

SOCIAL AND ECONOMIC TRANSFORMATION OF HISTORICAL DISTRICTS IN BUDAPEST

Zoltán Kovács

1 Introduction

The collapse of communism generated far-reaching social and economic transformation in Central and Eastern Europe after 1990. These processes led to fundamental changes in the spatial organisation and internal functional division of cities. In this respect we can truly say that 1990 represented the beginning of a new era in the urban development of the region, therefore it is no surprise that the transformation of cities in Central and Eastern Europe has generated great academic interest.

Following the long decades of central planning, these cities became subjects of market conditions, and the question was repeatedly put forward by researchers whether these cities followed the paths of western urbanisation or they retained certain specific features in their development. This issue was examined in several thematic volumes (*Andrusz–Harloe–Szelényi*, 1996; *Enyedi*, 1998a) and individual papers focusing on certain countries and cities (*Sailer-Fliege*, 1999; *Standl–Krupickaite*, 2004; *Ruopilla–Kährik*, 2003; *Sykora*, 1999; *Tasan-Kok*, 2004; *Weclawowicz*, 1997, 1998). The transformation of Budapest, as a dominant urban centre of the region, has also attracted great attention, which is well reflected by the growing number of academic publications that have appeared recently (*Dingsdale*, 1997; *Kovács*, 1994, 1998; *Kovács–Wiessner*, 2004; *Ladányi*, 1997, 2002).

The primary aim of this paper is to analyse the recent socio-economic transformation of historical districts in Budapest. By historical districts we mean the densely built-up, centrally located quarters of the city that were developed predominantly before World War I. These neighbourhoods are mainly the outcome of modern capitalist urbanisation (the so-called *Gründerzeit*) and traditionally serve as centres of business and administration, as well as homes of the middle-class and petit bourgeoisie. The most important questions that we try to answer in this paper are the following:

- Under what conditions have the historical districts of Budapest evolved, and how were they affected by communist urban development?
- How has the socio-economic position of the historical districts changed within the urban region after the political and economic changes?

- What are the main factors that have determined the development of inner-city neighbourhoods in Budapest after 1990?
- What are the most important lessons of running rehabilitation programmes?

To answer these questions, first the historical development of the city, then the framework of urban development before and after the transition is introduced. In the analytical part social and housing indicators from the 1990 and 2001 censuses are selected and compared. The main aim of the statistical analysis is to figure out the changing patterns of social segregation and the post-communist dynamics of residential mobility within the urban region. In the empirical part of the paper the issue of urban regeneration is examined in Budapest, with the help of specific case studies. In this section social and environmental impacts of running rehabilitation programmes are investigated. At the end of the paper the issue of social and cultural sustainability in the inner-city of Budapest is critically examined.

2 Historical development of Budapest: a short overview

Budapest is one of the youngest capital cities in Europe, having been officially established only in 1873. In that year three towns – Pest, Buda and Óbuda – that had been independent and geographically more or less separated were unified. The new town had a territory of 187 km² with a population of 280,000. According to the number of inhabitants, Budapest ranked 17th among European cities at that time. In the last three decades of the 19th century Budapest underwent extensive industrial growth and subsequent mass immigration of labour from the countryside. In one decade (i.e. 1890–1900) the population grew by 45 percent – the highest rate among contemporary capital cities of Europe and comparable to that of many North American cities. As a consequence of this strained industrial and population growth, speculative builders were able to make a fortune by bringing a vast amount of low-quality housing onto a ready market. At the edge of the city-centre overcrowded working-class neighbourhoods were expanding with low quality tenement blocks. In the following decades these neighbourhoods became an organic part of what we now call ‘historical districts’. Due to the rapid urban development on the eve of World War I Budapest had nearly 1 million inhabitants and ranked 7th within Europe.

During the inter-war period the development of Budapest slowed down. This was partly connected with the geopolitical isolation of the country and the general economic stagnation of the period. The rate of population growth was much lower than in the previous decades, and the main target of migration became the suburban zone. This represented the first major phase of suburban growth

around Budapest. However, the growth of suburbs could not be attributed to a proper 'suburbanisation' process (i.e. the mass-movement of middle class families from the city-centre towards the periphery) but must be seen as a sign of "rural urbanisation" (Korcelli, 1990), in which landless village-people from the provinces were heading towards the periphery of the capital.

Soon after World War II these working class suburbs were annexed to Budapest as part of the administrative reform introduced by the communist regime. In 1950 the territory of Budapest was expanded to 525 km² through the amalgamation of 16 independent villages and 7 towns, some of them having a population of 60–70,000 (e.g. Újpest, Csepel, Kispeszt). By the end of the 1940s a new communist constitution was implemented, land and property was nationalised and nearly all commercial functions were prohibited or severely controlled (Enyedi–Szirmai, 1992). After the communist take-over, industry and industrialisation was considered the main tool of the modernisation of the country and society. The overstrained industrial development of the 1950s and the subsequent demand for labour attracted many immigrants from the provinces. The large-scale immigration and the post-war baby-boom resulted again in a very rapid population growth in Budapest in the first two decades after World War II. In this period the average rate of annual population growth was even higher than at the peak of the industrial development in the late 19th century (Kovács, 1994).

In accordance with national demographic trends and a new regional development policy, the growth of Budapest slowed down gradually from the late 1960s, and the city entered a new phase of urban development. For a large part, it was a consequence of the changing production structure of the country as a whole and the city in particular. As in many Western European countries, Hungarian economy was characterised by a massive decline in factory employment and a rapid growth in services, especially trade and tourism throughout the 1970s and 1980s. This process, which we may call 'post-industrial development', was considerably accelerated by the expansion of the second economy during the 1980s. In terms of urban development, the 1970s and 1980s were characterised by large-scale public investments on the edge of the city in the form of huge high-rise housing estates, containing a vast number of almost identical, relatively small dwelling units. At the same time the historical inner-city was neglected, which set the stage for the physical decay of large parts of this area (Kovács–Wiessner, 2004).

Finally, Budapest arrived at the change of the political system with a population slightly exceeding 2 million, and another half million people living in the agglomeration. In terms of employment, the service sector had become dominant, though industry still employed 36 percent of active earners in 1990. On the housing market 51 percent of dwellings was publicly owned. With regard to society, despite the conscious anti-segregational policies of the communist re-

gime, Budapest had relatively high levels of social segregation on the eve of political changes, especially when compared to other Central and Eastern European cities (Szelényi, 1983). This is demonstrated by *Figure 1*, which shows the spatial distribution of highly educated people (i.e. people with college education).

