



Hurdles to

Redevelopment

A study looking for the obstacles of inner-city gentrification in Central and Eastern Europe.



RDH

COLOPHON

Title	Hurdles to Redevelopment
Author	Thijs Heere
Email	thijsheere@gmail.com
Student number	s414934
University	Radboud University
Address	Erasmuslaan 36 6525 GG Nijmegen
Website	www.ru.nl
Placement company	RDH Architekci Urbaniści Sp. z o.o.
Address	ul. Chwaliszewo 69/6 61-105 Poznań
Phone number	+48(0)61 852 46 83
Email	dhc@rdh.eu
Website	www.rothuizen-architecten.nl
First reader	dr. Rianne van Melik
Second reader	dr. Huub Ploegmakers
Disclaimer	The usual disclaimer applies
Version	Final
Date	1 st of February, 2017
Cover photo	Own work, 2016. The front door of the Sienna complex
<div>RDH Architekci Urbaniści</div>	

It is amazing how much one can see

Lefebvre, looking out of the window

SUMMARY



Like the Polish Republic, this thesis comes to you in three stages. The first part is on gentrification and redevelopment in general, and Central and Eastern Europe in particular. The second part is the case study of Chwaliszewo in Poznan, Poland. The third and last part is an analysis on what is stopping redevelopment and gentrification from happening in Poland and Central-/Eastern Europe.

Gentrification and a renewed interest in the city as a place for investment and development is a worldwide phenomenon according to Lees (2016). Lees uses examples from all over the world, but the Central and Eastern part of Europe are largely absent. This thesis is an attempt to fill that gap and to show why the study of gentrification and redevelopment is essential for Central-/Eastern European cities.

The history of Central -/Eastern Europe from the Second World War onward has played a large role that has made the situation here different from Western European cities. The large destruction during the war and the Communist or socialist regimes that came to power after the war has had a huge impact on the inner-city. The shift in focus from the inner-city to the outskirts of the city continues today. The inner-city is left without much attention, deprived, and losing population. The conditions seem to be perfect for renewed investment, a return to the city, and gentrification. However large scale gentrification or revitalisation is stays off. People move away from the inner-city to the suburbs or the countryside, leaving behind a shrinking city. This thesis argues that the reasons or hurdles can be found in three different factors: the market, the people, and in legislation.

Difficulties within the market factor range from a lack of possible financing in the form of mortgages or loans to renovate or buy property to legislative hurdles, and a dislike for the city in general. The supply of houses is therefore rather limited and monotone. Houses in the inner-city are small and basic to keep them affordable. The exceptions are built for niche markets of the new Polish rich or foreigners who do have the capital to be able to buy property. Through the use of the Neil Smith's rent-gap theory this thesis explains that most investments do not go to the inner-city, but leave for the suburbs and the countryside.

Homeowners usually play a central role in the processes of renovation and gentrification. However, because of large-scale privatisation after the fall of the Soviet Union and the socialist regimes in the Eastern Block, the homeowners are usually not wealthy, but poor. The times under socialist rule have also left many owners with additional families living with them, who hardly pay rent and are difficult to remove. Cities are shrinking because the inner-city cannot offer what people are looking for, so they move. For the Polish city the countryside mentality also plays an important role. The Polish people are countryside people and are drawn away from the city.

The third factor is legislation. City planning has long been absent in Central and Eastern Europe. After the fall of the Soviet Union cities started to grow organically in size. The lack of legislation and a clear boundary to the city, making investment opportunities plentiful everywhere, except in the inner-city. The inner-city has too many legislative hurdles to be interesting for investment, making it too difficult to invest in the inner-city and too easy for the city to sprawl.

This research has been conducted on Chwaliszewo, a small historic neighbourhood on the edge of the historic centre of Poznan, Poland. Through semi-structured interviews with owners, developers, and investors, eight cases were studied. From these eight cases hurdles were identified within and overlapping, the three above mentioned factors.

This thesis calls for more planning, stronger legislation on the growing suburbs and a clear vision for the future of the shrinking cities in Central and Eastern Europe.

PREFACE



This preface gives me the opportunity express my sincere happiness of completing my thesis. It has been a blast. Not only has my internship at RDH AU given the opportunity to travel and live again in that part of Europe that I find wildly fascinating, it also gave me an insight into what it would be like, working and living abroad. But that is something for the future, let us now focus on the work that lies in front of you.

The overall theme that tries to bind this work together, which should become clear at a casual look through the pages, are windows. Gentrification and investment, as this thesis will argue, needs a window of opportunity to settle into the inner-cities of Central and Eastern Europe. A window also gave me the idea to write my thesis about the street that is seen through the window of our office in Poznań. One other little thing about windows, for which I could not find the right place elsewhere in this thesis, is that windows show development.

A friend of mine once told me that Soviet engineers were very bad at designing windows. Somehow they did not get the concept of something transparent that could fit into the concrete panels of the brutalist flats. Her dad had to fix the cracks and crevices with duct-tape, and still the draft was terrible. So it is not illogical that the first thing many people did was, as soon as they had the money, replace the windows, one by one. So looking up at the windows of a building can give you a very decent idea of the wealth of the inhabitant. And many buildings are decorated with several different types of windows; single-glass double wooden windows, standard white plastic windows, or if the owner had money to spare, plastic windows that represent the woodcarvings of the original windows.

I would like to take this chance, now that the attention of the reader is still fresh to thank the people without whom this work would have looked different, and very possible way worse. First of all;

Thank you, Rianne.

Rianne van Melik, my thesis supervisor, who made sure I stayed focused and did not lose myself in the chaos that comes with the writing process.

Dziękujemy bardzo, pani Sylwia i pan Huub.

For your support, talks and spar sessions about Poland, Polish politics and what kind of polish food is the both weirdest and best tasting. I have really enjoyed my time in Poznań and I am sure we will meet again somewhere. I would also like to thank both Chris and Stan, my two colleagues, who have made my time at the office as fun as it has been productive. If office life is like this, then I am happy I decided to have started on this career path.

Now all that remains is for me to wish you good luck, and happy reading.

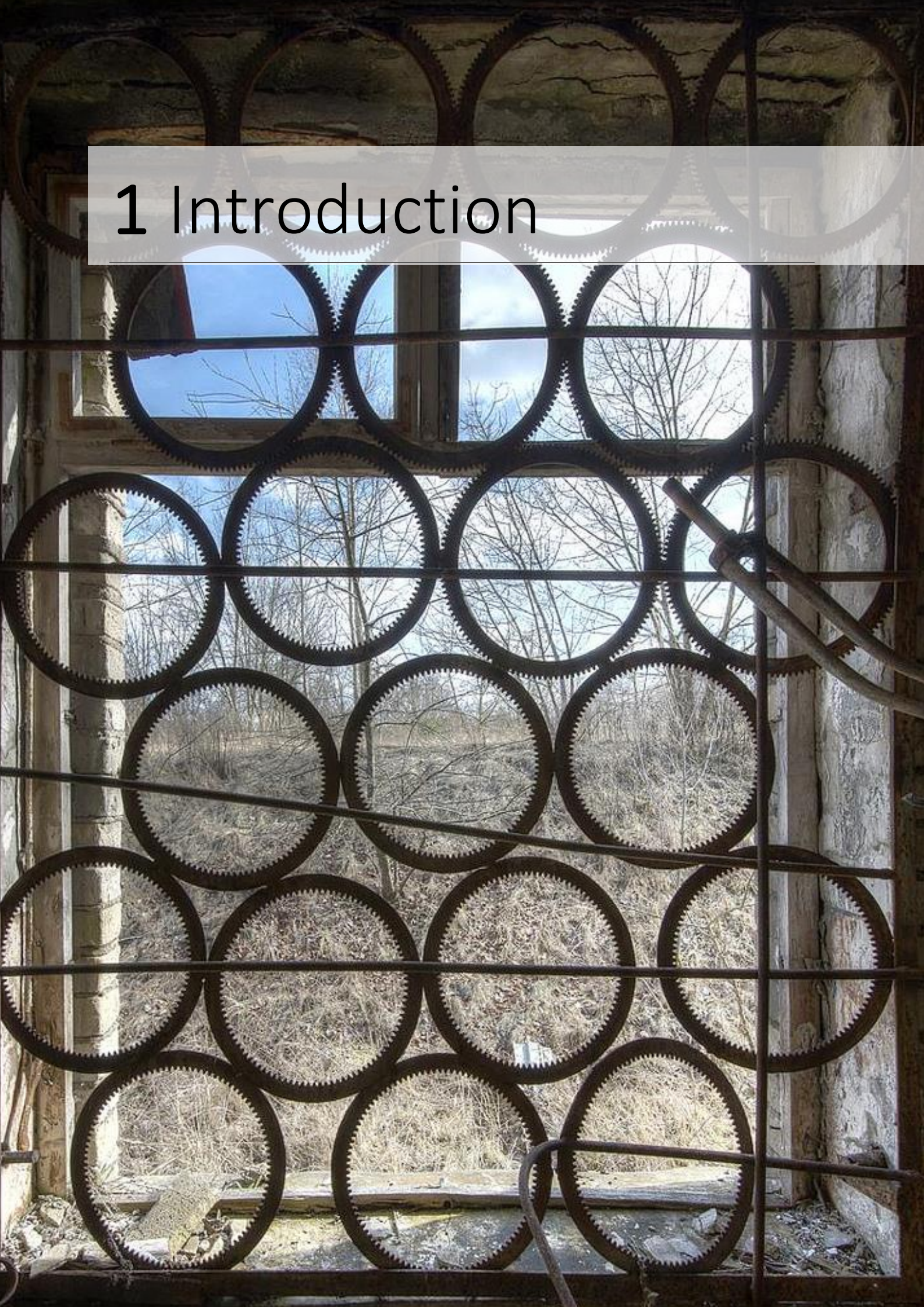
Thijs Heere

TABLE OF CONTENTS

Colophon.....	II
Summary.....	IV
Preface	VI
1 Introduction	2
1.1 Global Gentrification.....	3
1.2 Social Relevance.....	4
1.3 Scientific Relevance	6
1.4 View from a Window	7
1.5 Structure	10
2 On Investment and Gentrification	12
2.1 Defining Gentrification.....	13
2.2 Market.....	14
2.3 People	16
2.4 Legislation	18
3 Central and Eastern Europe	20
3.1 City Structure	21
3.2 Nationalisation and Ownership.	23
3.3 Post-Socialist Transition.....	25
3.4 Money	26
4 Poznań and Chwaliszewo.....	28
4.1 The City and the Neighbourhood.....	29
4.2 Stories on the Street	32
4.3 ZKZL State-Owned Buildings	34
4.4 Chwaliszewo Siedemdziesiąt Dwa	36
4.5 The Corner Building.....	38
4.6 The Warta Riverbed	40
4.7 Our Office.....	42
4.8 The Green House on the Other Side of the Street.....	44
4.9 The Apartment Buildings at the Riverside	46
4.10 The Brownfield	48
4.11 The Eight Cases	50

5	Development And Gentrification	52
5.1	Revitalisation.....	53
5.2	Market.....	55
5.3	People	58
5.4	Legislation	62
5.5	Displacement	64
6	Conclusion.....	68
6.1	Conclusion.....	69
6.2	Recommendations	72
6.3	Discussion and Further Research.....	73
7	References	74
7.1	Sources.....	75
7.2	List of Interviewees	78
7.3	Interview Guide.....	79
	Figure 1. Chwaliszewo, Erik Witsoe, 2013.	8
	Figure 2. Conceptual framework; own work, 2016	9
	Figure 3. Investment Patterns; Sýkora, 2009.....	21
	Figure 4. Location of the historic city-centre, the large circle, and Chwaliszewo, the smaller circle, in Poznan.....	29
	Figure 5. Chwaliszewo.....	31
	Figure 6. Posen Wallischei, 1811. Our Office on the left and the Green House on the right; Kaczmarek, 2011	32
	Figure 7. ZKZL Buildings; own work,2016.	34
	Figure 8. Renovated Buildings; own work, 2016.	36
	Figure 9. Corner Building; own work, 2016.	38
	Figure 10. Riverbed with Old Sienna building; own work, 2016.....	40
	Figure 11. Our Office; own work, 2016.....	42
	Figure 12. The Green House; own work, 2016.	44
	Figure 13. Chwaliszewo 10 Interior around 1910; Kaczmarek, 2011.....	45
	Figure 14. Nowa Sienna; own work, 2016.	46
	Figure 15. Brown Field with Nowa Sienna in the background; own work, 2016.....	48
	Figure 16. Posen, An der Wallischei-Brücke, around 1820; Kaczmarek, 2011.	53
	Figure 17. Chwaliszewo 72, before renovation. Inwestycja Wielkopolsku, 2001.....	58
	Figure 18. Growth (orange) and decline (blue) of population. BBSR 2016.....	62
	Figure 20. Theoretical framework. Own work, 2016.....	70

1 Introduction



In the first chapter I would like to set the scene for my master's thesis. I introduce the general framework in which I have set my research, namely the debate on global gentrification. Within the gentrification debate, there is, as I will argue, not enough attention for the Central and Eastern part of Europe, where investment in the inner-city follows a different path and is subject to obstructions that are unknown in the Anglo-Saxon cities. This thesis will argue that redevelopment of the inner-city, with the possible negative outcome of gentrification, is less present in this part of Europe. The reasons for the absence of large-scale investments in the inner-city are mapped out in this thesis and held against the gentrification literature.

1.1 GLOBAL GENTRIFICATION

Talk on global gentrification has taken over gentrification literature. The neo-liberal market system with its ever search for profit has settled down in cities all over the world, irrespectively of the place or size of the city (Lees, Shin and Lopez-Morales, 2016, McFarlane, 2006 and Atkinson & Bridge, 2004). In Brazil, the vast favelas on the coastline are rapidly upgraded. Small houses make way for luxury apartments with a beautiful view over the ocean bay. In the London borough of Elephant and Castle the Strata skyscraper was built, partly to supply the ever-growing need for houses in London as well as to transform the area;

if slowly from a rundown miasma of noisy road intersections, underpasses and vast housing estates into, what the Borough of Southwark hopes, will be a £1.5bn model of inner-city regeneration.

The Guardian, (2010).

Even before the construction of the building started, about 50-75% of the apartments were already bought by investors, not potential residents. This is not only happening in London. The gentrification phenomenon seems to be strong, in surpassing the idea that all cities are unique and should be studied that way. Gentrification seems to be happening all over the world in cities of varying size and to a degree, where location does not matter anymore (Lees, Shin and Lopez-Morales, 2016).

The term gentrification originates from Ruth Glass' observation on what was happening in the working-class neighbourhoods in Central-London in the nineteen sixties. Glass observed a change in neighbourhood dynamics when the potential of the neighbourhood was noticed by more affluent people. These *gentry* from the countryside wanted to move to the city and their eye fell on the old Victorian style houses that are now inhabited by the London working-class. After years of being inhabited by the less wealthy, the houses had fallen into various states of decay. The buildings had suffered from years of neglect and improper maintenance. The gentry, in their search for suitable houses in the city, bought the buildings, pushing out the working class, and started renovating and upgrading the buildings. This phenomenon, caused by the return to the city by the more affluent is now linked, one to one, to the displacement of the urban poor (Lees, Slater & Wyly, 2013).

The displacement of the working-class or urban poor and the potential of economic gain that the gentry saw in the dilapidated buildings in the inner-city of London are two sides of the same coin. The city transforms to be the space for progressively more affluent users (Hackworth, 2002). The city is a potential for economic gain, buildings are bought and sold, renovated and upgraded, and sold again for a profit. Loretta Lees shows this process beautifully in her article *Super Gentrification: The Case of Brooklyn Heights, New York* (2003). She explains how gentrification works by taking the example of one ordinary four-story brownstone house in Brooklyn Heights, New York City. The story starts in 1962, at the time the house was divided into three separate apartments. The building was bought by a young lawyer and his wife, who settled in one of the apartments. Lees goes on to tell how the new owners

managed to unite the whole building, which was hard due to the fact that the whole building was subject to two, rent controlled, leases. Pushing out the tenants was a necessity to be able to renovate the entire building. By the time the building was united and fully renovated, the location of the neighbourhood had become more popular, resulting in a situation where the house was sold for in 1990 for 23 times the amount it was bought in 1962. A second house, completely in ruins in the same neighbourhood was bought, with the sole intention of renovating it just enough to be sold for a profit. This shows that location alone is enough to make the investment in a ruined house interesting. The story goes on to show gentrification to the extreme, but for the context of my master's thesis the first part of the story is most interesting.

Robinson (2006) emphasises that the study of ordinary cities is important in a time where trends are globalising, and gentrification, as well as neo-liberalism, seem to have settled in every city in the world. Lees, Shin and Lopez-Morales (2016) repeat this statement that gentrification has gone global and is happening all over the world in similar ways. For a global phenomenon, the attention for gentrification has left the Central and Eastern part of Europe (CEE) almost untouched. Authors question if there even is gentrification in the former socialistic states, or when it occurs that it is only in such small areas that only a few buildings are affected and that normal city life goes on unhindered (Golubchikov and Badyina, 2006; and Bernt, Gentile, and Marcinczak, 2015).

The situation Ruth Glass describes in 1960's London as the breeding grounds for gentrification are similar to the conditions in Central-/ Eastern European cities just after the fall of Soviet Socialism, and still are for some parts of the inner-city.

Whereas Glass's (1964) description of working class neighbourhoods in London in the 1960's as "shabby" and "modest" would seem to describe many inner-cities quarters under socialism too, a middle class "invasion" of these areas, and the transformation of their housing stock into "elegant" and "expensive" residences, hardly describes the experience of most CEE cities during the last decades.

Bernt, Gentile, and Marcinczak (2015, p. 105)

The city's neighbourhoods seemed ready to welcome the influx of wealthier people, to start a new cycle of use; a classic upscaling of parts of the city (Slater, 2015). But the gentry did not come to the city. This thesis will look into this, why do the Central-/Eastern European gentry not come to back to the city, what stops them. The seeming ease with which cities like London attract investors and developers left me wondering what it is that stopping developers in this part of Europe to invest in the inner-city, hence the title of this master's thesis: *Hurdles to redevelopment*.

1.2 SOCIAL RELEVANCE

Studying the inner-city in Central-/Eastern Europe is important in a time where the cities in CEE are shrinking. The inner-cities are losing population to the suburbs, and the city as a whole is shrinking in sight of a growing countryside (BBSR, 2015). The shrinking city is an effect, as well as a cause for what is happening in the inner-cities. During Soviet Communism the dislike for the inner-city was cultivated. Within the Polish context a cultural preference of life on the countryside, rather than in the city adds to the dislike of the city. The lack of growth influences investments. City growth is a factor that accounts for a growing demand and scarcity within the city (Franz, 2016). A shrinking city does not have this shortage of space and is, therefore, less attractive for investment. On the other hand, a shrinking city might have the advantage of a lack of scarcity, because it might not need to displace part of its population to make room for a new one and thus placing gentrification in a different context.

Central-/ Eastern European cities have a unique mix of social classes in the inner-city. The urban poor live right next door to students, the new middle class, and the urban rich. This social diversity was strengthened during Soviet times and remains so today. The most vulnerable social classes were actively moved to the inner-city and a time of decay and disinvest in the inner-city began. This should have been a condition where gentrification is bound to happen: a historically rich inner-city, bursting with potential, buildings that are cheap to buy, after the transition towards a market economy, a weak municipal control over city planning (Hirt, 2012), and a socially and financially weak part of the population, all too willing to grasp any chance for a better life. This situation makes the study of gentrification in CEE important from a societal perspective. Denying that gentrification exists (Brent, Gentile and Marcinczak, 2015; Csapo and Balogh, 2012; Wiest, 2012 and Grabkowska, 2015), or calling it revitalisation, a term that has a more positive sound to it, leaving out the notion of displacement and giving the impression that the city is gaining population, adds to the confusion. This makes it hard or even impossible to talk about the possible outcomes for the people living in the inner-cities. A lack of understanding of the social implications of gentrification on the one hand, like the degree of pressure that is put on people to leave “voluntarily”, and understanding the potential of the inner-city in a post-socialist society, on the other hand, makes the study of gentrification of the utmost importance.

Cities in Central-/ Eastern Europe are developing, changing and adapting to new markets and demands. The capital cities are leading in upgrading and transforming their historic city centres to make them more attractive and accessible for tourism (Sýkora, 1993). These changes in function and target audience for the city also affect how the city is working. If tourism replaces living and houses are rebuilt as hotels or restaurants, then the people that use the inner-city will change. This has an effect on the society. Warsaw’s “Old Town” is barely more than a 60-year-old open-air museum, designed to resemble the by war destroyed city. It has a mono function and only serves as a tourist attraction, lacking the facilities necessary for normal daily life.

The seeming lack of interest in the inner-cities, apart from the historic city centre and the Central Business District, hollows out the city. If disinvestment in the inner-city continues, time will waste away historical neighbourhoods and with it the people that need the city to live. The inner-city is the foundation of normal city life and neighbourhood communities. Identifying the hurdles that the investors that *do* invest in the inner-city took will help to resolve the issue in Central-/ Eastern European cities and shine a light on gentrification or revitalisation, displacement and the future of inner-cities in this part of Europe.

