAL POLICIES

A. The city structure and areas with problematic deterioration

1. The development of city structure

The spatial structure of cities differs, on the one hand, as a consequence of different patterns of urban development and, on the other, because of the difference in methods and consequences of public intervention.

In European cities the central areas usually preserved their mixed, relatively high social status and did not turn into slums. Even so, there are remarkable differences between European cities regarding the dynamic processes which influence the social status of inner-city areas. In western European cities, both suburbanization trends and the reversed process, the move back to the city centre, occur. In most central and eastern European cities the rapid development of areas around the cities (suburbs) was also observable but this was less the result of families moving out of the inner-city areas, than a result of families moving from the countryside towards the vicinity of cities. Thus in central and eastern European cities the majority of middle- and higher-income families remained within the city.

Many problems of the inner-city areas are the result of investors' interventions in the 1960s and 1970s. Within the changing pattern of public policies regarding post-war European urban development (constructing green-field housing estates, rebuilding inner-city areas, starting careful urban renewal) there were substantial differences between western and eastern cities. Western European city authorities, besides building outer green-field housing estates, had in many cases resorted to large-scale clearing and renewal schemes including the demolition of traditional neighbourhoods of inner cities. These programmes often resulted in severe political and social problems, and in increased social segregation within the cities.

Some central and eastern European cities can be regarded as "lucky" in the sense that they did not have the financial means in the 1960s and 1970s to destroy their city centre areas according to the city planning ideas of that period. The period of constructing huge green-field housing estates on the edge of the cities was, however, longer here than in the western countries and led to strong demographic segregation: younger families with children left the inner-city areas for the more modern dwellings on the housing estates.

The recent social status of inner-city areas is mixed in both western and eastern European cities. In the former, social protection measures helped many of the inner-city families to stay during rehabilitation. In the latter, many of the inner-city families were unable to leave the areas of physical degradation, because they could not finance the move towards higher-quality areas (mainly private housing estates). This forced coexistence of higher and lower status families and slowed down the social degradation of many physically run-down inner areas. The relatively low level of segregation will gradually disappear, however, with the growing income differentiation and the process of massive privatization of the public rental sector.

The existence of problem areas and the fact that cities are financially healthy do not lead directly to demolition or rebuilding programmes. There is an important difference between countries with a high level of public involvement in housing and urban renewal, and others where development was more or less left to the private market. In the first group, "softer" solutions were found together with a broader discussion of development plans.

2. Areas with problematic deterioration

(a) *Causes of deterioration*

Urban rehabilitation can be described as a large-scale intervention in areas which are recognized as "problem areas" for various reasons. The following conditions and processes can—to various degrees and combinations—speed up the normal process of deterioration and turn parts of the city into problem areas:

- (a) Physical conditions of buildings (this can be the state of repair, the age of the building, the size of the flats, the recreation area, the architecture, the environment, etc.);
- (b) Institutional conditions, i.e. economic and organizational rules for maintenance and improvements (e.g. inadequate economic and legal regulation of the form of tenure; insufficient rules for rental properties and poor availability of loans for communal projects in owner-occupied properties; rules that make investments unprofitable);
- (c) Social and economic processes (e.g. housing and labour market processes that increase the segregation of low-income families or special rules which promote the access and concentration of low-income groups in certain types of dwellings or to certain inner-city areas; economic decline in the region).

Physical indicators alone (such as the share of units without a bathroom, the number of years of neglected maintenance, etc.) are not sufficient to point out real problem areas; sometimes the physical deterioration is not even the biggest problem of a neighbourhood (see the example of many physically sound areas which became urban ghettos because of the concentration of low-income/low social status families). Also the reverse is possible, areas which should be slums on the basis of physical characteristics are in fact very lively urban neighbourhoods. Therefore urban rehabilitation, when dominated solely by physical orientation (concentrating on increasing the standard of flats, improving the condition of the buildings, etc.) is in itself no reliable cure.

(b) *Types of problem areas in cities*

Problematic deterioration typically takes place in specific areas of larger cities where there is a particular mix of physical/social/regulatory conditions. Identifying such areas is an important prerequisite for understanding the problems and being able to develop relevant strategies. Whereas all ECE countries have areas of the types described below, the proportion of the different types and the degree of deterioration within these different areas will differ from one country or city to another.

Dwellings in old inner-city areas consisting largely of properties of certain historical value. Rehabilitation efforts have in the first stage mostly concentrated on these districts, emphasizing the preservation of cultural values—also for tourism—rather than urban development or social aims. Many cities have introduced luxury modernization programmes creating high-standard housing in very attractive areas. With few exceptions the historic centres of European cities have already been rehabilitated; therefore they do not represent the main target areas for current renewal programmes. In many inner-city areas there is pressure to convert housing areas for business use.

Housing and residential areas built at the onset of industrialism (late nineteenth century and early twentieth century). Many cities in ECE countries expanded very quickly in that period as a result of industrialization, and mass-housing was produced either by private developers or by newly formed public housing associations. In many cases these areas do not meet contemporary housing standards, the apartments being too small or badly equipped, and many buildings being insufficiently maintained. Other problems relate to the small businesses established there and the resulting traffic, and very high density and conflicting mixed use in the housing block. Some of these areas have become

targets of speculation and gentrification, especially in the case of privately-owned rental buildings close to the historic centres.

Dwellings dating from 1920 to 1950. Most of these residential projects were built by public authorities or by semi-public or private developers with public assistance. Today these estates may still represent high urban and environmental qualities, but they often fail to meet contemporary housing standards, or are in bad physical shape as a result of inappropriate maintenance. Problems may also arise due to the high proportion of elderly inhabitants.

Multi-storey houses built in large housing estates in the 1960s and the 1970s. Most cities have built such mass-housing projects in order to fight the housing shortage, often introducing new building techniques such as prefabrication. As a result of the architectural monotony, the technical problems due to the building technology itself, high energy consumption or the lack of maintenance, the failing infrastructure and “urbanity”, and often also due to social segregation and insecurity, these areas have very often gained a bad reputation, which has led to a vicious circle of both technical and social deterioration. This seems to be especially true in most central and eastern European countries, but also for some western European cities where social or ethnic minorities have concentrated in such estates.

Single-family houses in fringe areas. Fringe areas with mainly owner-occupied single-family housing may suffer deterioration if the inhabitants cannot afford regular maintenance, no public subsidies are provided for such cases and the level of public infrastructure is low. Such areas can be found both in countries in central and eastern Europe and in some western European cities, sometimes as a result of privatization programmes.

Other problem areas are old industrial and warehouse sites often located close to abandoned transport systems and in need of total conversion.

These types of problem areas exist throughout Europe, to different degrees. In most western European cities historic centres have already carefully been restored; problems concentrate in other—mostly fringe—areas. In central and eastern Europe deterioration appears mainly in the inner-city areas and the multi-storey housing estates built in the 1960s and 1970s. Public intervention in different types of run-down areas therefore has to follow a careful survey of the specific problems and develop problem-oriented solutions based on priority programmes.

B. The history of housing and urban renewal policies

In most western European countries the renewal of the existing housing stock did not become a major policy issue until the 1960s. In the years after the Second World War the focus was on new building to compensate for the shortage. This changed in the 1960s when renewal of the existing housing areas was seen not only as an instrument to fight unhealthy housing, but also to implement up-to-date housing standards. Still, in many countries the main task was to build new housing in the suburbs.

Policies for existing housing clearly went through two distinct phases. The first one can be described as an era of ambitious programmes. Entire blocks and, in some places, entire districts were demolished and replaced by new buildings. The aim was to get rid of problematic blocks of flats from the second half of the past century. The extensive demolition carried out in the first era necessitated the use of compulsory eviction. At the end of the 1960s this housing renewal led to some turbulence. The residents objected to being moved out of their familiar surroundings—often to the suburbs—and they protested against the lack of consultation. In some cases it proved difficult to control such a radical change and the whole process appeared to be very costly. Although European countries seldom resorted to radical slum-clearance programmes, the results were often

gentrification and social segregation, and problems were in many cases shifted to other areas.