Both maps show a very strong east-west polarisation in the ecological structure of the city, coinciding with the physical geographic features thereof. The traditional high-status areas of the city can be found on the hilly Buda side, whereas the plain Pest, east of the Danube, is the traditional stronghold of the working class. Moving from the Danube towards the urban periphery, the social status of residents gradually declines. It is also remarkable how stable the spatial structure of residential segregation remains, even after the collapse of communism.

3 Conditions of urban development before and after the transition

After World War II, similarly to other East Central European cities, Budapest was cut off from the mainstream of European urbanisation, which was traditionally based upon a democratic decision-making (self-governing) system and market principles (Enyedi, 1992). During the communist period the political, economic and social life of Budapest, as well as its internal structure, could be characterised by the following features:

- Local decision-making was fragmented between the party, the central state and industry; and there was a complete absence of local self-government. Budapest was ruled by a hand-picked council which followed the instructions of the communist party. Local interests at district or neighbourhood level could not be articulated; urban planning and urban development followed a strict top-down model.
- Despite the increasing deindustrialisation, which was also forced by the central state prior to 1990, the industrial function of Budapest remained strong, and the weight of the service sector fell below western standards. Industry occupied vast areas in the adjoining zone of the densely built-up inner city. Some of these areas had become industrial slums well before the collapse of the communist system.
- During state-socialism urban land was transferred to state ownership, or at least largely withdrawn from a private right of disposal. Due to the lack of free property market, land rent lost its significance in urban development. As a consequence, Budapest remained fairly compact with large, relatively homogeneous functional areas. A CBD (Central Business District) with a strong service sector according to western standards could not evolve. Suburbanisation or any kind of urban sprawl hardly took place.

FIGURE 1
Percentage of people with college education in Budapest 1990, 2001



Source: National Census, 1990, 2001.

- The role of the state in the field of housing construction and renovation was dominant. New housing construction took place nearly exclusively at the outer fringe of the city, mostly in the form of large housing estates. On the other hand the housing stock of the inner quarters built before World War II deteriorated visibly, mainly due to the neglect. This also resulted in changes in the social pattern of Budapest: the status of the inner-city declined, whereas the peripheral zone became younger and better-off, due to the immigration of young, better-educated households.
- In spite of the growing social differences, especially from the late 1960s, the level of residential segregation remained relatively low. The state intervention on both the labour and the housing market was rather strong; the main goal of social policy was homogenisation. Secure work-place and cheap housing, which were thought to be the main tools towards the dream of a classless society, constituted the cornerstones of the communist system.

This system changed entirely after 1990. With respect to urban change, an important component of the political transformation was the return to self-governance and the subsequent shift of control from central (state) to local (community) level. This gave local municipalities more power to control and influence their own development. In Budapest the districts became the main actors of urban development, and the planning system was switched suddenly to a very liberal and decentralised bottom-up model (*Enyedi, 1998b*).

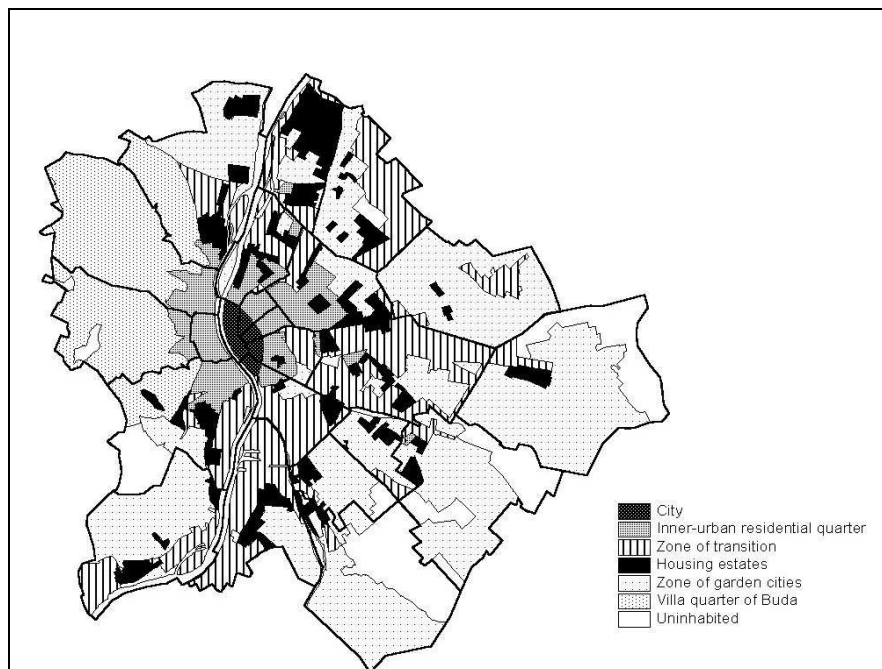
The collapse of the former COMECON (Council for Mutual Economic Assistance) proved to be a kind of ‘shock therapy’ leading to the bankruptcy and mass-liquidation of companies. The disintegration and privatisation of large state companies, especially in the socialist heavy industry, played an outstanding role in the economic restructuring of the city. The fall of the Iron Curtain made the direct penetration of the global economy and its main actors, the transnational corporations, possible. The introduction of a capitalist economy also meant that the market rather than government planning became the principal allocator of land and money inside the city. As a consequence, the landscape and the internal structure of Budapest, similarly to other Hungarian cities, have undergone tremendous changes since 1990.

4 Transformation of the urban region of Budapest after 1990

In order to get a comprehensive picture about the spatial transformation of Budapest, we have divided the urban region into smaller geographical units, which can be considered both functionally and architecturally more or less homogeneous. Due to its marked physical geographic conditions (hill versus plain) and the strict control of planning over urban development in the past, Budapest provides a good opportunity for such subdivision.

With regard to the built environment, Budapest is a carefully planned city. Planning regulations were set out by a powerful body, called the Council of Public Works, established as early as in 1870. The council elaborated an imposing master plan, which laid down the main features of spatial development, setting the direction of expansion, earmarking the functions of the different districts, and dividing the city into land-use zones. Due to this well-controlled growth the metropolitan region of Budapest could be divided into seven major zones following the traditions of classic human ecology (*Figure 2*).

