

**EVALUATING THE IMPACT OF  
URBAN COMPETITIVE ADVANTAGES  
ON ECONOMIC REVITALIZATION OF  
DEPRIVED INNER CITIES THROUGH  
A CASE STUDY HELD IN ISTANBUL**

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**by  
Hande (AĞAN) YALÇINTAŞ**

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Izmir**

We approve the thesis of **Hande (AĞAN) YALÇINTAŞ**

-----  
**Prof. Dr. Cemal ARKON**  
Supervisor

-----  
**Prof. Dr. Hülya KOÇ**  
Committee Member

-----  
**Assoc. Prof. Dr. Semahat ÖZDEMİR**  
Committee Member

-----  
**Assist. Prof. Dr. Erkal SERİM**  
Committee Member

-----  
**Assist. Prof Dr. Fehmi DOĞAN**  
Committee Member

-----  
**Date**

-----  
**Assoc. Prof. Dr. Semahat ÖZDEMİR**  
Head of the Department  
of City and Regional Planning

-----  
**Prof. Dr. Hasan BÖKE**  
Dean of the Graduate School of  
Engineering and Sciences

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# ABSTRACT

## EVALUATING THE IMPACT OF URBAN COMPETITIVE ADVANTAGES ON ECONOMIC REVITALIZATION OF DEPRIVED INNER CITIES THROUGH A CASE STUDY HELD IN ISTANBUL

This dissertation assesses the impact of *Urban Competitive Advantages* in *deprived inner city areas* in Turkey and strength of the potential for *marketability* of those advantages, for *economic revitalization* in the case of Turkey. ‘The Urban Competitive Advantages Approach’, compliant with latest discussions on urban economic regeneration, is a strong economy-based approach focusing on the need for recognition of inherent advantages of distressed inner cities and relies on the development of specific marketing mechanisms to promote those advantages in order to stimulate private inward investment. Accepting true contribution of the approach to urban regeneration, the thesis first examines several projects from abroad to determine key indicators in assessing the competitive capacity of a locality and then, makes use of those indicators in a case study in Istanbul in order to illustrate to what extent the present advantages contribute to stimulation of reinvestment in inner cities given the political uncertainties, economic instability, available financial mechanisms together with legislative and institutional capacities in Turkey. Finally, it is observed that resulting remarks on case study analyses support the main hypothesis of the thesis that ‘national policy directions and current regulatory, organizational and financial framework for urban regeneration in Turkey can only help finding best economic use of distressed inner city spaces when reformulated in the way they market competitive advantages of concerned spaces’. The dissertation concludes by recommending innovations and reviews through policy directions and necessary mechanisms in legislative, organizational and financial issues for Turkey.

## ÖZET

### KENTSEL REKABET EDEBİLİR AVANTAJLARIN KENTİÇİ ÇÖKÜNTÜ ALANLARININ EKONOMİK OLARAK CANLANMASINA ETKİSİNİN İSTANBUL'DA YAPILAN BİR ALAN ÇALIŞMASI ÜZERİNDEN DEĞERLENDİRİLMESİ

Bu tezin temel amacı Türkiye’de kent içi çöküntü alanlarının ekonomik olarak canlanmasında ‘kentsel yarışabilir avantajların’ etkisinin ve bu avantajların Türkiye koşullarında pazarlanabilme potansiyelinin olup olmadığını değerlendirmektedir. Kentsel ekonomik dönüşüm hakkındaki son tartışmalarla paralel olarak ‘Kentsel Rekabet eden Avantajlar Yaklaşımı’, ağırlıklı olarak ekonomi tabanlı bir yaklaşım olmakla birlikte, özetle kent içi çöküntü alanlarının gizli yarışabilir avantajlarının olduğunu ve bu alanlara özel yatırımı geri çekmek üzere söz konusu avantajları öne çıkaracak pazarlama mekanizmalarının geliştirilmesi gerektiğini savunmaktadır. Bu yaklaşımın kentsel dönüşüme olan olumlu katkısını kabul ederek, tez öncelikle; bir alanın rekabet edebilme kapasitesini değerlendirmek için gerekli anahtar değişkenleri belirlemek üzere yurtdışındaki bazı projeleri analiz etmekte ve daha sonra bu değişkenleri, Türkiye’deki mevcut politik tutarsızlıklar, ekonomik dalgalanmalar, mevcut yasal ve yönetsel kapasite ile kısıtlı kaynaklar çerçevesinde, İstanbul özelinde yapılan bir alan çalışması içinde kullanarak kentsel avantajların çöküntü alanlarına yatırımı geri çekmeye katkıda bulunup bulunamayacağını göstermektedir. Alan çalışmasından çıkarılan sonuçlar, tezin: ‘Türkiye’deki kent içi çöküntü alanlarının ancak kentsel dönüşümle ilgili mevcut ulusal politika yönelimlerinin ve yasal, yönetsel ve finansal çerçevenin, bu alanlardaki yarışabilir avantajların pazarlanabilmesine olanak verecek şekilde yeniden düzenlenmesi halinde en iyi ekonomik kullanımına kavuşabileceği” yönündeki varsayımını desteklemektedir.

Alan çalışmasından çıkarılan sonuçlar doğrultusunda, tez, son olarak, Türkiye’deki mevcut ilgili politika yönelimleri hakkında yapılması gerekli reformlar ile yasal, yönetsel ve finansal konular için oluşturulması gerekli mekanizmalar hakkında tavsiyelerde bulunmaktadır.

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## LIST OF ABBREVIATIONS

ADR	Assemble of Development Rights
CBD	Central Business District
CBO	Community Building Organization
CDC	Community Development Corporation
EU	European Union
EZ	Enterprise Zone
FDI	Foreign Direct Investment
HDA	Housing Development Administration
HIBSIR	Hartford Inner City Business Strategy Initiative Report
ICC	Istanbul Chamber of Commerce
ICI	Istanbul Chamber of Industry
ICIC	Initiative for a Competitive Inner City
IGM	Istanbul Greater City Municipality
IMP	Istanbul Metropolitan Planning and Urban Design Centre
OECD	Organization for Economic Cooperation Development
MCI	Multi-National Capital Investment
NGO	Non-Governmental Organization
NRS	Neighbourhood Regeneration Strategies
PPP	Public Private Partnerships
RD	Research and Development
SIS	State Institute of Statistics
SPO	State Planning Organization
TDR	Transfer of Development Rights
EU	European Union
UN	United Nation
UNECE	United Nations Economic Commission for Europe
WCASR	West Louisville Competitive Assessment and Strategy Project Report
ZSAP	Zeytinburnu Strategic Action Plan

# CHAPTER 1

## INTRODUCTION

Urban regeneration, having been claimed for the reinvention of declining inner cities throughout the 20th century and onwards, is today, one of the most prominent concepts in urban planning and management. Its aim, supportive objectives and tools are often questioned for years in order to re-identify the scope of regeneration. One of the best universal and contemporary explanations for urban regeneration is drawn forward by Falk (1993):

... perception of urban decline; in local economies, in the use of land and buildings, in the quality of the environment and in the social life, and to the reversing the situation with formation of new basis for socio-economic growth by applying conceptual frameworks for urban governance to the city's experience of reconstruction and re-imaging.

However, since urban regeneration by nature is so dynamic rather than static phenomenon, it is almost impossible to capture all the features of current practice or to predict the future with any degree of certainty.

Since it has emerged, the concept of urban regeneration has taken different forms as to its focal points, policies and priorities put forward. The process is practically defined by Berry and his friends as below (McNamara 1993):

The main focus has evolved slowly from a concentration on environmental quality in the 1950's, through an emphasis on social policy in the 1960's, to a clear focus on economic issues in the 1970's and beyond. 1980s are substantially subjected to an alliance of ideas on stimulation of commercial confidence and environmental transformation through property development.

However, the efforts of the past decades to revitalize inner cities have failed. Late 1990s and 2000s have witnessed the rise of strategic management of urban regeneration which concentrates much more on comprehensive and action-oriented policies while giving the leading role again to private sector, but increasingly the enabling role to public sector.

Today we have come to a point that effective urban management and urban marketing strategies are needed to attract money and energy back to these inner cities. In order to do that inner cities should not be seen as problem areas, but seen as opportunity areas and their present advantages must be investigated that are able to

compete with already attractive areas. Naturally, inner cities include several barriers to initiate any possible revitalization effort inside. However, at the same time, they have a strong revival potential with reference to its strong relations with the city centre. (Figure 1.1) City centre is the symbol of a community's quality of life, and the city's overall image in a wider scale. What is more, it is a revenue generator within the city in terms of business sales, real estate values, job creation and tax revenues. That is to say, the ability to attract the energy back to inner city localities needs to be evaluated with reference to its competitive capacity within the wider regional context.

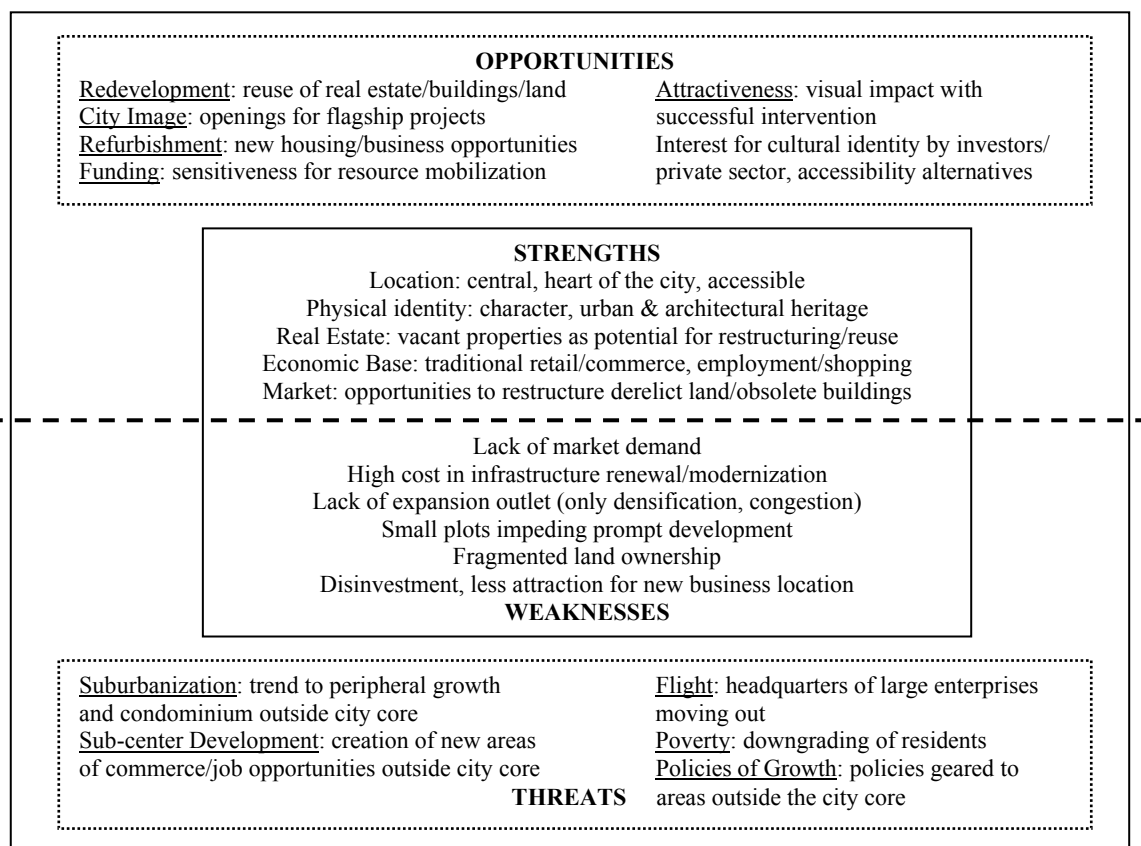


Figure 1.1. Analysis of Advantages and Disadvantages of Inner-cities

(Source: Acioly, 1998)

The competitiveness of a region is its ability to attract the flows important to it. (Juha 2002). Under the effects of global capital, cities today seek for the advantage of their unique qualities as they need to attract investment and develop employment markets. “Urban Competitive Advantages Approach”, claims that competitiveness also exists in inner cities. Truthfully, peripheral areas do not have the ability to compete in the wider urban context in flow of certain services. On the other hand, inner urban areas

with their several advantages seem to have the ability to challenge in attracting new businesses and increasing the quality of life. Communities, therefore, cannot ignore the potential of inner city areas on the way to operate smart urban growth. Developed countries are today aware of directing resources strategically to make use of all competitive advantages of inner built up areas in order to achieve economic returns. Today, it is because for the most part of the private customers, investors, business owners in those countries are pursuing revitalization activities with an increasing attention. Regeneration of urban deprived areas has been accepted in majority of the developed countries as an important element of regional and national success.

Unlikely, since most of the developing countries as well as Turkey had to deal with many urban problems like; housing, infrastructure, employment, illegal construction and uncontrolled urban sprawl, regeneration of inner-city areas and conservation of historical sites that have been inevitably put apart for years. The establishment of a continuing economic base with its employment opportunities and improved revenues today still constrains policy makers and public authorities. It is nearly impossible for both national government and the local authorities in Turkey to separate extensive resources for inner city regeneration as developed countries do. In fact, Turkey is recently on the way to construct a policy framework and administrative role models for urban regeneration. Local authorities have also launched several regeneration schemes in many cities especially in Istanbul. Some of the proposals are introduced in the form of speculative flagship projects, and some in the form of renewal projects in peripheral squatter neighbourhoods. However, many of the valuable inner city neighbourhoods still remain untouched. In effect, creative and practical mechanisms are needed in both governmental and local levels in order to economically and physically revitalize those inner city areas. In this respect, the research proposes to critically examine the approach for developing mechanisms for leveraging “urban competitive advantages” of inner city areas in the case of Turkey, given the political uncertainties, limited resources and available legislative and administrative framework.

## **1.1. Aim of the Research**

This dissertation focuses on assessing the true impact of the Urban Competitive Advantages in inner city areas in Turkey and the availability of the potential for

marketability of those advantages for economic revitalization with reference to the case study held in Piyalepaşa-Dolapdere Axis and its environment in Istanbul.

The research covers specific questions that are important in shaping the scope of such an assessment which can be stated as:

- What are the competitive advantages that effect marketability of inner city areas?
- What are the indicators (variables) that illustrate competitive advantages of a locality?
- How those indicators operate on stimulating reinvestment in inner cities?
- Does each or some of those competitive advantages exist for the case area ‘Piyalepaşa-Dolapdere Axis and its environment?’
- How much effective are the relevant policy and regulatory framework in Turkey that are needed to stimulate private investment to deprived inner city areas?
- How to strategically design action-oriented interventions to initiate a revitalization process in concerned areas in Turkey?

With reference to examination of above questions, objectives of the research emerge as:

- Defining the main indicators in assessing the competitiveness of a distressed area in relation to its surrounding region,
- Making inferences from worldwide experiences about mechanisms that make use of area-specific competitive advantages in distressed inner cities,
- Critically reviewing the current and evolving legislative, administrative and regulatory frameworks for urban regeneration in Turkey.

While making inferences from worldwide implementations, it is assumed that projects implemented in relation to urban competitive advantages approach have added positive value to the area it’s implemented in the final. The other critical acceptance of the research is that private investment is inevitably the key factor for economic enhancement of deprived urban areas in Turkey given the driving forces of liberal market conditions.

In this respect, the main supposition of the research centres on the assertion that:

‘Policy directions and the regulatory framework for urban regeneration in Turkey will only help economic revitalization of distressed inner city areas when reformulated in the way they promote (market) the potential competitive advantages of concerned localities that will encourage private inward investment.’

Because; formulation of related policies and available instruments will reflect how adequate national and local governments plan the use of urban economic space.

## **1.2. The Scope of the Study**

The First Chapter is the introduction of the research, which formulates definition of the problem, purpose of the research and methods used to assess the idea of thesis statement. The style of approach to urban regeneration has evolved over the years, and the policy and the practice has reflected dominant socio-political attitudes of countries, especially developed ones. The literature relevant to this hot issue has been developed by having lessons from what has been done and what has been achieved in those countries. Since then, Chapter Two illustrates the theoretical basis of urban regeneration by giving an insight to its origin, challenges and its purpose. It describes the preliminary conditions of urban decline and the emergence of the concept of urban regeneration with reference to the practice in different countries throughout the historical perspective. It is the part that asserts how logic of regeneration has changed through time from early attempts with the main role of government as a provider to a market-led approach with private investors as the main actor and the public sector as the enabler.

Third Chapter firstly gives a glance onto the concept of competitiveness which is today's one of the most popular term used in defining the directions of economic parameters and investments within the global scene. With reference to this, the Chapter secondly introduces the 'The Urban Competitive Advantages Approach', developed by Michael Porter who claims that deprived inner cities still contain inherent competitive advantages within the city or regional context. The approach focuses on national/local governments' responses and policy actions in promoting inner city competitive advantages to attract businesses and stimulate business for economic inner city regeneration. The main contribution of this chapter is the analysis several worldwide projects developed in relation to 'competitive advantages approach', and then, derivation of the variables that will contribute to measuring the degree of competitiveness in any other cases. The chapter also examines the implications for public policy in promoting localities' competitiveness in those projects.

Following the development of approaches to urban economic regeneration, the next Chapter draws a framework for the urban regeneration practice in Turkey in

relation to the development of related policy directions, legislations and existing organizational capacity. This chapter also includes the explanation of spatial development processes in Istanbul in a historical perspective in order to understand conditions that prepared urban decline in certain parts. Thereafter, the early practices and the recent attempts for regeneration are discussed to perceive what has been done and what has been achieved.

On the basis of changing prospects for inner city regeneration all over the world together with the increasing response of Turkey examined in previous chapters, Chapter Five represents a case study held in “Piyalepaşa-Dolapdere Axis and its environment” in Istanbul Metropolitan Area. There are several reasons for choosing this area for case study analysis. First of all, it is a typical well-known distressed inner city area in Istanbul. The word ‘typical’ here refers to the general characteristics that are the common features of the most of the urban areas that need to be physically and socio-economically revitalized. Those characteristics are mainly a long-term unemployment higher than the city average; a high level of poverty with unliveable housing conditions; a particularly deprived physical built –up environment; a high crime rate in contrast to the city averages, a bad image and outdated social and technical infrastructure. The other reasons for choosing ‘Piyalepaşa-Dolapdere Axis and its environment’ as the study area are its being a well-known problem area, the unfortunate disinvestment despite the surrounding prestigious neighbourhoods and recent property-led development initiatives observed both within and around the area.

The case study illustrates the degree of competitiveness of the case area according to identified variables at the end of the Third Chapter and assesses the marketability of its inherent competitiveness, if exists. Identification of the main variables in assessing the degree of competitive capacity of an area through the case study work is in fact the most important contribution of this dissertation to the related literature.

While doing the case study work, the study area is evaluated in different scales. First of all, both global and national competitive position of overall metropolitan area of Istanbul is described. Secondly, the main position and the anchor sectors within the surrounding region of the study area are put forward. After determining the strategic position of the area within the city level, the current dynamics of the case area in neighbourhood level is put forward. As all the variables are analyzed, the research intends to define to what extent the competitive advantages of the study area match with



the preferences of private investment, and what is needed to increase the marketability of the area?” In relation, the analysis also includes the inquiry of available public policy directions and regulatory instruments both in local and governmental levels as to whether they help marketing of the advantages of case area or not. Finally, the case study presents concluding recommendations about the ways of and instruments for promoting reinvestment in the case area.

Consequently, the Last Chapter draws a conclusion about contributions of analyzing the competitive advantages and disadvantages in assessing deprived inner city areas in Istanbul that are face to face with disinvestment in the present. It conceptualizes in what sense the competitive advantages help stimulation of private investments directed to distressed inner cities for a possible local economic revitalization. The chapter concludes with redefinition the necessary policy directions and legislative provisions in Turkey with reference to the inferences made in the case study work.

### **1.3. Methodology**

The research utilizes from literature review, land survey and case study techniques to explain the applicability of the approach for promoting urban competitive advantages in inner city regeneration processes in Turkey. Literature review is especially used in formulation of the theoretical basis of the notions, scope and the role models for urban regeneration. A case study is held on a pilot area for understanding the ability of competitive advantages to operate on economic revitalization. Several variables are identified to measure the degree of present advantages and disadvantages of the case area. Those variables are derived with reference to the relevant literature and to the worldwide case studies discussed in the 3<sup>rd</sup> Chapter. Because, as pointed out in the previous pages, it is assumed that the selected worldwide projects developed within the last decade have added value to some extent to the concerned area in the final. Derived variables are classified as physical, demographic, economic and social while at the same time they are related in a one-to-one correspondence with four major competitive advantages (1. location, 2. local market demand, 3. integration with regional economies, 4. human resources) of Porter’s approach according to their relevance. From those, the variables especially referring to physical aspects are the ones that Porter has not mentioned his approach. However, those variables are important for

determining whether the physical layout is advantageous or disadvantageous for physical development. For instance, if exists, the available physical assets also create significant advantage for revitalization activities. In this respect, the main variables that are to be critically assessed to understand area-specific competitive advantages have been put forward as follows:

Physical & environmental variables

1. Location, accessibility & available transport utilities
2. Density and condition of the built environment
3. Infrastructure
4. Natural thresholds (topography, slope, water basins)

Variables referring to planning & regulatory aspects

5. Land-use of the area
6. Current plan decisions / construction regulations
7. Future plan decisions / plan & project proposals
8. Land vacancy pattern
9. Ownership pattern
10. Land values within the area and neighbouring areas
11. Property values within the area (for sale + rental)
12. Availability of present public investments
13. Availability of present private investments

Variables used to define "Location Advantage"

Demographic variables

14. Population change, Population density
15. Distribution of different age groups
16. Proportion of employed / unemployed
17. Job destinations of employed population
18. Education level
19. Available educational inst./job training opport.

Variables used to define "Human Resources Advantage"

Socio-economic variables

20. Income distribution of households
21. Consumption distribution of households
22. Wage distribution in business establishments

Variables used to define "Local Market Demand Advantage"

23. Contribution to GDP
24. Number of firms in industrial sector
25. Number of firms in service sector
26. Number of working population in industrial sector
27. Number of working population in service sector
28. Sizes of firms (employer capacity) in industrial sector
29. Sizes of firms (employer capacity) in service sector
30. Distribution of industrial sector activities
31. Distribution of service sector activities
  - Distribution of production services
  - Distribution of culture services
  - Distribution of tourism services
32. Availability of firms that used credits or loans
33. Availability of firms that used incitement
34. Availability of firms that used foreign investments
35. Annual revenues of existing firms
36. Square meters of space used by existing firms
37. Number of establishments that distribute goods or services in international scale (Export potential)
38. Number of establishments that distribute goods or services in national scale

Variables used  
to define  
“Regional  
Clusters  
Advantage”

Database collection for the above variables involves four basic components:

1. preliminary city-specific data gathering
2. area-specific data gathering
3. land survey
4. in person interviews with real estate agencies
5. in person interviews with technical managers of related district municipalities

Majority of the data referring to above variables are collected from public sector agencies which are mostly State Institute of Statistics and Istanbul Metropolitan Planning and Urban Design Centre and also Istanbul Chamber of Industry, Istanbul Chamber of Commerce, Istanbul Greater City Municipality, Beyoğlu Municipality, Şişli Municipality, Istanbul Directorate of Ministry of Tourism, Undersecretariat of Treasury

and Foreign Trade and Banking Association. The main difficulty in database collection is obtaining the necessary data in neighbourhood level and in required detail. Relevant data which is needed in evaluating the regional clusters advantage could be achieved for the most part in city and districts levels. However some of the data could not be reached in the site level. Physical and environmental variables together with the ones referring to planning and regulative aspects could be achieved in the local scale. On the other hand, the exact numeric data referring to 18<sup>th</sup> variable related with human resources advantage and to 20<sup>th</sup> - 22<sup>nd</sup> variables referring to local market demand could not be achieved. The other missing data in the local scale is in economic variables (32<sup>nd</sup> - 38<sup>th</sup>). If they were achieved they would be complementary through the analysis of the capacity of study area firms in creating clusters advantage. The missing data related to those mentioned variables could have only been obtained by conducting area-specific questionnaires distinctly held in households and firms. However, since the case study area suffers from acute security problems, such questionnaires are unable to have been done. The other difficulty faced during the database collection is the availability of the data for several variables not for different periods but only for specific years.

Despite the lacking data for specific variables, collected data has provided valuable information for the assessment of available competitive advantages and disadvantages of the case study area. The data verifies the aspects which are expected to generalize in the final, since then the research uses numerous techniques like frequency distributions, average distributions, growth diagrams, tables and maps to display the physical, demographic and socio-economic structure of case study area. As a result of that critical analysis, the research describes to what extent realization of competitive advantages play role in regeneration of deprived inner cities in the case of Turkey.

## **CHAPTER 2**

### **THEORETICAL FRAMEWORK FOR REGENERATION OF INNER CITIES**

A continuous rapid urbanization is perceived all over the world. This urbanization is greatly experienced as population congestion in urban areas. Today great portion of the world population lives in urban areas. Since 1950s, the world population living in urban areas has approximately increased 3 times till the present day. This increase has been realized much more drastically in developed countries.

The urban life takes various forms, ranging from large-scale metropolitan areas to small towns, from a concentrated city core to diffused centres, from high density inner city areas to outer suburban sprawl and peripheral estates. Complex movements are inevitably characteristics of urban areas like people migrating into as well as out of cities and towns mostly because of shifting patterns and types of production in industry and services and employment cycles, reduction or increase in household sizes and modes of travel. Most of the urban areas experience fluctuations since they always seek to adapt to changing needs. These fluctuations on one hand may be necessary; on the other hand they create undesired but inevitable economic, social and physical imbalances within the urban context. Those changing balances of economic, social and environmental conditions existing in urban areas result with the decline of some parts that are unable to respond to change, especially the inner city areas, and rise of some other parts that are able to quickly adopt themselves to change.

Cities, in effect, contain many opportunities. They are centres of communication, creativity, innovation and of cultural heritage. Furthermore, since they are the dynamos of both national and regional economy, they mostly contribute to wealth creation and prosperity for nations. It is therefore crucial to respond to the challenges faced by urban areas in order to ensure their overall competitiveness and continued survival. Location has a critical impact upon the ability of areas to attract flows of people and capital investments. Targeted areas for regeneration in a city may be located typically in the inner city or on the fringes. But, the peripherality of areas in

some cases restricts their ability to compete in the wider urban context. For cities to be competitive, opportunities need to be extended to every one and every place. Inner cities have considerable potential to extend opportunities for increasing competitive characteristics of an urban area. The overall performance of metropolitan areas is linked to their performance of their central cities, and urban distress moves outwards from the core. In this respect, the research exactly focuses on distressed inner city areas rather than dealing with area-specific problems of fringes or peripheral deprived areas. This chapter analyses the causes of decline and the development of approaches to both theory and practice of urban regeneration within the global context. Then, it examines the response of world countries to urban decline in terms of formulation of their national urban policy. The chapter finally describes emergence of the latest framework for inner city regeneration in the recent decade. This framework emphasizes the importance of generating a comprehensive and strategic approach to distressed areas supported with action-oriented policies and expected long-term benefits.

## **2.1. Causes of Urban Decline**

Urban decline is the degeneration of parts of cities usually as the result of structural economic change and its associated effects of depopulation, property abandonment and decrease in property values, increase in social problems and respectively a bleak and unfriendly urban landscape. The reasons for deprivation of urban areas are many and varied. It is caused largely by the effects of multi-facade changes in urban socio-economic structures and their reflections on the spatial context. Therefore, it is quite essential to explain the conditions that necessitated urban regeneration with reference to major historical urban processes. The most important factor that gave way to radical restructuring in social, economic and spatial base of urban areas is actually the rapid industrialization experienced by developed countries in the late 19th and 20th centuries. The economic transition and employment change together with the technological improvement were the major consequences that had dominated the scale and emergence of urban problems in cities. Those problems were a part of a broader process of restructuring in which older urban areas had suffered mostly due to the weaknesses in the structure of their economic base and their inability to adapt to new production technologies or new trading and infrastructural requirements.

The effect of such a process was dual. It had, firstly, global influences causing major changes in the labour market and decline of traditional industries, resulting in new services and products with less demand for unskilled or low-skilled labour. Secondly, it had several effects on local issues such as closure of local factories, large concentrations of social housing and general changes in the housing markets. As a result, the physical environment remained usually poor with run down factory and commercial areas coupled with few social utilities and poor public spaces. During the concerned process, many public policy decisions made without adequate prediction of their spatial consequences also accelerated deterioration of physical environment like change in zoning decisions or corruption of inner cities by major infrastructure corridors that link city centre with suburbs or sub-centres.

Parallel to the industrial transition, the rising trend of decentralization, or suburbanization pulled many functions out from central and inner city areas to peripheries. A large proportion of the new jobs have been created in the suburban districts while the low-skilled labour force has remained in the inner cities or on the peripheral estates. A considerable urban expansion has been realized in many Western European countries and especially in U.S. resulting with the immense suburban development. High and moderate income groups moved to those suburban areas searching for private housing estates and for an improved quality of life. Low-income groups had difficulties accessing the housing facilities and new jobs through lack of suitable transport opportunities. As a result of replacement of more prosperous who have moved out to the suburbs by the poorer unemployed, many characteristics of deprivation such as high unemployment and low education levels, low economic base, poor housing conditions, poor environment, congestion and acute social problems became apparent in inner city areas (Dieffendorf 1989, Clark 1989, Couch 1990, Fainstain 1994, Couch, et al. 2003).

Other than the changing socio-economic base, the Second World War emerged another important factor that prepared the conditions for urban decline as well, especially in Europe. The wartime damage have shaped the spatial restructuring of many cities in Western and Central European countries like Holland, Poland, Germany; the cities which have been unfortunately damaged and largely rebuilt after the war.

Unlikely, the urban change that gave reason to decline of urban areas had followed relatively a different process in underdeveloped and developing countries as in the case of Turkey. Similar to the countries with advanced economies; the

disappearance of traditional sources of employment, the effects of policies that encouraged re-housing of urban residents, the impact of infrastructure and commercial property development and the physical decay of the environment have all dictated an urban deprivation in inner cities, however, their consequences upon the urban fabric have been more threatening in developing countries than those of the ones in developed countries.

The effects of industrialization in developing countries have been lately, but so rapidly recognized that majority of them could not adjust their economies, planning policies or political stances to prevent possible future urban problems. Consequently, the cities have experienced uneven urban growth with population congestion. The older built-up areas have not been protected, at the same time, lately built-up areas have lacked the quality considerations as well. Together with relocation of job opportunities and the emerging residential preferences in alternative locations, there has become both physical and socio-economic decline in inner cities, but most dramatically illegal housing development in the periphery conurbations.

As understood from the urban change historically experienced in different localities above, decline of inner city areas occur as a result of the dynamic nature of social, economic, environmental and at times demographic and political processes. In reality, causes of decline are unique. Each locality whatever the scale is has different characteristics and their particular reaction against restructuring processes is related to their own characteristics. However, it is possible to generalize the causes of decline which is necessary to further develop strategies for a required urban renaissance. One view distinguishes two major categories of factors to define why some inner city locales lose their attraction in contrast to others and start to decline:

1) General factors operating in majority of urban areas:

- Attitudes of people to the effects of extensive developments observed in the environment
- Technological developments
- Shifts in production
- Change in attitudes, values, demands and needs of inhabitants
- Social and economic policies with disruptive effects on building stock and the urban fabric
- General market forces and trends such as increase in land values
- Intervention of public authorities in land-use decisions



- Lack of policies through the legal framework
  - Incompatibility between central and local government policy frameworks
  - Changes in modes and types of urban transportation systems
- 2) Area linked factors:
- Inadequacy in the action and interventions to enhance run-down areas
  - Increases in land prices and property values in particular urban districts
  - Congestion of transport facilities and accessibility problem to concerned areas
  - Attitudes of official and commercial facilities to periphery development
  - Low quality of standards in building stock (Physical obsolescence)
  - Increases in crime and social polarization in concerned areas
  - Transfer of central urban functions to periphery and removal of unnecessary public installations
  - Area specific official and commercial facilities (UNECE 1998).

Another view explains urban decay with reference to obsolescence and draws seven major dimensions of obsolescence forward which are:

- *Physical/structural obsolescence*: arising through the physical or structural deterioration of a single building or a site,
- *Functional obsolescence*: arising because of no longer being suited for its function, due to the contemporary standards or requirements of the community or to the changing external conditions,
- *Image obsolescence*: arising as a result of the perception of the area's image over time with respect to the social, economic or natural environment changes,
- *Legal and official obsolescence*: associated with the functional and physical dimensions and occurs; as a result of for example, changes in zoning regulations, landuse policies or reinforced planning decisions,
- *Locational obsolescence*: occurring due to the fixity of a location relative to changes in the wider pattern of accessibility and labour costs operating at various scales; internationally between countries, within cities and between central and peripheral sites as well,
- *Financial obsolescence*: resulting with the depreciation referring to the projected reduction in the value of an area as to included land and buildings,

- *Relative or economic obsolescence*: occurring with regard to the relative cost of alternate opportunities for investments (Tiesdel 1996).

An important discussion for policy makers and planners is the difficulty of identifying a single cause of an urban problem. Majority of causalities are interrelated each of which reflects a range of influences that further affects the emergence of another. Examining the general factors in both of the above classifications will certainly help us to understand the underlying the reasons of deterioration behind inner urban areas and contribute to re-evaluate the present policy directions for revitalization.

## **2.2. Emergence of “Urban Regeneration” in Urban Planning as a Response to Decline**

The preliminary conditions defined above have resulted in abandonment and dereliction of land and buildings, degraded environments, unemployment and acute social deprivation in majority of the urban areas in history. The public policy that emerged as a response to such dereliction is called “urban regeneration”. It is being discussed for many decades to clearly understand what constitutes regeneration. Some authors equate it with gentrification, while others associate it with the alleviation of poverty. Some policy makers and practitioners see it as an opportunity for for-profit real estate development, while some others advocate for the social needs of community.

In biology, regeneration means the re-growth of lost or injured tissue, or the restoration of a system to its initial state. And so it is with urban areas. As today’s description, regeneration is concerned with the re-growth of economic activity where it has been lost; the restoration of social function where there has been dysfunction, or social inclusion where there has been exclusion; and the restoration of environmental quality or ecological balance where it has been lost. Thus, urban regeneration is an aspect of urban management and planning of existing urban areas rather than the planning and development of new urbanization (Couch, et al. 2003). While returning the derelict and vacant lands and buildings into beneficial use, regeneration tries to improve the existing socio-economic and physical conditions but does not aim to change the function of concerned urban areas as in the form of transportation.

When we call urban regeneration, we generally refer to a wider concept including many courses of action. Actually, several types of synonyms have been

attributed recently with the aim of eradicating the urban blight. Each synonym has tried to offer a new course of action or address the lacking issues in the preceding synonym. As a widely used term especially after 1980's, regeneration refers to a much more general set of strategies and policy directions to revitalize run down urban quarters in terms of all aspects (economic, social and physical) without addressing the type of action (conservation, rehabilitation, clearance and redevelopment or a joint approach). According to the general statements of the conference report prepared by Economic Commission for Europe, regeneration of an urban fabric encompasses all the following schemes each of which differentiates in content (Figure 2.1).

Urban Regeneration							
Renewal	Redevelopment	Rehabilitation	Improvement	Conservation	Clearance	Infill Development	Refurbishment

Figure 2.1. The Scope of Regeneration  
(Source: UNECE, 1998)

As a response to above factors, various prospects for regeneration have come into the picture through time. Parallel to the changing ideology in understanding the decline, new forms of action have been introduced under a variety of synonyms such as renewal, clearance, reconstruction, rehabilitation and some others. The used synonyms indicate similarity, but they also point at differences in focal point of concern, intended policies and implementation.

As a widely used term especially after 1980s, *regeneration* is a more general synonym that refers to the reconsideration of run down urban areas of all circumstances without addressing the type and degree of action (conservation, rehabilitation, clearance and redevelopment or a joint approach) to be undertaken. In practice, there is still not a fully worked out set of principles on urban regeneration with a clear rationale and proven track record of success. Its scope and purpose need adaptation to different local needs and circumstances. Thus, as Turok mentions (2004); pragmatism, experimentation, flexibility and modification over time are the inevitable terms for defining the evident dynamism of urban regeneration.

### **2.3. Changing Prospects for Regeneration throughout the Previous Decades**

The process of urban regeneration is a long-term cycle of activity; there are no quick or permanent solutions. Each regeneration attempt faces its own particular set of problems, has its own priorities and works in ways which reflect these priorities. However, even as each successive generation will face its own particular challenges, the value of learning from previous experiences cannot be denied.

The institutional and spatial frameworks for regeneration has taken different forms both over time and between places, reflecting both the policy preferences and priorities of government and the perception of the period of the field of action within which regeneration problems can best be addressed (Table 2.1). History of urban renewal is traced back to the change in the urban environment with reference to immense development caused by industrial revolution in the mid 19th century. However, if the nearer history of development of approaches to urban regeneration is evaluated; since its emergence as an aspect of urban management, the focus on urban regeneration (in general means) has evolved slowly from a concentration on environmental quality in the 1950's, through an emphasis on social policy in the 1960's, to a clear focus on economic issues in the 1970's and beyond. 1980s has witnessed a strong agreement on the need for economically-led private sector centred solutions. The need for an integrated and comprehensive solution to the challenges of urban regeneration however has led to a concentration on strategic management of urban regeneration in 1990s up to present day. Today, the framework for urban regeneration has reached its latest scheme focusing much more on a strategic and action-oriented perspective. Briefly, realization of the causes and consequences of urban change in time have provided better understanding the intentions of regeneration and developing more adequate strategies and policy actions as well. Therefore it is essential to illustrate the development of approaches to regeneration within a historical perspective in response to the aim of the research.

Table 2.1. Change in Policy Actions in Different Time Periods  
(Source: Roberts and Sykes 2000)

<b>Period</b>	<b>1950s</b>	<b>1960s</b>	<b>1970s</b>	<b>1980s</b>	<b>1990s</b>
<b>Policy Type</b>	<b>Reconstruction</b>	<b>Revitalization</b>	<b>Renewal</b>	<b>Redevelopment</b>	<b>Regeneration</b>
<b>Major strategy and orientation</b>	Reconstruction and extension of older areas of cities based on a 'master plan' suburban growth	Continuation of 50s theme' suburban peripheral growth, early attempts in rehabilitation	Focus on in-situ renewal & neighbourhood schemes; still development at periphery	Many major schemes of development & redevelopment; flagship projects; out of town projects	Move towards a more comprehensive form of policy & practice; more emphasis on integrated treatments
<b>Key actors and stakeholders</b>	National & local government, private sector developers and contractors	Move towards a greater balance between public & private sectors	Growing role of private sector & decentralization in local government	Emphasis on private sector and special agencies; growth of partnerships	Partnership the dominant approach
<b>Spatial level of activity</b>	Emphasis on local and site levels	Regional level of activity emerged	Regional & local levels initially; later more local emphasis	In early 1980s focus on site; later emphasis on local level	Reintroduction of strategic perspective; growth of regional activity
<b>Economic focus</b>	Public sector investment with some private sector involvement	Continuing from 50s with growing influence of private investment	Resource constraints in public sector and growth of private investment	Private sector dominant with selective public funds	Greater balance between public, private and voluntary funding
<b>Social content</b>	Improvement of housing and living standards	Social and welfare improvement	Community-based action & greater empowerment	Community self-help with very selective state support	Emphasis on the role of community
<b>Physical emphasis</b>	Replacement of inner areas and peripheral development	Continuation from 50s with parallel rehabilitation of existing areas	More extensive renewal of older urban areas	Major schemes of replacement & new development 'flagship schemes'	More modest than 80s; heritage and retention
<b>Environmental approach</b>	Landscaping and some greening	Selective improvements	Environmental improvement with some innovations	Growth of concern for wider approach to environment	Introduction of broader idea of environmental sustainability

### **2.3.1. The Approach to Urban Regeneration in the Immediate Postwar Period - After 1945 & 1950s**

The most popular and well known initial attempts to urban decline have been generated in the late 40s. The reason for rising concern for the attempts to renew the urban physical context was for the most part the wartime damage. The process of reconstruction of the ruins was seen as a task of national response in many European countries with a public-planning investment style. Policy prescriptions were concentrated on reconstruction and extension of old central areas (Falk 1993, Roberts and Sykes 2000, Couch, et al. 2003).

Especially after realizing the disruptive results of industrialization, central and local governments in Western countries, especially in US, immediately developed government-led physical renewal schemes, which in many cases occurred within the form of large-scale slum clearances in 1940's and 1950's. For example; the slum areas in the Victorian era had emerged as a result of insufficient attention of the public authorities.

For reasons of public health and a desire to improve urban living conditions, the slums of the nineteenth century were eventually acknowledged as an unacceptable end-product of a process whereby industrialization had dictated the pace and quality of urbanization (Roberts and Sykes 2000).

On one hand, there was an immense need for physical intervention in order to replace outdated or unsatisfactory residential uses. The emphasis in 1940s and 1950s was rebuilding the urban physical fabric to increase the quality of the environment.

Government-led with enthusiastic support from local authorities and private sector alike, the priorities of slum clearance and reconstruction led to the embrace of high-rise housing and industrialized building techniques (Roberts and Sykes 2000).

As a public strategy area-specific renewal was adopted; however, a permanent improvement in living conditions after the physical renewal was not achieved in many cases as in the case of Glasgow city in UK. [1954 Development Plan in Glasgow was designated to renew the urban slums with demolition and replacement of high rise flats to overcome the housing shortage as well. But since newly built flats were further subjected to the problem of decline, this had led to the start of GEAR project in late 1970s (McCarthy and Pollock 1997)].

On the other hand, suburban growth was essential beside the central redevelopment. Although several urban constraints were adopted like the designation of greenbelts, substantial peripheral expansion within the urban fence continued in 50s. Beyond the greenbelt implementations were the new and expanded towns, together with rapidly growing, free standing county towns in Western Europe especially in Britain.

### **2.3.2. The Approach to Urban Regeneration in 1960s & 1970s**

By the mid-1960s it was already apparent that many of the immediate post-war solutions had simply transferred the location temporarily and just altered the expression of urban problems. In fact, most policies through time have been generated by bringing together lessons from previous experiences of regeneration attempts. Parallel to this, Les Sparks emphasizes that it is necessary to remember that people cannot achieve urban regeneration by simply replacing an outdated environment with a modern one, as people learnt to their cost in the 60s and 70s. He discusses the role of urban regeneration as:

What is required is more than planning and architecture and urban design. It involves a social process for creating stronger community structures. It involves developing community leadership and devolution of management to local areas... It involves many more organizations...; all the public sector, the voluntary and business sectors and the local community must all be participants...The process has to engage the local people, thereby helping to create a stronger community, drawing people together, and encouraging leadership and responsibility for managing one's own environment (Sparks 2000).

As Sparks mentioned, people has learnt by the 60s that a cosmetic or physical revitalization, which puts aside social dimensions, may be a short-term strategy to facilitate deeper community revitalization in the longer term. Popular planning style has been adopted with joint action of authority and local communities which has later turned to the style of trend planning. The growing dissatisfaction with slum clearance schemes of 50s and continuing shift of population to peripheral areas, especially in 1970s, have led to a series of adjustments on policies of government with a more participatory and decentralized approach (E.g.: “Soft Urban Renewal” scheme in Kreuzberg, Germany) with a growing role of private sector within the notions of trend planning (Brindley 1996, Kleinman and Whitehead, 1999, Couch, et al. 2003).

The shift in priorities in the urban policy field resulted with an increased emphasis on improvement and rehabilitation. Social aspects of run-down areas have gained interest, which brought a shift to social amenities and services for such areas.

The attempts have shifted from large scale reconstruction to local scale in-situ renewal schemes. Rediscovery of the declining urban areas has led to expansion of urban initiatives to ensure greater coordination between the previously separate economic and social policies with physical policies during the 1970s.

### **2.3.3. The Approach to Urban Regeneration in 1980s**

The period after 80s was a turning point in terms of the evolving public response to urban regeneration.

Many of the urban policy initiatives of the 1970s initially continued into 1980s, although substantial modifications and additions were subsequently introduced. Most significantly, during the 1980s there was a move away from the idea that the central government should provide all of the resources required in order to support policy interventions (Roberts and Sykes 2000).

Rather, the new policy stance was matched by a greater emphasis on the private actors. Key actors like new special agencies (E.g.: Urban Development Corporations in England, Scottish Development Agency in Scotland, Land Development Corporations in Hong Kong) have appeared. A more commercial style of urban redevelopment has become evident in the 1980s that reflected a substantial set of changes in the nature and structure of political stance and control as in the form of leverage planning style which advocates the necessity of initiating the weak market (Brindley 1996, Roberts and Sykes 2000). Majority of the developed countries in that period has given emphasize on commercial confidence for private investment in urban regeneration. This was not coincidental, but a reflection of driving rapid globalization processes: the logic of market mechanisms facilitated by advances in technology and liberalization policies. Since market-led processes are geared to economic growth, the redevelopment in distressed inner cities have been thought to achieve by removing barriers that prevent smooth functioning of markets in those areas and discourage inward private investment. 1980s have witnessed to a much more strong agreement of political responses on economic redevelopment in neglected urban areas. The earlier targets; the provision of housing, public-amenities and specific emphasis to low-income people have been put aside and aggregate economic growth, measured by the concentration of private investment, has become the only criterion of success for urban revitalization.



Basically four key characteristics seem apparent (Healey 1992, Berry, et al. 1993, OECD 1998, Roberts and Sykes 2000) in assessing the degree of change in the targets of planning and the schemes adopted after 80s:

- *Focus on economic-led solutions*: Markets have replaced the traditional planning concerns as the primary determinant of regeneration. While there was a strong understanding of public-led redevelopment, a market-led approach has gained priority in planning practice. New claims have appeared as competitiveness and efficiency. Planning has started to being directed at achieving marketability of urban space with its set of development rights and financial capabilities.
- *Predominance of public-private partnership arrangements*: While the public sector was the major agent in the overall redevelopment of run-down areas, private sector institutions have become evidently as important as the public sector in last decades. The emergence of new forms of cooperation between the public and private sectors has characterized a considerable shift from ‘large-scale public-sector projects’ to ‘joint public-private schemes’ and an emphasis on business and economic development. (Such as the Docklands project in London, GEAR in Glasgow, etc.) (Berry, et al. 1993)
- *Focus on incremental prospects*: From a comprehensive and rational planning approach, the focus has turned to narrow goals and specific devices which may permit at least some forward progress. Rather than complete and abstractly constructed set of objectives, planners have started to re-evaluate run-down areas with selective strategic interventions. For example, in some countries, new policies and actions are introduced like; the Enterprise Zones and Simplified Planning Zones in Britain or Comprehensive Redevelopment Areas in Hong Kong which are designated differently from the traditional land-use decisions and/or zoning regulations. Zones are not purposed to serve for one specific function such as housing, commerce or recreation, but purposed for mixed-use to enhance local economic growth.
- *Concentration on supply-side measures*: Increasing concern for the supply side expectations is another evident feature of changing regeneration practice in recent decades. There has been a shift in public policy intervention in regeneration from the concept of ‘common good’ to ‘economic efficiency’. It has become popular for public authorities to let the derelict area help itself by providing the initial conditions to enhance redevelopment with the leading role

of private developers. That is to say, land has been presented to private investment to be shaped for the future. Perhaps the most significant reason of this acceptance is public authorities' realization of the effects of market dynamics on attracting private investment in neglected inner urban lands. As a result, restrictive land-use regulations have been reformulated; deregulation is adopted and property development is encouraged. Deregulation may be on a national basis if the main aim is to promote national economic growth or it can be specific to particular areas if the intention is to create differential incentives for specific localities (EZs in the U.K.).

The beginning of 80s has been a turnover in reformation of urban regeneration policy and strategies in terms of the way of handling the problems in urban derelict lands. Although the approach in reality truly emphasized the necessity to respond market conditions for economic regeneration, it reasonably led to an increasing tendency through an unregulated profit-driven development shaped by speculative gambles of investors in many cases. Especially the key characteristics of the approach in 1980s have led to the rise of arguments by 1990s against the idea that:

... the public interest is best served by actual development itself rather by any planning gain that may be secured from the developers. The preferred pattern of land uses in an area is the one defined by market actors rather than professional planners so planners are bound to response the market pressures (Berry, et al. 1993).

#### **2.3.4. The Approach to Urban Regeneration in 1990s**

New adjustments to the form and operation of urban policy have occurred in the 1990s, with a gradual move back to a more consensual style of politics and the recognition of a series of new problems and challenges. This change has influenced the form and the content of urban policy. The major aspect of the new policy formulation of the 1990s, which is evident both in the politics and in urban policy, is the acceptance of the need to work in accordance with the environmental objectives for sustainable urban development and regeneration (Couch, et al. 2003).

The other significant aspect of policy formulation is the consensus for building a more holistic scheme. The need for a holistic and strategic approach to urban regeneration especially arose from the concerns regarding property-led urban regeneration in 80's which was incremental in style, geographically scattered and ad hoc in progress (Healey 1992, Kearns and Philo, 1993, Roberts and Sykes 2000). There

have been fair practices for regeneration attempts in 80's which reflects greater emphasis on private investment, however, since the approach of 80s could not address the full range of economic, social and environmental problems, there has become a need to generate an integrated solution to the challenges of urban regeneration. Therefore policy actions after 1990s have attempted to correct the failure of the market with increasing matter of public-private consensus. While urban regeneration efforts in the mid-80s were directed at individual problem sites and small areas, the emphasis in the late 1990s has shifted to the regional level and to the society more than areas. New concerns have emerged around public-private consensus in 90's particularly in Europe, based on the idea that urban regeneration requires a strategically designed, locally based multi-sector and multi-agency partnership approach.

### **2.3.5. The Scope, Purpose and Notions of the Present Urban Regeneration Scheme – 2000s**

An effective urban regeneration process since 90s has been thought to reflect the wider circumstances and requirements of a distressed urban locality (in the city or region-wide context). This has led to identification a holistic approach that focuses on the necessity to improve the ways that together reduce social exclusion (society), enhance the economic reintegration of the so called disadvantaged areas (economy) and improve its spatial context (physical environment) (Figure 2.2).

In essence, today, regeneration of deprived urban areas, in content, is expected to provide long-term and wider benefits than ever before. An efficient regeneration process in a distressed urban area is expected to:

- Promote smart economic growth
- Increase tax revenues
- Provide financial return on under-utilized or used property
- Create new business/new jobs opportunities in untapped markets
- Empower the community (community building)
- Address community needs
- Remove blight
- Increase environmental quality
- Improve quality of life (Roberts and Sykes 2000).