The 1970s heralded the start of the second phase, one of preservation and renovation of the existing housing stock. In many countries government subsidies for renovation were introduced or increased. Rules were introduced to ensure the involvement of the tenants in the planning process. With the second era's change of direction towards renovation, public regulation could to a much greater extent be based on the voluntary principle and thus on regulation by indirect means. The change of policy from demolition to renovation resulted in a move from compulsion to adoption of the voluntary principle. Renewal was achieved with offers of subsidies, possibly with some conditions attached. In countries where the authorities still had the power to compel owners to make alterations to their properties, the practice was changed in many municipalities towards negotiation with property owners.

In the second half of the 1980s the predominant aim remained preservation and renovation of the existing properties, and involvement of tenants in the planning process became *de rigueur*. However, new turbulence is on the way, this time concerning not mainly the content of the housing renewal but mostly the way that the public authorities involve themselves in it. The issues being raised are:

- Simplification of the procedures;
- Less public involvement and more private resources in housing renewal;
- Environmental issues and the need for sustainable development.

In the beginning of the 1990s some new conditions for housing and urban renewal appeared:

- New housing shortage arising from higher demand, migration, etc.;
- “New” problems (unemployment, crime, vandalism, etc.) that cannot be solved with housing policies alone.

In central and eastern European countries, like in most western European countries, urban renewal started as a clearance policy concentrated on demolishing unsuitable housing from the late nineteenth and early twentieth centuries, substituting large high-rise neighbourhoods, which were later to become the most problematic parts of the urban structure. This process was, however, quite limited because the State could not finance it. Renewal through the preservation of the existing physical structure started in the late 1970s. Even this intervention remained very limited in most countries because the State was the only investor and, as a consequence of the direct State control, rents could not even be raised after the costly renewal. This kind of “socialist renewal” ended very soon as the budgetary difficulties started at the central and local level. Therefore, by the time these cities “came round” to the idea of careful urban rehabilitation, there was practically no money left to improve the physically deteriorated and demographically segregated inner-city areas. As a consequence, the level of maintenance and renovation decreased substantially.

C. Aims of urban and housing renewal

Before deciding on a renewal strategy and the establishment of respective programmes and measures, the objectives have to be clarified. A careful formulation of the aim can assist in reaching consensus of the various participating groups and thereby serve to minimize the undesirable effects of the renewal measures. As the implementation of urban renewal strategies shows, renewal activities can be used to achieve very different aims.

1. Improvement of the population's well-being

One priority objective of the urban renewal is to improve the living conditions of the population. The situation of the built environment is an important factor that influences the living conditions. Buildings in danger of collapsing as well as an unsafe housing environment or outdated public transport concepts may jeopardize the physical safety of the urban population. Cramped and unsanitary living conditions, building material containing poisonous substances, as well as the contamination of the air, soil and water, lack of space for recreation or excessive noise, may be a threat to health.

In eliminating or reducing the problems that directly affect the well-being of the population, attention should not be concentrated solely on the repair, renovation and modernization of buildings and technical infrastructures. Urban renewal always means an intervention in the existing social connections of buildings and infrastructures. Therefore it has to be considered in each case which population group is to be served by the renewal programme, and especially how to benefit those already living in a designated area.

2. Preservation of the invested capital

A major goal of urban renewal may be to prevent the devaluation of the invested capital. As a long-term investment, housing constitutes an asset in all nations. Obsolescence or wear and tear of the building substance leads to devaluation. Devaluation may also occur when the patterns of demand change and, for instance, substandard dwellings no longer meet the housing needs. Without countermeasures, depreciation sets in and can finally only be overcome by demolition and new construction. From an economic standpoint, this process is inefficient. The decline in value can be counteracted by good maintenance, repairs and periodic modernization. In doing so, it is important to find an optimal way between neglect of the building substance, on the one hand, and over-investment, on the other.

3. Goals concerning population

Urban and housing renewal may be used as an instrument to influence the population structure of a given city or district. The aim may be to create a balanced population relative to age, income and types of households as well as to keep the inhabitants in the city and to prevent further suburbanization.

The move of high-income households to the suburbs is often caused by the relatively poor housing and living conditions in the cities, mainly for families with children. The consequences are, among others, one-sided household structures, over-representation of single age groups and income levels, which may lead to one-sided demand for specific social services, a financial drain on the municipal budget or social conflicts. At the same time, those who have moved away become commuters and so increase the traffic and the air pollution in the city, thereby further decreasing the attraction of housing. Procedures for urban and housing renewal can be geared to breaking this vicious circle and striving for a balanced population mix.

4. Promote economic development by supporting the building sector

Another aim of urban and housing renewal may be to stimulate the development of the construction industry and to provide jobs. Housing in general and renewal in particular are part of the productive sector of the economy and should be viewed as a key component in any transition phase that could be used as an engine for economic growth. In the past many western European countries successfully supported the construction industry with public programmes in order to avoid excessive capacity reduction during times of recession, and to lower the number of unemployed. This assistance frequently concerned

urban renewal and renovation of housing, activities requiring an above-average work-input and the participation of all branches of the construction industry. In central and eastern Europe renewal programmes could also assist the construction industry and this sector could serve as the driving force for the economic "take-off" during the transition.

5. Preservation of cultural heritage and traditions

The course of action in urban renewal can aim at the preservation of cultural values which are expressed in settlement forms and architectural styles. In doing so, the regional and local identity may be strengthened, which is a function gaining in significance in times of drastic social change. This does not mean that the structural environment should not be changed. Yet, preservation may often be reconciled with functional renewal and adaptation to the current norms. Moreover, such a strategy can be economically worthwhile as historic buildings as well as towns and cityscapes that have been preserved are in various ways a strong tourist attraction.

6. Contribution to sustainable development

An important aim of urban renewal can be to stop or at least reduce processes in the housing sector which are incompatible with sustainable development. As further pointed out in the ECE Guidelines on sustainable human settlements planning and management, for renewal policy this means, among other things, to preserve the green structure in a city, which is intended to meet people's need for recreation and their need to have part of nature in their immediate neighbourhood, and, wherever possible and necessary, to increase the housing stock through renovation and inner-city densification rather than by constructing new housing on the periphery. In the renewal of urban infrastructures and housing, energy-saving building materials and methods protecting the environment should be used.

7. Extension of democratic processes

Urban renewal programmes may be used positively in various ways as a learning ground for deepening and expanding democratic structures, which, in different respects, may be especially relevant for the central and eastern European countries that are undergoing radical political change. With a far-reaching inclusion of the population and interested groups and an in-depth discussion of renewal programmes, the sense of responsibility by the individual as well as the social bond and the acceptance of renewal methods may be just as important as the final result.

This chapter shows that urban and housing renewal may serve social, cultural, political, economic and ecological objectives. Yet among these possible sub-goals, considerable conflicts may arise. As experience has proven, social and ecological aims take a back seat if, for instance, the emphasis is placed only on the development of the construction industry. Also, objectives related to maintaining value are not always compatible with the principle that renewal measures should be beneficial to the settled population. Furthermore, conflicts may also develop between sectorial aims. It is therefore indispensable to disclose any conflicts and to seek compromises together with the groups concerned.

III. URBAN RENEWAL STRATEGIES

A. Instruments and mechanisms

All properties deteriorate. In an ordinary process of deterioration there will be deterioration caused by wear and tear. There will also be some deterioration caused by obsolescence, which means that older properties lack up-to-date functions or that the functions installed are old-fashioned. Owners do mostly compensate for this deterioration by frequent maintenance and improvements. Only when an ordinary process of frequent renovation is broken, does problematic deterioration appear. The property then deteriorates to such a degree that it demands an extraordinary effort to raise the property to an up-to-date level and it may even be uneconomical to renovate it.

The first and most important task of urban renewal is therefore to guarantee a regular cycle of maintenance, repair and modernization in order to prevent problematic deterioration, which will cause enormous costs. It is important that the general housing policy should provide sufficient conditions for this ordinary renovation. These depend on the form of the regulations of these tenures. If problematic deterioration has occurred, it may be necessary to have the properties renovated with public involvement, perhaps through different forms of regulations.

