

## **Cities in Transition: Emerging Urban Regeneration and Housing Policies in Istanbul, with Comparative Analysis of Budapest**

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### **Abstract**

*The scope of conventional housing policies changed from affordable housing provision, quality of homes, renewal, to contemporary problems of economic, social and environmental urban deprivation - as a challenge for wider regeneration process. This paper assesses the transitional experience of a new EU city, in order to evaluate the challenges and responses of interrelated urban regeneration and housing policies - as part of a sustainable development towards the EU harmonisation - process in Istanbul. Identification of the major driving forces in the transitional period will establish and explain the trajectory of the housing and regeneration policy shifts (e.g. the role of social housing provision in regeneration) and institutional change in chosen cities.*

*In this context, this paper focuses on housing and urban regeneration policies in Istanbul, which is informed in turn by an analysis of Budapest's experience at city level, with particular reference to the context of Turkey's EU harmonization drive.*

**Keywords:** Istanbul, Budapest, Housing, Regeneration, EU harmonisation

### **Introduction**

This paper provides an analysis and explanation of the relationship between emerging urban regeneration and housing process. The analysis is informed by a comparison between Istanbul and Budapest at city level. The paper also draws on the concepts and urban policy analysis of the chosen cities. Comparative analysis of Istanbul and Budapest developed the discussions about potential for the development and integration of effective housing and urban regeneration policies in Istanbul as a part of wider process of planning for sustainable urban development. The paper analyses the transitional period of Eastern European housing and regeneration experience by examining Budapest at city level in order to understand what might be happening in Istanbul over the next few years.

The theoretical and methodological underpinning of this paper is the institutional approach. Therefore, the research will utilize an institutional framework for the analysis of the relationship between urban development pressures, driving forces and emergence of urban regeneration. Drawing on some aspects of the normative theory of planning, institutional planning theory will enable this paper to examine urban regeneration and housing policies and conceptualize the discussions. The theory and methodology of policy analysis, cross-national comparative planning will further shape the discussions about the emerging housing and urban regeneration policy.

Urban development pressures, which are emerging in metropolitan cities, are caused by structural changes in local, regional and national economies. These pressures interact with the changing nature of urban governance. These economic and political conditions shape housing provision, management and urban regeneration strategies. The conflicting demands for both development and regeneration in cities emphasize the need for maintaining and regenerating the cities through sustainable policies that integrate housing investments into wider regeneration programmes. A re-examination of relationships between urban regeneration, housing provision and development forces may help to reduce the emergence of unsustainable urban development and help to create satisfactory economic, social and environmental balance in cities in transition. This balance based on human needs and contemporary regeneration policies should be part of a wider process of planning for sustainable urban development.

The growing importance of urban regeneration policies as a response to social and economic urban decline caused by changing structures of the large cities has become an important issue for sustainable urban planning and wider urban regeneration debate. Urban regeneration became one of the central components of development policies for large cities of developed countries and emerged as a major social, economic and environmental force shaping the future of modern cities. The emergence and promotion of sustainable urban regeneration issue is a part of the European Spatial Development Perspective (ESDP).

### **EU Perspective**

This section aims to review urban development perspective of the EU with reference accession of the new EU countries. The acceleration towards EU harmonization represents socio-economic and environmental implications as well as the spatial changes in new member states. The changes usually coincide with top-down centralised authorities to decentralised and democratic institutions and liberal market oriented economies, industrialisation and deindustrialisation, urbanisation and suburbanisation, economic, social and spatial restructuring within Eastern European Transitional context. In the new member states some of the transitional socio-economic and environmental issues are neglected. This paper analyses the urban development issues governed by political, planning and housing systems and their accountability with urban development framework provided by the EU. In order to analyse the transitional period

Socio-economic changes and their manifestations at spatial level demonstrated by emergence of new housing and regeneration policies are assessed. Kunzman (2006) identifies the transitional issues existing in the new EU member states as growing social and spatial polarisation, structural change and industrial development, agricultural divergence, insufficient transport infrastructure, natural heritage conservation and the brain drain of the qualified labour force. Davoudi (2006) identified three key challenges for spatial planning in the EU accession states as: great regional disparities both within the states as well as between them due to their different starting points and development after the Soviet regime, relationship between economic growth and environmental protection as a major field of strategic spatial planning and finally the nature and the quality of emerging regional governance. Altrock et al (2006) refers to the work of S. Frank on a 'short history of European politics' who summarises the changing nature of the EU policies within the last two decades as; the focus on environment in 1980s, the focus on the cohesion policies during 1990s and promotion of competitive cities and regions since the 2000s.