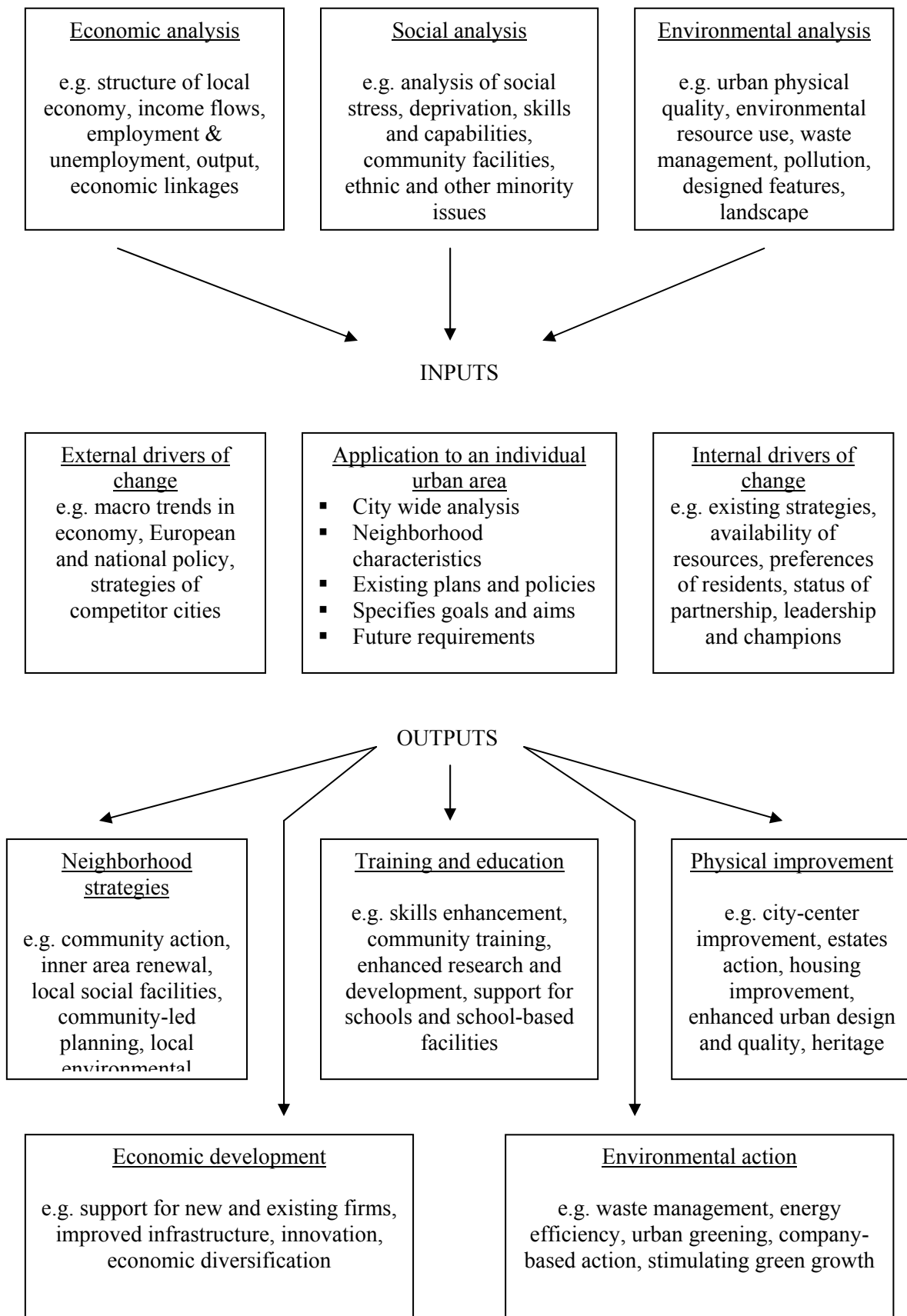


Figure 2.2. The Urban Regeneration Process  
(Source: Roberts and Sykes 2000)

The notions of the latest framework for a sustainable regeneration today can be better understood with the following key principles.

### **2.3.5.1. Strategic Management of Urban Regeneration**

The last years have witnessed a growing consensus amongst policy makers about how a system for the strategic management of urban regeneration could be managed. Not surprisingly, this has been a reflection of the general agreement on strategic planning throughout the theories of urban planning in 90s. The urban policy in strategic planning includes land-use and development planning and stresses the need for a comprehensive range of long-term policies in order to move towards more sustainable cities. Correspondingly, the ad hoc, opportunistic, incremental and locally driven scheme by scheme approach to the regeneration of major sites in the central urban areas is replaced by a strategic approach recently. The strategic approach stresses on the need for 'win-wins' and place them at the heart of policy. Identifying 'win-wins' is primarily an analytical issue. Thus the implementation of sustainable regeneration places a high premium on the quality of analysis for policy-making and program development and process-driven decision making. According to this identification, the strategic approach should emphasize the need to clarify the intended outcomes of regeneration, construct a framework within which comprehensive strategies and action plans should be designed and implemented, provide clearly targeted policy instruments and clearly identify the roles and responsibilities of the actors and organizations involved in regeneration. A strategically designed regeneration project is expected to have a common purpose and cooperation for most of the actors involved, at the same time, bring added value in the long term (Urban Task Force 1999).

Evidently, many of the governments in developed countries as well as the European Commission itself have recently identified the features of their reformed policies for strategic management of urban regeneration.

### **2.3.5.2. Mixed-use Development**

Mixed use development has especially gained interest after 80s. Enterprise Zones and Simplified Planning Zones in Britain introduced in 80s are typical examples

which are designated for mixed use differently from the traditional land-use decisions and/or zoning regulations. In mixed use development, zones are not purposed to serve for one specific function such as housing, commerce or recreation, but purposed for mixed-use to enhance local economic growth. In this sense, the idea of strengthening the local economy has encouraged the compact city forms and mixed use cities to act against long term dereliction and the abandonment of land near central city areas. It is believed that success is more easily measured in mixed use. A regenerated derelict site is believed to be more viable when it offers a context with variety of options to enhance the economy and social life at the same time. Not surprisingly, in many previous cases of 50s or 60s, the reason why redeveloped residential areas could not have achieved success in the long term is that other than housing, such areas have not been able to offer any other function which would at the same time enhance the social and economic conditions of residents as well as the physical conditions.

### **2.3.5.3. Compact City Form**

Compact city form is lately introduced to urban planning literature with the need to make the best possible use of urban land and to avoid unnecessary sprawl. It is especially the consequence of the debates about the sustainability of urban forms that has focused on increasing the density of development, ensuring a mix of uses, containing urban 'sprawl' and achieving social and economic diversity and vitality which is characterized as the concept of compact city in recent years. Arguments in favour of a compact and centralized city claim that this type of urban form provides environmental, social and economic benefits. The environmental benefits of a compact urban form are various: a more efficient use of energy, a lesser traffic pollution, reduced pressure on greenfields and adoption of more efficient technologies. The social benefits of a compact urban form include a greater concern for sustainability issues more efficient services and facilities and increased quality urban environments. Its economic benefits are also great. A compact city with high density mixed-use areas is thought to contribute towards profitability and economic growth, lower energy consumption, and greater distribution efficiency. Economically, a compact urban form can also lead to new business formation and innovation, which also attracts new residents to central urban areas. Compact city advocates, in this respect goes along with the advocates on

adopting which will contribute to turning run down urban areas back into beneficial use and increases the attraction of businesses and residents.

Today, many urban policy prescriptions of member states in European Union such as; “The Urban Exchange Initiative in United Kingdom, Compact City Policy in Netherlands, the new Re-urbanism Policy in Japan”, stress similarly on the need for encouraging both intensified use of existing building and neighbourhoods and new housing to be built within existing urban areas in order to contain urban sprawl, preserve the countryside and make towns and cities more sustainable while at the same time improve the quality in central urban areas.

#### **2.3.5.4. Public-Private Partnerships (PPPs)**

Having constructed its roots in 1980s, public-private partnerships have emerged as a response to the rapid social, economic and institutional changes that societies have witnessed over the past few decades. Single-sector or single-agency approach in recent decades has been proven to have limitations in trying to tackle wider effects of those fundamental changes (Roberts and Sykes 2000). Most organizations involved in urban regeneration in last two decades have recognized that the issues they face have multiple causes and therefore need a multi-agency approach to plan and implement effective solutions. By the 1990s there has been a consensus on elimination of the traditional policy boundaries and adaptation of multi-level governance which unites different levels of government and of partnerships joining the forces of public, private and community actors and agencies to resolve problems. Parallel to the agreement on partnerships, devolution of power and resources from central to local governments has been adopted in many European countries. Hereafter, urban regeneration has evolved as a policy based less on destruction and more on renovation and investment, and today is an integral part of many local governments, often combined with small and large business incentives (Roberts and Sykes 2000, Beaten 2000, Osborne 2000).

From the mid-1990s the term of partnership planning has been redefined. A model of more balanced partnerships between the public, private and community/voluntary sectors has evolved by drawing on the experience of both the 1970s and 1980s. The private sector still in the leading role, the role of public sector has been redefined as that of enabler rather than that of provider with an emphasis on the

ability to act as a regulator, catalyst and partner. Especially resulting from the emphasis in the new policy on strengthening community organizations outlined within the notions of latest strategic approach, today, more equal partnerships planning is encouraged for successful regeneration projects, which is defined best in the White Paper, 2000, in UK as their new national policy, named as Local Strategic Partnerships.

### **2.3.5.5. Community Capacity Building**

The increasing application of the principles of sustainable regeneration and the consideration of equal partnerships with reference to notions of the new strategic approach in 90s has led to seeking very actively engagement of social capital in regeneration processes in recent years. Since regeneration was not simply about rehabilitating an area to make it more attractive, it should have also created the conditions that help enabling all of the residents to succeed economically and socially, community participation and capacity building have become essential for regeneration processes.

Communities and community sector is involved at all stages of a regeneration process with a bottom-up approach stressing: ‘citizens first’. A wide range of participative methods are used to encourage action for ensuring civil society participation in policy-making. Moreover, the progress on social dimension of regeneration also requires extensive ‘community capacity building’ with a wide range of support, techniques and initiatives which aim to empower individuals or organizations within deprived communities to contribute effectively to regeneration projects especially at the local level. More specifically, capacity building involves: equipping people with skills and competencies which they would not otherwise have; realizing existing skills and developing potential; promoting people’s increased self-confidence and their ability to take responsibility for identifying and meeting their own, and other people’s, needs; and in consequence encouraging people to become involved in their community within a purposed regeneration process.

Although effective regeneration and necessary community development programs are long-term goals and although sufficient time must be given for policy changes to allow progress to be made, an increasing number of government initiatives today rely heavily on a high degree of community engagement and social capital, since



there are significant social and economic returns on investment in community capacity building in the long run. Several examples of innovative mechanisms (not-for-profit organizations) have emerged lately for community-based neighbourhood regeneration the most popular of which are Community Development Trusts in U.K. and Community Development Corporations in U.S.

## **2.4. Classification of Experienced Approaches to Inner-city Regeneration**

Other than the style of urban regeneration that has been adopted in different time periods, the approaches to urban regeneration can be grouped in general as to their way in which they see the urban problem in highest priority to tackle and the way in which they try to handle it. Because, although urban regeneration has passed through several attempts in time until it has reached its latest scheme, all those attempts are still being adopted in variety of schemes in variety of places today. Zielenbach (2000) describes a clear basis for the well-known adopted approaches for urban regeneration. According to his identification, the approaches can be grouped in two categories as to being ‘individual based’ and ‘place based’.

### **2.4.1. Individual-based Approaches to Inner-city Regeneration**

According to such classification, individual based approaches focuses on improving social structure of the residents of a particular distressed area. Ensuring the long-term viability of the area as a geographic place takes on secondary importance. In effect, these initiatives can be matched with variety of anti-poverty programs organized largely in U.S. and neighbourhood regeneration and community integration programs in many Western European countries like England and Holland. Individual based approaches can also be separated into three in itself:

*1. Social development* is one of the most widespread approaches to neighbourhood revitalization that refers to the improvement of local institutional capacity. From 60s and onwards, public authorities have provided funding for enhancing education and training facilities, health and social services. By strengthening these services, policy makers sought to develop the skills of individuals within a

particular neighbourhood while simultaneously improving the quality of life for residents. According to this category, success of such social neighbourhood revitalization is tested by several indicators like; lower dropout rates, crime rates, infant mortality rates; higher numbers of job placements; and higher levels of resident satisfaction.

**2. Program-driven economic development** is another individual based approach that focuses more specifically on wealth creation within the community. In doing so, increasing the number and availability of jobs for local residents stands to be the primary goal. This approach stresses on the need for a local economic development model. It firstly focuses on attracting companies to the neighbourhood and keeping them there. Public sector and CBOs are expected to work with local businesses to increase the economy of the neighbourhood. Secondly, the approach involves preparing residents to be more productive through providing education and job training programs. Measures of revitalization for this approach are mainly the number of jobs created, the local employment rate, number of retail establishments, the amount of retail sales and the amount of commercial space that is developed.

**3. Trickle-down economic growth** is the approach that accepts regional and national economic development as the solution for distressed urban areas in contrast to more locally driven approaches above. According to this approach, policy makers seek the prospects for macro-level economic growth and wealth creation. It is expected that benefits of expanding economy will help also the inner city since it is an integral component of the city or the surrounding region. Trickle-down economic approach combined with the strategies of program-driven economic development stands for the achievement of regional economic competitiveness on which majority of the developed countries today rely on while constructing their inner city policies. Indicators of this approach are again reduced poverty and unemployment rates.

#### **2.4.2. Place-based Approaches to Inner-city Regeneration**

The second category, place-based approaches, is expressed as containing revitalization strategies which assert a distressed area as an economic input. In this situation, improving property values is a primary goal, and bettering conditions for existing residents may be viewed as a less important outcome. Other than the individual

based approaches there are three groups that can be stated as place-based approaches according to Zielenbach's classification:

**1. Gentrification** is one of the most widely used approaches attributed to inner city regeneration. Several examples for gentrification processes exist in neighbourhood revitalization projects in variety of cities worldwide. The process is couched with physical restoration of central-city neighbourhoods of which the future users will be upper class income groups. For many urban planning advocates, gentrification is evaluated as the failure of a revitalization effort in a deprived inner city locality. Unlikely, for many policy makers gentrification represented a benefit for inner cities, hence they encourage it through tax regulations, zoning changes or other possible tools. The indicators of a gentrified locality are then; increase in property values, increase in the amount of local commercial activity, per capita incomes, and change in resident composition as well.

**2. Incumbent upgrading**, like gentrification, refers to the rehabilitation of declining inner city neighbourhoods' properties. However, incumbent upgrading involves the improvement of communities by existing residents. Such kind of approach is generally observed in second-ring neighbourhoods rather than the centre as in the case of gentrification. It is the attempts of existing residents to prepare the stability of the neighbourhood. The indicators of such upgrading stand to be the same as the ones in gentrification except for the change in resident composition.

**3. Adaptive re-use**, the third of the place-based approaches, is the conversion of functionally obsolete or rundown properties into other functions by renovation. This approach generally refers to centrally located brownfields' redevelopment initiatives experienced in early industrialized cities in developed countries and transformation of docklands (flagship projects) in cities that have waterfronts. Chief indicators of adaptive re-use are; increased numbers of building permits and construction loans, increased economic activity, increased tax revenues and additional inner investments. Adaptive re-use, although Zielenbach (2000) evaluates it as an approach under the place based category, is better evaluated as a mode of intervention for purposed revitalization such as conservation, redevelopment or rehabilitation rather than a separate approach itself.

### **2.4.3. The Emerging Need for a New Collective Approach**

It is possible to make such an inference from above classification that the individual based approaches, especially the first approach, tend to focus on the needs of low-income inner city residents without adequately addressing the economic and especially the physical value of the neighbourhood as a whole. On the other side, the place-based approaches focus more on the economic development and marketing of the neighbourhood, but largely ignore the needs of the low-income residents currently living there. As understood from the experiences of developed countries where the earliest regeneration policies were generated to tackle urban decline, each of the individual based or place based approaches either separately or combined has been experienced in many cases. What came into picture lately in 2000s is that there is a need for a holistic approach that addresses both of above characteristics of declining inner city localities.

An economic regeneration in a problem area should undoubtedly rely on community building initiatives in that locality (social development approach). But at the same time it should focus on building regional economic strategies for regional economy (trickle-down economic growth approach), since an inner city locality cannot be thought and planned independently from its surrounding the region. This will help wealth creation and poverty reduction in macro-scale which will then also affect the inner city. Strengthening the local economy (program-driven economic development approach) is also as important as the notions of first two approaches in terms of directly focusing on enhancement of the locality economically. From the point of view of place based approaches, a revised approach should rely on increasing community consciousness in a distressed inner city area to make them actively participate in planning and implementation of a purposed revitalization process as in the form of incumbent upgrading. Briefly, a revised approach should adopt the synthesis of policy actions and regulatory tools drawn forward in those four approaches according the above classification of Zielenbach. However, this will not mean it is the exact framework which must suit for the regeneration of cases. The nature of the regeneration process of an area is mainly influenced by the physical outline of the area. In some areas the physical fabric left behind by previous forms of economic activity may become an asset, whereas in other areas it may be a burden. Docks and waterfronts, warehouses

and textile mills seem frequently to be returned to profitable uses within certain investment, while a historical conservation area with enlisted properties create unavoidable barriers for entrepreneurship. The purpose for which land and buildings can be used through a regeneration process will in fact depend upon both regional and local demand. Within the inner cities having the excellent proximity to central business districts, the trend has been for regeneration to be concerned mainly with both economic and physical modernization of the built environment, together with encouragement of mixed-use. Policy actions and strategies for regeneration of different inner city contexts will certainly be different. According to demand which is shaped by the pressures of possible inward investments, gentrification becomes an inevitable process in some cases. The future vision of a distressed inner city is best determined after the true analysis of the potential of site characteristics that will suit the competitive aspects of the region in macro scale. Actually, revitalization strategies generated for each deprived urban area reflects how adequate national and local governments predict the use of urban economic space.

## **2.5. Development Process of the Policy Framework for Urban Regeneration in Foreign Countries**

While urban renewal (in early means) has been debated by politicians, urban planners, civic leaders, and current and former residents of the areas where it intensively took place from 1950s up to date, it has undeniably played an important role in shaping the response to urban change in cities throughout the United States, England, and many other nations. With respect to early experiences, the framework of nationwide urban regeneration policy in each country has recently reached to its latest scheme, most of which goes parallel to the progress of strategic planning and management and to the driving force of policy directions developed by the European Union as well. Nevertheless, the policy framework and instruments for urban regeneration of each country differentiate between each other as to some external factors such as; geographical location, strength of the regional economy, global financial sources and nation-based factors such as the political processes; the administrative structure, levels of national, regional and local government interventions; availability of special

agencies; the financial structure; policy directions, regulations, taxation and other available instruments.

### **2.5.1. The Case of United Kingdom**

The United Kingdom, being one of the first of the countries to industrialize and failing to make productivity gains of some of its competitors during the post war period, was among the first of the European countries to face rapid urban change (Couch, et al. 2003).

It is not surprising that many of the earliest policies to tackle decline and respectively restructuring of urban areas originate from United Kingdom (UK). Therefore it is better describe the development process of such policies in UK in detail. The origins of urban regeneration policy in U.K. can be traced back to the designation of Slum Clearance Areas and to the Comprehensive Development Areas created (in 1947 Town and Country Planning Act.) as a mechanism to redevelop boom-damaged areas after 1945. Further additions to policy occurred during the 1950s and 1960s, such as provision of special aid to areas where several immigrants were concentrated such as the Educational Priority Areas Scheme. Public-investment planning style was adopted in post-war period U.K. In response to growing concern about the condition of the inner urban areas, and especially the neighbourhoods of immigrants, the Urban Program Grants Act provided the basis for financial assistance through Urban Program. Other policy initiatives followed such as the Community Development Projects which were expansion of Educational Priority Areas scheme (Brindley 1996, Roberts and Sykes 2000, Rose 2007).

Definitely, “the term “urban regeneration” appears to have its origins in British metropolitan planning in the mid-1970s” (Couch, et al. 2003). In the early 1970s several new policies were adopted such as the designation of Housing Action Areas by the 1974 Housing Act. The agenda was upgraded then with the 1978 Inner Urban Areas Act. This was limited to a few inner city areas; however it had an important consequence that it placed urban policy in the mainstream of central government policy (Roberts and Sykes 2000).

The central government responsibility for urban policy changed hands from the control and direction of Home Office to the Department of the Environment in 1975. This shift in departmental responsibility reflected a change in emphasis of policy. The Home Office had adopted a social approach, whereas the Department of the

Environment emphasized the need for a structural or economic view of urban deprivation and policy. With the 1978 Act, local authorities got opportunity to be designated as “partnership or program authorities”. Following the change of government in 1979, the Urban Program continued with an increased emphasis on stimulation of private investment (Roberts and Sykes 2000).

1980s mark a turning point in the post-war history of planning and redevelopment as well. 80s firstly witnessed fragmentation, secondly remaking of planning. Thatcher governments abolished planning since 1979 by encouraging Laissez-Faire policies. Planning control was relaxed and leverage planning which aimed stimulating the market gained interest. New initiatives were designed to enhance private sector confidence parallel to the general increasing reliance on private investment for regeneration projects. The first of these new initiatives was the establishment of Urban Development Corporations (UDCs) under the 1980 Local Government Planning and Land Act. Majority of planning powers were transferred to Urban Development Corporations. In general their aim was to provide required housing and commercial properties within the specified inner city areas with respect to increasing global economic demand. They were the agencies with specific objectives operating as an effective mechanism to assist in leveraging the private sector investment. The second new initiative was the establishment of Enterprise Zones (EZs). The logic of Enterprise Zones policy was the exclusion of firms from local taxes in order to stimulate economic growth. Until 1985 for example, capital investment in industrial and commercial buildings attracted 100% tax allowances. (Appendix A) However, as UDCs and EZs have been then evaluated to be not sufficient enough to address all of the problems of the inner urban areas; therefore the Urban Development Grant (UDG) was introduced and directed at firms in specific redevelopment projects in 1982. In addition to direct grants, indirect grants also have been used such as reclamation of land to make it suitable for development or redevelopment or elimination of site acquisition costs. Moreover, property development companies, namely Inner City Enterprises, were established that seek out development opportunities for ignored and risky areas (Fritz 1995, Roberts and Sykes 2000, Rose 2007).

Some other urban regeneration initiatives launched during 1980s were:

- creation of registers of unused and underused land owned by public bodies which was placed on local authorities by the 1980 Local Government Act;

- operation and expansion of Priority Estates Project which was renamed as Estate Action in 1987; and
- introduction of the Urban Regeneration Grant (URG) in addition to UDGs in 1987 which aimed to assist the private sector in bringing forward major schemes.

All above developments were evaluated as detrimental to planning and urban redevelopment, therefore the outcome of the policy review of the early 1990s has been a considerable move to managerial and competitiveness issues. In 1992, the government launched the Private Finance Initiative (PFI). Its aim has been to reduce public sector borrowing and to offer additional capital finance with the attempt to convince the private sector to take a more active role in urban regeneration. In addition, the Single Regeneration Budget (SRB) has been created, which is a fund of public money to complement or attract other public, private or voluntary resources. Its aim has been to help to improve local areas and enhance the quality of local people by tackling their needs, stimulating wealth creation and improving competitiveness. Especially with the increasing concern for strategic management of urban regeneration, SRB has proposed to encourage local partners to come together to plan a strategic approach to these needs and priorities. In 1994, establishment of an Urban Regeneration Agency has been accepted. The intention of the agency was to create a new statutory agency to promote reclamation and development of derelict, vacant and underused land and buildings in England, especially in urban areas. After came into effect, it has merged the functions previously discharged by English Estates, City Grant and Derelict Land Grant (DoE 1986, DoE 1992, Brindley 1996, Roberts and Sykes 2000, Rose 2007).

In late 1990s, SRB has continued with a greater emphasis on the distribution of funds to a wider range of local authority areas. New policies have been adopted through stimulation of employment, coordination of regional economic development and attraction of inward investment. Other than the direct policies and initiatives, public policies on health, housing, education, training, transport, social issues, law and order, planning and environmental issues have been also of particular importance to urban regeneration during all periods.

Finally, important contribution to current policies in recent years in England has been European Union's Structural Funds. Many areas of the UK, both urban and rural, are designated as suitable to receive assistance from the Structural Funds. Injections of European Union and U.K. funds have in many cases launched regeneration through improvements in the urban environment and state assistance in land reclamation. 18th



century Canals and Docks have been used to create expensive modern inner city flats and old railway yards and derelict industrial sites have been regenerated providing high-quality mixed use developments (Gibson and Kocabaş 2002).

### **2.5.2. The Case of Western European Countries**

Western European countries here refer to currently developed countries in Europe which have also contributed to development of eligible urban regeneration policies following those of the ones in the United Kingdom. The Western European experience in urban regeneration differed from other regions in the way that public sector has effected with the policy it developed to clear 18th and 19th century slum areas and to direct movements of people out into state subsidized lower density suburban housing. Since the Second World War, most European cities had tackled the problem of obsolete housing through policies of mass slum clearance and replacement. The clearance of huge areas of inner-city housing and problems of replacing this housing loss led to the creation of the high-rise estates of the 1960s and early 1970s. The retraction from this approach, and the recognition of the value of much of the older stock, led to the policies of housing improvement rather than large-scale destruction. However, by the mid-1970s it was perceived that the renewal process was more than a housing problem, and that other social factors such as skills, educational attainment and employment opportunities became also fundamental in these urban areas. Gradually, each country moved to more sensitive programs of housing renovation and area improvement.

The UK was the one of the first to change policy with the 1969 Housing Act, followed by the Netherlands after arguments between communities and local authorities in Amsterdam and Rotterdam in the early 1970s. The 1970s saw a national approach in Netherlands involving new ‘growth centres’ within which development was to be concentrated and this approach was superseded lately in 1985 by the government's ‘compact city’ policy which concentrated development in existing urban centres. In Germany, as post-war housing shortage diminished, rented properties in the inner cities have started to be upgraded in 1971. In France, legislation was changed in the 1970s to facilitate small-scale area improvement zones known as ‘operations program’ (Diefendorf 1993, McCarthy 1998, Vermeijden 2001).

By the mid-1970s in the UK, and by the mid-1980s across the Western Europe, the traditional industrial structure of many cities was undergoing rapid change. Unemployment and urban deprivation became the major political concerns. After 1980s, local governments in European countries have transformed into a more specialized structure and become much less bound to central governments in policy actions. Similar to rising flagship projects in U.S., they have started to generate mega projects like constructing large shopping malls, congress halls, and sport centres in central brownfield areas that would directly effect property markets and attract private investors and outside visitors. Tourism and culture-led revitalization programs have gained interest. For example; formerly peripheral several European cities like Barcelona (effects of projects under Olympic Plans), Bilbao (effects of Guggenheim Bilbao Project) in Spain and Dublin (effects of the Temple Bar Project) in Ireland have become international tourism centres, while Newcastle in U.K. has become a regional cultural centre (the effect of Gateshead Quayside Project) with such kind of large-scale projects. Majority of those projects, were being held by public private partnerships and have had the aim of revitalizing the economy and attracting the people and money back to the brownfields which have become obsolete or vacant by the removal of former industries. In the UK, the role of local authorities became increasingly marginalized as central government sought solutions that involved direct action in partnership with private sector investors. Other countries took different approaches: in France and in Netherlands, solutions were sought in devolution of power to local communities but still supported by massive state expenditure, and in German wealthy regional and local governments tried to spend their way out of crisis, at least until reunification changed the priorities for investment. Regeneration of many areas in Western European countries such as UK, the Netherlands, France, Germany and Belgium have been generally reliant upon special subsidies from their own national governments and from the European Union, especially for infrastructure investment. Another policy issue adopted with some success in a number of countries is the decentralization of state services to provincial locations (Stöhr 1990, Bianchini and Parkinson 1993, Couch, et al. 2003, Gdaniec 2000).

By the 1990s, the long-term environmental benefits of maintaining and improving urban areas had been recognized. The Green Paper on the Urban Environment argued that global environmental protection could be enhanced by urban policies that had as their primary objectives ‘the creation, or recreation of towns and

cities which provide an attractive environment for their inhabitants' and that 'strategies which emphasized mixed use and denser development' were to be favoured (Couch, et al. 2003).

In Western Europe, where land is much less in supply when compared with U.S. and where urban areas are generally recognized as the drivers of the new information and service economies, urban regeneration has become an industry in itself, with hundreds of agencies and organizations set up to tackle the problem of inner cities' decline. Indeed, the most obviously successful examples of urban regeneration have been where the land has been in public ownership from the start. For instance, variety of the well-known brownfields redevelopment projects in countries like UK and Netherlands have been generated on publicly owned lands. Other than this, in terms of planning and implementation, many of the local municipalities have consistently played a critical role as providers of most development land by acquiring it, providing necessary servicing, and offering it to developers; hence their powers of control have been combined with those of land ownership. Nevertheless, municipalities have recently sought a greater share of private sector funding for development, often by means of public-private partnership schemes.

Today there is much interest in urban regeneration as an instrument of urban policy at all political levels in Europe, coupled with massive public and private capital investment in the process. The European Commission and its various Directorates are engaged in changing the focus of European policy to exactly urban issues by introducing fund programs such as URBAN I and URBAN II and by promoting several projects. The member countries that require taking support from those funding programs should develop both their own regional and area-specific regeneration program that deals with at least three criteria among: long term unemployment, low level of economic activity, poverty, social exclusion, quality of environment and crime. At the national level, most countries have recently re-examined their urban policies and have prepared new legislation to emphasize the need for urban regeneration like 'Urban White Paper' in UK, the new planning act 'the SRU of 2000' in France, 'Social Cities Program' in Germany; the 'Major Cities Program' in Netherlands or general housing renewal program in Austria, Sweden and Denmark. Meanwhile, each country has developed its own formula for the level and nature of state intervention and its own tools and mechanisms for urban regeneration. While strong central priorities are kept in, for example, UK, France, Norway and Netherlands, market-based policies with

considerably limited public involvement are encouraged in Germany and Switzerland. The relation between urban regeneration and normal planning mechanisms varies between countries. For ex: in Netherlands and Belgium, urban regeneration is largely an extension of urban planning, whereas in the UK, it appears to a virtually separate arm of public policy. Nevertheless, all show shared evidence for environmental improvement, social inclusion, and most specifically economic development and competitiveness (Couch, et al. 2003). The contemporary urban regeneration practice in many EU cities today shares a number of technical standards which are stated by Gibson and Kocabaş (2002) as:

- the application of systematic plan preparation processes, including evaluation of alternative strategies in terms of both strategic objectives and financial feasibility;
- clear and integrated policies for economic, social and environmental aspects of the plan;
- combination of district wide policies and local action plans for priority areas;
- regeneration of strategic locations ('opportunity areas') through mixed use redevelopment programs to create 'additional values';
- regeneration of low income neighbourhoods through mechanisms which benefit the residents and minimize gentrification;
- integration of traditional conservation of the historic built environment into sustainable urban regeneration programs;
- phased implementation of the overall development strategy;
- development of a program of projects for the achievement of each strategic objective;
- systematic project development and assessment process to ensure that projects make a cost effective contribution to the realization of the plan's objectives;
- monitoring and evaluation research to provide feed back during the process.

### **2.5.3. The European Union (EU) Dimension**

The European Union itself has no specific competence in the field of urban regeneration. However, it has played an important role in promoting co-operation and networking under various Community Policies involving actions and institutions in urban areas across the Union. It is, today, well placed to identify and distribute lessons

on new policy approaches emerging to urban regeneration in Member States, and to assist the development of best practice models. The European Commission develops policy frameworks, which provide guiding principles for Member States. It does not have the power to impose EU wide laws and policies to regulate the spatial planning and urban regeneration activities of Member States. Rather, it encourages Member States to develop their particular policies in ways, which take account of these principles. It promotes development of area-based regeneration by co-funding (Structural Funds) pilot projects with Member States and Accession Countries. When the European Commission revised its Structural Funds in 1988, it identified four necessary features of the project proposals:

- It should bring added value
- Be partnership based
- Be clearly targeted
- Integrate different policy instruments and approaches

EU principles influenced the criteria for allocating EU funding for urban regeneration projects. Most of the Member States today pay close attention to this EU-wide advice in the development of their urban strategies and action plans in order to secure maximum funding from the EU (EC 1998).

During the 1990s a broad consensus has emerged among EU member states that spatial planning should focus on the goal of planning for sustainable urban development. A further significant development has been the increasing awareness of the interrelated nature of the economic, social and environmental aspects of urbanization and urban decline. There has been growing recognition of the need to develop urban policies that were more broadly based than the narrow scope of traditional physical planning and urban design (Gibson and Kocabaş 2002).

These new perspectives has led to the development of two EU policy frameworks, which are now influencing the urban regeneration policies and action programs in EU Member States:

• ***Sustainable Urban Development in the EU; A Framework for Action (1998):***

The Framework for Action provides guidance to enable Member Countries to work to a strategic, integrated and ultimately more sustainable approach to urban issues and to facilitate integrated urban development (EC 1998) (Table 2.2). The guidance sets out four inter-dependent policy aims for planning for urban development:

1. *Strengthening economic prosperity and employment in towns and cities*; through improving the effectiveness of Structural Fund that will promote co-operation between urban areas in different Member States; developing a stronger urban dimension in employment policies through strengthened local involvement and support to local employment and development initiatives; strengthening the role of cities as centres for innovation and economic development; and promoting transport strategies.

2. *Promoting equality, social inclusion and regeneration in urban areas*; through encouraging an area-based approach to the regeneration of deprived urban areas through integrating economic, social, cultural, environmental, transport and security aspects; avoiding urban segregation; and providing support for education and training.

3. *Protecting and improving the urban environment: towards local and global sustainability*; through providing initiatives that affect the quality of the urban environment, including urban energy management, transport, waste, air quality, water, noise and contaminated land.

4. *Contributing to good urban governance and local empowerment*; through policy integration between various levels of government; citizen involvement; awareness-raising and capacity-building; supporting innovative urban development strategies aimed at promoting good urban governance (EC 1998).

• ***The European Spatial Development Perspective (ESDP) (1999)***: The main theme of the ESDP is; to identify ways in which comprehensive approach in spatial planning can help to achieve sustainable development and; to stress on the need for a strategy and action to achieve this. The theme is expressed by three broad agendas, reflecting ‘the 3 e’s’ of urban regeneration policy which are also drawn forward by:

1. *Economy*; referring to economic competitiveness

2. *Equity*; referring to social inclusion

3. *Environment*; referring to enhancement of physical and environmental conditions (EC 1999).

The agendas reflect the comprehensive scope of planning for sustainable urban regeneration in Europe. It is notable that these aims include the three points of the triangle plus ‘good governance’. The EU strongly supports reforms of nations’ governance that enable more citizen participation in urban development (EC 1999).

Table 2.2. Evaluation indicators for a sustainable development model

(Source: ALG 1998)

<b>Local driver</b>	<b>Economic Competitiveness</b>	<b>Social Cohesion (Equity)</b>	<b>Environmental Sustainability</b>
<b>Regional Dynamism</b>	Extent of inward investment and relocation, migration and commuting of skilled labor	Extent of outward commuting, extent and direction of population movements	Dependence on long distance commuting flows, greenbelt management, brown field rehabilitation
<b>Labor markets</b>	Employment growth, proportion of highly skilled workers, unemployment rate, average labor costs	School success, public and private sector investment in training and skills development, average length of working week by individual and household	Extent of voluntary work, proportions of residents who live and work in the same community
<b>Enterprises and innovation</b>	New firm formation, survival and death rates, access to venture capital, spend on R&D	Number of micro start ups, particularly in ethnic minority communities	Linkage with regional technology transfer networks
<b>Industrial structure</b>	Proportion of employment in high value-added sectors, export orientation as measure of openness to global competition	Proportion of employment in employment generating sectors	Energy consumption
<b>Social capital</b>	Average incomes, absence of rich and poor enclaves, housing quality and costs as a proportion of average incomes	Measure of income inequality, crime rates (personal and property), long term unemployment rate, proportion of single parent households, proportion on income support	Proportion of owner occupied housing, public participation in urban planning
<b>Environment and quality of life</b>	Proportion of green public space, access to quality amenities	Degree of social stigma attached to a place, life expectancy	Degree of air, water and noise pollution, extent of recycling, implementation of Local Agenda 21
<b>Communications infrastructure</b>	Access to road, rail and air transport links, access to cable network	Access to public transport, proportion owning a car	Average length and time of journey to work, proportion using car to travel to work, degree of telecommuting

#### **2.5.4. The Case of United States**

Similar to England, United States is one of most early industrialized countries that faced the respective rapid urban change and that were introduced with one of the earliest but progressive urban policies and programs to tackle that change as well. Inner city areas in American cities are one of the best examples that experienced urban decline most severely. Densely developed in the core of the central city, many of the warehouses, tenements, and working class cottages built from 1850s through early 1900s became dilapidated by the middle of the 20th century with the effects of industrial developments, changing socio-economic structure and the urban spatial change in the form of dislocation of high-and moderate income families and urban services. The inner city areas became acute problem areas in most of U.S. cities in the early decades of 20th century. The initial response to urban declining areas in U.S. was the announcement of Housing Act of 1934 and the establishment of the Federal Housing Authority (FHA) respectively (FHA later became today's the Department of Housing and Urban Development-HUD). While it was designed to improve housing conditions and develop new housing for poor residents of urban areas, the Act also required cities to target specific areas and neighbourhoods for different racial groups. This resulted in a large increase in the residential racial segregation in the United States. Unfortunately racial tension has always been effective in shaping urban policies in U.S. This Act was followed by the Housing Act of 1937, which created the nation's first public housing program, namely "the Low Rent Public Housing Program". This was the beginning of the large public housing projects that later became one of the hallmarks of urban renewal in the United States. The program provided funding to local governments to build new public housing, but required that slum housing be demolished before any construction (Frieden and Lynne 1989, Franklin 1991, Robert 1993, Koebel 1996).

The policy of the U.S. federal government in direct relation to urban revitalization has evolved significantly since 1950s. The Housing Act of 1949 marked a major move towards the wholesale demolition of urban slums, providing a large amount of funding. Slum clearance was expected to lead to private development of low and moderate income housing, but failed to do so. Entire neighbourhoods were torn down and cleared land remained vacant or was replaced by highways and new industrial zones without finding solution to housing problem of displaced residents. The Urban Renewal



Program at the end of 1950s was criticized as being a bulldozer (Woodburry 1953, Frieden and Lynne 1989, Koebel 1996).

The mid-1960s witnessed a National Promotion of Social Change and the Neighbourhood Movement through the midst of 1970s. The civil rights and neighbourhood movements advocated more comprehensive and less destructive approaches to redevelopment. The period brought increased political power for inner city neighbourhoods and greater commitment to housing rehabilitation in place of clearance. Community Development Corporations (CDCs) were introduced in this period as effective non-profit organizations devoted to comprehensive renewal efforts that create and preserve affordable housing. The other important development in late 60s was the introduction of 'War on Poverty' in 1968. Federal agencies granted funds to community groups and non-profit organizations to pursue social change through economic, social and political development as well as physical development. The new approach to redevelopment was characterized in the Demonstration Cities and Metropolitan Development Act of 1966, creating the Model Cities Program with a shift away from the narrow objectives of urban renewal through addressing social as well as physical development (Frieden and Lynne 1989, Fainstein 1994, Koebel 1996).

However the War on Poverty was criticized as being a liberal failure since it was funded by federal authorities outside the control of mayors and local power structures. Since then, Community Development Block Grants (CDBG) were started to be used to restore local authorities' control over inner city redevelopment. However, returning control to local government did not change the realities of inner-city problems. Therefore large-scale commercial revitalization of central business districts became apparent in 1980s with offices, hotels, offices, convention centres, and festive retail establishments with popular successes of public-private partnerships. This was going to take the form of large-scale cultural-led flagship projects in 1990s. Political leaders and public authorities in U.S., in fact, much more relied on speculative redevelopment approach when compared with Western European countries. Such approach was based on the experience of privatization, which in practice relied largely on property development concentrated in certain areas of the CBDs of cities. Having been stimulated by Urban Development Action Grants (UDAGs), commercial redevelopment projects in several cities gained national attention. Business leaders and local government became partners in promoting redevelopment (Frieden and Lynne 1989, Fainstein 1994, Koebel 1996, Roberts and Sykes 2000, Rose 2007).

With the effects of increasing public burdens, the federal government started to move away in late 80s not only from leadership in urban redevelopment but from funding urban programs as well. In place of rebuilding distressed communities, federal policy shifted to aiding people rather than places. Redevelopment has been then expected to be more reliant on private rather than public capital. Neighbourhood redevelopment has been left to local initiative together with Community Development Corporations acting as broker and catalyst. Banks have been encouraged through the Community Reinvestment Act to actively participate in financially sound redevelopment programs and to meet community credit needs. As an important policy instrument, the concept of displacement has become an obligatory tool in each redevelopment project from the late 80s to the recent decade. Redevelopment activities using any federal funds that result in displacement have been expected to be bound to federal guidelines for relocation. Relocation assistance has been required to offer the effected residents. Similarly many local governments have developed policies addressing displacement as preservation, mitigation, and replacement for residential functions (Koebel 1996, Roberts and Sykes 2000, Rose 2007).

Briefly the phases for urban regeneration began with the emphasis on “urban renewal” in the early 1950s continued by means of a series of initiatives in 1960s, a part of the federal “War on Poverty” program, followed by an emphasis on partnerships for local economic development in the 1970s, and an entrepreneurial privatism approach over large scale redevelopment in 1980s. In fact, several separate phases of policy evolution may be identified in relation to the different approaches of successive federal administrations. The latest phase in U.S. has been represented by the “Community Empowerment Agenda” of the Clinton administration, as set out in the federal government’s 1995 National Urban Policy Report. The Report has highlighted the increasing inequalities between the core and peripheral populations and the physical decline in the cores as well, so it has suggested a large-scale federal action that requires a move away from the speculative approach. The lessons learned from redevelopment and displacement in the past decades has provided important guidance for the recent policy framework (McCarthy 1997).

Designation of ‘Empowerment Zones’ (EZs) has been other effective mechanism introduced in Clinton’s empowerment agenda. Although were lately introduced, empowerment zones have become quite effective in U.S. For example for 6 specific areas which were announced as empowerment zones with a nationwide

competition in 1993, for each of which 100 million\$ were to be separated for a program of economic, environmental and social improvements. Other than EZs, there are several funding schemes and mechanisms provided by the Environmental Protection Agency and HUD for inner city redevelopment in U.S. Funds are provided through a competitive process for redevelopment projects only which include a public input. Community Development Block Grant (CDBG), the Brownfields Economic Development Initiative (BEDI), Economic Development Initiative grants and municipal loans are all flexible sources of funding for economic redevelopment of brownfields in the present day. Tax Incentives, along with those available funds are the most effective mechanisms that promote revitalization efforts in U.S. cities (Greenberg, et al.2001, USC 2003). Although it heavily relied upon renewal programs and speculative redevelopment initiatives, United States is the one among the developed countries today which has created effective financial mechanisms with the aim of attracting the private investments and urban activities back to inner city areas.

### **2.5.5. The Case of Countries with Transition Economies**

Those are the countries that have experienced a transition from centrally planned to market economies in Central and Eastern Europe (Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Albania, Bosnia and Herzegovina, Bulgaria, Former Yugoslav Republic of Macedonia, Georgia, Romania, Serbia and Montenegro), Russian Federation and the other Commonwealth of Independent States (CIS) (Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan and Ukraine). Some of these were among the first industrialized urban societies in the world but in recent decades have failed to modernize their cities and realized continuous urban decay (United Nations 2005, Hope 1998).

Above countries considerably differ from the developed countries in the West in terms urban spatial and economic change and their particular response to that change. A distinctive feature in the development of transition economies is the double influence of globalization and the formation of market-based relations in sectors of the economy that were traditionally managed by administrative and planning instruments of the state. Although transition from centrally planned to free market economies has brought

considerable benefits, it has proven to be a costly process. Transition in many countries started with decrease in real wage levels. The next were; increase in unemployment, poverty rates and inequality, followed by a deterioration of public services and a fall in the provision of education services (UNCHS 2001a). Those factors have led to change in the general socio-economic structure in cities.

Other than the effects of deregulation and decentralization experienced by globalization effects, perhaps, the structural change in housing markets has been the most important factor that directly contributed to urban decline in cities of transition countries. The 1990's saw major structural changes in the ownership of the housing stock of transition countries, with the most dramatic changes occurring in the former Soviet Union. The share of the public sector (public rental units) decreased and the share of private housing stock (private rental and owner occupied units) increased in most countries except in Poland and Czech Republic where state did not actively support privatization. In the Russian Federation almost half of the housing stocks were privatized by 1999. The process had a similar pace in Ukraine, Kazakhstan, Kyrgyzstan, and Armenia and in the Central Asia as well. In Russia and other CIS countries, transformation of the housing stock had several specifications. First, majority of the units in these countries were privatized free of charge. It was expected that in this way the state would create some starting capital for the solution of housing problems under market conditions. Second; the state desired to speed up process of decreasing its responsibility for the maintenance, repair and renovation of huge public housing stock. Third; ownership changes were stronger than in Central Europe (UNCHS 2001a). As a result, maintenance and repair work were not performed, a rapid decay was experienced in the existing housing stocks.

Similar to housing privatization, structural changes in the construction market have also led to further problems to emerge. Direct budget financing of new construction which was apparent in most countries in the past, have no longer played the principal role in transition periods. Construction of units has involved the broad use of private investment. Private developers has brought a considerable dynamism to housing sector, however the level of housing construction has decreased in general. Owing to the drop in overall housing investment, number of newly constructed housing units has fallen. Hence, the waiting list of the households needing improvement in living conditions has increased dramatically in majority of the cities especially in Russia and CIS countries (UNCHS 2001a). The new class of rich households has moved to

available elite residences or suburban residences, but the number of rich groups was too small. The uniformity of early constructed standard housing units in central parts has unfortunately accelerated the decay.

The trend of decaying housing stock and decreasing effectiveness of public infrastructure has been reversed yet in many countries such as Bulgaria, Russia, Albania and in CIS countries. Although the local public authorities now have a greater role to regulate and provide majority of the public services, there is still increasing number of accidents caused by the collapse of buildings, disruption of heating services, unqualified infrastructure utilities. The most important reason is perhaps to be the lack of adequate financing for renovation and maintenance of built environment and the infrastructure. The other reason is the lack of stability of the 'status quo' after the rapid structural changes in the sectors of the economy in the national scale (Hope 1998).

Despite the overall negative effects, in the transition economies of Eastern and Central Europe, today, policies for improving the living environment are largely led by compliance with European Union norms and standards aiming for a better quality of life and an improved investment climate. For example; Hungary, Poland, the Czech Republic and Slovakia, which have lately entered the EU, have made substantial capital investments for infrastructure by using external borrowing, loans from EU to meet EU requirements. Generally, a competitive edge is being sought within the most transition countries through a combination of economic development strategies for enhancing local business opportunities, human resources development, environmental policies and citizen security programs. However; sustainable urban development and renaissance in countries with transition economies in the near future is expected to be reliable only with; creation and maintenance of efficient land and property markets; development of housing finance; a greater emphasis on municipal finance and institution building; the strengthening of urban utility systems; a growing interest in the preservation of cultural assets and heritage; and the responsiveness to such emergencies as earthquakes and flooding (Hope 1998, UNCHS 2001b).

### **2.5.6. The Case of Developing Countries**

Developing countries are low and moderate income countries located in Africa, South and Southeast Asia, Latin America, the Central Eastern Europe and in parts of the

Middle East. Turkey, within this scheme, similarly stands to be a developing country with moderate-income level. In the developing countries of Africa and Asia, globalization has also generated a spectrum of changes that include the emergence of new social actors; the greater importance of social life; the crisis of government and public administration; and the spread of democracy and adoption of new technology. Most of the cities in Africa, Asia, Latin America and the Caribbean have experienced a distressing spread of social exclusion, a fragile economic growth without a corresponding growth in employment, increase in poverty, inequality of wealth distribution, inadequate reserves and resources and environmental degradation. The Eastern and Central European cities, instead, have shared many similarities with the declining urban areas of the developed countries of the West as to realizing the typical effects of the post-industrial decline. In the older industrial districts of cities in developing countries, problems of structural change and economic decline has been experienced. Regardless of the preliminary conditions, many cities in the developing world are faced with urban decline today in as much as the ones in developed countries.

The most important geographic units of economic activity in the world today are urban regions. As an important point of view, all across the world, in every country, more than half of the national income is generated by urban areas. Indeed, these percentages range from an average of 55% in low-income developing countries, all the way up to an average of 85% in high-income developed countries. What is all the more striking about these statistics is that in every case the percentage of national income generated by urban areas exceeds the percentage share of the national population that is urbanized. In the case of the low-income developing countries where urban areas account for an average of 55% of the national income, the urban share of the population averages 32%. In middle-income countries, the urban share of national income averages 73%, whereas the urban share of the population averages 50%. For high-income countries, the average urban contribution to national income is 85%, yet the urban proportion of the national population is 79%. This shows that the greater the level of urbanization in a nation, the higher is its level of prosperity as in the case of many developed countries. Unlikely, most countries in the developing world reflect an imbalanced situation in above statistics which means that majority of income generating activities unequally agglomerate on key urban centres. The great portion of urban problems attendant with decline in developing countries is examined in those key urban centres (Cordaid 2003, Weiss 2005).

Since urban areas offers much more opportunities in many parts of the developing world, the massive migration into key urban centres has generally resulted in the emergence of today's growing numbers of mega-cities, with populations more than five million. Sao Paulo, Lagos, Karachi, Seoul, Bogotá, Bombay, Calcutta, Beijing and in many aspects Istanbul are typical examples for such cities. The main challenge behind those cities is the management of effective planning mechanisms and provision of adequate services, facilities and infrastructure to cope. In many of these great cities, as well as in smaller rapidly growing urban areas in the developing world, municipal authorities are powerless to control continuously sprawling built environment, particularly on the urban periphery where low density and low-income informal settlements are becoming prohibitively expensive to service. The urban sprawl also gives reason to the loss of valuable agricultural land on the hinterlands of those cities. As an other threat, high density squatter settlements in the inner cities, as well as other run down inner city slum areas or historic districts where the poorest residents live, present both environmental and social threat and an upgrading challenge which again increase the burden of local authorities (Fernandes and Varley 1998).

Regardless of the national and regional context, urban centres in the developing countries share a number of characteristics critical for sustainable development, mainly: demographic pressures in terms of a large and often rapidly growing population (demands on existing urban infrastructure, increasing rates of poverty, crime and unemployment); extensive use of natural resources such as land, water, energy and the generation of large amounts of waste; 3) industrial pollution as a result of new or past investment through uncontrolled industrial development causing environmental problems and threatening the quality of urban life; a deteriorating urban built environment; 5) a high vulnerability to natural and man-made disasters as a result of uneven urban development; and, relative isolation from surrounding rural areas due to intensive development of market and trade systems.

