



Ferencváros, Millennium Town Centre, View from the Ludwig Museum

## Urban regeneration in Budapest

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Fig. 1. Map of the inner districts, Budapest

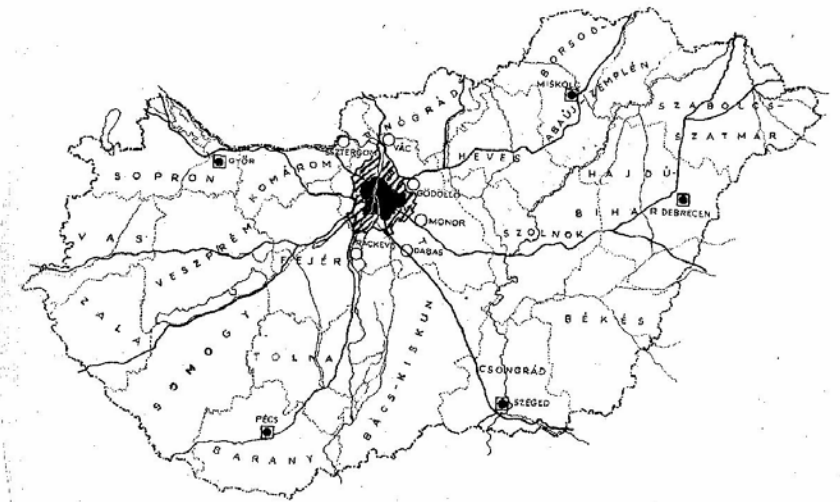
# Urban regeneration in Budapest

## *From 1872 until the end of World War II*

Budapest was created in 1872 by uniting three towns (Óbuda, Buda and Pest). Dynamic growth began, leading to the development of the city's still existing character – boulevards and avenues, unbroken rows of three to five-storey residential buildings of historical eclectic style, with their typical circular balconies, back-flats and tight inner courts.

The densely populated inner city was surrounded by a broad intermediate zone of mixed use. Hospitals, barracks and public utilities were placed there instead of using the inner city's expensive plots. Industries settled along the Danube River and the railway lines. World War I, however, brought this dynamic development to a sudden halt. The Austro-Hungarian Monarchy came to an end, and as a result of the Trianon Peace Treaty, Hungary lost two-thirds of its territory. Even though Budapest continued to grow at a modest rate, there were only few structural changes because of the global crises of the thirties and soon thereafter the outbreak of World War II. Architecture in this period was socially more sensitive: under the influence of Bauhaus, the newly constructed flats and some excellent residential parks (neighbourhood of Pozsonyi Street in District XIII) were healthy, high-quality and modern public and private buildings. The bulk of the housing stock, however, remained rundown one-room flats.

**Fig. 2 Map of Hungary**



The following major step in the Hungarian capital's history was the annexation of surrounding villages and small towns in 1950. As a consequence, the population of Greater Budapest grew from 1 million to 1.6 million in an instant. Budapest is divided into 23 municipal districts with autonomous local councils. Ever since the annexation, the new districts have never constituted an organic unit with the old districts. Their infrastructure is still unsatisfactory; indeed, often worse than that of the small fashionable towns and villages in the Budapest Agglomeration (the 81 towns and villages in the area surrounding Budapest

with a total population of 750,000).<sup>1</sup> Public transport service is adequate only in the direction of the city centre. The popularity of outer districts is growing among real estate developers, thanks to these districts' larger green areas and better environmental conditions.

Damages and wounds caused by World War II and the 1956 Revolution on Budapest's buildings were only repaired to the strictly and urgently necessary extent during the 1950s. Even in the 1990's (and in some place up to now) one could see on the facades the holes made by guns and also the black stamps painted by the Soviet Army to mark mine-free areas.

For long decades, there had been a bitter housing shortage in Budapest, owing to several reasons: bombing during the war; migration from neighbouring countries; the huge number of poor quality one-room flats inherited from previous periods; and, not least, urbanization, with masses emerging from rural areas. The "land of steel and iron" needed workers in the heavy industry. To make the situation worse, even public institutions, offices and enterprises were often located into flats.

Many of the workers found accommodation in workers' hostels and only travelled to their families on weekends. Others moved to the neighbouring villages and commuted daily. Because of the shortage of accommodation in Budapest, permission to settle down had been difficult to obtain for a long time.

In 1964, with a view to easing the housing shortage, the government elaborated a fifteen-year housing programme. Most of the flats were built from prefabricated elements or by using other industrial technologies. The new housing estates were erected in the peripheral districts and in the so-called transitional zone. Part of them were green-field developments or replaced former garden town areas (Kispest), while in some cases old urban patterns were demolished and newly built in. Parts of them were seriously rundown quarters (Szigony Street in District VIII; Kárpát Street in District XIII). In other cases areas of small row houses with ripe social and urban pattern were destroyed (Óbuda residential area). Housing estate development reached its peak at the end of the seventies, when about one hundred thousand prefabricated flats were constructed annually. In Budapest, most of the units were 51 to 54 m<sup>2</sup> two-room flats. Neither money nor building capacity was left for urban renovation during this period.

In the beginning of the 1950s urban residential buildings were nationalized, with the exception of some smaller houses of one or two flats. During the socialist era, each and every citizen had the right to obtain a flat for free – at least theoretically. In practice, those living in the villages did not get a home for free. They had to build their homes themselves, usually working in cooperation with their relatives and friends. In the towns, flats were allocated for the families by local authorities and by the companies for their employers. Within Hungary, Budapest's housing situation was the worst: most of the singles, childless couples and non-manual workers had no chance to get a flat for free. However, cheap loans and low building plot prices helped them to acquire a home in a condominium or housing cooperative. Since the seventies, the mountainous Buda side and the agglomeration around it have become popular destinations for young families. Urban sprawl started already at that time.

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<sup>1</sup> The Budapest Agglomeration is the largest metropolitan area in Central and Eastern Europe with 2,475million inhabitants but without an administrative territorial status. Since the beginning of the 1990s Budapest lost 12-5% of its population. At the same time there was 18% increase of the population in the suburban region. Population of the greater metropolitan area (area of the Budapest Transport Federation) 3.271 million.

Developers of Budapest have never had real sensitivity towards green areas. Until World War I, there were scarcely any green parks and gardens built in the residential quarters. The characteristically big flats in the front part of the two to five-storey houses and the low-standard flats in the back wings were built without green spaces. As a consequence of the hunt for profit, inner courts became smaller and smaller. Flats on the lower floors seldom got any sunshine. Shops, workshops and store-rooms were placed on the ground floor and in the basement of these buildings. With the close-down of small businesses after the war, these premises were also used as flats.

Annexation of the surrounding villages to Budapest also meant gaining large agricultural fields and forests. Even so, public green areas remained under the 21 to 30 m<sup>2</sup> per capita level, which is considered by experts as the requisite urban green area ratio. Sprawling industries and the construction of housing estates further deteriorated this ratio. People of higher educational background and social status and well-to-do families left the old districts and moved to the Buda side. Although Budapest's population continued to grow up until the change of regime and peaked in 1990 with 2 million inhabitants, the number of people living in the inner districts had been decreasing.<sup>2</sup>

**Table 1. Shrinking of the population in Budapest's inner districts between 1949 and 1990**

*Preisich, 1998*

	<b>1949</b>	<b>1990</b>
District V	52,782	43,937
District VI	82,359	59,477
District VII	115,495	82,864
District VIII	139,673	92,386
District IX	93,975	78,722
Budapest	1,590,316	2,016,774

### ***Urban regeneration during the socialist period***

As we have already mentioned, more than 800,000 flats were built with industrial technologies (most of them in the soviet-type panel factories) until the late eighties. During this time, urban regeneration was neglected. Rents of the flats were low; they did not even cover the minimum maintenance and repair costs, not to mention the properties' regular recasting, necessary in every 20 to 25 years. This contradictory situation had a positive effect, though: Budapest's historical inner part remained nearly untouched. Even the vacant lots of the streets were only rarely built up.

As the pressure to build new homes eased somewhat, in 1978 the Metropolitan Council of Budapest adopted its Urban Regeneration Programme, with the primary objective of restoring the eroded housing stock and public spaces in Districts V to IX. Regeneration was mostly driven by architectural criteria and was scheduled to start in the city centre. This part of

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<sup>2</sup> Ageing of the population: Ratio of people above 65 years 17,6%, children under 14 years 12,8% in 2001

Budapest has a unique panorama, direct contact with the Danube River, a higher quality building stock and good public transport connection. The area between the Small and the Grand Boulevard followed as the second phase. Recasting of the third part beyond the Grand Boulevard, where the houses are in very bad condition, was left for the next century.

Budapest's inner quarters are homogenous: their history, urban pattern and buildings are very similar. Thus, from that point of view, it did not matter where the renovation was started. The programme divided the historical area into blocks. In the eighties, renovation began in the neighbourhood of Váci Street in District V and around Klauzál Square in District VII. One block was also renovated in District VI, in Király Street. These were "soft" renovations, i.e. without too much demolition. In contrast, in Districts VIII and IX, where renovation plans were completed just before the change of regime, more radical changes were foreseen because of the rundown state of the area.

In summary, we can state that urban regeneration was neglected during the socialist era. A minor recast of the houses was unavoidable after the war. In the following 15 years, more than 800,000 new flats were built with industrialized technology. The housing programme was coordinated by state and municipal investment companies; the planning criteria and technical solutions were consistent and reliable. Many of the housing estates built at that time are even today acceptable to average-income white-collar workers. Even though the planning process started in the seventies, urban regeneration remained a weak point. Neither its institutions nor its financial resources and priorities were properly arranged and set. Only a few isolated blocks and some prestigious streets' facades were renovated. Citizens had practically no right and opportunity to support or criticize the programmes – "top down" method.