1. Market mechanism

Experience from western Europe and North America illustrates that market forces by themselves are not able to ensure ordinary renewal in all dwellings. One reason is that parts of the population do not have sufficient income to pay for good and well-maintained housing. Moreover, certain slum processes take place in vulnerable neighbourhoods of the cities, and it is not profitable to invest, in market conditions, in the renewal of dwellings which are situated in a neighbourhood with bad housing. Deterioration of some dwellings in a certain area leads to immigration of people with lower incomes and migration of households with higher incomes, which in turn results in further deterioration. It is a self-reinforcing process which leads to a high concentration of bad dwellings and people with low incomes and social problems in the affected neighbourhoods.

In some cases the process of deterioration in older neighbourhoods is reversed by market forces. This is called gentrification—a process whereby more well-to-do people move back to a run-down area and replace people with lower incomes. This has, however, only happened in relatively few and special situations where the neighbourhoods have some special qualities like historic buildings, nearness to centres, to parks or to water. However, a market-based process of renewal can be promoted by public investments in the neighbourhoods.

Market forces alone will especially fail to solve housing problems when demand exceeds supply (a narrow supply-demand ratio), as investments concentrate on the most profitable building sectors (e.g. high-standard housing in good areas or office buildings) and thus aggravate social segregation.

2. Public regulations for renewal

In western Europe it has not been acceptable since the mid-1970s to let an area decline to a situation where the only solution is demolition. To compensate for and replace the market mechanism, most countries have set up some public regulations for renewal,

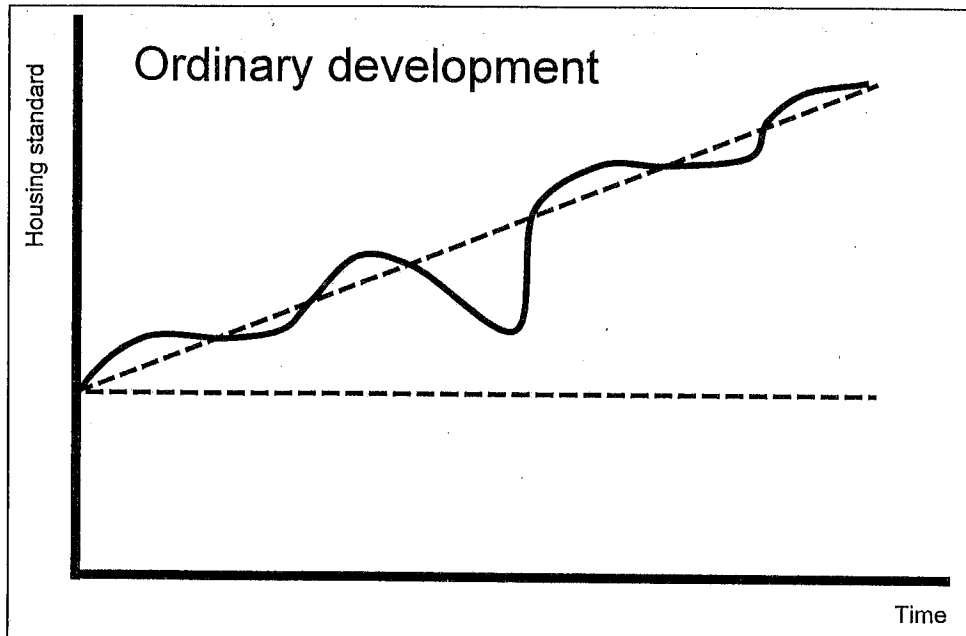


FIGURE I. Development with a cyclic development of deterioration and renovation

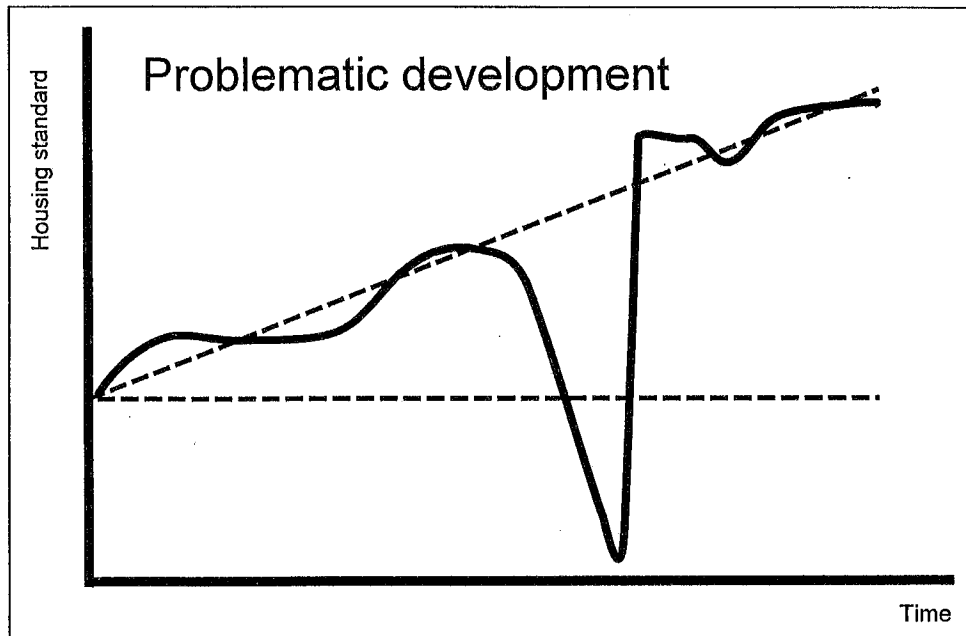


FIGURE II. Development where the process of cyclic renovation is broken and has caused problematic deterioration. An extraordinary effort is therefore needed to renovate the property.

often in connection with direct public intervention in the development of the area. Since the middle of the 1970s, the policy has been—almost without exception—to keep and renovate housing whenever it is economically wise (i.e. cheaper than new construction).

In western Europe the public regulations have been aimed at different situations. Some have been aimed at areas with serious problems such as a serious decay and densely built-up areas with lack of open space; others have just been targeted at preventing deterioration in normal properties, and have been targeted at separate functions of the buildings (e.g. energy saving, central heating, noise reduction, indoor climate).

These various types of regulations concern especially the relationship between the authorities and the private owners, the relationship between owners and tenants, and the procedures to be used. The regulation lays down legal and financial provisions, in particular. There are three main types of public regulations, reflecting three types of relationships between the authorities and private owners:

- (a) Regulation of the form of tenure: the authorities merely establish the general regulatory framework for the properties, their maintenance and improvement, with no direct involvement in the actual renovation work. This form of regulation is, for example, embodied in tax legislation, rent acts, rules relating to loans for improvements, and rules relating to owner-occupied flats. The public authorities are normally not involved in the concrete renovation project except for issuing the building permit;
- (b) Indirect regulation: the aim of the authorities is to make it attractive for owners to renovate their properties. This is usually done by way of subsidies, but may take the form of advice, improvement of open areas, and restrictions on the exploitation of the area, so that demolition is no longer a viable option. Although the decision to renovate is taken by the owner, the authorities may demand specific conditions to be fulfilled in order to be eligible for a subsidy;
- (c) Direct regulation: the authorities may order the renovation of a property. With this form of regulation the authorities—normally represented by the local government—can compel the owner to renovate, having the following instruments at their disposal: expropriation, orders, restrictions on use, and pre-emptions. The direct regulation often features subsidies that make compulsory action acceptable to the owner. With this form of regulation, it is normally the authorities who take the initiative for renovation.

The qualities of the three forms of regulation vary with respect to:

- The authorities' powers of control;
- The administrative input required;
- The number of dwellings and areas covered and the possibility of targeted action by the authorities;
- The extent of social considerations and residents' influence;
- The nature of the renovation.