The reflections of urban structural change and the decline, in fact, has been realized much more severely in developing countries than in developed countries. Because, since the scope of problems in cities were quite extensive, central and local public authorities have inevitably put the efforts to be spent on urban regeneration in secondary importance or much so far. In effect, their limited financial resources and the available legal and administrative capacity would not have given opportunity to provide the necessary framework for it before. In effect, urban regeneration is a discipline that

has very lately found a constructed base in urban planning in many of the developing countries or has not found yet in some as well. All those situations unfortunately are included in the case of Turkey as well.

At the urban planning level up to date, it is been observed a crisis in comprehensive planning and attendant modifications on urban life that has caused a shift toward management policies with a focus from concentration on services to strategic projects; from social participation to public/private partnerships and from the priority of equity to the priority of efficiency. This makes sense that majority urban areas in the developing world, including Turkey has lately experienced and is still experiencing the reflections of speculative property-led development which came into picture in 80s in cities of developed countries. The trend of property development especially in last 15 years has been also opened to international firms resulting with mushrooming of high-rise housing facilities and sophisticated commercial developments, giant shopping centres for the few privileged communities in peripheral areas which will otherwise most probably be occupied by low-income families and immigrants. The lacking issues within the legal and administrative bases and incentives like flexible zoning ordinances or high-density allowances have also undeniably provided fertile grounds for those developments in certain periods (Fernandes and Varley 1998).

Global trends today favour democratization, decentralization, world-wide communication and information exchanges, and a steady progress in urban development. In this macro level, many of the developing countries have recently provided an adequate platform to promote urban growth, openness to international investment and a healthier business environment which will contribute to revitalization of cities in the competitive edge. There have been positive reflections of creating this necessary platform on stressing the enabling status of governments, empowerment of local authorities, privatization policies and relevant policy reformulations. What is more, the today's challenge in developing countries is to promote a shift from the past emphasis on narrowly-focused, relatively isolated and free-standing 'environmental' projects, to more integrated, systemic and preventing approaches to ensuring the environmental sustainability of development. Still much is to be gained by pooling knowledge and experience from developed countries in terms of constructing a concrete framework for the practice in coping with the urban decay.



## 2.6. Evaluation

Deprived inner city areas are the most common problems of cities worldwide. Although those areas do not provide jobs or high living standards, they play important roles in the broader economic marketplace. They reflect the quality of life within the city. Moreover, their property has value for developers and investors. The extent to which inner city areas are connected to the broader marketplace largely determines their residents' economic and social health. Thus, reintegrating a distressed inner city area into the market will generate additional economic activity and more material sources.

From comprehensive redevelopment to in situ regeneration, from gentrification to neighbourhood revitalization, the urban challenge throughout the history forced the ability of policy-makers, planners, developers and citizens through constructing an effective theoretical base and the necessary policy framework for urban regeneration. Although particular problems for urban decline and the style and characteristics of urban policy have come and gone over successive periods, a professional and technical capacity has lately emerged in 2000s in response to the challenge of urban regeneration. Taking into consideration all experiences of previous approaches, economic regeneration which will improve the socio-economic conditions in distressed areas and re-integrate them into the market-system is recently adopted. In order to obtain the long-term success in regeneration, a strategic management with comprehensive but action-oriented policies and innovative mechanisms for attracting inward investment are needed. In fact, inner-city regeneration is best served by promoting inward investment, by the way, achieving economic development. Economic development is the most important criterion for evaluating the success since it directly increases the competitiveness of the inner city in the regional context. Both central and local governments are expected to be more entrepreneurial for enabling the organizational ground in-between the all actors for such development. Successful regeneration is most likely to generate from development coalitions and partnerships established among local government, investors, for-profit developers, banks, and community development corporations.

This is a final illustration of the way in which the inheritance of the past experiences and the challenges of the present urban trends help to shape urban regeneration. Although the challenge of sustainable development has not yet fully

constructed its characteristics on the functioning of many urban areas as declared in Habitat Conference II in 1996, it seems likely to dominate the theory and practice of urban regeneration and of urban management in the future.

Firmly constructed policy framework, the supporting tools and mechanisms, the role models together with the available funding programs make regeneration processes possible in majority of the developed countries. National policy measures have reached a mature framework in a long time period since the II.W.W. Decentralization of central powers; land policies; regulations and taxation mechanisms of local authorities have also played significant roles in the processes. Moreover, certain funds have been available in each period such as; for slum clearance in 50s; for brownfields redevelopment in 70s; for sustainable neighbourhood regeneration in 90s. Similarly the policies such as declaration of area-specific decisions such as enterprise zones in England or empowerment zones in U.S. have given way to direction of considerable governmental financial resources to concerned areas. European Union is another opportunity for Member Countries. EU funds and mechanisms force countries to generate qualitative urban regeneration projects that will compete for obtaining the structural funds or consultancy.

Unlikely, many of the developing countries and also Turkey become familiar with both theory and the practice of urban regeneration in the last few decades. Related policy frameworks at the national levels are still in construction. Empowerment of local authorities has been recently achieved in a great portion of them. However, the existing regulatory tools and administrative capacities are still not satisfactory enough. Moreover, the limited financial public resources make it difficult to invest a large amount of money in urban regeneration projects. Therefore, developing countries need to create new mechanisms or incentives for other actors, especially for private investors, to jointly predict and pursue implementation of regeneration activities for obtaining long-term benefits.

In reality, neither the governments nor the non-profit sectors are capable of rebuilding depressed urban areas on their own anywhere. Without private investment, the built environment becomes technically and economically obsolete despite the interferences of the public sector. Such investment reflects the demand by businesses and households for location and land uses. Demand for housing, commercial activities, or business activities are all essentially market driven. It is because private market for the most part has succeeded in meeting the long term of success of many revitalization

projects in U.S. and Western European countries. Market-oriented liberalism has also influenced many developing countries, especially Turkey, in recent years, with an increase in the priority given to the encouragement of the private sector and a reduction in power and resources for the public sector. However, in fact, if the necessary policy actions and regulations are not clearly defined, the attempts in those countries unfortunately would be the replicate of laissez-faire redevelopment processes experienced by western countries in 1980s.

## CHAPTER 3

### USE OF “COMPETITIVE ADVANTAGES” AS A NEW STRATEGY FOR URBAN REGENERATION

Internationalization of economic activity and investment flows have particularly led to an increase in the freedom of activities to locate without the constraints of physical distance, so that urban areas became increasingly treated as commodities recently. This process was compounded by de-industrialization and a declining economic base in many localities, which resulted in an emerging emphasis on the role of cities as centres of consumption rather than production. Consequently, managerialist forms of governance have been replaced by entrepreneurialist form of government in order to seek new sources and mechanisms for economic competitiveness (McCarthy 1998). The governing style of all Western countries has shifted markedly in the same way since the mid-1980s. Increasing uncertainty in the context of greater international competition has led directly to greater reliance on inward investment in local economic development. A significant consequence of this movement through such an entrepreneurial approach in urban planning has been in the form of implementing the notions of *city marketing* or *place marketing* strategies which has become critical for urban localities to achieve a competitive advantage for urban activities and also to attract investments (McCarthy 1998).

Consequently, this has led to an increasing emphasis in public policy on the need for the encouragement of cities to compete for urban investment. Visioning or marketing strategies for cities largely include enhancing the image of inner cities, since they are the barometers city economy. In this respect, this chapter explores this strategic importance of inner city localities in terms of city marketing and analyzes the effectiveness of notions of urban competitive advantages approach, developed in 1990s, on economic regeneration of deprived inner cities. While doing this, it examines several cases abroad in terms of the methodology they used to approach to problem areas and the factors they evaluated to measure the competitive capacity of those areas. Finally,

this Chapter concludes with the inference of the variables which we need to examine in evaluating the competitiveness of a specific area or region within a different case.

### **3.1. The definition of Urban Competitiveness**

**Competitiveness** has a dictionary definition of “**striving against others to attain a goal**”, a definition that is applicable to individuals and companies. However, for regions or countries, the concept of “competitiveness” has recently gained a considerable popularity among economic development advocates who see regions as competing against each other for expanding and relocating businesses. Some economists, on the other hand, object to using the term, arguing that regions and countries do not contend with each other.

From the point of view of Begg (1999) urban competitiveness is:

... the ability to sustain change in the factors that give rise to productivity growth (technology, human resources, etc.), but also the structure of economy and how policy seeks to shape it .

In the same way, Lever and Turok takes competitiveness as:

... the degree to which cities can produce goods and services which meet the test of wider regional, national and international markets, while simultaneously increasing real incomes, improving the quality of life for citizens and promoting development in a manner which is sustainable (Lever and Turok 1999).

Parallel to the above definitions, Karaman and Baycan-Levent (2001) note that urban areas, in order to be competitive, have to have attributes such as productive sectors, skilled and educated labour force, efficient modern infrastructure, a responsive system of local governance, a flexible land and property market, high environmental standards and high quality in life standards. The European Commission’s interpretation of competitiveness in this respect is similar:

Competitiveness is defined as the ability to produce goods and services which meet the test of international markets, while at the same time maintaining high and sustainable levels of income or, more generally, the ability of regions to generate, while being exposed to external competition, relatively high income and employment levels... (EC 1999).

Traditionally, neither economists nor economic development researchers have tended to frame their discussions of urban development in the language of competitiveness. Only recently has this situation to change (Porter 1995, Schweke 1995,

Porter 1998a, Porter 1998b, Begg 1999, Lever and Turok 1999, Darcy and Keogh 1999, Turok 2004, Kitson, et al. 2004). But, despite the contributions of such numerous authors, we are still not sure about what we exactly mean by the term “competitiveness” or how it can best be measured. Since it is an intangible concept, the one can find it hard to determine solid indicators to measure its degree and generate relevant efficient policies to promote it.

However, it is obvious that urban competitiveness has recently become a very popular term in shaping strategies among urban management and sustained growth. With reference to above explanations, we can simply state that urban competitiveness is the ability of an urban region to produce and market its all assets and products when competing with comparable assets and products of other urban regions. The key reason for increasing urban competitiveness is to raise the standard of living for people who live in the urban areas. By increasing the economic productivity of an area and marketing its most productive goods and services, the community can develop and grow at its greatest potential. Because economic investment, if well targeted and strategically, will directly contribute to improving the vitality of both a locality and its community. Moreover, if a city increases its competitiveness, the standard of living for the people in the urban region will rise.

### **3.2. Urban Competitiveness in Different Levels of Urban Context (International scale-City scale- Local scale)**

Recent years have seen a surge of academic and policy attention devoted to the notion of competitiveness: nations, regions and cities have no option but to strive to be competitive in order to survive in the new marketplace being forged by globalization and the new information technologies. The philosophy of competitiveness has attracted a veritable host of believers and followers. Economists and experts everywhere have elevated ‘competitiveness’ to the status of a natural law of the modern capitalist economy. Policy-makers at all levels have been swept up in this competitiveness fever: to assess a country’s competitiveness and to devise policies... (Kitson, et al. 2004).

Today the competitiveness of urban areas is an issue not just of academic interest and debate, but also of increasing policy consideration and action. The policies associated with increasing competitiveness have recently become officially institutionalized in many nations which Kitson and his friends state as (Kitson, et al. 2004) the United States, the United Kingdom, Belgium, Italy, the Netherlands, and Japan. The policy makers have set up their own commissions to assess their relative

position within the global arena and built policy actions to promote it. For example, as Kitson and his friends mention (2004) that USA has set up a governmental council in 1990s to prepare reports regularly and promote the competitiveness of the economy. In the same way, the European Commission has established a council to produce a regular competitiveness report on the performance of the EU economy. In addition to political interventions, numerous “private organizations and consultancies concerned with measuring and lobbying the cause of competitiveness have emerged” over recent years, such as the World Economic Forum in Geneva, the Competitiveness Institute in Barcelona, the Council on competitiveness in Washington, and the Institute for Strategy and Competitiveness in Harvard. Parallel to the practices examined in the national scales, local authorities in U.S. and various European cities have become increasingly sensitive on determining their major competitiveness indicators such as the dynamism of local economy, accessibility, quality of human resources and training, infrastructure, responsiveness of local government to business needs, and quality of life, so as to compare the relative standing of their localities with that of others and to reformulate policy strategies to move their area up within the competitiveness ranking. Other than those, several studies are presented in terms of use of different techniques for assessing the degree of competitiveness in regions such as SWOT analysis, benchmarking, identification of drivers, scenarios (Webster and Muller 2000, Lever 2002, Gibb, et al. 2002, Furman, et al. 2002).

If the notion of competitiveness has meaning and value, the one should accept, then, competitive regions and cities are places where both companies and people want to locate and invest in. In this respect, use of their competing potential in-between urban areas will help places to improve their economy and places’ long-run prosperity respectively. That is to say, whatever the scale is, urban areas need to develop their own (national/regional/local) **economic development** strategies to prepare for the benefits of marketing their potential in the long run. But it is to be noticed here that competitiveness of an urban area is a much more complex and richer concept that focuses more on the determinants and dynamics of an urban area’s long-run prosperity than on more specific notions of competing just over the operation of shares of markets and resources. Some economists may undermine competitiveness of an urban area to a firm-based indicator and define it as the ability to attract and maintain firms with stable or rising market shares in an urban area. However, competitiveness of an area is associated with many other interrelated factors such as social, cultural amenities, area-

specific assets, liveability, housing and infrastructure facilities or historical values if exist (Figure 3.1).

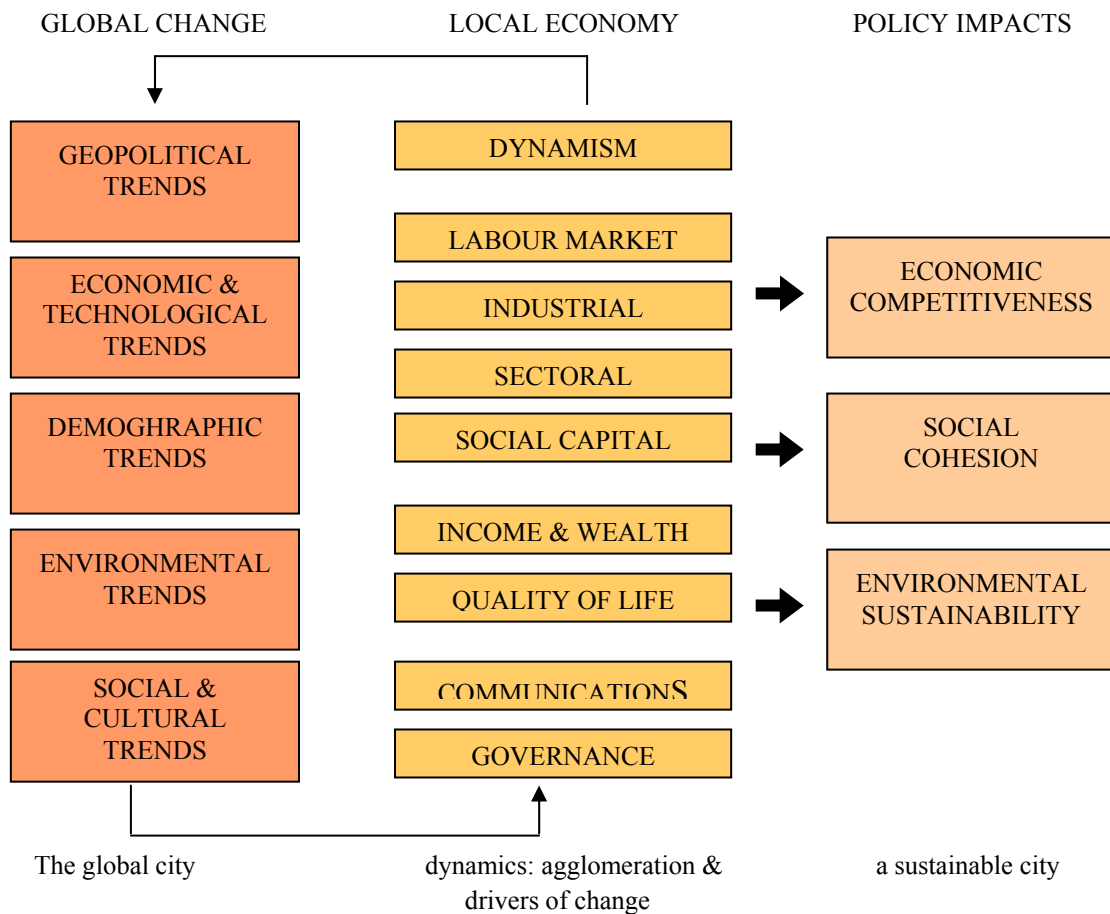


Figure 3.1. A Model of the Urban Economy  
(Source: ALG 1998)

### 3.3. The Increasing Concern for Strategic Marketing Approach to Promote Urban Competitiveness

Many cities try to hold or to improve their relative position in the international context. In view of this increasing economic competition among cities, a more businesslike urban management seems inevitable. Public-private partnerships, local initiatives, marketing efforts of urban assets and image creating have recently become popular are today's popular terms in urban planning. The concept of urban marketing is expected to gain importance in the future as an instrument in strategic planning. Especially parallel to debates over the validity of the concept of competitiveness for urban areas, urban marketing is especially needed to search the ways to increase the so-



called competitiveness in urban areas. A successful marketing policy is today expected to directly help to raise the competitive position of an urban region among the others.

Urban marketing can be generally described as the set of activities intended to optimize the tuning between the supply of urban functions and the demand for them created by inhabitants, companies, investors, developers, tourists and other visitors (Meer 1990).

It is recently being implemented as a useful instrument within urban planning practice replacing the traditional urban planning tasks. Strategic marketing planning in the context of urban places has passed through several stages in developed countries especially in U.S. till it has reached its objectives today. The first stage is said to have its origins in the 1930s in America with the efforts to attract businesses and investment by providing their fair business conditions. These efforts included the cheap labour and land, low taxes, and public financing to attract new enterprises and capital investments (Meer 1990).

Over the next four decades, place competition aimed at business attraction changed little in goals, methods and marketing messages. Places were assumed as a buyer's market and their task was in response to reach buyers, discover their needs, package various incentives into competitive deal and make the sale (Kotler 1993).

In 1970s and 1980s the public policy response have moved to a more sensitive place marketing approach. Instead of purley seeking for the ways for business attraction, policy makers concentrated on multiple goals; conservation, tourism, export, promotion and foreign investment. As the US economy changed through a more sensitive strategy based on competitive market analysis, urban areas started to market their products and services to specific customers such as development of sector based places and services. Places have also put more emphasis on maintaining and supporting internal markets ands resources. More recently, specialization of certain products or services has also given way to the emergence of intense researches about formulating of sector-based business clusters (Kotler 1993, Schweke 1995, Porter 1995, Porter 1998, LeVeen 1998, Porter 2001).

In 1990s, places have started to move to the third stage of product development and competitive niche thinking. Urban areas are nowadays seeking to define themselves as distinctive places with specific competitive advantages for area-specific industries or businesses. According to Dolores and Doyle, urban areas are creating cluster businesses to create niches and ensure that those businesses are highly specialized and committed to offering exceptional customer services (Dolores and Doyle 1997). The aim of

developing those niche products and services is mainly to attract new investments that will further create value for the future. Other than pursuing clusters of businesses and trying to develop them, places are today investing in a well-functioning infrastructure to support a good quality of life at the same time educating human resources so that their citizens can effectively perform high-tech, information societies.

Actually, these developments throughout the past decades are not totally independent. They all reflect the growth and development of the response to place competition in changing global economic trends. Places have become more businesslike and market-oriented according to economic development activities as a result of external competition and internal political pressures. In an era of scarce fiscal resources and free market conditions, policy makers' and local authorities concern has turned their position to development strategies that create future economic value.

Although the majority of the activities related to urban marketing had been especially experienced first in United States, the term has also lately influenced the European practice and literature starting with 1980s. The activities mostly belonged, like public-private partnerships, to the routine phenomena associated with the entrepreneurial city and were of a purely commercial nature. Some European cities have adopted a broader interpretation of urban marketing about promotion of all aspects of social welfare. Each culture, at present, reflects its own approach in generating marketing strategies for building competitive urban areas.

... U.S. municipalities for example tend to a commercial attitude because they have to provide a considerable portion of their own incomes and thus are likely to draw a direct profit from successful management (Meer 1990).

On the other hand, European cities generally are more dependent on state funding and possess only limited possibilities to acquire own revenues. Although city marketing is effectively being integrated to urban management in several countries presently, it is still almost unknown or lately started to being practiced in many European countries especially in Eastern ones.

Both competitiveness concerns of urban areas and urban marketing strategies to promote urban competitiveness have been widely constructed at the beginnings of 1990s, corresponding to the increasing concern for strategic planning. Since then, they have started to be largely used as tools to reshape urban planning and management policies in cities. Especially the fields in which competitiveness measurement techniques and marketing strategies are especially used are: urban growth and

regional/local economic development. However, the term which is used as an innovative mechanism in policy generation is lately started to being adapted to urban regeneration. As expressed in the previous chapter, the general consensus that urban regeneration debates have lately reached is the need for constructing a strong economic base supported with private investment for successful revitalization. It has become inevitable to search for the innovative ways of achieving local economic development in declining inner city areas for future possible revitalization. The main reason for addressing the recently increasing interest in urban competitiveness and urban marketing issues here is to investigate the strength of the term “competitiveness” for a declining urban area and the availability of promoting its competitive aspects if exist. Since, the present research aims to assess the marketability of competitive aspects of declining urban areas as a new prospect for revitalization of run down inner urban areas (Meer 1990, Kotler 1993).

### **3.4. The Theory of ‘Urban Competitive Advantages’; as a Lately Emerging Approach to Urban Economic Regeneration**

**“Urban Competitive Advantages”** is an economic development approach conceptualized by *Michael Porter* in 1995, which carries the debates over regional competitiveness to local scale. Vitulli and her friends (2002) effectively define the main focus of the approach that: declining inner cities have certain advantages that should bolster the economic viability of development and local governments should foster development by promoting these advantages and creating a more business-friendly environment. The theory attracts many professional institutions and academicians especially in U.S. in terms of exploring the potential applicability of the ‘Urban Competitive Advantage’ approach to brownfields redevelopment and urban revitalization. Porter’s theory of competitive advantages has value for at least some locations and some businesses, especially where resources are available to promote advantages to the business community. Porter’s discussion of inner city competitive advantages is couched within a broader approach to economic development. Porter defences the need for a strong economic development program in inner cities as:

The time has come to recognize that revitalizing the inner cities will require a radically new approach. While social programs will continue to play a critical role in meeting human needs and improving education, they must support a coherent economic strategy. The question we

should be asking is how inner-city-based businesses and nearby employment opportunities for inner city residents can proliferate and grow (Porter 1995).

This approach is premised on the idea that local governments and community-based organizations should shift their focus from providing social services to attracting businesses in order to create significant economic revitalization. Supporting the idea, Vitulli and friends mention:

A sustainable economic base can be created in the inner city but only, as it has been created elsewhere through private, for-profit initiatives and investment based on economic self-interest and genuine competitive advantage. In doing so, Porter asserts that the private sector would play a primary role in developing inner city economies, while the role of governments and community-based organizations would be mainly supportive (Vitulli, et al. 2002).

According to Porter, policy makers and public authorities must stop trying to cure the inner city's problems by continuously increasing social investment and hoping for economic activity to follow, they should rather accept that inner city businesses should be profitable and “positioned to compete on a regional, national, and even international scale (Porter 1995). For him, inner city businesses should also be capable not only of serving the local community but also of exporting goods and services to the surrounding economy.

The cornerstone of such a model is to identify and exploit the competitive advantages of inner cities that will translate into truly profitable businesses...our policies and programs have fallen into the trap of redistributing wealth. The real need - the real opportunity - is to create wealth (Porter 1995).

When compared with traditional approaches (especially evident in U.S.) upon urban regeneration, Porter's model for inner city areas can be seen as challenging in terms of its arguments. Schweke (1996) is the one that evaluates Porter's point of view as “provocative”. He criticizes Porter in terms of contrasting his model against the previous approaches that have popularly dominated past efforts to revitalize the inner cities in U.S. He claims (1996) that according to Porter:

1. *The Real Estate Model* sees “the development of real estate projects in the inner city as driving economic development”. The failure of the model is that “real estate projects are the outcome, not the driver, of economic development”.

2. *The Location Incentive Model* “uses financial inducements to attract industry to the inner city”. For Porter, companies will relocate when such subsidies are no longer provided which means that the location incentive model is a short-sided approach.

3. *The Social Conscience Model* is requires outside business and investors to support the inner-city business through social philanthropy. Porter evaluates this approach as in efficient since it does not encourage business-to-business relationship which is especially needed to develop inner city business base.

4. *The Mandate Model* is based on “minority preferences to foster inner-city development”. According to Porter, this is not sufficient because, “although mandates and preferences are necessary to eliminate” discrimination and to encourage minority companies, they make existing minority businesses dependent on such mandates.

5. *The Community Entrepreneurship Model* foresees the necessity for encouraging “small-scale businesses by inner-city residents” for required local economic development. But Porter insists much more on the necessity for larger scale of businesses to increase employability and competitiveness in the regional or national level.

6. *The Migration Model* relies on the business opportunities in the “suburbs” and focuses on the necessity to enhance transportation mechanisms are essential to connect inner-city residents to suburban jobs. Unlikely, Porter points out the necessity of informing inner-city residents about the business and job opportunities within the inner city areas and preventing the sprawl of residents and potential inner city enterprises through the suburbs (Schweke 1996).

### **3.4.1. Use of “Urban Competitive Advantages Approach” in Inner City Regeneration Policies**

The competitive advantages start at international level. Countries compete with each other according to their relative capabilities at the global scene. Majority of countries are now seeking to identify their advantages, assets and power to compete with others. Competitiveness has recently become a great matter of concern also for cities. It is an attribute for cities through which they get the advantages against others, and through which they attract investments. Being aware of the competitive nature of use of potentials helps cities to adopt their national and regional policies according to benefits they expect to obtain effective use of those advantages. Whatever the scale is, competitiveness contributes to localities’ marketing them at the competitive arena. For instance, decision makers produce suitable environment within the city according to

their marketable attributes and attract the investments for purposed development. For Porter, the only way of achieving a sustainable economic revitalization is to create competing business and competing residents that will upgrade the competitiveness of the place they live in. (Figure 3.2)



Figure 3.2. Where Competitiveness Stands for an Urban Revitalization  
(Source: Porter 2001)

Porter strongly touches on inner city areas in his writings about **competitive advantages**. The steps that Porter mentions to improve the business environment for inner-city investors, such as streamlined (efficient) regulation, legal security (guarantee), and directed public financing, are extensions of his general recommendations for economic development ... municipalities that market the competitive advantages of their inner cities, and integrate their inner-city programs as part of that marketing, should have positive economic and inner city redevelopment outcomes (Vitulli, et al. 2002).

Porter developed his case upon the typical conditions of distressed inner cities of U.S. suffering from the runaway of residents with moderate income levels and business to suburban areas. Although central urban areas enjoy the availability of transportation utilities, communication networks, social and technical infrastructure and other necessary services, majority of people at present desire to reside outside the cities in U.S. as a result majority of investments flow to prestigious greenfield areas that causes widening of the gap between the both social and economic conditions of inner city communities and those of the suburban communities. In fact, the urban expansion through prestigious districts seems inevitably to continue, as long as the attractiveness of inner cities is recaptured in terms of flow of people and capital. This is why great portion of urban planning and management authorities concentrate on discussing the prospects for revitalizing inner cities and turning today's brownfields to liveable places again. In the same way Porter calls for the necessity of attempts to increase the value of inner areas which may further contribute stop the suburban sprawl.

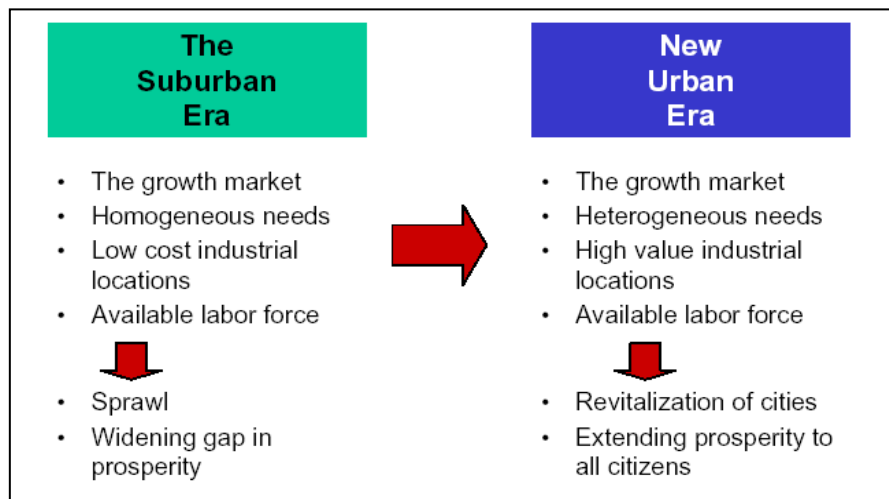


Figure 3.3. Comparison of the New and the Suburban Era  
(Source: Porter 2001)

The most common problem of inner cities is the unfortunate disinvestment and the limited access to capital. Porter’s arguments are applicable in this respect as to his practical suggestions for marketing strategies developed for distressed places. The attempts to capture the benefits of competitive advantages do not require great resources to separate. If local governments identify the competitive advantages and natural assets of inner cities or occupy a niche that is hard to replicate elsewhere, then they may be able to better target limited funds for regeneration and initiate private investment.

From the point of view of M. Porter, the first step towards developing an economic approach is identifying the inner city's true competitive advantages which will turn into truly profitable businesses. Localities have different conditions and countries have different approaches and levels of development. Because of that, such identification of the advantages and disadvantages of inner city areas is subject to these differences. Hence, intervening the inner city neighbourhoods should be based on good reading and analysis of these localities.

### 3.4.2. Main Competitive Advantages of Inner Cities

Porter asserts that inner cities have advantages that may be included under four main areas, all of which have connections to inner city redevelopment:

**1. Strategic Location:** Porter asserts that inner cities are located near busy, high rent areas, business centres, and nodes of transportation and communication. Inner city redevelopment benefits from existing infrastructure and from its proximity to mixed-use functionality of commerce, business, tourism, and leisure facilities and public resources. The approach therefore claims that there is a significant potential, then, for expanding the inner city business base by building on the advantage of strategic location.

**2. Local Market Demand:** According to this approach, “the inner city market itself represents the most immediate opportunity for inner-city-based entrepreneurs and businesses. Even when other markets are saturated, inner city markets are still thought to remain poorly served especially in retailing, financial services, and personal services” (Porter 1995).

From this point of view, the first important aspect of the inner city market is seen as its size. Even though average inner city incomes are relatively low, population congestion is still believed to perform a considerable demand. An economic redevelopment may result in wider availability of local services in inner city neighbourhoods. A forward-looking entrepreneurship may recognize the opportunities for profit and growth in this so-called large underdeveloped market.

The second important aspect of the inner city market is mentioned as its character. The approach claims that

... most products and services in inner city companies are generally designed for outside consumers and businesses. As a result, product configurations, retail concepts, personal and business services are not adapted to the needs of inner city customers (Porter 1995).

In fact, inner city population and respectively the number of local customers also create a considerable demand for businesses, so that those companies should consider local consumers’ needs as well.

**3. Integration with Regional Economies (Clusters):** It accepted within the model that potential exists for “unique-to-a region” businesses in inner cities to “capitalize on existing clusters of regional economic activity and connect more to the city’s economic base by supplying needed products and services”. Those competitive clusters are believed to create two types of potential advantages. The first is for business formation. Companies providing supplies, components, and support services can be created to take advantage of the inner city's proximity to multiple nearby customers in the cluster. The second advantage of these clusters is the potential they offer inner city companies to compete in downstream products and services. They help attract new



companies to concerned area, at the same time encourage retaining of existing companies that benefit from the cluster's presence (Porter 1995).

Porter argues that regional clusters advantage is not perceived directly in U.S. inner cities because many of the inner city businesses are conscious about expanding the scope of their economic activity on the basis of "export oriented" good or services, rather serve within the "local community" rather than outside it (Porter 1995).

Business cluster/industrial cluster can be defined as the geographical concentration of businesses or industries on a certain area that gives opportunity of gaining considerable advantages through their relative location. Porter defines mainly two types of cluster which he named as *vertical clusters* and *horizontal clusters*. Vertical clusters are made up of industries or businesses that are linked through buyer-seller relationships. Horizontal clusters include industries or businesses which might share a common technology or labour force skills, or require similar natural resources (LeVeen 1998).

Consequently Porter argues that integration with regional clusters may be potentially the inner city's most powerful and continuing competitive advantage over the long term if private sector initiatives in inner cities make required regional connections and increase the awareness of their value.

**4. Human Resources:** Inner cities hold under-utilized labour pools and untapped capacities for entrepreneurship which are counted as their competitive advantages in Porter's approach. Inner-city redevelopment can increase the supply of moderate wages, low to moderate skilled jobs and small business opportunities in inner city neighbourhoods (Porter 1995).

According to Porter, the inner city profile is generally driven through a number of deeply fixed acceptances though inner city residents such as being unwillingly to work, having bad habits like drug-dealing or having abandoned their roots all of which prevent development of social awareness. His model however argues about not to generalize such problems for the vast majority and add that majority of unemployed residents are eager to work and to eliminate those negative attitudes targeted at themselves if expected opportunity is given by the employers (Porter 1995).

Porter mentions that a productive and growing (inner city) economy requires:

- Rising skill levels
- Safe working conditions
- Healthy workers who live in decent housing in safe neighbourhoods
- A sense of opportunity

- Bringing underemployed citizens into the productive workforce
- Low levels of corporate pollution (which Porter counts pollution as a sign of unproductive use of physical resources) (Porter 2001).

Since then he believes that available human power may have the chance to meet those requirements to a certain level and if suitable conditions to increase work readiness are met under the response of public and private sectors.

### 3.4.3. Main Disadvantages of Inner Cities

While Porter relies on the area-specific inherent advantages of inner cities, he also illustrates in his model several disadvantages that are common in majority of distressed inner city location as well. It is obvious fact that however they seem to be attractive in terms of having competitive advantages, inner cities represent many obstacles for private sector interventions when compared with green fields. Porter recommends adequately addressing the real disadvantages in deprived inner city areas, and developing the necessary mechanisms to eliminate them so that the barriers in front of the competitive advantages will be removed.

**Land:** As it is evident, Porter raises the problem of access to land as the biggest problem in deprived inner cities. He claims that although vacant property is abundant in those areas, much of it is “not economically usable”. Assembling small parcels into meaningful sites generally becomes expensive, complicated and time consuming. Other than the assembly, land should experience several processes like demolition, environmental cleanup, and extensive legal action to become ready to find its economic value (Porter 1995).

**Building Costs:** Building costs is said to be the other most important barrier to inner investment when compared with the ones in the suburbs because of the costs and delays associated with logistics, negotiations with community groups, and strict urban regulations including restrictive zoning, architectural codes, permits, and government-required contracts. More damaging than regulatory costs is the uncertainty that the regulatory process creates for potential investors. Private entrepreneurs are said to be unwillingly to invest because of long waiting periods to obtain permits or site approvals given the uncertainty about whether their application will be approved or not (Porter 1995).

**Other Costs:** Porter also points out: the higher payments for several services that businesses have to pay as a routine: water, other utilities, workers' compensation, health care, insurance, permitting and other fees, property insurances, real estate taxes and other tax burdens, and such (Porter 1995). Relatively higher costs of such services are other important factors that drive away companies through suburbs.

**Security:** Both the reality and the perception of crime are represented in Porter's approach as crucial barriers to urban economic development since crime against property raises costs and crime against development of businesses. It also creates an unwillingness to work in and utilize from inner city businesses (Porter 1995). Porter insists on the statistics in the U.S. cities about the ranking of crime among the most important disadvantages that reflect why companies are resisting on investing in the inner city locations. However, crime is not only the problem of US inner cities where racial tension is considerably high; it is evident problem of majority of distressed urban areas in other countries.

**Infrastructure:** Porter's model is totally constructed upon creating a sound environment for business development in inner cities. Since then, transportation infrastructure becomes a crucial concern for the model which will provide mobility of residents for shopping and commuting as well as mobility of goods and the ease of commercial transactions if well planned (Porter 1995). The model states that the existing transportation network in inner city areas are mostly neglected because of investing on highways to suburban areas. Then, it stresses on the need for establishing strong transportation network in inner cities which would help development of competitive export-oriented businesses in the inner cities at the same time development of strong regional clusters between in and out the inner cities.

**Employee Skills:** Although Porter raises the availability of the abundant labour power as an advantage in inner cities, he asserts that many of them presently lack required education levels and necessary skills to work in available business activities.

**Management Skills:** As well as employee skills, managers in most inner city companies are mentioned as lacking formal business training. That problem, however, is not unique to the inner city; it is a characteristic of small local businesses in general. In this situation, local inner city companies are expected at any time to come up with a series of predictable problems which Porter lists as:

... weaknesses in strategy development, market segmentation, customer-needs evaluation, introduction of information technology, process design, cost control, securing or restructuring financing, interaction with lenders and government regulatory agencies, crafting business plans, and employee training (Porter 1995).

**Capital:** Access to capital (loans, credits...) represents a barrier to entrepreneurship and company growth in inner city areas. Financial institutions are generally not willingly to provide adequate resources or they insist on keeping the transaction costs high. In this situation entrepreneurs avoid taking risks for probable investments in inner cities. The model also complains that governmental intervention for creating public loan pools or quasi-public lending organizations could not be helpful in encouraging investors to take risk by investing in inner cities (Porter 1995).

**Attitudes:** The last obstacle for investing in inner city locations is stated as anti-business attitudes. From the point of view of workers, businesses in inner cities are exploitative. For Porter, such attitude causes poor relations between labours and managements. From the point of view of businesses that are to invest in inner cities, extra demands of public authorities from themselves such as contributing to building social infrastructure and community building, providing funds all discourage investing in since they increase the cost of investment. For Porter, such demands on potential businesses do not help the community; instead, they drive businesses to other locations (Porter, 1995).

#### **3.4.4. Changing Roles and Responsibilities for Inner City Development**

As Porter accepts that inner cities have several advantages and disadvantages that should be truly analyzed for a desired economic regeneration, he also defines the responsibilities of different interest groups for success. Overcoming the business disadvantages of the inner city as well as building on its natural advantages will require the commitment and involvement of business, government, and the non-profit sector. He argues that: each will have to leave conservative beliefs and past approaches. Each must be willing to accept a new model for the inner city based on an economic rather than a social perspective (Porter 1995). The private sector other than the government or social service organizations must be the focus of the new model.

### 3.4.4.1. The New Role of the Private Sector

Porter's model assumes private sector in the leading role for urban economic regeneration although it has been the challenge of those who concentrates on social interests. In doing so, he points out that private sector should follow the following prescriptions for contributing to economic enhancement of an inner urban area:

**1. Create and expand business activity in the inner city:** Companies and entrepreneurs must realize the true advantages of the inner city. According to Porter, businesses can learn from the failures of firms previously located in the inner city. For him, the first is the failure of “retail and service businesses to adapt their goods and services to the local market since preferences of the inner city market can significantly vary”. Another common failure Porter says is the failure to build relationships in the community through hiring locally which could help building loyalty.

**2. Establish business relationships with inner city companies:** Porter claims that inner city companies may build close relationships with outside companies by means of assistance for development and increasing competitiveness of their businesses. He believes such relationships, based “not on charity but on mutual self-interest”, will be sustainable in the long run.

**3. Redirect corporate philanthropy from social services to business-to-business efforts:** The model offers private sector focus on building business-to-business relationships that, in the long run, is expected to reduce the need for social services. Porter insists on the private sector firms or businesses to provide training programs for clusters located in both the inner city and the nearby regional economy as well as management assistance or expertise to inner city companies such as talent, know-how, and contacts when needed. In addition, Porter offers programs like school-to-work transition in order to take the advantage of regional clusters and to reduce the level of unemployment in distressed areas.

**4. Adopt the right model for equity capital investments:** Porter requires that private investors must be convinced of the viability of investing in the inner city. His approach claims that inner city-based businesses which follow the principles of competitive advantage will generate appropriate returns to investors particularly if aided by appropriate incentives, such as tax relief for the sake of inner city businesses (Porter 1995).

### 3.4.4.2. The New Role of Government

Porter criticizes that US government, up to date, has concentrated on piecemeal and fragmented efforts to create jobs and attract businesses. He finds these programs being based on subsidies rather than on marketplace realities. So he stresses on the need for finding new approaches in order not to continue to shrinking public resources.

Government must shift its focus from direct involvement and intervention to creating a favourable environment for business. This is not to say that public funds will not be necessary. But subsidies must be spent in ways that do not distort business incentives, focusing instead on providing the infrastructure to support genuinely profitable businesses (Porter 1995).

In developing the roles of actors in his approach, Porter offers the following prescriptions for public authorities:

**1. Direct resources to the areas of greatest economic need:** Porter claims that many funding programs in areas such as infrastructure, crime prevention, environmental cleanup or land development have been canalized according to political preferences in U.S cities like concentration of transportation infrastructure spending on creating more attractive suburban areas. In fact, this is a controversial problem not only in U.S. cities but also in various developing countries and Turkey as well. The model suggests that investing in inner cities must be prior to that of the suburban areas. It claims that majority of investment programs related to above issues should go to distressed inner city areas in order to make them more attractive and business-friendly locations.

**2. Increase the economic value of the inner city as a business location:** In order to stimulate economic development, Porter mentions that government must recognize that it is a part of the problem. He requires government rethinking policies and programs in a wide range of areas, eliminating the needless regulations. Indeed, there are numerous possibilities for reform.

Imagine, for example, policy aimed at eliminating the substantial land and building cost penalties that businesses face in the inner city (Porter 1995).

He also suggests construction of a single government entity to be donated with the right of assembling parcels of land, subsidizing demolition, environmental cleanup, and other costs. The same entity is also said to streamline all aspects of building including zoning, permitting, inspections, and other approvals. These types of

departments as Porter suggests are innovative and time-consuming recently. They are today also offered in several countries some of which name them as one-stop-shops.

Porter points out similarly that:

A growing number of cities like Detroit, Chicago, Indianapolis, Minneapolis, and Kansas, have successfully developed so-called brownfield urban areas by making environmental cleanup standards more flexible depending on land use, indemnifying land owners against additional costs if contamination is found on a site after a cleanup, and using tax-increment financing to help fund cleanup and redevelopment costs (Porter 1995).

In addition to this model offers that government entities could also develop a more strategic approach to developing transportation and communications infrastructures for the sake of inner city businesses. The model adequately rises the point of need for strategic transportation planning since transportation may itself be the primary reason for urban decay. Urban areas sometime become run down just because of corruption created by major infrastructure corridors or because of getting neglected in contrast to massive transportation development relatively prestigious areas.

**3. Deliver economic development programs and services through private sector institutions:** Providing capital and business-related services to ones that will invest in inner run down urban areas is another important factor. The model emphasizes the need for building the necessary basis for access to capital. First of all, it is drawn forward that government must help create the conditions necessary for main private financial institutions to lend and invest profitably in inner city businesses. Then it should address and try to develop programs to reduce high transaction costs, provide better information and relaxed paperwork requirements and regulations. In addition, government could also provide direct incentives and encourage banks to make and maintain suitable loans for inner city investments.

One another approach for government is to eliminate the tax on capital gains from long-term equity investments in inner-city-based businesses. Such tax incentives, which are based on the basis of profit, are believed to play a vital role in speeding up private sector investment.

**4. Align incentives built into government programs with true economic performance:** For Porter, aligning incentives with business principles should be the goal of every government program. Instead of direct subsidies to businesses, he offers governments to provide incentives rather for site assembly, extra security,

environmental cleanup, and other investments designed to improve the business environment (Porter 1995).

In accordance with Porter; Vitulli, Dougherty, and Hutch (2002) assert that unlike traditional use of financial incentives, several cities have recently started to use funds more strategically. Financial incentives identified in those cities are targeted at:

- improving commercial viability of properties,
- encouraging redevelopment that takes advantage of existing infrastructure, as well as proximity to transportation systems and city centres,
- encouraging redevelopment that creates jobs tied into the regional economy,
- encouraging redevelopment that creates jobs appropriate for local residents and
- attracting investment that meets unmet local demands (Vitulli, et al. 2002).

#### **3.4.4.3. The New Role of Community-Based Organizations**

Porter mentions that CBOs should use the advantage of their strategic position within a purposed economic development process. That is completely true for the case of U.S., because majority of CBO's especially community development corporations work as non-profit but effective organizations in housing and social services provision (e.g. Community Development Corporations). According to Porter's approach, many of the CBOs will have to change fundamentally the way they operate in the way of offered guidelines:

*1. Identify and build on strengths:* According to Porter, "CBOs must identify their unique competitive advantages and participate in economic development with their given capabilities, resources, and limitations". Community-based organizations have played a much-needed role in developing low-income housing, social programs, and civic infrastructure for low-income groups in U.S. as well as in Western European countries. Although success stories exist, Porter argues that the vast majority of businesses owned or managed by CBOs have been failures because majority of the CBOs lacks the skills, attitudes, and incentives to operate substantial businesses. In the same way, many of the CDC's today are getting closed since they are not able to generate necessary resources from housing redevelopment schemes. Federal governments even do not provide subsidies to those institutions as they did before.



Moreover, CBOs naturally tend to focus on small retail and service businesses that are often owned by neighbourhood residents. Their focus on relatively small neighbourhoods, according to Porter's model, is not well-suited to develop the more substantial companies that are necessary for economic vitality. Furthermore, Porter points out that CBOs whose traditional mission goes along with direct community interests and social needs, may show resistance to the competitive pressures of for-profit business activities to expand in concerned areas (Porter 1995).

**2. *Work to change workforce and community attitudes:*** As community-based organizations have a unique advantage in their friendly relationship and influencing capacity within inner city communities, Porter offers them to use that advantage to help promote business development. CBOs can help create a hospitable environment for business by working to change community and workforce attitudes and acting as cooperation with residents to control speculative opposition to new businesses.

**3. *Create work-readiness and job-referral systems:*** according to Porter, community-based organizations can play an active role in preparing and offering local employees to available businesses. The basic need for decreasing the level of unemployment and hence developing the socio-economic conditions among many inner city residents is capacity building, since then CBOs are thought to act as intermediate bodies between the community and businesses and encourage businesses to hire local residents by helping to increase skills gap.

**4. *Facilitate commercial site improvement and development:*** Porter claims that community-based organizations can directly encourage investors/developers to facilitate environmental cleanup and the development of commercial and industrial property. Likewise, such groups can be expected to have the potential to push the local authorities to cover up abandoned buildings and to clear the area for future purposes. They may also lead a campaign to encourage businesses to locate in the neighbourhood (Porter 1995).

After pointing out the attributes (advantages and disadvantages) of deprived inner city areas and responsibilities of interest groups, Porter finally asserts the idea, behind his model offered for inner city regeneration, by comparing it with the traditional approaches which he generalized as the "old model"(Table 3.2).

Table 3.1. Inner-city Economic Development Model  
(Source: Porter 1995)

<b><u>Inner City Economic Development</u></b>	
<b><u>New Model</u></b>	<b><u>Old Model</u></b>
Economic: create wealth	Social: redistribute wealth
Private sector organizations	Government and social service
Profitable businesses	Subsidized businesses
Integration with the regional economy	Isolation from the larger economy
Companies that are export oriented	Companies that serve the local community
Skilled and experienced minorities engaged in building businesses	Skilled and experienced minorities engaged in the social service sector
Mainstream, private sector institutions enlisted	Special institutions created
Inner city disadvantages addressed directly	Inner city disadvantages counterbalanced with subsidies
Government focused on improving environment for business	Government involved directly in the providing services or funding

### **3.5. Responses to Porter's Approach of 'Urban Competitive Advantages'**

For nearly fifty years variety of academicians and policy-makers have complained about the conditions in distressed inner cities and proposed a continually changing set of ideas and policies aimed at recapturing them. Those ideas and policies, especially in last decades contained one stable illustration that the private sector holds the key to urban revitalization. From this point of view, Porter stands to be the one of

those who complains about the need for private interest and a more effective role of government in supporting the expectations of the private sector. However, he has been criticized by many authors as he has introduced his model in 1995.

Although the forms of governmental programs have changed and levels of subsidy have gyrated wildly, their purpose has always been the same: to renew the interest of private investors in places from which capital has fled (Fainstein and Gray 1996).

In saying so, Fainstein and Gray claim (1996) that Porter's argument starts with an incorrect hypothesis which is the problem with inner-city revitalization programs lies in a failure to foster the private sector. They point out that specific incentives or supporting programs in order to enhance the economic base of declining inner cities have not provided assistance to low-income people yet, rather they have been developed generally on the behalf of the private sector (Fainstein and Gray 1996). The second point, they criticize Porter is recommendation on creating a single statutory body which would be responsible for certain tasks like assembling parcels of land and with subsidizing demolition, environmental cleanup, as well as operating on planning and construction related issues (zoning, permitting and approvals). However, Fainstein and Gray asserts that the urban renewal authorities in U.S. are entitled to do all these tasks, however they could not prevent "displacement of low-income people", and even could not attract the interests of the private investors despite the favourable building conditions provided (Fainstein and Gray 1996). They believe in order to improve socio-economic conditions without removing the current residents; government's involvement in the inner cities must go beyond direct investment in economic development.

However, the need for changing role of public authorities, from undertaking all the necessary tasks to rather enabling the services required by those tasks, is having been widely advocated since 80s especially parallel to the notions of strategic planning:

... the role of government is undoubtedly shifting from direct provision to an enabling one. Where public intervention is most successful, this tends to be attributable to effective infrastructure, policies which enhance the quality of labour, and the promotion of appropriate specialization and economic linkages ...the main scope for action by urban policy-makers is in enhancing the business environment, fostering innovation and learning and assuring social cohesion (Begg 1999).

The other major criticism contrary to Porter's opinions is made by Thomas (1996) in three aspects. Firstly, she mentions about the failures of Porter's idea in terms of lacking other broad social aspects, although she accepts the approach as adding

positive value to stimulation of private investment on distressed urban areas. Parallel to this, Robinson (1996) and Reichert (1996) also complain that inner city communities are complex, resulting from a historically rooted combination of economic, social and political forces which they think Porter has failed to recognize in his model. Thomas (1996) accepts that:

Porter's comments assist the private and non-profit sectors, helping businesses, or those who would interact with the world of business, make intelligent choices about how to survive and thrive in distressed central cities... here is what Porter's work does not tell us: we have no evidence, yet, that this particular approach triumphs over other strategies for revitalizing distressed areas. Porter eagerly leaps from the firm grounding of his excellent research in the motivations of businesses into the uncertain stratosphere of urban revitalization.

