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The large-scale rezoning of land underway in much of central Europe is the foundation for a new capitalist economy.

Europeans have long been leaders in shaping cities for the long term. The cities, treasured by their residents and admired by people worldwide as integrated places to live, work, learn, and play, use their resources efficiently and already have proven their longevity. As highlighted in the July 2000 issue of *Urban Land Europe*, western European cities also are better suited for the future, as their residents depend less on late-20th-century living patterns.

To achieve their ongoing resilience and liveability, European cities have depended heavily on public sector initiatives. Today, however, the private sector is assuming an increasingly important role, especially in the rapidly emerging economies of central Europe, where the public sector has neither the economic means nor the market-based experience to carry out the most important projects.

The international financing process and equity markets often lean towards supporting big projects rather than a number of smaller ones, each requiring substantial analysis. However, large projects in central Europe entail burdensome land ownership and zoning policies that remain from the communist years. Such anachronistic policies complicate development and the sustainability of emerging capitalist economies. However, projects in Budapest, Krakow, and Warsaw are proving that central Europe can succeed in the post-Soviet era.

Over the last few decades, megaprojects such as London's Canary Wharf, Paris's La Défense, and

Berlin's redevelopment of Potsdamer Platz have reshaped major cities. These efforts have helped make cities more sustainable by redeveloping their underused assets, thus preparing them for the 21st century. Other European cities also are looking to transform themselves. Frankfurt, Birmingham, Marseille, and Lyon have followed the lead of their countries' capitals. Most ambitions of these western European cities are commensurate with their means; however, central European cities, without the accumulated wealth of decades, face different challenges.

Overcoming an Anticapitalist Legacy

As Richard Stevens, editor of *Eurobuild*, a monthly central European publication about development and construction, points out, "central European cities must undertake large-scale developments, be they retail, entertainment, office, or residential, as they went lacking for 40 years. They need to go well beyond just rebuilding the old town centres as replicas. The biggest challenge to development in these countries is the complexity and ambiguity of central city land ownership, which discourages many institutional investors." Not only do the ambiguities make investment a challenge, but they also undermine the basic foundation of capitalism in those economies.

In western Europe, every parcel of land and every building are recorded in a property document, a tangible link in a vast, hidden process connecting them to the rest of the economy. Property assets can exist both invisibly and materially. The overwhelming majority of land in the formerly communist countries, however, has yet to be incorporated into this representational process.

Assets in formerly communist countries are held in defective form (i.e., not liquid assets), one example being buildings on land without accurately recorded ownership rights. Because such land assets are not adequately documented, they cannot be turned into capital readily, traded outside local circles where people know and trust each other, or used as collateral for a loan or as a share against an investment. Even when the majority of small parcels that make up a large site are documented clearly, the one or two that are not hold up a development.

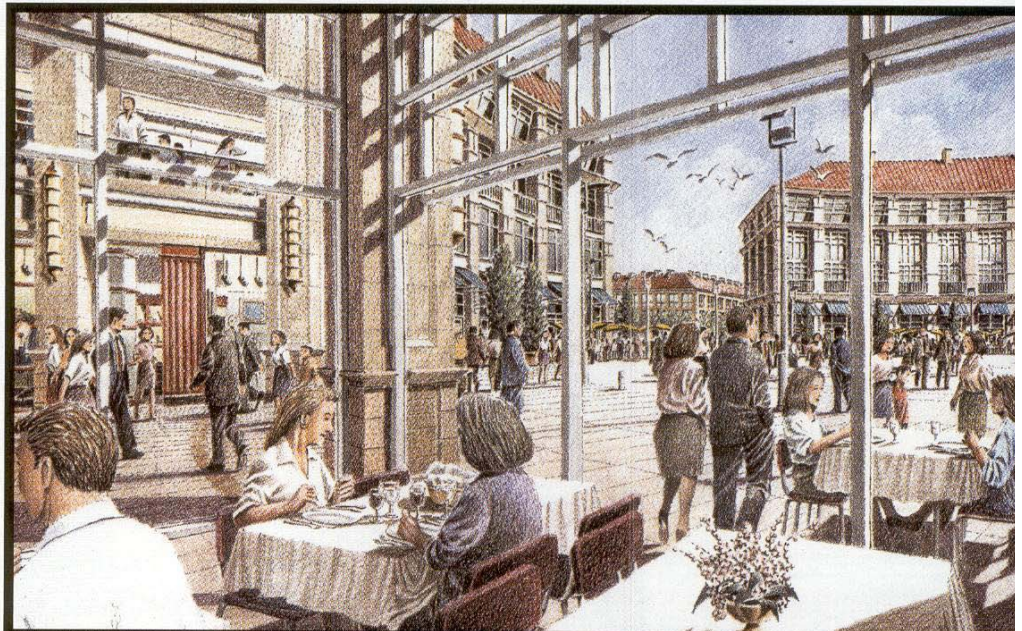
As Hernando de Soto, who has researched developing countries' transition to a market economy in post-communist markets, points out, "westerners take