The authorities clearly get the strongest powers of control in the direct regulations that enable them to force the process through. These powers have often been a precondition for the renewal process in specific areas. In the indirect regulations the power of the authorities is often limited to the distribution of public subsidies. The authorities are dependent on the interest of the owner, but can then make demands on the content of the renovation works. In the regulations of the form of tenure the authorities are not involved in the actual renovation work and therefore have no influence on it, except for building permits in accordance with the technical building regulations. It is normally easier to cover many dwellings and areas by indirect regulations and regulations of tenure, as this requires a smaller contribution from the authorities. By using direct regulation the authorities can more easily target the renovation works to specific areas or buildings.

As the activity in the indirect and in the tenure regulation depends largely on the owner's initiative, it also depends on the owner's ability to pay. Therefore these regulations are more often used by the well-organized owners with financial resources. The weaker owner who might be in greater need of having renovation work done is normally less able to use these regulations.

The direct regulation normally has rules to ensure social considerations as a legal part of the process. Normally it involves influence to the residents. It is possible to do that in the indirect regulation and in the tenure one, but they are often not included.

It is typical for the direct regulation to have incentives for the complete renovation of the building and the task is considered a "one-off". The opposite is the case for regulations of tenure. They mostly promote continuous renovation. The indirect regulations can have incentives for both kinds of activity.

3. Regulation of tenure

The necessary contents of regulations depend largely on the form of tenure:

- Private and public rented houses;
- Shared ownership in properties with more than one dwelling, e.g. private cooperatives and owner-occupied flats (condominiums);
- Ownership in single-family houses.

Shared ownership means that the owners share responsibility for a common part of the building, e.g. roof, staircase, central heating system. The responsibility for a dwelling is mostly left to the individual owner, but the community of owners can also be responsible for some technical components in the dwelling.

In public rental housing, where the influence of the public sector is the most substantial, the decision to start or postpone renewal is made directly by the local authority or the semi-public organization (e.g. housing association). The key problem in this case is the relation between the rent level and the costs of renewal. In many countries public rents (for social and political reasons) are not increased to a high enough level to cover the costs of future renewal. In the majority of the eastern and central European countries public rents cannot even be increased enough after renewal to cover the costs. Under such circumstances renewal can only be carried out with subsidies and will thus depend on the budget situation and the political willingness of the decision makers to spend public money on this goal instead of on others.

While in private rented flats requirements to ensure tenants' rights (e.g. rent control) can make landlords less interested in renovation, without restrictions on the landlords the basic interest of the tenants would easily be threatened. This conflicting interest is a basic condition in private rented flats. Regulations should not hamper the necessary renovation activities. Regulations with rights to each party, making them cooperate, can be a good solution.

In shared ownership in properties with more than one dwelling it is important to recognize that the owners (or shareholders) of the flats in the building form a community that needs rules to regulate common matters. There must be a provision that ensures an adequate organization that can take decisions and organize the tasks to be done. One of these matters is maintenance and improvement of the common parts of the building. There should be a provision for a minimum fee for renovation. This minimum should be high enough to guarantee ordinary maintenance and further improvement. There must be provisions ensuring that the "community" can get money from owners unwilling to pay. The provision should clarify which parts of the building the owners as individuals are responsible for and which parts the owners together are responsible for. If the common parts of the building need renovation, costs must be reflected in the price when an owner buys the flat. If this is not the case the normal housing cost plus the extra cost for

renovation might easily exceed the owner's ability to pay. Often, however, new owners focus on the conditions of the flat and do not sufficiently consider the common parts of the building. It is therefore important that sales procedures include focus on the state of the building, to have it reflected in the price. There might for instance be an obligation for sellers to present a report on the state of the building. Owners in smaller estates will often not have easy access to knowledge on how to handle maintenance and improvements. It can therefore be useful to establish channels for this information (e.g. advice centres).

In single-family owner-occupied houses the decline of buildings is very much a reflection of the owner's ability to handle a renovation activity (knowledge, finances). The role of regulations could be to provide adequate knowledge and financial help especially for weaker owners.

4. Instruments in indirect and direct regulations

The forms of instruments for the authorities using the indirect regulations are typically:

- (a) *Advice and information.* Mostly owners need advice and information on how to deal with renovation. Normally there will be different channels for this, but often they are insufficient. Advice and information can be given in many forms, general written information on regulations, funding, financing, etc., local advisory offices, support to engage technical advisers to clarify the tasks to be done, etc.;
- (b) *Subsidies.* Subsidies can be given in different forms: grants, interest subsidies, etc., and often lay down general requirements that an applicant has to satisfy. These can concern area and building types, tenure, contents of the renovation, etc.;
- (c) *Making the area attractive.* It is—other things being equal—less attractive for owners or tenants to invest in a property in an unattractive district. It can prompt owners to start renovation, if the district is made more attractive. This means, e.g. investment in public service facilities, traffic regulation, improvement of open spaces, etc.

The forms of instruments for the authorities using the direct regulations are to be grouped in two categories:

- (a) *Compulsion.* This can be compulsory purchase and/or compulsory order to renovate. To be efficient the procedures for both compulsory purchase and order must not be too heavy or complex. It is important that the order to renovate can be enforced by other means (e.g. compulsory purchase and fine), if necessary;
- (b) *Restrictions on owner's property rights.* By making restrictions on the owner's right on the property, the authorities can influence the renewal. Instruments can include: pre-emption, restrictions on the use of buildings (e.g. no functional changes, demands on renovation activities), restrictions on building rights (such as fixing sales prices, e.g. on pre-intervention level).

Direct regulations often also include instruments mentioned under indirect regulations. For example, subsidies are mostly included in the direct regulations. The compulsory eviction or renovation, etc. are normally accompanied by rules of appeal. It is important that these rules do not imply complicated procedures that make it difficult to use compulsion.

5. Urban planning instruments

Physical planning determines how land should be used. It is a regulation that lays down provisions for investors, but normally it is not an active means of public investment. Therefore physical planning can only have a limited role in the implementation process. Its main role is to regulate the market.

To promote investments in the urban fabric it is necessary for the public authorities to have other instruments besides physical planning. However, until now planning instruments, whether on a State or on a local level, have not always been adapted to the specific needs of urban renewal, the traditional administrative system being too fractionated. Some cities have, however, adopted more flexible planning methods to meet the complex demands of urban renewal areas. These include area renewal officers, interdisciplinary project groups, special task forces for run-down areas, semi-public planning institutions and new forms of public/private partnership, but also a broad range of experiments to develop new strategies. It also means that the planning process itself is changed. Physical planning normally has a hierarchy of plans on different levels, i.e. the overall plan is to be set first, after which lower-level plans can be determined. In active urban planning, however, the process is mostly started at the local level, and only then are the consequences for the higher levels considered.

6. Problems and the use of the instruments

In practice, instruments from the three forms of regulations are often mixed. With public intervention, it might be wise to use indirect regulations as a first step, as it normally involves heavy procedures to use compulsion. It can, however, be necessary to use the compulsory provisions against certain owners. Many direct regulations with strong powers also include subsidies making it favourable for owners to follow a compulsion order.

Countries with compulsion instruments mostly set these regulations in the 1960s, when the policy was to carry out slum clearance or to improve densely built-up areas. The slum-clearance policy having changed to a renovation policy, it is often sufficient and easier to make it attractive for owners to renovate, and use compulsion only with certain owners who would otherwise refuse to do it.

Most countries in central and eastern Europe have started to build up their housing markets in the last few years. With the increase in the number of market housing forms, it is important also to create the direct and indirect instruments and mechanisms for public intervention in the functioning of the market, based on the careful review of western experience.