The direct reason for why the study of inner-cities is topical at this moment is a growing interest in the functioning of cities. The need for information was focussed in a series of conferences titled *Cities in Transition*, that were held in a joined venue of Polish municipalities and Dutch companies in cooperation with the Dutch Embassy in Warsaw. This thesis joins this trend and can be a source of information for a planned second round of conferences.

1.3 SCIENTIFIC RELEVANCE

Scientifically the search for gentrification and the study of the phenomena in this part of Europa is still at its very beginning and only a minor debate in the discussion on gentrification (Wiest, 2012). There is a limited amount of studies conducted on gentrification that is published in English. One of the primary sources or information is an edition of the Czech *Geografie* specially dedicated to gentrification, published in 2015 (Bernt, Gentile, and Marcinczak, 2015).

The term gentrification has become a central concept in human geography, associating social, economic and cultural processes with socio-spatial upgrading or class remaking of localities. (...) and the process is said to be an increasingly ubiquitous feature of contemporary urbanism.

p. 104

but;

Nonetheless, the conceptualization and explanations of gentrification, as well as popular global strategy narrative, still parade an unmistakable Western/Anglophone bias, and even more recent responses supporting a more globally inclusive research agenda.

p. 104

Many scholars describe the urban developments in CEE as part of a catching-up process, because the cities in this part of Europe seem to have a lot in common with their Western counterparts, say 30 years ago. This implies that the introduction of market principles will inevitably lead to an approximate representation of Western cities and their development, this would include a widespread upgrading and gentrification of the inner-cities. However, the collapse of Soviet Communism and the introduction of a market economy throughout Central-/ Eastern Europe does not mean that the legacy of Socialism is simply erased. Post-socialist societies have their own problematic, painful history, marked by poverty, uncertainty and enormous social divisions (Golubchikov, Badyina, & Makhrova, 2013). The slow pace of change in many CEE cities can be attributed to this strong local context of the specifics of housing privation, planning frameworks and housing preferences.

As a consequence, whether or not gentrification exists and matters in Central Eastern European cities remains disputed and under-theorised.

Bernt, Gentile, and Marcinczak (2015, p.105).

And Chelcea, Popescu and Cristea (2015) state that:

Gentrification research still needs to trace local forms, political configuration, and (post-)socialist causes.

p.129

A casual look at cities in Central-/ Eastern Europe will show a lot of change and development in some areas. Old towns are upgraded and made ready for the arrival of tourists. Empty plots of land left from the destruction of the Second World War are being filled up again by all different kinds of functions, buildings with luxury apartments, small studios, parks and car parks. In the suburbs especially, a lot changed since the fall of Soviet Communism, large shopping malls were built at the edges of the city and the city started to sprawl. In the inner-city there should be some form of gentrification. At the same time people's behaviour only changes slowly, it may take a generation or two to completely adapt to the new situation (Sýkora, 2009). This research will contribute to broadening the research agenda of gentrification, by looking into what thwarts investments that are made in the inner-cities in

CEE and delving into an original and under-researched feature of gentrification and investment in shrinking cities. Investing in the city and thus using the city as a way to make a profit is the neo-liberal market at work, with one of the outcomes being gentrification. Thus, by researching the problems and obstacles encountered this research hopes to find the reasons for this “slow pace of change”.

This leads to the introduction of the central research question of this master’s thesis:

What are the obstacles for investing in the built environment in Central and Eastern European cities?

With this research question I hope to find the conditions that make investing in the inner-city in a CEE city problematic. Or in other words, what slows down investments in the CEE inner-city and could these factors be hampering the development process? This research will look for answers to these questions in three different components; the market; the people; and in legislation (Zborwski, Soja and Labodzinska, 2012).

1.4 VIEW FROM A WINDOW

The place where this research took place is an ordinary city in Poland. Poznań is located near to the German border and about a two hours’ drive from both Berlin to the west and Warsaw to the east. Poznań is the fifth largest city in Poland and similar to other western Polish cities, both in appearance, with its Old Town and market square, churches and ever growing suburbs as well as social and economic conditions. The choice for Poznań as the starting point of this research is a logical one, given that the author found himself a place for his internship at *RDH Architekci Urbaniści Sp. z o.o.* the Polish arm of the Dutch company *Rothuizen Architecten en Stedenbouwkundigen*. RDH is one of the few companies in Poland that specialises in understanding and improving the urban fabric. Huub Droogh, director at RDH and my internship supervisor, is fond of to say that:

I am the only urban planner here in Poland!

Huub Droogh, on multiple occasions (2016).

Of course, a statement like this should be taken with a grain of salt but it does show that Polish cities lack a tradition of urban planning and usually are missing an overall view of what is happening in their cities, and what can be the consequence of, for example, gentrification. That is why Huub values my research because it will give a little more insight into what is happening in Poznań and help him in his job to advise and plan for Polish municipalities.

Standing on the balcony with my morning cup of coffee and looking out over the street of *Chwaliszewo* that connects the Old Town with the Cathedral and the river, I saw a street where Polish inner-city development can be observed. Inspired by Lees (2003) and resembling Kramsch (2015), the view from this balcony formed the basis for my thesis. The stories of the buildings and their owners will tell the story of investing in this part of Poznań and about investing in CEE cities in more general terms. Because this thesis will be composed out of stories the choice for a narrative approach to structure this thesis seems logical. Within geographical studies this type of approach is not uncommon, though not widely used, even though Jane Jacobs (1961) used the same method in her book *The Death and Life of Great American Cities*.

Through the selection of the buildings and their owners, I try to give a picture as diverse as possible about what is happening on the street. A total of eight buildings, or rather, six buildings, an empty plot of land and the riverbed, were selected for further research. The buildings were chosen had to be in the neighbourhood of Chwaliszewo which shares its name with the main street of the neighbourhood. To give an as broad as possible range of problems that come with investing, as many different types

of buildings in the neighbourhood were selected and the owners approached. The selection criteria were simple. The owner needs to be known and the cases need to be as diverse as possible. Finding the owners proved to be more difficult than expected, creating the necessity to leave out possible interesting buildings, like Chwaliszewo number 11, a building partly destroyed during World War II and rebuilt during Soviet times; Chwaliszewo 63, a dilapidated building, but still fully inhabited; Chwaliszewo 67 that used advertisement income generated through a large billboard to renovate the façade of the building; or Czartoria 1 an investment by the Kulczyk family, one of the Polish new-rich that gathered their fortune during the transition period from State Socialism to capitalism. Despite the difficulties, this thesis contains the stories of eight plots on Chwaliszewo. The owners were approached by telephone or email, and interviews were arranged. During the semi-structured interviews, the interviewees were given a free hand to speak about their investment, guided towards possible obstacles that they have encountered with people, legislation, and the market.

Chwaliszewo is an untypical case, unique within the over-representation of dilapidated neighbourhoods in similar states of decay in Poznań. The rich history of Chwaliszewo combined with the large destruction of the area during the Second World War and the further decay under Soviet rule had left Chwaliszewo worse off than most neighbourhoods in Poznań. Chwaliszewo does have, because of its unique location and history, that comparative advantage over other, similar dilapidated areas in Poznań. The uniqueness of Chwaliszewo should be taken into account when generalising why investors and developer choose Chwaliszewo.

The ability to invest in the inner-city or the city in general depends on three factors; market, legislation, and people (Zborowski, Soja and Labodzinska, 2012; Adams, Baum, and MacGregor, 1988; and Adams, Disberry, Hutchison, et al., 2001). The market factor is responsible for the demand within the city, directs where investments can be made in the city, and in what kind of property is most sought after. The market factor also includes the availability of capital; this can be private capital or loans given out



Figure 1. Chwaliszewo, Erik Witsoe, 2013.

by banks in the form of mortgages. The people factor accounts for the kind of people that are investing in the inner-city and their motives. These motives can range from the desire to make a home for oneself and following generations, or to make quick money without any emotional attachment to property that is invested in, or a decision can be made not invest at all. Within the people factor I also include the public attitude against investors. The recent anti-gentrification riots in London, for example, show a strong dislike for the way investors take are reshaping the city. The legislation factor is the third aspect that can hamper development. Legislation can be used to create a favourable investment climate to attract people and capital to certain parts of the city. The opposite is also possible, too strong protective legislation can scare off investors that will find an easier place to invest their money. With these factors together I will make a final step to link development with the possible outcome of gentrification and displacement, to see if it exists at all, and if it does, to what extent.

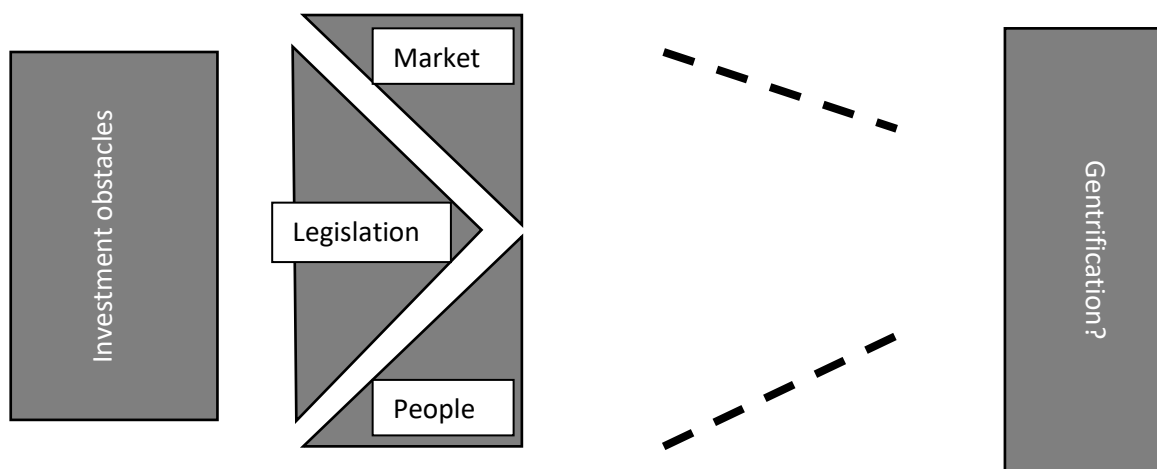


Figure 2. Conceptual framework; own work, 2016

The necessary information to answer the research question was gathered through semi-structured interviews with the owners of the eight selected properties on Chwaliszewo. The properties will show in what way investing in the inner-city is profitable, what kind of people are investing in the inner-city and, what their personal motives are. The interviews will further go into the experienced difficulties and the chances these individuals see in investing in Poznań in the future. The choice for qualitative approach rather than a quantitative is made on the assumption that studying investing, on a small scale, in the inner-city needs a large amount of detail. A quantitative analysis will not provide this kind of information.

The language is a limitation of the chosen approach. Because I do not speak Polish, this limits his accessibility to available sources and people. Secondly, people who have contributed to a positive development in the inner-city will most likely be willing to speak about it. Those who might expect criticism or feel that they lack behind on what is expected of them, might not be willing to talk. This may result in a too positive picture of developments in the inner-city in Poznań.

Doing research in a different country always brings the possibility of bias. Looking from a Dutch perspective and with Dutch expectations to the Polish context might bring forward a clash in views. This is why an extensive literature study focusses on case-studies in CEE, to familiarise with the local context and to be better able to stop oddities.

This thesis, however, hopes to add more to gentrification theory and literature than just one story about one street in a city in Poland. Therefore all ideas and concluding remarks are run by three people. The first person with who I have discussed my findings is Piotr Libicki, architect and member of Poznań's City Hall. Our enjoyable discussions about Poznań in general and my work made sure that I did not draw false conclusions after my talks with the people behind the buildings. The second person is Sylwia Mikołajczak, a lawyer from origin and now the Polish director of RDH. She made sure my understanding of Polish real-estate law is sufficient enough to engage with the Polish housing policy. The third person is Huub Droogh, who, as I have already mentioned is the director at RDH, a partner in Rothuizen Architecten and active in Poland for the last seven years, he made sure I stayed sharp and did not let me get lost in my naivety.

1.5 STRUCTURE

Following this introduction, I will start with a general theoretical framework, *On Investment and Gentrification*, which sets out the general theory of reasons to invest and the theory of gentrification. I will focus on the supply side of gentrification theory, explaining the rent-gap theory, changes in function, and different forms and obstacles of investing in the inner-city. Although the demand side is not the primary focus, it is important to include displacement and the shrinking city in this thesis. The social consequences of displacement can be large and are therefore also included. The Third Chapter is solely dedicated to what is already known about investment difficulties in CCEE. Within this chapter I will pinpoint at the spatial localities of CEE. This way a basis is already in place on the unique social circumstances in CEE and we can start to discuss Poznań and the case of Chwaliszewo in Chapter 4. In this chapter, I will discuss the eight selected places on Chwaliszewo, tell their story through photographs and what their owners told me. Chapter 5 is the analysis of the stories on the street that were told in Chapter 4. In this last chapter I will conclude my research, give an answer to the main research question, give recommendations about how to address inner-city development in Central-/ Eastern Europe, and discuss and reflect on the process of my research.

A photograph of a weathered wooden building. The image shows a section of a wall made of horizontal wooden planks, some of which are painted a faded blue or grey, while others are natural wood. To the right, there is a window with dark, weathered wooden shutters. A metal latch is visible on the shutter. The overall texture is rough and aged, suggesting a long history. A semi-transparent white rectangular box is overlaid on the upper left portion of the image, containing the title text.

2 ON INVESTMENT AND GENTRIFICATION

This second chapter is the theoretical basis for this thesis. Within this chapter I will discuss inner-city investment; what drives people to invest and what is it that stops them? I will discuss Neil Smith's theory on the importance of ground prices in relation to the location in the city. According to Smith, there is a gap between what is done with a building and what could be done with it. If there is profit to be made by filling this gap, investors will come to fill it (Smith, 1979). Simple value differences between current and "highest and best use" are according to Sýkora (1993) not the only reason to trigger the interest of investors. He argues that function and the possible gain made by changing the function of a building is another reason for investors to be interested in inner-city property. People play an important part in considering to invest or not. Both the people that are actually investing as well as (local) societies influenced by the investment. These people form the market demand but are also those displaced out of neighbourhoods, an effect of investment, upgrading; of gentrification. This is why this chapter will start with gentrification.

2.1 DEFINING GENTRIFICATION

Gentrification seems to be a messy term (Clark, 2005), lost in sub-definitions like studentification, hipsterfication, new-build gentrification, brownfield gentrification, countryside gentrification, and so on. All the different terms make it look like that the practice and the outcome are different in each case. The process is either caused by consumer preferences, the availability of cheap property, or a general trend that makes people return to the city. The first focuses on investors and real-estate companies, and their role in upgrading the existing housing stock for the more affluent. The latter focuses more on the return to the city of middle-class people who force out the urban poor in the most desirable places in the inner-city. According to Clark the process is simply defined as:

Gentrification is a process involving a change in the population of land-users such that the new users are of a higher socio-economic status than the previous users, together with an associated change in the built environment through a reinvestment in fixed capital.

Eric Clark (2005 p. 258).

This definition is very broad and makes the debate between production side gentrification and consumption side gentrification more or less irrelevant. Both production and consumption are root to the influx of investors and developers who upgrade the neighbourhood with the, possibly problematic, outcome of gentrification; the displacement of the original inhabitants by those who are wealthier. The city is seen as just another means of production, to be exploited for the highest profit. He also does not call for a specific location where gentrification is bound to happen, Clark does not mention the inner-city or even cities in general, nor does it specify the social group of people that is displaced through gentrification, only that those who replace them are of higher economic status.

But before we turn to the specifics, I would like to give an overview of how we got to where we are today in gentrification literature. Hackworth and Smith (2001) have made the effort of identifying three waves of renewed interest of investors in the inner-city. With each wave, the interest in gentrifying neighbourhoods grew and raised the stakes for investors and developers, who continued to take on larger projects in more risky areas and cities. Every wave is split by a transition period in the form of a crisis which led to a decline of interest and investments in the inner-city. The first wave of gentrification started in the 1960's when Glass observed the influx of richer people from the countryside who settled into the neglected Victorian villas of Islington. This sparked the development that would lead to a "return to the city". Gentrification was occurring with government support and only in a few large cities, such as London or New York. Governmental support was essential because making investments in the inner-city was very risky. Through the second and the third wave, the

government started to play a more active role in stimulating the gentrification process. Where in the second wave the government was passive and stimulated gentrification in an indirect way, in the third wave municipality and private investors joined in public-private partnerships to push further the gentrifying neighbourhoods. In each of the three waves the scale of gentrification grew from a few isolated cases to a situation where gentrification has now gone global (Lees, Shin, and Lopez-Morales, 2016).

The scale of gentrification has widened, moving from large metropolitan cities in the United States and Western-Europe to smaller cities. These cities are still large but do not have a particular metropolitan character. Lees, Shin and Lopez-Morales (2016) state in their book *Planetary Gentrification* that the trend has now settled in cities all over the world, and can now be observed in cities from Latin-America to India and even Moscow (Golubchikov and Badyina, 2006). The global appearance on gentrification is only one part of why Lees, Slater and Wyly (2013) see a fourth wave of gentrification. The way of financing investments in the inner-city has become more international. The local aspects are lost in favour of the large international companies looking for places to invest their capital.

2.2 MARKET

For this research the market does two things, it sets a price and it determines the function of a building or a plot of land. The value is explained through Neil Smith's rent gap theory and to explain why functions change location in the city Ludek Sýkora's function gap is used.

The rent-gap theory of Neil Smith is based on fieldwork that he conducted at in the neighbourhood of Society Hill. At the time Society Hill was gentrifying, but it was not the people returning from the suburbs that initiated the process, it was the flows of capital that found their way back to the city. From his fieldwork, he concluded that a very limited number of people actually had left the suburbs to settle in the inner-city. Capital and opportunities to make a profit were way more important in the process (Slater, 2015).

As capital moves away from the city centre to the suburbs, the inner-city becomes disinvested in, and therefore relatively cheap. Capital is finite and cannot be everywhere at the same time, as a place is invested in another place will be disinvested in. Those who can afford to move, do. Leaving behind the lower-classes of urban society. These people can afford less rent. This leads to a situation where the landlord struggles to properly maintain the building with the incomes he generates out of the building and so, in order to continue making a profit from his property, the landlord will start to "milk" his property, investing as little as possible, proceeding in a further decay of the building. As this disinvestment and devaluation continue, it produces attractive investment opportunities for property owners and developers (Hamnett, 1991 and Slater, 2015).

These opportunity investors, property owners and developers see when they can use the land for its "highest and best use", is what Smith called the *potential ground rent*. If there is a difference between this potential rent and the actually *capitalised ground rent*, the rent or sale price of the plot if the owner decides to sell it, there is a rent-gap. Capital moves around the city in search for this disparity between actual capitalised ground rent and potential ground rent.

Gentrification occurs when the gap is wide enough that developers can purchase shells cheaply, can pay the builders' costs and profit for rehabilitation, can pay interest on mortgage and construction loans, and can then sell the end product for a sale price that leaves a satisfactory return to the

developer. The entire ground rent, or a large portion of it, is now capitalised: the neighbourhood has been 'recycled' and begins a new cycle of use.

Neil Smith (1979 p.545).

Where the disinvestment happens depends on context, history, regime and political turmoil, these factors make for which parts of the city become disinvested. The disinvestment or decay of a neighbourhood is not a natural process. The shells of houses that Neil Smith mentions are actively produced in a search for profit. As residents are cleared out via all manner of (legal) instruments, such as rent increases, harassment, and disinvestment, place is made in order to obtain the highest and best use. People are separated from the land they are "ineffectively using" and get displaced (Slater, 2015). The empty houses are now waiting for the returned interest of capital, while the owner is speculating on the capital coming back in time for him to make a profit.

The rent-gap theory was not designed to tell where gentrification will happen. The rent-gap is an indication of where investment would be most profitable, the question where capital settles down also depends on the nature of the neighbourhood and the stigma that the neighbourhood has. Most often capital is not invested in the places with the largest rent-gap because the risks are too high even for the expected profit. Nor is it designed to show who the gentrifiers are, be it hipsters, middle-class or creative professionals, the theory is therefore often placed at the production side of gentrification, leaving away Smiths concern for the social outcome of closing the rent-gap, namely the displacement of the urban poor and the political structure that allows for the production of profit over the necessity of shelter for the people at the bottom of the city hierarchy.

There is an important assumption that Smith does within his rent-gap theory that will prove to be problematic later on in this thesis (paragraph 5.4 on legislation). This is the assumption that land owners have full control over their property, meaning that they can raise rents and are not bound by mandatory maintenance.

The rent-gap is a way to measure relative differences in value within the city. The value of the inner-city is constructed out of more than just a possible rent-gap. The inner-city has competitive advantages over other parts of the city. These advantages can make it more interesting for investors to choose to invest in this part of the city. The inner-city has a strategic location advantage (Porter, 1995). The close proximity to important areas in the city, like the CBD, gives this part of the city an advantage over the suburbs that could be exploited by investors. The location of the inner-city also gives investors the ability to use and tap into the large and diversified market that is represented in the inner-city.