this mechanism so completely for granted that they have lost all awareness of its existence. Capitalism is based on the implicit legal infrastructure buried deep within a property system of which ownership is the tip of the iceberg. The rest is an intricate, man-made process that can transform assets (and labour) into capital." The large-scale rezoning of land underway in much of central Europe is the foundation upon which a capitalist economy can be built.

Smart Growth by Default

One of the few positive results of central European planning policies from 1950 to 1990 was a standard maintaining high density that kept even the fastest-growing cities from spilling over the landscape. Though poorly executed, city expansion was carefully engineered. Often, communist-era high-density development adjacent to existing cities was a political tool to dilute electorates that did not embrace communist policies, as in Krakow. This "smart growth" may not have come about by choice, but rather from necessity, in an inefficient and insecure Soviet-era economy. The result, however, is that public transportation, primarily trams and buses, remains viable and popular in central European cities.

In contrast, during the same period American cities spread over vast areas, supported by federal policies and private sector interests, often leaving many traditional city centres in ruins. Even slow-growth and no-growth metropolitan areas like Cleveland, Detroit, and St. Louis more than doubled in physical size. In some extreme cases, automobile manufacturers purchased and then closed down tram manufacturers. Public transportation in the United States was sidelined, to the extent that many suburban areas there no longer



Projects like Warsaw's retail plaza, the Galleria, generate interest near the city centre.

could sustain public transportation of any kind. The compounded negative environmental effects caused by such sprawling growth make this model of urban development infeasible.

The Risk of Superficial Capitalism

It is no surprise that, during the past ten years, after almost half a century of living under communist rule, central Europeans have been pursuing “the good life,” which seems to be a caricature of America 20 years ago: hypermarkets (called “big box” retailers in the United States), shopping malls, office towers, and single-use suburban residential enclaves spread indiscriminately across the landscape.

These projects often mimic the form—but lack the substance—of their American models. However, even projects that are only crude replicas open with great initial success, since they provide a stark contrast to existing real estate products in places starved for anything “western.” A hypermarket opened several years ago outside of Lodz, Poland, and had unprecedented success for its chain; today, that same facility is one of many struggling for market share.

Such facilities have little sustainability because they assume that 20-year-old concepts—now obsolete in western European markets—can work in the developing markets of central Europe. Planning codes in central European countries during the 1990s did little to restrict such developments, provided that sufficiently large land parcels—usually on a city’s edge—could be assembled. The public sector, initially happy that any investment was being made in their city, did not consider the impact of such developments. Wrocław, Poland, has had more than 100,000 square metres (1.08 million square feet) of retail space built to the south of the city, just beyond the municipality’s jurisdiction and not connected by public transportation, while certain key sites in the city centre remain undeveloped.

Such practises have created traffic problems rendering the traditional city centre less liveable and the city as a whole less sustainable. As points of attraction move toward the periphery of a city, younger residents abandon public transportation, opting for their own automobiles. Roads departments adopt policies that lessen traffic through broadening roads and creating overpasses, regardless of the context.