### ***Óbuda (Old Buda) housing estate***

*The world War II did not destroy the fabric of the city. The intensive housing estate constructions built in the seventies transformed the old patterns.*

*On the place of Óbuda there was a big settlement in the Roman period called Aquincum. It was a rich town in the Middle Ages as well. During the 150 year long Turkish rule (1526-1687) it lost nearly all its population. In the XVIIIth Century craftsmen from Moravia and Austria and later Jewish merchants and craftsmen settled down. It became a flourishing borough with vineyards around. The town – and after the merger of the three towns (Pest, Buda, Óbuda) the third district of Budapest – was famous for the small workshops, taverns and picturesque small houses along the curved streets. Factories were built later on the places of the wine yards. But the area kept its peaceful slowly transforming character in the first part of the XXth Century. In 1958-64 an experimental residential area was established here with 700 flats, school, nursery and all the basic utilities. In 1972-79 a new residential area was erected on the sites of the picturesque old streets. 6200 flats were demolished and 12246 were built. The planners did not care about the old structure of the area. The new houses were mostly 10 storey buildings made of prefab elements. 20 Thousand people live in the largest building (an eleven storey row house) which will be renovated soon on the Florian Square. Later in the eighties a softer rehabilitation started with less demolition. Preservation of medieval houses and creation of lofts in the old industrial buildings are elements of the new regeneration in Óbuda.*

Everywhere stay residential and public buildings in Budapest which has not been renovated for 60-80 years.  
Market hall – officially protected heritage - on the Hunyadi Square vis-à-vis the local municipality.  
The others are residential buildings from the District 6th and 8th.

## I. Unprotected heritage



## ***Transition in Hungary: Administrative structure and legislation***

### **Protection of the built heritage**

The built heritage encompasses the monuments and ensembles (groups of buildings and sites). It includes the monuments of heritage value, constituting the historic built environment. There are approx. 7500-8000 monuments of national or international importance for protection in Hungary. Their number unfortunately depends on the financial circumstances and therefore the heritage is continuously at risk.

There are two main acts on the protection of the built heritage:

- Built Environment Act 1997/LXXVIII.
- Protection of the Cultural Heritage Act 2001/LXIV.

### **The main administrative bodies**

The National Office of Cultural Heritage (*KÖH – Kulturális Örökségvédelmi Hivatal*) is responsible for administrative, scientific and other services (actions, treatments, planning measures, common methodology for their guidance) in the field of historic buildings, archaeological funds and works of arts. The office has its sub-offices and responsible officials in the towns and in the districts of the capital.

The National National Trust of Monuments for Hungary (*Műemlékek Nemzeti Gondnoksága - previously MÁG*) is responsible for management of monuments, ensembles and sites which remain strict in national ownership.

The Hungarian National Committee of World Heritage Committee (*Világörökség Magyar Nemzeti Bizottsága*) is a consultative body of the Hungarian Minister for Cultural Heritage. Hungary joined the World Committee in 1985. Two sites (the Budapest Danube bank and the village Hollókő) got the title in 1987. 8 sites are bearing the title since 2002. Hungary is member of UNESCO and its expert institution for monuments, ICOMOS.

The Advisory Board of Heritage Protection (*Örökségvédelmi Tanácsadó Testület*) has 9 members from the Council for Monument's Design, the Excavation Council, the Council for Cultural Possessions and the National Office of Cultural Heritage.

### **The protection of heritages of local importance**

There are 4 protection levels:

- International protection based on international agreements (World Heritage)
- National protection (individual or territorial)
- Metropolitan (capital) protection
- Local (district) protection

The pictures show different demonstrations in the District VI and the Jewish Quarter (District VII)

Demonstration in the Kertész Street against demolishing the row of big residential buildings from the turn of the XIXth Century. (After 4 years the "cleaned" plot is still serving as a temporary parking place.)



## II. Demonstrations against demolition

*Cyclist's Associations, ÓVÁS! Clean Air Action Group, Védegylet and local citizen's groups*



### III. "Piecemeal renovation" of the city.

Impact of the global crisis. Flats for sale for bargain prizes.  
Demolished part of Kertész Str. Still a parking place. (See page ...)  
Right: Shop and home owners start to paint their part from the facade. Kertész Str. Király Str. Corner



The local government (municipality) has two possibilities to protect its buildings, ensembles or sites (areas) of local importance. It can protect it in an independent “decree of local heritage protection” or regulate in the local land use and dispose plan.

The owners usually prefer not to have their properties under local protection, because of its numerous “inconveniences” of such objects: it is hard to sell or demolish them and in case of renovation the local administration has the right to decide about the construction details etc. Neither the local nor the national administration dedicates proper funds for renovation.<sup>3</sup> However a proposal for lower VAT for renovation of protected objects (5% instead of 25%) is under process. (The locally protected heritage will still not be included.)

Each person has the right to initiate the protection (or the demolition) of a heritage on local or higher level. The local authorities can put the object under temporary protection within a few days in case of emergency. In Budapest the District Assembly can decide about the protection but can't eliminate the local protection of an object without consulting with the Budapest Municipality and with the National Office of Cultural Heritage.<sup>4</sup>

Law enforcement and punishments are generally weak in Hungary. None of the protection levels are strong enough to hinder the demolition. Punishments even in the most serious cases are only modest level fines. Illegal demolition happens usually at night or on weekends without any consequences. The developers (owners) with proper political or financial influence handle the fine simply as “administrative costs” of the project.

Local and national civil organisations<sup>5</sup> are bitterly fighting against both the developers and the local assemblies of the representatives for local or metropolitan protection. Their efforts are seldom successful in spite of the numerous petitions, demonstrations, forums, media coverage, lawyer's costs etc.

The awareness of the local administration for the protection is generally low. Most of the local governments are struggling with budget deficits and they do not look further than the next election, at most.<sup>6</sup>

## **The unique system of 24 independent decision-makers in Budapest**

The two-tiered system of the administration in the capital according to the principle of decentralisation is based on the 1990 Act on Local Governments and 1991 Act on the Administration of Budapest.

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<sup>3</sup> During a conference organised by the National Office of Cultural Heritage in November 2008 it was noted that the annual support of the private owners of local heritage is only HUF 300 million (EUR 1,1 million) yearly. Good news is that HUF 60-80 billion (approx.. EUR 270 million) are allocated between 2007-2013 for heritage protection from the EU Structural and Cohesion Funds.

<sup>4</sup> It sounds satisfying but the Budapest Assembly seldom refuses the district's proposition to demolish an object on the grounds that it has no funds to renew it.

<sup>5</sup> The members of the Podmaniczky Lodge, an informal umbrella organisation for protecting the built environment in Budapest are the following: Budapest Világörökségéért Alapítvány, Budapesti Városvédő Egyesület, ICOMOS MNB Egyesület, a Kamermayer Projekt Egyesület, Kós Károly Egyesülés, Lát-Kép Egyesület, Levegő Munkacsoport (Clean Air Action Group), MUT Budapesti Csoport, Nagy Budapest Törzsasztal, ÓVÁS! Egyesület, Szeretem Budapestet Mozgalom, Városi és Elővárosi Közlekedési Egyesület

<sup>6</sup> The Ombudsman of the Future Generations issued a warning about the so-called Jewish Quarter (Belső-Érzsébetváros, District VII) in July 2009 without any response from the Local Assembly.

The central municipality and the 23 district municipalities have similar competences but different obligations. Districts are responsible for the basic health education and social networks, for the local roads (without public transport lines), services and infrastructure. The duties concerning more than one district belong to the Budapest Municipality. The administrative bodies, the central and district level as well as the elected assemblies seldom co-operate with each other (not to mention public participation). The first formulation of the 1991 Act on Budapest Administration introduced some centralisation of the capital's municipality system, but it has been abolished in 1994.

The main decision-making body of the capital is the Budapest Council. The general assembly of the municipality is composed by 67 members. The council has additionally 15 committees partly with elected delegates and partly with nominated experts. Two subcommittees are also involved in urban renewal, the subcommittee of urban management and the environment and the subcommittee for the co-ordination of the districts.

The administrative body of the Budapest Municipality – the Budapest Mayor's Office is big and not transparent. 38 different offices operate the rights and obligations of the capital. This makes the handling of cases ineffective. 12 of the offices are more or less involved in the built environment (Chief Architect's Office, Office of the Prominent Developments, Office of Investments, Office for Environment and Energy, Office of Public Utilities, Office for Housing, Office for Heritage Protection, Registration Office of the Common Properties, Entrepreneurial and Property Manager Office, Office of the City Layout Councillor, Office for Urban Development, Management and Social Policy, Office for Town Planning, Office for Town Operation and Property Management, Cultural Office.<sup>7)</sup>

The main decisions are made by the Budapest Assembly.

The subjects related to urban regeneration are dealt by the chief architect of Budapest. The chief architects office (Főépítési Iroda) is attached to the office of one deputy mayor in charge of the economy, urban development and social policies (Városfejlesztési, Gazdálkodási és Szociálpolitikai Főpolgármester-helyettesi Iroda) together with other related offices like the Office of Heritage Protection.

To make things worse the municipalities in the bigger metropolitan area (outside of Budapest) are also independent bodies with the right to create their own local legislation.<sup>8</sup> There is a formal body, the Council of the Budapest Agglomeration (BAT) with a 3-staff office without financial or legislative tools.<sup>9</sup>

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<sup>7</sup> Főépítési Iroda, Kiemelt Fejlesztések Ügyosztály, Beruházási Ügyosztály, Környezetgazdálkodási és Energetikai Ügyosztály, Közmű Ügyosztály, Lakás Ügyosztály, Települési értékvédelmi Ügyosztály, Vagyonnyilvántartási Ügyosztály, Vállalkozási és Vagyonkezelési Ügyosztály, Városrendezési Ügyosztály, Városüzemeltetési és Vagyongazdálkodási Ügyosztály, Kulturális Ügyosztály.