B. Providing means

1. Actors and their roles and interests in financing renewal

Rehabilitation is a very expensive investment process, which is, moreover, difficult to organize because it has to be carried out in a built-up area among the residents. There are many actors in the rehabilitation process with a different interest and ability to take part in the financing of the process:

- Residents (recent residents, some of whom are able to pay increasing rents with the help of housing allowances and many of whom are not; and prospective residents who would like to move into the rehabilitated area because it is becoming more attractive);

- Landlords (public, semi-public or private, who are willing or are supported or forced to invest in rehabilitation and would like to be compensated through increasing revenues: rents, property values);
- Local business and institutions;
- Local government (manages renewal process, compulsion orders, planning tools and object subsidies and can have a role in subject subsidies, housing allowances; local government investments in rehabilitation are sometimes compensated by central budget subsidies and growing revenues from the area: rents, taxes);
- Central government (subsidizes housing allowance systems, supports the renewal of multi-family houses in both private and public ownership with different types of subsidies);
- Private investors (investing on a market basis into non-residential premises).

The decision-making structure about rehabilitation and financing is very different in countries with different levels of public intervention. In market-dominated housing systems with limited public regulation rehabilitation is overwhelmingly a financial decision taken by the private owner, based on the difference between the current use of land and the potential use of it (value gap, rent gap). The owners' incentives can be influenced by public regulations (rent regulation, tenant protection). Rehabilitation occurs mostly in high value areas where the possible increase in rents pays off the necessary investment. This process leads in most cases to a change of residents (gentrification).

In most western European countries public regulations are stronger (in order to protect the residents and the historic/cultural values of the areas). In order to create financial incentives for rehabilitation in a constrained market situation, subsidies are offered, on the one hand to the landlords/investors (object subsidies) and on the other hand to the residents (subject subsidies). Depending on the extent of public regulation and public subsidies, rehabilitation is less influenced by pure market decisions and there is a smaller change in the population (housing allowances make many local residents able to pay increasing rents).

In central and eastern European countries till the end of the 1980s rehabilitation was a State-organized and financed process. The lack of non-profit and private landlords, the low level of rents (not depending on the value of the units) and the strong tenant protection did not allow market considerations to influence the decisions of rehabilitation. As a consequence of the public ownership of land, houses and flats, all the important decisions (about the area to be rehabilitated, the level of rehabilitation, etc.) were taken by the public authorities. Areas chosen by public authorities were rehabilitated mostly with public resources and the renewed flats were allocated according to political and social considerations. This kind of State-financed rehabilitation was considered to be a complex process including not only the renewal of housing but also that of the infrastructure, public spaces, etc.

After 1990 that situation changed. The ownership structure of inner-city areas changed substantially: public rented houses were replaced by condominiums as a consequence of privatization, or by private rental housing, as a consequence of restitution. In the new situation the number of actors who can influence the process of rehabilitation increased. Public authorities lost most of their direct decision-making rights and, as a result of the strong decentralization and privatization policies, got into a weaker position than in many of the western European countries. Indirect legal methods of influencing rehabilitation have not been established in most of these countries. Furthermore, because of the lack of public money, both nationally and locally, subsidies had to be cut. With few regulatory powers and almost no financial resources, the influence of the public authorities on rehabilitation dropped sharply. At the same time, newly emerging market factors make rehabilitation only possible in the best areas of cities with relatively higher-

income residents, while run-down inner-city areas with a lower-income elderly population are neglected.

2. Sources and forms of financing renewal

An important way to avoid housing deterioration is transference for future maintenance, which is also a sound housing estate management principle. Figure III illustrates the development of the economy of a normal housing estate. In the course of time the value of a building will decrease because of wear and tear. The residents in fact consume building capital while living in the building. To keep up the value of the building, and let residents pay for their housing consumption, it is important that rents are high enough to allow savings for future renovation. If this is done the total value of the property is kept up and the building can be renovated without any radical rent increases. If there are no savings future residents have to pay for the consumption made by present residents.

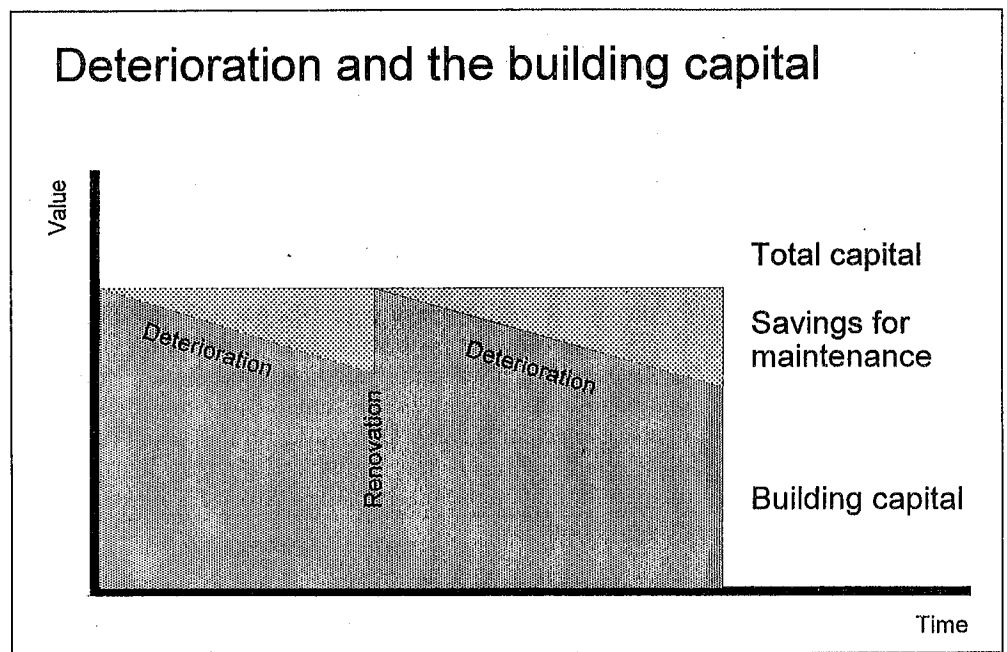


Figure III. Deterioration makes the building capital decrease. To maintain the total capital it is therefore necessary to save money for maintenance.

Experiences in western countries show three different, often combined, ways of financing housing renewal. The first and—in the end—less expensive one is according to the principle "save first and invest later". In some western countries landlords are allowed by legislation to fix the rent in such a way that the current costs of repair and maintenance are covered. In the case of rental cooperatives or owner-occupied flats (condominiums) which have their own rules, rents or fees can be even higher, using a part of the income to accumulate a fund for investment in modernization. This form of financing is common in some countries in owner-occupied flats (condominiums) and single-family houses. This way of financing renewal investments is totally based on the owner's own means and therefore has the advantage that owners become financially independent from outside actors (banks, public institutions). Another advantage is that the level of rent remains stable, avoiding quick, substantial changes. It has, however, serious disadvantages, too. The necessary repair or modernization investments can only be realized after some time.

In western countries most renewal activities cannot be financed by an owner's capital and owners depend on capital-market sources. This financial process is based on the

principle "invest now and save later". For this reason many financial instruments which were originally developed for financing new construction have been offered for renewal as well. Specialized private or public banks or institutions play an important role in this process. In some cases the State offers guarantees to help. In this case the renewal can be done when it is necessary, but the owners become dependent on outside financial institutions and rents have to be increased to a level covering all capital costs. The sudden and substantial rise in the rent level can have serious consequences on the structure of residents.

The third way of financing urban renewal is through subsidies. To avoid gentrification and to alleviate the rent increase many local or central authorities offer subsidies either to reduce the investment costs (object subsidies) or to support the tenants directly (subject subsidies). From the owner's point of view these public subsidies are also financial means which influence the renewal activities.

In the central and eastern European countries the described mechanisms confront three main problems. Firstly, privately owned capital cannot be accumulated because many tenants are economically too weak to pay higher rents and also interest rates are too low to preserve the real value of savings. Secondly, a low national savings rate or a high level of inflation leads to bad loan conditions. Thirdly, these countries do not, at the national level, have funds (due to other priorities) to help owners or tenants in their renewal tasks.