Today, many central European governments are growing dependent on petrol tax revenues, which

West End City Center in Budapest has helped redevelop one of the city’s more derelict districts.



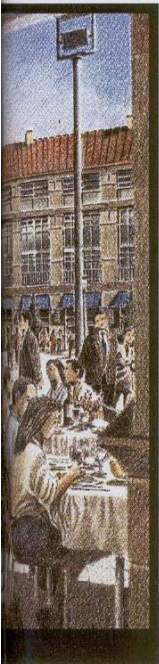
TRIZECHAHN CORPORATION

fuel development patterns that are unsustainable in emerging markets. Such patterns rely on costly infrastructure and imported energy and accelerate environmental degradation, and projects accommodating these patterns are increasingly difficult to legitimise, even in the wealthiest western European countries.

Given this understanding, some of the most interesting developments in Europe today are in central Europe. Several recently completed projects and others still in planning suggest a maturation of the central European market that may set a standard for development well beyond that of the countries in which they are located. Some of these projects are built in central city locations, while others create their own environments. Each project, having overcome land ownership challenges, has undergone or is undergoing a substantial rezoning process.

Untouchable City Centres

Among the central city projects, Hungary-based TriGranit’s West End City Center in Budapest and Polus City Center in Bratislava have set powerful precedents for large-scale, urban, mixed-use development. Both projects, created by a joint venture of Toronto-based property company TrizecHahn and Budapest-based developer Granit Polus, have been a success for both the city and the



investors. Institutional investors like the projects because of their potentially long-term, dominant position in the city centre market and their intelligent use of local assets, such as infrastructure and public transit, and the cities like them because they are catalysts for efficient town redevelopment that increases the tax base. The projects are popular because they make the people of Budapest and Bratislava proud.

The 46,450-square-metre (500,000-square-foot) West End City Center, which opened in November 1999 next to West Station, Budapest's busiest railway station, has been the engine for redevelopment of what once was one of the city's more derelict districts. In anticipation of the project, office buildings on adjacent sites were completed even before the retail centre opened. Since the opening, housing in the area has been upgraded significantly; owners quickly understood the value of what their new neighbour created. Building upon the success of the centre, TriGranit intends to commence the development of its Millennium City Center, spanning approximately one kilometre (more than half a mile) of riverfront in the city centre and combining residential, hotel, conference, exhibition, retail, entertainment, and office space. The project is the largest of its kind in central Europe, and it will have a lasting impact on Budapest's city centre.