<sup>8</sup> The previous chief architect of Budapest claimed that a stricter regulation for e.g. shopping malls in the outer districts are ineffective because the neighbouring settlements have the right to give permission for erecting one a few meters from the administrative border of the capital. However, a shopping mall could be demolished some time in the future. More cruel is the situation with nature protection areas. The Tétényi plateau (fennsík) – previously owned by the Defence Ministry is situated on the administrative territory of three different municipalities. Its biotope is of European importance as well as the location – the metropolitan area of a European capital. District XXII declared its part as a nature protection area while the two other municipalities, Budaörs and Biatorbágy re-zoned their areas for housing estates.

<sup>9</sup> There is a general land use and development plan of the Budapest Agglomeration. The draft had been watered down to a weak guideline after a long and rather reconciliatory than co-operative process among the 48 municipalities.

Demonstration against demolishing a 150 years old building.

A local citizens speech in the District 7 Assembly ↓

Right: Inner court of the old building;  
Poster about the old and the planned huge building;

At the gate of Nagydíófa Str. 8.

#### IV. Nagydíófa Street 8. (Jewish Quarter)



The decision-making process in a district municipality is also controversial. The general assembly of the district is composed by elected (party) members. Special councillors (from the elected bodies) are delegated to support the operation of the municipal council. There are also committees in the municipal council, and all of them are composed of elected and nominated members. There is a serious incompatibility on municipal level in the decision-making process. The general assembly is formulating the local legislation while the municipal mayor's office is the applier. The mayor of the district is both the head of the assembly and the boss of the municipality. The employees of the mayor's office depend on the decisions of the assembly.

It can hardly be said whether the capital or the district level would be more effective for making the city more liveable. Seemingly the country's overall cultural (moral) deficit has to be worked off – which is a slow and never ending process.

### **Will the local heritage be left unprotected?**

In August 2009 a proposal was put forward for the Budapest Assembly to cancel the local heritage protection rights of the districts and take the protection into one hand. The districts' chief architects wrote letters via internet claiming that the local legislation does not narrow the rights of the Budapest municipality, it is only an additional opportunity to protect and strengthen the local character of the areas. Civil NGOs<sup>10</sup> issued an open letter for the members of the Budapest Assembly through the media. The letter was effective. The proposal was cancelled from the agenda.

As case study for the usefulness of the local protection can serve the following: At Nagydíófa Street 8 (Jewish Quarter) there is a 150-year-old classical building with a bright inner court. It was privatized first to the previous user of the building, the Capitals Catering Trade Enterprise which kept its property in good condition. It was sold later to a multinational development firm, AUTOKER. The local citizens in the neighbourhood tried to put the building under the capital's protection two times, but the Budapest Assembly refused the proposal repeatedly. Without local protection the house would not exist any more.

## ***Urban regeneration in Budapest after the change of regime***

In 1990, the Hungarian capital's public administration was completely transformed. The large state planning and developer companies were dissolved; the qualified experts, calculators, controllers and even the design documents disappeared. A two-level self-government system was established, where the 23 district governments got virtually unrestricted local decision-making rights in matters of building regulation, financing and property management (privatization). The 24<sup>th</sup> member, the Metropolitan Municipality of Budapest, can hardly interfere in the districts' decisions, while the city's organic development and smooth operation is a common expectation.

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<sup>10</sup> Levegő Munkacsoport, Óvás! Egyesület, Nagydíófa utcai lakossági csoport (Clean Air Action Group, ÓVÁS! Residents' Group of the Nagydíófa Street)

In the Budapest Agglomeration, the GDP per capita value is close to the EU average, and it is three times higher than that of the least developed regions in Hungary. In spite of this fact, local governments, claiming that they lack the necessary financial resources, do not properly manage and maintain their buildings, institutions and public spaces, including green areas. Gradual deterioration – so familiar from the socialist era – continues. As a consequence of poor maintenance and repair, the newly refurbished institutions, parks and pavements start to decline and decay soon after completion.

The Local Government Act of 1990 entitles the elected bodies of local representatives to privatize any part of the municipal property and makes it possible – because of the lack of control – to run through the revenues. In fact, the latter happens quite often, there are many examples of local governments spending or investing their money wastefully.

This sell-out behaviour of the local governments coincided with the restriction and cutback of central government funding to local governments.<sup>11</sup>

Privatisation of the housing stock was introduced in 1969(!). But only a very few flats in the most prestigious areas were sold until 1989. In 1993 on the other hand privatisation became nearly obligatory for local municipalities.

About 87 % of the housing stock inherited from the previous regime has been sold at a low price, usually to the tenant who occupied the property. (This means that 92 % of the flats are in private hands.) A high percentage of them are physically run-down housing especially in the central districts and in housing estates. Many of the new owners do not have the necessary resources or income to renovate their homes, and thus they hinder other owners of the condominium in carrying out urgent renovation work.

**Table 2. Number of flats privatized between 1990 and 2006 in Budapest**

*(KSH - Central Statistical Office)*

1990	1991-1995	1996-2000	2001-2005	2006
22.156	237.931	55.286	19.923	2.378

Only buildings and flats of the worst condition remained in the hands of the municipalities. They cannot demand proportional rents from poor tenants and cannot prevent further deterioration of the worst areas.

Besides flats, also numerous institutions, sports facilities, vacant sites and public spaces were sold by the bodies of local representatives (and the state) to real estate developers since the change of regime. This practice of using up revenues without long-lasting improvements hinders the future development of many districts.

The General Assembly of Budapest adopted an Urban Regeneration Programme, prepared in 1996-97, aiming to tackle one of the most urgent problems affecting the city's historical part. The Programme's main goal was to "channel the city's spontaneous and inadequately financed development" through cooperation with district authorities, and to collect a mixture

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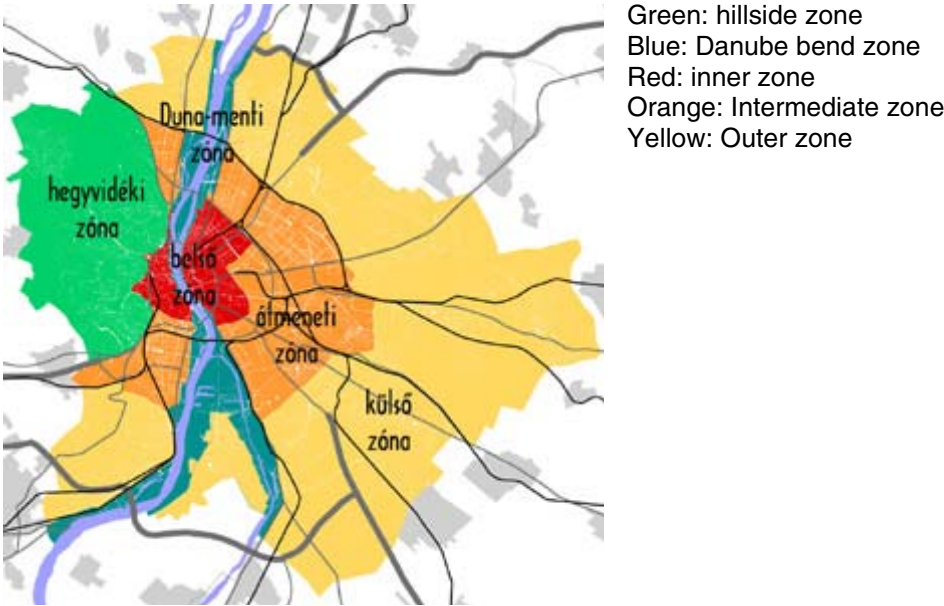
<sup>11</sup> On the other hand – in view of the heavy burden of centrally collected taxes – it would be politically absurd to generate a higher proportion of local revenues through local taxation.

of local, regional, state and private financial assets. Typical “development” during the first 15 years after the change of regime: gentrification in the centre, while rapid decay, slums and population exchange in many areas beyond the Grand Boulevard.

Since the mid-eighties, obvious indicators of public safety concerns have been the appearance of iron lattices on doors and windows, as well as the large number of dogs kept in the flats.

**Fig. 3 The city’s main zones**

*From: Concept of Budapest’s Urban Development 2002 V.8. Spatial concept of Budapest*



**Table 3. Number of residential buildings in Budapest built in the different periods**

*(KSH-Central Statistical Office)*

Before 1919	1920-1944	1945-1959	1960-1969	1970-1979	1980-1989	1990-2001
23%	17%	7%	12%	20%	16%	5%

One result of Hungary’s EU membership was its access to the Structural and Cohesion Funds. The General Assembly of Budapest adopted its Mid-Term Urban Development Concept, which was followed in 2005 by the preparation of a mid-term programme called Podmaniczky Programme. An investment of HUF 2100 billion (approx. EUR 7 billion) was planned for the period between 2005 and 2013 in mixed (private and public) financing. Among the planned projects there were utilities, transport infrastructure, renovation of public spaces and buildings, as well as new cultural facilities.

Part of the development programme is the so-called Budapest’s Heart Programme with the objective of revitalizing the inner city. Its first phase, launched in 2009, is the Main Street Programme, which allocates HUF 5 billion for traffic calming and new pavements in the axis between Kálvin Square and Szabadság Square.

An – until recently unusual – programme is the social rehabilitation of three ill-famed areas of Districts VIII, IX and X, respectively (see the section dealing with Magdolna Quarter).