Neil Smiths rent-gap as outlined above gives an explanation of why a neighbourhood decays and when it becomes interesting again for investors, developers and property owners to start reinvesting in the built environment. The rent-gap theory covers the value change of land within the city, but the rise of value is just one aspect of why inner-cities change and why it would be interesting for developers to invest in the inner-city. Change of functionality is according to Sýkora (1993) a reason why investments are made in the inner-city. Reshaping the purpose of buildings, be it small or large, e.g. a household shop that starts facilitating tourists with souvenirs instead of the supplies needed for daily living or the complete transformation from living space to offices. One is done with little to no additional investment, the other involved a large capital investment, but both are investments in the inner-city through function change (Hackworth, 2001).

The functional-gap lies in the extension of the rent-gap but involves (radical) changes in the use of the urban space. It, mostly, is the outcome of the mismatch between urban core land uses under state-socialism and logical market allocation (Lees, Slater and Wyly, 2008). Closing the functional-gap, like

the rent-gap has to do with optimising land use. Sýkora (1993) uses the example of the Hungarian capital Budapest during the transition period when the demand for office spaces was high in the city centre. At that time large building estates within the inner-city were transformed from apartments into offices. With relatively cheap adjustments these buildings could now be sold or rented out for a higher price, simply because the function of the building was changed.

Most city centres are going through a function change, adapting a more pedestrian-friendly city centre rather than one focused on cars, or complying to the needs of tourists visiting the historical parts of the city. This results that buildings that occupy functions necessary for daily life, such as supermarkets, are pushed out by functions that can reach higher turnovers. Restaurants and shops designed for tourists, who then take over the city centre, making it for the inhabitants that remained harder to get around in their daily life.

Sýkora developed his theory looking at Prague where during the Soviet Socialist regime functions were allocated to parts of the city, not following the free market logic, but to needs of the people living in the area.

The centrally planned allocation of resources maintained a functional structure which does not accord with principles of market space economy.

Ludek Sýkora (1993 p.290).

After the fall of Soviet Socialism and the introduction of a free market economy, these illogical function placements changed at a fast pace. This means that empty spaces and vacant premises were reutilised; less effective industrial uses or even commercial activities were outbid by more progressive functions; flats were converted into office spaces; rehabilitation of old flats; or new buildings build on inefficiently used land (Sykora, 1993). These changes have an enormous impact on the city and the people living there. But since capital only seeks out the most valuable business locations, it only has an impact specific locations in the city, in particular the historical core, and leaving other parts of the city untouched.

2.3 PEOPLE

Within the factor people, I will make a separation between those affecting inner-city investment, and those affected by the upgrading process. Those affecting the flows of capital are owners of buildings who put their property on the market or redevelop their own houses. General demand for inner-city property, or the lack of it, affects the demand on the market. Those affected by the inner-city developments are the people that are displaced and have to deal with new circumstances in their neighbourhood.

The first people to look at when discussing investment in the inner-city, are the owners of property. The first initiative lies with them. Adams, Baum, and MacGregor (1988) make a distinction between two types of owners, active owners and passive owners. The upgrading of a neighbourhood can start when passive land ownership transfers to active ownership. Passive owners are those who do not hold land for a specific development purpose, but who can be persuaded to sell their land if the price offered is right. An active owner holds the land, or building, with the intention of developing it. Most often a passive owner will not change to be an active owner, and a transfer of property is needed. According to Adams it hardly happens that a passive owner will find the motivation to start developing his or her, own property. When the transfer of property is needed but it is frustrated, an ownership constraint exists. There are two main reasons for such constraints or hurdles to appear. First is that

the plot or building that a developer wants to develop is owned by multiple owners, or the owner might be unknown. The second reason is that

A passive owner may be unwilling to release land either at all or only on terms and conditions considered unfavourable by any purchaser.

Adams, Baum, and MacGregor (1988, p.66)

This type of passive owner can delay or block the beginning development or can severely slow it down. There are cases of passive owners that see the development around their property as a confirmation for their demands and will keep their property off the market as long as prices are still rising. At the same time, this causes the inner-city neighbourhood to be less attractive for developers. Adams, Disberry, Hutchison, and Munjoma (2001) have listed five reasons when ownership constraints the development process: 1) the owner is unknown or unclear if the owner is not known the land or building simply cannot be sold. A developer can take a risk by starting the construction, knowing that the price he will have to pay will only increase if the owner would show up. 2) ownership rights are divided, when ownership is divided between different parties, one owner can hold the others hostage by refusing to sell his part, and thereby hindering the development. 3) ownership assembly is required for development, the different parts of a plot or building need to be united to be developed. This is, in the same way, problematic as multiple ownership. 4) the owner is willing to sell but not on terms acceptable for potential purchasers, this way the owner frustrates the developer by offering his building or land as an investment but in a way, the rent-gap cannot be closed with a profit. And 5) the owner is unwilling to sell.

If the land or building is sold to a developer the land can be used at its highest and best use, the neighbourhood changes and becomes more valuable. Slater (2015) point to the negative excesses of owners selling their property. The existing inhabitants that live in the neighbourhoods because they are cheap are deeply affected by the effects of development.

Rising housing expense burden for poor renters, and the personal catastrophes of displacement, eviction and homelessness are not simply isolated local anomalies. They are symptoms of fundamental inequalities of capitalist property markets, which favour the creation of urban environments to serve the needs of capital accumulation, often at the expense of the needs of home, community, family, and everyday social life

Lees, Slater and Wyly, (2013, p73).

Apart from direct displacement through rising rents, or demolished social housing there is indirect displacement. People that are no longer to find suitable and affordable living spaces in the city are now forced to live at longer distances from their work, family and friends, where if the neighbourhood would not have gentrified they would have been able to live closer to work and friends. One other form in which the urban poor is denied their share of the city is through limiting their ability to move, this is not only by making it impossible to move to a gentrifying area, but also their inability to move away from rising rents because there are no more affordable living spaces in the city, which force them to put up with rising rents.

Displacement is explained away by a feeling that the inner-city must be taken back by the middle-class. The middle-class has somehow a battle for the city and must take revenge for losing it. In *The New Urban Frontier, Gentrification in a Revanchist City*, Neil Smith speaks about this struggle to take back the city from those who presumably stole it from the middle class. Smith (1996) sees the revanchist movement in inner-cities as a race/class/gender struggle. It was a struggle of those who

have no other place to go, against those who want to solve a social issue and believe the place should be used in a better way. Smith illustrates this struggle with the example of Thomsen Square Park in New York in the 1980's and 90's, where homeless people had taken over the park as their living room, bathroom and a place to sleep at night. The city's attempt to free the park of the homeless was met with strong social resistance that led to the clearing of the park by the police force. The park stands symbol for the city's social problems. In 1991 the park was closed for renovation, pushing the homeless out and contributed by the re-opening in 1992 to the gentrification of the area.

There are examples of inner-city developments that do not cause social distress or force people to move. This form of incumbent upgrading (Clay, 1979) is based on peoples' own ability to renovate their living environment and to climb the social ladder themselves, rather than importing people of a higher social class. These examples are all based on strong communication with individuals taking the lead in the renovation of their houses and their neighbourhoods. In contrast to the gentrification theory, there is no clear universal approach to incumbent upgrading (Lees, Slater and Wyly, 2013).

2.4 LEGISLATION

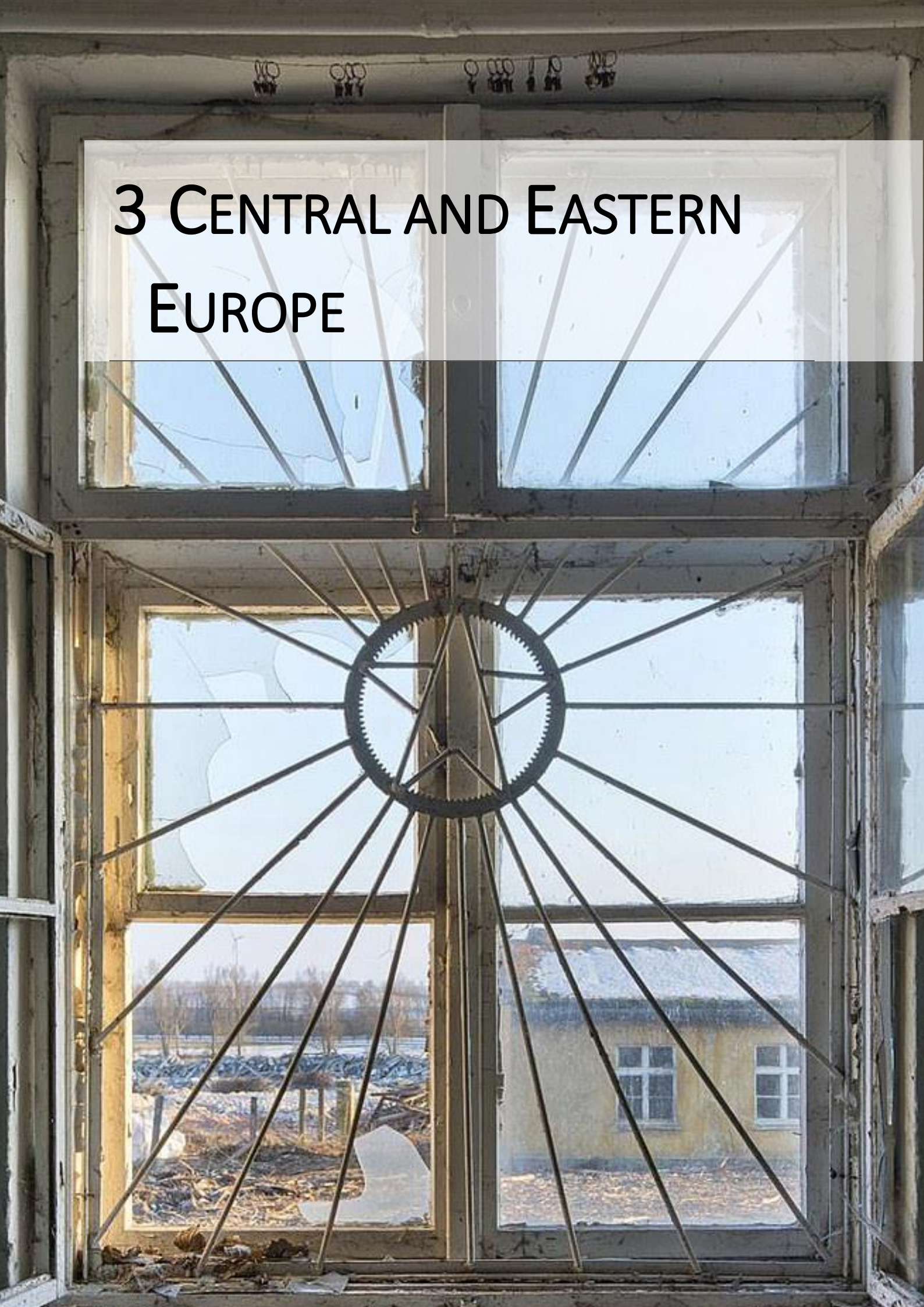
The waves of renewed interest in the inner-city by Hackworth and Smith (2001), as mentioned earlier in this chapter show a different involvement of the government in the different waves. The government went from a bystander in the first wave, to having a guiding role in the second wave, and eventually cooperating alongside with private companies in public-private-partnerships in the third wave.

Legislation in the form of masterplans or zoning, as the American version is called, have a large impact on investments. City masterplans are implemented to ensure the common good. Masterplans restrict certain functions in certain city neighbourhoods, the goal of which is to ensure a certain stability within the city. By restricting, for example, commercial activities in a residential neighbourhood, owners and investors are assured of the future use of the area. Masterplans protect and conserve the value of the property and can prevent new developments from meddling with existing uses. This provides stability in the area and makes sure real-estate investments are secured for a longer period of time (Barnes, 2016). Active city planning is only one way that legislation affects the real-estate market, tax credits, deductions and subsidies are also used by governments and municipalities to improve the city, attract investors or to make housing affordable for everyone.

The same legislation that protects the common good of the city, is also bordering investors and limiting their market (Barnes, 2016). Planning regulations that prescribe the use of buildings, their physical appearance, limit the ability of an investor to invest and supply the market in the best possible way. Building permits are given to those developers that are willing to build according to the view of the city hall. Those inner-city developments that do not fit within the general plan of the municipality will not be granted building permits (Adams, Baum, and MacGregor, 1988). These kinds of protective legislative measures reduce the profit an investor can make or can limit the willingness to invest by investors.

Legislation that influence investment, are not only those made in the context of city planning, one could also think about legislation concerning rents and ownership rights, rules on who is to pay for access to water supply, drainage, gas and electricity. This makes that the builder's costs might get too high, making the possible profit gained through the development too low for the possible risk. Especially the question of ownership and rent-protection legislation is very present in Central and Eastern European countries. The next chapter will go into deeper detail about the local specifics of countries in this part of Europe.

3 CENTRAL AND EASTERN EUROPE



I would like to turn the reader's attention to the focus area of this study; Central and Eastern Europe. In this chapter the spatial localities of Central and Eastern European cities will be addressed. Studying the effects of investment in Central and Eastern European cities is going beyond the usual subject of gentrification. For the years of Socialist ideology that was carried out by the state, along lines radically different from capitalism, has left its physical print on the city which makes them in many ways different from cities in the West.

3.1 CITY STRUCTURE

Gentrification in this part of Europe is a difficult story. The statement that gentrification follows investment is one not easily made in Central Eastern Europe. Gentrification studies in CEE cities are also only a small part of a minor debate in gentrification theory. There is no generalised consensus about gentrification in this part of Europe and studies are individual and case-based (Wiest, 2012). The list of cities that have been studied is limited and consist mostly of capital or larger cities; Budapest (Sýkora, 1993; 2005; Smith, 1996; Wiest, 2009 and 2015), Bucharest (Chelcea, Popesca and Cristea, 2015). Warsaw (Kährnik *et all.* 2015; and Sýkora, 1993), Prague (Kährnik *et all.* 2015; Sýkora, 1993 and 2005), Sofia (Wiest, 2012; and Hirt, 2007), Tallinn (Kährnik *et all.* 2015; Sýkora, 2005; and Brade; Herfert and Wiest, 2009), St. Petersburg (Wiest, 2012), Vilnius (Wiest, 2012; Golubchikov, Badyina, and Makhrova, 2013; Brade, Herfert and Wiest, 2009) and Moscow (Golubchikov and Badyina, 2006;

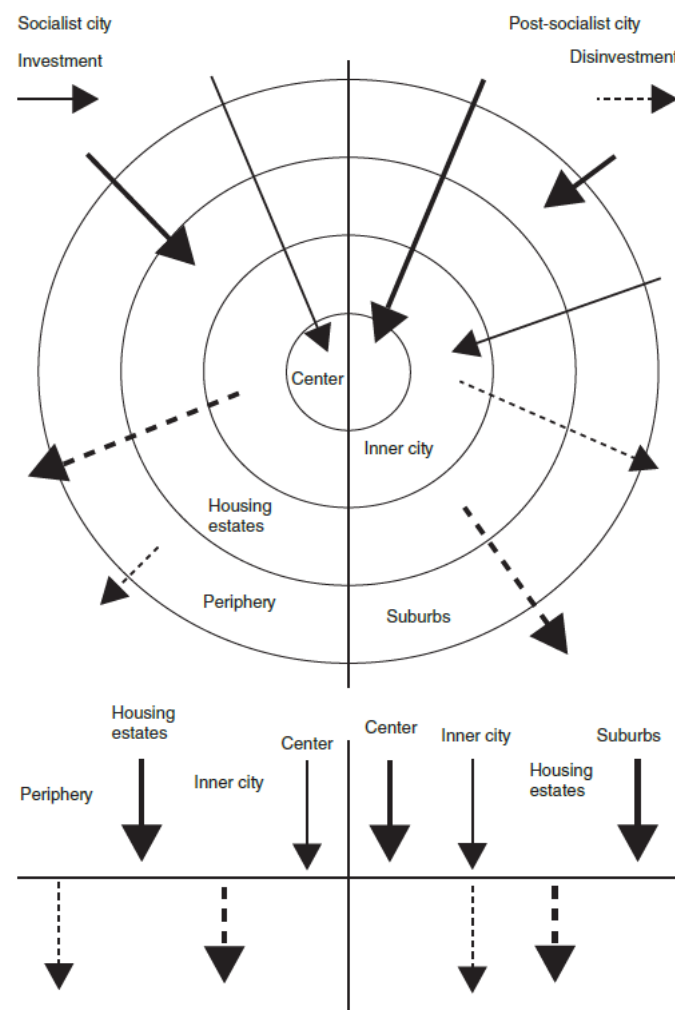


Figure 3. Investment Patterns; Sýkora, 2009

Wiest, 2012). Among these cities, gentrification is only identified in a few, isolated places (Sýkora, 2005; and Golubchikov and Badyina, 2006). Gentrification literature is, therefore, diffuse and without a clear overall consensus.

Post-socialist cities are build up from three rings; the inner-city, the socialist-built estates, and the suburbs (Brade, Herfert and Wiest, 2009; Sýkora, 2009). Most cities in CEE developed prior to Socialism under influences similar to those in the West. The historic centre and the inner-city are similar to Western cities in terms of architecture and layout. This first ring suffered severely from disinvestment during Soviet times, see figure 3. The inner-city under Socialist rule was seen as a symbol of the old “capitalist” and “bourgeois” city, a system where the Socialist regime wanted no part in. In the Socialist ideology, where everyone would contribute to her/his abilities and would receive according to her/his needs, there was no space or need for individual property. In the transition towards a classless society all means of production were nationalised. Housing thus became a state affair. The rights of owners of property were reduced to almost nothing. In the light of the housing shortage after the Second World War, the government forced homeowners to take up additional families into their houses. The people that were moved into the houses in the inner-city were usually the lower working class, the poor and unwanted social classes. This was part of a “social improvement” strategy that would shift the main attention of urban development away from the bourgeois houses of the inner-city and to the second ring of Socialist housing estates (Sýkora, 2005). The arrows leading from the inner-city in figure 3 show a strong disinvestment in the inner-city during socialist times.

At the same time all over this part of Europe the iconic Soviet housing estates were being constructed. The Socialist government had more interest in building the Socialist utopia, so focus lay on the pre-fabricated estates at the edge of the city. These districts, organised in microrayons, were to become self-sustaining parts of the city and a proof of the superiority of the socialist system. During their construction, the socialist suburbs were very popular. Living standards were higher, the apartments were new and bigger, and fully equipped with the latest technology, like centrally controlled heating, gas, and modern bathrooms. Subsidised rents made the apartments affordable. The apartments were allocated to the socialist middle-class, the working class, families, but always to those loyal to the system. This practice of left the socialist city as a whole highly diversified (Sýkora, 1993). The general tendency in these buildings is that the people who got an apartment during the Soviet times still live there, these people now reach their late 50's.

The last ring of the post-socialist city are the modern suburbs. This ring started to develop after the privatisation. The socialist concrete block flats were built in compact formation leaving a clear line between the edge of the city and the countryside. The lack of a masterplan in most post-socialist countries led the sprawl of houses, that were built on the countryside, go on unregulated. The new (free market) middle class sees a house on the countryside as their most desired form of living, and many left the city to build a house in the suburbs. This uncontrolled suburbanisation is a big problem in contemporary cities in Central-/ Eastern Europe (Hirt, 2009; Kährlik *et al.* 2015; and Brade, Herfert and Wiest, 2009). Suburbanisation or even counter-urbanisation drains the population of the inner-cities in CEE in favour of the suburbs. However, the growth of the suburbs is not enough to balance the decline of the inner-city. Cities in CEE are sprawling and shrinking at the same time (BBSR, 2015).

As figure 3. shows the investment patterns of (allocated) capital during state Communism and capitalism in Central-/ Eastern European cities, are mostly directed at the historic city centre and the outer ring of the city. During Soviet Communism these were the housing estates and in the free market economy the suburbs. This came together with a general disinterest and disinvestment in the inner-city and the social improvement of these neighbourhoods left the inner-city in a state of decay, comparable with the state in which Ruth Glass described Islington in 1960's London. The buildings

were shabby, had lacked years of proper maintenance, and were inhabited by the lower social classes and the urban poor (Bernt, Gentile, and Marcinczak, 2015).

3.2 NATIONALISATION AND OWNERSHIP.

The nationalisation of housing has had a huge impact on the way the post-socialist cities are developing. Homeowners within the inner-city had their rights removed by the government during the nationalisation. Money was allocated according to the needs of the people that were prioritised by the state. Housing did not fall into the first category and thus received less money and attention. Most of the available resources were allocated to the new build housing estates. The inner-city was almost untouched until the 1970's and after it was only sporadic restored or renovated. In Budapest in the 1990's, it was not uncommon to see the bullet holes in the walls of the facades of the 1956 uprising (Sýkora, 2005). The rebuilding of Warsaw's Old Town took a considerable amount of time and resources.