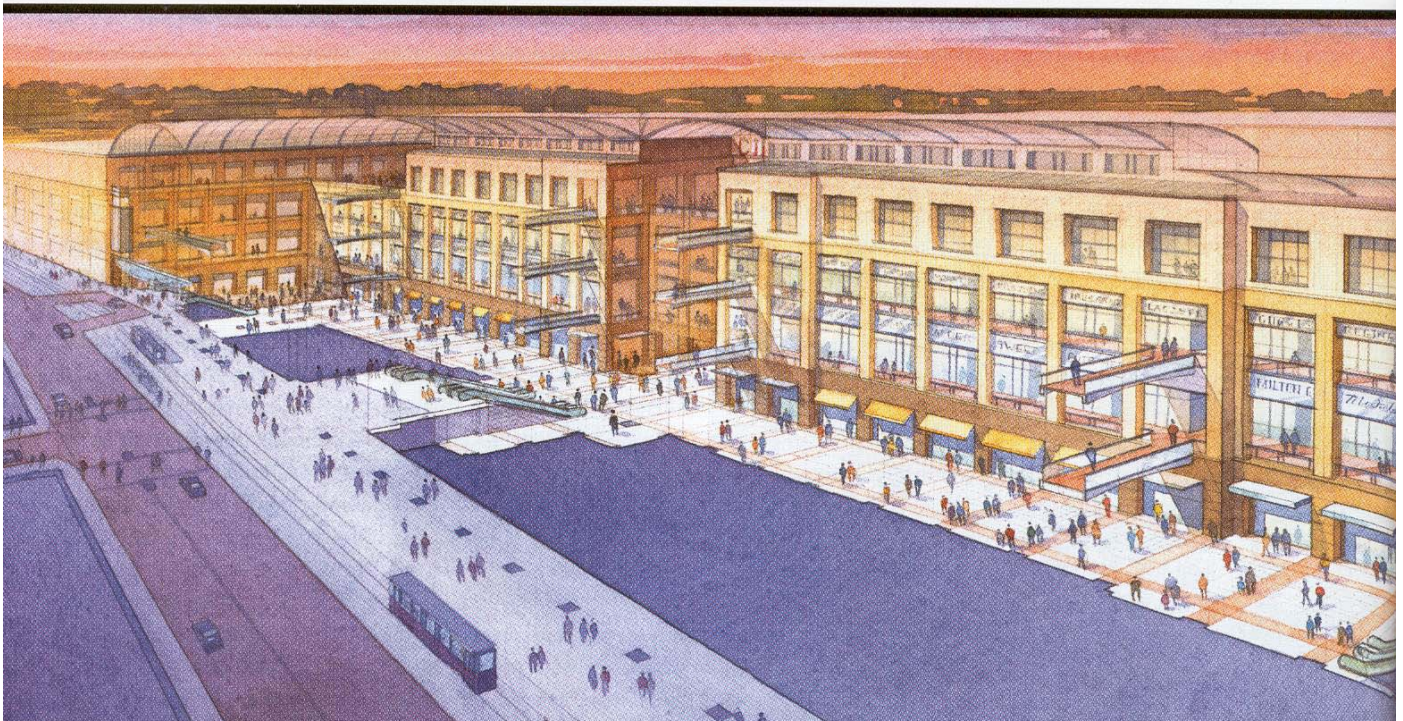
The retail centre, with more than 400 shops, lacks the major retail anchor typical in malls; however, the quality of the smaller shops, the project's proximity to a railway station, and the city centre lo-

cation compensate for this. Initially, the city restricted the amount of parking, allowing a parking ratio of three spaces per 100 square metres (1,080 square feet) of retail—an amount shared with the office and hotel. Says Todd Cowan of TriGranit, "The parking ratio has not thus far served as a constraint, since more than three-fourths of the visitors to the centre come via public transportation. It is operating at close to 100 percent occupancy and has had no impact on the company's suburban mall, Polus City Center, with more traditional parking ratios."

In Bratislava, Polus City Center opened last November. The project, now part of the city fabric, incorporates 38,000 square metres (409,000 square feet) of retail—including a 14,000-square-metre (150,700-square-foot) hypermarket and a 3,000-square-metre (32,300-square-foot) cinema—and 20,000 square metres (215,280 square feet) of office space. This subcentre, within three kilometres (1.9 miles) of the traditional city centre, is located on regional rail, tram, and bus lines.

Cowan reports that at Polus City Center "retail space is more than 90 percent let, and office space is 98 percent let. On average, 70 percent of the 50,000 visitors to the centre per day arrive on foot or via public transportation." The project has attracted international tenants and also has created a second city centre without emptying the original one or creating a negative "edge city" condition.

Both of these projects demonstrate the success of large-scale redevelopment projects in city centres—when the developer has the



As the redevelopment of Krakow's railway station district, Nowe Miasto will feature a new town centre with pedestrian access from the existing city centre.

patience and the means to endure the rezoning, administrative, and legal processes inherent in developing in central European markets.

Linking Development in Krakow

A railway line that runs from the central Krakow station links three of Poland's most interesting projects. The first, Nowe Miasto, is the

redevelopment of Krakow's railway station district. The initial phase of the project will include the creation of a main street offering more than 80,000 square metres (861,000 square feet) gross lettable area (GLA) of retail and entertainment space, 22,000 square metres (237,000 square feet) of Class A office space, and a 240-room, four-star hotel.