The socio-economic, political and environmental challenges require balanced spatial development for stronger and prosperous communities in consistent with Brussels' desire to preserve the identity of Europe. Spatial planning integrates national, regional and local levels for strategic and operational urban development. European Spatial Development Perspective (ESDP) which was approved in 1999 became important policy document for the spatial development consequently the special issues such as urban regeneration and housing.

ESDP is a common and multi-level frame of reference for the development of space in EU. ESDP is developed by European commission in collaboration with the EU member states. European commission aimed to prepare a framework for all European institutions which involve in spatial planning and development of the space. ESDP is not legally binding however, aims to guide EU states towards balanced and sustainable development. ESDP aims to reinforce the co-operation of the member countries in the development of the urban space. The ESDP aims to promote balance development through controlled urbanisation. Polycentric development is one of the emphases of the EU for spatial development. This approach was criticised as argued to encourage migration from rural areas to metropolitans causing increasing population, inadequate infrastructure, employment opportunities etc. ESDP also provides the justification and framework for the comprehensive regional programmes like INTERREG which aims balanced regional development. The relevant literature argue that ESDP legitimise the role of the public sector in guiding spatial development with its underlying social cultural and environmental ambitions which market forces tend to overlook Altrock et al (2006).

The examination of ESDP objectives, policies and the guidance principles enabled this paper to review trajectory of urban spatial policies within EU countries. The city – level experience of Budapest which became full member in 2004, will inform the discussions about the evolution process towards sustainable urban development.

### *Sustainable Development*

The understanding of sustainable urban development context and EU strategies for sustainable development, the reflection of the sustainability principles on spatial development, terms of the ESDP can be contextualised within the vision of progress which integrates immediate, short and long term strategies for local and global needs.

ESDP and EU sustainability approach encourage improving synergies towards more integrated action to policy making. The theme of social, economic and environmental balance explains the logic behind European Union's institutional spatial policy and assists to describe EU's regional role in the emergence of Europe-wide spatial development policy. European Union sets out comprehensive strategies to tackle the challenges of sustainability issues. EU strategies emphasise the changing economic trends, emerging social inequality and disadvantages and the contradictions in environmental issues. EU then promotes the member states to more integrated policy making approach towards sustainability of the continent. EU also recognises the importance of the unified sustainability across the continent and encourages non-member states and the countries outside the European Union Zone. Overall, experienced EU member countries recognise the importance of spatial development and sustainability issues in the neighbourhood of new member or accession countries.

Sustainable development could not be brought by the policies only hence it must be taken up by society as principle guidance to many choices each citizen makes every day, as well as the big political and economic decisions that have ramifications for many. This requires democratic decision making process and social inclusion encapsulating public participation at local level and overall bottom-up approaches at all levels with particular reference to social exclusion.

Realising this vision requires profound changes in thinking, in economic and social structures, and in consumption and production patterns. The interrelation between sustainability and the ESDP helps to develop and formulate policies for sustainable urban development in the EU. The link between ESDP

and sustainability is prominent. ESDP is concerned with the decision regarding the special policies such as asset management, land use, urban regeneration and housing which has direct implications on economic development of an area. The spatial development policies, influences the local development frameworks in the member countries which is hierarchically in consistent with regional and national development policies. The national sustainability of the member states contributes to Europe wide regional sustainable development.

This influence of the ESDP on other sectoral areas such as transport and industry will have direct implications for the development of European cities which has a knock on effect on the sustainability of the regions and the continent. The spatial planning promoted at the European level is aimed to encourage member states to consider these policies to develop national policies in consistent with European Commissions' EU wide proposals. This will be an interactive process for particularly the new EU countries to elaborate and adapt their urban development policies for full integrations. ESDP and EU sustainability approach encourage improving synergies towards more integrated action to policy making. EU commission aims to enlarge its network of professionals, institutions within the member states in order to create and operate European approach to tackle the challenges. The ESDP objectives explains the logic behind European Union's institutional spatial policy and assists to describe EU's regional role in the emergence of Europe-wide spatial development policy (Altrock et al, 2006).

### **Cities in Transition**

The overall aim of this section is to describe main characteristics of the transitional period at national and regional level to understand the transitional experience of a new EU city. Transition means the process or a period of changing from one state or condition to another. Process or period of change emphasise the gradual transformation strongly influenced by driving forces. This section is consist of discussions around the indicators, driving forces and outcomes of transition.