Rents during socialism were both heavily subsidised and not based on location, but on the standard of the apartment. Small rooms with shared facilities, even if they were located in the inner-city had a lower rent per square meter than the newly build housing estate at the edge of the cities that were equipped with gas and district heating (Sýkora, 1993). At the end of socialism, most owners had become as poor as the people they were forced to live with. Because their tenants only had to pay a very small amount of money for rent, owners did not have the financial means to keep the building well maintained. Living standards therefore dropped in the inner-city and a too high a concentration of the urban poor resulting in a further decay of the inner-city (Zborowski, Soja, and Lobodzinska, 2012).

Low rents in combination with an active policy of moving the lower social classes to the inner-city resulted in a problematic situation later the 1990's when property rights were restored. With the fall of Soviet Communism private property was reintroduced in Central and Eastern Europe. States that had been the owner of all means of production for the last five decades began to sell their shares in companies and housing. The privatisation of houses was a difficult and messy process. Every country in CEE had their own approach to how the housing market would be privatised again.

In the inner-city, privatisation through the return of property is the most common. Since most houses dated back to pre-socialist times, they had an owner before they were nationalised after the Second World War. If, and how, the property could be claimed back by their original owners differs from country to country. In Poland and the Czech Republic, restitution of ownership had to go through court. People with a claim to land or buildings had to file a lawsuit to prove their ownership and the court would rule over whether or not ownership would be restored (Ghunbari *et al.* 1998; and Zborowski, Soja, and Lobodzinska, 2012). The Polish government is obliged to keep the houses of which the owners are not found yet, in the same state as they were in 1989, in practice this usually means that the building has to be protected against the influences of the weather. In Hungary people that proved to be the former owner of a building were compensated with a cheque up to 5m. HUF to enable them to buy (parts of) their property back (Wiest, 2012). Owners of Bulgarian property or land could only claim their property back if the function or value had not changed. Nationalised buildings that had gone through a renovation during Soviet times, and thus had a higher value could not be claimed back. The same goes for agricultural land that was used to build the pre-fabricated flats on. Since build-on ground is worth more than agricultural land, the owners were not able to claim their property back. Even small changes, like a park to a car park would be enough for the state not to allow the return of property (Hirt, 2007). In Prague, 70% of inner-city buildings were returned to their pre-

war owner in 1994 (Keivani, Pursa and McGreal, 2001). In Tallinn this number was slightly lower, 30-40% was returned and government owned buildings had dropped from 63% to only 6% in 1999 (Sýkora, 2005).

The state in which the buildings were returned was in no way the same before. Years of neglect during the socialist regimes and too many people living in too small a space had left the buildings deprived or even deserted. In the case where buildings were still inhabited, the owners were stuck with tenants who barely paid rent and could not easily be removed. Since the tenants belonged to the most vulnerable social classes, the old and the poor, strong rent regulations and protection laws were in place, the tenants had more rights and were better protected than the owners of the property. Ownership in the first decade after the collapse of Soviet socialism did not mean more power than during socialism. In Bucharest, rents were regulated in a way that it was not allowed to raise them higher than 25% of the household income (Chelcea, Popescu and Cristea, 2015). Keeping in mind that in these were the places where the poorest and most vulnerable people were living, 25% of a household income is not much. Especially when children move out, the husband dies, and the only tenant from which the landlord can collect rent is a retired widow. In all of CEE such rent regulations are in place (Sýkora, 2005; and Kährik *et al.* 2015). These kinds of low rents for buildings that have a high demand for maintenance is not sustainable. Landlords had to save on costs by letting the building decay. Often the owners of the houses still lived in them and the years of socialism had left them as broke and poor as the people they shared their house with. This also did not contribute to the state of the buildings.

Many owners did not claim their property back. This could have many reasons, the original owner had not survived the war and the heirs were not interested (yet) in the building, or because the original property rights were unclear. In some CEE countries, the people living in the apartments were now given the opportunity to buy the spaces they inhabited. Many of them took this opportunity and bought their houses. In the inner-city, this meant that one apartment, that was inhabited by 4 families, could be sold to 4 separate families. In Budapest this led to the situation where 67% of the buildings in the inner-city has multiple owners (Smith, 1996). The apartments were sold for a price far below the market value. In Sofia, former tenants could buy their rooms for 10% of the market value (Hirt, 2007). In other CEE countries the same kind of prices could be observed. This leads to a situation where homeownership is very high in CEE countries, percentages around 90% are not uncommon (Wiest, 2012; Hirt, 2007; Smith, 1997; and Kährik *et al.* 2015).

In Poland property that had a pre-war owner could not be bought by anyone else. Tenants had the right to stay in the apartments, or if the owner wanted them to move, had to be offered a property with a similar amount of floor space, facilities and a similar location. In an already tight housing market this proved a serious problem. If the original owner, or the heirs entitled to the property could not be found or were not interested, little can be done with these buildings.

Houses that were built after the Second World War did not have an owner because they were built by the state and were thus communal property. In the case of these buildings, most of them were sold to the people living in them. Poor tenants became poor owners (Marcinczak and Sagon, 2010), again with a lack of resources to maintain their houses. Where during Socialism the state took care of the property, the people were now responsible themselves. The years of Soviet socialism and an all-present-state, however, had left many people unable, or at least not used to a situation where they had to take initiative on maintenance themselves.

The privatisation of property came with a huge chance for redevelopment. A whole new market opened up to the international market. Those searching for quick profit came to CEE to buy cheap and sell more expensive. Besides the large amount of cheap buildings that were available in CEE another

competitive advantage of CEE, was and still is, is that the low cost of labour, compared with Western Europe. Renovating buildings is therefore relatively cheap (Sykora, 1992). Not all investments were welcomed with open arms however. The next section will look into what happened to CEE cities after the transition.

3.3 POST-SOCIALIST TRANSITION

The post-Socialist city experienced a rapid sub-urbanisation, people were no longer bound by state regulated housing construction, but had the opportunity to buy their own plot of land and build their own house. Many people took this opportunity resulting in a market that focussed primarily on the suburbs. Not only a single focused market is to blame for the lack of interest in the inner-city, city planning failed to focus and allocate the scarce economic commodities more evenly across the city. The absence of a proper city master plan in most CEE countries led to a situation where cities could grow organically. CEE cities lack the institutional and administrative infrastructure needed to meet the challenges of globalisation and have trouble responding to changing market conditions (Keivani, Parsa, McGreal, 2001). In Sofia (Hirt, 2007) this resulted in an uncontrolled growth of Bulgarian suburbia. In Poland, the situation was worsened by the obligation that municipalities had, up until a few years ago, to provide every house within their municipal borders with basic facilities as water, electricity, gas and infrastructure. This resulted in a situation where municipalities were forced to make expenses on everyone that build their house somewhere.

Understanding how property rights work is crucial for understanding the changing geographies in Central-/ Eastern European countries (Chelcea, Popescu and Cristea, 2015). The movement of people in CEE is almost always connected to the rights they have on property. The former owners who got their property rights restored were stuck with multiple families living in their building. To avoid a situation of mass displacement, all CEE countries have strong tenant protection laws. These laws not only regulate rent but also forbid landlords to evict their tenants without offering them a new apartment of the same or higher standards (Sykora, 2005; and Kährik *et al.* 2015).

During Soviet times the location of the apartment might not have mattered for the value of the property, now that the market was responsible for the price a situation arose where the most valuable locations in the city, are inhabited by the lowest urban classes. In the early days of the market economy this led to chaos on the housing market. People seized this opportunity to get their hand on prime pieces of real estate for a very low price. The first group that took advantage are the, so called *super tenants* (Chelcea, Popescu and Cristea, 2015). These are people with a certain degree of power and influence in the socialist regime, usually party officials. During the transition period they managed, through semi-official ways, to move themselves into buildings and properties on prime locations in the city, with the prospect of selling it for a profit as soon as the market economy would allow it. Even though these people were the more affluent during Soviet times, they also made use of the arrangements made for the urban poor in the inner-city which allowed them to buy property at extremely low prices. In Bucharest these super tenants, despite their financial means they got the buildings granted to them, instead of buying them at a fair market rate. But because of the shared ownership structure, financially well of tenants now lived side by side with the less fortunate. These super tenants proceeded to try to acquire the whole building, to renovate it and sell it as a whole. They either could motivate the poorer families living in the marginal spaces of the house to leave by themselves, or they used their political influence to get the state to relocate them and then take over the, now empty, apartment.

This is only one way the transition period was used by people to manipulate attractive buildings into their hands or tenants out of the building. Chelcea, Popescu and Cristea (2015) list a few more ways tenants get displaced in favour of either individuals or real-estate developers. Most practises come down to the same principle. By obtaining one of the several apartments a foothold is created in the building. They proceed by slowly pushing out the other tenants or motivating them to leave; these practices were already common during Soviet times. In St. Petersburg a creative developer rented an apartment to ex-criminals for a few years, with the sole purpose of intimidating and getting the other tenants to leave “voluntarily” (Golubchikov and Badyina, 2006). Other ways of obtaining buildings include serendipitous real-estate agents identifying tenants without the financial means to buy the property they inhabited. They were offered false loans with the condition that, if they could not pay their loans back, they real-estate agent would be entitled to the property. A whole building could fall into the hands of property developers who could now renovate the whole building. It is however extremely difficult to convince people to move who do not want to. If a developer or an owner is not able to convince or motivate a tenant to go, he has no legal options left and he must wait until they do want to move out, or die.

The main problem lies, however, not in the inner-city, it is the growth of the suburbs. This growth of CEE suburbia becomes an even bigger problem when it is combined with shrinking cities. A lack of city planning, demographic changes and an overall preference not to live in the city centre, has led to a difficult situation. The historic centre has changed its main use to a tourist attraction, but the ring around the historic centre is not desired by tourists nor by people looking for a place to live in the city and thus slowly falls into decay. Active municipal involvement is lacking, either because of the financial situation of cities in CEE or because their interest, like their Socialist predecessors lies with the construction of new buildings on the edge of the city. Nowadays these are the unregulated growing suburbs (Brade, Herfert and Wiest, 2009).

Where in the past city planning was used as a way to implement policy from the central government, today it is almost completely neglected. Municipalities find it easier to directly negotiate with investors rather than setting up elaborate master plans for city development. Under these conditions developers are shaping urban space, driven by short-term profits rather than long-term sustainable planning that would aim at improving the overall quality of life within the city as a whole. This type of policy in Poland is represented by the “decisions on building conditions of site development” or *Decyzja o warunkach zabudowy*: WZ. The WZ acts as a legislative tool to plan the areas in the city that are not covered by the Local Spatial Development Plan, which is about 40% of the urban landscape. A WZ-decision can be used by a municipality to allocate a function to a particular plot of land and only needs to take into account the adjacent plots as a reference. In practice, this gives the municipality the freedom to creatively assign developers plots of land to develop. In Szczecin, in the north-west of Poland, this could lead to a situation where a developer wanted to build a hyper-mall and got, via a WZ-decision, the rights for a shopping mall. In the end the developer has built an aqua park instead. The municipality changed the WZ allowing for the new function because it had already incorporated the transaction into its finances. This kind of decision-making within Polish municipalities is characterised as being *ad hoc* and without long term vision (Reimer, Getimis and Blotevogel, 2014).

3.4 MONEY

A lack of domestic players, particularly in the beginning of the market economy is the reason inner-city development could only actually start with the help of foreign cooperate investment (Csapó and Balogh, 2012). Countries would isolate their housing market, making it not interesting for investors (Smith, 1996). Inner-city development in Budapest could therefore only really start when foreign

investment was allowed. For a long time, the Hungarian government in fear of foreign speculators would restrict foreigners with foreign capital to invest in the housing market of Budapest. Just after the end of Soviet socialism and the fall of the Hungarian socialist puppet government, it was not possible for non-Hungarians to own property in the country (Ghanbari-Parsa and Moatazed-Keivani, 1998). Even now, the government sets requirements for investors; one needs to live in Hungary for at least five years to be able to buy property. Buildings cannot be bought if they will be used against public interest and investors must prove to the government that the property is necessary for business development in Hungary. This way the Hungarian government tries to keep foreign investors, that see their chance of quick money in the country, at bay. Not all CEE countries are this protective of their housing market, Bulgaria is almost completely dependent on foreign capital, either from Bulgarians returning from exile, or other foreign investors (Brade, Herfert and Wiest, 2009).

Apart from foreign investors, some domestic players also see chances for investment in the inner-city. In the post-soviet development of Moscow, the Russian new-rich played an important role in the redevelopment of Ostozhenka. The neighbourhood, close the Kremlin but completely dilapidated, was redeveloped by Russian investors to become one of the most expensive neighbourhoods in Moscow (Golubchikov and Badyina, 2006). Domestic players are a rarity, however. Only 30 years have passed since the fall of the Soviet system, so those who are able to make large investments in the inner-city have somehow obtained this capital in a mere 30 years. This group of people is therefore extremely small.

Investment, however, does not always mean renovation or upgrading. The “warehousing” of buildings, to keep a building off the market while its price rises, can be deadly to the image of a city, and can stall further development. It could even make the area less desirable for tourist resulting in a price drop, rather than a rise of property prices (Csapó and Balogh, 2012).

4 POZNAŃ AND CHWALISZEWO



became particularly visible at the turn of the 20th century when a number of river-reliant industrial plants cropped up along its banks together with a port complete with transshipment facilities and granaries built at the Chwaliszewo riverbank. Yet, the Warta also had a destructive side frequently manifested with catastrophic floods. To avoid further disasters, the decision was made by the Socialist regime in 1968 to move the river away, by filling its natural bed and building an artificial channel at a safe distance. Evidence of the Warta's former location includes fragments of a revetment erected along the bed and large vacant areas which today pose one of Poznań's biggest development challenges (Poznań City Hall, 2016). Chwaliszewo was known as the Venice of Poznań it had a rich cultural life and like Venice was connected with Poznań via several bridges.

Changing the flow of the river, and with doing so preventing floods was not the only motive of the Polish Socialist regime. Communism had a great distrust of religion. In most socialist countries the regime succeeded in banning out religion from the daily life of the people. In Poland the Catholic Church remained strong during the times of Socialism and it was almost impossible for the state to ban religion. So the regime had to take a more subtle approach. The imminent threat of floods in this part of the city presented the regime with the rare opportunity to cut the Cathedral off from the rest of the city. They made the route from the city centre towards the church illogical, thereby making sure that people would not just casually pass the cathedral. The cathedral and Cathedral Island were cut off from the rest of the city, on two sides of the river and by the newly constructed highway.

Chwaliszewo was a centre of trade and capitalist prosperity, so it had to be marginalised. What followed was the forced income of people of the lower social classes who were not granted a house in the blocks of flats on the edge of the city, were moved to the city centre. Multiple families were moved into the buildings that were still inhabitable after the war.

War and...

...fire destroy at once. Time too destroys buildings, though more slowly.

Von Thunen 1966 as cited in Lees, Slater and Wyly (2013 p.57).

The Second World War has destroyed large parts Chwaliszewo. Two third of the houses on the main street did not survive the war. A large part of the holes that the war left was filled up after the war, in a style that is characteristic for Soviet build houses. Other areas remain empty plots of land, often used as carparks, either with permission or without.

Removing the river from Chwaliszewo along with the new bridge and a four-lane road that was built, proved to be deadly for the area. Chwaliszewo was cut off from its two main sources of existence; its harbour and the access road to the Cathedral. The larger river bed also took a large part of the island of Chwaliszewo reducing its size by a third. From the former glory of this part of the city is little left. A rough twenty years ago, this part of the city was avoided by most of the people in Poznań. The area was badly lidded at night and the area had a very bad reputation of violence, crime, unemployment and alcoholism. When Huub Droogh (personal communication, 2016) first came to Poland to start a Polish branch of Rothuizen Architecten, in the building that will later be discussed as *Our Office*, a rough seven years ago, there were people lining up at the *Zabka* at eight in the morning to buy their first bottle of vodka.

The last few years this part of the city, together with a small district on the other side of the river, Ostrówek, and *Ostrov Tomski* (Cathedral Island) are slowly becoming more popular by the locals. Away from the crowded and touristy Old Market Square, these areas give space to small shops and restaurants, characteristic for neighbourhoods that are gaining popularity. Slowly but steadily people

find their way back to this part of the city, as well as investors and developers (Marszałek, 2016 personal communication). Ostrówek, like Chwaliszewo, is split in half and disconnected from the rest of the city in an unnatural way by the before mentioned bridge and four-lane motorway. But not only the motorway has separated Chwaliszewo from the rest of the city. With the relocation of the river, the city forgot about the river. It was no longer a threat nor was it a possible source of wealth. So despite the fact that the city of Poznań was founded on a different island in the Warta River, the city neglected its river, among which Chwaliszewo and Ostrov Tomski. The river is no longer a transport route because it is too shallow to be navigable by ships. Additionally, the Polish government has had little attention for its waterways until recently. Slowly the river becomes a valuable asset again for recreation and a positive influence on the area.

On the former island of Chwaliszewo, there are lots of different types of inner-city development going on. A casual glance over the street already shows the diversity of the street, buildings dating back to different times stand next to each other, and the houses are in various stages of decay or renovation. The contrast on the street is clear. Along the street one can see pre-war houses, tenant houses build during Socialist times and apartment buildings that can only be a few years old. The large diversity and the history of the Chwaliszewo island make it into a fascinating case. Also, its history and location, between two highlights in the city, the Old Market Square and the Cathedral make it to a very interesting street in Poznań. The many empty plots of land, left by the destruction of the Second World War and Soviet disinterest, makes new build apartments easy realisable and therefore more common.

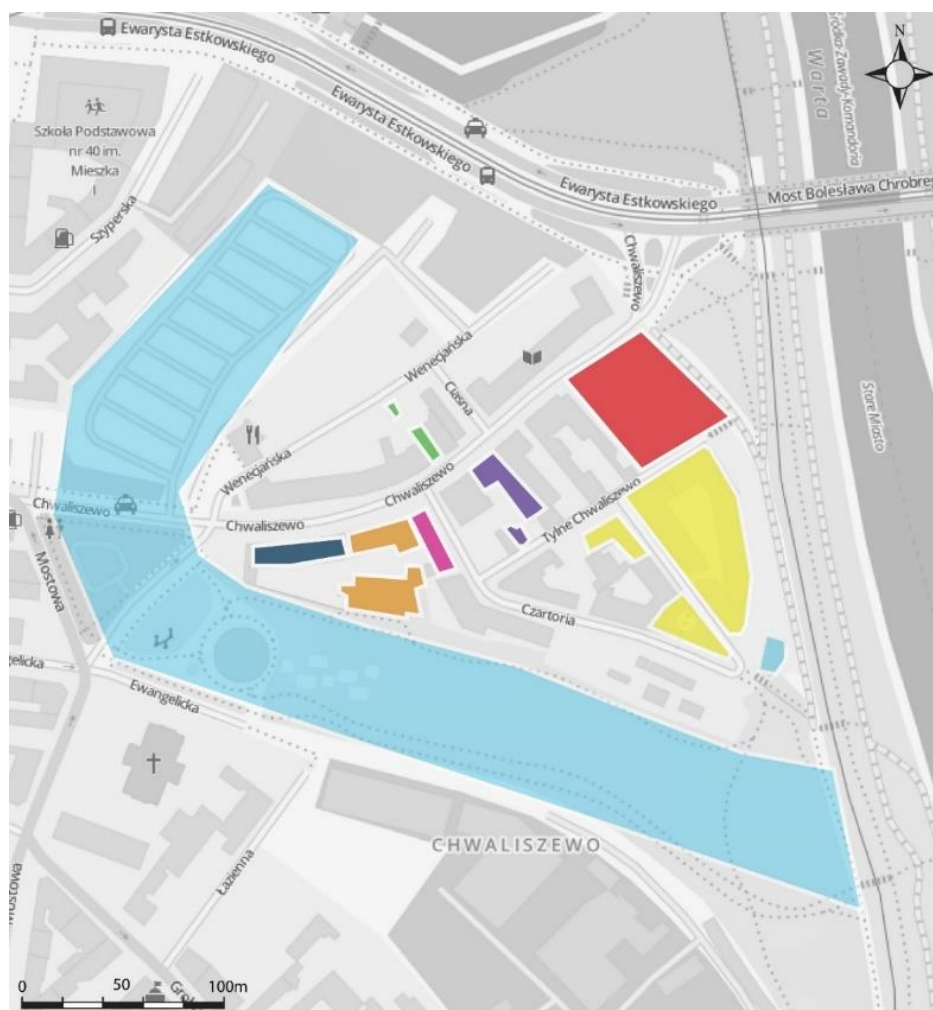


Figure 5. Chwaliszewo.