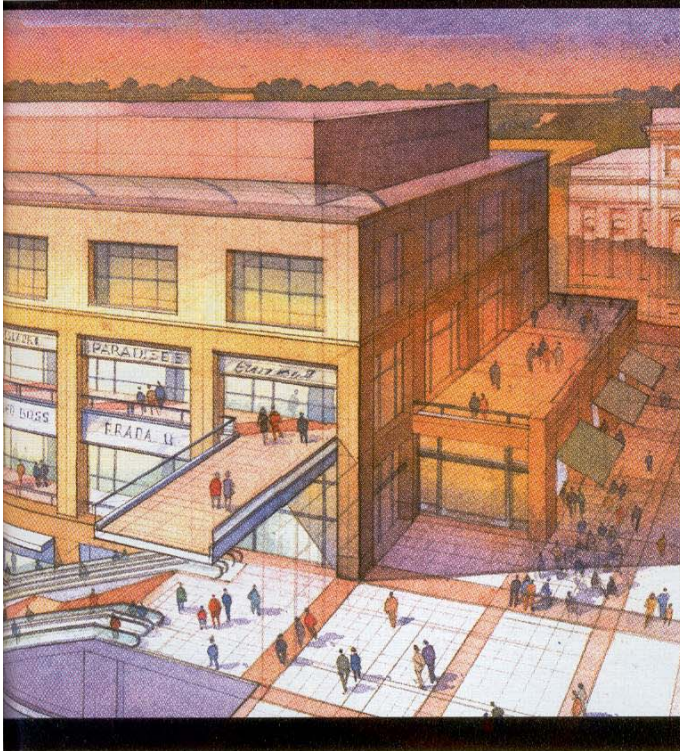
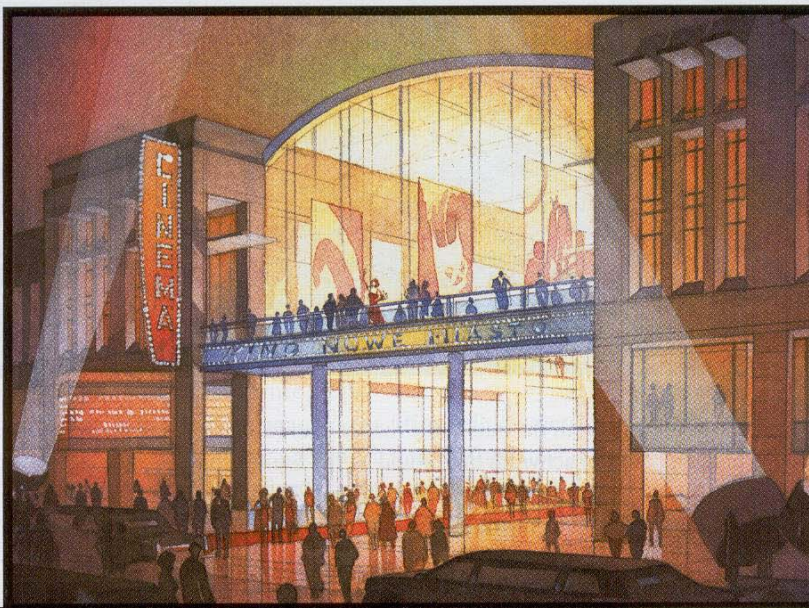
The second phase will include an additional 150,000 square metres (1.6 million square feet) of office space, several hundred high-quality apartments, and a 300-room hotel with conference facilities. Significant infrastructure improvements are planned to alleviate an already congested town centre. New York City-based Tishman Speyer Properties' Krakow office, in cooperation with the city, has created the map of the future town centre, which includes a new ring road and a 2,500-car parking facility, improvements to the central rail and bus stations, and a new fast tram passing through the site and connecting to existing tram facilities. Pedestrian access to the project from the city centre will be a priority.