Transition in economic, social and environmental sectors of the country changes the quality of the life, and spatial environment. The change in economic terms is the most common one, which leads rapid transformation of the other areas and sectors. Transitional economy means changing supply and demand patterns from planned economy to free market. Central Eastern European countries going through economic transition process during late 1990s is a good example of rapid transformation of the state. Through their economies state experience of economic liberalization, economic stabilization, restructuring and the privatization are main processes cause the change. Emerging private sector, changing role of the state and its institutions, encouragement of free market conditions, independent financial institutions and enterprises characterise the transition. These reforms influences and requires new systems of urban development policies particularly new housing and planning policies Zoltan (1994), Pichler-Milanovich (1994), Foldi and Weesep (2006), Enyedi (1994), Tasan-Kok (2006), Turok and Mykhenko (2007). The post-war economic history of central and eastern European countries has led to certain common trends and responses in terms of the global/local interplay of economic globalization processes. At the same time, distinct path dependent outcomes are evident within different sub regions and individual countries of the former 'socialist' bloc. Commonality across the region is apparent in the interaction of globalization with ongoing societal transformation and the transfer from a 'socialist' central command economy to a private market economy (Parsa, Keivani, McGreal, 2002)

The indicators of economic transition can be illustrated with large/small scale privatisation, governance and enterprise restriction, price liberalisation, trade and foreign exchange system, competition policy, banking reform and interest rate liberalisation, securities markets and non-bank financial institutions, infrastructure reform. Havrylyshyn and Wolf (1999) describe transition as liberalizing economic activity, prices and market operations, along with reallocation resources, developing indirect, market oriented instruments for macroeconomic stabilization, achieving effective enterprise management and economic efficiency and establishing an institutional and legal framework to secure property rights, the rule of law, and transparent market-entry regulations.

Sailer-Fliege (1999, pp:7) states that 'The demise of socialism ushered in a radical process of transformation in the economies, politics and societies of all post-socialist states' Liberalization of private sector changed the relations with the public sector early 1990s. The collapse of communist regime decentralizes the state powers in planning. Traditional national and regional urban development approach moved towards smaller scales, which give new powers to local actors. The communist regimes were relying on heavy industrialization as an efficient means of economic development. The demise of centrally empowered institutions had changed the priorities in the allocation of the state funds. The spatial decay (as a consequence of uncertain transforming state policies) was seen as one of the common characteristics of urban development in Central Easter European (CEE) countries.

The demands of private national / international actors became one of the crucial elements of urban restructuring. Post-communist urban development has been influenced by government-directed reforms of political and economic system, internationalisation and globalisation, public policies favouring unregulated market development, economic structuring in terms of deindustrialisation and growth of producer services, and increasing social differentiation (Sykora, L. 1999). Although the intervention of free market economy was rapid, the institutional change happened gradually and this caused uncertainties in the generation of economic, social and environmental policies. The government's approach to increasing inequalities, urban decay and the gap between poor and reach was on ad hoc basis decisions. As one of the new institutional arrangements, local government's powers and responsibilities increased. The priority of economic development particularly the stimulation of free market and promotion of foreign enterprises caused unplanned development of urban structure i.e. the abandonment of massive industrial areas, increasing emphasis on the tertiary sector.

Keivani, Parsa and McGreal (2002) suggested that number of factors helped to shape the Central European countries since the end of 1980s. These include political transformation, economic change, restitution, privatisation, price liberalisation and decentralisation of local government. They argued that in this context local government administrative and planning structures have been ill prepared for meeting the locational requirements of international investment capital in a co-ordinated and effective manner. Thereby, leading to institutional constraints on efficient development activity on the one hand and an organic form of urban development primarily determined through the private market mechanism of international demand for, and supply of, commercial and retail space on the other. As a result of privatisation and diminishing state support for lower income groups in particular reference to changing social housing policies, social inequalities and segregation arose. The location preferences of tertiary sector and expectation of high-standard office space catalysed the gentrification. Urban patterns changed with the emergence of suburban agglomeration of lower income groups in high rise new developments and high quality suburban villages for wealthy new residents.

The lack of integrated national, regional and local policies, comprehensive long term action plans, disputes about implementation priorities and particularly lack of new planning legislation created chaos in spatial urban planning policies. This was worsened by the authority dilemmas between local regional and central institutions. The importance of strategic planning emerged after a long transition period of ad hoc planning policies. Local municipalities, which had lacked vision for future developments, integrated the spatial urban development requirements and adjustments of the European Union. Public participation emerged as a crucial element of urban development in parallel to developed western housing and regeneration policies.