The maps (figure 4 and 5.) show Chwaliszewo in relation to the city centre and the buildings analysed along the street. On the map below a total of eight areas are marked in different colours. Each colour fills the surface of a building that is discussed in this chapter. The first building is marked **DARK BLUE**; the ZKZL state-owned buildings (paragraph 4.3). The **ORANGE** are the buildings on Chwaliszewo 27 (paragraph 4.4), next to it stands the building on the corner, in **PINK** (paragraph 4.5). The large **LIGHT BLUE** area is the old Warta riverbed and a small part of an old but significant building (paragraph 4.6). Next is the office I am currently writing this part of my thesis in, with the colour **PURPLE** (paragraph 4.7). The **GREEN** building (paragraph 4.8) stands empty across from the office. The **YELLOW** is a luxury apartment complex (paragraph 4.9) at the riverside. Last on the list is the **RED** area, which is a brownfield, ready to be developed by a real-estate company (paragraph 4.10).

4.2 STORIES ON THE STREET

Now I turn to the original part of my research. Looking for gentrification in Central-/ Eastern Europe, or rather studying, the inflow of new more affluent people and capital, the renovation of buildings and brownfield developments. In this paper the focus will lay on only one street, because:

If there even is gentrification in Central Eastern Europe, it is in small isolated pockets.

Grabkowska (2015).

Chwaliszewo is one such bubble where one development follows the next. But can we speak of gentrification on this street? Do the investors, developers and the municipality incite gentrification, or is what is happening on the street another form of city development, that has more to do with a growing wealth? To find out I will look at individual buildings on the street, looking into their history, development and current use. Each building will tell a story and will be an indication of what kind of development is transforming the street. The general gentrification literature as set out in chapter 2



Figure 6. Posen Wallischei, 1811. Our Office on the left and the Green House on the right; Kaczmarek, 2011

together with the more specified gentrification studies in Central Eastern Europe will be the framework against which the stories of the different buildings will be held, to judge if there is gentrification and to what extent the developments on Chwaliszewo correspond with contemporary trends in inner-city development in CEE.

The outcome of this research is, therefore, best experienced by a short walk through the street. Looking at the physical state of the buildings and searching for any changes in use or appearance. I am aware of the physical difficulties of this approach, but Google Streetview will do just as nicely. The photos that accompany the stories of the buildings are taken together with Erik Witsoe, professional street photographer of American origin who has been living in Poznań for the last 7 years. The first photo in this thesis on page 7 (figure 2.) is of his hand, showing Chwaliszewo facing the cathedral in 2013. Figure 6. shows Chwaliszewo facing the city centre. The photo dates from around 1800 when Poznan was under German rule.

The view from my office window has proven to give a quite satisfying picture of how inner-cities develop, even more when combined with the stories of owners, developers and inhabitants of the street. Each described house connects to a wider development in inner-city development in CEE. Every story will tell about the opportunities and difficulties that come with investing or re-developing property in Central-/ Eastern European cities. The stories are build-up around the owner, investor or developer and their interest in the property.

4.3 ZKZL STATE-OWNED BUILDINGS



Figure 7. ZKZL Buildings; own work, 2016.

Based on an interview with Karol Przybyszewski financial director at ZKZL on 20-05-2016.

The three tenant houses at the beginning of the street belong to the city of Poznań. The houses were built by the Socialist regime after the war destroyed this part of the street. Being built during socialism, the houses do not have pre-war owners. The general procedure after the transition period is that the tenants would be given the opportunity to buy these kind of apartments in which they lived. People with the financial means would buy their apartments. Those who could not afford to buy the spaces they lived in, would stay as tenants and be insured to keep the low rent they were used to pay. And the city would continue to serve as their landlord.

The management of the municipal owned buildings has fallen to the ZKZL, *Zarząd Komunalnych Zasobów Lokalowych*, or the Board of Municipal Resources Premises. This company has to manage the buildings and is in charge of housing the urban poor. The ZKZL is responsible for over 10.000 buildings throughout the city. The ages range from new build buildings to buildings constructed in 1850. Nearly half of the buildings was built before 1970. The ZKZL has the responsibility to provide the necessary amount of living spaces for people who are assigned to either communal or social housing by the municipality of Poznań. Because homeownership in Poznań reaches up to 90 percent, the rental market has barely developed and can only serve short term rent or the lower segment of the market. For only the less fortunate that were not able to buy their own apartment from the state after the collapse of Soviet socialism. The task to house these people has fallen to the ZKZL.

The ZKZL has a very limited budget but a large task. The pressure on the state housing company is enormous to provide everyone that is assigned a house with a suitable and, most important, affordable house. The pressure on the ZKZL increased even more, when two years ago the Mayor of Poznań promised to build an additional 4.000 houses for the poor. The current budget of the ZKZL is enough for one or two major building renovations a year. Priority is given to the oldest with monumental value. The ZKZL manages about 1.000 of these kinds of buildings, old and monumental, dating back as far as 1850. Renovation by the ZKZL is done thoroughly. The renovated house that is located two minutes' walk from the ZKZL office was beautifully restored. The hallway had a set of three marble stairs and paintings decorated with gold leaf (Own observation, 2016). The care the ZKZL takes in renovating the buildings is admirable. During the renovation the inhabitants have to move out temporarily and are allowed to return to their apartments after renovation, without a rent raise. There are conditions, however, they cannot have arrears in rent, and they should have their lives together; have a job and no problems with alcohol. If the family does not meet these conditions, they are moved down from communal housing to social housing.

Renovation is only a small part of solving the housing problem. A larger focus lies on building new houses. The main problem that the ZKZL is facing is the extremely low price for which they have to build for. The ZKZL builds and offers houses against a third of the market price. The houses are made of cheap material, have only the very basic equipment and are built with simple architecture. Since ZKZL is only building for the lower segment in Poznań, they have to be careful not to build on only one location, for this would concentrate the problem of unemployment and alcohol abuse, therefore the ZKZL builds on multiple locations, preferably the cheapest locations, these are also in the suburbs.

The three houses at the beginning of the street are not of the highest priority for ZKZL. The houses are relatively new and also well maintained and are still partly inhabited. The buildings are not in immediate need of renovation.

4.4 CHWALISZEWO SIEDEMDZIESIĄT DWA



Figure 8. Renovated Buildings; own work, 2016.

Based on an interview with Andrzej Marszałek, director of Inwestycja Wielkopolsku on 12-05-1016.

Chwaliszewo number seventy-two and seventy-three are a total of three former tenant-buildings next to the state-owned houses at the beginning of the street. The three buildings have been completely refurbished by the investment company called Inwestycja Wielkopolsku (IW). After the fall of the socialist system many people came to Poland, speculators and investors, looking for cheap and easy to obtain buildings to buy. Many buildings that belonged to Jewish people now had become abandoned and the legal status of these buildings was unclear. IW gained their expertise dealing with these kinds of issues. The dispute of ownership is also how their involvement in Chwaliszewo started. One of the original owners came to them for help to recover his property that was forfeited by the state during Soviet Socialism. Within three years' time all 14 owners had come to the company in search of help with recovering the rights to their property. Once they had settled the legal issue of the buildings and the owners got back their full control over their property, all the owners together, offered the buildings to IW as an investment. The owners needed money and did not want to, or could not, wait for ten years to see a return on their investment if they even could make the investment needed to make the buildings profitable again.

On the inside the building was in a state of ruin. The ten large apartments, 60 to 100 m², were dilapidated. The people that had inhabited the buildings during Socialism had barely paid rent, only about 5zł/m² (€1,25/m²) and could not afford more. To make the buildings profitable again and sustainable, the original inhabitants needed to go.

The people did not mind to go, their living standards on Chwaliszewo were not high because the building was old, crowded and without central heating.

The people with rent-contracts had three options; to accept the money they were offered for their apartment to buy off their rental agreement, to accept a substitute apartment that they would rent from IW, or they could stay. For the people that wanted to be replaced IW had to buy other buildings and apartment in other areas of the city to house the people. The houses needed to be of better quality and in an area similar to Chwaliszewo in terms of distance to the city centre.

One family we had to move more than three times in five years because of new investments, instead of taking the compensation and finding themselves a new place to live, without having to move every two to three years, I do not understand.

But every time they moved to a slightly better apartment but moving further from the centre each time.

After the last tenant moved out the renovation could start. The view of the Chwaliszewo street is protected by the Local Conservator, and this means that the original facades of the buildings needed to stay. From the inside the buildings were stripped and two of the three buildings were connected. The original floor plan had to be changed because the contemporary Polish market does not allow for the large pre-war apartments. In addition to renovating the buildings facing the street, at the back of the building, a large new set of apartment buildings were built. Again, these were smaller apartments and three additional storefronts facing the park. The new build apartments needed to be built in order to make the renovation of the old buildings financially possible. After completion, IW was approached by Irish investors who bought the whole complex and started to rent out and sell the apartments.

4.5 THE CORNER BUILDING



Figure 9. Corner Building; own work, 2016.

Based on an interview with Ron Roos director at Polma Real-estate on 24-05-2016.

Still on the same side of the street, right next to the renovated houses, stands the corner building; Chwaliszewo 70. The building is the property of a Dutch investor and his company Polma Real-estate. Polma is a typical simple investment company; their purpose is to buy property and later sell it again with profit. Ron Roos came to Poland in 1999 and used his experience in the Dutch real-estate market to set up a company here in Poznań.

The Polish market, especially in the beginning of the 2000's worked completely different and was incomparable with the Dutch market. The market needed to catch up to Western standards.

and with this idea in mind Ron Roos started buying up all kinds of property in the city of Poznań.

The building on Chwaliszewo was part of a portfolio that was offered to him as an investment by another real-estate company. The building was owned by one man so the ownership question was resolved before the involvement of Polma Real-estate. The building it is now for sale for 5.2 million złotych, a rough 1.3 million euro. Polma Real-estate did not renovate the building, the building was only bought as an investment, to be sold again when real-estate prices would rise again. However, the market for this kind of simple investments has come to a hold. The investment opportunities that were plentiful in the years after the transition has dried up. Cheap buildings that can be bought and sold again with profit without renovation or investments are no longer largely available. This has put Polma Real-estate in a difficult situation because the company does not have the experience or the motivation to become a project developer. The building on Chwaliszewo is meant to be sold at the right time, however, the investment company also needs to keep it in its portfolio for it to continue its existence as a company.

The market for these kinds of simple investments has dried up in Poznań. The availability of cheap buildings in prime locations, as it was the case just after the fall of the Iron Curtain and that attracted many investors looking for quick profit.

In Poland, people now realise that they can ask for much more, so they do. This results in a situation where the only buildings that are for sale are badly maintained and overpriced, and the cheap buildings are no longer available to buy. The market since became less lucrative. We don't want to be a project developer, so for me, Poland is not that interesting anymore.

The rent-regulations connected with the buildings we wanted to buy, lead to a stagnation in our business.

Rent-regulations and ownership issues are the largest problems for investment companies like Polma. Multiple ownership can come with all kinds of different problems. If there is more than one owner of a building, a housing cooperation should be formed. This cooperation is in charge of decisions concerning the house, like maintenance and renovation. The structure of this cooperation is one where voting is done by head, not by the share of the property. This means that if an investor buys more and more shares in the building, he does not gain more votes. This can lead to a hypothetical situation where an investor would own 80 percent of the building, but in a situation where there are three other owners, only has one out of four votes. At this moment the three other owners can vote on the renovation of the building and the investor will have to cooperate, being forced to renovate his 80 percent of the building even though he voted against it.

4.6 THE WARTA RIVERBED



Figure 10. Riverbed with Old Sienna building; own work, 2016.

The proximity of the river is one of the main assets that makes Chwaliszewo an interesting place for investment and redevelopment. The water attracts people and during summer the sides of the river are crowded with people. In the past years, the city has started to reconnect with the river and slowly but surely activities and investments are made along the river. The municipality allows for and facilitates riverside recreation. KontenerART is one of the initiatives that brings city-life back to the river, with its bars and activities.

The current state of the river, embedded in a concrete basement, is the result of the already mentioned socialist intervention. This project was officially a way to protect the city against floods, but also resulted in the separation of Chwaliszewo from the rest of the city. Because the river was moved in socialist times, who owned the land that would be the new riverbed was of little influence. Now, this causes a problem for the possible redevelopment of the old Sienna building, the one where the Nowa Sienna got its name from. Only a small part of the backside of Sienna building still stands close to the river. The old Sienna building was a large complex built around 1900 as the first building in Europe specially built to host the people working on the docks. The building was in 1905 opened by the wife of the German Emperor. The small piece of the building that still stands is protected and is inhabited by 11 families, living in worse conditions than the families that used to live on Chwaliszewo 72. The original building covered more land, land that now lies under the river. This makes for a difficult situation. If an investor would want to buy the still standing part of the building, he has to buy the associated land too. This would result in a private organisation owning part of the riverbed and access to the river. By Polish law, it is not allowed for an individual to own part of the river, nor access to public water. The investor would have to give back the land he just bought from, a company owned by, the municipality, to the municipality and Polish water management.

The other part of the river is where the old river used to flow. This piece of land did not exist before the socialist nationalisation, that means that the ground did not have an owner. After the redirection of the river, a half circle of new land became available around the, now former, Chwaliszewo island. The new land, right at the border of the city centre, could have been a great opportunity for redevelopment. The municipality gave in to their first incentive and took this opportunity to solve part of the city's parking problem by transforming the former riverbed into three car parks. Parking problems are omnipresent in CEE cities. The river added value and function to the island, but the car parks physically separated the neighbourhood even more.

There have been a number of plans to transform the area and give it more connection to the city. A masterplan was made by a Dutch company to bring back the river, and talks on the river being, at least partly, are very common. But for now, the municipality does not show the ambition to change the function of two of the three car parks. The south part of the former riverbed is now under construction to be transformed into a park. This park is a joint partnership between the municipality and Inwestycja Wielkopolsku, with IW as the main initiative taker. Andrzej Marszałek saw the car park as a negative aspect that would make it harder to sell the apartments he was building on the backside of Chwaliszewo 72 and 73. The park is the largest cooperation between the municipality and private investors in Poznań. IW offered to buy the trees for the park, a total investment of 200.000 zł. against a total investment in from the municipality of 4.000.000 zł (approx. 1.000.000 euro).

4.7 OUR OFFICE



Figure 11. Our Office; own work, 2016.

Based on an interview with the owner, Ewa Zalewska, on 18-05-2016.

The floor of the entrance of my office has two dates, one reads 1905 the other 2015. The first date is the year the building was originally constructed, the second when the building's renovation was completed. It is currently owned by two sisters who are the third generation who own and manage the building. Their grandfather obtained the building in 1950. He was a tradesman who had money to spare. At that time the building was owned by seven people, who agreed to sell the building to him. During socialism their house, which includes three additional buildings on the inner-courtyard, was inhabited by the lower classes of Poznań. The seven previous owners were stripped from their rights to do anything with the property, and were forced to take these families into their homes.

The building is large; it contains one main staircase that gives access to the apartments facing the street. The other two staircases reach the two side buildings on Tyne Chwaliszwo, the back street. The side buildings, originally inhabited by the servants of the people living in the apartments on the main staircase still have their original function as living space. On the ground floor, the building hosts a *Zabka*, a Polish brand mini-market and a game shop, where people can rent and play board games. The RDH office is located on the second floor, on the right side of the building. The office is a spacious apartment, four large rooms, a kitchen and, a bathroom with tub and shower. The apartment next to it is also used as an office by NovaForm a real-estate company, also with Dutch roots. The other apartments on the main staircase are rented out as apartments. All but one apartment, are inhabited by people who moved here after the renovation. Upstairs still lives Alicja, a woman of about 70. She was moved here during socialism and is the only one left on the main staircase. In the back buildings there are more people living that stayed after socialism. One by one the apartments are renovated, they all have new plastic windows, and new gas boilers. Most of the interior of the house has stayed the same, apart from the kitchen and bathroom, you can even see the pipes where in the 19th-century gas lighting was installed.

Ewa Zalewska's grandfather bought the building during socialism; this fact is noteworthy at the least. Firstly, because having the money during Soviet socialism to buy such a large building. Secondly, that her grandfather was allowed by the state to become the owner of the building. It seems unlikely that Ewa's grandfather, as a mere trader could have acquired the building without contacts higher in the socialist political system. Especially since he did not move into the property he bought.

After the fall of socialism, the buildings were in different states of disrepair, with people inhabiting the buildings that hardly paid any rent. These people were moved here during socialism from all over the city. At that time they did not have a choice in where they wanted to live. Most of them are gone now, they got their social benefits from the government and corresponding social housing. Ewa ensured me that all of them left out of free will. This gave her the opportunity to refurbish the apartments that became vacant and rent them out, either as living spaces or office space. Ewa herself has an apartment too in this house, even though she does not live in Poznań, and neither does her sister. Her apartment is large and is oddly divided. It has two kitchens and multiple doors that can be locked from the inside only like they used to function as front doors. Probably this is a remain from when multiple families lived in the apartment, each in one room, and shared the kitchens.

Ewa is not the typical owner. She never actually lived in the building she owns. She and her family live in the north about an hour's drive from the sea. The house is an investment bought by her father and should be viewed this way.

4.8 The Green House on the Other Side of the Street



Figure 12. The Green House; own work, 2016.

Based on stories, documentation and email contact with the managing company Elżbieta Wołk.

For abandoned buildings like the Green Building there are two options; one is that the owner is unknown and that is the reason why the building lays vacant and without any care, or and this is the second option that the owner is known but that the simply does not care about the building. In the first case, the Polish state is obliged to keep the building in the same state as it was after the fall of Socialism, in practice this means that the building is protected from the elements by boarding up the windows and doors. The second option, when the owner is known, the Polish state or the municipality has very little authority over the building. Looking more closely at the Green Building on Chwaliszewo 10, one notices the balcony doors standing open as well as the roof windows, letting in the rain in the summer and snow in the winter. This means that the Polish state is not responsible for the building and that there the owner is known and knows about the building.

The building is managed by a company called *P.U. Administracja* who offers multiple buildings in Poznań for sale. When asked after the building on Chwaliszewo number 10 the lady informed me that the owner does not wish to talk about the history of the building, nor his plans with it.

However, we wish to inform, that the estate at Chwaliszewo 10, you were inquiring about, is allocated to renovation, and the investment process is about to begin.

Both Huub Droogh and Marcin Ros, from NovaFrom, have tried to buy the building for office purposes. Both failed. The owner would set a too high a price or would simply refuse to make an offer.

The building is completely in ruins on the inside, the rain and snow have left their marks on the wooden floor and ceilings. Everything that has a little value is stripped from the building, from the copper electrical wires, to the gas pipes, and the original elements that could be of any value and that can be removed from the house are gone. Even in this state, the building has not been declared uninhabitable yet by the municipality. This is probably what the owner intends to do. Because the building is protected by the local conservator as part of the cityscape it cannot simply be demolished, this can only happen when it becomes a threat to the people living in the building or those walking on the street.



Figure 13. Chwaliszewo 10 Interior around 1910; Kaczmarek, 2011.

In the current state the building is unsellable, both because of its technical state and the owners' attitude towards buyers. The ground beneath the building is worth more without a building, that is in need of substantial renovation.

At the last week (June, 2016) of my stay at the office on the street of Chwaliszewo something happened to the Green House on the other side of the street. A purple bulk waste container appeared in front of the house, and four men are taking out trash and rubbish from the house. A sneak peek inside shows a hallway with beautiful ornamentation, like the one on Chwaliszewo 27. Some work has started and that might be a sign of the changing status of Chwaliszewo, because why else would the owner, after many years of neglect, decide to renovate now? A few months later in October, firefighters showed up at the Green House, because someone had mistaken the huge amounts of dust that came out of the house for a fire.

4.9 THE APARTMENT BUILDINGS AT THE RIVERSIDE



Figure 14. Nowa Sienna; own work, 2016.

Based on an interview with Marlena Wisniewska on 01-06-2016.

One day, Marlena Wisniewska and her father stood on an empty plot of land, grass growing two meters high, the rest of the neighbourhood deprived of life. This place was the very last one Marlena wanted to be at that point. Her father, however, saw it differently.

This place will one day be the future her father said to her, Marlena could not imagine, but her father was sure. The neighbourhood was poor and forgettable and the people lived simple their lives. Marlena's father owned a construction company with which he undertook projects he believed in. According to his daughter, he was a visionary, not always a very successful one, but he did what he believed in. He could see things nobody else saw. The same happened on the day that he took Marlena to the abandoned plot of land on Tylnie Chwaliszewo, the back alley of the main street. Early 2007 they started to buy the plots of land needed to start developing the Nowa Sienna project, the luxury apartment building on the riverside. A week after they bought the plots needed for the first stage of the project Marlena's father died. This left Marlena and her brother in charge of the project. Even though they were young and inexperienced they decided to take on the project their father believed in. Despite offers from other companies to buy the land they had just got to own; they went through with the project.

They started with the construction just as the economic crisis hit, the housing bubble in Poland burst. It was the worst possible time to start with the construction of a high-class apartment building. Instead of giving up, or waiting for better times, Marlena together with her father's company went through with the construction of the project, not cutting back on cost but giving it the best they got. It resulted in the building that now stands at the side of the river, overlooking the stream, the city and Ostrow Tumski. They aim at the higher class of Polish citizens, who are *rich, but classy*. And up till now, despite the crisis, they succeeded. Apart from one, all the apartments are sold, the largest apartments first. Besides from the apartments the building also hosts a restaurant, offices and a top-class cocktail bar.