"Krakow has grown from a city of 25,000 inhabitants to 800,000 over the last 200 years, without a significant change to its central core. That core no longer is able to service the metropolitan area," says Torben Neilson, director of the central European division of Tishman Speyer Properties. "The centre will become solely a destination for tourists, a museum, if we do not create a town centre appropriate to this region."

The design by London-based RTKL, with advisory services from Marek Tryzbowicz, an architect based in Berlin and Warsaw, balances public and enclosed spaces with facades of traditional proportions and modern elegance. Although the city has been cooperative in the planning and rezoning processes, no mechanism is yet in place in central Europe for the development of such projects in cities there.

Several kilometres outside of Krakow, near the airport, the 14.4-hectare (35.6-acre), 120,000-square-metre (1.3 million-square-foot) Krakow Business Park (KBP) is under construction. With a technology focus and a campus-style plan, the KBP not only has the appropriate communications infrastructure as well as highway access to the city centre and the region, but it also is slated to have its own railway station.

Beyond the KBP, further away from Krakow, another type of development is just getting underway on 110 hectares (272 acres)—a new planned community that will integrate Poles' desire to have the "best of the west" while preserving many of the natural characteristics of the site. "Our objective is to create a sustainable communi-



TISHMAN SPEYER PROPERTIES

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Miasteczko Wilanow, a mixed-use, ecologically sensitive development, may set a precedent for urban development in Poland.

ty of the highest quality,” says one of the leading partners of the consortium that is acquiring the property and developing the project.

The developers are taking advantage of an adjacent railway line to build an ecologically sensitive railway suburb from scratch. In addition to the single-family residential and sports amenities typical on such sites, apartments, convenience shops, and an international school will form the town centre, which will be adjacent to the new railway station. The town centre also will provide an identity for the surrounding area as well, since the existing village adjacent to the site has no main street or central square.

Although both sites are near one of Poland’s few motorways, the developers wanted to provide residents and business park employees with a choice of transportation modes—a choice rare in outlying areas, especially for new projects.

Setting a Precedent in Poland

Miasteczko Wilanow, situated eight kilometres (five miles) from the centre of Warsaw, is another mixed-use, ecologically sensitive development that may set a precedent for urban development in Poland. The project is the 169-hectare (418-acre) keystone of a 480-hectare (1,186-acre) planned development district that has just undergone rezoning. The site, long preserved as part of an agricultural college, retains its natural character. During the 1950s, it was slated to become a privileged communist enclave, but the necessary zoning changes were not authorised.

“We consider the project a model for the redevelopment of this district—an area of 36.2 square kilometres (14 square miles), until recently only 15 percent zoned for development, now almost 80 percent rezoned for development,” says Andrzej Krzyspiak, vice-mayor of the Wilanow district council.

From the outset, the master plan for the area integrated a variety of activities that would be the foundation for a balanced, sustainable community. “We will be redefining the market during the course of the development,” says Zbigniew Okonski, director of north Poland’s Prokom Investments, the owner of the site. “The site, across from the 17th- and 18th-century Wilanow Palace and Gardens, is especially sensitive to the Polish people.”



High-quality streetscapes, canals, park squares with playgrounds in each neighbourhood.

At the public unveiling of the project in October, the Warsaw office of Investment Environments (IN-VI), master planner and development adviser for Miasteczko Wilanow, surveyed hundreds of visitors, and the concept of a mixed-use community accommodating 10,000 inhabitants received acceptance. Visitors' comments regarding specific programme elements and architectural character are being integrated into planning, urban design, and architectural guidelines for the site.

The key elements of the project include a retail- and entertainment-oriented town centre, institutional buildings, offices, and residential units. The town centre also will include a new city hall and a five-star hotel. Investors are coordinating their efforts with IN-VI, which is overseeing efforts to ensure the success of the development, which will have a total buildout exceeding 1 million square metres (11 million square feet). TrizecHahn Europe created the concept, with its local representative office, IDM, for the 85,000-square-metre (915,000-square-foot) town centre, intended to be Poland's premier entertainment and shopping district, comprising both comparative retailing (i.e., specialty, fashion, electronics, and sporting goods stores) and convenience shops.