### Budapest

Post-communist urban development characteristics were prevailing in Budapest from the removal of communist institutions to the membership of European Union in 2004. The 'socialist city' concept was common to communist countries, which were identified by centrally planned spatial structures. The history of urban development in Budapest is related to the reigns of different central authorities. Budapest sought for its urban interest whenever the intervention of central authorities weakened. Towards the end of 19<sup>th</sup> century, while the biggest western capitals were undergoing modern development, Budapest did not have necessary expertise to prepare urban development plans. The city was built with similar ideas of the other European cities during 1900's "The commission of public works' Hungarian governments planning authority were given control over urban development, implementation, and investment of regulations by central government. The city was divided into zones and the factories were pushed out to the suburbs by the plans. The attention was given to historic city centre with an idea of increasing the attractiveness. The planning and housing policies represented large returns from the building of new houses, which caused conflicting ideas of a city to live. As a result of speculative decisions lower income families found their selves at the outer zones.

The policy of building for privately owned houses on larger plots of outer zones pushed the poor further to the peripheral areas of the city. This created the working-class suburbs at the beginning of 1920's while the building in the inner city relatively slowed down. The planning authorities had almost no control on the development of the city and the spatial changes. After World War I some efforts were made to prevent speculative development of the city. The plot sizes were reduced and new types of flats were built for lower income groups which could not stop them migrating outwards from the city. The planning mechanisms of interwar period could not change the policies of previous period. While in the majority of large western cities it was the wealthier middle and upper middle classes who moved to the suburbs, in Budapest the upper middle classes either remained in the inner districts of the city or moved to green zones of Buda (Enyedi and Szirma, 1992). Communist planning after World War II promised more integrated social zones throughout the country. New residential and employment functions were proposed. Budapest. During the 1940's modern urban planning ideas such as green belts tried to be integrated to the physical planning. There was also emphasis to the social issues such as the increasing gap between different social status groups and building more social housing. During 1950's under the communist government urban development was centralized and economic development was the priority of the planning mechanism in order to compete with western countries. The manifestation of this ideology on Budapest was construction of social housing estate blocks to accommodate the workers as the industrial development was accelerated. Local planning disregarded and the powers of municipalities significantly decreased (Gaspar and Birghoffer, 1991; Zoltan, 1994; Gyorgy, 1994; Enyedi & Szirma, 1992; Gaspar and Birghoffer, 1991).

During 1960's central government was still making the decisions on behalf of the local authorities. Planning policies were no longer representing the different groups of inhabitants, housing development was the state's tool to its ideological and economic interests. The central government was quick to repress any other ideology apart from communism. This was a significant contrast to socialism which aimed to create better life standards than any other ideology promised before. In 1970's the central government switch its focus to economic development of the towns. This benefited Budapest as the city had greater share of resources which were usually utilized in the development of housing estates complemented by other public functions such as hospitals, schools etc.

1980's urban development plans continued the emphasis on state housing programmes which extended the residential areas of the city. In the 1980s two spontaneous urban development processes emerged as alternatives to social mass housing programmes (Elter & Baross 1993 pp: 192). It was criticised that the planning system was highly dependent on economic objectives and had no consideration to social demands. Because of the economic decline the urban development funds mainly allocated to the development of railways, highways, roads, airports. Thigh growth has progressed outwards from the inner districts and lied astride the outermost parts of the built-up area of Budapest and the innermost

settlements of the zone of agglomeration (Compton, 1984). Hungarian economy increasingly opened to the market-led development particularly after 1980's. Quick economic development brought larger growth rates in the transitional economies of Central Eastern European capitals. Cash privatization and foreign direct investment were the main elements of the transition in the 1990s. Building of housing estates slowed down and the industrial growth limited in Budapest. New plans introduced decentralized development of the city and the emphasis was shifted to rehabilitation of intense inner city areas. The privatization of urban land, property led developments, new era of relations between the state and local governments, local integration changed the interests and realigned the planning process in Budapest. Financial deregulation created a better-organized base for international financial operations and advance financial tools for investors. Thus, more than half of the foreign direct investment came to Budapest. Privatization of housing and changes in banking system had a significant influence on the internationalisation of commercial property development in Budapest.

Foldi and Weesep (2007) analysed the tangible effects of economic and cultural globalisation at the neighbourhood level. They argued that all the neighbourhoods had been affected by post industrialisation and globalisation where at metropolitan level, functional changes was in favour of investors who needed more office space. They also established the scarcity of the foreign investors in housing sector as the existing housing regime was not fast enough to enable entrepreneurs get short-term returns. They argued that the investors needed a secure economic context to be able to sustain growth on the long run. Hegedugs and Tosics, (1994) presents the findings of their research on some new ideas to connect privatisation in a positive way to the renewal of the housing stock in Budapest. They argued that the privatisation lead to polarisation and increased the chances for rehabilitation only in the best part of the stock while making it impossible in the worst areas. They stated that the families in the lower quality part of the stock felt convinced that they had no choice but to buy, even worse outcomes are possible, leading to the rapid deterioration of privatised houses because low-income families will not be able to finance even the lowest level of improvement. They argued that whether the privatisation should in itself be avoided as a strategy for the restructuring of the state rental stock. They concluded that it was not privatisation which was responsible for the negative developments and the outcomes but it was the practice which distributes the financial gains of privatisation in the most unequal way (Hegedus & Tosics, 1994 pp:51). From the beginning of 1990's Budapest's local governments were in favour of international property developers and as they did not have enough resources for large scale developments they modified the existing urban development plans in order to attract foreign investment. The planning system let the international companies to develop the designated areas and their surroundings, which would have return to both parties. Quick economic development brought lower unemployment rates in Budapest than the national average.