Nowa Sienna is not for everyone. Marlena believes that this part of Poznań is unique, because of the atmosphere, the location, its history. That makes that she believes that the location is only for a certain type of people. Therefore the apartments are expensive, comparable to those in the capital and the costumers are hand-picked. Marlena admits that they refuse students who would like to live there. In the first years, there used to a few students living in the building but they have been denied to extend their contract.

Marlena speaks about the people who lived at Chwaliszewo when she just got here as:

Harmless but helpless, they were only having fun here.

The contrast between the two ways of living was enormous and did not fit into the picture that Marlena wanted to realise on Chwaliszewo.

So we hired some people who speak their language to convince them, legally, completely legally, to move from Chwaliszewo. They moved because we convinced them to move. It is not the right place to have a barbeque every day.

The future of Chwaliszewo, according to Marlena Wisniewska, is one where artists and creative people will meet. The place can give inspiration. It can be a vibrant place, with good local restaurants, coffee places and access to the river. She sees a return of people to this part of the city, slowly becoming a vibrant part of the city again. At the same time, she sold her apartment in Nowa Sienna, and now lives in a house by the lake on the countryside, facing traffic jams every time she goes to work.

4.10 THE BROWNFIELD



Figure 15. Brown Field with Nowa Sienka in the background, own work, 2016.

Based on email contact with Robert Stachowiak in May 2016.

Brownfield developments have, since Socialist times, had the preference of investors and developers, because it is both cheaper and easier. The empty plot of land at the end of Chwaliszewo is such an empty plot of land, a hole in the city that was left by the Second World War. The land is currently owned by SGI Dobry Adres a real-estate developer with multiple projects in Poznań and the rest of Poland. Even though it looks like one plot of land now, SGI Dobry Adres had to stitch different pieces of land together that were bought from different owners, both private and several municipal and governmental institutions. The first plot of land was bought from another real-estate company, who did not have the will to start developing this plot of land, the other pieces SGI Dobry Adres bought from the City and the Roads and Waterway Management of Poznań.

Like the old riverbed, the land was used as a carpark before SGI Dobry Adres put fences around the terrain blocking further access to the ground. SGI Dobry Adres is planning on building a large six-story apartment building with two levels of underground parking, for the higher-middle class. The design of the building (which the author is not allowed to publish) looks like a large box of glass and steel, more suitable for the suburbs than the historic street of Chwaliszewo. This might be the reason why the company did not receive a building permit yet from the city. The previous owners of the land, another development company called UWI, had similar plans for the ground, with a similar looking building.

The location is what makes Robert Stachowiak certain of the success of the project. The area is close to the city centre and therefore will have an amazing view of the rest of the city. The only risk is time. The apartments need to be sold within a limited amount of time for the investment to be financial sound.

4.11 THE EIGHT CASES

The cases introduced in this chapter show the spectrum of possible developments within an inner-city in Central-/Eastern Europe. The cases show different types of owners, their different plans and views on the city and the neighbourhood, and the difficulties they experienced. The state of development of the different sites varies, Chwaliszewo 72 has been completely renovated with a complete change of tenants, other cases like the Corner Building or the Brownfield are unlikely to change at all in the current market. What follows is a short overview of the different Chwaliszewo cases with their begin state and what has happened with the buildings or plots of land.

Case		
ZKZL State-Owned Buildings	Build after the war, communal housing.	Well maintained and not in need of renovation. Houses people with a limited income
Chwaliszewo 72	Owned by 14 poor owners.	Sold to, and renovated by IW. The 14 owners moved and new people have moved in
The Corner Building	Bought as an investment.	The building is unsellable. Most of the original tenants stay and will stay.
The Riverbed	Empty ring of land.	Partly filled with a park, constructed with a public-private partnership between the city and IW. The other 2/3 remain a simple car park.
Our Office	Inhabited but in need of renovation.	Completely renovated, with some of the tenants replaced by offices and new tenants.
The Green Building	Uninhabited and rundown.	In state of decay, but attempts are made to clean it out and possibly renovate it.
The Apartment buildings	Empty plots of land.	Newly constructed luxury apartments.
The Brownfield	Empty plot of land.	Has changed owners, but is unlikely to be developed anytime soon. The transfer to SGI seemed to be a change from passive to active, but SGI might turn passive as well.

5 DEVELOPMENT AND GENTRIFICATION



The title of this chapter *Development and Gentrification* already hints at the connection that the author is going to make between the chapters 2 and 4. The years of decline of the inner-city should have attracted large numbers of developers ready to jump into the wide rent-gap. But things went differently. This chapter will show the difficulties the investors on Chwaliszewo had, if and how, they overcame them, and to discuss what is hampering large scale redevelopment in CEE cities. But before we go into detail about our case study, I would like to start with a Central-/ Eastern European look on redevelopment and gentrification in general.

5.1 REVITALISATION

The term *revitalisation* is often used in Poznań City Council; it entails the process of bringing back life into deprived inner-city neighbourhoods (Piotr Libicki, personal communication, 2016). The term has a more positive sound to it, which fits with the overall stand on gentrification in Central and Eastern Europe (Sýkora, 2009). Gentrification is seen as not an overall bad process, but one that restores the former glory to the parts of the city that were neglected during Soviet Socialism. And, if you look around in the inner-cities of Central-/ Eastern European countries, in a district like Chwaliszewo, it is not hard to imagine where this feeling comes from. The street was once wealthier than it is now, lined with buildings that were built to last for centuries.

Look at those people, all dressed up fancy with their hats. Can you imagine that was here? But that is all gone now, I cannot imagine what happened.

Sylvia Mikołajczak (personal communication, 2016) on the picture below (figure 15).

The people with their hats are gone, just as the building on the front of the picture and the bridge, the signs in German, and the river.



Figure 16. Posen, An der Wallischei-Brücke, around 1820; Kaczmarek, 2011.

Revitalisation of a neighbourhood like Chwaliszewo brings back the higher social classes that used to live and work here. The social distress that this kind of gentrification causes is being glossed over and marked as not significant (Wiest, 2013). Displacement or replacement of people does happen and is the rule, rather than the exception. Taking back the city, in a revanchist way, is a way of thinking that is present on Chwaliszewo. Developers aim at the higher middle class while building and renovating. They do this, not only because the market for this group is most profitable, but they also believe that these people deserve a place in the inner-city, the place that was taken from them during the Socialist “social improvement”.

This is no place for people like them.

Marlena Wisniewska (personal communication, 2016) on the people now living on Chwaliszewo.

In a way Marlena Wisniewska is right, Chwaliszewo had always been a place for the wealthy and those who did well in life. On the other hand, she cannot be more wrong. The Old Sienna complex was built for the working class and the first of its kind in Europe. It shows a general lack of historical knowledge, a feature common among Poles, according to Huub Droogh, to name a high-class apartment building after a dockworkers’ house, and even more by suggesting that the still standing part would be just

perfect for a high-class hotel with restaurant.

Marlena Wisniewska (personal communication, 2016).

The location and the history of the island give Chwaliszewo a significant advantage over other parts in the city. Marlena Wisniewska speaks of

restoring the past glory of the island.

(personal communication, 2016).

She words a feeling that is omnipresent in CEE countries (Sykora, 2009) and has to with a situation that Western cities never experienced. The social upgrading of Chwaliszewo has a much less negative connotation than western literature alone could explain. The social upgrading through gentrification or revitalisation is seen as the natural response to the artificial social downgrading during the Soviet period. The people that are relocated or evicted from the houses they inhabited are not the original owners of the houses. The owners, at the beginning of the Socialist regime, have been displaced within their own houses, and can now finally retake their property. If they manage, despite all legal protection mechanisms, such as the obligation to rehouse their former tenants, they have restored the situation prior to Soviet intervention.

Smith’s (1996) revanchist city idea represents how investors are thinking about the role they play in city development. They facilitate not just the return of the higher middle class to the inner-city, but also the claim the higher-middle class makes on the city as theirs. During Soviet times the new socialist middle-class moved to the housing estates where standards of living were higher. And the inner-city was left to the urban poor, the dissidents and the scum. The new contemporary middle class has the choice of either the suburbs or the inner-city and investors see chances of attracting them back to the city. Smith, however, ultimately saw revanchist as something bad, a feeling that is misplaced and would ultimately harm the city a sentiment that does not resonate in CEE.

The return of the middle-class does not necessarily displace the urban poor. Brownfield developments especially do not displace anyone, at least not in a direct way. The people that left Chwaliszewo because of the new development of Nova Sienna, left because of active involvement in their life and the convincing talks that were initiated by Marlena Wisniewska. Even though this example shows the

indirect displacement of people because of a new development, it also shows the amount of dedication and patience needed to displace people. And only because the people owned their houses makes it possible to convince them to go. State-owned and ZKZL managed houses are not sold to the market, this would only worsen the housing situation for the urban poor in Poznań and is therefore avoided. Social mixing is, therefore, up until a certain degree, guaranteed on the main street of Chwaliszewo, since the ZKZL State Owned Buildings at the beginning of the street, will not be sold or inhabited by different class than the target group of ZKZL; the urban poor.

The return of the middle-class also brings daily life back to parts of the city that have been abandoned for a long time. Functional change can also mean that daily functions come back to a neighbourhood when more people live in that neighbourhood and if, on top of this, these people have more money to spare and can so support more local business than the average working class man. This is why Nova Sienna can support a restaurant, gym and cocktail bar. More accessible are the two new ice-cream shops on Chwaliszewo, bringing to total number on three, that opened towards the summer of my five months stay in Poznań. This not only shows that Chwaliszewo is able to support more functions, but also the endless lack of creativity of the Polish entrepreneur.

Public opinion on gentrification or revitalisation is more positive than in Western European countries. Gentrification, directly linked with the inevitable displacement of the urban-poor and the homogenous upscaling of the neighbourhood to a more affluent social class is viewed differently. In Central-/ Eastern Europe displacing people, directly and indirectly is a tad more difficult, especially in the inner-city. The already mentioned rent-protection laws make it a difficult and timely process to evict people from their homes. It takes a special kind of skill, knowledge and patience to get people to move. It took Ron Roos nearly two years to evict a tenant from a property he owns.

With this general picture in place, I would like to turn to the three factors of willingness to invest to see the difficulties and opportunities lie within the legislation; the market; and the people.

5.2 MARKET

The market influences people's ability to invest (see paragraph 2.2). Within a free market economy investors are looking for the highest return on investment. According to Smith (1979), capital, therefore, flows to where the rent-gap is widest and the risk of the investment is acceptable. There are three things notably different about the Polish real-estate market that can be seen in the development or lack thereof in the urban landscape. These three things are, first, an overall lack of money both of private money as well as loans and mortgages provided by banks. Poland and Central-/ Eastern Europe in general are known to be cheap, and despite the fact that Poland has one of the fastest growing economies in Europe, there is an overall lack of available resources (EY, 2014). The second, a lack of scarcity of space. Poland is a large country and does have a lot of space for the growing suburbs, and the suburbs take this space (Huub Droogh, personal communication 2016). The same goes for the inner-city, there are a lot of empty buildings, ready to be reinvested in, scattered everywhere around the inner-city, makes it hard to concentrate the available interest in the inner-city. Third is the rent-gap that is closing, but it is questionable if it is for the highest and best use.

The real-estate market in Poland is characterised by a lack of financing by banks and a high homeownership percentage (EY, 2014). Most people in Poland own their houses. In contrast to Western cities where renting is a good alternative, only a small percent of people in Poland are renting their apartments. This situation has its roots in the privatisation of housing commodities during the post-socialist transition period (see paragraph 3.3). After the fall of Socialism, Poland adopted a shock reform from a socialist plan economy to a free market economy. This included that the state, that was

the owner of all means of production, including housing, radically privatised its commodities. Properties were sold at rock bottom prices. This means that anyone with a little bit of private capital bought their apartments from the state. Those who could not afford to buy their property stayed in their apartments and started renting it from the state.

The rental market in Poland has not come to development because the market is small and mostly consists of the lower classes of society. Low-income households cannot pay the rents needed to cover the cost of new buildings and, therefore cannot create an effective demand for new housing, so they are left only with the option to apply for social housing (Skaburskis, 2009). Those who do rent, students, young couples and foreigners, rent from private landlords who bought or own property and use it as an investment, housing cooperations, apart from the municipal owned ZKZL are non-existent.

The low scarcity within the inner-city is clearly illustrated by the use of the Old Warta Riverbed as car parks. The municipality owns the ground but cannot find a better or higher use for the ground than low paid carparks. Even though the location of the ground is very central and there is no dispute of ownership, little has been done with the area since the transition (Modrzewski and Rybak, 2011). The use as a car park is sufficient enough for now because better and higher functions can choose from numerous locations throughout the city and the ever-growing suburbs.

They do not add any value to the district or to the city, and to be honest, they are rather ugly.

Piotr Libicki, (personal communication, 2016).

The unclear situation about whether or not the municipality has plans for the old river bed is unclear, this discourages investments in this part of Poznań even more.

Smith's rent-gap theory cannot explain the reasons behind inner-city development in Poznań. Smith follows the large stream of investment capital. In Poznań those flows of capital are not directed at the inner-city, they rather flow to the suburbs, the numerous shopping malls around the city and to the historic Market Square. Leaving only a specific type of investment for the inner-city.

The number individuals standing up and taking the risk of starting their own project is limited. Blaming Soviet times for this behaviour would be too easy. Even though for a whole generation the state took care of almost everything. The state gave purpose to the lives of people, taking care of their personal life, their career and their housing. After the transition people had to take care of their houses themselves, something that they were not used to, but this is not the main reason for a lack of entrepreneurship. The opportunities for people to develop and improve their own housing is limited money providers such as banks are skittish with providing loans to individuals. This makes it hard for individuals without personal capital to start their own business. At the same time the people who do have money to spend are the growing new middle-class (Wiest, 2012). The post-socialist "new rich" are putting their stamp on inner-city development. They are the ones with private capital to invest and take thereby the role of the pioneer class in the gentrification development.

I would like to make another project here on Chwaliszewo, but not now, I don't have the money now.

Marlena Wisniewska (personal communication, 2016).

This area, between the city and the river, will change in the next 3 to 4 years because of more investments.

Andrzej Marszałek (personal communication, 2016).

In opposite of what Smith (1979) suggested when talking about the return of capital to the city, in Poznań, it is the capital that flows to the suburbs, but the higher-middle class that is attracted back to the city. All investors aim to attract businesses, from Polish or foreign origin, and wealthier people to their buildings. Because it is only these people that can afford the prices developers ask. The other alternative is to build cheaper.

There is no market anymore for the large, pre-war apartments. People now want to have it cheap and that means small.

Andrzej Marszałek (personal communication, 2016).

During Soviet times the rent-gap had grown, however, the restored owners did not, and still do not have, the opportunity to capitalise the potential ground rent. Landlords are stuck with rental agreements, that date back 30 years. Investment in their property is made difficult by the lack of available financing and the uncertainty of being able to see any return on invest on their investment. Most owners do not have the capital to even start renovation and Polish banks are reluctant to give out mortgages, something that is crucial for inner-city development according to Smith (1996). If, however, they do succeed to find (foreign) investors, in the form of renters, or people that do have private capital, that are willing to pay market prices, they can use the money to start to upgrade their building. This process can go fast, when a whole building is bought by investors willing to renovate, like what happened to Chwaliszewo 72, or more slowly, like Our Office.

The rent-gap and functional-gap were large in the years after the transition. Investors like Ron Roos came to Poland in search for a quick profit. Real-estate prices in the most attractive location boomed.

The buildings at the Old Market were gone first, you could get your hands on a building for 4.000.000zł, now you would have to pay ten times as much.

Ron Roos (personal communication, 2016).

The rent-gap in the inner-city has mostly been closed in the most lucrative areas, the touristy Old Town and CBD. The houses that still have a rent-gap and could be interesting properties to redevelop are difficult to access, either naturally, by the lack of a known owner, or artificially by speculators. The market with its enormous rent-gap that both Sýkora (1992) and Ron Roos (personal communication, 2016) speak about as it existed from the fall of Soviet Socialism until the 2000's, no longer exist. The buildings that could easily be bought and renovated, either with or without function change, have long since been transformed.

The areas in the inner-city that remain un-upgraded fail to attract the attention of capital. Firstly, because these areas are not scarce, within a typical CEE city there are numerous neighbourhoods with dilapidated buildings that, in Leo Paul's, words:

will go through the same process [gentrification] though much slower.

(Paul, 2013 p.114).

The time of quick profit, cowboy like investment opportunities are over. The rent-gap has closed on the most attractive areas. The remaining inner-city that is full of potential but also not scarce enough, so the risk is too high to be interesting for developers. Add to this the difficulties of ownership and problems with tenants, and compare that to the lack of such problems on either brownfield-developments in the inner-city or on suburban brownfields, and one can see that it is not illogical that most investments go to Poznań's suburbs. In the suburbs, in stark contrast to the inner-city home-

and landowners have full control over their property, allowing for a closing of the rent-gap at its highest and best use.

5.3 PEOPLE

In the classic approach to gentrification, owners take a central role in the developing of their property (see paragraph 2.3). This is different in Central-/ Eastern Europe where homeownership is not a sign of wealth; it is a result of the large-scale privatisation, where Soviet build property was sold at prices as low as 10 percent of their market value. Those inhabiting these buildings in the inner-city, like the original owners of Chwaliszewo 72 are not wealthy at all. The state of both the inside and outside of Chwaliszewo 72, see figure 17, screams poverty and disinvestment at the time when the involvement of Inwestycja Wielkopolsku started. In the inner-city, the restitution of ownership rights did give people their property back but after decades of collecting little to no rent, it had left them poor and without a stable income out of rent that most landlords can count on. Owners are therefore not the people we should look at searching for the main group of investors. Most of them do not have the financial means or security usually associated with homeownership (Wiest, 2012).

When the ownership of Chwaliszewo 72 was transferred from the passive original owners to the active owners of Inwestycja Wielkopolsku development could start. This is the point where gentrification and displacement come into view. As soon as money starts flowing back into a building, those who live there have to go, because they cannot afford the new prices. In the case of Chwaliszewo 72 the people left willingly, having sold all their shares in the building. If they had not wanted to leave they would



Figure 17. Chwaliszewo 72, before renovation. Inwestycja Wielkopolsku, 2001.

still live on Chwaliszewo, leaving for them was a better option. Renovation does not automatically lead to displacement.

Everyone returned after the renovation. Only those with problems with their lives, like alcohol and those who were behind in rent, those we placed in social housing.

Karol Przybyszewski (personal communication, 2016).

and;

We only removed one family, a mother and her three children, because they were a disturbance to the house. They ruined the freshly painted walls in the staircase with those black markers.

Ron Roos (personal communication, 2016).

and;

They got a place in social housing, so they left. I did not force them.

Ewa Zalewska (personal communication, 2016).

Between the lines you can read that, they themselves are the only ones to blame for their displacement, if they would have paid rent and behaved normally, they would still live in their apartments. The people that are displaced within a Central-/ Eastern European context have been pushed over a much higher threshold than their Anglo-Saxon counterparts.

The examples where people did leave against their will are therefore more extreme, people were bullied into leaving or where their living situation was disturbed so much that they had no other choice to leave. The already mentioned example of a landlord in St. Petersburg (paragraph 3.3) who rented out flats to criminals who just got released from prison, springs to mind. These forms of active displacement were common during to first years after the transition and in the most valuable areas, such as the historic city centre and neighbourhoods in and around the CBD. It was also around this time that the *super tenants* went around their business (Chelcea, Popescu and Cristea, 2015). The market has since become more stable, and since Chwaliszewo is not in the historic centre of Poznań nor very close to the CBD, these excesses are not to be expected here.

The group of investors that do show interest in the inner-city are the ones with access to a form of private capital. Banks are reticent about giving out loans. Even for Marlena Wisniewska, who had her father's company to back her up, it was hard to find a bank willing to provide her with the necessary finances.

We were afraid, we didn't get financing from the bank. We were so arrogant to think we can do it ourselves.

and;

I dressed up in a t-shirt and jeans and went to every bank to ask for 20.000.000zł, they were laughing so hard, they thought I was crazy.

Marlena Wisniewska (personal communication, 2016).

For ordinary people coming by the sufficient amount of financing is even harder. It takes a special kind of investor that would invest in the inner-city, one with own capital, from an already successful business, like Inwestycja Wielkopolsku, foreign capital and expertise, as Ron Roos has, or another

source of steady income like Ewa Zalewska, who has attracted foreign renters who are willing to pay market prices, allowing her to invest the collected rent, back into the building.

Having access to real estate property is hard, in a market where homeownership is high, acquiring a 100-percent ownership of a building is difficult but essential for investment opportunities. Since voting is done by head and not by share of the property within a housing-cooperation, being the only owner is essential to secure the future of the building in a way interesting for the investor (Ron Roos, personal communication 2016). It takes skill, luck, and time to get a building in full ownership. All investors have pieced their property together, buying different pieces of the building or land from different owners, except for Ewa Zalewska who owns Our Office. Ewa Zalewska can be seen as a *super-tenant* (Hirt, 2007), or at least her grandfather was. He obtained the building during communism even though he was a

normal tradesman.