Dallas, Texas-based Laguarda/Low, principal designers of the centre, placed comparative retailing in a traditional mall setting, while convenience retail defined the streetscape. It is hoped that the cinema complex located atop the project will be used as a conference facility during off-peak cinema hours. While the details of the town centre will evolve, the overall framework—including a circular public plaza, a water plaza that becomes a skating rink during

the winter months, and a farmer's market—corresponded to expectations for the project as determined by the October survey.

In addition to the town centre offices, ecologically sensitive campus-style offices will be built around a television station and technology incubator (i.e., a group of information- and communications-based industries) with a common satellite uplink. A fibre-optic network throughout the site will provide global communications access for offices and residents. Sites throughout the 169-hectare (418-acre) site have been reserved for churches and schools, which will give substance to the community.


Quality streetscapes, canals, park squares with playgrounds in each neighbourhood, open meadows, and nature preserves will help unify the district. "We are creating a community that will be attractive not only to families but also to the elderly and young adults," says Okonski. Unlike many suburbs of recent decades, the project attempts to target a number of generations concurrently, as the strong family unit remains the focal point of Polish life.

The land owner, Prokom, through an alliance with several Polish banks, including Warsaw-based Big Bank, will provide mortgage financing—a rarity in central Europe—to help open the community to a wider range of potential owner/residents. Homeownership is a vital step in initiating and supporting an emerging economy.

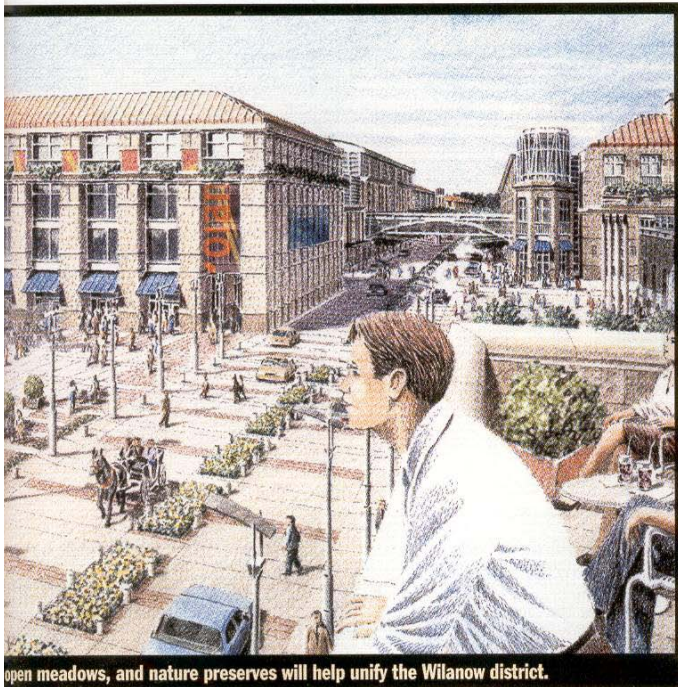
New Democratic Markets

The post-communist economies of Europe can ill afford to create environments that are not sustainable. In some ways, they are in a privileged position to adopt new concepts, whether in planning practise or technology, without threatening a previous generation of investment real estate products. The inherent value of real estate assets in post-communist countries dwarfs all foreign investment made in them since 1945. Macroeconomic stabilisation programmes carried out by the governments there can perform only a fraction of the work required to create a democratic market economy.

Spurring large-scale rezoning that makes investments in central Europe attractive to institutional investors, the projects included in this article assist in the development of a capitalist market economy. In the case of Wilanow and perhaps the Krakow railway suburb, the projects will facilitate the general public's purchase of homes through mortgages. Perhaps most important, though, is that each project engages smart growth policies that may help sustain these budding economies well into the future.

Ultimately, the economic and environmental well-being of places well beyond these emerging capitalist markets in central Europe depend on the sustainability of the developments undertaken within them. After all, transitional economies collectively account for 80 percent of the world's population. 

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