3. Financing State support to housing renewal

In many western European countries housing subsidies are part of the regular State budget. In some cases special taxes have been introduced (e.g. parts of the general income taxes dedicated to housing, earmarked taxes on some sorts of consumption or entertainment, ecologically oriented taxation of energy consumption, etc.). In most central and eastern European countries, however, these subsidies have been eliminated and therefore new ideas for the financing of subsidies must be found. Under present circumstances, with the limited regulatory and financial possibilities of public authorities, there is a much narrower view on rehabilitation and different sources should be taken into account to replace State financing. New financing sources for rehabilitation in these countries may include:

- The use of revenues from privatization/restitution for public investment;
- The use of commercial rent revenue (which is normally much closer to the market level than the residential rent level) either directly or as a collateral for loans;
- The use of empty or under-used plots either through sales to create revenue or as an exchange property to replace tenants from more valuable sites, making possible the re-zoning of these sites;
- Attracting non-residential functions (hotels, office use, commercial use) that can pay the full costs of renewal to rehabilitation areas.

C. Actors and their tasks

1. Public structure, non-profit sector, private sector

The effectiveness of legal instruments depends largely on a clear definition of the roles that the different parties play, especially the role of the central State *vis-à-vis* the local governments. Most western European countries have already experienced a significant shift in responsibilities for housing and renewal operations from national and regional governments to local authorities. This includes the setting of general renewal objectives

as well as the financing of renewal schemes and the control of urban land. The western experiences prove that decentralization has helped to focus on the specific problems of a city or a rural area and to establish closer cooperation among the different parties involved. Certain responsibilities, however, have in all countries rested with the central State (e.g. national taxation, tax rebates, tenants' acts) in order to guarantee that the overall national housing policies are carried out.

Decentralization and deregulation, which have affected all administrative systems in recent years, have also influenced the planning and decision-making process in urban development. Although the degree of decentralization varies with each country, it is now common practice in urban renewal to leave the preparation of the detailed plan and the solution of possible conflicts at the municipal level, or sometimes at the level of an urban district within a large city.

Since housing and urban renewal is the process of adapting an existing settlement to the changing requirements of society, physical planning plays a role, as it implies the coordination of various components in order to ensure coherence between the major settlement functions. Land-use planning is also a key element in achieving sustainable development, since it contains provisions for basic public infrastructures and the rational use of urban land. Most countries in the ECE region have well-established methods and procedures for physical planning and have devised legal instruments for the establishment and control of urban development plans. In many countries, however, during the post-war period, physical planning took the form of a regulatory system imposed from above, and almost exclusively concerned with building regulations. In general, the system took little account of local needs in housing and transport. Besides, insufficient attention was given to the time factor or to the availability of financial resources.

Physical planning takes place in various ways depending on the political system in each country and on the distribution of responsibilities among the different levels of government. In general, planning work is carried out on two levels:

- (a) The overall plan for the city as a whole (master plan);
- (b) A more detailed plan for the renewal district under study.

Both instruments have been handed over to local governments in most ECE cities. In those central and eastern European countries where most urban land is still under State control, however, the respective administrative and financial responsibilities are not yet sufficiently developed on a local level.

Local authorities thus play an increasingly active role in housing and in urban renewal. Whereas indirect regulations usually are—at least partly—left to the central Government (e.g. taxation, tenants' acts), direct regulations should become a task of local authorities, which can react faster and more flexibly in specific situations. The western European experiences of decentralization are especially important for central and eastern European countries where the distribution of responsibilities between the central and local levels is mostly still unclear.

The central Government should in any case keep the responsibility for the overall housing policy, including the general legislative framework, general regulations of tenure, and regulations for financing. If responsibilities are gradually handed over to local authorities, the central Government should enable local authorities to have the organizational and financial means to fulfil their (new) tasks; this may include the transfer of State budgets to the local levels and/or the right of local authorities to collect their own—earmarked—taxes.

Local authorities have to develop their own methods and organizations for housing and urban renewal. Given the complexity of problems in many urban areas a new interdisciplinary approach to urban renewal will have to be reflected in the structure of local administrations.

In many western European countries non-profit housing associations have established a "third way" between the public rental sector and the private market. They play an important role both in new housing and in housing renewal. Their efficiency depends on the organizational and legal regulations as well as on the amount of control given to the residents; the latter seems easier in the cases of comparatively small organizations—connected, e.g. to a certain housing estate—and of cooperative forms with a higher degree of residents' identification.

Such subsidized housing associations are usually obliged to reinvest their profits into housing; this leads to various forms of revolving funds that help to reduce State budget expenditures. At the same time they have a stable or even growing stock of affordable housing, which is usually reserved for lower- or middle-income groups.

Private landlords are responsible for the maintenance of their buildings. Central and local authorities should establish rules to guarantee regular maintenance works as well as a clear definition of owner-tenant relationships. At the same time private owners should be encouraged to carry out repairs and modernization with public help (subsidies, tax rebates, limited rent increases, etc.). In most ECE countries owners are also obliged to inform their tenants about financial or technical matters concerning their dwellings.

In the owner-occupied sector the form of management and responsibility for maintenance and repairs should be clearly defined. If privatization of the public housing stock is a political goal, the future financing should also be clarified before a change of ownership, including systems of renewal subsidies and/or housing allowances.

However, a change of ownership alone, like privatization, does not solve any problems related to maintenance or repairs, and should therefore be carefully considered in the light of organizational and financial prerequisites.

If rental buildings or rental flats are sold to other owners, the sitting tenants' existing leases should remain in force in order to safeguard tenants' rights and duties, as is already stipulated by law in most western European countries.

2. Residents

As the success of urban renewal activities is in large part due to the active participation of the inhabitants, appropriate information has to be provided by the local authorities or the housing agencies. Easily accessible means of information could include local planning offices, independent information teams or advocacy planning. Public authorities should provide possibilities for appropriate conflict management—e.g. through residents' or neighbourhood meetings—and encourage all parties concerned to take part in this democratic process. In particular, tenants' participation should be favoured and should receive professional support in order to guarantee that the tenants' wishes are respected and their economic possibilities taken into account. Socially weaker groups, such as low-income families, the unemployed, single parents, minorities, should be given special attention and, where necessary, extra help. Independent tenants' advisory teams provided by the local authorities should play an active part in the setting of renewal goals and rehabilitation schemes.

All actors involved in a renewal process—tenants, owners, local authorities, politicians—must be provided with the necessary basic knowledge. This includes the establishment of housing statistics, special advisory institutions, working with media, etc., with the support of diagnostic and calculating methods, manuals, guidelines or standardized contracts, some of them already experienced elsewhere.

Yet, not all areas of intervention in urban renewal are equally suitable for participatory attempts. In all cases, however, the decisions and clarifications should be made as closely as possible to the parties directly involved. Whenever feasible, measures of regional importance are to be taken by the competent regional authorities, and those of

local range by local authorities. In the case of renewal of districts, street blocks or single blocks of flats, the direct involvement by the residents may possibly lead to delays, alteration of projects or even extra costs. This could, however, be acceptable if neighbourly contacts develop in the course of the participation process which, on their part, contribute to the relief of the State in social matters, as the responsibility of the individuals for their direct surroundings is strengthened and existing hindrances to the confidence between the citizens and the authorities may be eliminated. Such results can be, in a sense, just as important to the welfare of the population as the achievement of the renewal goals.

3. Professional training and research

Interdisciplinary training of professionals on different levels (including postgraduate training) must be developed. Public as well as semi-public institutions (such as building associations) should be encouraged to establish regular training courses dealing with renewal, modernization, conflict management in renewal areas, process-oriented planning methods, etc.

Research should be carried out at all administrative levels and include technical, social, economic and ecological issues. Cross-country analysis on the way urban and housing renewal systems function should be carried out to enable an exchange of experience. It should also include policy implementation measures and achievements.

D. Renewal activities

1. Standards and contents of rehabilitation

Different groups of users may have developed different lifestyles and have different priorities from those of professional planners. Housing quality is not a matter of technical equipment and infrastructure alone, but may, for example, include the use of common spaces in a building. This applies especially to certain minority groups, and should be respected and made an integral part of the renewal scheme.