The only impressive regeneration on a larger area started just before the change of regime in District IX (called Ferencváros).<sup>12</sup> Two main reasons contributed to the programme's success: firstly, there was a good rehabilitation plan ready for Central-Ferencváros, as well as an organization called "SEM IX", which worked together with French real estate experts and banks. The other "reason" was the district's visionary mayor, who did not sell the housing stock and the vacant sites as all other local governments did. Municipally-owned properties enabled easier management and less expensive recasting and investments. The cooperation with private real estate investors and construction firms was well prepared: building licences, solid financing and clear definition of each partner's tasks were the key elements. This project was the first to win the FIABCI Award in 1998 within Central and Eastern Europe.

**Table 4. Population change in Budapest (million)**

1950	1960	1970	1980	1990	2000	2008
1.590	1.807	2.001	2.059	2.017	1.778	1.702

### **Piecemeal development instead of general regeneration**

As we previously mentioned on the principle of decentralisation was created the Act of Local Governments in 1990 and the Act of Administration of Budapest. A two tiered system of the administration emerged. The central and the district municipalities have big competences but different obligations. District responsibilities are the local services (basic education and health care), infrastructure, housing and maintenance of local roads. All duties concerning more than one district are delegated to the Budapest municipality. Co-operation is weak and the central municipality does not play a significant role or coordination between the districts. There is a lack of coherent urban development or regulation at the city level. Political will for regeneration is still lacking in Budapest

Most Hungarian local governments are still passively waiting for investors, without any clear vision or plan for the future. Private entities are unable to prepare and manage a medium or long-term programme. They can build shopping centres, offices, housing estates or petrol stations, but the rehabilitation of an area is too complex an issue.

Successful rehabilitation needs political determination. Local governments should recognize that no one else will conduct such large-scale and long-term projects as urban regeneration. Investors, real estate developers, the region, the central government and the EU are partners for a well-planned and properly managed rehabilitation. They can play an important role in financing, as well as in the public and private cooperation.

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<sup>12</sup> A pilot project – a small scale regeneration happened also in District VII at the Klauzál Square in the 1980s. But the program came to a halt after 1989.

In this study, we will present two districts that have been operating their regeneration management organization for some time. An urban development corporation called “SEM IX” has been active in District IX (Ferencváros) since the change of regime. It was a success story until the end of 2008, when the global crisis led to a temporary halt of the building boom. Although District VIII (Józsefváros) only started rehabilitation 10 years later, some benefits of the renewed areas can already be seen. In Districts VI and VII, corruption practices, destruction of historical buildings and bitter demonstrations by local citizens and NGO’s to protect their architectural and cultural heritage are typical.

From the large number of plans, strategies and studies that had been prepared with great enthusiasm in the first part of the nineties, hardly any was put into practice. During the two decades following the change of regime, real estate developers picked out the best vacant sites or demolished some buildings without any large-scale strategy. They chose the promising areas and tried to get the most from the building licences in both legal and illegal ways, not caring about the harmful environmental impacts (heavy traffic, loss of green areas, building up of urban ventilation channels, destroying the historical atmosphere of the area). As an indicator of the unpaid negative external costs of these developments, the rate of return for real estate investments was 5 to 6 years in the CEE countries, while it was 14 to 15 years in the old EU member states.

It was only two years ago that a new law introduced the so-called “territorial development contract” as a new tool to internalize the harms and additional infrastructural costs of real estate developments. It is a binding agreement between the local government and the investor to carry out private investments or improvements that serve public interest. However the law leaves the details to the local government and the developers, which means that in practice not much has changed.

Soft regeneration and the modernization of condominiums are hard to finance because of the Hungarian tax system and the large number of harmful subsidies granted in other sectors.

### **Irrational housing subsidies**

No additional requirements (e.g. better energy performance and above-the-standard environmental quality) were demanded from the beneficiaries of housing subsidies and preferential interest rates for financing the construction of new flats.

The banks realized extra profits as the risks of housing loans are usually low, thus no state aid would have been necessary.

### **Table 5. Housing subsidies and fiscal aids in Hungary**

Hegedüs, Teller (2004): Subsidies in the Hungarian Housing System (ERI-GKI manuscript)

	1998	1999	2000	2001	2002	2003
billion HUF	266	100	316	100	316	100
% GDP	0,8	0,7	0,8	1,0	1,2	1,7

Tavaszmező Str. 8. Social housing.  
Below: The new wing of the Budapest  
Technical College.  
Views from the Horváth Mihály Square:  
Renovated condominiums.

### V. Tavaszmező Str. District 8th



**Table 6. Housing Stock in Hungary 2006**

Housing 3.3.1. Housing stock (January 1 2007)				
Name of the data	1980	1990	2001	2008
	<b>3 542 418</b>	<b>3 853 288</b>	<b>4 064 653</b>	<b>4 270 497</b>
<b>Housing stock in Hungary</b>				
Number of flats				
in Budapest	726 655	793 728	820 977	872 177
in other towns	1 546 025	1 605 388	1 863 653	2 078 666
in villages	1 269 738	1 454 136	1 380 023	1 319 654
Number of rooms/flat				
1 room	973 369	645 064	517 077	523 275
2 rooms	1 720 247	1 680 918	1 681 827	1 726 304
3 rooms	733 402	1 115 983	1 254 848	1 323 703
four and more	115 400	411 323	610 901	697 215
Total number of rooms Thousand	7 065	9 132	10 385	11 068
Rooms/ 100 flats				
	193	237	255	<b>259</b>
in Budapest	186	222	236	238
in other towns	198	239	256	261
in villages	193	243	266	271
Residents/ 100 flats				
	302	269	251	235
in Budapest	283	254	217	195
in other towns	313	274	257	242
in villages	303	272	263	251
Residents/100 rooms				
	156	114	98	91
in Budapest	152	115	92	82
in other towns	158	115	100	93
in villages	157	112	99	93
Comfort level in %				
gas pipe	25,1	40,2	68,3	69,9
water pipe	57,1	78,0	88,6	89,4
drain-pipe	66,8	83,8	91,0	91,7
public sewer	36,6	43,8	55,6	57,2
bathrooms or wash-basin alcove	59,2	78,3	88,7	89,7
WC	52,5	74,1	85,0	86,3

Central Statistical Office, Yearbook 2007

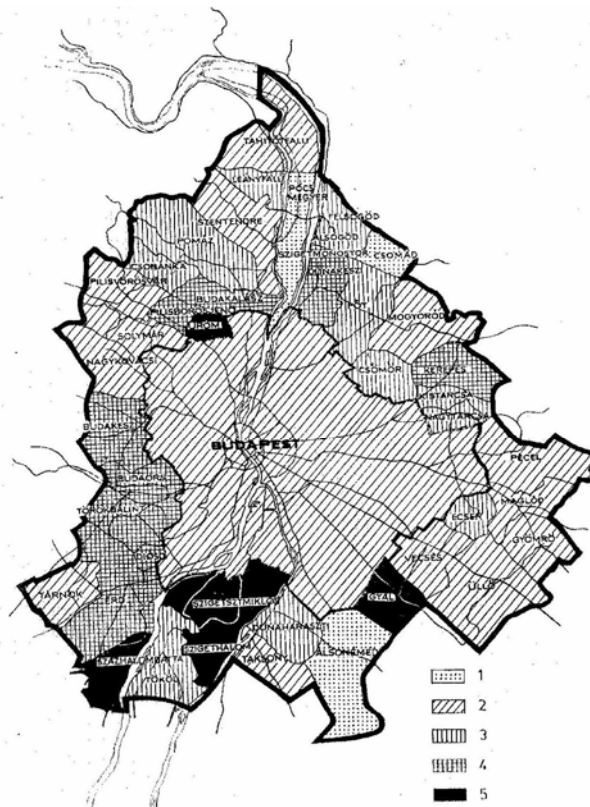
This practice of housing subsidies supported only the building sector and the banks, while accelerated many of the green-field developments, urban sprawl. Numerous expensive housing estates had been funded directly and indirectly (e.g. by financing the supplementary infrastructure) by the taxpayers' money.

Granting support to household energy tariffs has been another obviously harmful subsidy since the change of regime. Energy prices have been rising rapidly in comparison to the average income of residents, but the subsidies made recasting uneconomical. Gas price

subsidies amounted to HUF 100 billion per year for a long time, while grants available for the energy rationalization of residential buildings only totalled around HUF 1 to 2 billion annually.