Ewa Zalewska (personal communication, 2016).

He must have had contacts high within the Communist party to be allowed to buy such large property so close to the city centre. Ewa Zalewska and her family never lived in the building and she had never entered the building before 1991.

Time is another aspect that connects those investing in the inner-city. Ron Roos is the odd one out here. He came to “flip buildings”, buying them cheap and selling them for a profit fast. Although the business was lucrative a few years ago, now this kind of fast money cannot be made anymore. All other investors, including the owner of the Green House, can afford to wait, ten years, or even longer on return on their investment. Because he refuses to sell the building and since he lives somewhere else, this indicates that he is in no hurry. Those who do not have this time are more likely to sell their property, like the former owners of the three renovated tenant houses that are renovated by Inwestycja Wielkopolsku. For new developments timing is just as important.

Time is the only risk.

Robert Stachowiak (personal communication, 2016).

Robert Stachowiak is worried that the momentum will pass for the SGI project on the brownfield at the end of Chwaliszewo. If, after construction, the apartments are not sold within a limited timespan than it would endanger the whole project. The Nova Sienna project was lucky, finding a niche market and being able to sell all apartments in a time of global crisis.

A factor that is important for the distribution of the capital that is interested in the inner-city, is that it is connected to people with a different goal with their investment than just making money. This motivation can be based on the history of the place, like with Chwaliszewo and Ostrówek. Or a certain atmosphere like the district of Jeżyce, that is famous among locals for its upcoming restaurants and lively atmosphere.

Successful reinvestment is also contingent upon the broadly parallel actions of a range of individual investors.

Neil Smith (1996, p.190)

One investor cannot make a difference; it is up to a collective of individual investors with the same aim that invests together in one neighbourhood. In the grand scheme of capital, the inner-city is losing

from the suburbs, where more investors are active than in the inner-city. However, the kind of people that do invest in the inner-city do have their specific reasons.

Because most investments are made in the suburbs, the type of investor that does invest in the inner-city has something special. They can distance themselves from their property, none of the re-developed buildings is inhabited by the owner, they bring their own money and so are not depended on the market to supply them with capital, and last but not least, they seek for more than just quick profit.

They [the original owners] could not wait for 10 years to see a return on their investment, they needed money now.

Andrzej Marszałek (personal communication, 2016).

Or more specifically on the location of Chwaliszewo.

This location is unique.

Marlena Wisniewska (personal communication, 2016).

And;

The type of businesses that we have here, are looking for something more, something special, an old building like ours.

Andrzej Marszałek (personal communication, 2016).

Inwestycja Wielkopolsku is therefore seen as a

non-typical investor company.

Huub Droogh (personal communication, 2016).

Because it not only focusses on making a profit but also sees the importance of historical value and takes good care of its tenants.

Money and patience not the only two characteristics of people who invest in the inner-city. There is a third and nationwide explanation for the lack of interest in the city. The Poles are countryside people: Polish culture is based on villages and the county-side.

The Polish people have always been countryside people. Cities in general are a German phenomenon rather than Polish.

Piotr Libicki (personal communication, 2016).

The ultimate dream for almost every Pole is a house on the countryside. The closest modern-day Poles can come to the idyllic countryside home, is a detached house in the suburbs. The cultural preference puts extra stress on the suburbs. Despite Marlena Wisniewska's talks on how amazing the renewed Chwaliszewo island would be and the high-class standard of the Nova Sienna building, she sold her own large apartment in Nova Sienna for

the highest price I could get, she would have paid anything, so I asked the highest price

Marlena Wisniewska (personal communication, 2016).

and moved to the countryside, where she has her own private house at a lake. Even though, she does have to face congestion every time she has to go to work.

As the map of Poznań and its surrounding countryside (figure 17) shows, the city itself is losing population and the suburbs are growing. This pattern of urban development is seen throughout Central and Eastern European cities (see BBSR, 2016). A shrinking population makes for a less attractive market. The inner-city is less attractive for investment because of the legislation and the people that still live there, a problem that the suburbs and brownfields within the city, have much less. Additionally, for Poland is its growing countryside that indeed shows what Piotr Libicki argued about the Polish people being countryside people. A growing countryside is not seen in other CEE countries.

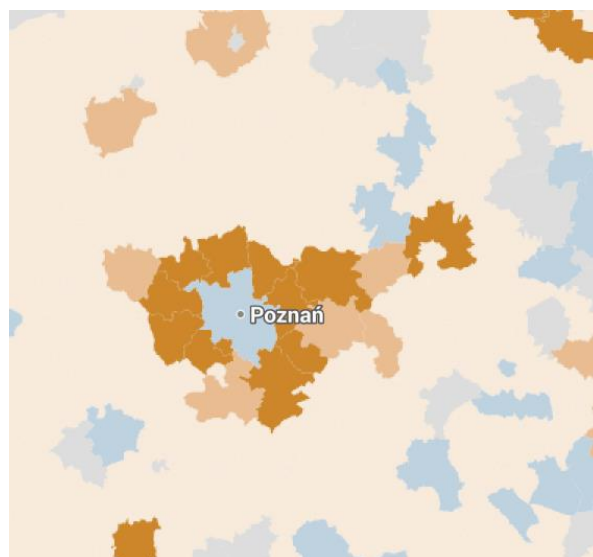


Figure 18. Growth (orange) and decline (bleu) of population. BBSR 2016.

5.4 LEGISLATION

Legislation can be a stimulation for redevelopment and investment or can be a barrier (Adams, Disberry, Hutchison, and Munjoma, 2001). City legislation such as masterplans, urban design strategies, can guide developments and give investors a certain degree of stability. The city masterplan gives guides to the kind of developments the city will undertake within the neighbourhood and the kind of activities that are allowed to take place within the neighbourhood and which ones are not allowed.

In Poland every city must have a masterplan for the development of the city. The law that requires this has only passed into legislation a couple of years ago and most Polish cities are still struggling with the concept. This results in a situation where most masterplans are kept vague and do not cover the whole city. The WZ-decision (see paragraph 3.2) offers a solution for the absence of broad governmental guiding. The WZ-decision is a tailor-made mini-version of a masterplan that covers only a few plots and only needs to take the function and architecture of the adjacent plots into account. The WZ-decision is a strong and very flexible legislative tool, with only one, rather substantial, weakness: it does nothing for a homogeneous city planning. The legislative tool does not give stability, it is ad hoc nature, and only adds to the uncertainty (Reimer, Getimis and Blotevogel, 2014 and Mikołajczak, 2016, personal communication).

Investing in the inner-city, in stark contrast to the suburbs, is subject to a lot of protective legislation, both for the exterior of the building, new and renovation, as well as for the people inhabiting the building. The inner-city, and especially Chwaliszewo, is subject to heavy control of the local conservator. On Chwaliszewo she has the final say in providing building permits and can prevent or delay the start of the construction or renovation of a building. Chwaliszewo, due to its unique geographical location still attracts investors and capital, but other areas in Poznań, due to the finite characteristic of capital are not so lucky.

The areas interesting for development in the inner-city are more limited than can be expected from a Western point of view.

We made mistakes. We bought buildings on B and C locations, thinking that those will grow in value too. But I was wrong. [...] it is not the same as in Holland.

Ron Roos (personal communication, 2016).

The large difference between the suburbs and the inner-city when it comes to the amount of legislation. The suburbs have long been free from both directing and restricting legislation. After the transition the suburbs grew and could do so because there was no masterplan stopping people from building their houses where ever they wanted. Years of a centrally planned economy had left the people and the new government weary for too much government interference.

There are opportunities in the inner-city for development, they are scattered, and in the case of Chwaliszewo the municipality does not seem to be willing to take a first step into directing the attention of investors towards Chwaliszewo by investing in the public space and transforming the car parks.

The inner-city has a different story. Here, especially on Chwaliszewo, the local conservator has a strong hand in what will be allowed and what not. The local conservator responsible for Chwaliszewo Mrs Joanna Bielawska-Pałczyńska, a stern looking woman, has a lot of authority over changes that are made on the street. She is responsible for the look of the street, she prescribed the colour paint that should be used for the renovation of the façade of Our Office and has issued a warning to Ron Roos, declaring that he should renovate his building. Marlena Wisniewska had to use bricks for her project on the riverside to make sure the Mrs Bielawska-Pałczyńska would agree with the plans and allow the construction to start.

The first problem we had was with the local conservator, about how the building should look like.
and,

The problem was with the local conservator, we had to make many arrangements with the lady.

Marlena Wisniewska (personal communication, 2016) on the local conservator.

Her influence is strong on the historic neighbourhood of Chwaliszewo, especially on new build buildings. Even though the local conservator can issue warnings, like she did with the Corner Building she cannot do anything against those unwilling to do anything with their property. Neither is she able to do anything against the owner of The Green Building because nothing happens with the building. If the renovation, that started the last week of the author's internship in Poznań, proceeds, she will have a say in who the renovation proceeds.

The municipality does not only come with demands for preserving the historic buildings and neighbourhoods. There is also some money available for special historical renovations, but not for all buildings.

They [the municipality] promised me some money if I would renovate the façade, but they didn't pay me, and so I didn't renovate.

Ron Roos (personal communication, 2016).

Roos might have intestinally misinterpreted the funding from the municipality. Only certain buildings that are on a list can receive a subsidy. On Chwaliszewo only one building is included on that list, and it is not the building owned by Ron Roos.

Public investment, by the lack of a masterplan, is scattered across the city landscape and often inconsistent. This adds to the unfavourable investment climate in the inner-city.

Public investment (...) needs to be carefully orchestrated to leverage additional flow of capital to generate confidence and a critical mass development.

Tsenkova, (2003 p.7).

When the municipality fails to allocate their own resources in a way that attracts investors, these investors will have an even harder time finding right investment opportunities.

5.5 DISPLACEMENT

Taking gentrification by following the definition by Eric Clark (2005 p. 258) as (1):

a process involving a change in the population of land-users such that the new users are of a higher socio-economic status than the previous users,

and (2):

an associated change in the built environment through a reinvestment in fixed capital.

Then we have to conclude that on Chwaliszewo there is a change in the population of land users which have a higher socio-economic status. Nova Sienna alone has added 58 apartments to the neighbourhood that are inhabited by the higher-middle class and the polish new-rich. Also, Inwestycja Wielkopolsku's investment has replaced the original owners with more affluent people and adding an extra apartment building at the back of the original buildings. Both investments have increased the number of living spaces on Chwaliszewo. The Nova Sienna apartment building is doing so without directly displacing anyone.

The second part of the definition speaks about reinvestment in fixed capital. On Chwaliszewo there has been reinvestment in the built environment but it has only affected parts of the street. Not all buildings are being reinvested in and it seems that the investments have only a limited affect the willingness to invest of others, at least none of the investors interviewed named other investments as a motive of starting their own project. The demand for new or renovated property on Chwaliszewo is not high enough for SGI to start developing their brownfield or for the owner of the Green House or the Corner Building to be able to sell their property for an acceptable profit.

The shrinking city of Poznań and the largely available brownfields within the city make it less attractive to invest in the existing built environment. This also means that displacement through a rising demand for inner-city property is less of an issue in Poznań. Tigh and Ganning (2016) state, in their research in shrinking cities in the United states that:

redevelopment without gentrification is possible.

p.795.

This research has only found two cases of direct displacement, first is the family Ron Roos evicted from the Corner Building, due to their disturbance to the house, and second are the few students who were living in Nova Sienna, whose rental contract was not extended.

There are however the “voluntary” displacement of people, the people that

wanted to move

Andrzej Marszałek (personal communication, 2016).

and;

moved by themselves after they were giving social housing

Ewa Zalewska (personal communication, 2016).

or that;

we convinced them to move

Marlena Wisniewska (personal communication, 2016).

These people moved on their own account, officially they did not have to leave. Lees, Wyly and Slater (2013) speak of people who are not displaced because they have no chance to move elsewhere because of gentrification and rising prices at the places where they could have moved. These people stay and simply deal with rising rents. On Chwaliszewo the opposite is happening. People are moving because their living standards worsen, or are made worse, until the point where moving is better than staying. The people move, seemingly without protest. Those who want to stay can.

Indirect displacement is a common practice. Not all people that leave do this completely voluntarily. They might say that they do, or they are happy with the money they receive or with the new apartment with higher standards. Or they leave because their current housing is not being maintained because the owner has different intentions for it. Making their living conditions slowly worse and worse until they decide to leave themselves. These people end up in state-owned housing. In three cases the owners actively tried to get people out and into state housing somewhere else in the city.

Ridding themselves of the burden of having to find alternative housing for their former tenants.

This research has found one case where upgrading and revitalisation actually led to the displacement of the urban poor, to make way for a new development. The people that Marlena Wisniewska convinced to move, did. But their houses are now marked as “uninhabitable” and “a security danger” by the municipality (see figure 18).

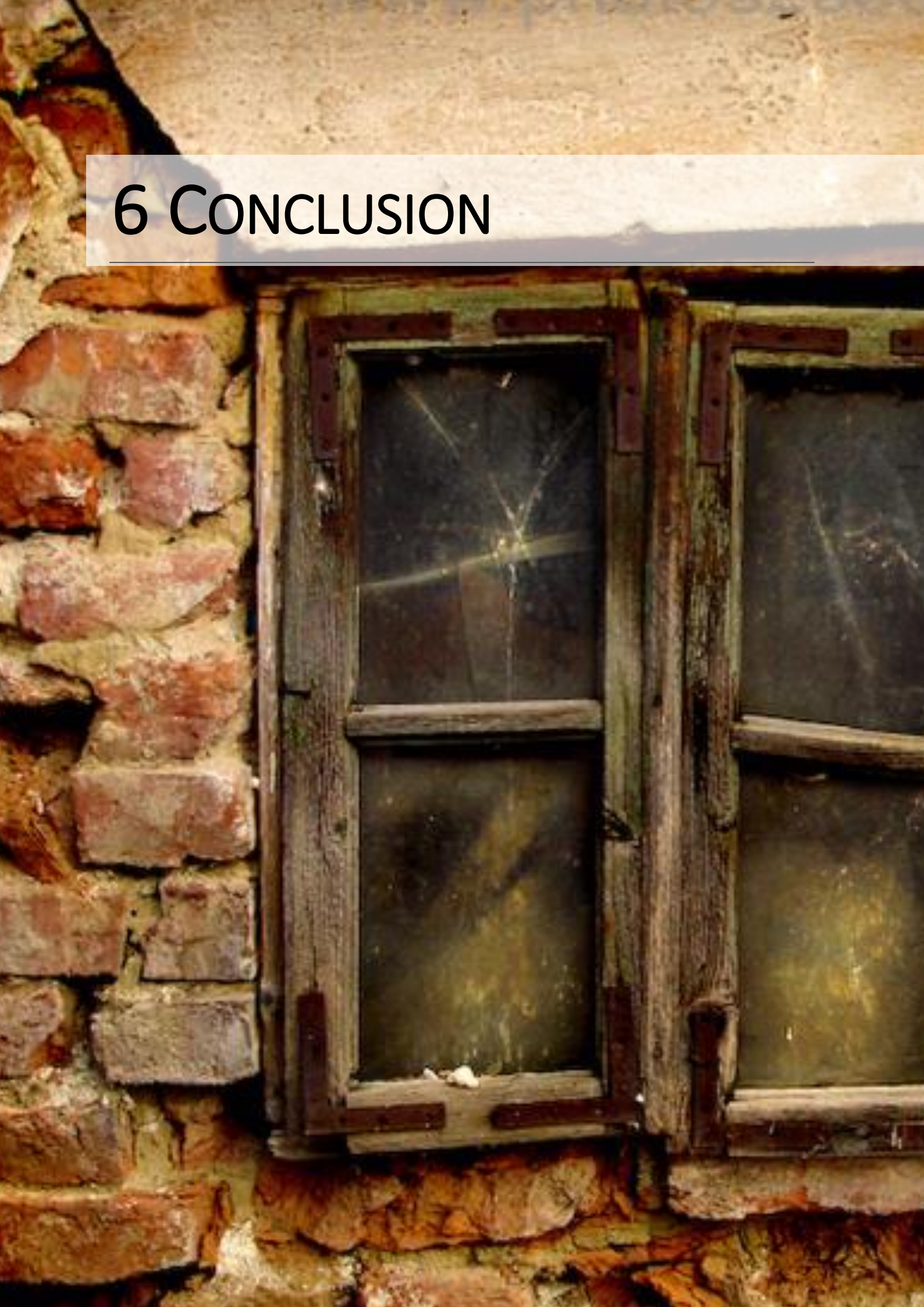
People are removed from the city, who will not be missed, such as poor and unemployed people, to force a close on the rent-gap (Slater, 2015). The building next to Nova Sienna, can now be demolished and because it is less than 100-year-old it is not protected. There are plans to develop a project like Nova Sienna here, but given the pace of development on similar locations on Chwaliszewo, this development will take more than a few years to start.



Figure 19. Warning Sign on Tylne Chwaliszewo. Own work, 2016.

Gentrification on Chwaliszewo is not clearly definable. There is an influx of people with a higher socioeconomic status, but these people do not necessarily replace people from a lower economic status. Strong rent regulations and the presence of the ZKZL, who does not sell their buildings, will leave Chwaliszewo highly diversified. Something that is characteristic of the first years of a gentrifying area. The process is slow and the gentrifying effect has less influence on the rest of the neighbourhood than can be expected. Investors are the initiators of the process, but their willingness to invest has to depend on more than a simple search for profit. Their ability to invest is hampered, slowing overall inner-city development down in favour of those with a rental-contract that dates from Soviet times and homeowners.

6 CONCLUSION



This final chapter is the end of my work. Within this chapter I present the final conclusions of my research in Poznan. I will place my work in perspective and explain what my work has added to the existing body of literature. I give recommendations on what the municipality could do with the hurdles that I have identified, and with what it should be careful. Last I will reflect on my own work and look forward to other possible research opportunities.

6.1 CONCLUSION

This thesis started out with the question of global gentrification. The world of gentrifying cities has gone through three different waves of gentrification. The first wave was a time where gentrification could only be observed in the large cities, as Ruth Glass (1964) describes the gentrification of neighbourhoods in London in the nineteen sixties. Gentry from the countryside found their place in the Victorian style houses of central London. These people renovated the run-down houses, pushing out the working class that inhabited them and improving the quality of the city. Through the second and third wave (Hackworth and Smith, 2001), more and more people “returned to the city” and different parts of the city began to gentrify. The role of the government grew with time, which made it possible for investors to take on larger and riskier projects. One of the characteristics of the third wave is that government and investors cooperate in an equal way in public-private partnerships. Lees, Slater and Wyly (2013) now argue that we have reached a fourth wave of gentrification, one that is global. Global not only in the scale of cities that experience gentrification but also global in the flows of capital.

Looking at the city of Poznan, Poland, and more specifically at one neighbourhood in Poznan: Chwaliszewo, this research aimed at identifying gentrification in a medium sized city in Central-/Eastern Europe. The premise for this search is a quote from Loretta Lees; she states that gentrification has gone global, and can now be found in every city in the world (Lees, Shin and López-Morales, 2016). Central and Eastern Europe, however, seem to be an exception. The statement that there is a gentrification process, comparable to what Lees (2003) sees in the Brooklyn Heights, is not made easily. As the neighbourhood gains popularity, people, and capital flow to the Brooklyn Heights investors and speculators buy property to renovate and sell again at higher prices. Neil Smith’s (1979) rent-gap theory explains why capital flows to certain parts of the city, risks need to be low and profits high. When there is a difference in potential and current use, there is a rent-gap. This gap can be filled by investors, who see a chance for profit. New and more affluent people move in, displacing the people who can no longer afford to live in the neighbourhood. The neighbourhood is recycled and starts a new circle of use. It is, however, questionable if this is what happens on Chwaliszewo.

The neighbourhood, located close to the historical centre of Poznan, seems to be ready for a gentrification that is typical for the first wave, but also already shows hints of a public-private partnership that is characteristic for the third wave. The street is historically valuable with buildings dating back to 1900; some buildings are run-down, some already renovated. Empty plots of land, left by the Second World War, are waiting to be utilised again. The starting conditions for gentrification seem to be met, but full-scale redevelopment of the area is unlikely to happen. This research looks into the reasons why this might be and asks:

What are the obstacles for investing in the built environment in Central and Eastern European cities?

and looks for the answer in three factors; market, people, and legislation.