During 2000s rapid restructuring of Budapest brought population decline, suburbanization and inner city deprivation. The municipality of Budapest supported some district urban renewal programmes within the context of EU sustainable spatial development. These were complex area based programmes, which replaced the physical development plans in districts. Urban renewal programmes funded by Budapest municipality through the utilization of EU structural funds. Organizational structure, strategy & action plans and the efficiency in the use of funds were achieved in some of the renewal programmes.

Foldi and Weesep (2007) established that although most of the foreign investment was funnelled into the larger inner housing projects in the inner city of the Budapest. They pointed out that high-standard apartments were sold off the high-income residents or foreign buyers and argued that the investors concentrated on the projects and gave no attention to its immediate surroundings. In addition they stated that local governments contributed very little to these renewal projects which have no social dimension and exacerbate the social and physical segregation in the city. The existing global investment was hardly put into residential projects; instead these were intended for high income groups. In 2005 pilot areas were designated for an area based urban regeneration programmes in Budapest. The regeneration programmes are primarily public-private sector led and mainly designed to improve housing conditions, economic potential of the areas. Social cohesion, support for local enterprises, reducing long term unemployment rates, expansion of local public green areas were among the objectives of the regeneration programmes under the influence of the EU guidance and criteria for relevant funds.

Hungarian cities usually had mainstream urban renewal programmes but in Budapest now there are integrated regeneration approaches. The research of Budapest Metropolitan Research Institute identified that EU structural funds is not enough for the regeneration projects. The research estimated that the continuing deterioration, cosmetic interventions, gentrification might be the possible consequences of inadequate funds. The research also concluded as integrated urban regeneration was not easy in post-socialist countries due to inefficient administration processes, lack of experience in governance and partnership approach, weak NGO's and inadequate public sector funds. The work of BMRI suggested that further research on similar EU programmes and best practices to enhance the knowledge has to be carried out, political financial and technical support have to be strengthened and the national policies towards integrated urban regeneration and housing development solutions have to be developed. (Tosics, 2008)

### **Istanbul**

Rapid urbanization started from the beginning of 1950s led to technical, social and infrastructural problems in Turkey. The social housing concept did not exist in Turkey and the tenure structure was mainly consisting of owner occupation and rental housing. The housing stock became insufficient and this prompted illegal housing which became an established form of housing occupation. During 1960's urban planning paradigm was highly physical and master planning approach shaped the Turkish cities (Gedikli, 2010). There was no housing policy to face consequences of rapid migration from rural areas across the country. Istanbul received majority of the immigrants whose labour was exploited for accelerated industrialisation as part of populist policies. The state intervention for housing could not go beyond subsidizing commercial developers who lacked the expertise and only build with the expectation of high returns. Thus, there was no concept for 'housing for all' instead new building stock accommodated higher-income residents.

As in the rest of Europe, the 1980s marked a rise in the influence of neo-liberalism, and the economy became part of a global network. Producer services, such as accountancy, advertising, insurance, real estate, banking and finance were developed. An important development of the 1980's was the introduction of Greater Municipality Act. The act established two-tier municipal structure. The financial supports to the local authorities were increased. Uzun (2007) argued that since 1980s, there has been increasing fragmentation of responsibilities in urban area. She suggested that the changing governance structure in Istanbul, as in many other cities, is shaped by the interaction of economic and institutional factors, which are mediated through political, cultural and other contextual forces. The impact of internal and external forces caused huge economic and structural changes during the last two decades. The neo-liberal economies and undeniable pressures of globalization in Istanbul transformed the production patterns, job types and social classes of the city. The economic base of the city changed from manufacturing sector to service and finance sectors (Dokmeci and Berkoz, 1994). This influenced Istanbul's settlement pattern as well as housing development policies. As consequences of the economic factors, migration and rapid urbanization, illegal housing became important dilemma in Istanbul. Illegal housing became more organised and home ownership was increased through individual or mafia style sales and rentals of the properties. Majority of the illegal housing were converted into four-five storey buildings. Globalisation and liberalising markets and the rise of export production also influenced urban development models. Private sector led property development due to lack of public housing hence increasing profit margins prevailed among Turkish cities. Significant development of 1980's was the increase in the mass house production either through government's mass house production company TOKI (Ataov and Osmay, 2007). Municipalities which have squatter housing areas within their districts initiated urban regeneration projects to improve the life standards and the image of their district.