FIGURE 2
The spatial structure of Budapest



Source: Author's design.

Each zone can be characterised by distinct socio-economic, functional and architectural features that can be summarised as follows:

- The *city* is a densely built-up area stretching on the flat Pest side of the town, inside the arc of the Grand Boulevard [Nagykörút]. This is the oldest part of Budapest and the traditional shopping and commercial centre of the town. Another important characteristic of the area is that despite the constant decrease of population (2 percent between 1880 and 1935 already) the residential function of the central business district remained dominant until the political changes of 1989/90 (Enyedi–Szirmai, 1992).
- The *inner-urban residential quarter* is a densely built-up area on both sides of the Danube, surrounding the city-centre. The building stock here consists of predominantly 3–4 storey blocks of flats dating back to the late 19th century. In terms of the quality of housing and the social status of the residents, this zone is rather heterogeneous. On the Buda side and in the northern sector of Pest the quality of housing is better and the social status of residents is higher, whereas towards the eastern edge of the inner residential zone extensive slum areas are stretching with lower class population (e.g. Roma) (Ladányi, 1997, 2002).
- The so-called *zone of transition* is a mixed zone of industry and transport that was developed near the former administrative boundary of Little Budapest (i.e. the city before 1950). As pressure on land was relatively low, the use of land here is less intensive, follow areas and low quality, low-rise housing for the working class mix with industrial estates, warehouses and transport areas (railway stations etc.). The name of the zone indicates that once it was the very periphery of the city, the place of urban-rural transition. With the collapse of communism most of the industrial plants were closed down here, and a massive brown-field zone has evolved.
- *Housing estates* were developed intensively in Budapest after World War II, as part of the communist housing policy. According to their size, the technology applied and the physical appearance, different generations of housing estates can be distinguished. The first generation of estates in the 1950s and 60s was built close to the zone of transition and made use of existing transport and other infrastructural links. However, from the late 1960s the state housing industry relied increasingly on prefabricated technology and erected large high-rise estates often housing 40–50,000 people. Due to site constraints, these estates were mostly constructed on virgin sites in peripheral locations with poor transport and service facilities (Kovács–Douglas, 2004).
- The *zone of garden cities*, or as it is often called the ‘outer residential ring’, started to develop at the beginning of the 20th century, when the lack

of building plots and the extremely high rents within (Little-) Budapest fostered the growth of suburbs. Most of these settlements were commuting villages or small towns prior to 1945 with a low-rise, rural character. In 1950 these suburbs, altogether 23 independent settlements, were forcefully attached to mainland Budapest. Despite its excessive development during communism, this zone has retained its rural character with lots of green areas and predominantly single family housing until recently.

- The *villa-quarter of Buda* was first developed in the late 19th century, when aristocrats and industrial magnates erected their elegant villas with spacious gardens on the lower lying areas of the Buda Hills. After World War II these villas and cottages were nationalised and divided into smaller dwelling units. A new renaissance of the Buda Hills started in the 1970s and 1980s when members of the communist ruling class and intelligentsia started to build their single family homes and semi-detached houses. To date this has been the stronghold of the affluent strata, comprising not only successful private entrepreneurs, but also representatives of managerial and intellectual elites.
- The *zone of agglomeration* comprises the suburban settlements around Budapest that maintain strong ties with the city, lying in its daily commuting zone. After the ‘decapitation’ of the former suburban zone around Budapest in 1950 gradually a new zone of agglomeration evolved. The National Settlement Development Plan (OTK) of 1971 specified a zone of agglomeration around Budapest, which consisted of 44 independent settlements. The functional connections between the suburban settlements and Budapest were further intensified after 1990; this was also recognised by regional planning, when the Hungarian government extended the boundary of the agglomeration with its decree in 1997. Today the agglomeration of Budapest officially consists of 80 settlements, some of them are towns of middle rank.

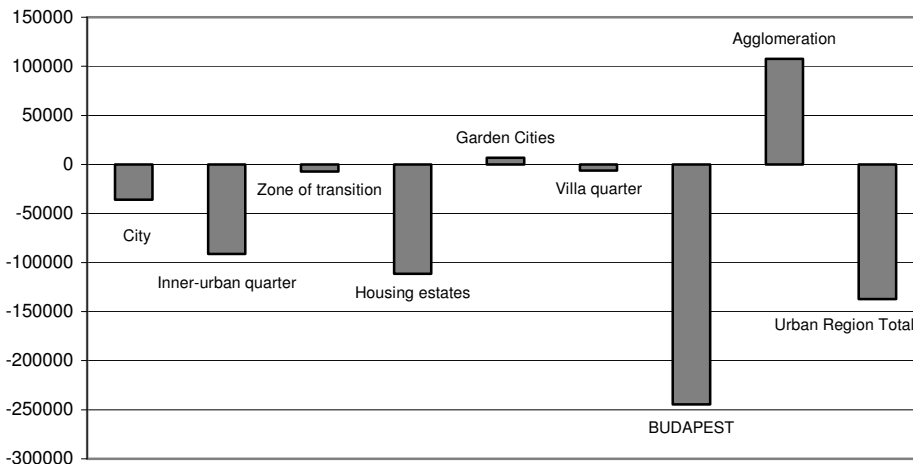
In our classification ‘historical districts’ comprise the city (CBD) and the inner-urban residential quarters. In order to determine the directions of transition within the urban region we have aggregated socio-economic indicators from the 1990 and 2001 censuses for the individual zones. The basis of the aggregation is the system of urban planning units. These are functionally and morphologically more or less homogeneous areas that are very suitable for statistical purposes. For the agglomeration we have considered the data of the 80 officially designated settlements for both years.

The total population of the urban region sank from 2.57 million to 2.44 million between 1990 and 2001, which is a decline of 5.3 percent. During the same period the population of the country decreased by 1.7 percent, thus we can say

that the metropolitan region of Budapest as a whole belonged to the regions that suffered above-average population loss. This was connected with the negative balance of migration of the whole urban region (i.e. desurbanisation), and a natural decrease that has been permanent since the early 1970s.