The market factor accounts for the supply side and is explored through the Neil Smith’s (1979) rent-gap theory and Ludek Sykora’s (1993) function-gap theory. These two theories combined show where

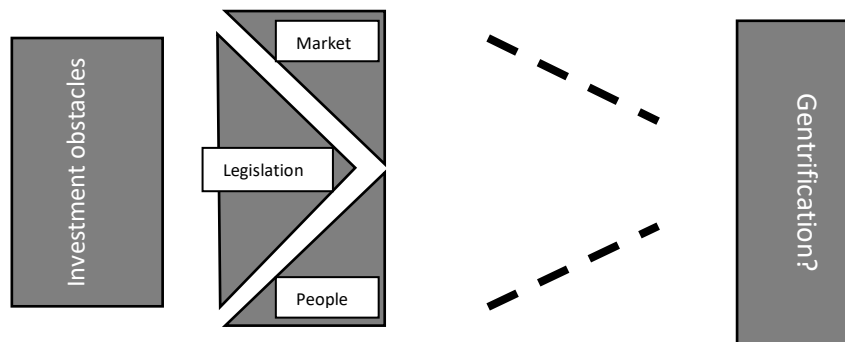


Figure 20. Theoretical framework. Own work, 2016.

there are opportunities for investment, or in other words, where the rent-gap or functional-gap can be closed. The people factor explains what the influence of the inhabitants is on the gentrification process. This entails not only the owners of property, who are usually the first from whom we can expect some interest in their neighbourhood. Owners are roughly divided into two groups, active owners and passive owners. Active owners are those committed to their property, willing to renovate, invest, and maintain their building. Passive owners do not. Adams, Baum, and MacGregor (1988) argue that a passive owner will not change in an active owner unless he/she is replaced by a new and active owner. Within the people factor, I have also placed the issue of displacement, and the general attitude against gentrification. The legislation factor is the part where I discussed the role of the municipality and the national government. Through legislation, the government directs investment by making investment easier in one place and more difficult somewhere else. Strong legislation on how historical buildings must be preserved can protect the historical value of a neighbourhood, but can also limit more radical plans. The absence of a masterplan, or the use of the WZ-decision in the Polish context, can cause uncertainty. The three factors combined are the investment obstacles and were introduced in the conceptual framework (figures 2 and 20).

In this thesis, I have identified hurdles that hamper the possibility to invest in all three factors.

A shrinking city and countryside people.

The unattractiveness of the city and the Polish nature of being a countryside people, reinforce each other. People cannot find their preferred way of living in the city centre, so they build their own house, unobstructed, in the suburbs.

Ownership and tenant protection.

Owners are made passive, unable to access the full value of their property, legislation in the form of rent-protection or the way voting in a housing cooperation when multiple owners have to decide on what will happen to the property, is organised in a way that a majority shareholder can be forced into action against his will. This limits the possibilities an owner has and with that one of Smiths (1979) is violated. Without full access to their property, owners are unable to close the rent-gap or sell to one that will. Owners that do have full control over their property are sometimes unable to renovate themselves because they lack the financial means to do so, they can only sell their property to someone with the financial means.

Uncertainty.

A clear idea of what the risk of an investment, is important for an investor that decides where to invest. The present of a rent-gap is not a guarantee for investments to flow to this part of the city, the risk must be acceptable (Slater, 2015). Without a clear idea of the perspective

that Chwaliszewo has, investors will stay reluctant. The absence of a masterplan and the ad-hoc nature of the WZ-decision only adds to the uncertainty. Add to this that prices do not naturally rise and you have a situation with too much uncertainty.

Unbalanced legislation.

Within the Polish context, there is no legislation that actively discourages investment. Other CEE countries do have this kind of legislation, Hungary (paragraph 3.4) makes foreign investment more difficult because it demands that an investor who would like to buy property has to live in the county for at least five years (Ghanbari-Parsa and Moatazed-Keivani, 1998). The large difference in legislation between the inner-city and the suburbs, where there is little to no legislation that restricts development, makes legislation on Chwaliszewo only too strict when compared to the suburbs.

Placing the largest hurdles on the factors one can see that most overlap and interfere with each other, making the redevelopment question a wicked problem.

The problem of a decaying city is dire. One might argue still that the situation is comparable to any Western city 30 years ago, and that cities in this part of Europe will follow a similar path to recovery. I would argue that a city as Poznan cannot wait until redevelopment starts naturally.

If the situation continues as it is now, the city will shrink further, and decay will further spread through the city. In a few years, the concrete blocks of flats will start to be affected as well. The people that could afford it will have moved to the countryside or suburbs. The children that grew up in these flats will have found their place elsewhere. And when their parents die, who will buy their flats? Who would want to live in a building that has lacked maintenance for years and years, in a city that cannot support the daily functions of normal life anymore? A downward spiral of decay and a shrinking city population will start that slowly destroys the city. From a societal perspective, it is, therefore, important to start thinking about how to stop the decay and get the Polish people to renew their interest in the city.

Scientifically, this thesis has added an interesting case to the limited body of literature on gentrification in Central and Eastern Europe. It has offered insights into the workings of inner-city development in medium-sized cities. Since most studies of gentrification are conducted in capital cities (see paragraph 3.1) the study of a neighbourhood in a middle-sized city is unique. This research has also added a critique to the rent-gap theory. It stresses the importance of scarcity for a neighbourhood as a whole to be able to close the rent-gap. This sometimes results in a situation where the rent-gap closes on a plot but where the highest and best use can be not as high and useful as might be expected. This places limitations on the usefulness of the rent-gap theory, as well as the functional-gap theory, on cities that are shrinking and thereby lacking the scarcity that directs capital to a particular location. This is, however, also a reason why gentrification has not a bad connotation, as we are used to from Anglo-Saxon literature, where displacement and the rising costs of living are emphasised. Forced eviction and rising rents are not an imminent result of gentrification, it can, but it does not have to.

6.2 RECOMMENDATIONS

Rundown buildings give the opportunity for something new, to make the city more sustainable. My first recommendation would be that the city takes this opportunity. In the Polish context, this would entail bringing the countryside into the city. Since fewer people are already living in the city, the people in the city can be given more space, more green, and a friendlier environment. Empty spots in the city landscape can be filled, not with more buildings with small apartments, for which there is no demand, but with parks and playgrounds. The inner-cities in Central and Eastern Europe have in this the unique opportunity to build themselves a city sustainable for the future without the pressure of the ever-growing demand for housing in the inner-city.

A shrinking city and countryside people.

To try to counteract the against a shrinking population and the cultural preference of the Polish people to live on the countryside would be foolish. However, the suburbs and the countryside should not be the only place where people can find their desired way of living at this moment. The city cannot provide the space and quality people desire. If parts of the countryside could be brought into the city, then this could attract those people who left the city only because it could not offer them what they were looking for.

Ownership and tenant protection.

The rent-control and tenant protection laws make sure tenants are not easily displaced, it is also one of the reasons investors are reluctant to take on larger projects without full ownership. For the last years, the Polish government has taken steps to reduce the protection that tenants enjoy, it has been made easier to evict people and raise rents. For owners who are stuck with tenants from socialist times, this is good. Liberalisation however, needs to be done carefully. If protection laws are let go too easily people will get displaced unnecessarily, a situation which is avoidable.

Uncertainty.

Providing safety in terms of planning is going to be essential in the coming years. The market has failed to provide certainty over return on investment. It is the responsibility of the municipality to have a plan that is stable. On such a masterplan investors can make their risk assessments and decide where to invest their money. Another way to provide certainty for owners is to give subsidies or loans for those willing to renovate enabling more people to become active owners.

Unbalanced legislation.

Making the inner-city more attractive might not have to start in the inner-city. Capital flows like water, to the place it finds the least resistance. In our case these are the suburbs. Placing limitations on the suburbs will make the inner-city, by comparison more attractive. Limiting the opportunities to build in the suburbs will make investors search for alternative locations with the city. This could go together with a more open-minded view on what is allowed and what is not.

Poznań, and medium sized cities in Central-/ Eastern Europe in general have a unique opportunity when it comes to redevelopment of their inner-cities. The disinterest in the inner-city that is part of the Polish national character and is only deepened by the Soviet socialist deterioration of the inner-city should not be a reason to let the city decay. As this research has argued, there are many reasons,

or hurdles, for developers and investors that want to invest in the inner-city. These obstacles lead to a slow pace of redevelopment and therefore offer an opportunity to bypass gentrification and the displacement that almost always follows the influx of richer people into a neighbourhood.

Another opportunity lies in the possibility for social mixing that is usually soon lost after the gentrification process starts. The displacement of the urban poor and less fortunate associated with gentrification and the replacement of one social class with a more affluent one is hardly realisable in a neighbourhood like Chwaliszewo. The hurdles to complete redevelopment of the area are simply too hard to overcome. The presence of the ZKZL assures that low-income household will have a place on Chwaliszewo for a long time. The location makes Chwaliszewo interesting for developers that will build for a different target group than those already living in the neighbourhood; the higher middle class. If Chwaliszewo keeps attracting the developers that it does now it can become a mixed population neighbourhood from which it can only profit.

The burning issue, however, is to keep attracting developers to the inner-city despite all the obstacles that await them there. This is something the municipality of Poznań has to think about. The possible solutions may not only be found within the inner-city, strengthening legislation within the suburbs and developing citywide masterplans that guide the cities development for multiple years can steer capital investment back into the inner-city.

6.3 DISCUSSION AND FURTHER RESEARCH

The research area of this research is, by choice, limited. I have chosen to do research on a single neighbourhood. This has made sure the background of the cases was equal and comparable. It has also provided this research with a level of detail that could otherwise not have been achieved. This does mean however, that this has also limited the possibilities to research cases that were not available within Chwaliszewo. The choice to study Chwaliszewo, on the other hand, was based on the variety of different developments within the neighbourhood. The results of this research are based on a small area, too small maybe to be able to draw conclusions for the who of Central-/ Eastern Europe. To make sure the conclusions fit into the larger picture of CEE the third chapter was written, and differences between CEE were highlighted when they deviated from the Polish context.

The access to interviewees is another weaker spot in this research. Since I have only been able to access those people who speak English and those that were willing to speak about their property on Chwaliszewo and who wanted to be accountable for their actions on Chwaliszewo, the stories might be on the positive side. This weakness is partly taken away by the openness of the interviewees and their stance on displacement, which is seen as avoidable and self-imposed. To be able to fully map the scale of displacement I would have to speak to those people who moved from Chwaliszewo, which for a non-Polish speaker, is almost impossible.

Further research can look at the effects of a shrinking city outside the inner-city. As briefly mentioned before in this conclusion, the Soviet estates will in a few years face the same problems as the inner-city. Ownership and the lack of scarcity might play a large role in these neighbourhoods too, but to what extend the offered recommendations will be helpful for these areas is debatable. One thing is sure, in terms of popularity they do not win from the inner-city.

Since gentrification in Central and Eastern Europe is still at its very beginning (see paragraph 1.3) the reproduction of this research, but in a different neighbourhood in a similar city will be useful to determine if medium sized cities in CEE are as comparable as this research claims they are.

7 REFERENCES



7.1 SOURCES

- Adams, C. D., Baum, A. E., & MacGregor, B. D. (1988). The availability of land for inner city development: a case study of inner Manchester. *Urban Studies*, 25(1), 62-76.
- Adams, D., Disberry, A., Hutchison, N., & Munjoma, T. (2001). Ownership constraints to brownfield redevelopment. *Environment and Planning A*, 33(3), 453-477.
- Atkinson, R., & Bridge, G. (Eds.). (2004). *Gentrification in a global context*. Routledge.
- Barnes, P. (2016) Zoning Pros and Cons: Protective Regulations versus Housing Growth, <http://marketrealist.com/2016/01/understanding-push-balance-zoning-rules-development-concerns/>; accessed on: 23-09-2016
- Bernt, M., Gentile, M., & Marcinczak, S. (2015). *Gentrification in Post-Communist Countries: An Introduction*.
- Brade, I., Herfert, G., & Wiest, K. (2009). Recent trends and future prospects of socio-spatial differentiation in urban regions of Central and Eastern Europe: A lull before the storm?. *Cities*, 26(5), 233-244.
- Bundesinstitut für Bau-, Stadt- und Raumforschung, BBSR (2015) <http://interaktiv.morgenpost.de/europakarte/#4/47.72/27.69/en>
- Chelcea, L., Popescu, R., & Cristea, D. (2015). Who are the Gentrifiers and how do they Change Central City Development? Privatization, Commodification, and Gentrification in Bucharest. *Geografie*, 120(2), 113-133.
- Clark, E. (2005). The order and simplicity of gentrification: a political challenge. *Gentrification in a global context: The new urban colonialism*, 261-269.
- Csapó, T., & Balogh, A. (2012). *Development of the Settlement Network in the Central European Countries*. Springer.
- EY (2014) *Real-estate Guilde Poland 2014*.
- Franz, Y. (2016). *Gentrification in Neighbourhood Development*. Routledge.
- Glancey, J (2010) Spin city: London's Strata tower. *The Guardian*. <http://www.theguardian.com/artanddesign/2010/jul/18/strata-tower-london-green-architecture>. Accessed on 23-02-2016
- Glass, R. L. (1964). *London: aspects of change* (Vol. 3). MacGibbon & Kee.
- Golubchikov, O., & Badyina, A. (2006). Conquering the inner-city: Urban redevelopment and gentrification in Moscow (pp. 195-212). *Physica-Verlag HD*.
- Golubchikov, O., Badyina, A., & Makhrova, A. (2013). The hybrid spatiality's of transition: Capitalism, legacy and uneven urban economic restructuring. *Urban Studies*, 0042098013493022.
- Grabkowska, M. (2015). Between gentrification and reurbanisation: The participatory dimension of bottom-up regeneration in Gdańsk, Poland. *Geografie*, 120(2), 210-225.
- Hackworth, J. (2001). Inner-city real estate investment, gentrification, and economic recession in New York City. *Environment and Planning A*, 33(5), 863-880.

- Hackworth, J. (2002). Post-recession gentrification in New York city. *Urban Affairs Review*, 37(6), 815-843.
- Hackworth, J., & Smith, N. (2001). The changing state of gentrification. *Tijdschrift voor economische en sociale geografie*, 92(4), 464-477.
- Hamnett, C. (1991). The blind men and the elephant: the explanation of gentrification. *Transactions of the Institute of British Geographers*, 173-189.
- Hirt, S. (2012). *Iron curtains: Gates, suburbs and privatization of space in the post-socialist city* (Vol. 27). John Wiley & Sons.
- J. Rosie Tighe & Joanna P. Ganning (2016) Do Shrinking Cities Allow Redevelopment Without Displacement? An Analysis of Affordability Based on Housing and Transportation Costs for Redeveloping, Declining, and Stable Neighbourhoods, *Housing Policy Debate*, 26:4-5, 785-800, DOI: 10.1080/10511482.2015.1085426
- Jadach-Sepiolo, A. (2014). Gentrification-The Reverse Side of Urban Regeneration in Poland. *US-China L. Rev.*, 11, 1653.
- Kaczmarek, J. (2011) Chwaliszewo; Poznańska Wencja. Wydawnictwa Miejskiego Poznania
- Kährlik, A., NOVÁK, J., TEMELOVÁ, J., KADARIK, K., & TAMMARU, T. (2014). Patterns and drivers of inner city social differentiation in Prague and Tallinn. *The Communist and Post-Communist Studies*.
- Keivani, R., Parsa, A., & McGreal, S. (2001). Globalisation, institutional structures and real estate markets in Central European cities. *Urban Studies*, 38(13), 2457-2476.
- Kramsch, O. T. (2015). *Uitzicht uit het raam aan de grens*.
- Lees, L. (2003). Super-gentrification: The case of Brooklyn heights, New York city. *Urban studies*, 40(12), 2487-2509.
- Lees, L. (2012). The geography of gentrification Thinking through comparative urbanism. *Progress in Human Geography*, 36(2), 155-171.
- Lees, L., Shin, H. B., & López-Morales, E. (2016). *Planetary gentrification*. Polity Press.
- Lees, L., Slater, T., & Wyly, E. (2013). *Gentrification*. Routledge.
- McFarlane, C. (2006). Crossing borders: development, learning and the North–South divide. *Third World Quarterly*, 27(8), 1413-1437.
- Moderzewski, B., & Rybak, K. *Urban Water. Re-composition and Perception of Poznań Waterfronts*.
- Moore, D. C. (2001). Is the post-in postcolonial the post-in post-Soviet? Toward a global postcolonial critique. *Publications of the Modern Language Association of America*, 111-128.
- Municipality Poznań, <http://www.Poznań.pl/mim/main/en/the-chwaliszewo-and-grobla-districts,p3162,22660,22672.html>. Accessed on 03-05-2016
- OECD (2011) *Urban Systems and Challenges in Poland*, OECD Urban Policy Reviews, Poland 2011, OECD Publishing.
- Paul, L. J. (2013). *Midden-en Oost-Europa: geografie van een transitiezone*. Uitgeverij Van Gorcum.

- Porter, M. E. (1995). The competitive advantage of the inner city. *Harvard Business Review*, 73(3), 55-71.
- Reimer, M., Getimis, P., & Blotevogel, H. H. (2014). Spatial planning systems and practices in Europe. *Spatial Planning Systems and Practices in Europe: A Comparative Perspective on Continuity and Changes*, 1.
- Robinson, J. (2006). *Ordinary cities: between modernity and development* (Vol. 4). Psychology Press.
- Skaburskis, A. (2010). Gentrification in the context of 'risk society'. *Environment and Planning A*, 42(4), 895-912.
- Slater, T. (2015). Planetary rent gaps. *Antipode*.
- Smith, N. (1979). Toward a theory of gentrification, a back to the city movement by capital, not people. *Journal of the American Planning Association*, 45(4), 538-548.
- Smith, N. (1996). *The new urban frontier: Gentrification and the revanchist city*. Psychology Press.
- Sýkora, L. (1993). City in transition: the role of rent gaps in Prague's revitalization. *Tijdschrift voor economische en sociale geografie*, 84(4), 281-293.
- Sýkora, L. (2005): Gentrification in post-communist cities'. In: Atkinson, R., Bridge, G.(eds.): *Gentrification in Global Context: The New Urban Colonialism*. Routledge, London, pp. 90–10
- Sýkora, L. (2009). Post-Socialist Cities. In Kitchin R, Thrift International Encyclopedia of Human Geography, Volume 8, pp. 387–395. Oxford: Elsevier.
- Tsenkova, S. (2003). *Urban Regeneration: Learning from the British Experience*. Calgary: Faculty of Environmental Design, University of Calgary.
- Wiest, K. (2012). Comparative debates in post-socialist urban studies. *Urban geography*, 33(6), 829-849.
- Zborowski, A., Soja, M., & Lobodzinska, A. (2012). Population Trends in Polish Cities-Stagnation, Depopulation or Shrinkage? *Prace Geograficzne*, (130), 7.
- Zuk, M., Bierbaum, A. H., Chapple, K., Gorska, K., Loukaitou-Sideris, A., Ong, P., & Thomas, T. (2015). *Gentrification, Displacement and the Role of Public Investment: A Literature Review* (No. 2015-55). Federal Reserve Bank of San Francisco.

7.2 LIST OF INTERVIEWEES

Property	Interviewee
Chwaliszewo 74, 75 and 76; ZKZL State Owned Buildings	Karol Przybyszewski
Chwaliszewo 71, 72; Chwaliszewo Siedemdziesiąt Dwa	Andrzej Marszałek
Chwaliszewo 70; The Corner Building	Ron Roos
Chwaliszewo 69; Our Office	Ewa Zalewska
Chwaliszewo 10; The Green Building on the Other Side of the Street	U.P. Administracja
Chwaliszewo 61; The Brownfield	Robert Stachowiak
Tylne Chwaliszewo 23; The Apartment Building at the Riverside	Marlena Wisniewska
The Warta Riverbed	Piotr Libicki
Konserwator zabytków Poznań; Local conservator	Joanna Bielawska-Palczyńska
Plastyk Miejski; City Supervisor Public Space	Piotr Libicki
NovaForm Real-estate Poznań	Marcin Ros
Dyrektor RDH; Chair RDH	Sylwia Mikołajczak
Dyrektor RDH; Chair RDH	Huub Droogh

7.3 INTERVIEW GUIDE

Welcome, I am happy to talk to you today.

I would like to talk about the building/property/investment you have/are involved in on Chwaliszewo. I would like to talk about how you obtained to property, what you are planning on doing with it/what you did with it, about difficulties now and during the development and about your general view on the future of the city.

This interview is part of my Master's Thesis on inner-city development here in Poznan. Before we start I would like to have your consent to record this interview.

Question about property and ownership. How did you obtain this building?

Possible difficulties in obtaining, buying, redeveloping.

Ask about legal procedures.

Question about Chwaliszewo. Why did you choose to invest on Chwaliszewo?

What is special about this place?

How does it compare to other places in the city?

Question about people. Did the inhabitants change after development/did people move from the building?

Ask, indirectly after displacement, did people move on their own accord or where they forced?

Question about function. What are the functions the building has?

Are these, in hindsight, the best functions?

Question about demand. What made you decide to give the building this function?

What does the market demands, what kind of market are we talking about?

Who did you aim for with this development? Who lives in your building/who are you building for?

Question about the government. What was the involvement of the municipality?

Did the city help in anyway? Were funds given, or did they help with legal issues?

Was the city hall an obstruction to the development?

Question about future trends. What do you think is happening now in the inner-city of Poznan?

Are people going away, and way? Will they come back? What will be your role in the future?

I would like to thank you for this interview, it has been very helpful. Is there anything you would like to add, something we did not discuss yet? Is there something you would like to correct? Is there something you would like to ask me? Thank you again for your time.