The establishment of Mass Housing Authority (MHA) was an important milestone in terms of the urban development context in an EU accession country. MHA was established to meet the housing needs of the low income groups. MHA is a public organisation however it acts as funder and land provider and enabler for the implementation of the housing policies at local level. The main objectives of MHA were identified by Yuksel and Polat (2009) as follows:

- To provide housing for low and middle income groups without homes,
- To develop alternatives for opening new residential areas with infrastructure following the cleaning of squatter settlements
- To provide financial support for housing construction
- To pool public funds for urbanisation and house production
- To obtain new sources and mobilise them for housing purposes

Yuksel and Gokmen (2009) summarised MHA's housing production models as social housing fund raising projects, land provision and production in cities, disaster housing, urban transformation projects, housing production on MHA's lands for low and middle income groups, agriculture villages. During 1980's the legislation encouraged more mass housing production particularly on illegal housing areas. Some of the legislation was enacted to revitalize derelict historic cores of the city. Local authorities were encouraged to participate in housing production projects by increased funds. It was an important milestone that the government allowed and encouraged intense construction activities on the peripheries of the cities and on rural land. Commercialisation of illegal housing stock approach accounted for the concrete jungles which proved to be death traps in 1999 earthquake. The legislation consists of amnesty laws legitimised illegal housing, development permission on vacant land, conversion to multi storey apartments purely by market forces. In addition, these amnesty laws provided rental income opportunity from illegal housing to its owners or in most of the cases to local mafia or developers who has the ownership of the squatter properties. These accelerated the transformation of illegal housing stock to apartment accommodation for low income groups (Senyapili, 2007).

It would be important to note that the evolution of illegal housing during 1980s was depicted as the evolution of regeneration by Turkish academics. An important point is the process described above is purely physical renewal thus it would be inappropriate to name it as urban regeneration. Moreover, it was the market forces, individual developers or illegal interventions that proceed with aforementioned development process rather than regeneration through strategic plans by organised partnerships. Combination of the development forces and the legislative frameworks created developing planning culture. European planning policies could not be adapted due to rapid urbanization while master plans were inadequate for the expansion and renewal of the Istanbul. There was no separate housing policy with clear objectives and procedures. Ergun (2004) described the expansion of the residential areas to the periphery and the emergence of gentrification process as a consequence of the changes in the political and economic world order as well as in the development of foreign commercial relations of Turkey.

In Turkey rehabilitation of illegal housing areas and building stocks were initiated through rehabilitation plans which are usually called improvement plans, development plans or upgrade plans etc in relevant Turkish literature. Gentrification is perceived as one of the methods of urban transformation / regeneration. Turkish practice in fact proves this through revitalisation of historic cores usually replacing the existing communities for the economic viability of the area. Although economic viability is one of the aims of regeneration projects, retention of existing communities and assuring that they are the main beneficiaries is one of the important debates of sustainable regeneration practice in the EU countries. Gentrification has been one of the most debatable issues in Turkish regeneration projects currently drawn some international attention due to displacement of poor in some cases ethnic minority communities such as in Sulukule (Islam, 2005; Uzun, 2001; Ataov and Osmay, 2007; Goughh and Gundogdu (2008), Kuyucu and Unsal (2010)

Urban regeneration was legalised in 2000s. In 2005 Turkish parliament enacted law no. 5336 that authorised municipalities to designate areas to implement urban regeneration projects. These projects were commonly referred as urban transformation projects which municipalities directly targeted slum and illegal housing areas. Public participation was started to be debated more efficiently four years after Habitat II conference in Istanbul. Strategic planning was another important concept embraced at the beginning of 2000s under the influence of EU candidacy. The EU harmonisation process has been one of the most important developments since the beginning of 2000s as it reinforced the debates around participation and strategic planning. Sustainable urban regeneration which includes public participation and democratic institutionalism was emphasised in parallel to global movements. The transformation and the challenges in Istanbul can be summarised with reference to EU harmonisation policies as follows:

- Economic and social polarisation
- Multi centred, expanding city structures
- The need for the renewal of building in historic centres
- The need for reinforcement and replacement of high risk buildings due to Earthquake threat.
- The need for metropolitan and local regeneration policies and the institutional restructuring and modernisation