Within the urban region there was a considerable shift of population between the core and the periphery. The population of Budapest decreased by 14.3 percent between 1990 and 2001, whereas that of the agglomeration grew by 18.9 percent (*Figure 3*). This can be explained by the massive deconcentration (i.e. suburbanisation) of the population. After 1990 younger and better-off families started to migrate to the suburbs in large numbers, searching for attractive residential environments. As a consequence, the balance between the urban core and the agglomeration also shifted: in 1990 22 percent of the population of the Budapest urban region lived in the agglomeration zone, while in 2001 27.6 percent did. With regard to the historical districts we can see a massive population decrease both in the city and the inner-urban residential quarter, though the dimensions here are below the level of the housing estates.

FIGURE 3
Change of population in Budapest by functional zones, 1990–2001

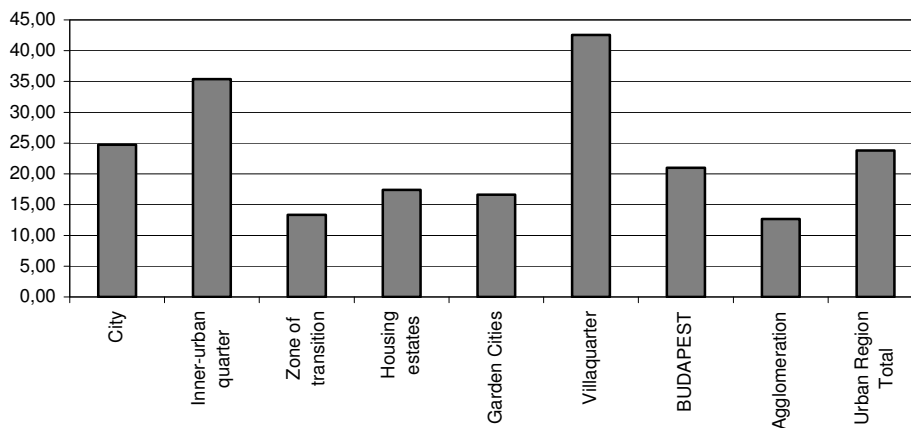


Source: National Census, 1990, 2001.

The selective deconcentration of the population resulted in substantial changes of the social and demographic characteristics of the different urban zones. We can say that the social status of the agglomeration generally increased. This is confirmed by census data: the proportion of people with college education (within the age group 15+) increased from 3.2 to 12.7 percent in the agglomeration zone between 1990 and 2001. On the other hand, it should also be noted that this figure is still considerably lagging behind the value of Budapest (*Figure 4*). In terms of social status the most prestigious area within Budapest is clearly the villa quarter of Buda, which is the traditional enclave of upper-middle class households.

The Buda Hills with their pleasant residential environments preserved or even strengthened their affluent character after the political changes of 1990. In 1990 33.5 percent of the inhabitants held a university or college degree in the quarter, which grew to 42.6 percent by 2001. This figure was twice the Budapest average in both years. From the diagram it also becomes clear that the city centre and the inner residential quarters are in a relatively favourable position among the urban zones as far as the proportion of intelligentsia is concerned. However, in this case statistical averages provide very little information about the real situation, which becomes clear if we go down to the neighbourhood level, where extreme values of the indicator occur.

FIGURE 4
Ratio of college graduates in Budapest by functional zones, 2001



Source: National Census, 2001.

5 Factors influencing the transformation of historical neighbourhoods in Budapest

As it is often cited in the literature, historic districts are rather vulnerable parts of cities with respect to social sustainability everywhere in the world (*Marcuse–van Kempen, 2002*). There are many intertwining factors that may undermine the social balance and social cohesion of these districts. The outcomes are generally either extreme forms of segregation (ghettoisation) or rapid displacement (gentrification) of the original population. In this section we intend to discuss and summarise those factors that have influenced the post-communist transformation of historical neighbourhoods in Budapest. In the analysis not only the underpinning factors but their most important outcomes are also considered. Out of the wide range of factors that have affected the development of historical districts we find the following ones relevant:

- Reshuffle of public administration;
- Privatisation of housing;
- Economic transformation and globalisation;
- Physical decline and filtering down;
- Urban rehabilitation programmes.

5.1 Reshuffle of public administration

As we pointed out earlier, with respect to urban change an important component of the post-socialist transformation was the return to self-governance and the subsequent shift of power from central to local (community) level. At the level of major urban agglomerations, however, the decentralisation of decision-making very often meant the weakening of city-wide government and increasing the power and influence of the individual districts. Indeed, in Budapest a two-tier administrative system was introduced by Act 65/1990, which shifted the power from city to district level. In Budapest the 23 districts became the main actors of urban development. This political fragmentation of the city has raised serious obstacles as far as the elaboration and implementation of comprehensive urban development programmes are concerned and has raised the question of the sustainability of urban governance.

In Budapest the historical districts (i.e. the densely built-up inner quarters) are located on both sides of the Danube, and they are administratively controlled by 10 local governments (out of the 23). These local districts are rather different in terms of their size, physical conditions, social prestige and political interests, therefore their willingness to cooperate with one another is rather limited. This is

often the source of conflicts in urban development in Budapest. On the other hand, these districts enjoy large-scale autonomy as far as their local policies (e.g. housing, social and welfare policies etc.) are concerned. Under this extremely fragmented system of public administration it is very difficult to implement common social or urban policies in order to foster urban regeneration and maintain social sustainability.