With limited financial resources both from the State and from the residents, "soft" renewal schemes should be emphasized in order to give priority to social criteria. This includes low-standard renewal projects that reflect the financial possibilities of the tenants. Renovation costs may thus be reduced and the general acceptance of urban rehabilitation measures increased as unnecessary social conflicts are avoided.

Western European experiences show that instead of introducing high standards (e.g. central heating) into run-down buildings, a step-by-step approach may be more in accordance with the tenants' needs. Such a scheme may start with necessary repair works together with provisions for future modernization, thus saving money both on the public and on the private side without hampering gradual adjustments to contemporary housing standards.

While tenants or individual owner-occupiers should not have the right to block necessary repair works, decisions about individual housing standards can largely be left to them. However, such procedures require both a regulatory framework and appropriate information for the residents.

In order to reduce renovation costs, local authorities or housing associations may stimulate self-help activities by providing subsidies and professional support.

Tenants' modernization programmes—i.e. modernization work carried out by the tenants on their own initiative—with or without public subsidies, have become very popular

in some western European countries, directing money from private consumption into housing. As compensation tenants may, for example, be guaranteed higher security by long-term contracts, reduced rents over a limited period of time or a refund for the invested capital if they move. As tenants do not get mortgages, the local authorities may give guarantees for bank loans. In some countries landlords, under certain conditions, have to accept tenants' modernization.

Building regulations, mostly designed for new construction rather than for rehabilitation, should be adapted to the needs of urban renewal. They must have options to respect part of the existing building structure and history. It can also mean that technical requirements and housing standards can be reduced for the case of rehabilitation, thus making low-standard improvements or self-help activities possible.

Especially countries in central and eastern Europe should develop cost-saving renewal schemes based on rehabilitation-oriented building regulations, differentiating for example between "basic renovation" (of the main construction elements) and modernization (in the sense of higher housing standards by increasing the comfort of the dwellings). It is also possible to leave the latter to the individual residents.

Special emphasis should be put on developing strategies to encourage owners and tenants not to waste energy and to introduce energy-saving measures. Energy-saving programmes can, in fact, be used as a starting-point for urban renewal, as implementation costs are in the longer run compensated by cost reduction both for the State and for individual households. At the same time energy-saving measures are labour-intensive and can help to fight unemployment as well as to build up new, highly specialized industries.

Systematic information concerning ecological planning and special incentives (grants, tax, rebates) should be provided for landlords, building associations, tenants, etc. Information on ecological issues should also be dealt with in primary and secondary schools.

2. Area-based approach

The renewal activity can focus on:

- (a) A single technical function (e.g. energy saving, heating, security, etc.);
- (b) A building as a whole;
- (c) An area.

New requirements for the qualities of buildings and standards can make a function approach appropriate. Requirements for sustainable development can lead to programmes for the saving of energy and other resources in the housing sector, for central heating from power stations, etc.

In many cases single-building renewal has proved sufficient to meet the demands of regular maintenance, repair or modernization. Such comparatively small projects can be more efficient than large-scale intervention in whole areas, and it is easier to establish a close connection between the various actors involved. It thus depends on the complexity of problems whether a single-building or an area-based approach should be chosen in a specific situation.

Western European experiences have shown, on the other hand, that complex problems—i.e. overlapping technical and social problems—in a housing area can only be met by a more comprehensive approach, moving gradually from single-building renovation to area-oriented procedures, closing, for example, the gap between housing and social policies.

On the administrative level this has to imply a fundamental step from fragmentary planning—as strongly reflected in the traditional administrative system—towards inter-

disciplinary planning and budgeting with special attention given to identifying housing needs and quality requirements.

Area renewal programmes may include block rehabilitation schemes, improvement of public spaces, traffic, working facilities, community services, leisure facilities, local culture, sports, etc.

Area-based renewal should keep in mind that deteriorating parts of cities need more than just better housing; often bad housing itself, though certainly one of the significant signs of deterioration, is not even the most urgent problem.

Depending on the complexity of problems, area-based renewal schemes therefore have to include local job programmes, improvement of educational possibilities and of the social infrastructure, local crime prevention, etc. This is only possible if residents are involved actively in the planning process, and if programmes address the respective target groups (e.g. youth, ethnic groups, unemployed, etc.).

3. Priority programmes

With budgetary restrictions, priority programmes should be defined on State and local levels. Priority can be given:

- (a) In terms of geographical distribution;
- (b) In accordance with social criteria;
- (c) To the most urgent renewal activities.

Many countries have started with a clear definition of areas designated to receive special support-like subsidies, tax rebates for investments, etc. Criteria for the definition of renewal areas mostly include both technical and social problems. This has usually been successful for the designated areas, but in many cases has shifted problems to other parts of the cities. Therefore there has been a tendency in recent years to create more flexible instruments on local levels without strict limitations to such areas.

Priorities should be given to social criteria (affordable rents, avoiding segregation) and to a "first-step" improvement scheme concentrating on the most urgent repair works and postponing "luxury" modernization.

Instead of or in addition to designated areas, priorities may be given to certain renewal measures considered to be the most important in a first stage. Apart from urgent repair works they may include the improvement of common facilities (e.g. installation of lifts), ecological improvements (e.g. district heating systems), etc.

Especially in the case of post-war housing estates the vicious circle of uniformity, unpopularity, lack of maintenance and vandalism has to be broken. Emphasis should be put on improving public amenities and stimulating a more active role for the residents in the day-to-day management. In some cases special action should be taken to improve the image of such an area, e.g. by cultural events bringing outsiders and other social groups into a deprived area. Improvements like planting trees, cleaning the streets, etc., can contribute to a new image of the area, and thus stimulate further activities.

CONCLUSIONS

Overall situation

In most countries of the ECE region, the political questions concerning housing and settlements have been influenced by the unfavourable overall economic conditions. In the western countries, after decades of strong State involvement in housing matters (including growing interest and support for urban renewal from the end of the 1970s) there has been a tendency to withdraw from direct State intervention in the housing market since the late eighties. Most recently a change is observable whereby new, more decentralized, flexible and cost-effective solutions are being sought.

In central and eastern Europe, the disadvantageous global economic situation is combined with radical economic and social changes. Extensive institutional and legislative innovations had to be carried out during a phase of economic decline. Previous housing policies (including some renewal activities) relying on heavy State subsidies have collapsed, responsibilities and financial means have to be redistributed; issues of planning, building and property as well as legal aspects of renting and owning have to be newly regulated. The transition to a market economy also leads to fundamental social changes with differentiation of interests and living situations. In connection with the mass privatization and restitution of housing, housing is not a public service anymore, and in general it has become more expensive to the individual as a market product.

Due to the differences in the general economic performance, in the efficiency of State regulation and in the functioning of the market in the last decades, housing problems are much more pressing in central and eastern Europe than in western Europe. While there are differences among the countries in central and eastern Europe regarding the level of housing shortage and affordability problems, the poor conditions of the urban multi-family housing stock due to neglected maintenance in the last decades is a significant problem in all of them.

Overall conditions for urban renewal

General housing policies and government structure are decisive prerequisites for housing and urban renewal strategies.

Government structure

One of the important conditions for urban renewal is the structure of the governing bodies, the internal power relations and the budget connections between the central and local governments and between the different levels of local government. The role of local governments to regulate or determine housing and urban renewal depends very much on the political independence of the local government. This independence, in turn, depends on the share of the central budget transfers in the local government budgets and on the policy regulation of housing and urban matters. Urban renewal often has to be carried out in very complex situations (e.g. physical and social problems and a dense and merged urban structure). Local authorities are normally the most appropriate to handle this situation. It implies strong local authorities. An appropriate distribution of tasks between the various levels of public bodies is important, with the central Government having responsibility for funding and distributing financial means to favour settlements with serious renewal problems.

Housing policies

Urban and housing renewal is linked with and influenced by housing and economic policy. The cost of capital for housing and urban renewal is influenced by the level of inflation and interest rates which are affected by the general economic policy. Furthermore, tax rules to a great extent determine the real housing costs and their increase in connection with housing renewal.