EU harmonisation, custom union agreements, privatisation shaped the economic policies in Turkey. Globalisation and privatising is believed to increase the gap between poor and rich particularly in big cities. In 2003, the lowest income group was 6% whereas the high-income group was 48.3% of the whole population (Turkish Statistics Institute 2009). This suggests the wide gap between poor and rich in Turkish cities. Istanbul has been receiving biggest share of the migration since 1950s. State intervention in housing construction and commercial housing increased to its peak in the aftermath of the 1999 Earthquake. Gundogdu and Gough (2008) argued that governing political party saw urban restructuring and housing building essential part of integrating Turkey more strongly into European Union and global economy. They argued that the need for earthquake resistant housing was to legitimise a new discourse of urban regeneration projects. These projects proposed to demolish around 85.000 illegal housing dwellings and relocate more than half a million residents into social housing blocks constructed by the MHA, private developers and the Greater Istanbul Municipality. Kuyucu (2007) established that the slum clearance projects generated strong resistance and the confrontations between the residents and the municipality officials which resolved by police intervention. He argued that the new legislation and the slum clearance projects signalled a radical departure from the prevailing populist mode of urban governance of urban development strategies towards strict enforcement of property rights and punitive measures for illegal housing.

Balamir (2004) argued that building construction was higher than the need. He suggests that compared to growth of households there was a clear surplus in building construction. Lack of services and supervision resulted in low-quality, unauthorised environments representing large pool of risks. The increase was due to mass housing productions for low income groups by local authority cooperatives, public-private sector mass housing companies such as TOKI. Other type of development was luxury developments for high income groups outside of the city. The historic building at the historic cores and other centres were still utilised for mixed uses; however, the turn of the century saw entrepreneurs renovating the historic buildings for sale or rental purposes. This immediately increased the property prices and caused displacement of the low-income groups from these areas.

Globalisation, emergence of the new sectors, improved transport links created multi central metropolitans with increasing importance of local actors in local decision making processes. Participation of local actors were also stimulated the sustainability principles of the EU. In Turkey participation of the local actors and institutional strategic plans were also supported by relevant legislative framework. For example participation of community council became obligatory after Municipality Law N: 5393 which was enacted in 2005 within the local agenda 21 context.

Rapid globalisation continued during 2000s which influenced the production trajectories that created larger regional, international and global markets and increased the economic pressures on metropolitan centres like Istanbul where majority of the national production occurred or derived. Institutional change became necessary in Turkey to keep up with the economic changes and globalising investments. Privatisation as one of the consequence of the globalisation accelerated during 2000s. Easier flow of foreign direct investment due to better transport, financial links and technological improvements manifested as international organisations and markets in Istanbul.

During 2000s due to socio-economic reasons, lack of regeneration and housing policies and legislative framework Turkish cities particularly Istanbul experienced piecemeal inconsistent urban regeneration projects. This resulted in unbalanced development of the cities and widen the gap between poor and rich thus the social segregation across the city. The spatial forms of the city evolved around the main production models for example fordist production model created its surrounding residential neighbourhoods whereas retail and small businesses congregated inner city areas. (Dokmeci and Berköz, 1994) During 2000s commercial construction firms opened to international markets and improved their capabilities of construction. In terms of the residential redevelopment Ataöv and Osmay (2007) identified 3 types of renewal during 2000s

- Clearance of illegal and high risk buildings situated among main motorways at the peripheries of the cities. This type of renewal was conducted by local authorities and it was the most widespread type during 1990s
- Renovation and upgrading of 1960s-1970s building stock by low or middle income landlords
- Development of luxury gated housing for high income residents on vacant or forest land by commercial developers
- Renovation and reuse of dilapidated historic building by high income residents or entrepreneurs. This type is commonly named as gentrification however this paper does not categorise the type as gentrification and argues that the gentrification is the process rather than the aim of this type. In other words not every renovation is intended to displace existing low-income communities or gentrification is not one of the methods of wider regeneration process however it can be one of the outcomes.

During 2000s in line with the drivers of globalisation, financial and media centres were emerged in Istanbul such as İkitelli and Maslak areas. The emphasis was tourism led transformation in historic parts of the city and there are some tourism led regeneration initiated in historic peninsula and central Istanbul as well as the large housing developments on peripheries of the city. After the end of 1990's with the slowing down of cities growth, globalization earthquake threat, demand for modernization and EU candidacy appeared to be main drivers shaping the era's spatial planning strategies. The European Union dimension of the planning process and its theoretical and conceptual applications brought new urban development approach after December 2004 when Turkey met the Copenhagen criteria. The promotion of economic development and social inclusion together with the emphasis on spatial and environmental issues as a core of EU spatial development perspective required adopting a comprehensive approach to Turkish urban planning and housing policies which has not been successfully achieved yet before the end of the decade.