**Fig. 4 Growth of the population in areas around Budapest 1950-1960**

*Presich, 1973*



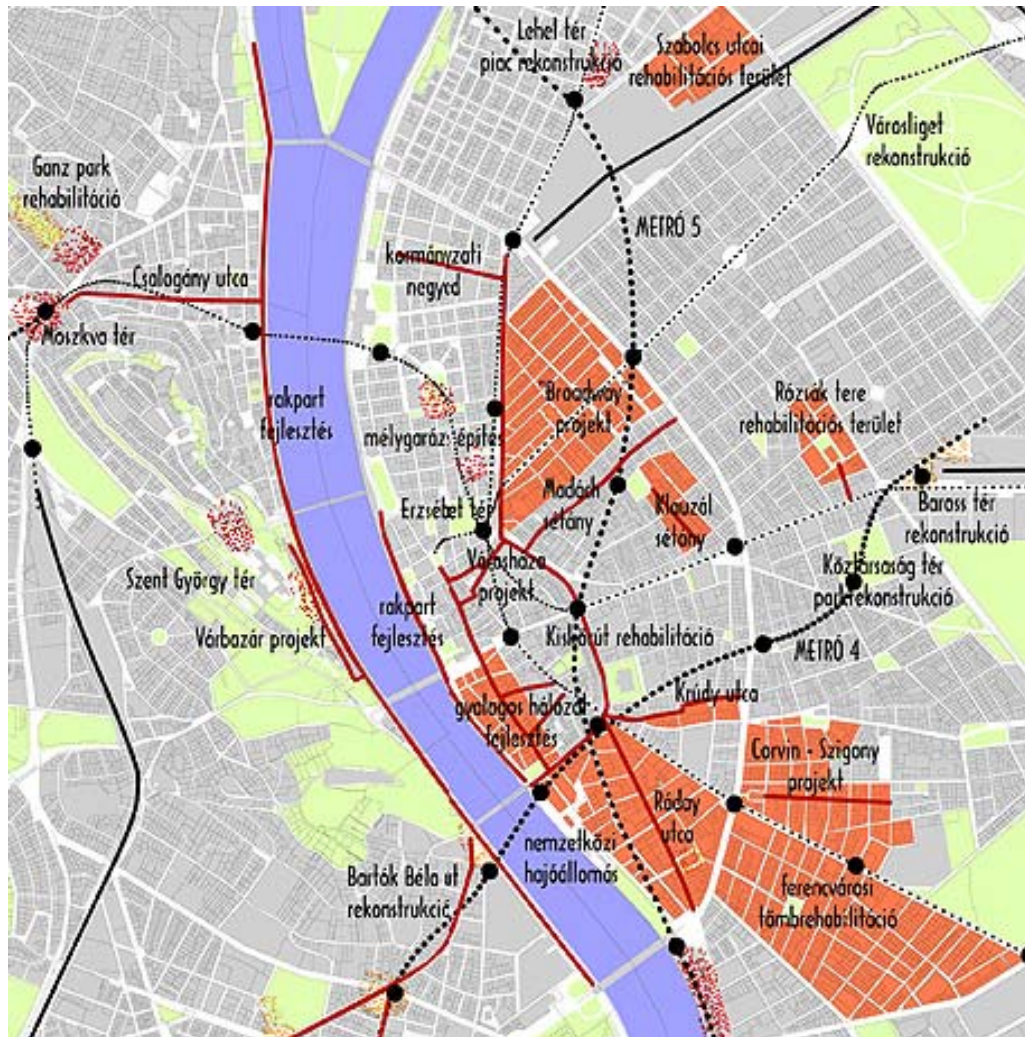
1 +1-15% 2 +16-39% 3 +40-60% 4 +61-99% 5 >100%

**The Hungarian tax system strengthens black market in the building sector**

As far as regeneration is concerned, the situation today is as bad as ever. The rate of VAT was raised to 25 % as from July 2009. On the other hand, interest rates earned on bank deposits are 8 to 10 % (less 25 % tax on interests) – temporarily. Experts keep suggesting incentives (grants and tax breaks) to facilitate the refurbishment of the building stock – to no avail. The current global crisis has caused very serious problems in the Hungarian building sector. By speeding up urban regeneration we could save jobs and energy, not to mention the additional social, cultural and environmental benefits.

**Urban regeneration in Budapest**

*The Hungarian word „városrehabilitáció” refers more to the English term regeneration – the transformation of neighbourhoods through delocalisation of the previous population and demolishing of the old buildings. In Austria or France it means more an integrated renewal taking into consideration the social cultural and historical values as well.*



**Fig. 5 Development tasks in the inner parts of Budapest**

*From Budapest Urban Development Strategy 2002*

Social regeneration is the term for activities when the aim is to provide better life for those who live in the area without much private and public money. Practically the Magdolna Quarter is the only social regeneration pilot project

The radical answer for serious social segregation and for the concentration of criminal gangs is the bulldozer.

The Jungle – Dzsumbuj project provides also improvement for the people living in the three blocks but the aim is to blow up the old community and help the families to start a new life elsewhere in or outside the city. Social workers keep in touch with the people having settled in different parts of the city or elsewhere in the country.

Physical (architectural) regeneration means improving the building stock and the surroundings to serve the new settlers and the whole city rather than those who previously lived there. Two options for regeneration are widespread in Budapest.

Piecemeal renovation of the houses worth for renovation, through more or less gentrification + new buildings on the vacant plots or demolishing smaller houses + merger the sites to a bigger unit and build in more densely with huge constructions. The fabric of the streets remain generally but the big new constructions mostly disturb the original historical-cultural character of the area. E.g. the so called Jewish Quarter (Belső Erzsébetváros) in District VII. Clearing the site from the old buildings and build a totally new quarter (Corvin Promenade, District VIII).

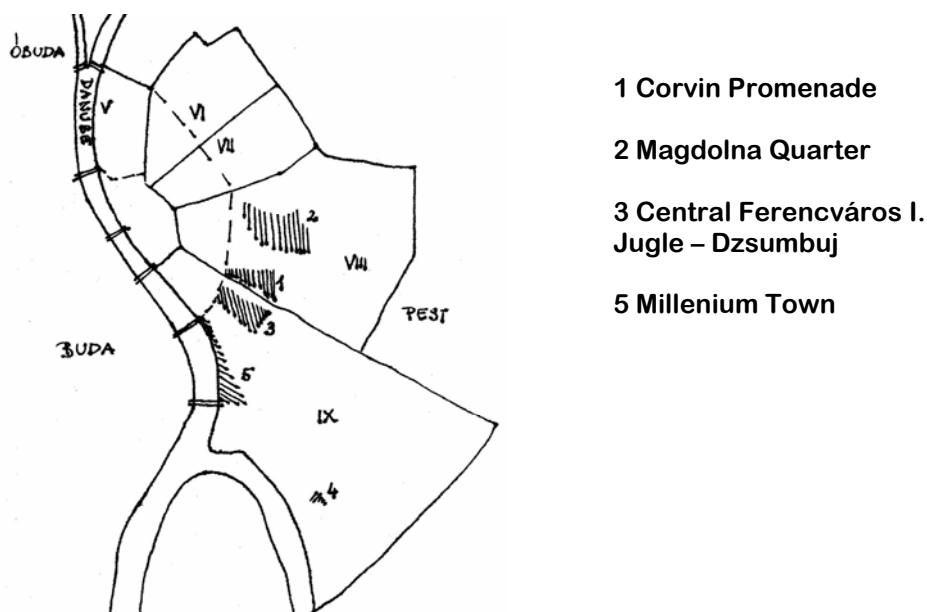
General character of the urban regeneration in the inner districts of Budapest

The renovated area is more densely built in. Public services and a wide variety of commercial and cultural opportunities, schools as well as good public transport connections are available. Providing new public and private green areas is scarce – too many small flats expensive services poor maintenance are treats for the moral inflation of the newly rehabilitated sites. Densely built in residential areas are stricken by heat isles, the air is seriously polluted and there is no room for active recreation in the neighbourhood.

### Protection of the architectural heritage

The unique architectural heritage of Budapest has been in danger for long. Tabán and Óbuda – two picturesque small quarters on the Buda side were demolished at the beginning of the XXth century and in the 1970s respectively. There is still no consensus about the value (benefits) of the local heritage among the authorities. Both sides of the Danube and the Andrassy Street including the surrounding areas belong to the World Heritage. But there is still no World Heritage act for protecting them. The Cultural Heritage Protection Office does not have the power (legal or political influence, financial assets) to protect the buildings as well as the colour locale of the buffer zones. Bitter demonstrations of the civilians and media coverage about the scandals have become regular during the last 15 years without much effect. Experts from the UNESCO and ICOMOS warned the Hungarian government two times – in the case of planning 2 new traffic lanes along the river side and of the demolitions in the buffer zones – to take back the World Heritage title.

**Fig. 6 Urban regeneration areas in the VIIIth and IXth districts**



## ***One district – several methods***

### *Regeneration practice in Józsefváros*

In Józsefváros, similarly to other districts, the block by block regeneration was started in the 1980s, but the process came to a halt in 1990. Thereafter, condominiums were renovated one by one, in different blocks.

In 2004, a paper titled “Fifteen-Year Development Strategy of the District” was elaborated. This strategy divided the district into 11 quarters, each with its own character. By categorizing the quarters they intended to emphasize their diversity and different identity.

## **Sate of the district’s building stock at the time of the change of regime**

Józsefváros is an inhomogeneous district full of contradictions. Close to the city centre, in the so-called Palace Quarter, we can find important public institutions, palaces of noblemen built at the beginning of the 19<sup>th</sup> century, and apartment houses for citizens of higher social status.

Excellent educational and healthcare institutions can be found in the central zone of the district. Main transport roads are lined with rows of multi-storey houses, while the inner blocks are composed of smaller buildings of low comfort category, the former abodes of shop owners, craftsmen and workers. All of these buildings are in poor condition.

Flats in better condition were purchased by the occupants. Only the small and ruined flats and houses remained municipally-owned.

The district’s great opportunity is the relatively large number of vacant sites and buildings ripe for demolition. These properties, coupled with the district’s efforts to renovate its public spaces, have attracted the attention of private investors. One of the highest value areas is the 22-hectare Corvin–Szigony plot, close to the Grand Boulevard (Nagykörút) and Üllői Road.

## **“RÉV8” Urban Regeneration Company (1997–2009)**

### *Institutional background of the investments*

After the change of regime, the different state and municipal investment companies were dissolved. In many areas of infrastructure development, there is still a shortage of similar institutions that would coordinate and control the investments while serving public interest.

RÉV8 was founded as a public company, owned in 60 % by the Municipality of District VIII and in 40 % by the Budapest Metropolitan Municipality. (Originally, there was a third owner, OTP Bank with a share of 10 %, but the district government bought it out after 3 years.) The company’s mission is to work out proposals for urban development and urban renewal strategies and to manage the projects. RÉV8 is also an operator (manager) and mediator between private investors, developer firms, local citizens, district representatives and local institutions. The initial staff of 4 persons has by now grown to a team of 31. Half of them have a technical background; the others are sociologists, social workers, community managers and economists. A few of them are employed on a project basis; others work in thematic areas as special experts. RÉV8 is an independent business corporation. In contrast to the fixed

annual allowances of municipal property management companies, it is financed on a project basis by the district municipality.