She points out the necessity of combining social, economic and physical dimensions parallel to the latest governmental program, Empowerment Zones and Enterprise Communities, which are the engine of above programs are economic development but at the same time they are to include such efforts as community building and social support programs as well as housing and neighbourhood development (Thomas 1996).

Perhaps one of the most important issues recently being argued for addressing a sustainable urban revitalization is to use multifaceted efforts, in other words, to concentrate on a more holistic approach that will attempt to combine social, economic, and physical solutions for inner-city revitalization at the same time. Evidently, it is no longer possible to claim the ability to undertake "comprehensive" strategies as urban planners promoted in the past. However all facets of urban distress are interconnected as Thomas (1996) truly touches on, and that those connections must certainly be recognized. Accordingly Kitson, Martin and Tyler (2004) criticize Porter's approach on localities' competitiveness about being one-sided. For them, Porter evaluates competitiveness only as productivity in relation to factors of input such as land, labour and capital, while productivity is only one aspect in measuring a locality's competitiveness. Undoubtedly, Porter, with his business school background, has neglected some social and physical aspects of sustainable urban regeneration which urban planners strive for years. He has much more relied on solid business tools to pull the energy back to the inner cities. The viability of an area is dependent upon its ability to compete successfully within the current economic circumstances. This has been an essential part of the historical evolution of urban areas. Without this viability, declining areas may have to be supported and compensated for their lack of viability by public

expenditures and resource transfers either permanently or temporarily, until the changes in their current economy restore their competitiveness. Here, the way that public expenditures directed and policies formulated becomes much more important. With political commitment to reshaping the expenditures, places become more entrepreneurial about developing and exploiting its unique assets in pursuit of competitive advantage over others. So, Porter suggestions in these aspects become meaningful.

Thomas's second argument is about the lack of community building and business sector-residents partnership within Porter's approach:

Firms may find it to their benefit to participate with local residents in problem-solving efforts involving training and unemployment, youth development, public safety, or community services (Thomas 1996).

And thirdly she adds that:

... social justice is an important matter of concern for a city's low-income and distressed area residents to expect their needs to be fulfilled within revitalization efforts which Porter has failed to include in offering business development in areas such people live in (Thomas 1996).

Despite the above criticisms, communities benefit from business development, but they cannot expect businesses to be purely concentrated on local needs than about making a profit as Thomas argues for. First of all, business sector obviously show unwillingness to invest in distressed urban areas because of several uncertainties. Secondly, it is both natural and inevitable for businesses to consider profitability of investing in a place under the free market conditions whatever it is on a distressed brownfield area or on a prestigious greenfield area. Moreover, every redevelopment initiative can not be judged only by its effectiveness on wealth distribution. Each place has its unique characteristics and different land use pressures. The vision attributed to an inner city will be totally different from the one attributed to a low-income housing area in the periphery. Inner cities are mostly mixed use and dynamic areas with good access, concentrated public services and extremely high land values which should become vital and self-sustaining engines of growth if only people and money are attracted again. Under these circumstances it will be realistic to initiate or improve business development in those areas to enhance their vision within the city scale.

But apart from its above advantages, attraction of private investments may create further reflection which Porter has not accounted. Porter, in his model, does not mean to displace residents of inner cities rather, utilize from the demand and labour

power they created. However, the ability of residents to gain skills that enable them to be productive and to keep their incomes depends on their social profile and on how much skill is required for new coming inner city businesses. Relating to this, Peoples (1996) criticizes this issue in terms of whether or not the entering private businesses are committed to hiring workers residing within the inner city. In keeping with Porter's free market approach, he similarly categorizes inner city competitive advantages in terms of input and output outcomes. Parallel to Porter, Peoples asserts that promotion of competitive advantages can help identify the differing mechanism by which businesses use of these advantages can improve the local economy. He adds, however, making use of the large supply of potential employees (A1) depends on preparedness of the workers. Further from this identification, Peoples classifies (1996) the disadvantages that effect production costs of inner city businesses.

Table 3.2. Classification of Inner-city Advantages  
(Source: Peoples 1996)

<b><u>Classification of Inner-City Advantages</u></b>	
<b>A.</b>	Advantages Derived from Factor Input Market Conditions
1.	Labor market conditions center on the large supply of potential employees (Human Resources)
2.	Production techniques center on:
a.	Strategic location
b.	Ease of integration with regional clusters
<b>B.</b>	Advantage Derived from Product Market Conditions center on the large pool of potential customers (demand)

Table 3.3. Classification of Inner-city Disadvantages  
(Source: Peoples 1996)

<b><u>Classification of Inner-City Disadvantages</u></b>	
<b>A.</b>	Disadvantages Originating from the Production Process
1.	Non-labor factor input costs
a.	Cost of land acquisitions
b.	Construction costs
c.	Poor infrastructure
d.	Cost of meeting environmental standards
2.	Labor Costs
a.	Employee skills
b.	Managerial experience
<b>B.</b>	Negative Externalities Associated with Poor Economic Conditions
1.	High security risks
2.	Difficulty acquiring equity capital

In non-labour factor input costs (A.1.) at above classification, Peoples emphasizes that disadvantages that will effect the operation of businesses in the inner city is partly influenced by government regulation. With reference to it, he claims like Porter that government should play more effective role both on stimulating private investment and on supporting to social improving of concerned residents.

Porter contends that companies considering new operations in the inner city face unreasonably high costs partially due to regulation. Regulatory reform that removes these barriers to business formation, then, could improve the economic conditions of the inner city by increasing the demand for workers from these localities (Peoples 1996).

Unlikely Peoples defines regulatory reform is capable of reversing the situation in the inner city, since employability of the local labour power by inner city business will depend on the quality of that labour power.

When we assess the concept from the point of view of Reichert and Peoples we have to accept that it is impossible to expect that everyone living in distressed areas are able to adopt themselves to demands and needs private sector-led development in free market conditions indeed. This time gentrification up to certain extent will appear to be inevitable supporting the arguments of Fainstein and Gray (1996) about displacement of low-income people.

Other than the contradictory responses, several supporting ideas exist such as Zielenbach (2000), Kotler (1993) and Schweke (1996) that meet Porter's approach in some respects. Zielenbach (2000) accepts the validity of positive attributes of central urban areas which seems to be promising for revitalization efforts. Similar to Porter competitive advantages, he defines six major for positive neighbourhood attributes:

1. Neighbourhood location: Zielenbach (2000) accepts the tremendous effect of 'location value' is created by transportation lines, employment hubs, communication nodes, available businesses, financial, social and technical services. However; he adds that value of location cannot alone explain revitalization. In fact his statement is accurate. Location by itself is not sufficient for revitalization because many of those types of areas have once become abandoned despite their location potential. There has to be other attributes which can together turn into opportunities for those areas.

2. Local physical amenities: For Zielenbach, physical characteristics also seem to have potential for purposed revitalization. Especially the existing and architecturally pleasing housing stock is thought to create a positive value for attracting people back. It might really be a desirable potential in available cases, however, the existing building

stocks in many declining areas act inversely as a deterring factor for revitalization. Unfortunately, obsolete buildings and dilapidated environs mostly discourage people reside and developers to invest in.

3. Local institutions: Corporations and potential residents choose to invest in an area ... if they believe the area's future prospects warrant commitments of financial and emotional resources. (Zielenbach 2000) In saying so, Zielenbach thinks that availability of large institutions such as hospitals, universities and etc. creates positive value for a distressed area. Those types of areas may hopefully contribute to redevelopment of existing assets, encouragement of community interaction, job creation, and crime prevention. Porter likewise touches on the importance of presenting the above tasks in defining the responsibilities of private and public sectors.

4. Community organizations: Zielenbach (2000) trusts in the availability of community organizations in any revitalization process. He not only evaluates those organizations as a crucial actor in the process as Porter points out, but also accepts them as an opportunity for an area to revitalize. Community organizations in distressed areas help better address the issues of the public good, mobilize people, promote face-to-face interaction, and define collective political and economic interests and access larger informational resources. (Zielenbach 2000) Both Zielenbach and Porter naturally rely on the effectiveness of community organizations similar to the performance of Community Development Corporations (CDCs) in U.S. cities. CDCs in U.S. act as an individual firm that get loan from state government, generate redevelopment projects, act as a local leader to convince residents in projects areas and develop an effective financial recycling mechanism to create resources for future projects.

5. Social capital: Zielenbach believes a considerable 'social capital' exists within inner city communities, the term which matches with Porter's competitive advantage of human resources. Inner city communities have stronger interpersonal networks, more wide-reaching social ties, and greater levels of trust (Zielenbach 2000). Both Porter and Zielenbach believe individual responsibilities and collective consciousness help to create a friendly investment climate. However, such a consciousness neither exists for every case, nor can develop by itself. In effect, intervention of community organizations or local authority intervention is essential to encourage residents to create collective action and market their human resources.

6. Local leadership: the last attribute stated by Zielenbach is local leadership. Strong community leaders are thought to convince individuals within the



neighbourhood for the viability of revitalization enterprises and then engage them in the process (Zielenbach 2000).

Other than Zielenbach, one of the most distinctive, but complementary, response to Porter's research is the one drawn forward by Schweke (1996). He states that Porter's critique, policy framework, and specific recommendations are valuable contributions to the field of economics and community development however he finds Porter's criticisms oversimplifying some of the wider.

The other contradiction in Schweke's opinion is that Porter's analysis is based on a limited history of the field. "More than Porter's article suggests, we must draw additional lessons from this multi-decade experience with urban revitalization and relating social and educational investments (Schweke 1996). From this point of view Schweke evaluates the approach of Porter to past models directed the past revitalization efforts in U.S. mentioned previously in this chapter:

*Real Estate Model:* Schweke asserts that although Porter is right in noting that real estate is not the real driver, he misses the importance of how real estate investment can be linked to business development. According to Schweke, real estate development is an effective tool that can open up opportunities for local entrepreneurship, reduce a firm's operating costs, lower investment risks, create "anchors" for leveraging additional investment and business development, and expand markets by attracting or holding onto middle class residents (Schweke 1996).

*Location Incentives Model:* **Schweke** accepts Porter about rightly emphasizing that businesses should choose locations principally on their real comparative advantages and that subsidy approaches will keep such companies around only as long as the incentives last. Similar with Porter, **Schweke** points out that use of subsidies directed at businesses in target areas is wasting of scarce public resources. Provision of business incentive stands to be a dilemma for inner cities. Form another point of view, distressed inner areas often possess locational disadvantages as compared to fast-growing suburban regions (Schweke 1996).

*Social Conscience/Philanthropy Model:* Porter argues that corporate leadership and funding should target those development initiatives and social investments that are most relevant to business factors. However, **Schweke** argues that such incentives are still very important. He claims that these incentives help cover the costs that other traditional private sector funds would never touch. For him, only few outside business owners spend enough time to know its surrounding area or get involved in local

business. Schweke's argument about the firms doing business in inner city areas is true because firms having located in those areas just because of location criterion do not feel themselves responsible for adding value to their environment. This creates new barriers to forging necessary strategic alliances for urban revitalization and reform in those localities (Schweke 1996).

*Mandate Model:* Similar to Porter's argument, **Schweke** mentions that mandate generally lacked the necessary technical assistance and attention to building networks and personal relationships within different community groups. Those programs may help strengthening local minority businesses in some cases however; they often create or increase social discrimination (Schweke 1996).

*Community Entrepreneurship Model:* Parallel to Porter, **Schweke** accepts that local entrepreneurship is obviously not going to create enough good and accumulate wealth in the surrounding community. However, he finds such programs very important in determining the responsibilities of local communities in enhancing the human capital and workplace skills of the local entrepreneurs (Schweke 1996).

*Migration Model:* Inner-city residents face difficulties in accessing jobs in the suburbs. For such reason **Schweke**, parallel to Porter's idea, offers to concentrate on providing new transportation options, information about job opportunities, appropriate education and training services, participant and employer recruitment. Although such attempts are necessary, they cannot be the solution for creating a dynamic inner city area. Rather than to suburban jobs, above attempts are better oriented to jobs in distressed areas in order to increase the rate of job creation and thereby achieve economic development.

### **3.6. The Initiative for Creating Competitive Inner Cities**

Competitiveness of regions within the urban context has gained an increasing concern after 90s as explained at the beginning of this chapter. The authors especially the economists have discussed the philosophy of competitiveness for urban areas in global and national scales. In the global scale; there are varieties of competitiveness assessment reports and comparative studies developed for world cities from US, Western Europe, China, Japan and some other. Other than empirical studies several projects are generated in those countries to develop strategies to become more open to

capital flows and foreign investments. Porter, one of the leading advocates of 'competitiveness' notion, has made an addition to literature in urban competitiveness assessment studies and projects by carrying the concept up to local scale. He offered to discuss the term competitiveness for inner city localities. With reference to his approaches several inner city scale projects have been launched that aimed economic revitalization by making use of competitive advantages. St. Louis, Oakland, Chicago, Louisville, Boston, Connecticut, Milwaukee, Brooklyn and Kansas City are several U.S. cities, those of which have undertaken particular efforts to promote the competitive advantages of inner cities as part of broader economic development strategies.

*The Initiative for a Competitive Inner City (ICIC)* is a national not-for-profit organization founded in 1994 in Boston by Harvard Business School professor M.E. Porter. It is a significant establishment which has signed under several competitiveness assessment and strategy development projects succeeded in US cities within the last ten years. ICIC defines its mission as to eliminate economic inequality in America's inner cities through private sector engagement that leads to jobs, income and wealth creation for local residents (ICIC 2005). The Foundation first seeks to conduct the definitive research on inner city economic development, working with world-class research partners. Secondly, it brings strategy and expertise at the city level, helping corporate and civic leaders create inner-city business development strategies and mobilize for action. And thirdly, ICIC identifies, celebrates and supports the success of inner city-based companies by the magazine *Inner City 100*, an annual list of 100 of the fastest-growing private companies based in America's inner cities. *The Inner City 100* as a trendy program is started to be also used in Britain as an initiative formed with the idea of an annual index of the country's fastest growing companies located in some of the most deprived neighbourhoods (ICIC 2005). The aim of the project is to attract companies to bring economic life and prosperity into the most run-down and socially excluded parts of the country. Other than the index, several projects such as "City Growth Strategies, London" have been developed with reference to ICIC's inner city studies.

Porter has set up the ICIC in 1994 as an advisory and back-up group to promote inner cities as business friendly environments. Since then, the group has worked with a range of consultancy groups to analyze just how much competitive capacity exists in inner cities. The group has developed several pilot projects for declining urban quarters all of which has mainly aimed to investigate the growth opportunities and introduce

methodologies for capturing them. Similarly variety of local authorities in different localities has developed such kind of pilot projects with reference to Porter's proposal on economic revitalization of inner cities.

### **3.6.1. Selected Pilot Schemes from U.S. Cities**

Four different cases studies are examined in this chapter in order to look for reasonable explanations to some basic questions such as: what, precisely, is meant by the competitiveness of an urban area? Does a declining area still have competitive attributes? In what sense can an urban area compete? How can its competitiveness be measured? What are the implications for public policy in promoting a locality's competitiveness? Each of cases in this part is a typical run down inner city area, reflecting similar characteristics such as high rates of poverty and unemployment, fragile businesses, relatively unhealthy socio-economic structure when contrasted with surrounding districts. Every initiative puts a new and innovative approach forward to inner-city revitalization based on a strategy that addresses market forces, builds on competitive advantages, and emphasizes economic growth. But the following cases included in this chapter have been rather chosen according to their success in different criteria.

#### **3.6.1.1. Upham's Corner Main Street; Boston**

The first example is Upham's Corner Main Street pilot project that has been launched in 1996 in Boston. The reason for choosing the case as an example is to understand its concrete methodology put forward at the beginning of the process. The projects aim was to introduce a practical guide or a methodology for the analysis of the growth opportunities in the Upham's Corner area. The team of Upham's Corner, the local partner and the private consulting authorities have worked together to gather necessary data and assess results. The outcome has been a clear understanding of the current local economic base, its links to the regional economy, and a series of identified market-based opportunities for local economic growth.

Upham's Corner Main Street is an example of a community-based organization that has adopted a market-based strategy. The area is said to be selected because it is the

hub of a commercial and residential district with conditions that typify the opportunities and challenges of inner city neighbourhood economic development. However, examining this project within this research is important because of its methodology rather than of its reason of selection as a pilot scheme or of its results.

First of all, the methodology is designed to offer general phases that can help economic development practitioners in their revitalization work:

- Create an inventory of all enterprises (private and social) in a target area and classify them according to pre-defined economic variables representing the local economy;
- Define these enterprises' "economically-relevant" analytical spaces by using competitive and trade area analysis and segment them according to industry attractiveness, operational efficiency, and strategic role;
- Identify non-performing basic economic assets such as land and commercial buildings as well as under-performing companies;
- Develop a strategic agenda based on the competitive advantages of the inner city as a business location and on the opportunities identified in the local economy and its links with regional clusters (ICIC 1998).

In Upham's Corner Project, the methodology has included three phases:

1. A series of analytical steps geared towards the construction of a strategic economic portfolio.
2. Determination of growth and market opportunities in order to define a strategic action plan.
3. Implementation of this strategic action plan.

The diagram in the following page which is developed by the team illustrates these phases (ICIC 1998).

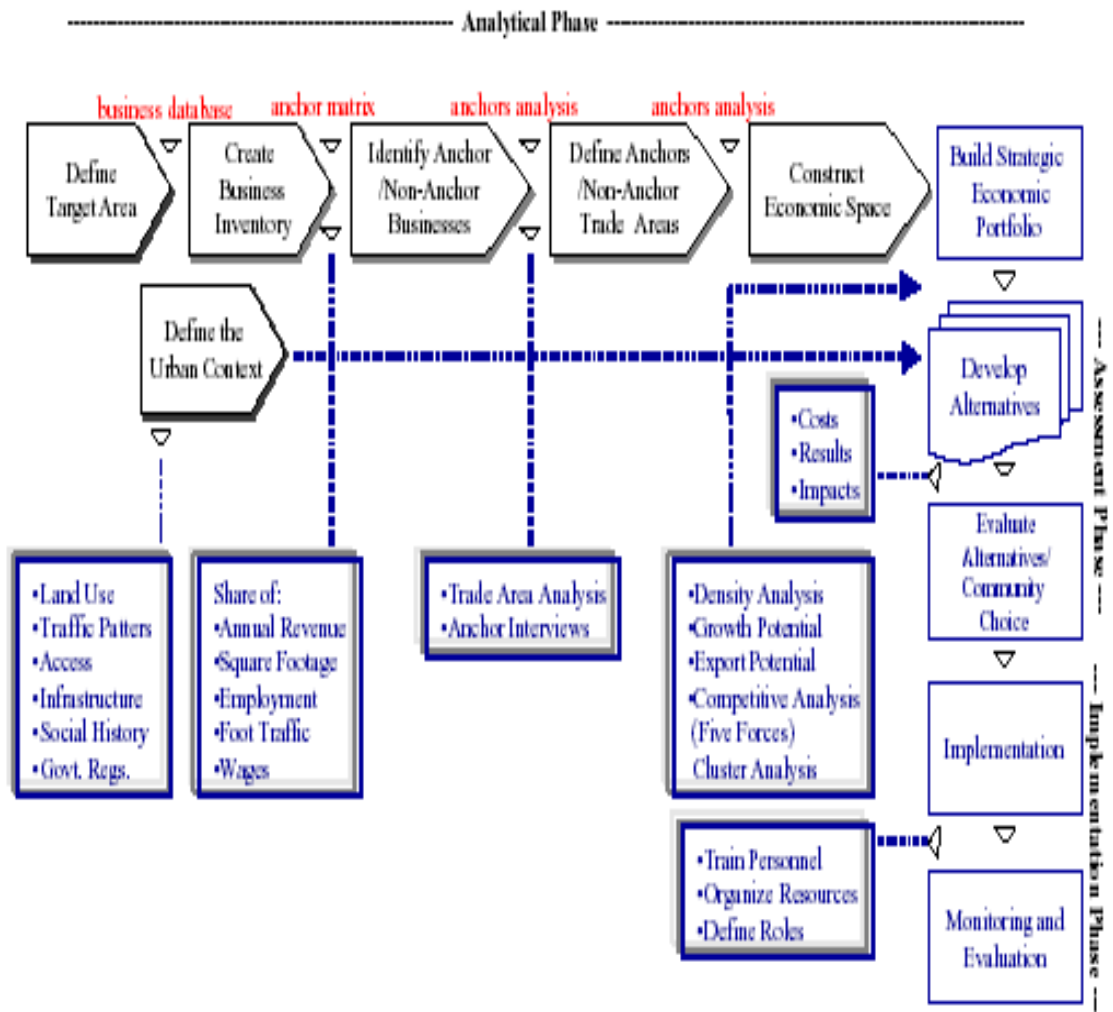


Figure 3.4. Methodological Phases in Upham's Corner Project  
(Source: ICIC,1998)

While applying the methodology, the Team has defined the target area as the first step of the analytical phase. Within the target area, a neighbourhood demographic profile has been generated including the change in population within a time period and the change in demographic compositions as well, because Upham's Corner has one of the most diverse populations in Boston. Then, the average size of neighbourhood's households, the share of current young population and the median household income in proportion to the City of Boston and the Boston Metropolitan Area have been determined.

Second, a business inventory for the area has been created including all private for-profit and non-profit enterprises operating in the target area. This inventory has been converted into a matrix by using four variables describing the local economy:

- Employment – number of full-time equivalents – FTE (average number for the most recent fiscal year).
- Income – total amount of wages and salaries paid to employees (including management) in most recent fiscal year.
- Revenue – total amount of sales/revenues for the most recent fiscal year.
- Leased Space – square footage of all space being utilized by the business operating in the building (ICIC 1998).

Employment, income, and revenue here is said to describe the quality and strength of basic economic relationships - involving employers, employees, and consumers. They are also fairly good indicators of standard of living. Leased space is also included as an instrument for economic activity since this measures utilization of physical assets. The team has also included the inventory of physical assets (empty buildings and vacant lots) (ICIC 1998).

After gathering the relevant data, the team has created a matrix to illustrate the portfolio of neighbourhood's companies according to their growth rate of the industry.

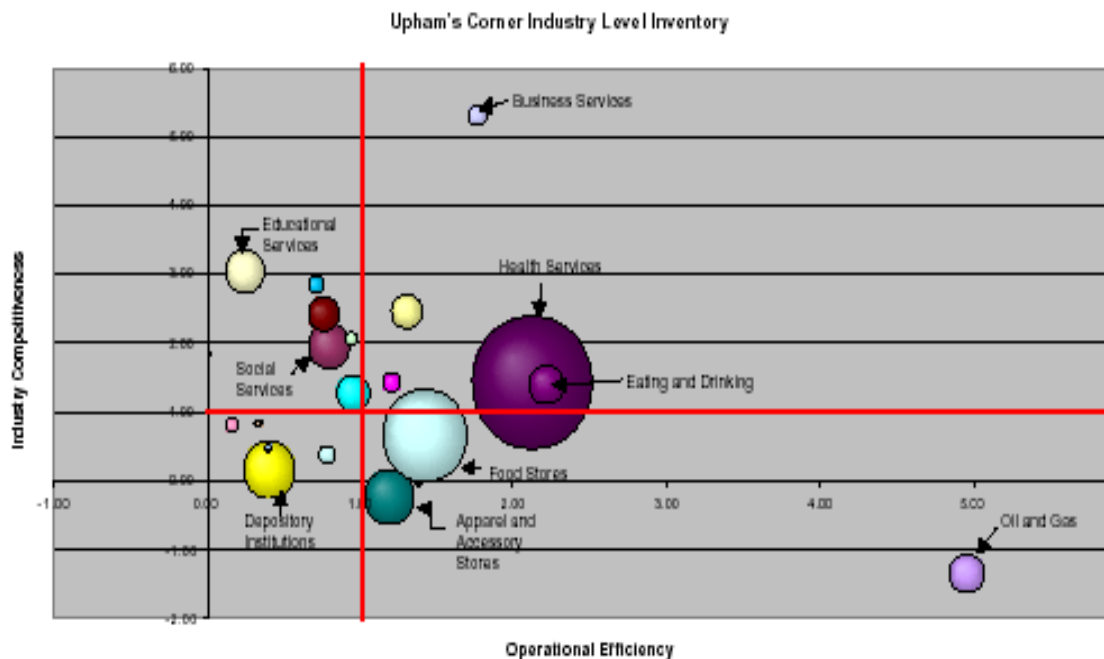


Figure 3.5. Upham's Corner Industry Level Inventory  
(Source: ICIC 1998)

Their industry attractiveness, y-axis, is said to define as the ratio of national 4-Digit SIC Code compound annual (referring to industries each having a SIC code) employment growth rate divided by the national non-farm payroll compound annual

employment growth rate within a particular time period. (For Upham's case between 1992–1997) By this calculation, a company belonging to an industry with an attractiveness ratio greater than one means that the company is in an industry that is growing faster than the national economy. Other things being equal, the neighbourhood is accepted as doing well if most of its companies are located at the upper levels of the matrix. Operational efficiency, x-axis, is calculated as a ratio of each company's sales per employee divided by their respective industry's sales per employee ratio. A ratio greater than one indicates that the company is more efficient than its industry average. Again, other things being equal, it is a neighbourhood is accepted as doing better off if most of its companies display operational efficiency ratios greater than one that is, when they are situated to left sections of the matrix. Within the matrix, each company is represented by a circle. The size of the circle in the matrix represents the relative significance of each company to the neighbourhood economy in terms of their share of the composite of the four variables listed above (employment, income, revenue, leased space). Considered as a whole the neighbourhood is thought to be better off if companies having a high share of the neighbourhood's economy are located at the upper right side of the matrix (ICIC 1998).

In the following step, all neighbourhood companies have been grouped according to being anchor, potential anchor, and non-anchor companies on the basis of above analysis. Here, anchor companies are defined as those companies with a high share of the composite located in the upper left side of the business inventory matrix. It is believed these companies can be linked to regional clusters and can foster the inner city economic growth. Potential anchors are defined as those companies with lower share of the composite in growing industries that could, with proper help, become a neighbourhood anchor in the future. Finally, the non-anchor category refers to the companies with a low share of the neighbourhood economy labelled as shrinking industries (ICIC 1998). With reference to this, Upham's Corner anchor companies were identified as health and food services that are located in the upper right side of the matrix. Social services and educational services are evaluated to be potential anchors which could be developed with readjustment and support (Figure 3.4).

Identification of anchor and potential anchors is important in terms of developing vision and strategic understanding of the area with its opportunities and barriers.



After the neighbourhood's economy was understood, the main competitive advantages and disadvantages have been determined.

Table 3.4. Advantages and Disadvantages of Upham's Corner  
(Source: ICIC 1998)

<b>Competitive Advantages</b>	<b>Competitive Disadvantages</b>
<b><u>Underserved Market</u></b>	<b><u>Crime</u></b>
Retail spending deficit of \$275 millions	Crime and drug activity
Outsource possibilities for commercial services	Security costs
	<b><u>Low Resident Skills</u></b>
<b><u>Location</u></b>	Low-professional skills
10 minute drive from Boston CBD	Poor work readiness
Proximity to health services, hospitality & tourism clusters	<b><u>Shortage of new development sites</u></b>
	Lack of gap financing
Opportunity to compete on the basis of just-in-time delivery	High acquisition costs
<b><u>Physical and Human Resources</u></b>	High construction costs
Unutilized buildings	<b><u>Inefficient Infrastructure</u></b>
Diverse and young labor force	Inadequate safe parking
<b><u>Civic support</u></b>	Congested traffic
Strong & thriving non-profit organizations	Unattractive & decaying store fronts

Following above analysis stages, an action plan has been prepared for supporting the anchor sectors and contributing to local economic development within the neighbourhood. According to the action plan, it is noted that Upham's Corner has:

- completed a customer survey on local customers' buying habits and created a profile for local business owners for customer needs.
- helped to market empty and underutilized commercial buildings. Several firms have acquired commercial properties in the district with some financial initiative.
- provided market information to investors interested in acquiring commercial properties in the district.
- commissioned a survey to further analyze market opportunities in the area.

- provided design assistance to six businesses in Upham's corner to plan storefront improvements.
- started a special program with a private company to work on landscaping and organizing a series of clean up and streetscape improvement initiatives as well.
- Finally, the project team with outside advisory has provided assistance anchor and potential business anchors in the neighbourhood (ICIC 1998).

### **3.6.1.2. Milwaukee Inner-city; Wisconsin**

The economic revitalization project in Milwaukee Inner-city which has started in 2001 is chosen as the second case to analyze. The main reason for choosing Milwaukee project is its effectiveness in terms of the results achieved in a specific time period after the strategies were started to be implemented.

In 2003, after a year of strategy development, the ICIC together with business leaders launched the Initiative for a Competitive Milwaukee (ICM). ICM's mission was to ensure economic development in Milwaukee's inner city, to create jobs, and enable wealth accumulation. The project objectives were again a market-based economic strategy for inner city revitalization; concrete implementation plan for executing strategy and the organizational structure to drive inner city economic development (ICIC 2003).

Similar to Upham's Corner, Boston, ICM team has created a matrix for Milwaukee inner city area to portray its portfolio of companies according to their growth rate of the industry in which it competes and its operational efficiency. As a response to that matrix, the ICM strategy team has selected the following four industry clusters, as anchor and potential anchor sectors, to work on as a starting point which was health services, construction and development, business process service centres and manufacturing (Figure 3.5). Other than the ones selected, some other sector seemed to be promising such as local education services or knowledge creation however, above four sectors were accepted to have the most opportunity for inner-city business development and growth. These clusters could also present a diverse portfolio of opportunities representing half of all inner city employment.

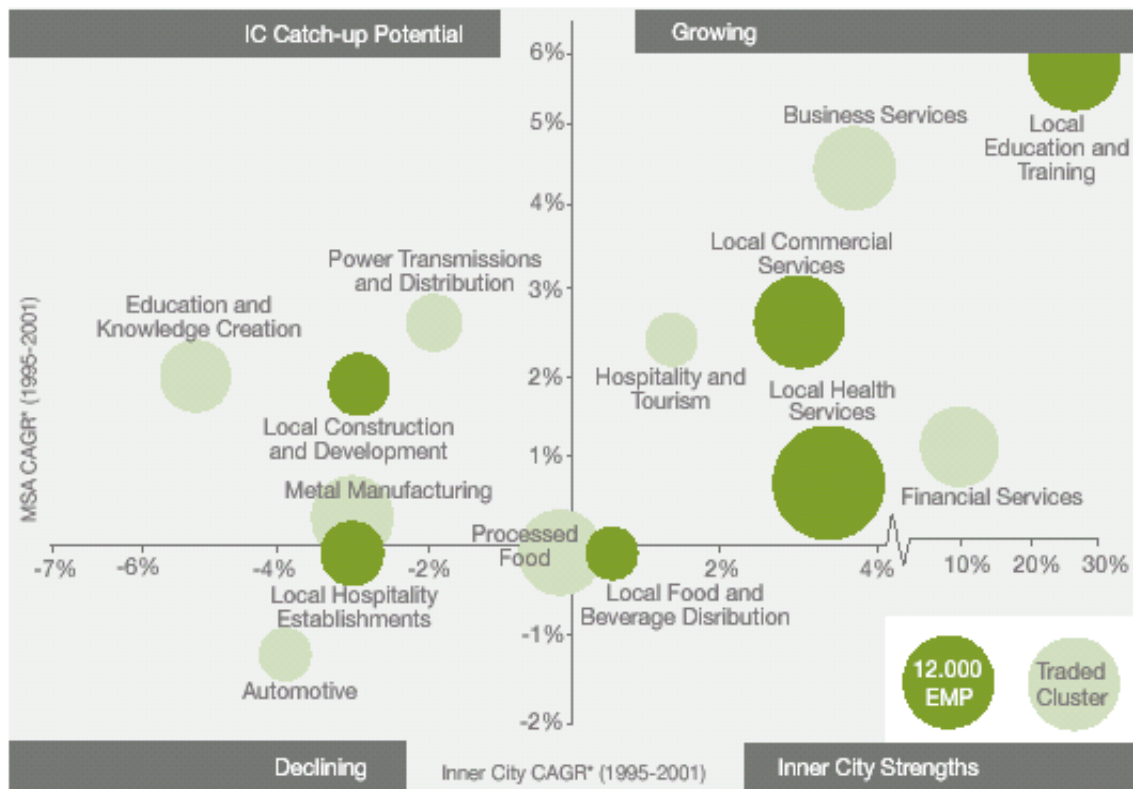


Figure 3.6. Milwaukee Industry Level Inventory  
(Source: ICIC 2003)

After the preliminary analysis, a cluster action plans have been prepared. Within the action plan developed for improving run down inner city area, certain tools have been adopted such as:

- Financial incentives- Public funds from a variety of state and local sources are started to being used to diminish cost of site assessment and remediation which makes redevelopment by private investors more viable.
- Public/Private Partnerships- Coalitions of public agencies, private businesses, and community organizations have promoted investment in blighted areas and shared administrative burdens of large redevelopment projects.
- Regulatory Certainty- Predevelopment roundtables for large projects have convened public agencies and developers to identify potential hurdles and to prevent regulatory delays.
- Development Centre- The centre has provided a single point of contact and assistance for obtaining construction and building permits (Vitulli, et al. 2002).

Table 3.3. Competitive Advantages of Milwaukee Inner City

(Source: ICIC 2003)

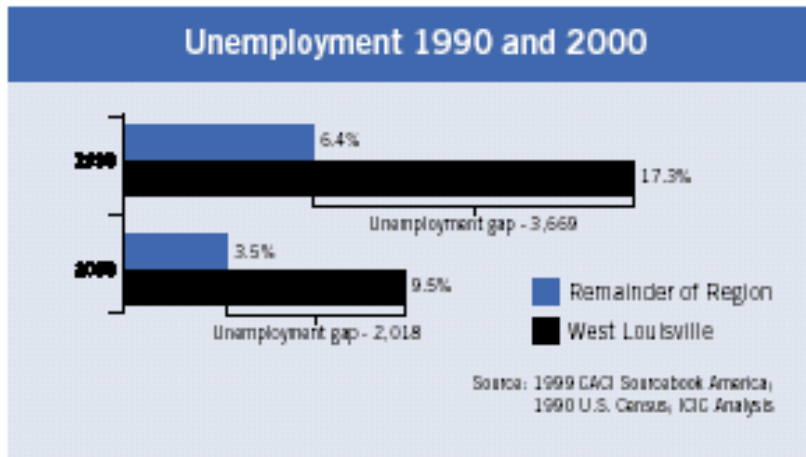
<b>Competitive Advantages of Milwaukee's inner city</b>
<b><u>Underserved Market</u></b>
\$ 1.4 billion of retail spending
More than 5000 existing inner city businesses already employing app. 120.000 employees.
Recent housing boom and high ranking in quality of life indexes.
<b><u>Location</u></b>
Close proximity to airport, port, railway and major highways
Proximity to important education centres
Low real estate prices and municipal tax burden compared to other major metropolitan areas
<b><u>Physical and Human Resources</u></b>
%12 unemployment rate
%15 unemployed rate
Access to a large labour force
<b><u>Linkage to regional clusters</u></b>
Inner city advantages of value to existing regional clusters
Located within one day's drive of much of the nation's manufacturing volume and the Canadian free trade market.

With the help of above tools, Milwaukee has become very successful in cleaning up and redeveloping brownfields sites with private investment. 31 completed separate inner city projects have been noted which have further contributed to increased housing construction within the region. The outcomes have also included 3,800 new jobs, created from those brownfields and economic development programs.

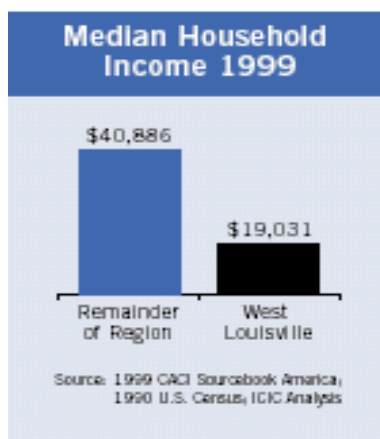
### **3.6.1.3. West Louisville; Kentucky**

The third example is West Louisville Competitive Assessment and Strategy Project in Kentucky. This project is specifically selected as the third case in terms of both its concrete strategies on land assembly and its performance on analysis and presentation processes.

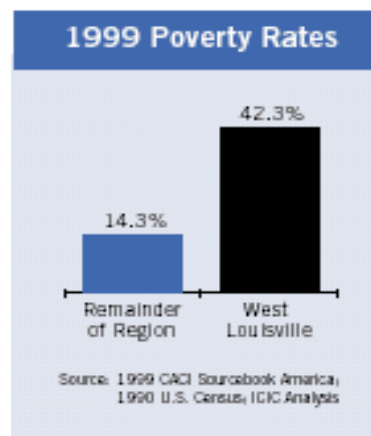
The Project has been launched in 2000 with a diverse team of private, public and non-profit leaders to create a new vision for West Louisville (WL). The team in general has created an action agenda with several practical steps to make the inner city a more competitive location for businesses and thereby create jobs, income and wealth for inner-city residents. At the beginning of analysis stage, demographic profile has been performed reflecting the current socio-economic condition of the district (Figure 3.7).



a. Unemployment Rate.



b. Household Income



c. Poverty Rates.

**Figure 3.7:** Socio-economic Structure of West Louisville a. Unemployment Rate. b. Household Income c. Poverty Rates (Source: ICIC 2003)

Secondly, the team has prepared the detailed picture of the WL economy to understand the growth potential of its existing and potential business base of the region (Figure 3.8).

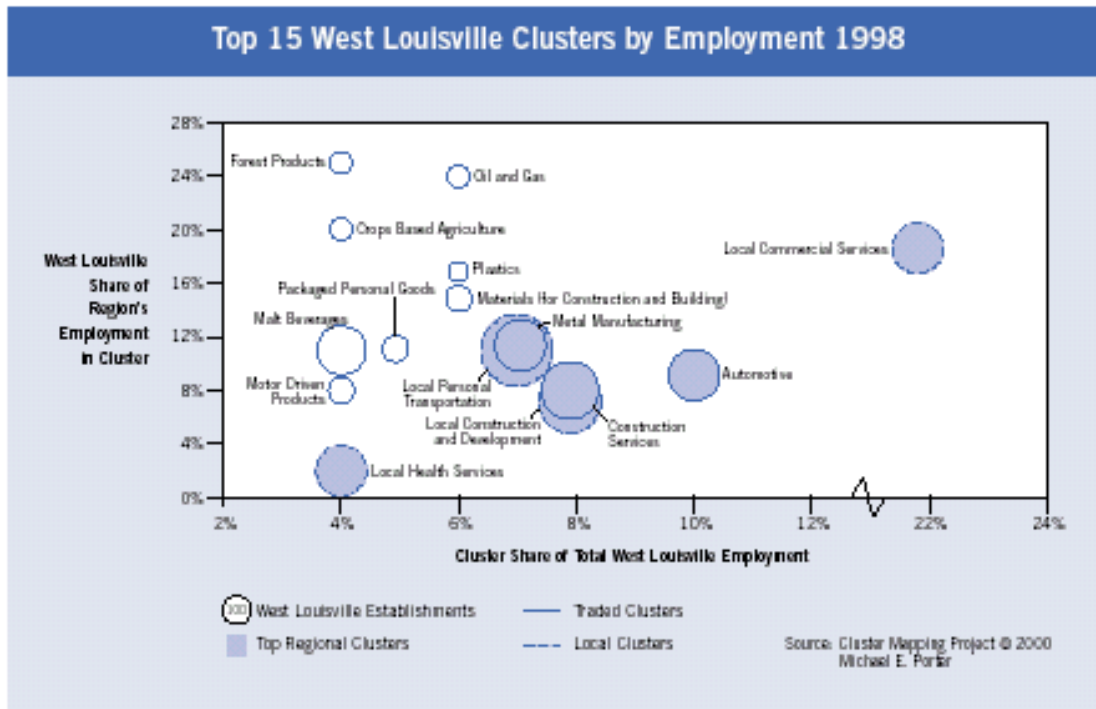


Figure 3.8. West Louisville Clusters by Employment (Source: ICIC 2003)

Table 3.6. West Louisville Cluster Ranking (Source: ICIC 2003)

West Louisville Cluster Ranking						
Cluster	Overall Ranking	Number of Employees	Number of Establish.	MSA Cluster CAGR 1992-1997	Location Quotient	West Louisville Presence
Local Commercial Services	2.2	36,718	1,902	3.17%	1.00	✓
Local Construction & Development	2.1	33,503	3,112	5.71%	1.21	✓
Medical Devices & Health Services	2.0	40,628	515	6.47%	1.00	
Financial Services	1.9	42,766	3,225	6.43%	1.06	
Construction Services	1.8	27,316	2,681	5.86%	1.06	✓
Automotive	1.7	32,063	624	3.95%	1.42	✓
Local Retail Clothing & Accessories	1.6	19,183	861	5.93%	0.96	
Hospitality and Tourism	1.5	30,780	884	10.86%	1.32	
Transportation & Logistics	1.5	22,599	276	14.98%	1.88	✓
Local Hospitality Establishments	1.4	37,588	1,746	5.26%	1.06	
Local Health Services	1.2	62,003	2,472	3.16%	1.02	✓
Local Food & Beverage Processing	1.0	20,123	865	3.13%	0.94	
Metal Manufacturing	1.0	20,147	435	-1.80%	1.00	✓
Local Personal Transportation	1.0	7,468	1,828	3.14%	1.07	✓
Local Entertainment & Media	0.8	19,199	1,509	2.55%	1.11	

Local efforts focus on construction services.
  The Assessment Team chose to focus ICIC's work on the three clusters most closely related to the community regional economic development strategy.

Source: Cluster Mapping Project © 2000 Michael E. Porter, ICIC Analysis

In addition to cluster analysis, a supportive industry cluster ranking has been created to clearly observe the regional cluster employment, growth rates, and location quotients. Cluster rankings were created based on a number of key variables such as regional employment share, growth history, growth potential, West Louisville employment share and ratio of growth rate to employment share. After the examination above analysis, the team focused on developing high level strategies for three industry clusters: 1. Automotive, 2. Transportation and Logistics, and 3. Medical Devices and Health Service. Other than the economic profile, a property inventory has also been created for West Louisville to identify and highlight the underutilized assets and investment opportunities (ICIC 2003) (Figure 3.9).

West Louisville is said to be less competitive than the surrounding region because they are considerably smaller and often fragmented with many different landowners. Moreover, the lack of readily available sites in West Louisville has seemed to limit opportunities to attract new companies or grow the existing base. Many parcels were not available for reuse due to environmental clean-up issues, or they were neglected vacant buildings unfit for use at the beginning of the initiative.

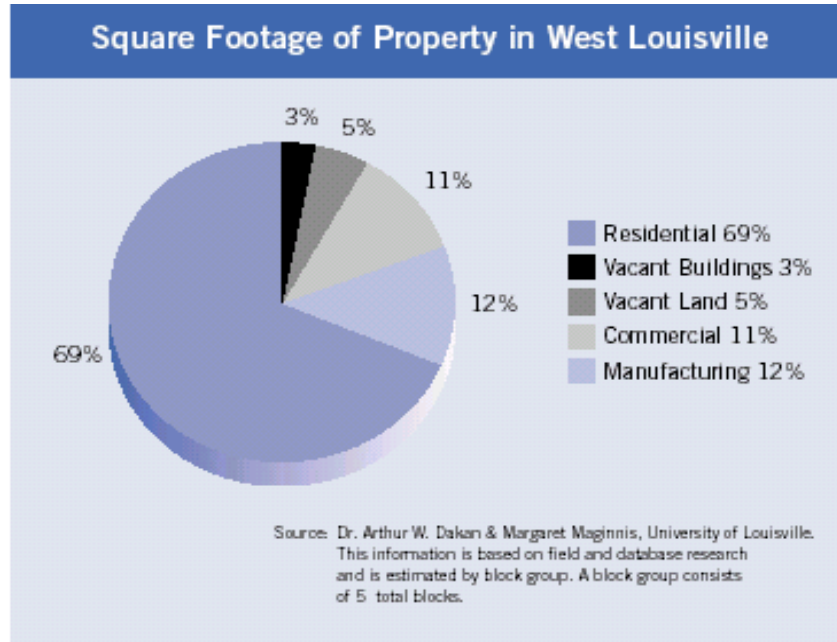


Figure 3.9. Property Profile in West Louisville  
(Source: ICIC 2003)

Before defining the action steps main competitive advantages versus the disadvantages of West Louisville have been outlined as in the initial steps of previous cases. A different and innovative way of outlining the competitive advantages/disadvantages has been prepared in this case (Figure 3.10).

Table 3.7. Advantages and Disadvantages of West Louisville Inner City  
(Source: ICIC 2003)

<b>Competitive Advantages</b>	<b>Competitive Disadvantages</b>
<b><u>Location</u></b>	<b><u>Crime</u></b>
Good proximity to major urban areas, river ports, highways and railway	Considerably high rate of crime
Strategic location in the center of telecommunication nodes with potent logistical advantages	<b><u>Low Resident Skills</u></b>
Easy access to customers	Low-professional skills
<b><u>Physical and Human Resources</u></b>	<b><u>Shortage of Physical Assets</u></b>
1,500 companies including 34000 employees	Lack of available land for building and expansion
Available work force	High costs of developing available industrial sites
Availability of underutilized assets which may contribute to revitalization of local economy	<b><u>Attitudes</u></b>
Strong research capabilities of the University of Louisville	Negative perceptions related to crime and an unfriendly business environment
High quality secondary public education system	
<b><u>Attitudes</u></b>	
Attractiveness of the community and the quality of life afforded by its relatively low cost of living	

At the end of the clear analysis of West Louisville competitive assessment team, the region's economic and political leaders has firstly developed a cluster-based strategy that capitalizes on the region's strength in chosen anchor sectors. Strategies directed to improvement of selected clusters are generally sector based dealing with specific issues like production chains, business taxes, technology used, current resources and proportion of professional, managerial, and technical jobs.



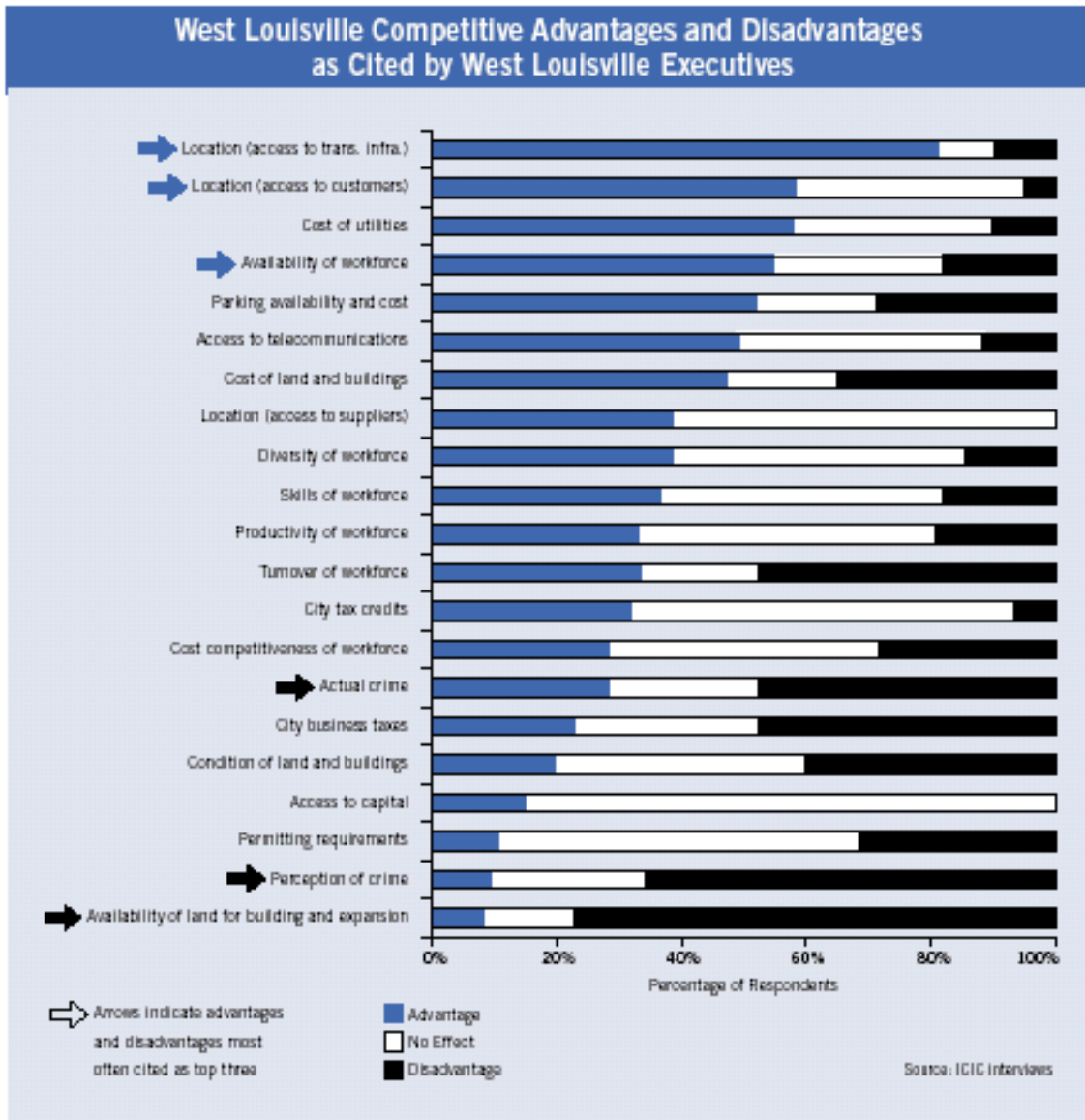


Figure 3.10. West Louisville Competitive Advantages/Disadvantages  
(Source: ICIC 2003)

Not only did the leaders developed strategies for businesses, but also for three important issues which are; 1) Land Assembly, 2) Business Development Services, and 3) Image of WL. Revitalization efforts in WL are holistic because they are not limited with just improving the existing businesses:

Recommendations for land/land assembly were to:

- centralize all public and semi-public land and building inventories under the Louisville Development Authority established in response to the “Project”,
- target the older industrial and commercial corridors within WL for land assembly,
- identify brownfields and potential brownfields sites suitable for redevelopment,

- consider redeveloping existing structures and/or sites in addition to providing newly assembled parcels for development,
- target potential brownfields properties for an area-wide risk assessment as part of an assembly strategy,
- streamline the administrative process by assigning responsibility to one agency, effectively creating a “one stop shop”,
- identify potential financing sources to stimulate the redevelopment process,
- explore the use of a targeted Tax Increment Financing District or other districts that will assist in leveraging funds for acquisition-related costs,
- explore the enhancement of existing state assembly authority with incentives to encourage redevelopment,
- investigate other sources, both public and private, for significant funding, such as foundations or federal government.