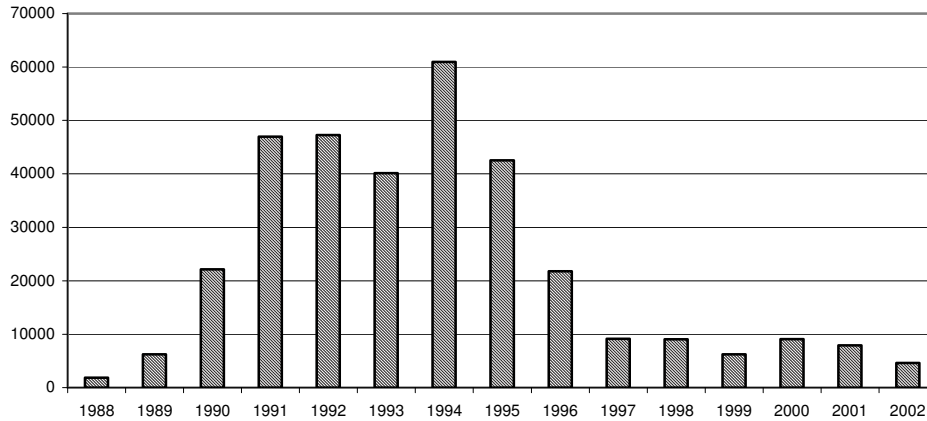
5.2 Privatisation of housing

Immediately after 1989, as part of the political and economic changes, local governments (in Budapest individual districts) became the real owners of public housing. Given the general lack of resources, the newly established local governments were eager to carry out an excessive marketisation (i.e. privatisation) of the existing public dwelling stock in order to increase their income and reduce social subsidies. Typically the privatisation of public housing in Hungary meant a ‘give-away privatisation’ to sitting tenants at a very low price (most public dwellings were sold for 15 percent of their estimated market value, and a further 40 percent discount could be achieved in cash transactions).

This practice, in addition to no restrictions on resale of the dwelling, made the privatisation of public dwellings very attractive among residents and meant that some public dwellings – especially in green environments or with inner-city location – were able to be resold at prices multiple of the market value paid. The process of privatisation accelerated sharply after 1990 and practically the majority of the public housing stock was put on the market in the first half of the 1990s (*Figure 5*). Due to privatisation, the ratio of public housing decreased from 50 to 10 percent in Budapest between 1990 and 2003.

Since a significant portion of the former public housing was concentrated in the historic districts (in some neighbourhoods reaching 90 percent of the total dwelling stock), these neighbourhoods were heavily affected by the privatisation of housing. As an outcome of the highly selective privatisation of housing, the remaining public sector serves today mostly as residual housing in Budapest. Tenants living in the low quality public stock are predominantly the elderly, and households with multiple disadvantages (e.g. no regular income, Roma families etc.)

FIGURE 5
Number of privatised public rental dwellings in Budapest, 1988-2002



Source: National Census, 2001.

5.3 Economic transformation and globalisation

Due to the effects of increasing commercialisation and globalisation, the functional use of historical districts in Budapest has changed considerably. The economic restructuring and the subsequent take-off of the service sector has induced a growing demand for non-residential (business, office etc.) space. A large part of the headquarters of foreign companies settling down in Hungary and newly established domestic enterprises are concentrated in the centre of Budapest, which directly contributes to the physical upgrading of the city-centre. The weight of the CBD in the new form of capital accumulation is well demonstrated by the mushrooming of new office buildings, large-scale commercial and touristic investments. There is an obvious connection between the functional change of inner-city neighbourhoods and the growing integration of Budapest into the world economy.

Privatisation of housing has also directly contributed to the commercialisation of the city centre. The privatisation of public dwellings created a vast number of private owners who were keen to sell their newly acquired properties to institutional investors, typically small enterprises. Thus, the re-establishment of a real estate market, based upon land-rent, has led to the rapid functional conversion of the inner-city of Budapest from residential to business use. Statistical

evidence shows that the number of inhabited dwellings in the centre of Budapest (i.e. neighbourhood lying within the arc of the Grand Boulevard) decreased by 11,000 between 1990 and 2001. As a consequence, the city centre of Budapest is losing its earlier residential character; the population of the city core decreased by 29 percent between 1990 and 2001. In addition, the composition of the population is also changing. The local society of the city centre has become younger and better-educated since 1990. The proportion of elderly (60+) decreased from 29.6 to 27.2 percent, whereas the proportion of college-educated people increased from 20 to 25 percent between 1990 and 2001. These changes are clear signals of gentrification in the city centre.

5.4 Physical decline and filtering-down

As opposed to the central business district, we can also find neighbourhoods in the historical quarters of Budapest where the outcome of transition was not revitalisation but further physical decline. These are typically old working-class neighbourhoods with multi-storey tenement buildings around the city centre. The reasons for the physical decay of these residential quarters are manifold. One of these is the long-lasting neglect of maintenance and infrastructural development of these neighbourhoods during communism, which caused serious deterioration of the building stock well before 1990. The deficit of investment was not alleviated by the political changes and the subsequent transfer of ownership (i.e. privatisation), either. Most of the new owners (former tenants) had neither capital nor expertise and entrepreneurial spirit to renovate their housing, many of them being old and poor.

The deterioration process of the building stock of the old working-class neighbourhoods was accompanied by the erosion of the local community. Residential mobility played an important role in this process, as younger and more affluent households gradually left these neighbourhoods. Later they were followed by the blue-collar workers of active age, and finally the mobile part of the elderly, e.g. those with second homes or with children/relatives in the countryside. As a result of this filtering-down process the population of these old residential quarters has become more and more marginalised. Typically, there are two social groups that are overrepresented among the residents of such neighbourhoods: the elderly (mostly single-person households) living on social welfare and Roma families with many children (*Ladányi, 2002*) (*Figure 6*).

FIGURE 6
Proportion of Roma in the centre of Budapest, 2001



Source: National Census, 2001.

5.5 Urban rehabilitation programmes

In the first half of the 1990s the legal framework of urban rehabilitation was practically missing in Budapest, the newly established local governments were lacking the necessary resources and there was hardly any interest on behalf of the private sector towards the renewal of the building stock in the historic inner-city (*Hegedüs-Tosics, 1991*). In this period revitalisation was more focused on the building stock of the narrow centre of the city (CBD), which was increasingly converted for office and retail functions. The method of the privatisation of dwellings put a further obstacle in front of a comprehensive regeneration. In the newly privatised stock most households were unable to carry out rehabilitation measures due to the lack of capital or insufficient state subsidies. Due to the excessive privatisation mixed ownership (owner occupation and public rental) was often created within buildings, which made the renovation of residential blocks extremely difficult.

From the mid-1990s the legal and financial framework of urban rehabilitation was gradually elaborated. In 1994 the Act on Condominiums solved the problem of blocks of flats (often with mixed tenure), giving them a firm legal status. In 1996 the official urban rehabilitation programme of Budapest was designed by the Budapest Municipality. According to the regulations, housing condominiums located in those districts which had transferred 50 per cent of the revenues derived from the privatisation of public rental dwellings to the Budapest city government budget, could apply for support from the Rehabilitation Fund. From the late 1990s financial resources from other national programmes (e.g. social housing construction programme) could be involved in urban rehabilitation, and finally the private sector also started to show increasing interest towards the redevelopment of certain neighbourhoods.