Besides the elaboration of strategic plans and urban development concepts, between 1998 and 2008 they managed the piecemeal renovation of 24 buildings and two public squares in a value of HUF 5 billion. The company prepared 6 integrated urban regeneration programmes and started to implement them as manager – operator.

Integrated urban regeneration projects of RÉV8:

- Inner-Józsefvaros Block-Renovation (1998–2001)
- Corvin Promenade (Corvin Sétány) Programme Integrated Urban Regeneration (2003–2012)
- Futó Street Partnership Programme (2002–2004)
- Magdolna Quarter Programme I (2002–2004)
- Magdolna Quarter Programme II (2008–2010)
- Europe’s City Programme, Józsefváros – Palace Quarter Cultural Economic Development Programme (2008–2010)

## **Corvin Promenade Project**

*Bulldozer-shaped urban regeneration*

See: <http://www.corvinsetany.hu/3dfilm.php>

The 22-hectare area is situated in the central part of District VIII, next to District IX. It was in the late 1980s that the idea to improve the neighbourhood emerged for the first time. After a lot of conflicts, alternatives and different actors, the “Corvin Promenade” project was launched in 2004, when Futureal Ltd. bought out the share of the former members of Corvin Place Consortium.

RÉV8 worked out the project’s framework in the late 1990s, and mediated between the investor and the municipality. Under the agreement concluded between the participants, the municipality is responsible for the public programmes, and Futureal Group is responsible for the market-based elements.

Futureal Ltd. has two divisions: Cordia Ltd. is engaged in the housing sector, while Development Company Ltd. deals with other real estate sectors, offices, commercial objects and entertainment services.

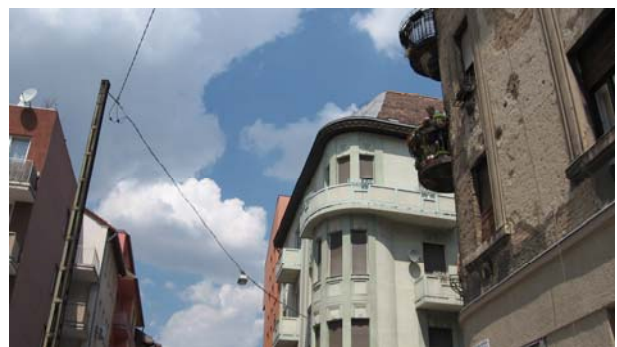
Old houses were wiped out, and the structure of the new buildings and public places is completely different. The new character was planned for yuppies, for new social groups. A 700 metres long and in certain parts 36 metres wide promenade will become the main axis between Corvin Cinema and Futó Street, covered with glass roof, with shops, cafés and offices on both sides. Some of the offices have already been completed. A residential area with 3000 flats, apartments, a local museum and a science park will be placed to the west of Futó Street.

The project is supported by the local municipality and by the Budapest Metropolitan Municipality in a financial PPP scheme: 500 million EURO private, 72 million EURO public investment.

Development (construction) period: from September 2006 till December 2012

The main axis a 750 m long covered street  
View from the Corvin Cinema  
Right: Buildings from the Práter Str.  
A shop owner lost his patience and  
"renovated" his corner.  
Below: A row of new residential building

## VI. Corvin Promenade



**Table 7. Size of the project parts – Corvin Promenade**

Project area	218 500 m <sup>2</sup>
Area of the blocks	178 000 m <sup>2</sup>
Size of public places (New public places from that area)	60 000 m <sup>2</sup> (20 000 m <sup>2</sup> )
Area handed over to private developers	67 200 m <sup>2</sup>
Area to remain in original ownership	91 300 m <sup>2</sup>
Underground construction (5000 parking places)	135 000 m <sup>2</sup>
Office area	150 000 m <sup>2</sup>
“Knowledge Centre” (for R+D firms)	80 000 m <sup>2</sup>
Commercial and catering places	49 000 m <sup>2</sup>
Fitness, sporting facilities	2 600 m <sup>2</sup>

A large part of the physically and socially deteriorated area was demolished. From the 2500 municipal and private flats, only 1400 remained and will be renovated in buildings of local importance.

On the development area, 1100 flats were intended to be eliminated (74 % of them were municipally owned). Nearly 50 % of these flats had no basic conveniences, and 65 % were one-room flats. Municipal flats had an average size of 34.5 m<sup>2</sup>, while owner-occupied flats averaged 41 m<sup>2</sup>. Five hundred households will be relocated; the remaining 230 tenants of municipal flats and 370 owners will have to be resettled by RÉV8. Tenants can obtain another municipal flat somewhere in Budapest, or they can receive compensation. Owners will be given compensation.

The residential buildings not to be pulled down, as well as a school, two underpasses and the existing public utilities and public places will be renovated (plus new infrastructure will be constructed, if necessary) within the framework of the public programme.

**Table 8. Project budget – Corvin Promenade**

On the part of the local municipality	HUF 17 billion
On the part of the Budapest Metropolitan Municipality	HUF 3 billion
On the part of Futureal Ltd.	HUF 9 billion as the price of the land, and HUF 1 billion for the construction of the promenade

**Table 9. Financing plan of the Corvin Promenade Project 2008**

*From Rév8*

Planned support by Budapest municipality	HUF 2,425 million
Planned state aid	HUF 222 million
Planned revenue from private investors	HUF 6,233 million
<b>Revenues in total</b>	<b>HUF 8,880 million</b>
Planned financial part of the Józsefváros municipality	HUF 5,886 million

The small hoses will disappear soon.  
Mátyás Square – the only well kept green  
parcel of the area.  
Below right: An unusual new ensemble –  
proportional buildings instead of multistory  
low quality condominiums.

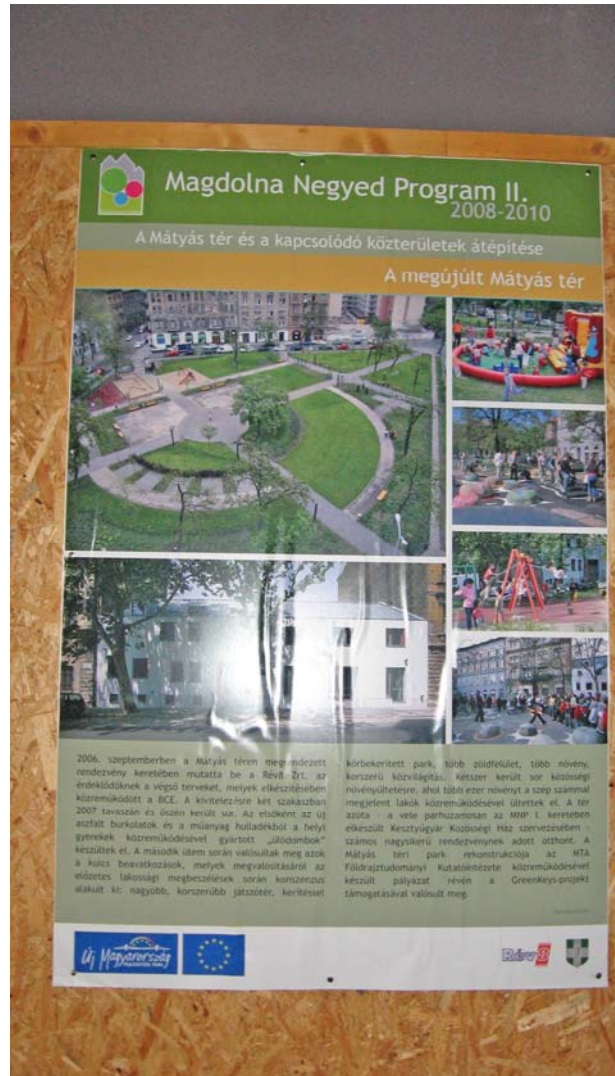
## VII. Magdolna Quarter



The beneficiaries.  
View from the Mátyás Square.  
The inner court – a former workshop had  
been transformed.  
Right: Poster about the social regeneration.



## VIII. The new Cultural Center in the Magdolna Quarter





## Magdolna Quarter

### *Soft (social) regeneration*

Within Józsefváros, the most rundown neighbourhood is Magdolna Quarter with 13 Thousand inhabitants. It is located to the north of the Corvin Project, bordered by Nagyfuvaros Street – Népszínház Street – Fiumei Road – Baross Street – Koszorú Street – Mátyás Square.

Magdolna Quarter is one of Budapest's three social urban renewal pilot programmes, it started in 2005. The project was inspired by Birmingham's Urban Renewal Programme and by Germany's "Soziale Stadt" Programme.

Very poor and socially disadvantaged families of Roma minorities live here concentrated in a ghetto-like isolation. 20-30% of the households are Roma. The objective is to empower local people through a range of social and economic actions (education, community building, employment) and to renew the housing stock with the involvement of the occupants, aiming to keep residents in the area. 42% of the 5500 dwellings belongs to the municipality. These are low level comfort flats in poor condition.

The project is a unique experiment, different from most renewal programmes in Budapest. It is difficult to manage a participation-based programme in a neighbourhood where inhabitants have never before been asked to express their opinion. (It is to be noted that mediators in Hungary generally do not have much previous experience concerning public participation in urban development.)

RÉV8 is the operator of the development program representing the municipality. The program's components are:

- Refurbishing an empty glove-making factory (Kesztyűgyár) to Communal centre for cultural, educational and entertainment programmes. (See photos)
- Renovation of a local school; Introduction of new teaching programmes.
- Renewal of the Mátyás Square and the surrounding streets;
- Renovation of 19 housing units, partly condominiums partly municipal properties;
- Social programmes: prevention of juvenile delinquency, economic activities for creating jobs, empower the inhabitants to be able to reach their goals.