Recommendations for image building were to:

- create a positive attitude toward West Louisville’s importance to the region,
- improve security programs for crime prevention,
- develop marketing materials for real estate and business development agents,
- develop community/neighbourhood activities and events, such as forums, seminars, and briefings during the initiative process,
- encourage local business stakeholders to support the initiative and begin to address the issue of reputation,
- identify and develop partnerships with strategic key stakeholders,
- provide the media with regular and easy access to reflect the business conditions (ICIC 2003).

#### **3.6.1.4. Hartford; Connecticut**

The last example of present economic revitalization projects developed on the basis of ICIC is Hartford Inner City Business Strategy Initiative that has started in 2000 in Hartford, Connecticut. The main reason for choosing Hartford project is its comprehensiveness in strategies directed to a variety of issues ranging from business improvement to community building and public services enhancement as well as the methodology used to identify those comprehensive strategies.

The mission of the Hartford Inner City Business Strategy Initiative has been put similar to other examples as increasing wealth, income, and employment opportunities for Hartford inner-city residents by, removing barriers to inner-city business growth and increasing job opportunities in the region. Similar to the previous cases, a methodology composed of four main phases has been created:

- 1) Profile the inner city business environment to understand the opportunity for economic development in the inner city
- 2) Assess business development and growth opportunities to understand the market opportunity for major business clusters
- 3) Identify competitive advantages and disadvantages to understand the opportunities for and barriers to business development and growth in the inner cities
- 4) Develop strategy to grow businesses and create a sustainable competitive advantage and define the roles of public and private sectors in achieving this strategy (ICIC 2000).

According to above steps demographic characteristics of the area have been put forward first. They reflected the median household income as less than 50 percent of the median household income of the surrounding region, unemployment rate as greater than 150 percent of the total and poverty rate as greater than 150 percent of the surrounding region (ICIC 2000). Data associated with demographic and economic profiles generally have similar percentages in previous cases as well. Undoubtedly, it is not a coincidence that this is the required situation for areas on which Porter's research organization (ICIC) concentrates on to look for the ways to upgrade. The areas on which to initiate revitalization projects are expected to have considerably low household incomes and significantly higher unemployment and poverty rates in proportion to greater scale region.

In the second step of Hartford Initiative, a business inventory has been prepared as shown in the following.

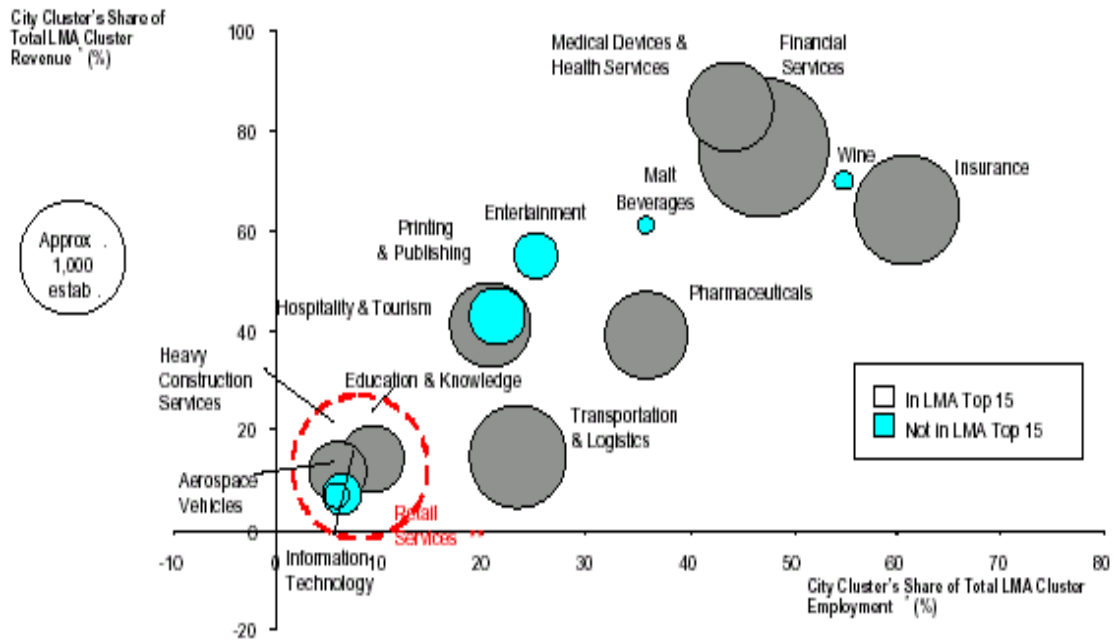


Figure 3.11. Hartford Industry Level Inventory  
(Source: ICIC 2000)

	Size of the Cluster	Importance of City to Cluster	Growth Potential	Comments
Medical Devices & Health Services*	●	●	◐	Significant economic engine in the city/LMA; care delivery (excluding hospitals) has experienced growth
Financial Services*	●	●	◐	Major economic engine in the city and LMA; Employment opportunities potentially in health plans and information technology related businesses
Heavy Construction Services	◐	◐	●	While region experienced significant employment growth, city growth was relatively flat; Downtown development efforts provide potential opportunities
Primary Metal Production**	◐	○	○	Although cluster is a significant source of regional revenues, employment trends are declining
Insurance*	◐	●	○	Although the city represents a significant share of the regional employment, the cluster has experienced employment declines
Hospitality & Tourism	◐	◐	○	Primarily flat
Transportation/ Import-Export	◐	◐	○	Currently not a significant regional cluster; historical growth is relatively flat; Bradley airport may provide opportunities for growth
Entertainment	○	◐	◐	Cluster does not represent a significant portion of the regional economy
Information Technology	○	◐	●	Major information technology businesses that have experienced significant growth are included in financial services cluster

Figure 3.12. Hartford Industry Clusters Profile  
(Source: ICIC 2000)

The prevailing sectors in the project area have been compared according the size of bounded cluster, the importance of city to that cluster and the growth potential of each of those sectors. In response to evaluation key business clusters that will drive growth in jobs, income, and wealth in inner-city Hartford have been selected as: financial services/information technology, health services/medical devices, heavy construction, transportation of import-export and retail trade. Thirdly the team has developed a detailed analysis of the competitive advantages and disadvantages of an inner-city location for each of these business clusters.

Table 3.8. Advantages and Disadvantages of Hartford Inner City  
(Source: ICIC 2000)

<b>Competitive Advantages</b>	<b>Competitive Disadvantages</b>
<b><u>Location</u></b>	<b><u>Crime</u></b>
A geographically compact area	Perception of crime
Good proximity to major urban highways	<b><u>Low Resident Skills</u></b>
Readily accessible customer base for local businesses	Skills of workforce not matched to job requirements
<b><u>Physical and Human Resources</u></b>	A significant portion of the population having less than a high school diploma
2800 businesses including 56000 employees	A higher incidence of poverty
Diversity of workforce	A more likely to be unemployed households
Availability of real estate	<b><u>Shortage of Physical Assets</u></b>
Effective transportation infrastructure	Higher property and business taxes
Approx. 70,000 working age residents	<b><u>Attitudes</u></b>
Approx. 60 % of the working age population having at least a high school degree	Local government not responsive to business needs
<b><u>Untapped Demand</u></b>	Inadequate access to capital
Approx. \$532 million annual buying power	

Based on this analysis, the Advisory Board of the Hartford Inner City Business Strategy Initiative developed comprehensive recommendations for the following years to accelerate business growth and achieve the goals in the Initiative's mission statement:

**1. Build Competitive Urban Businesses:**

- Create a new business development group which will:

- Coordinate the provision of business advice
- Link businesses to capital sources
- Expand commercial services franchising
- Link businesses to entrepreneurial education and training
- Assist in creating a comprehensive neighbourhood retail development strategy
- Help increase the availability of capital for small and medium-sized businesses and create the conditions for private sector equity investment in the inner city:
  - Demonstrate the attractiveness of investments in the area
  - Develop a communication campaign highlighting the advantages of doing business in inner cities.
  - Provide state tax credits for equity investments
  - Increase private sector capital available for investment
  - Develop relationships with equity investors
  - Increase access to loans
- Attract and expand retail activity:
  - Specify available vacant lots
  - Prepare market analysis and retail development strategy respectively
  - Attract investors to develop retail stores on vacant lots

## 2. Develop Competitive Residents:

- Improve job retention/economic self-sufficiency
- Provide education for community residents and organizations:
  - Invest in community development
  - Serve as a communication and information instrument for the neighbourhoods and community-based organizations
  - Provide training for achieving required technical skills for anchor businesses

## 3. Create a Competitive City:

- Market Hartford business opportunities:
  - Increase the number of businesses that are moving to, or expanding in, inner-city Hartford
  - Improve the perceptions that business owners and residents have of business opportunities in inner-city Hartford
  - Increase the willingness of the general public to come to Hartford for shopping and entertainment
  - Increase of security considerations

- Create a “Marketing Team” that will; prepare a marketing plan, coordinate its day-to-day activities within the area, highlight case studies showing businesses that locate in declining areas
- Improve municipal services that support economic development:
  - Improve information, documentation and monitoring system
  - Adopt a performance measurement and management system
  - Develop a public- private partnership for economic development
  - Improve permitting process (like one-stop permitting process)
  - Reduce the tax burden
  - Expand the enterprise zone and
  - Increase the number of business investments that are to receive tax abatements
- Improve access to transportation in the inner city area
- Increase the stability of the economic development system (ICIC 2000).

In the last step of Hartford project, specific implementation plans have been developed defining what has going to be done and who has been responsible for.

### **3.6.2. Inferences Made Through the Assessment of Sample Projects**

Four specific projects are outlined here to understand the initiatives developed for revitalizing the current economy of four distressed inner city localities in U.S. Historical review of social and economic conditions and further analysis made on socio-economic structures in those cases reflect the typical depressive feature of American inner cities. Today, in fact, there are many challenges facing America’s inner cities. For example, 10 of America’s 25 largest cities experienced net population losses in the 80s. Respectively majority of for-profit businesses relocated leaving vacant or underutilized plants in inner city areas. Cities tend to expand through planned suburban settlements in U.S. cities which increase the gap between low-income inner city residents and wealthier suburban residents. That is why the attempts under economic revitalization programs above concentrated on attracting people and capital back to inner cities.

Unlikely, in majority of developing countries, also in Turkey, population graphics in metropolitan cities continuously tend to increase because of migration both from smaller cities and rural areas. This causes congestion in deprived inner urban neighbourhoods on one side and rising peripheral illegal settlements on the other.

Despite the population increase in inner city areas, the situation realized in developing countries doesn't change. The rate of unemployment increases enormously and poverty becomes a threatening factor for the residents respectively. Unfortunately the residents, that is to say the new invaders of inner urban areas, mostly do not have the ability to create additional value for the place they live in rather; they are in an expectancy to get utilization from available services and resources. Within this frame, the approach that should be developed for the situation in inner city areas in those countries is not expected to be much distant from the initiatives in U.S. or any other developed country that makes use of effective revitalization strategies presently.

Examining the initiatives in details was essential in terms of understanding the whole process including; the vision put forward, the strategies determined, the potential and the limits analyzed, the roles attributed to active groups and finally the results achieved within each project. But perhaps, the most significant contribution of examining above initiatives to the present research is making inferences to develop a methodology at the same time creating a replicable tool to be used for achieving economic development in urban revitalization projects across that country.

**Table 3.9:** Comparative Profile of the Major Aspects in Sample Cases

<b>PROJECT PROFILES</b>	<b>Upham, Boston</b>	<b>Milwaukee, Wisconsin</b>	<b>West Louisville, Kentucky</b>	<b>Hartford, Connecticut</b>
<b>Responsible group for the project</b>	- A group composed of; Boston Advisor's, Andersen Consulting, the local authority and Upham's Corner Main Street (CBO) (local team) - ICIC as an advisory board	- A new Strategy Board comprised of 30 civic leaders and business activists and the local authority - Consortium with civic Greater Milwaukee Committee - ICIC as an advisory board	- A new team composed of; local private firms, nonprofit leaders and the local authority - ICIC as an advisory board	- A new business dev. group "Hartford Enterprise Partnership"(HEP) - Consortium with chambers, merchant's associations, the university, small business admin. - ICIC as an advisory board
<b>Project Approach</b>	- A market oriented approach - For-profit business growth - Private inv. attraction - Retaining and creating jobs	- A market-based economic strategy revitalization - Ensuring economic development - Retaining and creating jobs - Enabling wealth accumulation	- Creating a more competitive location for businesses - Obtaining jobs, income and wealth for inner city residents	- Building competitive urban businesses - Developing competitive residents - Creating a competitive inner-city

(cont. on the next page)



**Table 3.9:** Comparative Profile of the Major Aspects in Sample Cases (cont.)

<b>Economic Aspects</b>	-A very diverse business inventory obtained - Consultancy given to anchor businesses	- Cluster action plans prepared	- A diverse cluster ranking obtained - Media encouraged for attracting businesses - Business development services explored	- Diverse business inventory obtained - New business dev. Group (HEP) established, given distinct responsibilities - Market analysis and retail development strategy prepared
<b>Social Aspects</b>	- Existing firms encouraged for the use of local eager workforce	-Workforce development issues prepared for each cluster	- Community activities and events developed	- Intensive program for community building - Job training
<b>Physical Aspects</b>	- Clean-up, streetscape & beautification program launched	- Large scale redevelopment projects generated on blighted areas with the formulation of partnerships	- Property inventory prepared - Marketing materials developed to encourage real estate - Increased security	- Marketing Team established - Shopping & entertainment activities increased - Vacant lots reused - Increased security
<b>Planning and Regulative Aspects</b>	- Empty and underutilized properties marketed to steering businesses	- Development center for const. and building permits -Predevelopment roundtables between developers and public agencies for regulatory certainty	- Innovative land assembly mechanisms - Identification of sites for redevelopment - Targeting the older industrial and commercial corridors for land assembly - One-stop-shop	- Improvement of transportation system - Reevaluation of enterprise zones - Improvement of municipal services - One-stop-shop
<b>Financial Aspects</b>	- Local incentives for property acquisition - Participation of private anchor businesses	- Local incentives for site remediation - Partnerships with private developers	- Partnerships with private developers - Use of a targeted Tax Increment Financing District	- Increasing access to loans - State tax credits for equity investments - Reducing tax burdens

First of all, as seen from the table, economic development initiatives in each case start with the premise of market oriented strategies. Local economic development is accepted to be the basis for urban revitalization. But before understanding the strategies put forward for implementation, we should notice that new groups are formed in each case which held specific responsibilities during the project. Formulation of a project management team perhaps is the most necessary task that should be considered

in a revitalization process. Such a team should include local leaders (business owners and community activists), representatives from local authorities, private investors, consultancy groups working interactively with related associations, chambers, developers, community organizations and universities if available. Above cases, especially Hartford has witnessed a considerably specialized team composed of different interest groups having variety of powers and responsibilities.

The teams tried to improve the current economy in each locality making use of competitive advantages. Because, the ICIC approach, which encouraged initiation of above projects, uses similarly business cluster analysis as a tool to identify opportunities for private, for-profit business development in inner-city areas, based on an area's competitive advantages and disadvantages. In order enhance the economic profile in discussed cases, current businesses are focused on to be improved, and at the same time, new business opportunities are tried to be created in project areas. Priority is given to create a diversified pool of data about the existing economic sectors within the neighbourhoods. The data is used to analyze the efficiency of those sectors under the given conditions, say the employee skills, the square meters of space occupied, the scope of current demand, the hinterland of their service and available financial mechanisms. Primary task after the analysis has been to select promising sectors and generate strategies to improve them. Moreover, seeking for the ways to create supporting financial mechanisms seemed inevitable to enhance the sectors in the neighbourhoods. The first case Upham in Boston is a neighbourhood that has a smaller scale project area in contrast to other cases. The methodology followed in collecting the economic data was considerably efficient in terms of the level of details achieved. As the scale of the project area expands, data collection and analysis stages become more complex and time-consuming. Consequently, the expected project results could only be achieved in the long-run.

The other aspect that should be noticed in sample projects is the way of approach to social concerns. While attempting to revitalize the economy, the original inhabitants are tried to be kept in each case and any possible gentrification is avoided. The communities are motivated through a sustained revitalization. Community participation is one of the most necessary tasks that should be involved in a proposed urban revitalization process. Especially Upham and Hartford cases seem to have done that task effectively. There has been a strong commitment on community building in Upham and Hartford projects that aims to develop individual skills for job opportunities

and create community consciousness for the social welfare. Other than those, project team in West Louisville has innovatively launched the community organizations and sort of social events to initiate community interaction at the same attract outside visitors which would contribute to enhancement vision of the environment.

Any positive achievement upon the physical context is another required outcome for revitalization purpose since economic and social development would not be alone sufficient to change the vision of a declining locality. Although the outlined projects that were held in consultancy with ICIC they mainly concentrated on business improvement and community education issues, considerable attempts are realized, particularly in West Louisville and Hartford. In order to increase both the use and exchange values of properties, property inventory was held in those two cases. Obtaining maximum utilization from the space was essential, therefore currently vacant or underused lands have been offered respectively to attract new investments for redevelopment projects. In doing so, new land assembly mechanisms are created. Projects also offer new strategies for planning and regulation concepts. Those strategies generated meant more or less the same thing in the origin. In Milwaukee, West Louisville and Hartford, it is offered to collect significant and time-consuming tasks such as information providing, permitting and approval under a single responsible unit. Most of the projects have been launched after 2000 except for the one in Upham, so it will not be completely accurate to evaluate the results achieved in the immediate term. Rather, the methodology implemented and the policy actions directed is much more reasonable here to make inferences for any future revitalization purpose in a different locality.

### **3.6.3. Derivation of a Replicable Tool to be used for the Initiatives to Create Competitive Inner Cities**

The analyses made and the techniques used in discussed projects are particularly important in this thesis in order to create a basis for quantitative analyses that would be made in the case study in the fifth chapter. In fact, the present thesis purposes to assess the availability of practicing such competitiveness analysis and economic development strategies in revitalization of a specific distressed inner urban area. The most significant contribution of this thesis into the field of the research is identification of universal

variables that are to be used in analysing the opportunities and restraining aspects of distressed inner cities in order to develop further economic regeneration. Within this frame, examining the proceeding steps in four cases has contributed to derivation of those variables which is exactly used in the case study held in Chapter 5. Accordingly, the main variables have emerged as follows:

Physical & environmental variables

1. Location, accessibility & available transport utilities
2. Density and condition of the built environment
3. Infrastructure
4. Natural thresholds (topography, slope, water basins)

Variables referring to planning & regulatory aspects

5. Land-use of the area
6. Current plan decisions / construction regulations
7. Future plan decisions / plan & project proposals
8. Vacant, used and underused lots
9. Ownership pattern
10. Land values within the area and neighbouring areas
11. Property values within the area (for sale + rental)
12. Availability of present public investments
13. Availability of present private investments

Variables used to define "Location Advantage"

Demographic variables

14. Population change, Population density
15. Distribution of different age groups
16. Proportion of employed / unemployed
17. Job destinations of employed population
18. Education level
19. Available educational inst. / job training opport.

Variables used to define "Human Resources Advantage"

Socio-economic variables

20. Income distribution of households
21. Consumption distribution of households
22. Wage distribution in business establishments

Variables used to define "Local Market Demand Advantage"

23. Contribution to GDP
24. Number of firms in industrial sector
25. Number of firms in service sector
26. Number of working population in industrial sector
27. Number of working population in service sector
28. Sizes of firms (employer capacity) in ind. sector
29. Sizes of firms (employer capacity) in serv. sector
30. Distribution of industrial sector activities
31. Distribution of service sector activities
32. Distribution of production services
33. Distribution of culture services
34. Distribution of tourism services
35. Availability of firms that used credits or loans
36. Availability of firms that used incitement
37. Availability of firms that used foreign investments
38. Annual revenues of existing firms
39. Square meters of space used by existing firms
40. Number of establishments that distribute goods or services in international scale (Export potential)
41. Number of establishments that distribute goods or services in national scale

Variables used  
to define  
“Regional  
Clusters  
Advantage”

Identification of the variables does not help evaluation of the potential for the promotion of competitive advantages in a locality by itself. It should further be coupled with analyses that should follow this. Examination of four case study analysis has also contributed to the steps that have to be done properly before developing strategies for a locality. According to this perception, these analyses should include three main phases in order to define ways for initiating a required revitalization process in an area by means of using its competitive capacity.

1. Evaluation of competitive advantages and disadvantages in the concerned areas with reference to above variables
2. Evaluation of the presently available regulative, administrative, financial framework and organizational capacity in the city/country the concerned area is located in.

3. Evaluation of the level of marketability given the conditions realized after above two evaluations.

The further significant steps after data collection and analyses stages would be representation of the prospects for a possible economic regeneration in selected area including necessary innovations in all aspects of urban regeneration practice in the way that they promote localities' competitive advantages given the existing private sector preferences.

### **3.7. Applicability of Strategies to Promote “Urban Competitive Advantages” to Worldwide Inner City Regeneration Policies**

Urban revitalization has emerged as a way of addressing the social and economic problems of cities. The strategy consists of multiple components, all concentrated in a particular geographic area experiencing economic distress. Revitalization involves the eradication of blight. It promotes increased economic activity in the form of business development and other private investment. It also serves as part of a broader poverty reduction effort (Zielenbach 2000). Effective economic revitalization strategies cannot by themselves alleviate the poverty of low-income residents, nor can they eliminate the social and economic inequalities present in society. They can however increase the safety of an area, enhance its appearance and make it a more liveable place for its residents if supported with effective area specific strategies. Revitalization strategies and targeted programs can attract businesses that create additional jobs, some of which may be filled by individuals living in the concerned community.

Urban revitalization efforts are occurring in both large and small cities in majority of the world countries. However, in spite of highly publicized challenges of the urban environment for business, attention is shifting to looking at existing advantages in countries which are recently applying successful economic revitalization strategies. By capitalizing on the strengths of urban areas, the collaborative efforts among the private business sector, government, and community-based organizations have proven to be effective in alleviating urban problems. Rather than relying on traditional approaches, people are now trying to find the answers of: What distinguishes the neighbourhoods that improve or keep their socio-economic status from those that experience an

economic and social decline?, What conditions are necessary for the development of distressed inner-city neighbourhoods?, What can local leaders do to promote revitalization and what factors are beyond their control?, How can distressed localities attract private investment and improve conditions for their current residents.

The cases examined in this chapter in the same way reflect the attempts to find reasonable answers to above questions. The process in each case try: to truly address the conditions that cause decline; to determine competitive advantages which are most possible to promote and to generate strategies to lever those advantages for purposed economic revitalization. The factors that are analyzed to understand the current decline in discussed cases are not completely far away from the analyses we see in the initial phases of any urban neighbourhood regeneration schemes today. The difference lies under the way they are used. The main concern in discussed cases is the acceptance that those declining areas could be revitalized if certain conditions are met to develop profitable businesses inside. Since a sustainable revitalization could only be achieved by boosting the economy, then it will not be unreasonable to adopt such a methodology in shaping the strategies to revitalize any other declining locality.

### **3.8. Evaluation**

Porter does not yet give the sense of a well-tested “new” model of urban revitalization; however, it sounds realistic for economic revitalization of distressed areas where liberal economic dynamics are valid. His research shows how market-based policies can be used to revitalize and reclaim the competitiveness of inner cities by providing appropriate incentives. It focuses on overcoming the disadvantages and attempting to leverage the strengths in inner cities for economic development. It has gone under debate in terms of its claims about emphasizes on several concepts while eliminating some others, even so, Porter’s approach has been viewed by those of the compelling authors as an important contribution and initiative for economic development upon which urban revitalization is purposed to be built. Many urban regeneration schemes in the past have concentrated on improving the social and physical aspects of deprived urban areas. However, local economic development is the principal way of achieving economic urban regeneration where free market conditions are evident. Porter accepts that a locality’s ability to improve its standard of living over

time depends on its economic productivity and competitiveness within the urban context. Economic development certainly may overcome the problems of unemployment and poverty; and by the way, improve the socio-economic conditions in a deprived community. However it should also be supported with the strategies aimed at truly addressing the environmental problems and the physical decay to be able to increase the standard of living.

Porter's prescriptions are certainly debatable when discussed in terms of its adaptability to elsewhere in different countries since each country has its own unique characteristics. Every country differentiates from another in terms of;

- the urban governance structure
- the degree of decentralization in management and political power
- the presence of a regeneration framework (regulation, instruments, institutions)
- the availability of resources and the use of budget
- the level of access to necessary information for analysis of specific localities

However, it contributes to analyze at least competitiveness of a distressed inner urban area and understand the limits of growth of local economy for a purposed locality. Concentrating on local economy of distressed areas seems realistic especially for the cases of which local authorities can separate very few financial resources as in developing countries. In this respect, central and local authorities in developing countries or in countries with transitional economies should in fact much more rely on achieving big with investing small although they will find it hard to shift from a product-oriented approach to a market-oriented approach.



## **CHAPTER 4**

# **DEVELOPMENT OF URBAN REGENERATION AS A PRACTICE IN ISTANBUL & AS A DISCIPLINE IN NATIONAL URBAN PLANNING**

Urban regeneration is a quite newly discussed issue under urban planning and management in Turkey. There have been numerous urban renewal schemes experienced for specific areas in previous decades, however, unlike the examples in developed countries, an effective framework for managing regeneration projects including the necessary legislative and administrative structures has not been fully developed yet. Urban regeneration has in the recent years become a central issue in planning with attempts to define a national strategy for urban regeneration in Turkey. Such attempts have specifically concentrated after lately realizing detrimental effects of rapid urbanization over the built-environment especially within the last quarter of 20th century and the increasing concern in the last decade for threatening earthquake risk for Istanbul. In addition, variety of projects is launched recently in several districts of Istanbul. Some are generated for revitalization of historical inner city neighbourhoods while some others are generated for renovation of the houses under earthquake risk. The purpose of this chapter is to examine preliminary conditions in decline of inner city locations in Istanbul with respect to dynamics of its spatial development and evaluate present available mechanisms including the legislative and administrative tools for economic regeneration of distressed inner city areas in the future.

### **4.1. The Conditions in Turkish Cities that Necessitate Urban Regeneration**

Urban regeneration is a necessary policy action in national urban planning in order to recapture the deprived urban areas in our cities where rapid urbanization, uncontrolled spatial growth and continuously increasing urban functions and densities

threaten the built environs and natural, historical and cultural assets. Today, it is commonly discussed by different interest groups including politicians and public authorities, academicians, NGO's, and private dealers as well. Especially those arguments have become so intensive in the last years because of the attempts in formulating a legislative framework for implementing purposed urban regeneration projects in Turkey and more especially in Istanbul. Distressed areas that require to be improved with an effective regeneration approach are more differentiated as to their characteristics when contrasted with Western European countries and U.S. Distressed areas in those countries are generally inner city areas that became obsolete in respect to rising attractiveness of suburbs. Distressed areas in Turkish cities however are not only located in inner cities, but also located at the peripheries. Göksu (2006), truly differentiates urban built areas in need of regeneration in Turkey in the following grouping:

- Squatter housing areas. (Gecekondu Settlements)
- High density illegal housing areas.
- Historical urban areas
- Urban areas under natural disaster risk
- Urban areas that have completed their economic life (obsolete areas)
- Distressed inner urban areas

Squatter housing areas are the typical urban problems of majority of Turkish cities. They are generally constructed by migrated people as in the form of primitive unhealthy housing units generally on the peripheries of urban areas. Similarly, illegal housing areas are the other type of reflections of invasion through publicly or privately owned lands. Those areas are the major threatening problems for the urban fabric which remain unsolved in many cases because of the current legal sanctions or political anxieties and to some extent because of the hopeless socio-economic structure of invaders. There are a number of implemented projects to cope with such kinds of settlements such as Dikmen Valley Project, Portakal Çiçeği Valley Project in Ankara. The major aim of those projects was to redevelop the case areas and increase the quality of urban environment. In fact, the observed results reflected that the projects did not contribute to progress in the socio-economic structure of concerned inhabitants.

Squatter housing areas are one of the most crucial subjects in Turkish planning practice for which solid legislative tools were generated during the past decades. But the efficiency of previous results of the so-called legislative tools is under debate for many

years. Because, the legislative tools such as distribution of title assignments created other serious problems in the following years. For example, people with those assignments for their properties obtained considerable development rights for which developers or local authorities had to pay considerable amounts for their acquisition in order to launch any redevelopment process.

Historical urban areas have been also attractive for academicians and policy makers in terms of accumulating literature and available legislations. However, the projects related with historical properties or sites generally come up with cancellations or delays as a result of contradicting interests of relevant authorities. There are few examples of historical sites which are effectively revitalized; however many other projects wait for the necessary sanctions or a required initiation to start.

Urban areas under natural disaster risk are comparatively a new matter that has come into picture after the earthquake in 1999 by which people realized the significance of the considerations for quality and soundness of the built environment. Perhaps it is the most pioneering issue which accelerated the attempts to construct the lacking national legislative framework for urban regeneration, since nearly 400.000 housing units were assigned to be rebuilt after the disaster in 1999. New approaches for regulations of mitigation and for neighbourhood regeneration have been launched by 2000s respectively. High density and risky urban areas are determined for proposed mitigation program. But, for instance, although the most of the analyses have been done for the pilot area, any implementation has not been experienced yet (TRIC 2004).

Economically obsolete urban areas or other distressed inner city areas are other typical issues of concern. Those areas undoubtedly require much more consideration for revitalization since they represent both physical and socio-economic quality of cities. However, those types of areas have remained untouched for a long period when compared with the responses to historical quarters or squatter settlements. Since they were seemed to be as a secondary concern, they have been neglected for years. With the contributions of the process of convenience to notions of EU and developments achieved on urban regeneration practices abroad, regeneration projects referring to inner city areas have been proposed in recent years. Several local governments developed strategies for the improvement of environmental conditions of distressed areas, or project competitions have been organized referring to effective reuse of those areas in the future. However, there are still hardly any examples like Hacı Bayram Environment Development Project in Ulus, Ankara that can be given for such kinds of cases.

## 4.2. The Reasons behind the Failure of Turkish Cities in Implementing Successful Urban Regeneration Projects

As urban places that need to be regenerated in Turkish cities are much more diverse in contrast to Western countries, the problems that restrict implementation of regeneration projects are also diverse. Despite all the attempts for developing the theoretical basis for urban regeneration in Turkey, the practice has remained primitive when compared with Western European countries and U.S. The major problems behind the implementation of wide scope urban regeneration projects in Turkey can be stated as follows:

➤ **Ownership pattern:** One of the most important and at the same time complex problems that prevent the development of regeneration practice is the multiple ownership patterns. The urban land in Turkey is generally fragmented into small parcels. This creates difficulties in assembly of development rights and creation of meaningful sites (land reclamation) for urban regeneration. The regulation of Flat Ownership Act or fragmented ownership caused by the death of original owner or even the absentee ownership in various cases makes above processes nearly impossible. The great portion of regeneration projects developed for older built-up areas in Turkey is not able to be implemented because of the unsettled negotiation process under complex ownership patterns.

➤ **Social profile and attitudes of local people:** Local residents of socio-economically and physically deprived areas are generally very low income families generally composed of different ethnic groups. In majority of those areas, the present inhabitants are unwillingly to take part within a regeneration process proposed for the place they live in. First of all, they are generally to pay for a down-payment without consideration of the future created at the final. Secondly, in cases where people have the ability to pay a certain amount as a down-payment for their properties, this time they may show resistance about the opportunities offered by the project. Since people living in such areas show common characteristics such as low-education, unemployment, marginality or poverty, it becomes impossible in many areas to persuade local people to cooperate with public authorities or project developers to launch any project proposal.

➤ **Current planning system & legal structure:** In addition to area-specific problems like ownership and social structure of residents, lack of the necessary

regulatory framework and related planning tools restrain development of regeneration projects in Turkey. The issues encountered within deteriorated urban areas are so complex that classical urban planning system and the regulations of current Development Act are not sufficient to come up with. Not surprisingly, urban development that have been witnessed in Turkey within the last 25-30 years did not go one step further from increasing massive construction production, at the same time creating monotonous and low-quality urban pattern. Current types of plans do not give possibility to develop area-specific implementation for urban regeneration. Preparation & approval of current plans are also diverse which cause contradiction or sometimes overlapping situation between public authorities. Not only new regulations relevant to the existing legislations are needed, but also new legislative tools and innovative mechanism should be provided.

➤ **Lack of administrative structure:** As well as the current legal system, the administrative structure in Turkey does not give opportunity to application of projects for distressed urban areas. Regeneration projects need more than the classical urban planning system and more specialized form of a team as well. Lack of the necessary administrative framework did not encourage formation of project-specific management teams, so the attempts for revitalization in Turkey have generally been in the form of property-led redevelopment projects created by private-individual investments. Unlikely, redevelopment or regeneration projects are being held by cooperation of public authorities, professional and non-governmental institutions, non-profit organizations, private dealers and enlightened citizens. There is a need for intermediate actors other than public authorities and the private investors working similar to the ones in developed countries. The process including the all the phases from project preparation through implementation should be undertaken as a professional project management while the barriers relevant to transactions are to be overcome.

➤ **Lack of financial instruments:** Obviously the most important factor that discourages the implementation of urban regeneration projects in Turkey is project financing. Central government does not have the capacity for separating a significant budget for funding urban regeneration projects as the governments of developed countries do. Particularly, local governments can generate limited budget since they have to separate considerable amount of budget related to other municipal services. On one hand, they are not expected to finance most of all of the regeneration projects; on the other hand they are responsible for the tasks like land readjustment and

infrastructure. Up to recent years in Turkey, a few number of redevelopment projects are financed by private investments which have resulted with considerable returns to investors. Certainly such investments would have not been done if significant profits were not expected. However, this means that obsolete inner city areas will remain same for the following years if profitable conditions are not provided. Actually, the reason of this supposition is the lack of available funds and credits or other types of financial incentives that will encourage flow of required private investments.

Financing issues in a regeneration project becomes a matter of concern for the local for residents as well if exist. For example if the case area is a housing neighbourhood, residents will funds or affordable credits to take part within the regeneration process. However, residents in many projects in Turkey are not able to afford the credits provided by Housing Development Administration. Even the mortgage system which effectively works in majority of the developed countries for years as a credit mechanism in housing provision could hardly be constructed on legislative basis in 2007.

Some of above constraining factors do already exist in countries where successful urban regeneration schemes are implemented. Indeed, there is a need for Turkish cities to search for the ways of creating innovative approaches, applicable techniques with participatory partnership models to overcome above problems together with using local potential values in order to minimize the constraining effects of those problems in generation of urban regeneration schemes.

#### **4.3. The Attempts for Creating the Legislative Framework for Urban Regeneration in Turkey**

One of the most difficult issues facing those who discuss the approaches to urban regeneration practice in Turkey is the inadequacy of the legal framework. This is the most fundamental implementation issue. Regulations of mitigation, earthquake risk management, and urban planning have been under consideration in Turkey since around the 1990s. These efforts were further intensified after the 1999 disasters. Approaches to the issue of mitigation planning consider comprehensive urban redevelopment as the only rational alternative and an inevitable tool for the improvement of hazardous areas in the near future of Turkish cities. Unfortunately, necessity of regeneration in urban

areas has been realized as a result of earthquake disaster. However, attempts for creating a legislative framework for urban regeneration of deteriorated urban areas should have come into picture much before than 90s. Majority of the recent attempts through formulating an effective legal framework refers to creating ways to redevelop hazardous areas for possible future disasters. New legislations are being generated for the purpose of urban regeneration and the existing relevant legislations are reformulated as well. However, the attempts are still not sufficient to define a regeneration process with all of its regulative, administrative and financial aspects.

An analysis of the available and pending legislative provisions is outlined here for the purposes of developing a basis for the assessment of possibility of implementation of regeneration schemes in the present situation. These include the new tools and procedures that take place in the existing legislations and new provisions introduced by the revised legislations that became effective in the recent years.

### **4.3.1. Legislations Concerning Local Administrations**

The legislations related directly with the local administrations include ‘Greater City Municipalities Act’ (5216); ‘Municipalities Act’ (5215) and ‘Special Provincial Administration Act’ (5197). Each of these outlines the territorial powers and responsibilities of local and central government administrations in planning and servicing aspects.

#### **4.3.1.1. Greater City Municipalities Act (Act no: 5216)**

The first “Greater City Municipalities Act”/no:3030 was approved in 1984 in Turkey. The latest form of this Act/no:5216, has been approved in 2004 with several revisions in the responsibilities and powers of the authority of greater city municipalities. Since it is approved, greater city municipalities are obliged to prepare so called ‘Strategic Plans’ (article 7a) which are essentially socio-economic in nature, rather than being solely a physical plan as prepared for many years. Other prerogatives given to these authorities include the preparation of both environmental plans between the scales of 1/50.000 – 1/25.000 and “master plans” in the scale of 1/5000. Furthermore they have the right to approve “detailed plans” in the scale of 1/1000

prepared by district municipalities (article 7b). They are also responsible for the preparation of plans concerning disasters (article 7u). They are also equipped with powers to ‘vacate and demolish buildings that prove to have disaster risks and jeopardize lives and assets’ and to ‘demolish all non-conforming structures’ (article 7z) (TRIC 2004). Other than those, greater city municipalities are entitled to provide preservation, maintenance and restoration of cultural and natural assets and historical values. In addition, these municipalities are capable of instituting partnerships with local municipalities and private firms, or directly establish firms themselves or participate in the formation of firms. They can participate in services and costs of projects carried out with public, private bodies or NGOs, both nationally and internationally (article 24c & 24n). These municipalities are also entitled to institute ‘capital firms’ as regulated by related acts (article 26). Greater city municipalities are capable therefore to undertake many forms of partnerships in the realization of comprehensive regeneration projects with this Act (Belgenet 2006).

Other than the extended prerogatives, one of the most important alterations brought by the latest form of the Act is the redefinition of the territories of greater city municipalities. This has provided specific contribution especially to the Greater City Municipality of Istanbul, since the City territories are accepted as the greater city municipality’s territory. An alteration was made within the frame of old “Municipalities Act” (1580) in 1988, which had given opportunity to the establishment of sub-district municipalities other than the district municipalities in greater cities. Planning and urban development had been detrimental in general for greater cities. However, redefinition of the territories of greater city municipalities by the last Act has eliminated the privileged status of sub-district municipalities and collected the management and control of all district and sub-district municipalities within one hand. This regulation is promising especially for the future of Istanbul Metropolitan Area in terms of controlling the urban expansion through greenfields at the same time generating long-term and comprehensive policies under a unique development plan (Belgenet 2006).

#### **4.3.1.2. Municipalities Act (Act no: 5393)**

The first legislation for municipalities was approved in 1930. This legislation was in use for a long period, although cities, especially metropolitan areas in Turkey,



experienced uncontrolled rapid urban change in the last several decades. Municipalities Act has been revised for two times in 2004 (Act no: 5216 and 5272) and has taken its latest form in 1995 (Act no: 5393).

Other than greater city municipality, municipalities including the district and sub-district municipalities in metropolitan cities are first responsible for plan preparation for their territorial areas. In addition to the task of plan preparation, they are also responsible from the protection of natural, historical and cultural assets. The alterations made upon the Act provide municipalities the possibility of participating in services and costs of projects carried out with public, private bodies or NGOs, both nationally and internationally (article 60m). This possibility provides opportunity to municipalities to coordinate partnerships with other interest groups for certain regeneration projects in their territorial areas. Municipalities are also entitled for land development and housing provision. They can exercise compulsory purchase for the purpose of land development with infrastructure or for the purpose of housing provision (production, selling and renting) (article 69); and institute firms, borrow capital; issue shares and paper assets (article 68) (MITAGED 2006a).

Further from above statements, the most important addition of the latest alterations made in “Municipalities Act”, is that the municipalities of districts with a population of 50.000 and above has obtained the power to delineate areas which are deteriorated within the current urban context and designate those areas for the preparation of ‘urban regeneration and development projects’ and for the purposes of risk reduction as well (article 73). These projects may be prepared for the purposes of redevelopment or rehabilitation of specific old and historical quarters of the city, or prepared particularly in areas subject to high earthquake risks. In order to delineate for such purposes, those areas cannot be smaller than 50.000 m<sup>2</sup>. Buildings demolished or altered for the projects are subject to 1/4 of the regular duties. Voluntary agreements with property owners are the preferred method in regeneration projects. This does not however exclude the prerogatives of exercising compulsory purchase for project implementation. Disagreements are to be resolved in courts with priority to other cases (MITAGED 2006a).

#### **4.3.1.3. Special Provincial Administrations Act (Act no: 5197)**

Special Provincial Administration is also empowered to carry out several responsibilities; undertake costs of infrastructure, construction, maintenance, and cooperate with other local authorities and bodies in regeneration projects. It also has the power to make necessary expropriation in accordance with annual tasks program. (article 26) Special Provincial Administrations have the opportunity to create unions with other local administrations. Especially, in Istanbul, where the border of Greater City Municipality overlaps with the border of the Provincial Administration, creation of such unions will contribute to the implementation of urban regeneration projects simultaneously with the Environmental Plan of the City (MITAGED 2006a).

#### **4.3.2. Conservation and Renewal of Deteriorated Historical and Cultural Assets Act (Act no: 5366)**

This Act is designed to recapture the old historical built environment and approved in 2005. Its aim is to renew for the protection and re-use of the old dilapidated urban sites under the territories of greater city municipalities, district and sub-district municipalities of greater cities and of the municipalities with a population above 50.000 or under the territories of special provincial administrations by providing the necessary housing, commercial, social, cultural and tourism facilities in accordance with the development of the concerned areas. According to this Act, those sites must be Conservation Areas or located under the territories of them. Regeneration areas are first delineated by the related municipality or provincial administration, and then approved by the Council of Ministers. (article 11) After the designation of areas, Regional Conservation Boards are established with reference to the 51<sup>st</sup> article of the Act/no: 2863. Once prepared projects for regeneration areas are approved by the decision of Regional Conservation Boards, most of the immovable assets within the concerned areas become dependent on the regulations of the project proposals (MITAGED 2006b).

For the properties that will not be demolished, property owners are allowed to renovate those properties on the condition that they obey the regulations determined by the related public authority about the renovation and future use of the properties. (article 22) They even have the choices of the transfer of their development rights or

determined level of compensation for their properties. (article 23) Negotiation is essential for the properties that have to be demolished according to the project. Otherwise, compulsory purchase is available for the related public authority. Expropriation in implementation phases for private, even for absentee, ownerships will be made according to the article 3b of Expropriation Act or according to the 27th article of the same Act for urgent cases. (article 24-25) The related authority is entitled to pay at least 1/6 down payment for compensation and distribute the rest into equal instalments through five years. Other than above regulative aspects, one of the most significant responsibilities of the related authority given by this Act is the organization of meetings in order to inform about and allow active participation of local residents in the purposed regeneration project. They can even get consultancy from professionals, universities, NGOs or other public institutions (MITAGED 2006b).

This Act is, in general, a promising contribution to urban planning especially as to its being the unique solid intervention about creating a framework for the practice of urban regeneration. It is about to bring effective regulative instruments and certain tools on designation of urban regeneration areas, preparation of the plans, agreements for partnerships and implementation processes despite the constraining factors as absentee ownership patterns and negotiation difficulties. It also gives related public institutions the authority of obtaining the required information, providing the infrastructure and decreasing the burdens of necessary transactions in order to increase the pace of the process. However there are several contradicting parts in both the logic and the implementation of the legislation. The first is related with its limitation of regeneration areas only through historical conservation areas. Such a limitation causes contradiction in the possibility of declaring “regeneration areas” and developing projects for obsolete areas which do not have any historical value. Another contradiction is observed in the style of approaching the problem areas. The statements of the Act does not refer to a comprehensive and integrated policy action including the social and economic dimensions, but rather refers to a physical renovation projected on the basis of properties and development rights.

Further from those, the Act provides absolute powers to the municipalities not only in the preparation of plans and projects, but also in the appropriation of all property, and the arrangement of rights of development and use, even in the cases of absentee ownership. This has both some positive and negative reflections for possible future implementations. The most significant guiding principles of EU are good urban

governance and local empowerment. Giving certain responsibilities and powers to related public authorities especially for specific regeneration purposes is helpful especially in cases where absentee ownership makes the process confusing for the appropriation of properties, and the arrangement of development rights. However, it may become detrimental in conditions where individual benefits replace community benefits. Although municipalities are public institutions that should first consider community benefits, they may generate uneven profitable returns from project for private interest groups as well as themselves. Within this circumstance, it has to be critically questioned whether the introduction of various regeneration projects by several local municipalities in Istanbul is coincidence or not?

#### **4.3.3. Housing Development Act (Act no: 2985) and Revised Powers and Responsibilities of the Housing Development Administration (Act no: 5162)**

“Housing Development Act” was first introduced in 1984 and revised in several years; 1990, 2001, and 2003. The last alterations have been made in 2004 with the Act amending the “Powers and Responsibilities of the Housing Development Administration” (Act no: 5162) parallel to the attempts on regeneration of squatter housing (*gecekondu*) areas. Originally, the main purposes of this Act are provision of adequate housing and housing credits, at the same time, generation of the regulations for developers in the housing industry and development of construction techniques. With the last alterations made in 2004, Housing Development Administration has recently become entitled to prepare plans and projects in ‘regeneration areas’ in any scale in their own, which are to be approved in 3 months by the related municipality or the provincial administration according to the location of the project area. Otherwise, the Administration is capable of enforcing the plan itself in 3 months (article 4). The powers of compulsory purchase for these purposes are available to this Administration with the special provision of 1/6 down payment, and the distribution of the rest of the equal instalments in five years. Expropriation within the project areas is made in accordance with the article 3.2 of the Expropriation Act (2942). Individual or collective housing credits have also become available lately for the purposes of development of traditional architecture, regeneration of squatter housing areas and conservation of historic and traditional built environment. (article 2a) The Administration could become

a partner in existing firms and financial corporations. The Administration is entitled to clear sites and develop regeneration projects with financial arrangements and introduce constructional activities. Furthermore, the Authority could identify the unauthorized developments, assess values of such properties, could arrange agreements with users according to its own conduct. The Administration has the right to transfer the dwellings produced at rates self-determined, even at rates lower than costs of production. Such operations could be conducted together with the greater city municipalities (TRIC 2004). With the revisions made on the existing Act, the Administration has obtained a critical role in neighbourhood regeneration projects launched by partnerships with local governments. It has gained a substantial power in land reclamation, project generation, approval and participation in partnerships with developers (Hukuki Net 2006).

By the year 2005, Housing Development Administration has finished the procurement of 88.000 housing units, 25.000 of which are prestigious or profitable projects generated by proceeds sharing model and 20.000 of which are squatter houses (*gecekondu*) regeneration projects made according to the rules of partnership with municipalities.

#### **4.3.4. Revised Conservation of Cultural and Natural Assets Act (Act no: 2863 & 5226)**

Conservation of Cultural and Natural Assets Act is first announced in 1983 and partially revised in 2004 with the Act amending the “Conservation of Cultural and Natural Assets Act” (Act no: 5226). The purpose of this Act is to determine the definitions relevant to the cultural and natural assets, to regulate the necessary tasks and activities and define the administrative framework that will generate the policies and planning/implementation decisions related with those assets. Announcement of an area as a ‘conservation area’ cancels the development and implementation plans approved for the area previously. ‘Conservation Plans’ of the sites that include cultural and natural assets are developed by greater city municipalities in the scale of 1/5000 or in the scale of 1/1000 and to be approved by Regional Conservation Boards. Alterations made within the statements in this Act has brought such definition to ‘Conservation Plans’ that gives possibility to determine strategies, program and implementation phases for rehabilitation and renovation of concerned sites rather than solely preserving them. The Revised Act also introduces the concept of ‘sustainability’ in the protection and use

of cultural assets not solely in physical terms but in their social and economic context and contributions to jobs and productivity. Such functions are described as tasks of the planning professionals to arrange teams of various professions from architects to sociologists (İdeal Hukuk 2006).

One of the most significant alteration made on this Act is the regulation that an extra 10% of property taxes will be collected as the 'share of protection' by the provincial administration and which will then be allocated to municipalities to be used for preservation and renovation of cultural and historic assets (article 12) (İdeal Hukuk 2006). This newly introduced tool generates substantial resources for expropriation, project preparation, planning and implementation of revitalization of historic built environments especially in the greater cities. A number of municipalities in Istanbul such as Fatih Municipality have made use of this tool for initiating revitalization processes in historical inner city neighbourhoods.

Another significant contribution of the revised Act is the provision of the planning tool of 'transfer of ownership and development rights' for specific purposes, which opens an entirely new horizon in the planning practice of Turkey in general. The municipalities has become with the Act capable of issuing certificates for the transfer of property values in total (instead of compulsory purchase), or transfer the unused part of their development rights to generate income expected (and thus regulated) to be employed in the maintenance and protection of the existing premises. For example privately owned construction restricted plots including immovable cultural and natural assets which are situated in conservation areas can be changed with another plot registered in name of Treasury at request. Compensation of the immovable property on a plot, if exists, is determined according to the article 11 of the Expropriation Act (2942). Specialist valuation firms accredited by the Capital Markets Commission are to establish the current property values in such operations (article 15). The above instruction provides direct contribution to regeneration of historical areas in terms of giving opportunity to land assembly in conditions of multiple private-ownership (Kentsel Araştırma 2006).

#### **4.3.5. Urban Regeneration Project Act for the Northern Entry of Ankara (Act no: 5104)**

This Act is as an area-specific intervention which has been approved in 2004. This unique Act has the specific task of improving the spatial environment and visual qualities as well as “enhancing the urban life standards” of a delineated project area located at the Northern Entry of Ankara. A map also accompanies the Act to delineate the project area. The Greater City Municipality of Ankara is responsible for the preparation of a plan for the area at the scale of 1/5000 which is subject to the approval of the Ministry of Public Works and Settlement. Furthermore, regulations related with development, project approval, construction licenses and controls within the project area is under the authority of Greater City Municipality.) According to this Act, all public properties within the project area are transferred to Greater City Municipality free of charge and private properties are subject to expropriation in accordance with the Article 3.2 of Expropriation Act (2942) (TRIC 2004).

An inventory of individual property owners entitled to specific shares in prospective property is to record the size, development type, and the legal status of current property. This provides options for individuals (tenants included) in their demands for the future property, through an specific method of calculations such as subtracting the value of the existing property from that of entitled and describes a debt program of payments distributed in time. Those that do not conform are subject to the penalty of a special procedure of compulsory purchase, which empowers the municipality to postpone payments up to 5 years (TRIC 2004). The Greater City Municipality of Ankara is entitled to cooperate with the Housing Administration of Turkey in the provision of credits during the project.