It is important that all countries establish housing policies which constitute an overall frame for housing and urban renewal. Each housing policy has to take into account the three main problems: shortage, affordability and deterioration of housing.

The process of renewal must go hand in hand with the construction of new housing according to the housing shortage. But even in a situation of housing shortage and budget restrictions it is important not to neglect renewal issues. The minimal objective should be to protect the existing housing stock from deterioration. Affordability should be an important issue in both new construction and renewal. The policy has to strive for a balance between household income and housing costs. Different instruments are available to achieve this balance.

Priorities based on analysis and political decisions should be clearly identified and maintained. Housing policy and urban renewal policies should be formulated in such a way that they also meet social goals (e.g. to avoid problematic segregation).

The task of the central Government is to establish an appropriate overall legal framework and financial system and make it possible for the local level to implement their housing and renewal programmes and for owners and landlords to carry out their renewal tasks.

Housing and urban renewal finance may be derived from various sources. Often a distinction is made between budget sources and market sources. It is of crucial importance for establishing those market forces that voluntary saving is encouraged. The functioning of the market forces requires not only setting up financial institutions to gather these savings (such as ordinary banks, *Bausparkassen* or mortgage institutions) and channel them into housing finance, but the creation of direct or indirect incentives is also useful.

As far as budgetary sources are concerned it is the central Government which is usually responsible for the creation of a financial base for public intervention. This base is created by regular taxes and special earmarked taxes (e.g. housing renewal targeted taxes). It is important, above all in the transition process, that new priorities on the national level are considered for providing funding for renewal. On the local level it is also possible to use new financial sources such as:

- Revenues from privatization;
- Commercial rents;
- Revenues from the sale of empty or underused public-owned plots.

As far as legal bases are considered, one of the important tasks of the central Government is to regulate private and public responsibilities in all forms of tenure. The forms of tenure constitute the organizational basis of the housing sector. Properly functioning tenures are therefore important for housing renewal strategies. It is inevitable to provide rules for the effective functioning of various forms of public, semi-public and private forms of tenure and ensure that different forms of tenure legally exist (co-ops, non-profit association . . .).

Special problems arise in buildings with shared ownership in common parts of a building (condominium, cooperative), while in private rental housing conflicting interests between the owner and the tenants may hamper the maintenance. Responsibilities should therefore clearly be defined for all the actors involved. It is important to find appropriate rules for the community of owners in shared ownership forms. That form of tenure can cause problems and conflicts. In particular, a legal institutional framework for the

decision-making process for managing the owner-occupied housing stock is needed. Even a provisional framework should include a mechanism for dealing with owner-occupiers who default on their payments for the common operating expenses, including maintenance, renewal and modernization. There should be clear legal provisions to set up the necessary repair funds in all forms of shared ownership (including owner-occupied flats).

In the rental sector it is important that legislation makes it possible to fix the rent at the level which covers the costs, including at least the minimal maintenance and improvements. Households that cannot afford to pay this rent have to be supported by subsidies. At the same time tenants have to be protected against unfair increases in rent or even eviction as a result of modernization.

Urban renewal policies

Physical conditions of buildings, social and economic processes and institutional conditions—such as economic and organizational rules for maintenance and improvements—can speed up the normal process of deterioration and turn parts of the cities into problem areas. It is therefore essential to carefully define the different types of problem areas, and public interventions have to both follow a careful survey of the specific problems and develop problem-oriented solutions based on priority programmes. The effectiveness of urban renewal policies is strongly influenced by the forms of tenure. It is therefore essential to carefully define problematic forms of tenure, which can hamper ordinary maintenance and improvements, if the appropriate regulations are missing. Regulations should in any case include an obligation to set up funds for regular maintenance and improvements, and rules for decision-making.

Before establishing respective renewal programmes the objectives should clearly be defined. Urban renewal should not solely be dominated by physical orientation. The priority objective of urban renewal should be to improve the living conditions of the population. Another important aim should be the preservation of invested capital. Other aims could include a promotion of economic development by supporting the building sector, the preservation of the cultural heritage and traditions, a contribution to sustainable development and/or the extension of democratic processes. Conflicting aims, as occur in most renewal processes, should be disclosed, and compromises with all groups involved should be sought.

Urban renewal strategies

When the public authorities do not own property, regulations that enable them to influence the owners must be established. There are three general forms of regulations reflecting three forms of relationships between the authorities and the owners:

- (a) *Regulations of tenure.* Regulations for owners and tenants concerning the management of maintenance and improvement. The public authorities lay down the regulation but do not intervene in the concrete renovation project, except for issuing building permits;
- (b) *Indirect regulation.* The main role of the public authorities is to make renovation attractive for owners and tenants. The authorities are involved in the concrete renovation, e.g. by approving a subsidy. It is the owner who decides on the renovation, but the authorities can set conditions for the subsidy;
- (c) *Direct regulation.* The authorities can intervene in the property by compulsion orders, e.g. expropriation, orders, restrictions on use, and pre-emptions. They are involved in the renovation projects, often as the initiator.

In a well-managed development, housing and urban deterioration is followed by frequent maintenance and improvement. In some situations this cyclical process is broken

and problematic deterioration appears. Strategies must be geared to handling both ordinary and problematic deterioration. The authorities have responsibility in both situations. The strategies of most countries have focused very much on problematic deterioration. For this they have established different indirect and direct regulations. This is, however, only one of the main strategies to be formulated. It is necessary also to have strategies for cyclical maintenance and improvements to secure an ordinary process of renovation. To do that regulations of the various tenures must make it possible for the parties involved in the daily use and management of the property to carry out the necessary maintenance and improvements. It is normally the responsibility of the authorities to formulate these regulations of tenure, and it must often be done on the national level.

To handle problematic deterioration, authorities must have a range of instruments. Besides subsidies and other instruments that can make it attractive for owners to renovate, authorities must be entitled to use compulsion. Urban planning instruments contribute to regulating the market's use of land, but are normally insufficient as implementation instruments.

The success of urban renewal is largely due to the active participation of the residents. Tenants' participation should be favoured and receive professional support. Their active involvement should be promoted by giving them decision power in the renewal process. Socially weaker groups should be given special attention and extra help. Appropriate information should be provided by the local authorities or by housing associations as well as possibilities for local conflict management. For each target group this information should have its appropriate form of communication. Also schools should be included in this educational process.

When establishing renewal schemes, different lifestyles should be taken into account. Residents should be encouraged to make an active contribution to the renewal process, and they should have the possibility to influence the renewal standards. With limited financial resources both of the State and of the residents "soft" renewal schemes should be emphasized in order to give priority to social criteria. Instead of generally introducing high standards into run-down buildings a step-by-step approach should be taken, starting with the most urgent repairs together with provisions for future improvements. While tenants or single owner-occupiers should not have the right to block necessary repair work, decisions about individual housing standards can largely be left to them. Standards should not be based solely on building regulations for new buildings, and regulations should respect the existing building structure.

Special emphasis should be put on developing strategies to encourage owners and tenants to save energy. Systematic information concerning environmental issues should be provided for owners, building associations, residents, etc. Energy saving can, in fact, be used as a starting-point for urban renewal, as implementation costs are compensated by lower expenditures for energy. At the same time such measures are labour-intensive and can help to fight unemployment as well as to build up new, highly specialized industries.

It is important in central areas with a historic heritage not only to protect their physical structure but also to secure their urban quality and to keep an essential part of the building stock for residential purposes. Therefore adequate instruments must be developed for local authorities to be competitive partners with market forces.

The approach for renewal activities can focus on:

- (a) Single technical functions (e.g. heating systems);
- (b) A building as a whole;
- (c) An area.

Complex problems in cities need a comprehensive approach, moving gradually from single-building renovation to area-oriented approaches, thus closing, for instance, the gap between housing and social policies.

Interdisciplinary planning should be encouraged. Public as well as semi-public institutions should offer regular training courses on renewal, modernization, conflict management in renewal areas, process-oriented planning methods, etc.

Research should be carried out at all administrative levels and include technical, institutional/organizational, social, economic and ecological issues.

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