Budget of the projects:

820 million HUF (3,3 million EURO) was spent for the first phase (2005-2007); It was financed mostly by the Budapest (2,8 million EURO) and district municipality (520 000 EURO).

2,2 billion HUF (8,8, million EURO) expected for integrated social rehabilitation from the Regional Operative Programme of the Central Hungarian Region.

However the renewal of the Kesztyűgyár Communal centre and the Mátyás Sqare are ready and became popular among the local citizens there are no public funds available in the necessary amount to implement any major improvement. Market-based regeneration is also impossible in the quarter because there are no vacant areas to attract private development. Yet, growing tensions and conflicts indicate that urgent help is needed to stop further social

and physical decline. Life expectancy in the most underprivileged urban and rural areas is 12 to 13 years shorter than in Budapest's District XII, where generally well-off residents live.

In order to guarantee a continuous improvement of the area, flagship projects by the Budapest Metropolitan Municipality and private investors would also be necessary (at Teleki Square and on the former Ganz industrial estate), in parallel with soft renewal methods implemented among the inhabitants.

The municipality is looking for EU Structural Fund resources for the rehabilitation.

## ***A success story***

### **Renewal plans in Ferencváros**

Within Budapest, true urban regeneration was carried out only in District IX (Ferencváros). This happened during the first decade after the change of regime. District IX was the first neighbourhood in the new member states to be awarded the FIABCI Prize in 1998. At the beginning, developments focussed on the central part of Ferencváros; now they are shifting further to the south, but additional new developments are planned all over the district. The renewal process is still going on: 40 private developer companies worked in the district and licences were issued for 2100 flats waiting to be built when the global crisis hit at the end of 2008.

The district municipality and its institutions have appropriate methodology, and also possess the necessary managerial, financial and legislative tools to coordinate and operate the renewal and development process up to a certain point from where their private partners are able to carry on the project on a market basis.

The development sites under preparation are real brown-field areas of former commercial and industrial facilities. A Spanish developer is going to build 2000 flats in the neighbourhood of Mester Street, on the 3-hectare plot of the former meat trade centre. The Duna City project is a 30-hectare investment to the south of Lágymányosi Bridge, on the area of the former Wholesale Market. Offices and apartments will be built here, next to one another. Further to the south, there is an 8-hectare plot sold already to a foreign investor on the bank the Danube River. Another site, similar in size, is currently under preparation. The municipality hopes to have 5000 new flats within 5 years.

Streets and public squares have also been renewed one after the other. Ráday Street was the first traffic calming project in District IX, and today it is well known even among foreigners as a pedestrian street full of open-air restaurants and cafés. Thereafter, Tompa Street was renewed. Among public squares, the largest one is bordered by Tűzoltó Street, Márton Street and Vendel Street. The municipality purchased four sites here and invested HUF 1 billion into building the "Kerek erdő" park. In Tűzoltó Street, another public park was created in the place of two residential buildings. Frame-type buildings around semi-public green inner courts seem to be a long-lasting success. Underground garage-halls are placed under the well-kept courtyards. The courts remained municipal properties, while most of the buildings are private condominiums.

Protected and good maintained green inner courts

## X. Regeneration of Central Ferencváros

Below: Two strategic plans about the finished and planned developments in Central Ferencváros.



Large storehouses will be recast for cultural purposes, with the Budapest Metropolitan Municipality as the main developer. Next to the riverside, in Kinizsi Street, some new cultural institutions were established by the municipality and by private investors.

There were four universities in the district in 1990, and the municipality intended to settle more higher education institutions into Ferencváros. In 2008, there were already six universities here and a new building of Semmelweis Medical University is already finished.

Sixty thousand square metres of new offices were built, and further one hundred thousand square metres are under construction (Millennium Towers, Millennium Gate, Haller Garden, Castrum House, Bajor Centre, Polar Centre).

The history of Millennium Town Centre, to be found along the bank of the Danube River, could be another interesting topic to analyze. Besides the much-debated new National Theatre, the Palace of Arts and the Ludwig Museum, numerous office buildings and flats were also constructed on the site. Millennium Town Centre is a kind of flagship project, in the wake of which the prices of real properties increased by 50 % within a short period of one and a half year.

### **Rehabilitation of the housing stock; construction of new flats**

From the municipality's annual budget, HUF 2.5 billion are dedicated to rehabilitation. This sum is spent on renovation, demolition and recasting, and also on the refurbishment of public places and parks.

One thousand flats were demolished and more than a thousand renovated since the start of the regeneration programme. Unfortunately, it is a rare practice in Hungary to thoroughly renovate an entire building. These modernized houses are much in demand on the real estate market. Additionally, more than six thousand new flats were also constructed in Central-Ferencváros, mostly by private investors.

Relatively smaller units were sold by the municipality, as smaller-size areas were easy to dispose. According to Otthon Centrum, the largest private real estate developer company, the size of 100 to 150 dwelling units is ideal for the market.

It was not exclusively the municipality's financial responsibility to prepare the 75-hectare rehabilitation area of Central-Ferencváros for developers' disposal: HUF 20 billion came from the municipality's budget, HUF 5 billion from the Budapest Metropolitan Municipality and HUF 1 billion from the EU. Private entrepreneurs invested HUF 100 billion into the quarter.

The area is ever more popular among middle-class citizens. It is not far from the inner city, easy to reach by car and also by public transport, and the four to six-storey buildings are built in solid quality. Semi-public well-kept inner courts, traffic calming and refurbished public places are also appreciated by both the young and the elderly. (Architect: G. Locsmánda from the Budapest Technical University designed the structural plans for the Central-Ferencváros area.)



One of the extremes is social urban rehabilitation: the area concerned is in very bad physical condition, the inhabitants are poor and they are mentally unable to stop going further down without external help. In such cases, development assets are scarce, and the operators of the rehabilitation try to stop further deprivation and seek to improve slightly the residents' quality of life, with the active participation of local citizens. Many aged urban areas and housing estates in Hungary would need such interventions. Examples are rare because the available grants are insufficient, trained specialists are lacking, and social workers are few and low-paid. However, social urban regeneration could bring real improvement to disadvantaged communities, instead of just resettling the problems into other neighbourhoods.

There is a lack of political will at the municipalities. Just one example for the questionable financing practice: the Budapest Metropolitan Municipality dedicated HUF 1.8 billion to pilot projects of social rehabilitation in Districts VIII, IX and X. At the same time, a single building of mixed use was converted into a new cultural centre of undetermined functions for nearly HUF 1 billion in District VI. This building has not yet been put into use, although it was completed in 2008.

There are good examples for other urban regeneration methods in Hungary. In those cases the improvement of the quarter concerned is more architecturally-centred and it brings about changes in the social pattern. Such rehabilitation does not serve the will of local citizens, but rather the interests of a broader community. Central-Ferencváros exemplifies this kind of rehabilitation. The street structure of the 19<sup>th</sup> century town still exists today: rows of old one-storey buildings with backyards that had been built for craftsmen and hauliers. Later on, backyard wings were added to the buildings, which were rented out by poor industrial worker families. As from the late 1890s, multi-storey eclectic houses were built on the plots of some old houses. This piecemeal change of the small houses prevailed until the 1980s. It was at that time that the quarter's up-to-date regeneration was started.

The layout plan followed the pattern and size of the eclectic buildings; its objective was to keep and renovate these buildings. Small houses of very bad condition had to be demolished, and new four to five-storey residential buildings were planned on the vacant sites. Thereby, it was possible to assert three criteria. The frames of renovated and new houses protected the relatively spacious semi-public inner courts, and also the buildings' inner facades became sunny. The quarter's historical structure could be saved, while building intensity in the area was increased, which was indispensable for the development's financial viability.

### **Changes in the composition of inhabitants as a consequence of regeneration**

As no data were available from the previous periods, data were taken from the national population census of 2001, as well as from municipal and local documents. The number of elderly and unemployed inhabitants fell, while the number of younger (15 to 39 years old) persons and people with higher education qualification increased. Only moderate gentrification was caused by these changes.

Thirty-two municipal buildings went through total renovation for a cost of HUF 3.2 billion. Some of the existing flats were united to make bigger ones, and finally 565 flats remained. The tenants or owners of the eliminated flats were offered the choice between a better equipped flat somewhere in the neighbouring districts or cash.

**Table 10. The regeneration's impact on the social, ownership and housing conditions of Ferencváros**

*Aczél-Gutai, 2006*

<b>Title for using the flat (%)</b>	<b>District average</b>	<b>Central-Ferencváros</b>	<b>Rehabilitation area</b>	<b>National average</b>
Vacant flat	11.36	13.5	18.91	n.a.
Other title	1.73	1.78	2.01	0.72
Tenant	26.03	40.14	17.46	7.34
Owner	60.88	44.57	61.62	91.94
<b>Distribution of owners (%)</b>				
Entrepreneurs	2.09	1.28	3.28	0.89
Church	0.3	0.09	0.04	0.14
Tenants of the municipality	23.02	40.69	13.62	3.74
Natural persons	74.59	57.93	83.07	95.22
<b>Number of rooms in the flat (%)</b>				
4+	5.17	6.03	9.05	15.64
3	16.01	13.98	21.18	31.85
2	44.36	33.82	39.71	41.01
1	34.46	46.18	30.06	11.50
<b>Demographic indicator (persons)</b>				
Number of children in the family	0.92	1.05	0.99	1.08
<b>Employment indicator (persons)</b>				
100 families / employed persons	111	115	127	113

The rest of the tenants could go back to their old flats after the reconstruction, but for higher rents. Even so, the municipal rent is only one-third of the free-market rent. Tenants have the right to buy the flat within 10 years for 40 % of the market price.