#### **4.3.6. Encouragement of Tourism Act (Act no: 2634 & 4957)**

This Act is not directly relevant to the attempts for creating a legislative framework for urban regeneration projects. However, it has become an effective tool to readjust urban areas for specific purposes in the last two decades. “Encouragement of Tourism Act” is announced in 1982 and partially revised in 2003 with the Act/no:4957. The purpose of this Act is generally to ensure that necessary measures are taken for the

regulation and development of the tourism sector. It is a specific initiative in terms of comprising establishment and development of “Cultural and Tourism Conservation and Development Regions” and “Tourism Centres”, and encouragement, regulation and inspection of tourism investments and facilities. “Cultural and Tourism Conservation and Development Regions” expressed within the Act refer to areas with a high potential for tourism development, and intensive historical and cultural importance, which are to be evaluated for the purpose of conservation, utilization, and provision of planned sectoral development (article 3b). “Tourism Centres” refer to priority areas located within or outside the cultural and tourism conservation and development regions, and are of importance for tourism movements and activities (article 3d). Boundaries of both cultural and tourism conservation and development regions and tourism centres are determined and announced by the Council of Ministers upon the proposal of the Ministry. Within those regions, The Ministry is authorized to make or to get made, to modify and to approve the plans of all scales. Tourism Ministry has obtained great central authority by this Act for generating proposals for specific areas or plots and in implementing them. Several projects have been developed in areas which are announced as “Cultural and Tourism Conservation and Development Regions” or “Tourism Centres” in many cities within the last two decades. Some of those projects have been immensely criticized or even carried into courts as to speculative plan decisions or initiatives provided to private investors (Kentsel Araştırma 2006).

Actually the Ministry has the power to provide certain advantages to attract private investors to delineated areas or provide the suitable conditions to investors that come to the Ministry with a proposal on a specific area. According to the Act, one or more than one plots in a “cultural and tourism protection and development region”, or the whole of region can be allocated to the investors by the Ministry of Tourism in accordance with the purpose of the plan. An urgent expropriation can also be made on privately owned lands and properties, in accordance with Article 27 of Expropriation Act/no:2942, for the purpose of allocating them to investors within the “Cultural and Tourism Protection and Development Regions”. (article 8-3j) The immovable properties which are expropriated in this way are registered in the name of Treasury in the Land Registry. The right of easement on expropriated immovable properties including autonomous and permanent right of construction is then established for the sake of the investors in return of its value if the expropriated costs are covered by the budget of the Ministry or with the costs which will be determined in accordance with the principles



set in the agreement if it is covered by the investors. Tourism loans are also available, on a priority basis, for the investments made in delineated tourism centres. Furthermore, the “Tourism Bank Inc. of the Republic of Turkey” may obtain foreign currency loans from foreign sources to allocate to the certified investments in tourism areas and tourism centres (Kentsel Araştırma 2006).

Although the straight power of the Ministry in delineating several areas and approving plans for specific purposes are criticized in terms of supporting incremental and uneven development, it is an effective tool for designating revitalization projects for urban historical conservation areas in which property-led redevelopment is constrained with construction restrictions. However, in such kind of cases, this instrument should not act free from the relevant instructions asserted within the Conservation of Cultural and Natural Assets Act.

#### **4.3.7. Expropriation Act (Act no: 2942 & Act no: 4650)**

This Act has been first introduced in 1983 and revised in 2001 with the Act amending the “Expropriation Act”. It is mainly designed to formulate the necessary issues in order to expropriate to private immovable properties on behalf of the public benefit if really exists and determine the expropriation costs within the process. The related administrations have given right to expropriate immovable properties for public services in accordance with the approved plan and projects. However, other than such purposes, compulsory purchase, either with instalments or down-payment, is available according to the article 3.2 of this Act for the implementation of large-scale energy projects, housing projects and tourism projects which are approved by the Council of Ministers. This gives opportunity to compulsory purchase of properties which are included in (*gecekondü*) regeneration areas. The cost of compulsory purchase is to be charged from the related administration in accordance with the attributed function. The related administration has the ability to make compulsory purchase of an immovable property by offering another immovable property in another location as soon as equality in prices is provided (article 26). An urgent expropriation can also be made on privately owned lands and properties in cases where the Council of Ministers decides for the process as urgent (article 27).

### **4.3.8. Draft Legislative Arrangements**

Other than the above legislative arrangements which are already in use, there are also proposals that are important in drawing a framework of urban regeneration within national planning. These can be summarized as follows.

#### **4.3.8.1. The Draft Development Act**

The draft Development Act contains a variety of new provisions that alters the nature of the conventional land use and urban planning in Turkey when compared with the existing Development Act/no:3194. The draft Act explicitly takes into consideration the disaster risks and empowers the municipality for the designation of several types of areas for special planning objectives and projects. These include conservation, intensive development, regeneration, and public and/or private special project areas. The municipalities are capable of making land rearrangements (combinations and subdivisions), including those under shared-ownership.

With a long article in the draft legislation, new provisions are presented for urban regeneration processes. Municipalities are entitled to determine the location and size of areas for such operations, prepare plans and projects for these areas in accordance with the relevant article in Municipality Act. They are particularly expected to prepare such plans for high natural disaster risk areas. Otherwise the Ministry could interfere and use its prerogative to prepare such plans. However, this gives an extreme power to Ministry about planning and approval of specific projects which may contradict with the existing plan proposals developed by related municipalities.

Moreover, the draft legislation enables the municipality or the majority of the property owners independently or in collaboration within an area to form partnerships for the redevelopment or for the joint management of the area. Thus it will be possible with this legislation to conceive of private enterprises undertaking processes of urban regeneration. Besides physical operations such as clearance, development, conservation, the project proposals are foreseen to cover policy actions in finance, management, ownership and means of socio-economic development. The tools for such operations are to be determined by the related municipalities. 30% of property values at the end of regeneration projects will be appropriated by the municipality and the rest will be

shared between the entitled share holders. 25% of building surface increases will also directly become property of municipality. In order to protect the rights of the original owners, the municipalities in these areas is to be responsible all operations related to lease agreements, comprehensive project development, arranging shares according to the Flat Ownership Act, management organizations and such. Title deeds could be arranged according to lease agreements and existing property could be demolished without public purchase.

However, regeneration area designations and related decisions could only be carried out by municipalities and the related public authorities, and no citizen action could trigger the operations. The latter promised the volunteering and enterprising activities to be started by the citizens as well, in every context it deemed appropriate and not solely in areas of high risk.

#### **4.3.8.2. The European Union (EU) Dimension**

Other than the existing legislative capacity and availability of existing and draft legal procedures and the policy framework, the European Union dimension is also an important issue to be concerned within the future development of regeneration practice in Turkey. On the way to become a member country; regeneration practice in Turkey can be related to EU level through different forms such as policy development; legislation in fields of EU competence; provision of funding, especially through the Structural Funds; development of know-how on urban policies and urban policy tools and exchange of experience between countries for the improvement of urban policy making and management (Şahingür and Müderrisoğlu 2004, Kocabaş 2005).

The EU has promoted the development of area-based regeneration in the recent decades by co-funding pilot projects with Member States and Accession Countries. Innovation has also been promoted through demonstration programs and experience exchanges. All EU Member States are now working towards sustainable urban regeneration to maximize their capacity to compete for and effectively use current available EU funds. For example, the experience of the last ‘Accession Countries’ which became full Members in 2004 illustrates that pre-Accession funding can also support urban regeneration in Turkey. In general EU grant regimes give preference to projects, which contribute to the implementation of a strategy and action plan, rather

than isolated individual projects (TRIC 2004). Other than its financial contribution, the experience and exchange of know-how with developed countries in the Union also will certainly add to the development innovative project proposals and effective financial mechanisms and management tools. Hence, developing an effectively designed, strategic and holistic approach to planning for the implementation of urban regeneration schemes in our cities may capture the opportunity to utilize from the fields of support of European Union in the near future.

#### **4.4. Development of Urban Regeneration Practice in Istanbul**

Istanbul had a very important place among all of the other cities in Turkey, mostly because of its key role on generation of urban policies and regulatory tools in shaping urban development of Turkish cities. As regards to its pioneering position in the nation with its socio-economic and physical dynamics, it has affected the generation of the framework for planning aspects. Similarly, the urgent need for urban regeneration policy framework by and large has come into picture in respect to tricky areas in the metropolitan context of Istanbul which have emerged during the historical urban processes. In this respect it is essential to understand the development process of regeneration activities in Istanbul to be able study on future regeneration opportunity of a selected case area within the city.

##### **4.4.1. Historical Synopsis of Urban Spatial Development of Istanbul**

Istanbul had existed for hundreds of years in history even serving as the capital city for several empires throughout its urban development process. Each period in fact had significant effects on spatial context of the city. However, the period after the establishment of the Republic till the recent day in which particular urban growth was experienced, is examined within the scope the study. And it is the rapid urban growth that caused a decline in the quality of the built-environment. It will be adequate to separate urban development process of the city through different time-intervals in terms of planning and development characteristics as the other authors (Kocabaş 2005, Gürler 2004) did in their field of analysis. The main development periods are stated as the five below periods:

#### **4.4.1.1. The Republic Period: 1923-1950 (Single-party period)**

This period was the single-party period in which internal and centrally controlled regime on the formation of economic structure was adopted. In this first period of Republic, planned development as a nation state was dominant. Detailed improvement plans for urban centres were presented. Following the transfer of the capital to Ankara in 1923, Istanbul remained as the nation's industrial and business centre, its greatest port, the focus of transportation network, the centre of cultural and intellectual life. It attracted most of the private industrial and commercial investments during the initial decades of the Turkish Republic. However, from the establishment of the Republic through the end of the single-party period, Istanbul has been neglected by the central government in terms of allocation of resources, public investments and preparation of development program.

#### **4.4.1.2. Transition Period after World War II: 1951-1965**

Like many cities in Turkey, Istanbul was shaped in the direction of rapid industrialization in the 1950s. The city has shown rapid growth after the Second World War and became the core of the Turkish economy. This rapid growth together with the driving forces of spatial dynamics brought about a polycentric and mixed urban pattern over an area of more than 150,000 ha. Istanbul kept developing its traditional CBD centre without losing its primacy.

Istanbul has been the anchor city in industrial development of the nation in this period. The first industrial pattern in Istanbul appeared in Historical Peninsula, and began to decentralize by master plan decisions in later periods. Various numbers of enterprises and small-scale manufacturing industries increased in this period, especially in old inner urban areas like Eminönü, Beyoğlu, Fatih, with a destructive effect on the built environment. This dominance of industrial development in shaping the spatial development continued until the 1980s. Between 1950 and 1980, the industry developed massively along the major transportation routes giving way to the expansion of the urban macroform through peripheries (IGM 1995, Keleş 2003, Gürler 2004).

Unfortunately, the pace of population migration to the city has been parallel to the pace of industrial development. Population increase, in fact, has been rapid in most

periods till the recent day in Istanbul. The industrial restructuring in the City and the respective population increase in 1950s and 1960s caused an increase in unauthorized construction in peripheral parts and informal activities in central parts. Neighbourhoods composed of squatter houses (gecekondu) firstly emerged in this period (Göksu 2008a). (See Table 4.1) For instance; Zeytinburnu, the biggest squatter housing settlement with a population of 50.000 became a district in 1957 and rapidly reached up to 103.000 in 1965 (IGM 2004).

In fact, the most differentiating characteristic of the 50s within the city is rather the uncontrolled urban development. One significant reason for uncontrolled development was the populist policy actions developed towards the rural areas without adequate planning and necessary infrastructure. Another reason for such urban expansion of the city macroform through newly developed areas had been the investments on construction of city transportation network (highways) parallel to outer industrial developments (Keleş 2003). Eventually all those factors gave way to the increasing attractiveness of new housing areas on greenfields at the same time causing deterioration of and centrally located historical built-up areas like the neighbourhoods on the coastal side of Golden Horn or in Eminönü, Eyüp and Beyoğlu. The only attempt for preventing the detrimental effects of urban development on historical built-up areas was the announcement of historically valuable several neighbourhoods like Fener-Balat as 'Historical Conservation Areas'. However, those decisions did not prevent the physical obsolescence of concerned neighbourhoods.

Other than the dynamics of changing both industrial and housing structure, spatial formation of commercial facilities has been also influential in the historical development process of the city. The early retail functions were located mainly in Historical Peninsula and especially in Covered Bazaar, Egyptian Bazaar and Han's District. It developed from Eminönü District through Galata and Pera via the bridges on Golden Horn. Transportation axis connecting Historical Peninsula to the port quarter of Galata-Karaköy (Beyoğlu District) provided a basis for a linear commercial development (Süher, et al. 1997). Although the CBD has in time expanded and centred on the business and cultural centre named Taksim square and later shifted towards Şişli District on the Northern parts; the weight of commercial facilities in the earliest CBD zone in the South has never diminished.

#### **4.4.1.3. Rapid Expansion Period: 1966 – 1980**

A rational comprehensive planning approach gained significance following the immediate reflections of the rapid industrialization process experienced after the Second World War. The concept of social welfare state was stated to be discussed under the urban planning practice. This period also witnessed the establishment of Metropolitan Planning Bureaus which contributed to the development of regional planning concept in national urban planning. However, since the necessary administrative base was not constructed, regional plans could not have been put into practice which were thought to effectively prevent the detrimental effects of rapid urban development on metropolitan areas if could have been (Gürler 2004).

One of the most significant changes in spatial development in this period has been experienced by the construction of the Bosphorus Bridge that connected the European and the Asian sides of Istanbul which became the main spine of the whole transportation network in the future. In effect, the crucial factor that determines the destiny of spatial growth in many periods is perhaps the road network (Table4.1). After the construction of the D-100 state highway (E5) together with the bridge, small scale and labour intensive manufacturing industries in Istanbul started to move outwards the inner city areas (Eminönü, Beyoğlu, Bakırköy, Kağıthane) through planned industrial areas and so did the inexpensive labour market. They spread out along E-5 through Gebze on the East side and throughout Zeytinburnu towards the major transit motorway (TEM) and continued to develop on the West side. Similarly, CBD area moved from the traditional centre through newly developed parts of Şişli. Developments in transport network in 70s let to the rapid growth of districts Kağıthane, Bayrampaşa, Güngören, Bahçelievler, Küçükçekmece, Avcılar ve Büyükçekmece on the West; and Ümraniye, Kartal, Pendik and Tuzla on the East side (Kalkan, et al. 2004). On the other side, continuing migration to the city let to serious problems in provision of housing and infrastructure in 1970s. Number of unauthorized housing continued to increase through peripheries. Istanbul was home to the inhabitants of 8,239 squatter houses in 1950, which rose to 120,000 in 1963. In 1963, 35% of the population of the city was living in squatter houses (IGM 1995). The population increase did not only create problems in housing but also further problems in urban planning. Together with the increasing car

ownership it gave way to the generation of immediately decided transportation strategies. Those strategies led to the growth of sub-centres.

#### **4.4.1.4. The Fragmented Planning Period: 1981-1999**

This period asserts a significant process that figures out the level through which the urban spatial context of the metropolitan area has reached today. In accordance with the effects of global trends all over the world, attempts for economic-restructuring within the overall nation have come into picture after 1980. Turkey has always had a continuous and strong demand to take its part in global economy, but it is especially stated very clearly with policies after 1980s. In this respect, Istanbul has played the primary role in this global integration process as to its exclusive economic dynamics within the national level. Since then, there have been many efforts to improve Istanbul's competitive capacity in economic, social and environmental dimensions. Nationally, an export-based development model is adopted was 1980s under the driving forces of neo-liberal, free-market economies to initiate a rapid economic restructuring process to meet the needs of global economies (Keleş 2003).

Parallel to the increasing trend in diffusion of capital investments through urban areas, the priority in Istanbul in this period has been given especially to the attraction of private foreign investments. The policies have been directed to the development of transportation and technical infrastructure related for business development and to the encouragement of high quality housing and accommodation, leisure and cultural facilities in international standards. Apart from the integrated policy actions of comprehensive planning approach of the previous period, 80s have been subjected to an incremental planning style with selective strategies focusing on specific areas. Several legislative regulations and institutional arrangements were introduced in this planning cycle (Table 4.1). One of them has been the approval of "Encouragement of Tourism Act" in 1982 which allowed the allocation of several land pieces to private investors. Many areas were announced as tourism areas with this Act in Istanbul which provided the legal frame of speculative development. Privatization policies have worked especially after 90s in the same way as above Act in terms of opening publicly owned lands to development. As a result, numbers of hotels, luxurious residential complexes, high-rise offices and several other facilities were constructed both within the inner city



and greenfields with no regard to the zoning regulations. One other legislation that influenced the spatial development of the City was the Amnesty Acts on Settlement Development (no:2981/3290) in years 1983-1984. Slum reclamation plans prepared in relation to concerned Acts, not only gave way to legalization of various neighbourhoods with unauthorized properties, but also provided the opportunity to their transformation to high rise buildings in the future. According to documentation of Provincial Administration of Istanbul in 1995, the number of licensed houses in Istanbul was 850,000 while the number of houses licensed by Amnesty Act on Settlement Development was 750,000 (Keleş 2003, Kalkan, et al. 2004, Kocabaş 2005).

Other than above experiences over built up areas, the urban sprawl also continued likewise the past decades. The second bridge and connected motorway (TEM) caused rapid growth of Gaziosmanpaşa, Esenler, Çatalca ve Hadımköy in the West and Sultanbeyli, Samandıra and Sarıgazi in the East side. (Kalkan, et al. 2004) “Municipalities Act” (Act no:1580), approved in 1988, had been also encouraging in this process by giving opportunity to the establishment of sub-district municipalities. Variety of mushroom settlements in the peripheral parts have become sub-districts municipalities (Keleş 2003, Kalkan et al. 2004).

Policies and policy actions that encouraged speculative development in the city has been in accordance with attributed role of Istanbul as a world service city in the global sense. Different from the intensive industrialization process in recent decades, development initiatives within the city has been rotated towards the service sector after 1980. Together with the developments in telecommunication and information technologies, productive services have boosted in central areas, while consumption services have spread out. Decentralization of industrial establishments continued, while their headquarters together with major financial corporations, banking facilities, advertising; insurance and consulting firms have preferred to concentrate on inner city locations. The increase in international financial capital parallel to the adoption of liberal economies has let to the development of multi-storey business centres on the axis (Büyükdere Axis) that emerged in the extension of Şişli through Maslak creating the latest shifted central business district area of the city. By the 90s the industry has nearly totally decentralized out except for the several inner-city locations, while leaving the advanced service sector activities concentrated in the centre (IGM 2004).

While immense developments took place on greenfields, at the same time several inner-city locations gained attraction in this period. Although little attention

were paid to the conservation of the built environment, a number of neighbourhoods which became both physically and functionally obsolete in previous decades such as Istiklal and Pera (in Beyoğlu) revitalized and became again the one of the commercial centres of today's Istanbul.

#### **4.4.1.5. The Period after 1999-to Date**

The ideology with 80s in a sense has still dominated the city development in terms of spatial peripheral development and privatization policies for promotion of private investment on urban development. While the metropolitan area of the city were expanding through the area between Silivri and Gebze with a radius of 50km. from the centre at the beginnings of 1990s, it has today reached up to Tekirdağ in the West and Hereke in the East including an area with 60 km. long radius. Urban development has come to a situation that threatens water basins in several parts and forest areas on the north as well. In fact, the previous planning efforts indicate that Turkish planning practice and legislation have always been in favour of new development and expansion on greenfields rather than urban regeneration and reuse of inner urban lands. However, in the recent years, there is increasing recognition of the need and the opportunity to shift the emphasis from an exclusive effort to regulate new construction to giving priority to the regeneration of the existing housing stock through a combination of redevelopment and rehabilitation. In fact, there would be hardly any need for the new housing supply on the greenfields provided that the existing housing stock in older built-up areas is returned into active use with planned revitalization processes. From another perspective, parallel to the urban development trends, the urban planning in Istanbul is starting to differentiate from the planning cycles of previous decades as illustrated in Table 4.1. The rate of urbanization is slowing. The pressure that generated uncontrollably rapid squatter (gecekondu) development is weakening and this is reducing the proportion of illegal development. Moreover, there is a growing perception that the housing problem is shifting from being a quantitative one of shortage to a problem of quality (Kocabaş 2005). The underlying reason for growing perception of quality considerations in housing is, in reality, devastating effect of 1999 earthquake experienced in many neighbourhoods of the city.

According to the Master Plan of 1995, the basic motives for the vision and development strategies of Istanbul were described as transforming the city into an international centre of attraction while targeting to make use of its competitive advantages on the global scene. With this plan, general principles of urban development were based on three basic rules, which are;

- i) the rule of specialization,
- ii) the rule of ranked centres,
- iii) the rule of ranked density (IGM 1995).

The general subjects that metropolitan municipality attached with above strategies were transportation, highly concentrated settlements and open spaces that seem hopeful to decrease the detrimental effects of previous developments throughout the peripheries and reuse of old central locations. Keeping the basic motives, the policy directions are empowered in the latest environmental plan of Istanbul in 2006 (Tüzin (IGM 1995, Baycan-Levent 2003, Karaman and Baycan-Levent 2001). A linear, multi-centred and balanced spatial development approach is proposed for the future growth of Istanbul Metropolitan Area with reference to driving forces existing spatial characteristics. (Figure 4.1) In the recent years, Istanbul has become a multi-centred metropolis with several business districts located in various regions of its territory, each containing institutions of finance, imports and exports, corporations, retail, wholesale and such. Other than the existing CBD area including Şişli, Beşiktaş, Beyoğlu on the West side and Kadıköy on the East side, several sub-centres are raised to specialize in certain activities. It has not become a world city yet, but turned into a mega-city as a result of intensive development process including, housing projects as in the form of satellite-towns, large shopping malls, university campuses, high-rise business towers and squatter settlements within the same context (Doğan 2002 Keleş 2003).

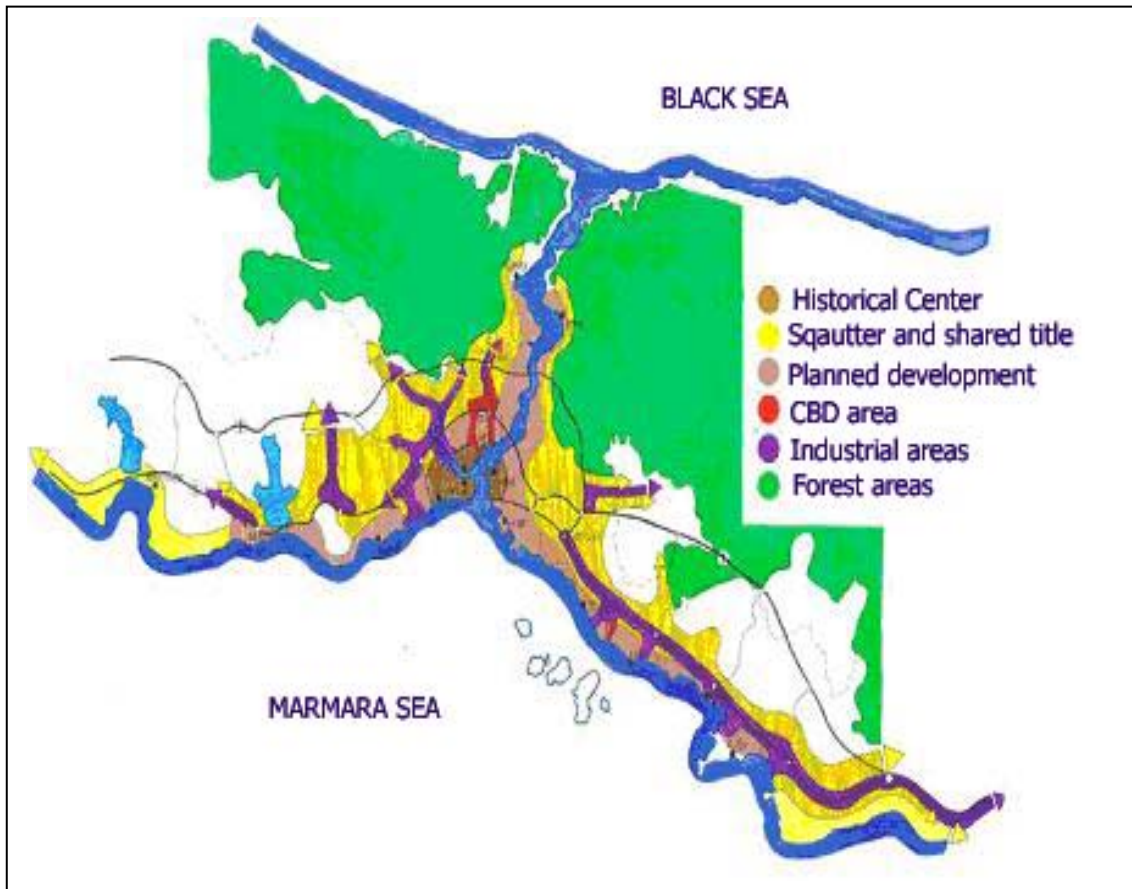


Figure 4.1. The Factors Influencing the Recent Spatial Development of Istanbul's Macroform

(Source: IMP 2006)

Table 4.1. (2 sayfa)



#### **4.4.2. The Current Public Administrative System in Istanbul**

Istanbul is a metropolitan urban centre composed of the Greater City Municipality, 32 district municipalities and 39 sub-district municipalities. The foundation of the metropolitan administration goes back to 1930 with Municipality Act and 1984 with the election of first greater city municipality mayor. The metropolitan government structure consists of three main organs: The Metropolitan Mayor, The Metropolitan Council and The Metropolitan Executive Committee. The council is accepted as the competent authority for decision-making, most of them related to planning, designing programs budgeting, approving the district municipalities' budgets, and budget amendments and providing coordination. The bureaucratic structure of the Metropolitan administration is composed of main service departments and assisting departments. The departments are under the direct authority of the metropolitan mayor. There are also assistant commissions to ensure service productivity within the metropolis. These are the Infrastructure Coordination Centre, The Transportation Coordination Centre and the Consulting Committee.

Local authorities in Turkey are of three types: i) municipalities, ii) special provincial administrations, and iii) village administrations. Municipalities and special provincial administrations are responsible from the development that takes place under their own territories. However with the approval of the latest Greater City Municipalities Act, the territories has expanded so widely that it included the areas under the responsibilities of provincial administration in terms of management of planning and development regulations. Preparation of master plan of the city is under the responsibility of the planning department of greater city municipality. Urban regeneration department is another unit of the Municipality which actively takes part in planning process in designated areas within the city. Apart from the present structure and the regular departments of the Municipality, a new specific organization called *Metropolitan Planning and Urban Design Centre* has been established in 2005 bounded to Greater City Municipality. There are three major tasks given under the responsibility of this centre. First one is the preparation of Environmental Plan, which is on the whole the task of Ministry of Environment and Forestry however given to this Centre with a signed procedure. Second task of the Centre is preparation of Master Plans of Istanbul. Because there has not been any valid master plan that covers the whole metropolitan

area given that the Master Plan prepared in 1995 was cancelled at the same time leaving the plan approved in 1980 as the only authoritative plan. And thirdly, the Center is entitled to generate specific vision projects for urban regeneration, urban design and for the probability of future earthquake disasters.

Despite the great authority and power of the local government in Istanbul, the constraining power of the central government is still very effective upon the local government in terms of planning procedures and urban development. Local government including metropolitan, district and sub-district administrations are bound to central government for many cases in Turkey. 5 important central government authorities which are; Ministry of Public Works and Settlements, Ministry of Tourism and Culture, Ministry of Transport, Housing Development Administration and Privatization Administration have the authority to directly intervene the issues relevant to urban planning and plan approval in Istanbul. The first two especially have the power to approve, in their own, plans prepared for specific areas given by the Acts/no:3194 and 2634. Housing Development Administration has the power to prepare plans and projects in 'regeneration areas' in their own, and is also capable of approving them after 3 months time period passed. Other than regeneration projects, the significant plan decisions that are brought by central governmental bodies and which directly affect the urban spatial context of the City are; highways; areas which are announced as tourism centres; mass housing development areas; organized industrial areas and incremental redevelopment projects prepared upon previously publicly owned areas which are privatized for different future uses. The hierarchy and interrelationship of the central government and local government institutions representing the complex planning system this system are illustrated in Figure 4.2 in the following page.

Unfortunately, most of the above central government authorities as well as the Ministry of Agriculture and Ministry of Environment and Forestry, in reality, should work in coordination with Istanbul Greater City Municipality and the Provincial Administration in order to generate sustainable growth policies and to adequately plan city's spatial development while at the same time protecting its natural, historical and cultural resources.



Figure 4.2. 1 sayfa

The complex structure of planning authorities continues also in the present plans. There are many plans from upper scale to lower scale to which places area bounded. Those plans start from the regional plan prepared by SPO specializes through 1/1000 implementation plans prepared by district municipalities. The most typical problem is the lacking consistency in those hierarchical plans. Even the local plans in the same scale are not integrated to each other in many cases. Furthermore, there are several contradicting plans approved for specific areas for specific purposes within the metropolitan area by the Ministry of Public Works and Settlements and the Ministry of Tourism and Culture. The implementation plans which have been prepared and approved by sub-district municipalities before the latest Greater City Municipalities Act/no:5216 also do not coincide with the upper scale plans and development policies of the city. Other than this, there was not any plan approved since 1995 that covers the overall metropolitan area. Istanbul Metropolitan Area Sub-Region Master Plan was prepared by the Greater City Municipality in 1995. As its approval was rejected, the master plan approved in 1980 by the Ministry has been put into use again. Since then, the management of spatial development has been left through the plan approved in 1980 for 26 years in which extensive urban growth was experienced. The latest valid plan prepared the city is 1/100.000 Istanbul Metropolitan Area Urban Development Master Plan which is approved in 2006 (Figure 4.3).

Briefly, parallel to its complex urban development dynamics, Istanbul has a complex urban management associated with its central and local administrative authorities on policy generation and planning practice. This complex structure of planning system has affected the efficiency of plans valid for the city for decades. Recently, the urban growth dynamic of the city is planned to be taken under control with latest master plan which will also give direction to the preparation of plans in smaller scales. However, the concerned plan is already been heavily discussed as to being an extension of previous policy directions as in the form of stimulating private commercial development within the city.

Figure 4.3 (1 sayfa)

### **4.4.3. The Urban Regeneration Practice in Istanbul**

There has always been a constant growth potential for Istanbul which resulted with multiple social, economic and environmental problems that have successively converted into urban deprivation in time. The existence and the increase of deprived urban areas in Istanbul has been an inevitable reflection of those multiple problems that came into scene as a result of uncontrolled urban development. Gradually, there have been attempts for preventing deprivation of built-up areas since 70s. The first attempt has been provision of legislative tools to prevent historical areas. Piecemeal efforts of public authorities followed those attempts in through 80s and 90s. But majority of the planned proposals for urban regeneration has been generated in the last decade. The overall regeneration practices within the city can be generally classified as to its scope; its process and the main actors participated in the process. In such a classification, mainly three groups can be stated similar to the classification of Gürler (2004) which are: 1) adhoc interventions, 2) interventions with mixed processes and 3) planned interventions for inner city revitalization.

#### **4.4.3.1. Adhoc revitalization interventions**

Adhoc efforts for revitalization generally refer to the processes caused by initiation of society consciousness, with outside factors or the inner potential, to act for a similar action. The well-known early practices for adhoc efforts in Istanbul are several physical rehabilitation and successive gentrification processes experienced in old inner city neighbourhoods such as Cihangir, and Kuzguncuk in 1980s. In each of those localities, a similar revitalization process has been observed despite the fact that there was no professional organization or any action plan or project behind. The process started in those neighbourhoods as some number of architects, journalists or other elite people moved their offices in and were followed by other individual investments. The initiators quickly got organized to improve their immediate environment. The main aim was to restore the historical building stock and recreate the historical image of the street pattern. Besides renovating the housing stock, the other objectives were to renovate the outdoor spaces, rehabilitate the existing socio-economic structure and create an attraction through inside. The legal instrument behind the rehabilitation process in those

neighbourhoods was the Conservation of Cultural and Natural Assets Act/no:2863. In Kuzguncuk, the process was also bound to 'Bosphorus Act/no:2960' since the neighbourhood is under the territory of the front-view of Bosphorus. By the way, buildings had access to restoration, repair and maintenance opportunities, the physical appearance of the environment has changed, real estate prices increased substantially and commercial transactions of the small businessmen also increased comparatively. The areas that were subject to such revitalization process with individualistic or community attempts were only relatively a small part within the neighbourhood. But, despite the fact that the initiatives were small when compared with large-scale organized redevelopment projects, the results were promising for witnessing the collective social consciousness, the organization & building capacity of local people and use of site specific advantages to initiate environmental revitalization and local economic development as well (Keleş 2003, Gürler 2004).

#### **4.4.3.2. Interventions with Mixed-Processes**

These attempts can be attributed to the processes which started with adhoc individualistic investments, however then attracted the attention of public authorities and further become planned and organized interventions with participation of both public and private sectors. The revitalization process experienced in 1980s in Ortaköy Square is a typical illustrative example to such type of a process in Istanbul. Ortaköy is a mixed-use neighbourhood with an organic street pattern and historical low-rise buildings located on Bosphorus. Revitalization process started in the neighbourhood first with several property-based private investments that aimed to make the square: a commercial, cultural and recreational node by making use of its historical quality and other location advantages. Revitalization has been observed in the form of renovation and restoration of properties (Gürler 2004). The legal instruments that gave opportunity to these practices were again the Conservation of Cultural and Natural Assets Act/no:2863 and Bosphorus Act/no:2960. In late 80s, the public sector has participated in the process with creation of a vision and strategic objectives for regeneration in the area. It has provided both funds and given consultancy to private developers but at the same time acted as the regulator. After 90s, Ortaköy has experienced a particular

revitalization and has become today a specific attraction point with included cultural, tourism and entertainment facilities.

Cankurtaran neighbourhood in Sultanahmet region is another example for revitalization with a mixed-process. It is a neighbourhood with an organic historical built environment in the style of Ottoman architecture where low-and-moderate income groups are settled. Although the neighbourhood has an important value in terms of protection and reuse of the historical heritage within the city, land values within the area have remained relatively very-low in respect to lately developed areas in today's Istanbul. The area was announced as Urban Conservation Area in 1956. Simply as Ortaköy, Cankurtaran is also a mixed-use neighbourhood with housing, retail trade and recreational functions. It has area-specific advantages such as the nearby significant historical landmarks like Ayasofya and Sultanahmet Mosques and ancient city walls and architecturally valuable properties. Revitalization efforts started in the mid-80s with property-based private investments on restoration and renovation projects that aimed to initiate an increase in demand to tourism industry within the neighbourhood by making use of those area-specific advantages. Although the private-sector investments were faced with resistances of local residents, the progress has been achieved again in the mid 90s. With the intervention of the public sector on renovation works and land use decision, revitalization in the neighbourhood has become a mixed-process. However, success of the progress is not as high as in the case of Ortaköy (Gürler 2004).

#### **4.4.3.3. Planned Interventions**

These are the interventions which have started with reference to a plan proposal or a specific program developed public authorities. There are several major organized projects are which are developed for specific areas in Istanbul in the last decade. Some of the projects have experienced a long development process and come to the implementation phase while some others are still waiting as proposals as to increasing debates of different interest groups after declared. Planned interventions also differentiate in each other as to their aim, scope and project dealers. Some projects have concentrated on rehabilitation of historical neighbourhoods; some have concentrated on commercial redevelopment. The latter cases are mostly observed in recent years. The projects for urban revitalization in recent years in fact show considerable similarities

with the attempts for urban regeneration of developed countries in 1980s, based on private sector property development with specific flagship projects. The term flagship in this context refers to high-profile and prestigious land and property developments which play catalytic role in urban regeneration. These project proposals are generally associated with area specific policies and legislative alterations which have contributed largely to property-led redevelopment of particular areas in inner cities.

Fener-Balat Neighbourhood is one of the planned processes that have taken action a decade ago. It is an old historical housing area located in the Historical Peninsula with a historical built pattern including valuable illustrations of Ottoman and European architecture. Although the neighbourhood has an important value in terms of the included historical heritage, land values within the area have remained relatively very-low in respect to lately developed areas in today's Istanbul. There have emerged plenty of environmental problems in time and loss of attraction for residential purposes because of the intensive pollution of Golden Horn. There was also succession of original minority inhabitants and invasion of low-income groups resulting with a sharp fall in the socio-economic status and the land values within the area in 1980s in accordance with the overall decentralization of the industry (Keleş 2003).

The planned process for regeneration of the neighbourhood begins in the early 1970s. The area was announced as 'Historic Conservation Area' in 1973-1974. Further from this, it has been added to the World Heritage list in 1990s as well. Fener-Balat Project, Project a pioneering community-based approach to neighbourhood regeneration in the Historic Peninsula has been launched in 1998 under the co-operation of Fatih Municipality, UNESCO, European Union and French Anatolian Research Institute. The first objective of the project is to revitalize to the historic built environment. More significantly, the second objective is to revitalize the commercial quarter to obtain a local economic development and enhance the quality of life within the area while keeping the present inhabitants inside. The first phase of the project was concluded in 2005 and the procurement of the second phase was done in 2006. However, in the present situation, the expectations of the implementation of an internationally financially supported project have not contributed to the expected increase in inner attraction. Moreover, it is criticized today that the project has left its initial objectives related with socio-economic regeneration, has rather become a restoration project (Keleş 2003, Gürler 2004, Kocabaş 2005).



Figure 4.4. Restoration of properties in Fener-Balat

(Source: Fatih Municipality, 2007)

Beyoğlu-Istiklal Street is a centrally located mixed-use (commerce, office, service, recreation) area with significantly high land values, historical buildings in European architecture style and a pedestrianized street pattern. The street was composed of deteriorated and obsolete buildings inherited from the pre-industrial revolution era; but being used in style to respond to the contemporary needs in 1970s. Rapidly changing functional land use and remarkably low cultural profiles of the users with high density were other acute problems in those years. The need to rehabilitate (restoration & conservation) the area has come into picture in late the 1970s with planned public sector intervention. There have been three major initiatives that make revitalization of Beyoğlu-Istiklal Street a planned process. The first was the announcement of the area as Urban Historical Conservation Area in 1978. The second one was the announcement of the area as a “Tourism Area” in order to encourage its site-specific tourism potential. The legal aspects for the development of tourism sector within the area are determined under the Encouragement of Tourism Act/no:2634. Finally, the third initiative has been related with the concern for architectural quality. Since the street is composed of historical properties built in European architecture, it has been bound to several regulations in 1989 with the Act accepting the protection of European Architectural Heritage/no:3584 (Gürler 2004). Other than the legislative aspects in central governmental level, there have been also specific implementations of local governments in time that contributed to the urban renaissance experienced in the late 80s and 90s. The most peculiar project has been the destruction of the historical built pattern to open Tarlabası Boulevard in the mid 80s. The effect of this implementation was supportive on deprivation of more than a hundred historical buildings in Beyoğlu. Unlikely, there



have been also positive initiatives of local governments such as “Beautiful Beyoğlu Project” generated under the co-operation of Greater City Municipality, Beyoğlu Municipality, and Mimar Sinan University. Several policies has been adopted under the project to revitalize the physical context such as generating a number of workshops to clean building facades, to renew or to remove altogether advertisement panels on the walls that were creating aesthetic pollution (Kocabaş 2005). In time, the planned initiatives the process turned to develop as a mixed-process with individual initiatives. Progress has been achieved by 90s in ensuring the attraction of private investments on restoration and maintenance of various properties and the sharp increase of property values within the area. Istiklal Street has experienced a fair revitalization process both physically and economically between mid-80s and mid-90s. But, although the public investments still exist, the regeneration process has lost its pace in the recent years since the property values has become extremely high to invest in for private investors.

Beyoğlu-Galata Tower Region is another centrally located mixed-use area with an organic built pattern. It is a typical inner city area with its close connection to the historical central business district. Similar deprivation as in the case of Istiklal Street was observed within the area in the past decades. Planned revitalization efforts in Galata have been parallel to the ones directed to Istiklal Street. The basic planned initiative has announcement of the area as Historical Urban Conservation Area in 1980s and preparation of a new plan for both encouragement of tourism around Galata Tower and preservation/rehabilitation of its environment. After 90s, the initiatives have been directed to attract private investment because of the reflections of the increasing demand with revitalization process in Istiklal Street. Zoning policies, preservation regulations and design codes for architecturally valuable and historical properties have been determined. However, developments after 90s have been rather achieved by individual private investments rather than direct public investments. The legal procedure for the rehabilitation of the built environment is the given under the Conservation of Cultural and Natural Assets Act/no:2863 (Keleş 2003, Gürler 2004).



Figure 4.5. Galata Tower and its Environment Tourism Centre  
(Source: IMP 2006)

The legal aspects for the development of tourism sector within the area are determined under the Encouragement of Tourism Act/no:2634 in 1989. Despite the potential to be a significant tourism centre, the revitalization process observed after mid 90s has been limited. Land and property values in the region are still not as high as the ones in Istiklal Street that have been reached in the last decade. The latest attempt related to the area is the announcement of it as a regeneration area with respect to the Act/no:5366 which further gives opportunity to rehabilitation of the area by interested groups after the procurement phases.

Zeytinburnu Pilot Project is totally different from revitalization attempts described above since the area includes different spatial characteristics and different initial reasons for the launch of the project. Zeytinburnu as a problem area has come into consideration for regeneration after the earthquake disaster in 1999. In fact, the pace of the discussions on urban regeneration practice in our country has especially increased after the unexpected results of the earthquake disaster (Kocabaş 2005).

Zeytinburnu is neither a historical deteriorated site nor an urban conservation area; but it is the first squatter housing area (*gecekondu settlement*) and today's one of the most densely populated district in Istanbul. Today, there exists heterogeneous built environment including both squatter houses and high-rise buildings. The urban pattern is dominated by narrow and irregular street network with limited services, amenities and open spaces. The district also has considerable socio-economic problems such as low education level, low-skilled labour force and low income levels. Since Zeytinburnu is evaluated in the Earthquake Master Plan of Istanbul as one of the most risky areas for a

future probable earthquake, it is chosen as a pilot area to be restructured. The action plan both offers redevelopment of several lots and upgrading of listed properties to earthquake resistant standards. Moreover, project proposal offers in original not only a spatial restructuring, but also a socio-economic restructuring within the area in the long-term. All the development process of Zeytinburnu Pilot Project is generated under the co-operation of Greatercity Municipality, Zeytinburnu Municipality and four different universities. Considerable budget has been separated by public authorities for the initial phases to understand the current potential and restrictions of the district.

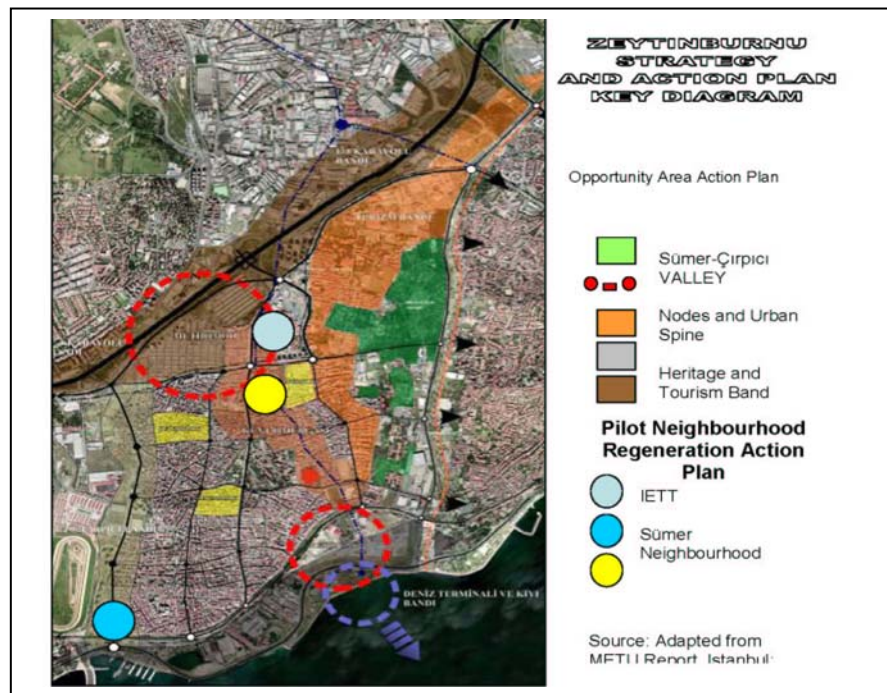


Figure 4.6. Zeytinburnu Strategy Action Plan  
(Source: TRIC 2004)

Perhaps it is the first urban regeneration project in Turkey in terms of including most time and money consuming analysis and plan preparation phases. The draft provision of Urban Regeneration and Development Act has also been prepared during initial phases of the Zeytinburnu Pilot Project. However, still there is no concrete action taken for implementation because of the obstacles such as; the complex ownership pattern, unwillingness of residents to participate in the process, the lack of vacant lots in such a dense area to initiate inner investments. Moreover, private investors which should play the key role in the process avoid participating in, since there are hardly any

competitive advantages within the area for profitable returns. Rather, they wait from public authorities to overcome the conditions for the present uncertainties.

Galataport Project is a flagship project that is prepared to revitalize the old harbour area with the built structures having 140.000 m<sup>2</sup> construction area and 1.2 km seashore in Karaköy-Salıpazarı district. The project area has been announced as 'Tourism Centre' in 1995 in accordance with the Encouragement of Tourism Act (2634). This project claims to create a tourism centre within the metropolitan area offering close interaction with surrounding cultural and touristic neighbourhoods, Eminönü, Tophane and Beyoğlu. It includes a large cruise terminal, a marine, shopping centre, fair, congress centre, art museum and hotels together with the necessary services relevant to harbour. The old historical structures within the project area are to be preserved and the existing built structures are to be restored for adaptive-reuse.



Figure 4.7. The Project Area of Tophane-Salıpazarı Tourism Centre (Galataport Project) in Beyoğlu District

The plan has been approved by the Ministry of Tourism and Culture in 2005 without making the necessary alterations offered by Regional Conservation Board since the area is located within Beyoğlu Urban Historical Conservation Area. Although the process of procurement was completed, the project has been cancelled since it contradicted with several statements of the Coastal Areas Act/no:3621/3830 and the Conservation of Cultural and Natural Assets Act/no:2863. According to the arguments; such a cruise terminal proposal first brings intensive land-use decision and development to the region, secondly it allocates the seashore area for private investment excluding the public benefit and finally, it changes the function of existing historic assets and

public buildings within the area on behalf of private uses. With respect to those arguments, the project has been then revised to be approved again for the same purpose.

Haydarpaşa World Trade Centre Project is a flagship project proposed for the area approximately 600.000 m<sup>2</sup> located on the seashore between Harem-Kadıköy. The main claim behind the Project which is drawn forward by politicians and public sector leaders is that the existing train station (Figure 4.3) in Haydarpaşa is going to become functionally obsolete as Underwater Canal Project in Bosphorus is concluded in 2009. The proposal stands to be a large-scale redevelopment project that is believed to promote the city image and attract private global investments. It is composed of a marina and seven skyscrapers including a 5-star hotel, a hospital, a huge congress centre, a business centre, residences, social facilities, entertainment and sports areas offering 800.000 additional jobs in the final (Figure 4.8).



Figure 4.8. Haydarpaşa Train Station

The legislative organization behind the generation of the project is the 5<sup>th</sup> article of the Act Amending Certain Acts and Decree Acts/no: 5234 which provides transfer of ownership of properties in the project area to related public administration (TCDD). TCDD has the right to make partnership with private companies.

The project proposal is to be approved by the Ministry of Public Works and Settlements with reference to the temporary 5th article of the same Act/no:5234. The Greater City Municipality is expected to make the necessary alterations on the present plans in accordance with the project. After it is approved by the Ministry, it will be announced to attract private investments for procurement. Since it is introduced, it is seriously criticized, since the project offers speculative development rights which

threaten the traditional silhouette of both the area and Haydarpaşa station which is the most important historical landmarks in the city.



Figure 4.9. Haydarpaşa Project Proposal composed of Seven Skyscrapers

Other than those planned operations in previous pages, there are several other long-term proposals for certain critical areas in Istanbul which especially have come into picture with reference to objectives of the latest city master plan approved in 2006. Majority of those proposals are relevant to the objective of ranked centres which is developed by central government policy makers and greater city municipality authority and which aims to decentralize several functions through selected sub-centres and decrease the burden of existing CBD area. The concerned project proposals developed by the Greater City Municipality of Istanbul for the near future are stated as follows:

- Büyükdere Centre (CBD) Rehabilitation Project
- Kartal High-level Centre Special Project
- Maltepe-Dragos Centre Special Project
- Kağıthane Centre and Boulevard Connection Special Project
- Bayrampaşa-Topkapı Maltepe CBD Expansion Special Project

In addition to regeneration of several areas to become sub-centres, some other image proposals also exist likewise Galataport and Haydarpaşa projects which are related with the vision of the city. Those proposals are:

- Media Express Way International Centre Special Project
- Bakırköy-Kazlıçeşme coastal area project
- Haliç culture corridor & siluette area project

#### 4.4.3.4. Other Recent Regeneration Projects that Emerged by the Approval of the Act/no: 5366

What is more than above experiences and projects, a number of planned schemes are organized in the last two years by several district municipalities in coordination with the Greater City Municipality and Housing Development Administration for distressed historical neighbourhoods with the aim of improving the living conditions. Those neighbourhoods generally share a common destiny of decline consisting of considerably low socio-economic profile, high unemployment rate and acute physical deterioration. The most significant and progressive schemes are experienced presently in Tarlabası and Sulukule neighbourhoods.

Tarlabası Regeneration Project is one of the most significant regeneration attempts since the area is located at the heart of the city. Once being one of the most flourishing neighbourhoods in the city, Tarlabası experienced a sharp decline through years. Other than the common problems present in other projects, Tarlabası suffers additionally from socially excluded inhabitants (most of which are invaders), concentrated marginal businesses and crime. At last, it has been taken under regeneration program by Beyoğlu Municipality in relation to the Act/no:5366. The project consists of restoration of physical conditions of 3000 historical properties at the same time giving opportunity to change their functionality for commercial, tourism and cultural uses.



Figure 4.10. Views from Historical Tarlabası Neighbourhood

The procurement of the first phase including restoration of 278 properties in the project is already done through negotiations. After the declaration of the regeneration purpose, the area has become an attraction point for investments in the last months. Property prices have noticeably increased in a short period. On one side, public authority is in a tendency to use its power of expropriation as a threatening tool for collecting properties, while on the other side private investors have started to search the ways to persuade local inhabitants to sell their properties to obtain a monopoly within the area for expected future returns. Although the increasing interests contribute to decrease in crime and increase in individual property based restorations in recent days, it is immensely criticized by professionals in terms of offering nothing more than an experience of image architecture and giving way to speculative development.