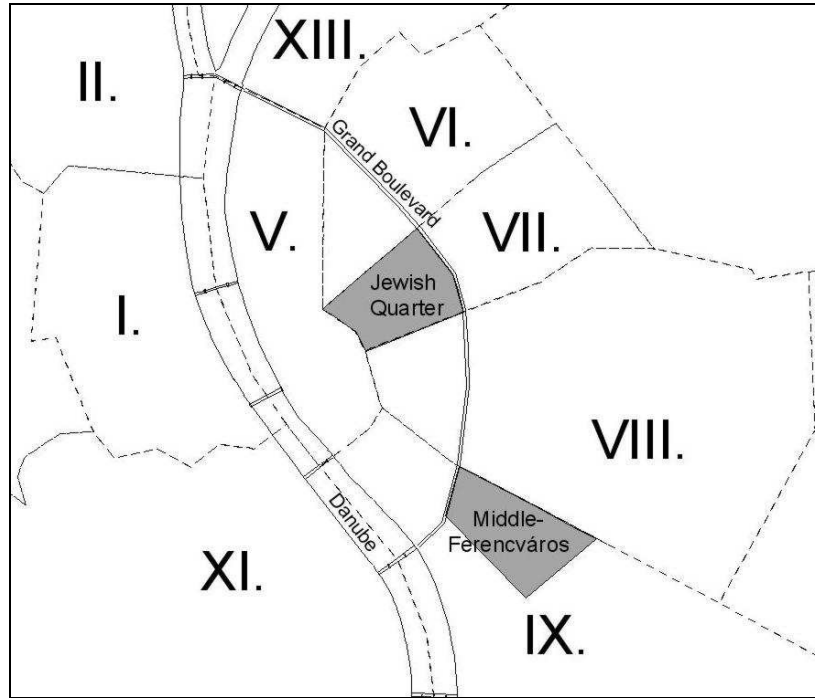
6 Lessons of running rehabilitation programmes in Budapest: two examples

The years after 2000 have brought a vibrant development in the inner part of Budapest, with spectacular upgrading and revitalisation in many pockets of the once run-down urban landscape. In order to demonstrate the general features of urban rehabilitation in Budapest, and its most important outcomes, we present the story of two different historical neighbourhoods that have been regenerated and upgraded rather fast in the past years, the Middle-Ferencváros and the old Jewish Quarter (*Figure 7*).

6.1 The case of Middle-Ferencváros: the SEM IX. project

The earliest and perhaps most successful example for urban rehabilitation in Budapest – at least in the physical sense – is the SEM IX. project, which aimed at the comprehensive rehabilitation of the Middle-Ferencváros (9th District). The quarter was developed during the late 19th century capitalist urban boom and it consists of multi-storey tenements blocks that typically comprise flats with one room and a kitchen, without basic sanitary facilities. Due to its strong industrial traditions, the district has a historical working-class character with some petit bourgeois elements (tradesmen, artisans etc.) The long years of communism brought a substantial physical and social deterioration in the area by the late 1980s, and Middle-Ferencváros became one of the worst slums in the historic inner-city of Budapest. As a consequence of deprivation Roma families migrated in large numbers into the area throughout the 1970s and 1980s, and the status of local society declined rapidly.

FIGURE 7
The location of Middle-Ferencváros and the Jewish Quarter in Budapest



Source: Author's design.

In 1992 the local government started the first large-scale rehabilitation programme in the history of Budapest, including housing renovation and construction of new dwelling units, improvement of the green environment and public spaces, etc. The project was designed according to the French SEM model (Société d'Économie Mixte) which is a public-private partnership by the local government (with 51 percent) and a Hungarian-French consortium of investors (OTP Bank from Hungary and the French Caisse des Dépôts Consignations with a total of 49 percent). SEM IX. is an independent company, though under direct control of the local municipality, that has the authority to influence its decisions. The task of the company is to look after the management activities of the rehabilitation; it launches open tenders for demolition and slum clearance, the construction of new buildings or the renovation of old ones; makes contracts with the winning companies and controls the whole process of urban rehabilitation. The profit of the company from completed projects is fully turned back into rehabilitation (*Photo 1*).

The first ten years of the rehabilitation project have proved to be very successful and dynamic under Hungarian and East Central European circumstances. Roughly 100 buildings with 700 dwellings in obsolete conditions have been torn down. In their place, new buildings have been constructed with over 1,000 dwelling units, and almost the same amount of flats have been completely renovated. The project has created an attractive residential environment with green inner-courtyards and a small pedestrian zone, and it can be seen as the flagship project of urban rehabilitation in Budapest. The catalyst role of SEM IX. project in the development of the whole urban zone is also obvious. Next to the rehabilitation area on the waterfront of the Danube both the public and private sector have been investing heavily, in such mega-projects as the new National Theatre, the Palace of Arts and luxurious residential (with second highest prices in the Hungarian capital) and recreational facilities. Seemingly, the whole rehabilitation can be assessed as a successful one, but if we look carefully at the details the shortcomings also become evident.



PHOTO 1. *Results of SEM IX. rehabilitation in Middle-Ferencváros in Budapest*

After the first twelve years of rehabilitation the social composition of the neighbourhood has changed considerably. This can be explained by the practice of rehabilitation and the housing policy of the local government. When a building is selected for demolition or renovation, tenants of the building are informed about their possibilities. If the house is going to be demolished, its tenants will most likely not be able to return. These residents will be placed in apartments

owned by the municipality. According to the regulations, tenants are offered three apartments similar in size and quality to the old one, and they have to choose the one that suits them the most. The apartment does not need to be located in the same neighbourhood or even in the district (in fact about half of the residents of the vacated buildings get housing in other parts of Budapest, therefore the 9th district is often accused of exporting poverty to other districts).

The other possibility for tenants is to receive a maximum of 90 percent of the market value of the flats in cash and leave (the value of the units is assessed by property experts). Since most of the flats are in bad condition with low level of comfort, the market value of these dwellings is also relatively low. Therefore it is not surprising that hardly anybody chooses this option.