Seventeen buildings were partly rehabilitated for a cost of HUF 170 million, and the 382 flats were kept.

Owners of the condominiums situated on the area had to renovate their properties from their own financial resources. To this end, they could apply for a grant of about HUF 1 million per building.

153 buildings were demolished and thereby 1028 flats eliminated.

## How did the emptying of the houses to be demolished happen?

Operators of the process could be accused of hunting away the tenants from their surroundings, and it could be claimed that the municipality is exporting its social problems into other districts.

It is true that the most problematic and deprived people lived in the houses chosen for demolition. But the circumstances were so bad in the rundown houses and public places that the tenants had no regret to move. The municipality offered three different exchange flats that were renovated before moving in. Fifty per cent of the flats given in exchange are in District IX, and the rest in the lower status parts of Districts VII, VIII, X, XIV and XX. Seven per cent of the old tenants chose cash in exchange in 2003, while 10 % in 2004 and 26 % in 2005. This was more convenient for the municipality, too, because the flats were bought for HUF 210,000 to 230,000 per square metre, while the cash given in exchange was only HUF 180,000 per square metre.

Between 1995 and 2005, the municipality spent HUF 5 billion on purchasing flats in order to make sites free for developments.

Urban regeneration carried out on the basis of urban development criteria reflects the general social problems that prevail in Hungary. The flats fit for selling on the market are too expensive for the municipality to buy for social housing. On the other hand, the number of social housing units is decreasing in the district, which will lead to tensions in the future. But this is a national problem and some other new EU member states made the same mistakes: privatization was carried out too quickly and without any previous assessment. This problem could be addressed by a national social housing strategy and by much stronger social sensitivity on the part of policy-makers.

Even the regeneration of Central-Ferencváros contributes to the unhealthy distribution of flats in Budapest: one-room flats have too high a share. Many buy flats as an investment (20 to 30 % of the new flats are purchased for private renting purposes). In some new buildings, tenants make up as much as 60 % of all residents. It is thought-provoking that 20 years after the change of regime the only low-risk investment opportunity available for common people is to buy real estates. Tenants are looking for the smallest flats because of the low Hungarian income level (one-third of the EU average in terms of purchasing power). These small flats are the easiest to let or sell. The other reason for the predominance of small flats is also related to the low income level. In the old EU member states, citizens can buy a flat from 4 to 6 years' income, while in Hungary it requires 10 to 12 years' income. Therefore, many people purchase smaller flats than needed or postpone the founding of family.

**Table 11. Costs of rehabilitation in Central-Ferencváros between 1993 and 2008**  
*SEM-IX website*

*in HUF*

	<b>Municipal</b>	<b>EU and Budapest</b>	<b>Sum of the costs</b>
--	------------------	------------------------	-------------------------

	<b>resources</b>	<b>Metropolitan funds, investors' resources</b>	
I/1. Public green areas	281 965 648	177 368 994	459 334 642
I/2. Public passages	60 089 833	49 525 520	109 615 353
I/3. Public parks	370 998 729	283 107 746	654 106 475
I/4. Inner courts	16 714 476	-	16 714 476
II/1. Road building	291 673 979	247 092 536	538 766 515
II/2. Pavements and street furniture	79 692 568		79 692 568
III. Renovation of utilities	202 770 543		202 770 543
IV. Demolition	234 393 351		234 393 351
V. Planning	346 425 497		346 425 497
VI. Renovation of buildings	2 878 288 000	3 655 016 000	6 533 304 000
VII. Purchase of real properties	893 131 125		893 131 125
<b>Total:</b>	<b>5 656 143 749</b>	<b>4 412 110 796</b>	<b>10 068 254 545</b>

### **Institutional background of the regeneration in Ferencváros**

SEM-IX Company:

Investors (shareholders), Board of Directors (4 persons, none of them from the local government), Board of Supervision (6 persons, delegates of the local government)

Goals of the Company:

SEM-IX aims to realize the municipality's urban development objectives under optimal financial conditions. The principal objective is not profit-maximization, but rather to achieve the most efficient financing of developments and to ensure the best technical and urban solutions.

SEM-IX Company has 4 full-time employees (director general, technical director, finance director, secretariat).

Its main tasks:

- preliminary steps before selling the properties (emptying, demolition, feasibility and marketability plan, administration of the tender, etc.)
- sale of the real properties
- creation of green areas, passages and public parks
- reconstruction of public spaces and streets
- traffic calming

The municipality has its own organizations for recasting the buildings. These objects are specified in the layout and regulation plan. Financial resources are always scarce for the renovation of buildings, as they are not parts of the rents but collected mostly from grants (from the Budapest Metropolitan Municipality, from the district municipality's annual budget, and a small amount from the EU). Renovation is going slowly in comparison to the construction of new buildings by private investors. A kind of PPP scheme is helping to speed up the process: from two municipal buildings the one which is smaller and of inferior quality will be demolished and an additional storey will be built upon the bigger and better house to substitute for the demolished flats. (The private partner undertakes the renovation and

enlargement of the house.) Tenants from the demolished house will be settled over into the other building. The private investor purchases the vacant plot and the building right from the municipality.

## **„Dzsumbuj” (“Jungle”)**

### *Social urban regeneration in Ferencváros*

Magdolna Quarter in District VIII, the „Dzsumbuj” in District IX, and a block in the Bihari Street, District X are parts of Budapest’s Social Rehabilitation Flagship Project. Under an agreement concluded in 2005, the Budapest Metropolitan Municipality planned to subsidize the projects with HUF 1.8 billion. The three areas are very different from one another.

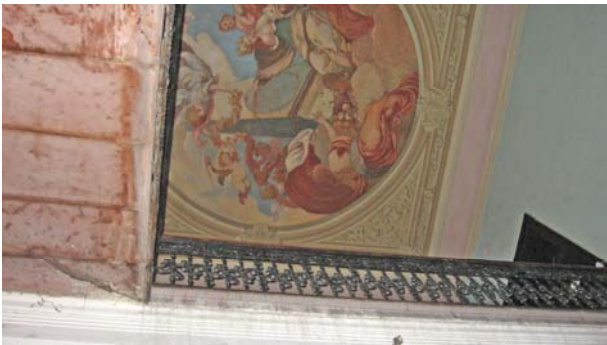
The Budapest Metropolitan Municipality promised several hundred million Forints for the Outer-Ferencváros social rehabilitation project. The Ministry of the Youth, Social Issues, Families and Equal Rights promised experts and support to access EU funds.

The project’s goal was to help reintegrate Roma families and other poor families, to tackle social exclusion and to provide support for starting a new life in new dwellings. And, not least, the project also intended to demolish the dismal ghetto, located in an abandoned industrial zone, far from the district’s residential areas.

In 2006, a social urban regeneration programme office was opened. The social programme reached 300 families (flats). Two hundred families have already been resettled into flats of higher comfort category, situated in different districts. This separation of the families served the purpose of making it easier to start a new and better life.

Resettling of the remaining 100 families has become uncertain due to financial difficulties caused by the current global crisis.

Instead of the planned demolition citizens groups has started to manage a multifunctional cultural center for the roma and other citizens in the neighborhood.



## XI. Tavaszmező Street 6

*The building is rented from the municipality by the Roma Parliament and the Phralipe roma organization as a social advocacy office and cultural center.*



## **Recommendations**

Our aim is a healthy and compact Budapest with stronger social cohesion, with maintenance and repair of the building stock and the surrounding areas and with protection of the cultural heritage and the multicoloured character of the different quarters.

Many experts including the so called “elite changing the system” agree that the economical and social situation of Hungary - 20 years after the transition and 5 years after joining the EU – is worse than it was at the beginning of the 1980s. We can’t turn the country upside down and therefore our recommendations are humble but politically realistic – at least this is our opinion.

### **Revision of the national building code**

Minimum green areas:

Compulsory creation of new green parks, playing fields in a 500 m area of the new developments;

Minimum environmental requirements:

Area regulation with minimum environmental requirements instead of one by one regulation of the building sites;

### **Renovation of all the public buildings until 2020**

It is the national and the local government’s responsibility to show good practice in energy saving and good maintenance of the building stock.

### **Establishing a social housing network**

There is no housing shortage on one hand but on the other hand almost 10% of the population are potential homeless people. Income differences (1:8 in 2007, 1:9 in 2009) are twice as high as in a good functioning modern democracy (1:5). Low income households should be able the rent and operate a flat for proportional costs.

### **Tackle the problem of homeless people**

There are 30-50 thousand homeless people in Hungary according to official reports. Their problems are both of financial and of mental origin. Most of the homeless people lives in Budapest. More pilot programmes and financial tools are needed to reduce their number.

### **Efficient measurements against segregation and urban sprawl**

Balanced representation of the public interest versus private interest (internalisation of the external costs):

- road pricing, conjunction fee,
- better public transport,
- higher soil protection fees,
- brownfield funds
- heritage funds

### **True public participation in the local decision making process**

The special professional authorities (cultural heritage protection, health, nature protection etc.), the national NGOs and the local citizen's groups should have VETO rights under certain circumstances in land use, territorial and local development, zoning process.

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óvás vitaest 2006

## Further reading

*There are a number of excellent studies covering urban regeneration plans for Budapest (without serious influence on the development practice of the districts and the whole capital):*

Les politiques de renouvellement urbain des villes d'Europe centrale illustrées par la rehabilitation des quartiers existans, La ville de Budapest en Hongrie, Anah - MTA, Paris - Budapest 2009 <http://www.anah.fr/actualite/etudes-eu/page-actu-etud-eu.htm>

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