Sulukule Neighbourhood Regeneration Project is announced in 2006 by cooperation of Fatih Municipality, IGM and HDA for Sulukule Neighbourhood. Other than those administrations, the European Union and Ministry of Tourism and Culture as well as three different NGOs also play a supporting role within the process. The major objective of the project is to develop a participatory process to conserve and support the cultural heritage of the neighbourhood which takes its identity from gypsy inhabitants and the style of their cultural entertainments and events attributed to the area for centuries. The project at the same time proposes to rehabilitate the physical environment and improve the socio-economic structure by capacity building instruments.

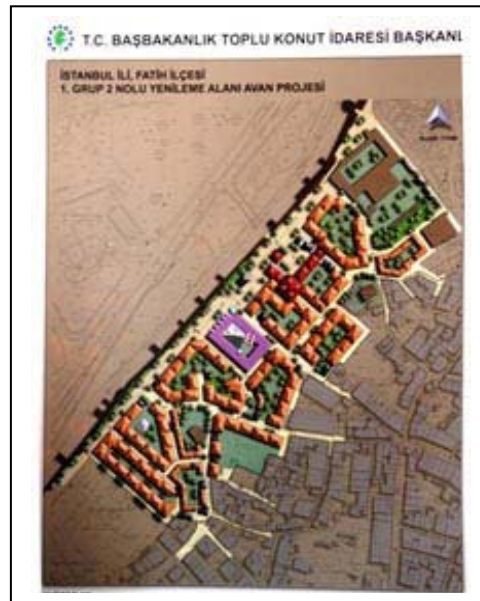


Figure 4.11. Sulukule Neighbourhood Regeneration Project  
(Source: Fatih Municipality 2007)



Within this frame, the neighbourhood is announced as regeneration area including approximately 46.000 m<sup>2</sup> with reference to the Act/no:5366. According to the negotiations, the inhabitants may accept the compensation of their properties or they may pay for the exceeding amount of their properties and continue to live there. They may also transfer their properties to HDA and move to the dwellings in other locations.

As expected, several project areas other than above two cases are announced as regeneration areas as well in the recent years in Beyoğlu and Fatih districts, since they are the districts in which historical built-up areas are located. The presently announced areas are Bedrettin Neighbourhood, Cezayir street and its environment, Tophane quarter, Municipality building and its environment in Beyoğlu and Kürkcübaşı and Ayvansaray Neighbourhoods and coastal part of Fener-Balat quarter in Fatih. All those areas are located within borders of urban historical conservation areas. In fact, the number of such areas is tend to increase, since the Act/no:5366 is most effective instrument given to local government to take regeneration of deteriorated historical areas in their local development program.

Table 4.2 (2 sayfa)



## 4.5. Evaluation

Urbanization process in Turkey has gained pace after 50s and reached to its peak in mid 80s. The lack of ability to control the pace of rapid urbanization, lack of necessary social services, reflections of different political interests on planning policies and further related issues have created today's acute problems in urban centres. During the attempts to conquer with above problems, our cities have put apart themselves from the requirements of competitive development process created by globalization. Urban regeneration did not find place in planning practice or even not discussed as an issue in urban national planning since 80s.

Some revitalization processes have been experienced after 80s in a few centrally located neighbourhoods which have resulted with both rehabilitation of the physical environment and improvement of the economic conditions. Each of those experiences was emerging processes in their own and each was successful in progress. But the prevailing approach of developed countries to urban regeneration in 1980s, based on private sector property development, has been the assumption of the need for attention to be focused on concentrated areas. Flagship projects have become an accepted element of the new, post-modern, fragmented cities. In the context of increasing global competition between cities for investment, the increasing importance of city image has been a major influence on this process. This is because so-called place marketing strategies require a concentration of development in a specific area. This approach in Istanbul is associated with privatization policies and in-situ development decisions. Although the latest environmental plan, approved in 2006, has been prepared as a strategic comprehensive plan, plan decisions still provide opportunity to attraction of future private investment on speculative development. Accordingly, the policy actions related with urban regeneration have also relied largely on property-led redevelopment concentrated on the urban built environment. Whilst property-led regeneration is a necessary element of urban regeneration, it is inadequate in itself in terms constraining regeneration of an area under a comprehensive approach by initiating uneven development of specific localities. Moreover, nearly most of the legislative procedures for the recent flagship redevelopment projects in Istanbul are provided in the governmental level. Although many attempts are experienced in decentralization of decision making processes in planning, public authorities are relatively ineffective

during the generation and approval of many redevelopment projects. Since then, the concerned projects are heavily discussed by varieties of professionals or even carried into courts in order to be cancelled. The reason for the emergence of discussions on those recent projects is the priority which is given to the return of the private investments (Table 4.2).

However, there are also encouraging attempts in the last years in Istanbul for neighbourhood regeneration in terms of the realization of greater city municipality and the related local municipalities in taking knowledge and skills from neighbourhood regeneration projects of Western European countries as in the form of international meetings and workshops in the recent years. Variety of projects is developed for unauthorized or squatter neighbourhoods as well as the ones for historical outdated neighbourhoods, since there are huge numbers of poor quality settlements already located within the urban pattern. Some of those projects are in the initial phases about analysis and community building while some are in implementation. Increasing attempts for such kinds of projects are in effect the result of the increasingly widely acknowledged need to make settlements more earthquake resistant after the devastation of the 1999 earthquake and the consciousness of modern planning for earthquake mitigation. The recent attempts for improving the prospects for urban regeneration can be accepted as part of the transition to planning for the more sustainable development of Istanbul, however at the same time, the outcomes of the present attempts ongoing are by no means certain (Table 4.2).

The present cases reflect that it seems likely that Istanbul would get the opportunity to concern about initiating neighbourhood regeneration projects in the future when the latest approaches to low quality housing areas and the relevant legislative and administrative capacity building attempts are considered. But on the way to become a world city, inner city localities should gain more concern in terms of social and economic aspects, since they are the barometers of the quality of life and quality of the environment within the city. Several inner city areas in Istanbul still remain untouched although they contain great potential to revitalize within the overall metropolitan perspective.

Therefore, a balanced economic regeneration is needed to create new and vibrant central city areas. Recapturing inner city areas in the 21st century will require new perspectives and new models, as well as an extension of the past. Neither the processes nor the outcomes are mechanistic. There are no sure techniques; no definitive

prescriptions, however, strategic planning initiatives and policy actions may contribute to economic development in distressed inner city areas. For the most part, private sector plays the key role in reinvestment and the economic variables and markets determine *highest and best* land uses under the urban competition rules. In this case, establishing investor confidence and demonstrably increasing the demand for housing or commerce in prevailing distressed areas should be the pioneering strategies for public authorities. Accordingly, powers of local authorities should be empowered. They should have the ability to develop and implement projects, generate resources, market those projects and take actively part in partnerships with the private sector independently from the restraining authority of the central government. Participation of Housing Development Administration, real estate investment agencies, other investors, developers, non-profit organizations as well as the local government should be encouraged in concerned project partnerships; while at the same time the recognized need for the effort on community building is spent.

## **CHAPTER 5**

# **EVALUATION OF THE MAIN ASPECTS OF URBAN COMPETITIVE ADVANTAGES APPROACH ON A CASE STUDY HELD IN ISTANBUL**

### **5.1. The Aim of the Case Study Being Held in Istanbul**

The case study area in which the strength of competing urban advantages for a possible urban revitalization is to be analyzed has been chosen from Istanbul. It is because the case study measures the competitive capacity of an area not only with reference to local competitive features but also with reference to regional competitive features. This requires questioning the existence of competing features for the area not only in the local scale but also in the city scale respectively.

Istanbul is the oldest metropolitan city in the world, which has served as the capital city for several empires throughout its development history. Today being the largest city of Turkey, with a population of 10.018.735 (SIS 2000), it performs the great share of cultural, financial, commercial, tourism and service functions in a global scale. The historical development process together with the external forces had been very effective in shaping the metropolitan area of the city and the present urban problems behind. Tremendous changes have taken place in reshaping economic and spatial structure of Istanbul especially during the last two decades under the impact of both domestic and global forces. The city in which half of the nation's economy is generated has been subjected to unhealthy and unplanned built environment caused by unnecessary urban expansion, highway dependency, insufficient infrastructure, illegal construction, imbalanced land-use and ineffective transportation network in time which create today an extreme burden for public authorities to cope with.

The pressures of rapid population growth, of housing and employment, of transport dislocation and of other problems associated with runaway urban expansion have been so immense that conservation or regeneration of old historical or deprived inner city quarters generally appeared very much as a secondary consideration. However, the latest attempts for creating a worldwide vision and definite objectives for

future spatial development of Istanbul has given way to reconsideration of previously neglected inner urban areas. It is greatly because Istanbul, as the major metropolis of Turkey, is today striving to attain a much stronger competitive position in the network of world cities. The city, in fact, already has many competitive advantages as to its geo-political position, its worldwide economic, cultural and tourism relations together with its unique natural and historical values which necessitate considering Istanbul as a special region within the global context. What is more, Istanbul is a world heritage city that has to be conserved for the future generations as well. In all above circumstances, increasing the competitive value and enhancing the image of the city over the global scene requires planning for the best possible use of urban economic space within the city. In fact, the positive impact of such use of economic space within the metropolitan area of Istanbul is bound to the both conservation of historical assets and regeneration of the deprived urban built environment rather than expansion of the built environment. Since then, increasing the value of neglected inner city localities becomes primary concern within the city in which central functions compete with the ones in today's world cities in the global context. In these circumstances, selecting a case area in Istanbul is thought to be more reasonable for evaluating the competitive capacity and marketability of an inner city area in relation to its wider regional framework.

## **5.2. Selection of the Case Study Area: 'Piyalepaşa-Dolapdere Axis and its Environment'**

As the thesis concentrates on economic regeneration of deprived inner urban areas, "Piyalepaşa-Dolapdere Axis and its Environment", which is a noticeably distressed centrally located area on the European part of Istanbul, is chosen as the case study area. It is located in very close distance to one of the most important nodes of Istanbul, Taksim Square, a quite well known open public space and a junction of important transport routes. It is also a well-known problem area which has often been subjected to the attention of related local government, Beyoğlu Municipality, and academic researchers for several years. Several field analyses referring to physical and social attributes of the neighbourhoods located in the study area are prepared by Beyoğlu Municipality and of city and regional planning studios in Istanbul Technical University; however no planned intervention generated yet in the practice.



Much more imperative than this, recent observations show that there are several property-led redevelopment examples made by individuals, firms or charities and further private initiatives on specific lots do exist at the moment as well. It is evident that investments on new construction and rehabilitation projects have positive effect on nearby property values. Thus, land and properties located within the area expected to have higher values in the near future. In fact the area has already been under the pressure of high land values in surrounding prestigious neighbourhoods in the CBD. Adhoc interventions show that some private investors decide to locate within the area since they found certain suitable conditions around to invest. This brings the question in front that “is it possible to turn this property-led process into a plan-led process by making use of those suitable conditions?”

### 5.2.1. Strategic Position of ‘Piyalepaşa-Dolapdere Axis and its Environment’ within the Metropolitan Area of Istanbul

Piyalepaşa-Dolapdere axis and its environment is situated under the territories of two adjacent districts, Şişli and Beyoğlu districts in Istanbul, both of which are also older built up central urban quarters in Istanbul when compared with newly developed areas. Both districts are located in the CBD of the metropolitan area of the city, including the majority of the urban function in a mixed-use structure (Figure 5.1). They act as important destination nodes in both community and money circulation.

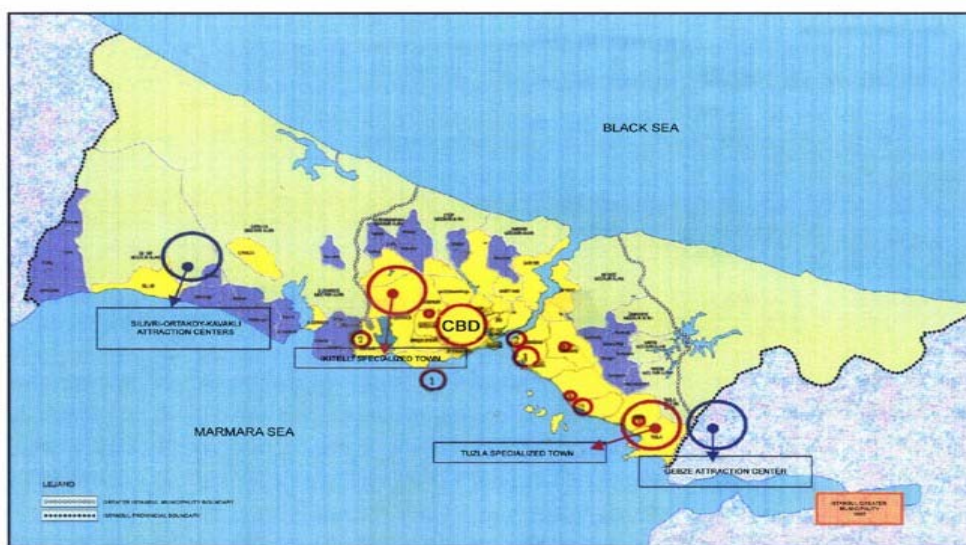


Figure 5.1. Location of Central Business District in Metropolitan Area of Istanbul

(Source: IGM, 2006)

Şişli and Beyoğlu districts are the centres where majority of economic, cultural and tourism activities are concentrated when evaluated within the overall distribution of service sector activities in the metropolitan level. The economic activities especially relevant to service sector consisted in those districts are in fact the major economic growth engines of the city with their shares. Much further from their competitive role in city's economy, Şişli has been the first and Beyoğlu has been the ninth among app. 850 districts in Turkey in terms of their share in contributing to Nation's GDP.

Table 5.1. Districts with the Greatest Share in National Economy

(Source: IGM 2004)

No	City	District	GDP by 1996 (million YTL)	Share of district in Turkey (%)	Share of district in City (%)
<b>1</b>	<b>Istanbul</b>	<b>Şişli</b>	<b>282</b>	<b>1,91</b>	<b>8,98</b>
2	Istanbul	Bakırköy	272	1,84	8,66
3	Istanbul	Kadıköy	262	1,77	8,36
4	Kocaeli	Gebze	249	1,69	37,11
5	Ankara	Çankaya	247	1,67	21,26
6	Ankara	Altındağ	237	1,60	20,44
7	İçel	Merkez	230	1,56	57,86
8	Adana	Seyhan	229	1,55	44,37
<b>9</b>	<b>Istanbul</b>	<b>Beyoğlu</b>	<b>225</b>	<b>1,52</b>	<b>7,20</b>
10	Kocaeli	Merkez	214	1,45	31,98
11	İzmir	Konak	213	1,44	19,47
12	İstanbul	Eminönü	205	1,39	6,55
13	Ankara	Yenimahalle	163	1,10	14,05
14	Antalya	Merkez	162	1,10	42,65
15	İstanbul	Zeytinburnu	157	1,06	5,00
16	Kocaeli	Körfez	148	1,00	22,06
17	İzmir	Aliağa	146	0,99	13,39
18	İzmir	Bornova	146	0,99	13,34
19	İstanbul	Fatih	133	0,90	4,26
20	İstanbul	Beşiktaş	132	0,89	4,23
...	...	...	...	...	...
	<b>Total</b>		14,772		

On the way to become a world-service city, the competitive capacities of Şişli and Beyoğlu districts in various aspects are vital to the city. The urban functions together with high land and property values in those districts today create pressure over study area in terms of questioning redefinition of its urban identity in the regional scale.

Other than its central location with reference to its surrounding region, Piyalepaşa-Dolapdere axis has good accessibility that supports questioning redefinition of its present identity. It has a direct connection to major highway of the metropolitan area, which means that a great portion of the people visiting the adjacent central districts should pass throughout the study area. When the scope and variation of activities in adjacent districts, Şişli and Beyoğlu, are considered, the traffic created for transit purposes within the area is considerably high. On the way to become a world city, Istanbul has to come up with the problems associated with the quality of life especially in inner city districts that affects the image and the global marketing capacity of the city directly. Study area suits with the concept of the research as a deprived inner city locality with its critical location laying in-between prestigious districts located in CBD.

Contrary to its driving forces, Piyalepaşa-Dolapdere region has a bad image in terms of its existing spatial and socio-economic structure that contradicts with the future development objectives of the centre of Istanbul. It has a deteriorated built environment with vacant or under-used lots, considerably low-quality housing pattern on small parcels not bigger 100 m<sup>2</sup> and outdated technical infrastructure. The site also suffers from the acute socio-economic conditions. Unemployment, limited job opportunities, marginal sectors together with social exclusion, crime, and ethnic tension are other disadvantageous characteristics.

Briefly, the area has several site-specific and social disadvantages in one hand, but many competitive advantages on the other, which a typical inner urban area contains in general that it is selected in relation to scope of the present research.

### **5.2.2. The Aim and Objectives of the Case Study**

The case study aims to examine the potential of competitive advantages/disadvantages and assess the marketability of the study area to initiate economic revitalization. Identifying the capacity for marketability of a distressed region is important to better understand the types and levels of public and private participation which is needed for a successful revitalization process. U.S. Environmental Planning Agency makes good identification for levels of marketability as (EPA 1996):

- Low Marketability; in which public sector should be in the leading role,

- Marketable for specific groups; in which alternative mechanisms for public-private partnerships are needed,
- Highly Marketable; in which private sector takes the lead.

According to such classification made above, “public assistance may come in the form of direct funding or with re-zoning, deregulating or permitting processes”. Or it may consist of “providing tax incentives or funds for cleanup and/or redevelopment” (EPA 1996). Marketability analysis in the study area will provide information for the prospects to be directed for redevelopment. If the case study is highly marketable it is then expected to make use of its competitive advantages to attract private sector investment. If not, then it will not be redeveloped under private market forces alone. Besides the site-specific advantages such as location, accessibility, land values or the social capital, existing policies and plan decisions are also the factors that affect the level of marketability. Therefore, the case study work is also expected to reflect both efficient and deficient aspects of the existing policy directions and legal instruments of the local authorities over the concerned area. In respect to this, case study critically questions redefinition of the policy directions and legislative provisions in Turkey with reference to the inferences made in the case study work at the final.

### **5.3. Realization of the Competitive Capacity of Case Study Area in Different Levels of Context**

In order to evaluate the competitive capacity of “Piyalepaşa-Dolapdere axis and its environment” it is important to examine its socio-economic and spatial competitive capacity within the wider context starting from the metropolitan scale specifying through the local scale. This would help more adequately predict the results of economic trends and spatial formations that will affect the future development of the case area and also develop recommendations for regeneration.

#### **5.3.1. The Competitive Capacity of Istanbul as the City Itself**

Examination of the competitive characteristics of the Istanbul is necessary as the first step, since it will provide information about the spatial distribution of urban functions in the city. It will not only give the current land-use patterns in districts, but

also give clues about the current development trends and the future attributed values to different localities by planning decisions. Within the scope of the case study it is necessary to determine the role and the function attributed to the central business district including Şişli and Beyoğlu where the case area is located. The competitive capacity of Istanbul here should be evaluated both in the global and national scales. Its competitive features in both global and national scales will directly affect the vision of city and the development objectives of the city centre respectively.

### 5.3.1.1. Strategic Position of the City within the Global Context

Istanbul is, today, not only the most crowded city and the biggest growth pole of Turkey, but also the largest urban centre in Europe with a population more than 10 million which is larger than total country populations of many European countries as well (See Table 5.2). It stands to be a mega-city rather than a world city with a population more 10 million, covering more than 250.000 hectares divided into 32 districts and 73 municipalities other than greater city municipality.

Table 5.2 Comparison of Population of Istanbul with Populations of Several Countries in Europe  
(Source: Türkçe Bilgi 2005)

Istanbul	Austria	Finland	Ireland	Norway	Swiss	Switzerland
10,018,735 (2000)	8,184,691 (2005)	5,223,442 (2005)	3,524,100 (2005)	4,015,676 (2005)	9,001,774 (2005)	7,489,370 (2005)

There has been experienced an economic restructuring process all over the world after the mid 1970s and the effects of the process continued until the 1990s. Change in production modes and deindustrialization with respect to the economic restructuring process have led to significant changes in economic and spatial structures in American and European cities. This restructuring has led to deindustrialization and specialization on commerce and service activities. The leading position of rising service sector has given way to emergence of the finance-trade-management based global centres where banking and financial services, logistics and distribution, productive services and commercial activities are concentrated.

Today, the reflections of this emerging new service-based economy of the late 20th century still continue. The new economy of this century has put “competitiveness”

at the heart of urban growth. All these trends related to globalization process have also been lately observed in Istanbul after the 80s. However, the scope of industry has not decreased as much as in the cases of popular global cities but decentralized while commercial activities, international trade, transportation and logistics together with other service sectors have gained importance. Its service city function is today mostly based on its financial centre character with existence of the head offices of banks, national and international level of stock and gold exchange and increasing foreign investments. Apart from being commercial and financial centre with a well-established service sector, the city acts as a major centre for tourism in the international context. The city is known by its unique beauty and natural assets stemming from being located on both sides of the Bosphorus as well as its historical heritage which attract tourists from all over the world for years.

Global centres in other words the world cities are the urban centres which increasingly depend on multinational financial services and are linked to the circulation and realization wealth. World cities can be defined as: major sites for the accumulation of capital; command points in the world economy; headquarters for corporations and multinational enterprises; important hubs of global transportation and communication; intensified areas of social polarization and points of destination for domestic and international migrants. The most well known examples for those are London, Tokyo, New York, Frankfurt and such. Despite the competitive attempts within the global arena, Istanbul is, according to the classification made by Beaverstock, and his friends (1999), is listed in the group of Gamma cities, where London, Tokyo, New York and Frankfurt are stated as Alpha cities. The Gamma cities have been defined as cities that must have global services for at least in two sectors and at least one of those sectors must be a major service provision. According to this, Istanbul takes place within the major centres in the list of global advertising service centres and between the minor centres in the lists of global banking service centres and global legal service centres (Karaman and Baycan-Levent 2001, Baycan 2003, IMP 2006).

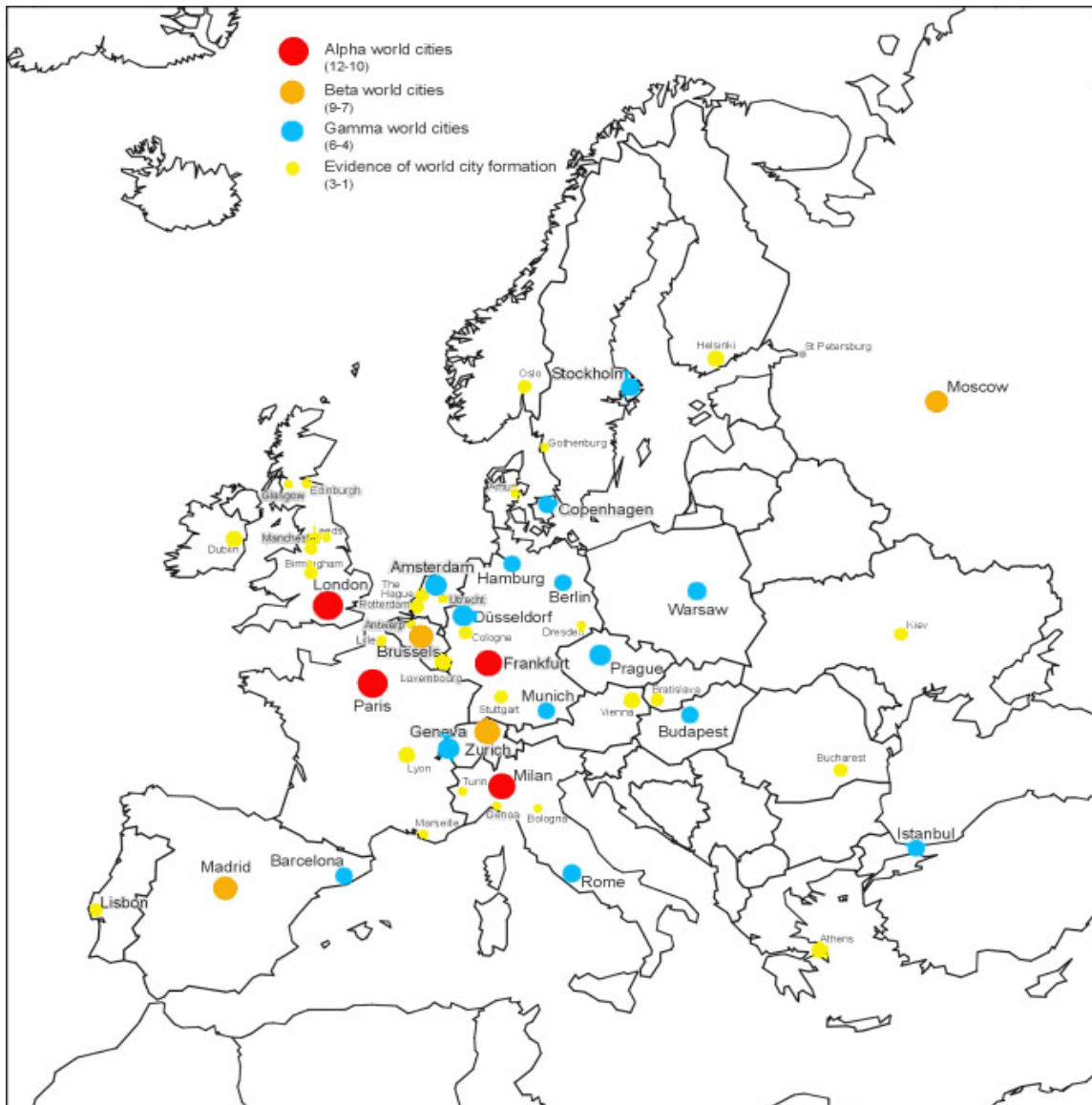


Figure 5.2. Classification of Global Cities  
(Source: Beaverstock 1999)

World cities must take into account its large size, complicated land use by ensuring; mobility, employment, housing, public services and historical and natural assets. However, despite the efforts to construct a stable position among today’s world cities, Istanbul still suffers from variety of urban problems. When contrasted with world cities, Istanbul reflects a highly polarized socio-economic and urban spatial structure in terms of several criteria (Appendix B). Although being city in Turkey where the highest tax revenues per capita collected, Istanbul is still not sufficient enough to ensure the necessary level of public investment per capita and several public services because of the vast population.

Quality of life standard index (QLI), which is prepared between the biggest metropolitan areas in the world by Population Crisis Committee in Washington, reflects the urban life standard in cities which is determined according to several indicators such as housing standards, telecommunication, health, education, traffic circulation, human safety, living environment, air pollution and such. According to the QLI, Istanbul still finds place in the 3rd group with several other mega cities representing relatively low standards values (IGM 2004).

Table 5.3. The Biggest Metropolitan Areas Classified According to the Quality of Life Index (QLI)  
(Source: IGM 2004)

CITY	INDEX VALUE
<b>1. Group High Standard</b>	
Montreal, Canada	79
Seattle, USA	78
Toronto, Canada	75
Tokyo, Japan	74
Sidney, Australia	73
Singapore	71
Berlin, Germany	67
Boston, USA	64
Budapest, Hungary	64
<b>2. Group Medium Standard</b>	
London, England	62
Moscow, Russia	61
Hong Kong	59
Barcelona, Spain	57
Athens, Greece	56
Ankara, Turkey	55
Lisbon, Portugal	53
Nanjing, China	44
<b>3. Group Low Standard</b>	
Sao Paulo, Brazil	43
Rio de Janeiro, Brazil	43
Bangkok, Thailand	39
Dhahran, Iran	38
<b>Istanbul, Turkey</b>	<b>38</b>
Manila, Philippines	37
Cairo, Egypt	32
Lagos, Nigeria	17



Regardless of the apparent urban problems, the attempts to create a more competitive basis within the international context has provided the city in recent years a long-term vision, strategic objectives and action oriented-policies which is expected to contribute to overall economic growth and wealth creation. Today, an extensive strategy has been designed to position Istanbul as a regional centre for finance and services. These strategies are structured in three phases according to the visioning of ICC:

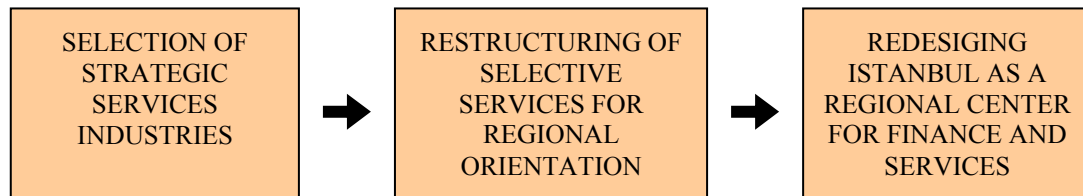


Figure 5.3. The Strategy of Creating a Regional Centre for Finance and Services  
(Source: ICC 2000)

This phasing necessitates identification of primary service industries that are directly related with the competitive capacity of the city in the global and national contexts and requires promotion of these service industries to a more competitive level.

Istanbul lies as a regional hub at the crossroads of intercontinental transportation routes and trade in a vast region including Europe, the Balkans, Black Sea, North Africa and the Middle East in road, rail, sea and air transportation (ICC 2000).

The city plays and will play in the future a significant role in the trade, transportation of goods and circulation of people both within and outside the region. It currently serves as a centre for management, marketing and orientation of transportation and forwarding services in the region. Istanbul today aims to become a regional centre for outside corporations as well as regional and local ones which are to play important roles in the regional and international trade, and provide services for the flow of the goods and services related to such trade. The city is expected to become central to the management of forwarding activities with the presence of IT based connections between the city and transportation units (ICC 2000). Parallel to the increased dynamism created by both foreign and national capital investments especially within the last decade, the city has concentrated on development of finance, communication and transportation infrastructure at the same time provision of housing, accommodation, cultural and entertainment facilities in order to contribute to the attraction of foreign investments (ICC 2000).

### 5.3.1.2. Strategic Position of Istanbul in the National Context

Istanbul is located in the Marmara Region in Turkey at the connection point of two continents. As to its strategic location, the metropolitan area and its hinterland constitute one of the biggest growth poles of Turkey. The city is at the top of the order of city centres by population size in Turkey. Annual rate of population increase in Istanbul has always been higher than the increase in Turkey. The population of Turkey has grown approximately five times in the last 80 years. In the same period, the population of Istanbul has grown 12.4 times of its initial population and reached up to 10,018,735 in 2000 (SIS 2000). By 2000, it consists of 15 percent of the Nation's population and 56 percent of Marmara Region as well.

**Table 5.4:** City and Village Population and Their Percentages in the Total Population of Istanbul  
(Produced from the SIS-Population Census Data 1980/2000)

	Population (in numbers)			Population (in percentages)		
	Total	City	Village	Total	City	Village
<b>1975</b>	3 904 588	2 648 006	1 256 582	100%	67.8%	32.2%
<b>1980</b>	4 741 890	2 909 455	1 832 435	100%	61,3%	38.7%
<b>1990</b>	7 195 773	6 779 594	416 179	100%	94,2%	5.8%
<b>2000</b>	10 018 735	9 085 599	933 136	100%	90,6%	9.4%

When the population profile is examined, only 37.8% of the population in Istanbul consists of the ones who were born in this province (SIS 2000). In fact, population by place of birth is the best indicator to show the level of the migration to Istanbul through time. This considerable migration has led to considerable the city's population profile in time. Whilst the minority population which was slowly losing its old economic prominence, the cultural life diminished as well, immigrants from abroad and incoming population from Anatolia defined a new demographic profile. This new profile affected the socio-cultural structure, consumption habits and the city's overall quality of life respectively. Other than the migration factor, the costs and benefits of globalization has, in fact, led to increased fragmentation of the city socially, economically and spatially. Today, Istanbul is marked by sharp inequalities with the elite higher culture on the one hand, the fringe culture on the other. The disparities between the metropolitan core and the periphery exacerbate social exclusion and

poverty. Istanbul is the second city after Adana in Turkey in terms of unequal distribution of wealth within the city. A significant proportion of low income families and unskilled labour force find housing accommodation and have access to cheap land in the peripheries. The concentration of wealth, employment and services in the central parts result in a sizeable and continuous commuting from the periphery to the city. However, inequality is also quite often observed within the centrally located prestigious parts and old dilapidated areas both socio-economically and spatially.

Despite the unequal distribution of wealth, Istanbul is still the biggest growth engine within the whole country. According to the analysis of State Planning Organization (SPO) made upon determining the urbanization levels of 35.446 settlements in 1982, Istanbul is accepted to be the only urban centre that is ranked in the seventh (highest) degree in urbanization levels as to its effectiveness in providing goods and services within the whole country. The city is also placed as the first among 81 provinces in the ranking of socio-economic development index prepared by SPO in 2003. It is the fourth city after Kocaeli, Bolu and Yalova with 4416\$ GDP per capita while its 2941\$ within the Nation (SIS 2000).

The position of Istanbul's position in terms of its economic performance within the overall country is extremely significant. Today, 23 percent of the Nation's GDP is generated from the metropolitan area of Istanbul among 81 provinces, representing approximately 13% of all working population in Turkey (SIS 1980, SIS 2003). While %50 of industrial firms is located in Istanbul, majority of the head-offices of other firms have also chosen place again in Istanbul. In addition, the city creates % 55 of total commercial activities within the country and % 25 of all national tourism revenues as well. However, on the contrary, according to 2000 population census, the unemployment rate of Istanbul, on the basis of international definitions, is 12.7% which refers approximately to 20% of the unemployment rate in the nation.

Table 5.5. Comparison of Istanbul with Marmara Region and the Nation (Produced from the SIS-Population Census Data 2000, SIS-Provincial Indicators 1980-2003)

Indicators	Istanbul	Marmara Region	Turkey
Population	10.018.735	17.679.293	67.803.927
Working population	3.471.400	6.806.927	25.997.141
Working population in services	1.851.030	2.904.289	8.719.693
Working population in industry	1.116.126	1.726.492	3.374.325
Workforce	3.977.241	7.560.458	28.544.359
Unemployed	505.841	753.531	2.547.218
GDP by agriculture (billion TL)	119	2.390	15.962
GDP by industry (billion TL)	9.846	17.569	33.738
GDP by services (billion TL)	16.314	25.158	69.089
GDP total (billion TL)	26.278	45.117	118.789

While the growth rate of agriculture is below, the growth rate of industry and service sectors both in Marmara Region and in Istanbul is considerably above the general growth rate of these sectors in Turkey. All the employees in the city is distributed among sectors by; 32% in industry sector which is nearly one third of the whole country, 18,7% in commercial sector, 36% in service sector and extremely small (8%) in agriculture respectively.

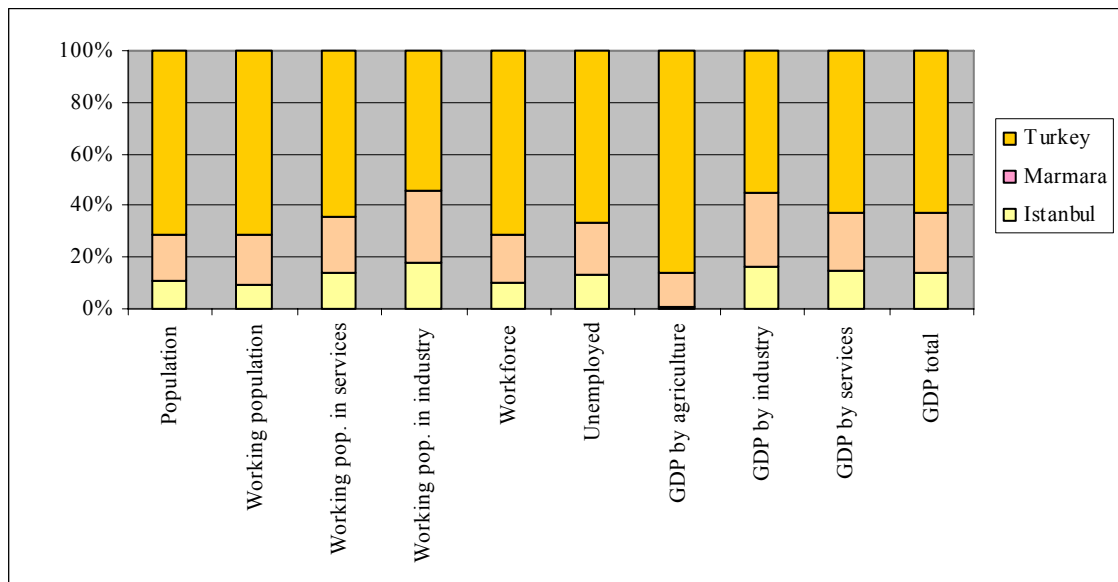


Figure 5.4. Share of Istanbul in Marmara Region and Turkey by Significant Indicators (Produced from the SIS-Population Census Data 2000)

In global cities of Europe, working population in agriculture do not exceed %2 and working population in industry sector ranges between 12%-16%, while working population in service sector has a share mostly over 80% supporting the advocates relating the level of urban growth to the share of service sector.

With reference to such approach, Istanbul is still below the required level in contrast to the other global centres, in terms of the share of service sector. However, Istanbul is, today, in a continuous restructuring process to become a world city within the global context. This transformation makes creation of a vision and certain development and restructuring strategies crucial at the governmental level as well as the local level. Although there are varieties of priority development areas in eastern and south-eastern parts of Turkey, the high level of investments with incitement per capita in Istanbul shows that the city has and will have in the future nationally a strategic position as the major growth engine for the national economy.

### **5.3.2. The Competitive Capacity of Beyoğlu and Şişli Districts within the City Context**

After realizing the competitive characteristics of the Istanbul both in global and national scales, the wider surrounding region of the case area is to be analysed in the second step since the area is situated in a critical position within the city layout. It is located in the borders of Şişli and Beyoğlu, the districts which include majority of the CBD functions. The share of each district in the contribution to generation of GDP is considerably high in contrast to other district. As mentioned in previous pages Şişli is the first district in ranking of all the districts nationwide, while Beyoğlu is the fourth in ranking of Istanbul's and ninth in ranking nation's districts. Since then the analysis of the case area in regional level becomes much more essential than the analysis in local level.

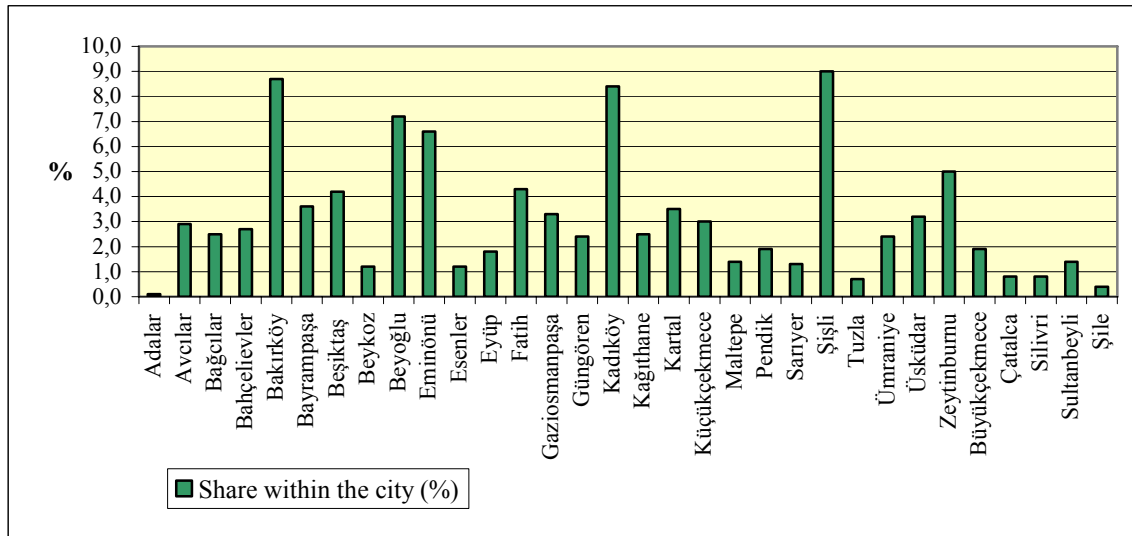


Figure 5.5. GDP of Districts by 1996 (Produced from the data of ‘Social Structure Project Research’ of IGM 2004)

In the light of indicators determined in third chapter, socio-economic characteristics as well as the spatial development dynamics of Şişli and Beyoğlu are assessed in this part. This has provided information about the competitive characteristics of the region in the city scale and the urban planning pattern including current development trends and attributed roles for the future development.

### 5.3.2.1. Demographic Characteristics of Beyoğlu and Şişli

Istanbul has experienced a continuous growth of population for decades in accordance with the rapid industrialization process. With population growth, the urban macroform also expanded through time. The newly emerging districts surrounding the old town continued to gain population in contrast to the oldest districts located within the early CBD zone (Figure 5.6). Şişli and Beyoğlu districts the one of the oldest built areas in Istanbul. In the early settled old districts such as Fatih, Eminönü, Beyoğlu, Şişli, Eyüp, Beşiktaş, Üsküdar, Kadıköy, and Beykoz, population growth have not been significant when contrasted with other districts in the metropolitan area. Population in those districts is stabilized by the year of 2000 and their share within total of city population has diminished in time respectively. Contrarily, in lately developed areas and peripheral districts population has continuously grown with the effects of migration.

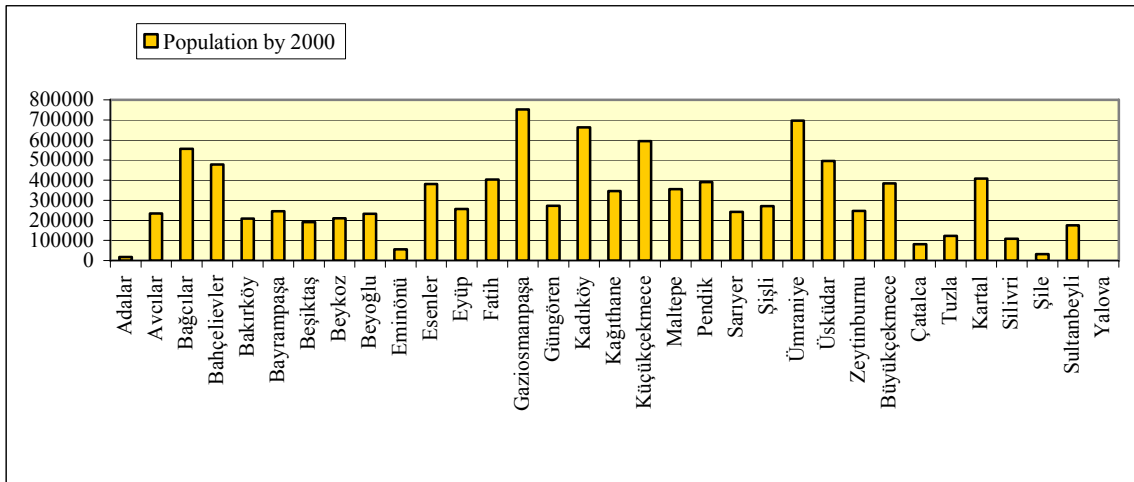


Figure 5.6. Population Distribution of Districts by 2000 (Produced from the SIS-Population Census Data 2000)

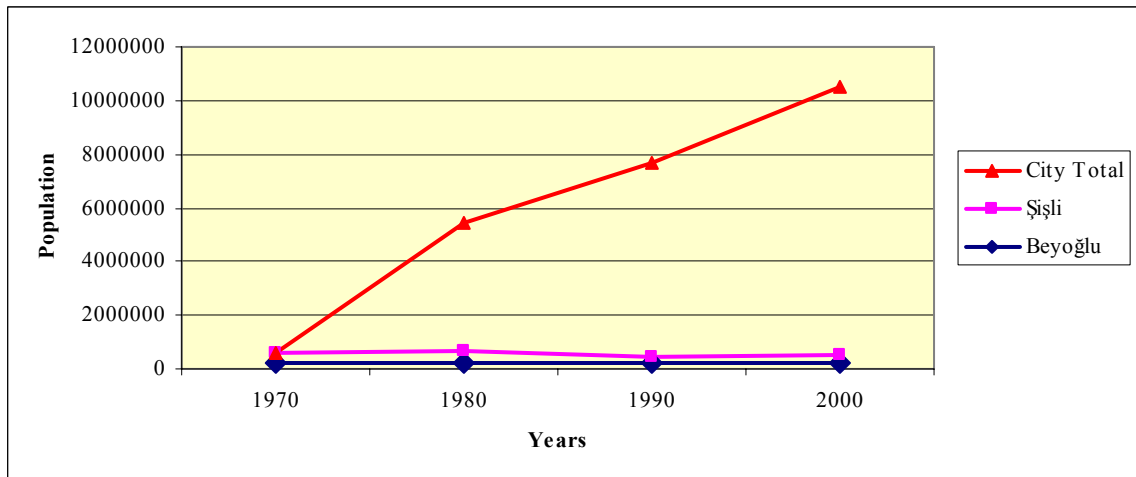


Figure 5.7. Change in Growth Rate of Population of Şişli, Beyoğlu and Istanbul by Decades (Produced from the SIS Population Census Data 1970, 1980, 1990, 2000)

Beyoğlu district is totally early built urban centre in Istanbul. Majority of its neighbourhoods are in the form of historical building pattern. Therefore, Beyoğlu is one of the six most densely populated districts within the city (Figure 5.8). Şişli consists of quite lately developed neighbourhoods besides the older ones. Population density in the district seems to be very low in comparison to Beyoğlu. However, the case study area is located in the central and early developed parts of Şişli which reflects that the population density in the case study area is high.

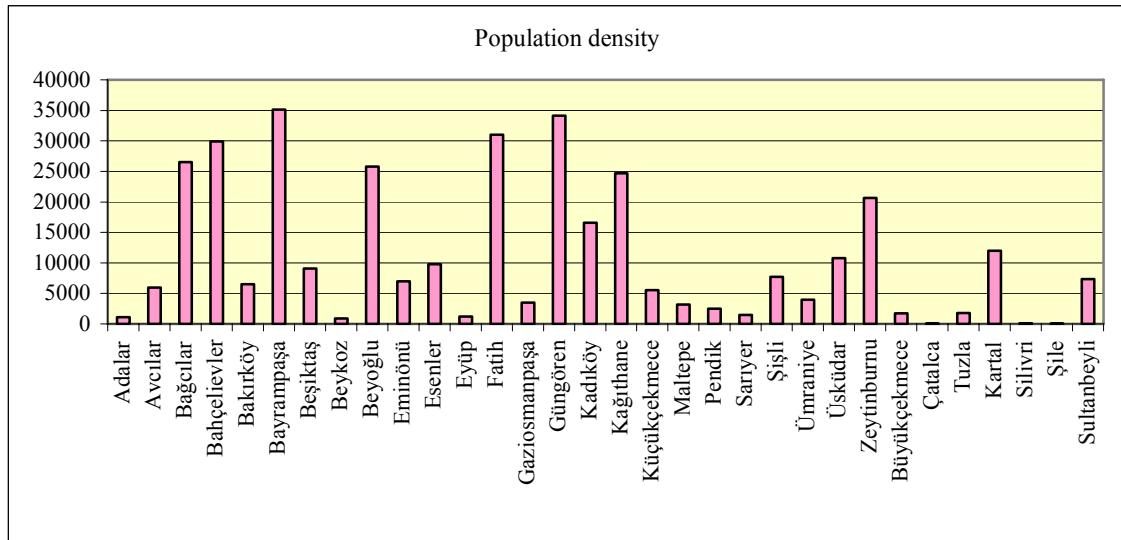


Figure 5.8. Population Density of Districts by 2000 (Produced from the SIS-Population Census Data 2000)

### 5.3.2.2. Industrial Characteristics of Beyoğlu and Şişli

The scope of industrial production and GDP created by the industrial sector in Istanbul has been always peculiar for both regional and national economies. The first industrial concentration appeared in Historical peninsula in Istanbul, but has lately begun to decentralize outwards. In accordance with the regional policies on urban planning for the metropolitan area of Istanbul, this decentralization is forced to continue in the medium term. Large scale industrial activities are planned to shift towards the organized industrial areas outwards the city. As well as the relocation decision of large scale industries within the hinterland of the metropolitan area, small and medium size industrial production units are also on the way to move to the organized industrial areas and small industrial sites around the city according to the decisions taken in the master plans.

On the basis of the proposal to become a regional finance and service centre strategy adopted by the consensus of the tiers of policy makers, Istanbul needs:

- To become a regional centre focused on high order service activities beyond its borders and,
- To go through a restructuring process with a transition from industrial production to service production.



However, today, there is a considerable amount of land which is 104.767.075 m<sup>2</sup> is occupied by industrial facilities distributed among approximately one-third of all the districts within the city. 52% percent of most of the middle-scale and bigger industrial establishments and approximately 40% of most of the labour power is employed in industrial sector in Turkey was located in Istanbul in the early 1980s, the period in which the country went under an economic restructuring. Although the stress on increasing the economic efficiency is shifting from the industrial sector to the service sector within the metropolitan area of Istanbul, labour power in industrial sector still occupies 32% of overall active economic population out of the agricultural sector in the city (SIS 1990). Today, 10.476 hectares of area is under use of industrial activities including 1.250.000 different establishments.

When the distribution of manufacturing industry among the overall metropolitan area is examined, it is seen that the industrial establishments are concentrated on especially 11 districts in the west side which are Büyükçekmece (%7,6), Küçükçekmece (%7,3), Güngören (%6,7), Zeytinburnu (%6,2), Bağcılar (%6), Kağıthane (%5,5), Bahçelievler (%5,3), Şişli (%5,3), Bayrampaşa (%5,1), Gaziosmanpaşa (%5,1), Avcılar (%4); and in 4 districts in the east side which are Ümraniye (%6,9), Kartal (%4,7), Tuzla (%3,9) and Pendik (%3,8). The distribution of working population in this sector throughout the districts is parallel to the distribution of industrial plants. Unlike Şişli, the share of Beyoğlu in distribution of manufacturing plants and the share of working population in this sector is considerably low in the city.