## Conclusions

European Union sets out comprehensive strategies to tackle the challenges of sustainability issues. EU strategies emphasize the changing economic trends, emerging social inequality and disadvantages and the contradictions in environmental issues. EU then promotes the member states to more integrated policy making approach towards sustainability of the continent. The reflection of the sustainability principles on spatial development terms of the European Union (ESDP) can be contextualised with the vision of progress which integrates immediate, short and long term strategies for local and global needs. The new regeneration legislation was seen as a panacea for all these problems but the analyses also confirmed that the new legislation was a failure, as it has no elements of public participation. The dilemma lies at the urgency of the replacement of deteriorated building stock vulnerable to Earthquake threat. Despite Turkey's declining profile and support for EU membership adaption of comprehensive legislative frameworks and reforming of housing and planning policies could contribute towards creation of sustainable urban development in Istanbul. The analyses enabled brief comparisons of the urban development policy and practice between Istanbul and Budapest while determining effectiveness and weaknesses of housing and regeneration process in chosen cities with reference to EU spatial development. The policy analyses confirmed that EU spatial policies guide the national and regional planning policies in the EU countries.

In Budapest planning policies bring together variety of issues such as transportation, economic development, urban regeneration etc. Local authorities have their priorities which enables policy makers to formulate their urban development strategies. The lack of integrated national, regional and local policies, comprehensive long-term action plans, disputes about implementation priorities and particularly lack of new planning and housing legislation created unsustainable urban development in Budapest. This was worsened by the authority dilemmas between local regional and central institutions. The importance of strategic planning emerged after a long transition period of ad hoc planning policies (Tsenkova, 2007). Local municipalities, which had lacked vision for future developments, integrated the spatial urban development requirements and adjustments of the European Union. The spatial outcomes of these global, national and metropolitan drivers were varied in the different parts of the city. The location preferences of tertiary sector and expectation of high-standard office space catalysed the gentrification. Urban patterns changed with the emergence of suburban agglomeration of lower income groups in high-rise new developments and high quality suburban villages for wealthy new residents (Turok & Mykhenko, 2007). In Budapest urban regeneration and housing construction strategies only aimed to increase physical quality to achieve economic well-being and vibrant mixed economy excluding social objectives. The dilemma was whether the objectives of implementation as consequences of the fragmented policy and strategies were benefiting the local communities. It was established that strategic planning and regeneration policies are less participatory in comparison to western European counterparts where partnership approach to develop and implement programmes is one of the main objectives of planning authorities.

The piecemeal projects had very similar characteristics to what is currently happening in Istanbul. These projects lacked public participation and did not benefit local communities. In Budapest, the third sector is increasingly taking part in regeneration partnerships. In both cities market forces usually affected internationalisation and private property development which leads to property-led regeneration projects widening the gap between the poor and rich. Budapest municipality had a greater autonomy in preparation of many regeneration projects where the social dimension of partnerships was increased after the EU membership. Embracement of strategic development in Hungarian planning opened the way to partnership approach in defining the vision of regeneration projects.

Urban regeneration is highly political in Istanbul where an individual member of parliament has a power to steer, delay or stop the process. Conflicting demands of different interest groups are not voiced in partnerships. The institutional reforms are necessary to adjust the planning and housing system into more strategic planning in order to cope with the spatial consequences of rapid economy and globalisation. Institutional change in Turkey follows the uneven trends of urban development created by the policies favouring private development. New urban regeneration legislation favours property led urban development. The absence of institutional structures, lack of experience to coordinate and govern the actors and agencies results in failure of urban management. The urban governance is politically centralised and the lack of politically and economically diverse actors in urban governance undermines participatory urban development hence the formulation of comprehensive regeneration and housing policies.

Mobilisation of the urban actors and wider partnerships in strategic planning is necessary for consensus building hence the emergence bottom up, participatory approach in urban regeneration and housing is necessary. The institutional capacity to formulate wider partnerships and collaborate during the decision making process perceived to increase the effectiveness of implementation. Regeneration and housing policies as well as implementation should be located into wider sustainable urban development policies. The analysis of political approach and metropolitan plan strategies proved that Istanbul is geared towards entrepreneurial urban development. Place-making, place-branding are the strategies to sell the city in line with the EU's competitive cities concept. However the institutions have no vision to see that this will not be possible through sole housing led development policies. Regeneration and housing policy and implementation should integrate best value approach which emphasises partnerships, community consultation and service improvement to prevent social segregation in the city. Regeneration and housing strategies should be positioned to address social economic and environmental dynamics of urban and regional change through locally articulated strategies. There is an urgent need for holistic policy approach and vision for sustainable housing and regeneration policies.



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