The process is somewhat different if the building is subject to renovation. In this case the local government decides who can come back after renovation and who has to leave. To those who are selected to leave (problem cases with rent arrears etc.) three possible rentals are offered by the municipality and they must choose one (just like tenants of buildings designated for demolition). The ones who are selected to return will be moved to a temporary shelter for the time of reconstruction. The cost of moving in and out is covered by the municipality. After returning to the renovated apartments all tenants get the possibility to buy their apartments from the municipality for a decent price.

Through this mechanism the large majority of the original residents of the neighbourhood are moved out and replaced by younger, better-off families (often foreigners) who have little to do with the old Middle-Ferencváros. We might call this process gentrification, though it is clearly different from the market-led processes observed in Western Europe. Here the replacement of the lower class residents occurs with the active assistance and participation of the local government. As a consequence, the social milieu of the neighbourhood is changing very rapidly, and conflicts between the old tenants and the newcomers are frequently on the agenda.

6.2 The case of Inner-Erzsébetváros: the former Jewish Quarter

The story of Inner-Erzsébetváros (7th District) is different from Middle-Ferencváros in many respects. Though the age (and the quality) of the building stock and the social status of its residents is very similar to the Ferencváros area, this neighbourhood has not been subject to any rehabilitation programme yet. The district was developed during the capitalist urban boom in the second half of the 19th century, and it was named after the wife of the Hapsburg Emperor Franz Josef I. Erzsébetváros had good reputation within the city from the very beginning, as being the most tolerant quarter of Budapest towards different na-

ationalities and religions. Therefore it is not surprising that by the beginning of the 20th century the district became the largest concentration of Jewish population within the city (*Photo 2*).



PHOTO 2. *Old buildings of the Jewish Quarter in Budapest*

The size of Jewish community reached its peak by the interwar period, when approximately 200,000 Jews were living in Budapest, a significant part of them in the very narrow section of Erzsébetváros between the main synagogue and the arc of the Grand Boulevard. Typically they were lower-class people, tradesmen and craftsmen who owned little workshops in the courtyards and shops on the street front of the buildings. This created a unique, buzzing atmosphere in the neighbourhood, somewhat similar to that of Josefov in Prague or Kazimierz in Krakow.

In the last phase of World War II the Budapest Ghetto was set up in the area. As a consequence of the Holocaust and the post-World War II emigration of Jewish people to Israel, the once lively Jewish community of Inner-Erzsébetváros nearly disappeared (in the 2001 census only 1071 people indicated in the district his or her religion to be Jewish). After the war the social status of the area started to decline, as dwelling units left behind by Jewish families were occupied mainly by working-class families, migrating to Budapest from the countryside.

With regard to the morphological conditions, the quarter is very densely built-up, typically with narrow streets that are surrounded by 3–4 storey tene-

ment buildings. The quality of housing is generally low, with a high rate of sub-standard dwellings, most of which were nationalised after World War II and served as social housing during the communist period (95 percent of the housing stock). The maintenance of buildings was neglected, instead of renovation residential buildings in dangerous conditions were pulled down, that resulted in the mushrooming of empty plots that were used for temporary functions (e.g. car parks, storage of building materials). On the other hand there is a serious lack of public spaces in the area, especially green spaces are missing, which made the neighbourhood rather unattractive for younger and better-off families before 1990.

During the 1990s the vacant sites gradually disappeared in the neighbourhood, first they were built up with office and later with residential buildings. By the early 2000s hardly any empty plots remained for new constructions and the demolition of existing buildings took an intensive pace. This was also fostered by the growing demand for inner-city dwellings on the housing market, due to the introduction of the rather generous, new mortgage system and the slowing down of the suburbanisation process. As opposed to Ferencváros, here it is the task of the developer to vacate the buildings in order to be able to start the demolition, the clearance of the plot and the new construction as soon as possible. In practice developers make optional contracts with the tenants one by one, and vacate the buildings gradually. These firms are not interested (motivated) in renovating existing buildings, therefore rehabilitation is taking place on the expense of the historical building stock. Several buildings with great architectural value have been lost over the last five years, and the architectural milieu, just like the social one, of the neighbourhood is changing rapidly (*Photo 3*).

This type of a rather liberal and market-led urban redevelopment was going on without any control of the city municipality or the local (district) government for some years. Even the extension of the boundaries of the UNESCO World Heritage zone to the area in 2002 could not stop the process (as the World Heritage entitlement does not mean automatic protection for the area according to Hungarian laws). Finally prominent architects, intellectuals, artists and local people of the quarter established a civil organisation called Óvás! (it means 'veto'). This grass-roots organisation launched an active campaign and protest against the extensive demolition and reconstruction of the area and the destruction of the historical atmosphere and the heritage of the Jewish community (*Photo 4*). As a consequence of these efforts the Office of Cultural Heritage Protection placed the whole area of the Jewish Quarter under temporary territorial protection in June 2004. Since then the process seems to have slowed down, developers must consider cultural heritage and heritage protection seriously in formulating their plans, and they have to cooperate actively with the local and city administration.



PHOTO 3. *The new buildings of the Jewish Quarter after revitalisation*



PHOTO 4. *The protest of Óvás! activists in the Jewish Quarter of Budapest*

The two examples of Middle-Ferencváros and the Jewish Quarter in Budapest demonstrate two different types of intervention in the urban space. The first is a well-organised rehabilitation action under strict control of the local government, which is part of the official rehabilitation programme of the city hall, the other is a clearly market-based, investor-organised redevelopment programme. In addition to these projects there has been a great number of different types of rehabilitation programmes in the inner-part of Budapest that would be impossible to summarize in the framework of one paper. But what are the commonalities of these programmes, what generalisations can be made on their outcomes and mechanisms?

- urban rehabilitation programmes in Budapest have focused so far nearly exclusively on the *physical renovation* of run-down neighbourhoods;
- these actions have been dominated by real estate developers, and have resulted in a radical shift of the local *housing tenure* from the public to the private sector;
- socio-economic aspects and the *interests of local residents* have been hardly considered in the design and implementation process of these interventions;
- urban rehabilitation has generated rapid *population change* in the neighbourhoods ('hard gentrification'), where elderly and lower class households have been replaced by younger and more affluent families;
- social ties have been seriously damaged, and *social cohesion* within the neighbourhoods has been eroded;
- the original urban landscape and architectural milieu has been significantly altered, *cultural heritage* has been permanently under risk.

7 Concluding remarks

Budapest as the capital city of Hungary and a major hub of international business corporations is a rapidly transforming city. The transformation process was launched by the political and economic changes of the early 1990s. The different zones of the urban region have been affected differently by the transformation, which is market-led and generates both up- and down-grading processes in the city.

One of the most dynamic sectors in Budapest is the city centre in its very narrow sense. Here the liberalisation of the property market and the increasing concentration of corporate capital results in a very dynamic upgrading process, and simultaneously a general decline of the residential function. The CBD of

Budapest is becoming more and more integrated into the global business network.

On the other hand, in most of the inner-urban residential neighbourhoods that were severely neglected during the communist era a further decline can be observed. In some of these neighbourhoods physical deterioration is accompanied by extreme forms of social segregation and social exclusion. Only a limited number of neighbourhoods provide examples for upward trajectory, these are mostly the core areas of urban rehabilitation actions. Neighbourhoods affected by rehabilitation programmes are going through rapid population change, the old and less affluent population is being displaced in a gentrification process that closely resembles that of western cities.

REFERENCES

- ANDRUSZ, G. – HARLOE, M. – SZELÉNYI, I. (eds.) 1996: *Cities after Socialism*. Oxford, Blackwell. p. 340.
- DINGSDALE, A. 1997: Re-constructing Budapest's urban landscape. – *Trent Geographical Papers*. 2. pp. 73–87.
- ENYEDI, GY. 1992: Urbanisation in East Central Europe: Social Processes and Societal Responses in the State Socialist System. – *Urban Studies*. 29. 6. pp. 869–880.
- ENYEDI, GY. (ed.) 1998a: *Social Change and Urban Restructuring in Central Europe*. Akadémiai Kiadó, Budapest. p. 287.
- ENYEDI, GY. 1998b: Transformation in Central European Postsocialist Cities. In: Enyedi, Gy. (ed.) *Social Change and Urban Restructuring in Central Europe*. Akadémiai Kiadó, Budapest. pp. 9–34.
- ENYEDI, GY. – SZIRMAI, V. 1992: *Budapest – a Central European capital*. London, Belhaven Press. p. 183.
- HEGEDŰS, J. – TOSICS, I. 1991: Gentrification in Eastern Europe: the case of Budapest. In: van Weesep, J. – Musterd, S. (eds): *Urban Housing for the Better-Off: Gentrification in Europe*. Utrecht, Stedelijke Netwerken. pp. 124–136.
- KORCELLI, P. 1990: Migration and residential mobility in the Warsaw region. In: Van Weesep, J. – Korcelli, P. (eds) *Residential Mobility and Social Change: Studies from Poland and the Netherlands*. Amsterdam: K.N.A.G.
- KOVÁCS, Z. 1992: Assessing the postwar urban development in Budapest. In: Kertész, Á.-Kovács, Z. (eds.) *New Perspectives in Hungarian Geography. Studies in Geography in Hungary* 27. Akadémiai Kiadó. Budapest. pp. 159–169.
- KOVÁCS, Z. 1994: A city at the crossroads: social and economic transformation in Budapest. – *Urban Studies*. 31. 7. pp. 1081–1096.
- KOVÁCS, Z. 1998: Ghettoization or gentrification? Post-socialist scenarios for Budapest. – *Netherlands Journal of Housing and the Built Environment*. Vol. 13. No. 1. pp. 63–81.
- KOVÁCS, Z. – DOUGLAS, M. 2004: Hungary – from socialist ideology to market reality. In: Turkington, R. – van Kempen, R. – Wassenberg, F. (eds.): *High-rise*

- Housing in Europe: Current Trends and Future Prospects. *Housing and Urban Policy Studies* 28. Delft University Press, Delft. pp. 231–248.
- KOVÁCS, Z. – WIESSNER, R. 2004: Budapest – Restructuring a European Metropolis. – *Europa Regional*. 12. 4. pp. 22–31.
- LADÁNYI J. 1997: Social and ethnic residential segregation in Budapest. In: Kovács, Z. und Wiessner, R. (eds.): *Prozesse und Perspektiven der Stadtentwicklung in Ostmitteleuropa. Münchener Geographische Hefte*. 76. Passau. pp. 83–95.
- LADÁNYI J. 2002: Residential Segregation among Social and Ethnic Groups in Budapest during the Post-communist Transition. In: Marcuse, P. – van Kempen, R. (eds.): *Of States and Cities. The portioning of Urban Space*. Oxford, Oxford University Press. pp. 170–182.
- MARCUSE, P. – VAN KEMPEN, R. (eds.) 2002: *Of States and Cities. The portioning of Urban Space*. Oxford, Oxford University Press. p. 291.
- RUOPPILA, S. – KÄHRİK, A. 2003: Socio-economic residential differentiation in post-socialist Tallinn. – *Journal of Housing and the Built Environment*. 18. pp. 49–73.
- SAILER-FLIEGE, U. 1999: Characteristics of post-socialist urban transformation in East Central Europe. – *GeoJournal*. 49. 1. pp. 7–16.
- STANDL, H. – KRUPICKAITE, D. 2004: Gentrification in Vilnius (Lithuania) – the example of Uzupis. – *Europa Regional*. 12. 1. pp. 42–51.
- SYKORA, L. 1999: Processes of Socio-spatial Differentiation in Post-communist Prague. – *Housing Studies*. 14. 5. pp. 679–701.
- SZELÉNYI, I. 1983: *Urban Inequalities under State Socialism*: Oxford, Oxford University Press.
- TASAN-KOK, T. 2004: Budapest, Istanbul, and Warsaw – Institutional and spatial change. Eburon Academic Publisher. Delft. p. 333.
- WECLAWOWICZ, G. 1997: The changing socio-spatial patterns in Polish cities. In: Kovács Z. – Wiessner, R. (eds.): *Prozesse und Perspektiven der Stadtentwicklung in Ostmitteleuropa. – Münchener Geographische Hefte*. 76. Passau. pp. 75–82.
- WECLAWOWICZ, G. 1998: Social Polarisation in Postsocialist Cities: Budapest, Prague and Warsaw. In: Enyedi, Gy. (ed.): *Social Change and Urban Restructuring in Central Europe*. Akadémiai Kiadó, Budapest. pp. 55–64.