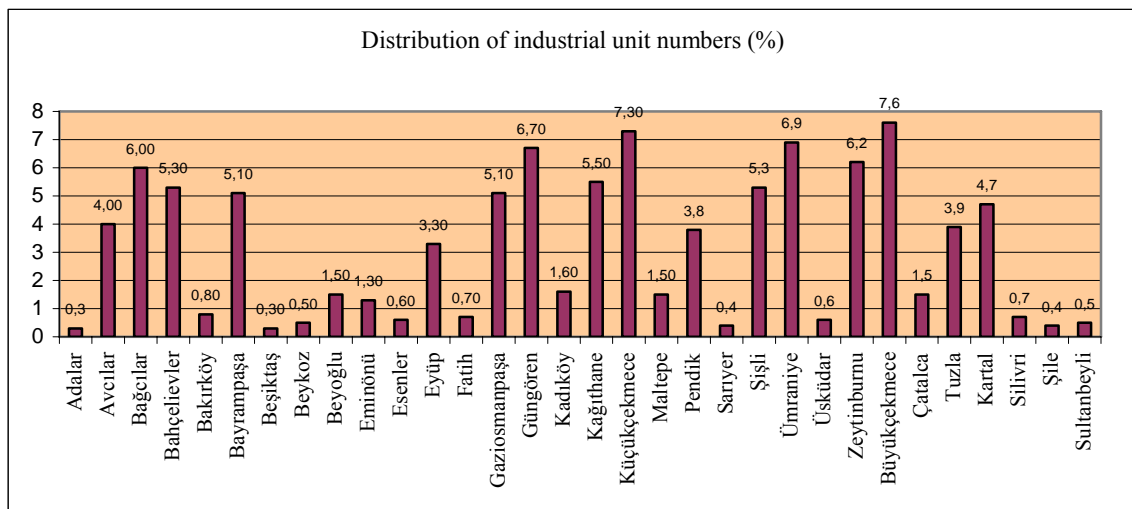


Figure 5.9. Percentage Distribution of Manufacturing Industry Units throughout the Districts (Produced from the data of IMP in 2006 about 2000 census of firms made by SIS)



Figure 5.10. Percentage Distribution of Working Population in Manufacturing Industry throughout the Districts (Produced from the data of IMP in 2006 about 2000 census of firms made by SIS)

The firms that used governmental incentives are mostly located on Bayrampaşa, Güngören, Küçükçekmece, Ümraniye, Büyükçekmece and Tuzla. As expected, the governmental incentives are mostly concentrated on districts where major industrial activities are mostly concentrated on districts where major industrial activities are mostly chosen location. But, although Şişli and Beyoğlu are in secondary consideration among the all districts in terms of distribution of industrial activities, they still contain considerable shares in distribution of governmental incentives.

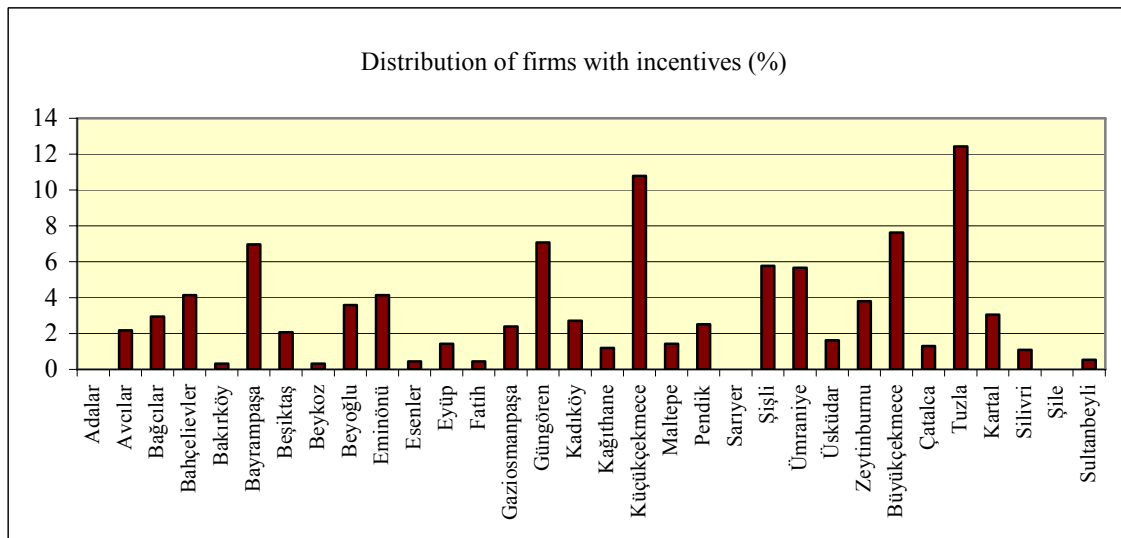


Figure 5.11. Distribution of Firms that used Governmental Incentives (Produced from the data of IMP in 2006 related to the list of firms using incentives distributed by Undersecretariat of Treasury between 2002-2005)

In contrast to the distribution of industrial establishments and working population in the industrial sector, the advantageous position of Şişli and Beyoğlu districts become more distinctive when they are examined according to location of big industrial establishments. According to the research of “the first 500 biggest industrial establishments” made in the national level in year 2000, 206 establishments among 500 are located in Istanbul and %74 of which have chosen place in the west side, and %26 of which in the east. Distribution of the establishments in the west side is parallel to the general distribution of manufacturing industry according to the sides within the city. Majority of those establishments which are located in the west side have chosen location mostly in Beşiktaş, Şişli and Beyoğlu (IMP 2006).

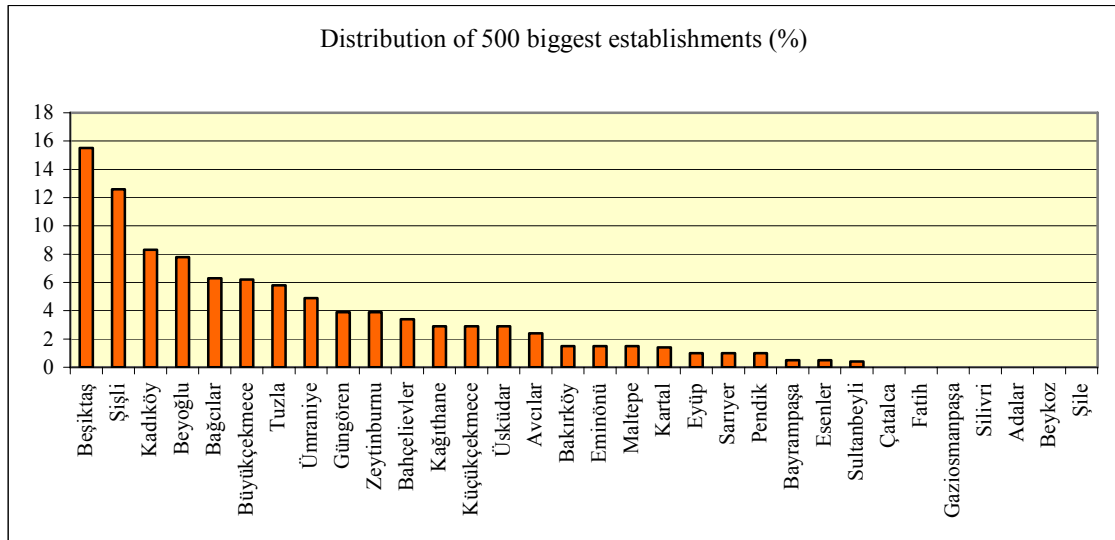


Figure 5.12. Distribution of 206 Establishments from the Biggest 500 Establishments in Turkey through Istanbul’s Districts (Produced from the data of ICI-First 500 Biggest Industrial Establishments, 2003)

From another point of view of a criterion, there are 969 industrial establishments in Istanbul with capital foreign investments. 118 establishments among those 969 use foreign direct investments (FDI) with a share of 12.2%; the remaining 851 establishments are the ones that use multinational capital investments with a share of 87.8%. FDIs are mostly accumulated in Şişli ve Beşiktaş districts. Şişli is the first district with 22 percent and Beşiktaş is second with 18.6 percent within the city where majority of all FDIs are located. Similar to this, Şişli with 15.9% and Beşiktaş with 14.8% are again the first two among all of the districts within the city where majority of multinational capital investments are located. Beyoğlu ve Kadıköy are the other

subsequent districts that have the greatest shares in distribution of overall capital foreign investments throughout the city. When the distribution of FDIs among the districts according to different sectors is examined, it is observed that the investments in Şişli, the district with the biggest share in distribution of investments, are accumulated on electrical and optical equipments manufacturing; chemical products and artificial fibers manufacturing and other productions which are not classified elsewhere. Beyoğlu is also one of the major districts where FDIs mostly took place. The investments in Beyoğlu are generally concentrated on the sectors similar to the ones in Şişli district which are Chemical products and artificial fibers manufacturing, Textile and textile products manufacturing; and Electrical and optical equipments manufacturing and other productions which are not classified elsewhere (Figure 5.13). The investments using multinational capital are mostly made on chemical products and artificial fibers manufacturing, textile and textile products manufacturing in Şişli district. Beyoğlu district has the third biggest share in distribution of investments with multinational capital which are made generally on; Machinery and machinery equipment manufacturing; Chemical products and artificial fibers manufacturing; Electrical and optical equipments manufacturing; and other productions which are not classified elsewhere (Figure 5.14).

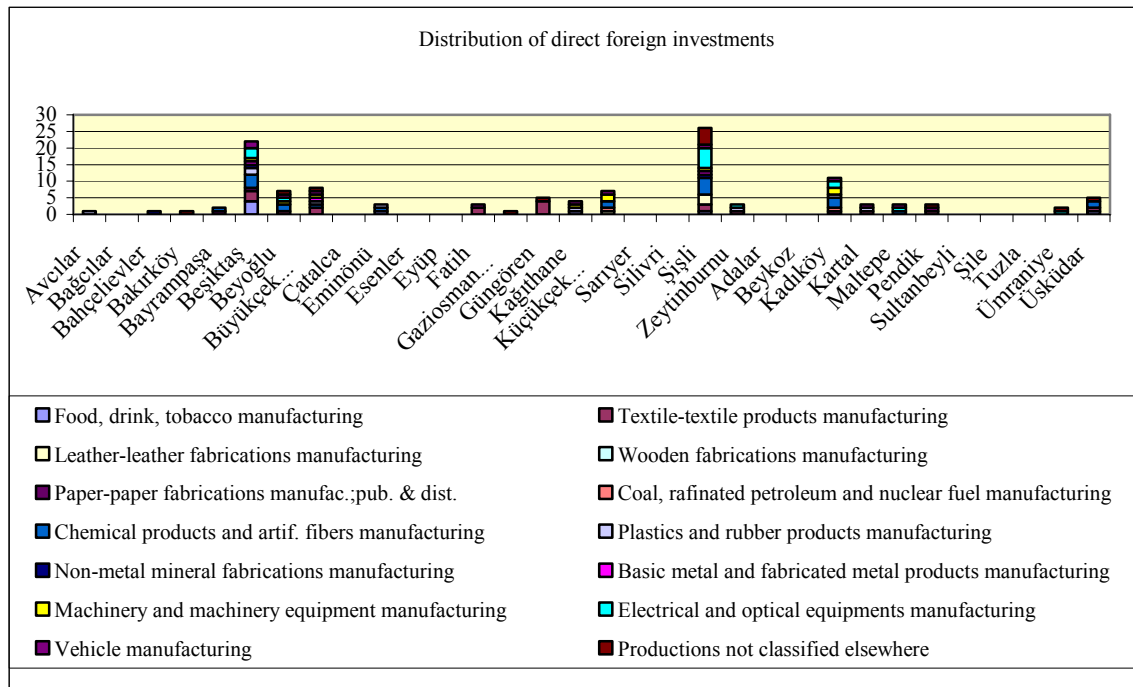


Figure 5.13. Distribution of Foreign Direct Investments (Produced from the data of IMP in 2006 related to the list of firms with FDIs by 2004-Undersecretariat of Treasury)

Even though the majority of the foreign investments are generally made on manufacturing industry, the districts such as Şişli, Beşiktaş, Beyoğlu and Kadıköy which have the biggest shares in distribution of those investments are mostly specialized in the service sector rather than in the industrial sector.

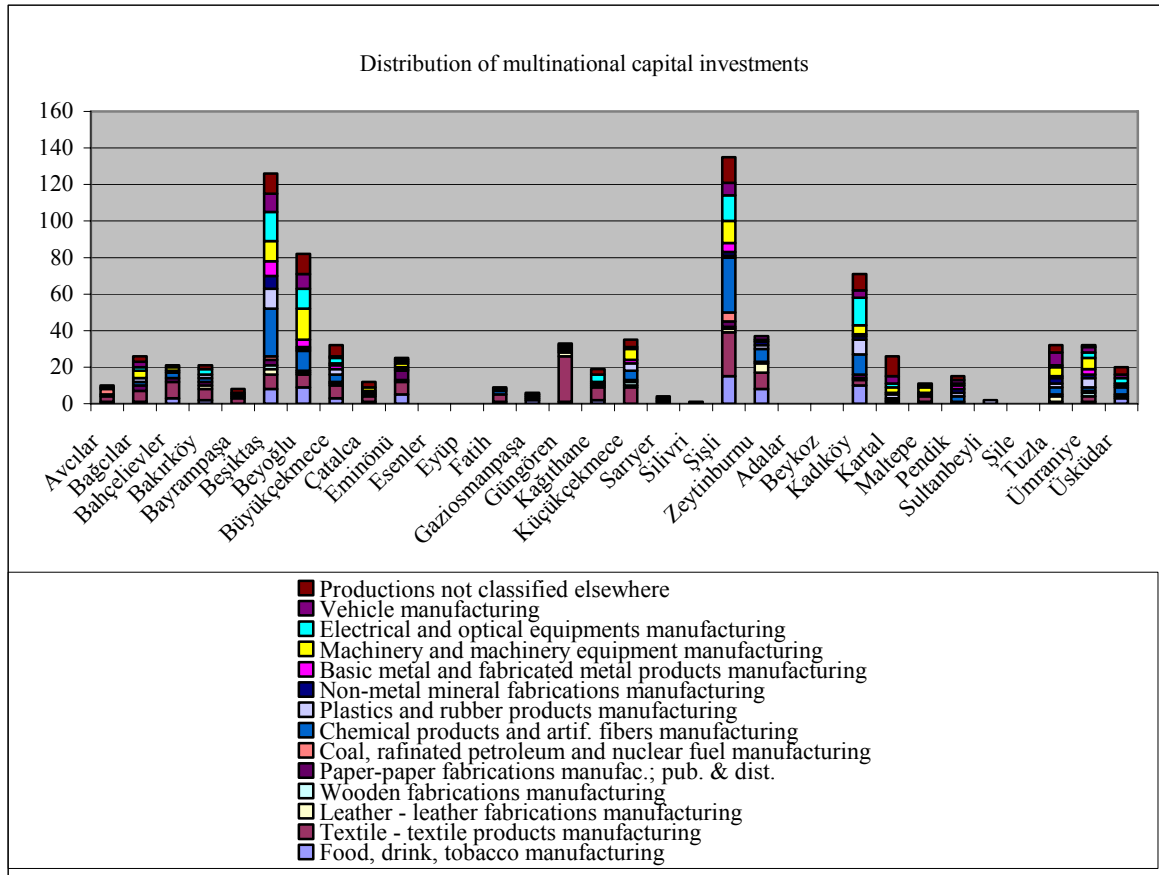


Figure 5.14. Distribution of Investments that use Multi-national Capital (Produced from the data of IMP in 2006 related to the list of firms with foreign investments by 2004-Undersecretariat of Treasury)

### 5.3.2.3. Commercial (Service) Characteristics of Beyoğlu and Şişli

The commercial activities are so vital for Istanbul that they figure out the weight of the service sector within the city. Service sector is the leading sector in the city with 59% share in working population occupied. Services are a diverse group of economic activities that include high-technology, knowledge-intensive sub-sectors, as well as labour-intensive, low-skill areas (OECD 2000). The activities which fall into the

description of service sector are so extensive that it includes all of the activity areas other than agriculture, mining and manufacturing industry.

All those activities can be analyzed by collecting them under different headings. According to the criteria of OECD, service activities can be grouped in 4 major categories which are:

- **Production services** referring to inputs which are sold to other firms and being used to increase production activities including all the finance, insurance, business services, real estate, banking, renting and leasing, accountancy, computer software and information processing services, advertising,
- **Distribution services** that carry out the products, information and people from one destination to another that are wholesale trade, retail trade, transportation, communication, storage and infrastructure,
- **Personal services** which present the final products to the households that are accommodation, catering, recreation, cultural and leisure activities and also domestic and information services,
- **Social services** which are separated from personal services since they do not have any market such as health, education, public management, funds, social security and such other services (OECD 2000, Wölfl 2005).

In variety of European countries today, the overall working population do not exceed %2 in agricultural sector while it ranges between %12 and %16 in the industrial sector. On the contrary, the share of working population reaches up nearly to %80s in the service sector (IMP 2006). The growth of service sector has exceeded overall economic performance for last several decades in many cities. This rising trend is expected to continue or even accelerate in the light of dominance of knowledge-based, service-oriented activities. Istanbul has always been the greatest growth pole of Turkey generating 23 percent of the Nation's GDP. Nearly one fifth of the overall working population in the service sector in the country already locates within the metropolitan area of Istanbul. Moreover, service sector is proposed to be the main sector for Istanbul's economy in the future. 32% share of industry in working population is proposed to decrease to %15-20 and 59% share of service is proposed by IGM to reach up to approximately %80-85 in the following two decades (IGM 2006). By the way, the dominancy of industry on the structure of labour power is planned to shift consequently through services.

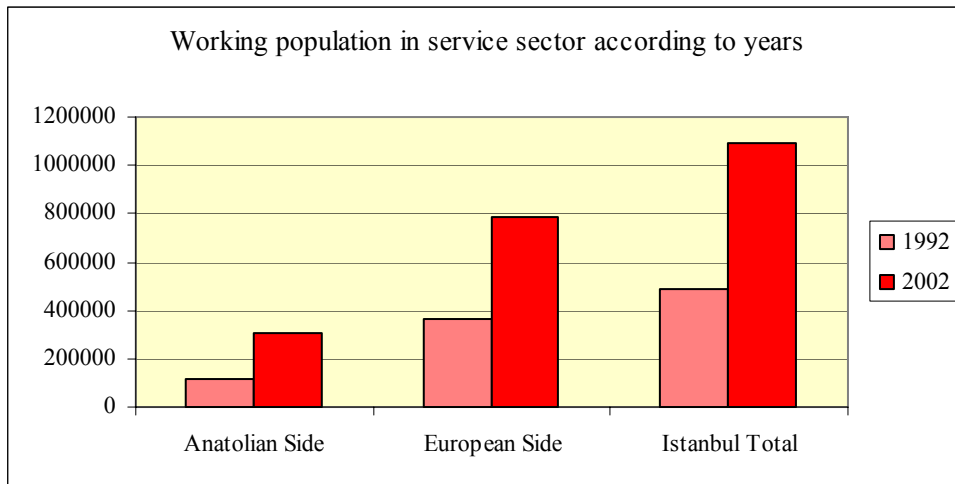


Figure 5.15. Increase in the Number of Working Population in Service Sector in Istanbul within Ten Years (Produced from the data of IMP in 2007 about 2002 census of firms made by SIS)

Analysis of location of service activities in the city is essential in order especially to understand the role of the surrounding region of the case study area in service sector. The location criteria for the service sector in the global scale ranges from the socio-economic and political structure and strategic position of the nation, national policies through the relationship with transportation network, labour structure, professional labour power, technologic infrastructure and the national security. Besides, it includes other several quotients in the local scale such as the structure of the urban economy, mode of transportation, accessibility and proximity to CBD, population, availability of labour power, vacant lands, construction permits, and potentiality of regeneration areas, spatial organizations, plan decisions, legislations and regulations (IMP 2006). Since then, distribution of service activities among the districts will reflect the major commercial nodes which make use of their advantageous position as to above criteria.

The activities that fall into the service sector in Istanbul can be firstly examined with reference to the categories put forward by the Directorate for Science, Technology and Industry of OECD (Wölfl 2005). According to the classification made for the registered members of the Chamber of Commerce, distribution of Production, Distribution, Social and Personal services among the districts emerges as in the following figure.

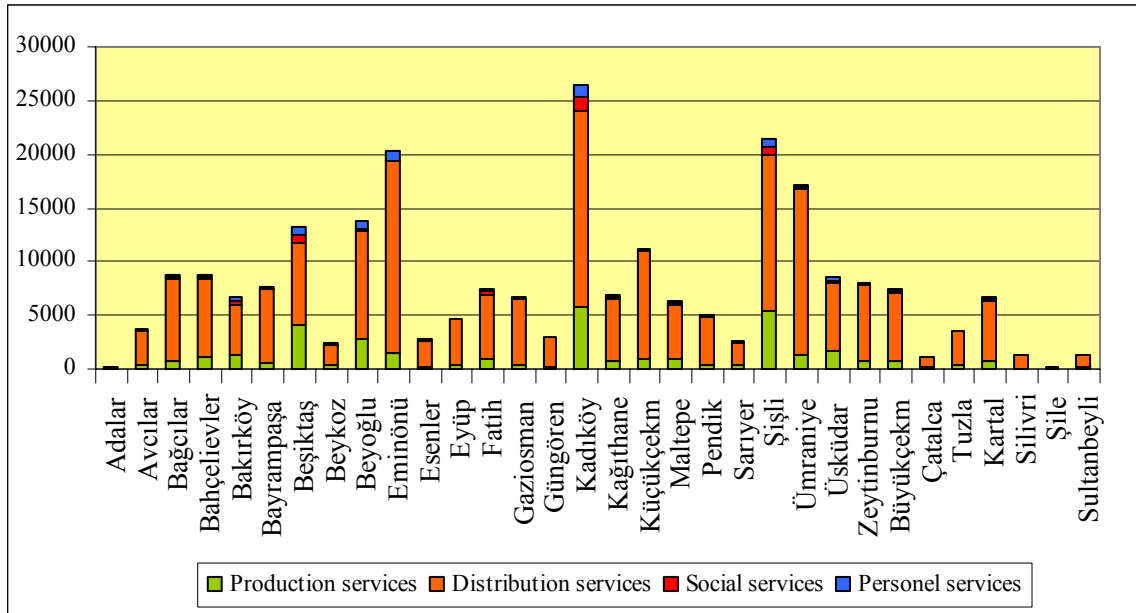


Figure 5.16. Classification of Service Activities According to the Chamber of Commerce (Produced from the data of IMP in 2006 about registered firms to ICC by 2004)

Number of firms in the service sector is concentrated in Şişli, Eminönü, Beyoğlu and Beşiktaş on the European side and in Kadıköy and Ümraniye on the Anatolian side. The above distribution at the same time corresponds with the number of registered firms of ICC as shown in the Figure 5.17.

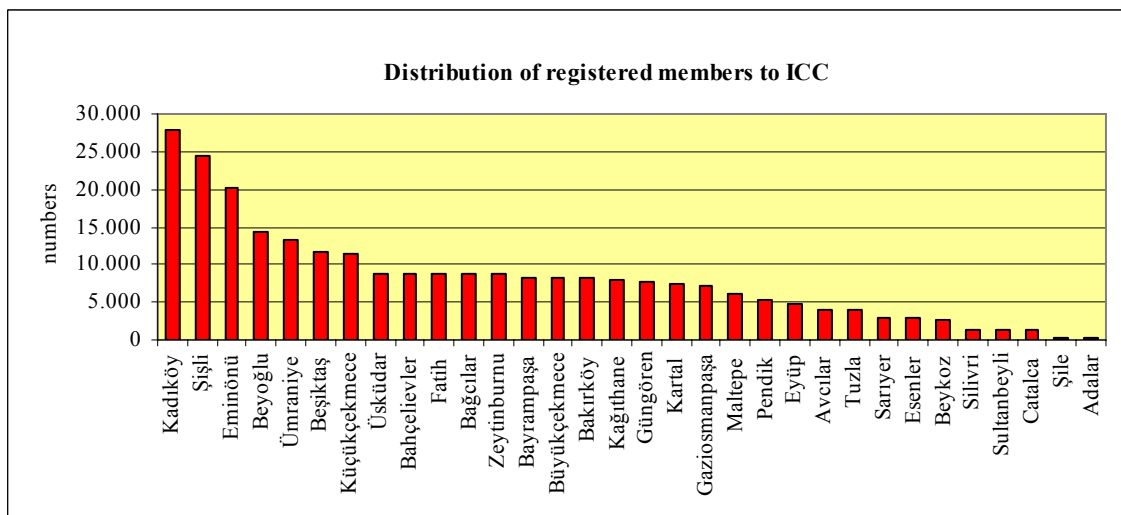


Figure 5.17 Distribution of Registered Members to the Chamber of Commerce throughout the Districts (Produced from data of ICC-‘Social and economic indicators of Istanbul’ 2000)



According to the study made by Istanbul Chamber of Commerce (ICC 2000) upon the urban restructuring of the city on the way to become a regional service centre, three major regions are foreseen to specialize according to the type of the services provided within this restructuring process in the medium term period. This specialization is offered with reference to the concentration of production, distribution and personal services in the last 25 -30 years. Those specializing regions are stated as:

a) a region with the centres of international and regional finance and service companies/institutions offering service in the market which is referring to the north-western area of Istanbul,

b) a region with national and international trade sectors and service sectors oriented to Turkey which is referring to the inner areas of the districts along the two shores of the Istanbul Strait (south-eastern area of Istanbul),

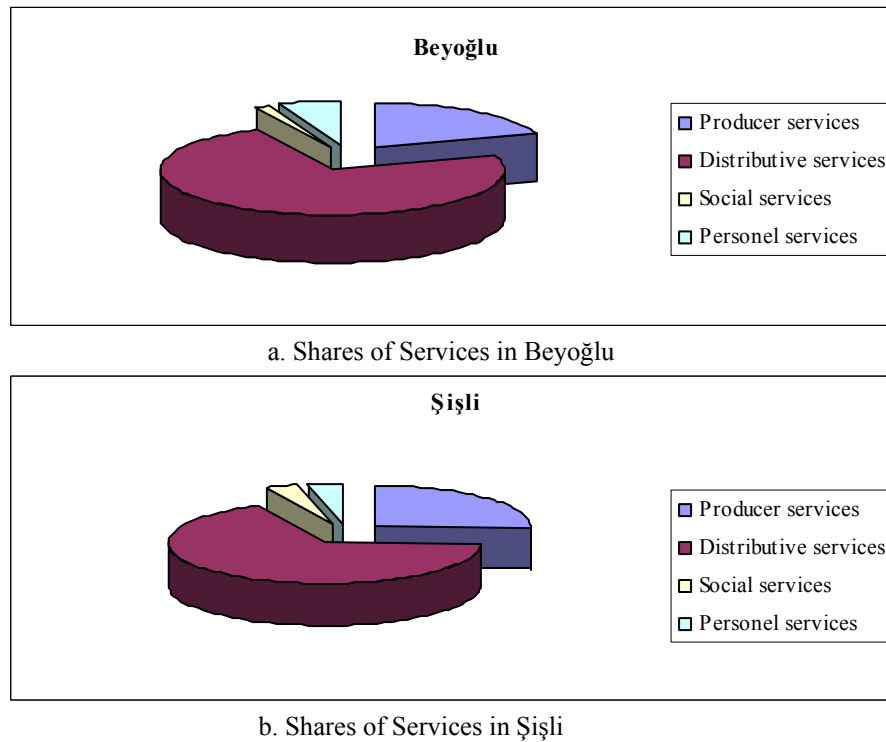
c) a third region offering services in the fields of history, culture, nature, entertainment, tourism, shopping, fashion, education, congress-exhibition which is referring to the old town-historical peninsula and north-western Istanbul including Nişantaşı, Beyoğlu and Taksim area (ICC 2000).

The above classification is important especially for the realization of the significant position of the surrounding region of the study area which is included within the third region above.

In the present day, it is observed that majority of the service activities except for the distribution services are located within the CBD. Kadıköy is the greatest district in ranking of the number of firms in production services with 5734 firms. It is followed by Şişli (5431 firms), Beşiktaş (4012 firms) and Beyoğlu (2728 firms). These four districts with the highest concentration of production firms generate 50% percentage of the overall production services in the metropolitan area. Similar to the ranking of the districts in distribution of production services, Kadıköy has the highest value with 18352 firms in terms of the number of distribution service firms. It is the most significant commercial centre of the Anatolian side. Şişli (14530 firms) and Beyoğlu (10162 firms) districts also take place within the first four districts in ranking of distribution services. Other than those two categories, when the distribution of personal services is examined, significance of the first five districts which are orderly; Kadıköy, Eminönü, Beyoğlu, Şişli and Beşiktaş, become more obvious. The share of personal services generated in those 5 districts is 53% of all of the city's personal services. Not surprisingly, social services are also concentrated in CBD of the overall metropolitan

area. But, especially they are considerably high in Kadıköy with 21,05% share, Şişli with 11,77% share and Beşiktaş 10,9% share in the city total.

According to the analysis made upon the registered firms to the Chamber of Commerce, Şişli and Beyoğlu districts create a quite important region for the city where variety of services are accumulated. Şişli with the location quotient of 1.75 is ranked as the second and Beyoğlu with the location quotient of 1.18 is ranked as the fourth among 32 districts in the metropolitan area. Both of the districts prepare the considerable amount of production and personal services within the overall metropolitan scale. In the local scale, mostly distribution services and secondly production services are accumulated on Beyoğlu and Şişli districts. However, share of personal services should also be counted in order to understand on which kind of service activities of two districts are considerably specialized (Figure 5.18).



**Figure 5.18:** Percentage Distribution of Service Groups in Beyoğlu and Şişli a. Shares of Services in Beyoğlu b. Shares of Services in Şişli (Produced from the data of IMP in 2006 about registered firms to ICC by 2004).

When the distribution of firms related to the service sector is studied with reference the latest census of firms made by SIS in 2002, Eminönü, Kadıköy, and Şişli again emerges as the top three ranking among the districts. Different from the analysis

made according to the data of ICC, Beyoğlu stands to be under the districts Gaziosmanpaşa, Fatih and Küçükçekmece (Figure 5.19). However, it is not a contradicting situation since Gaziosmanpaşa and Küçükçekmece are also significant sub-centres within the metropolitan area serving within their hinterlands.

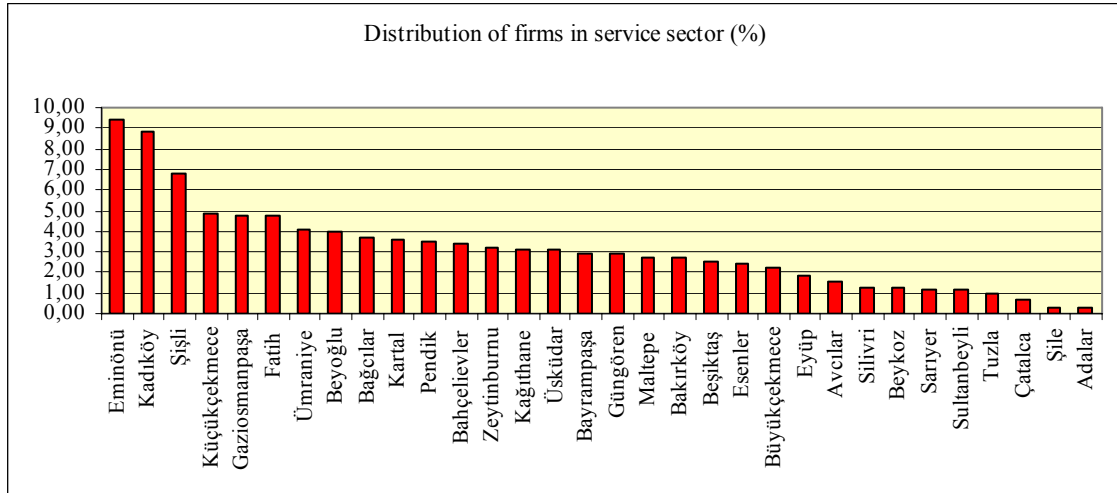


Figure 5.19. Percentage Distribution of Firms in Service Sector throughout the Districts (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

In contrast to distribution of firms, distribution of working population in the service sector according to the data of SIS is similar to the analysis made according to the data of ICC. It is seen that districts with the highest values about working population in service sector are parallel to the concentration of the service firms registered to ICC.

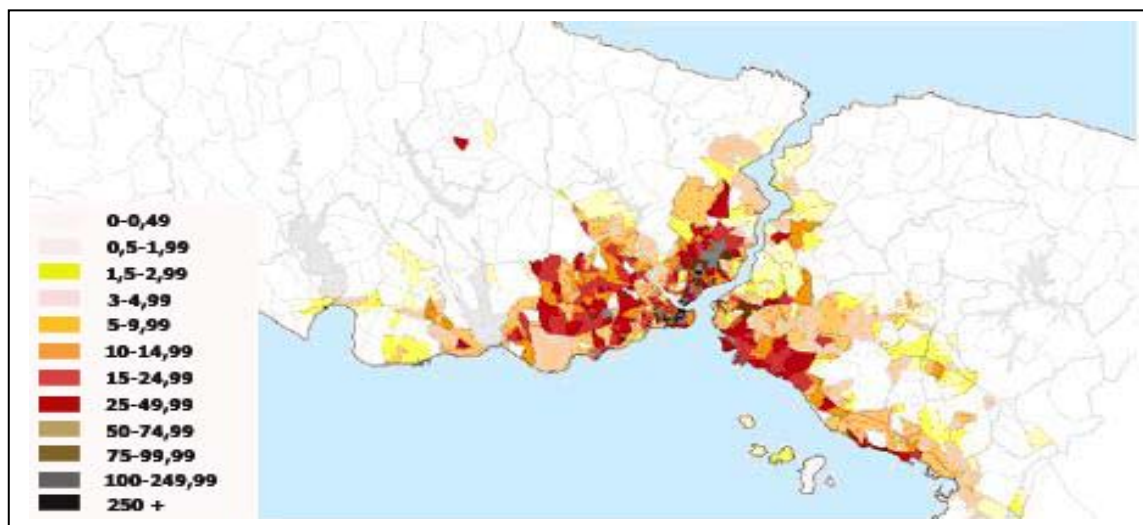
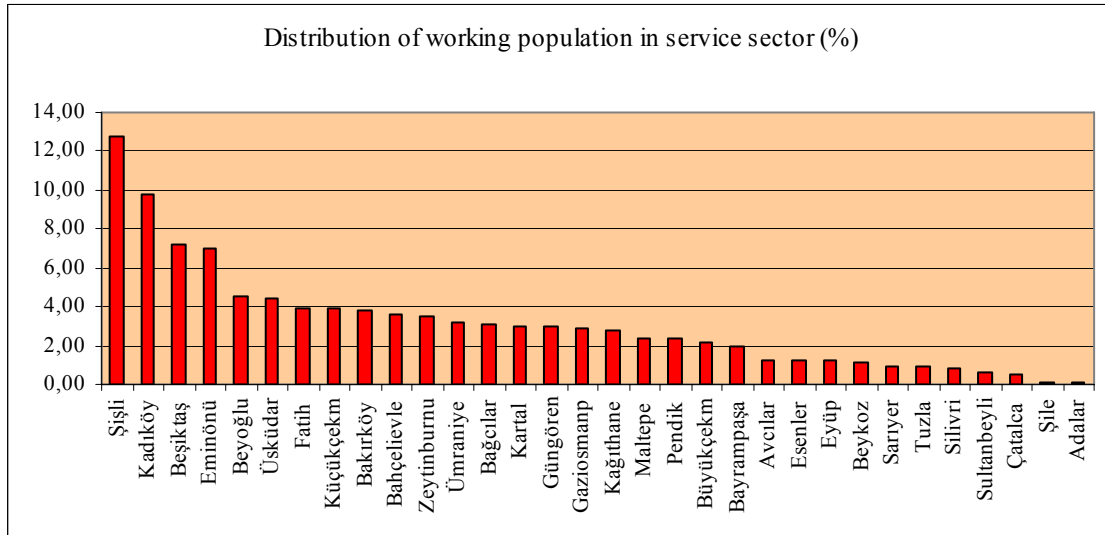


Figure 5.20. Densities of Working Population in Service Sector within the Neighbourhoods (Source: IMP 2006)

Working population in the services is especially concentrated within the neighbourhoods of the districts located in the CBD which are Eminönü, Kadıköy, Beşiktaş, Şişli and Beyoğlu. Şişli is the first district with the biggest share in the city which is 12,79% of total, while orderly Kadıköy (9,78%), Beşiktaş (7,22%), Eminönü (6,97%) and Beyoğlu (4,52%) are the following ones in which the number of working population in services are highly concentrated.



**Figure 5.21:** Percentage Distribution of Working Population in Service Sector throughout the Districts  
(Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

52% of all the firms counted under the service sector are located in the European side while the remaining 48% are located on the Asian side. The number of employees occupied under a firm logically gives idea about the scale of that firm. Within this frame of reference, from all of the service units within the city, the firms with bigger sizes are mostly concentrated on the districts within the CBD area or on the sub-centres. Accordingly, Beşiktaş with approximately 11 persons per unit and Şişli with 8 persons per unit are the first two districts in terms of the ranking of average size of working population in service firms within districts. They are followed by Üsküdar (5,51 person/firm) and Bakırköy (5,43 person/firm). As seen from the Figure 5.22, Beyoğlu is yet again the fifth district in ranking of the concentration of firms with highest number of employees. Beşiktaş, Şişli, Üsküdar and Beyoğlu are the major districts that already take place in the CBD. Besides, Bakırköy is also an important sub-centre on the west of the European side. Although it is the most significant district on the Eastern side, Kadıköy unexpectedly remains behind the above districts and Beyoğlu as well.

The service firms located in Kadıköy and in the rest of the following districts are relatively small scale firms when contrasted with the ones with highest unit numbers.

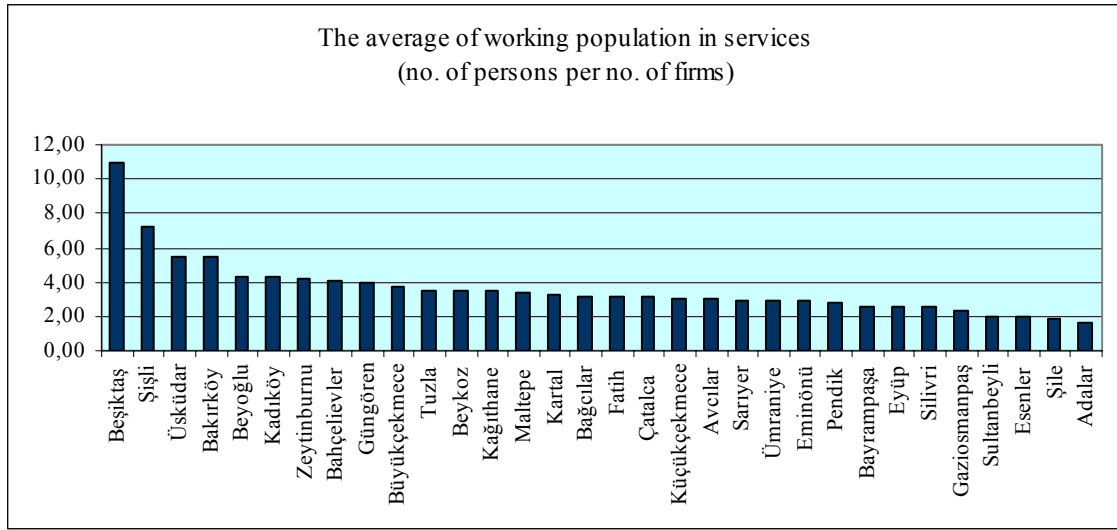


Figure 5.22. The Average Sizes of Service Sector Firms in Districts (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

Generally, the service sector has had a considerable growth especially in the last two decades and expected to continue to grow in the city. Within a ten-year period between 1992-2002, it is obviously seen from the Figure 5.23 that the number of service firms have increased in majority of the districts or even doubled in districts which have recently emerged as significant sub-centres such as Küçükçekmece, Ümraniye, Büyükçekmece, Kartal and Pendik. The reason for choosing the years 1992 and 2002 in addressing the level of change is that the available data about census of establishments in the related sector is held by in those specific years. Further from the centres, the situation for the service sector for the CBD has not changed significantly. Eminönü and Kadıköy has been expectedly the first two in concentration of firms in both years. Because Eminönü on the West side and Kadıköy on the East side serves as central business districts on different sides of the Bosphorus for decades. Following, Şişli has experienced a substantial increase and become the highest third district in concentration of service units. This is partly the result of lately developed neighbourhoods in Şişli like Maslak which is specialized in strategic business services today. On the contrary, the number of service firms in Beyoğlu has stagnated in ten year period. While being the third in ranking of districts according to concentration of service firms in 1992, Beyoğlu has fallen behind lately developed sub-centres; Küçükçekmece and Gaziosmanpaşa

(Figure 5.23). This is mostly because Beyoğlu hardly attracts investments for construction as to the barriers occurring from the regulations in historical urban conservation areas.

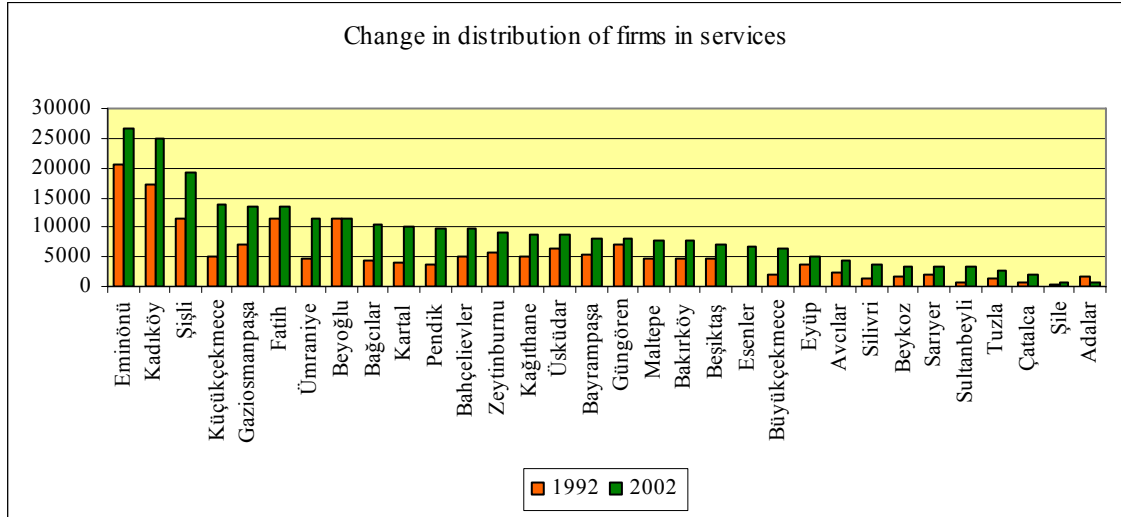


Figure 5.23. Change in Distribution of Service Sector Firms within Ten Years (Produced from the data of IMP in 2006 about 1992 / 2002 census of firms made by SIS)

The process of change in distribution of working population in service sector within the same period (1992-2002) has been similar with the distribution of service firms throughout the districts. Şişli, Eminönü and Beyoğlu has been orderly the first three districts in concentration of working population in services. In the period 1992-2002, working population in services has enormously increased in sub-centre districts as well as the centrally located districts. In contrast, Beyoğlu has experienced a relatively small increase in number of service employees. By the year 2002, Şişli stands to be evidently the first district in concentration of service employees, while Beyoğlu is ranked as the fifth after Şişli, Kadıköy, Beşiktaş and Eminönü districts.

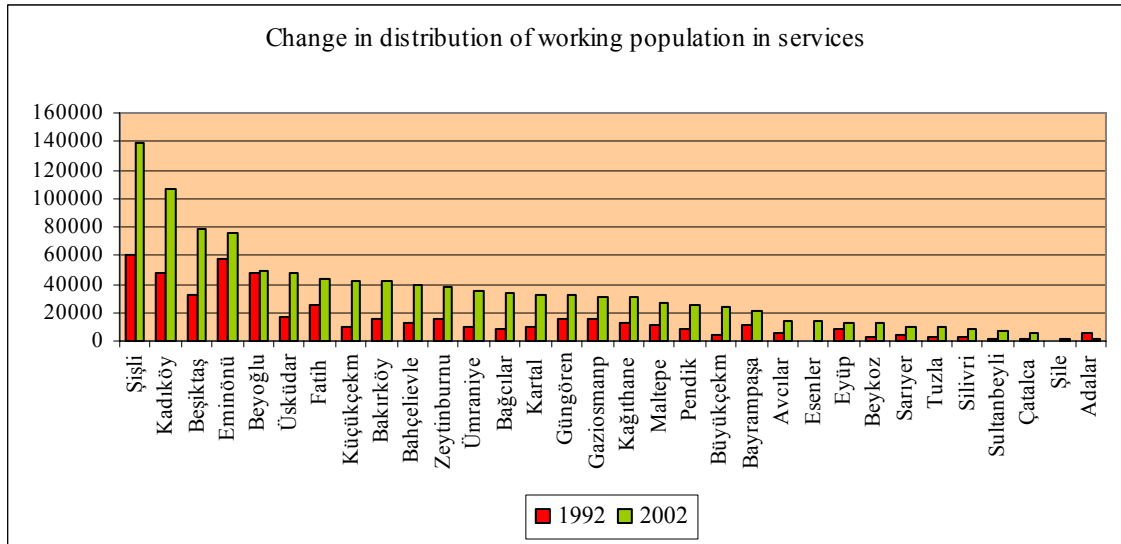


Figure 5.24. Change in Distribution of Working Population in Service Sector within Ten Years (Produced from the data of IMP in 2006 about 1992 / 2002 census of firms made by SIS)

While realizing the role of service sector in the city and respectively in the CBD, it is especially necessary to clarify the functioning of *production services* in details in order to understand its position in the region including Beyoğlu and Şişli.

***Production Services*** which are finance, insurance and real estate and business activities together with community, social and personal services have been the rapidly growing sectors increasing in many developed countries in the recent decades. The relative importance of transport and communication services in the total of service activities, on the other hand, has generally fallen as has the share of the distribution sector. (Çıracı and Erkut 1998, OECD 2007) This trend is quite distant from the economic structure of Istanbul within the nearest future. However, production services; especially strategic business services are in a continuous development process in Istanbul on the way to become a world service city. Production services including finance, insurance, real estate, consultancy, software activities, advertising, engineering and architecture have generally chosen location CDB area in Istanbul. Kadıköy, Şişli, Beyoğlu, Beşiktaş and Eminönü are the engines of the city in terms of concentration of income generating production services and the working population in those services (Figure 5.25 and Figure 5.26).

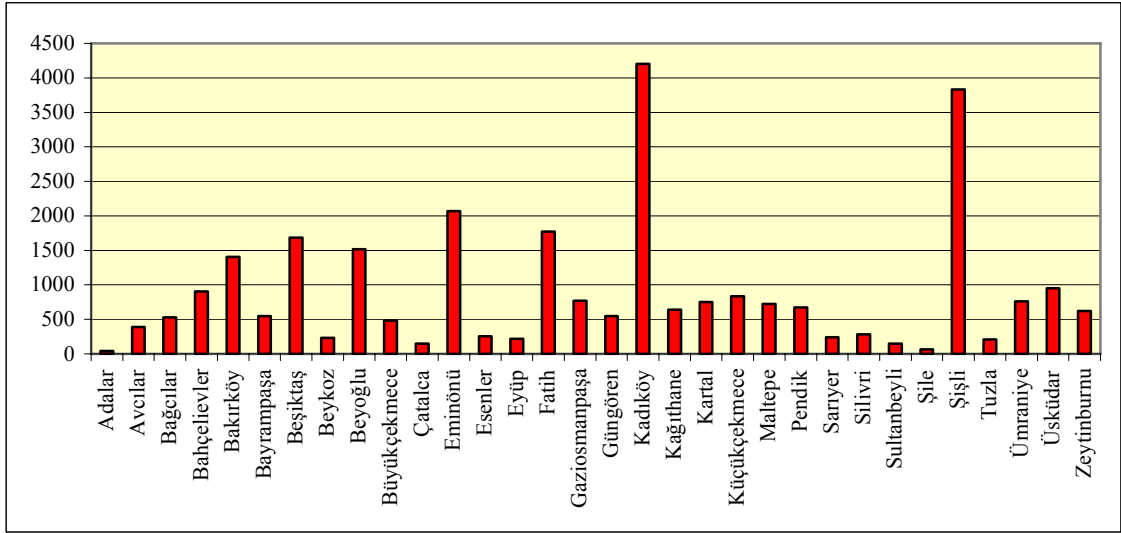


Figure 5.25: Distribution of Production Service Firms throughout the Districts (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

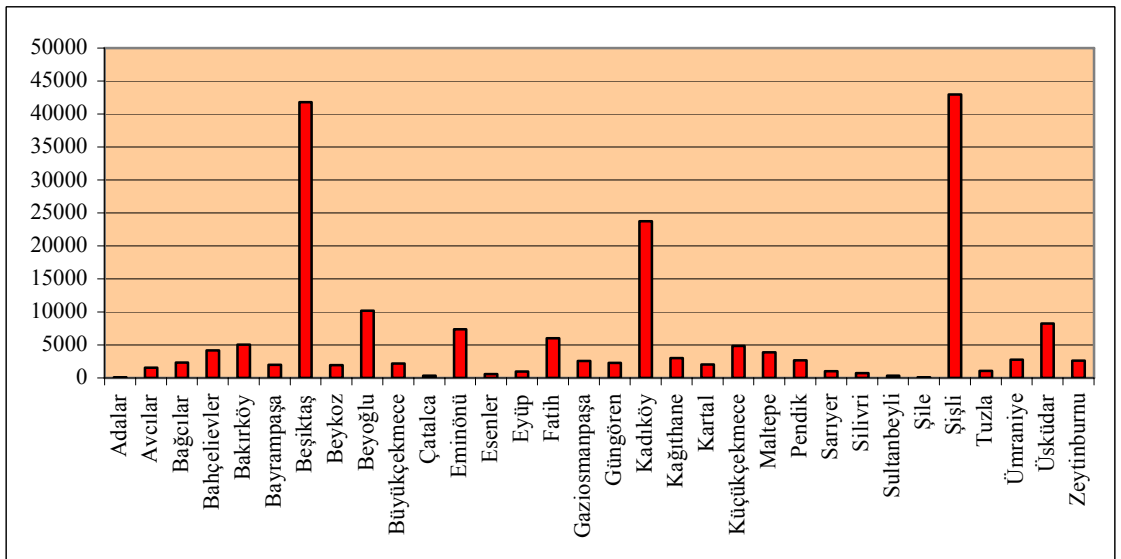


Figure 5.26. Distribution of Working Population in Production Services throughout the Districts (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

Especially Şişli and Beyoğlu have been the most attractive districts in location choices of production service firms for decades. Majority of the firms related to production services which are established especially in the period 1925-1985 preferred to locate in Beyoğlu and Şişli districts. Eminönü and Kadıköy followed them in concentration of production service firms in those years. Priority of Eminönü, Beyoğlu and Kadıköy in choosing location of such firms is parallel to historical spatial development of the city. Firms in production services continued to increase after 1985



as well. Beyoğlu and Kadıköy maintained their attraction in the following decade (1986-1995). From 1996 up to date the number of newly established production service firms have increased very noticeably that it has been more or less 10 times the number of the firms established in 1925-1985 period. Şişli, Kadıköy and Beşiktaş have been the mostly preferred ones by the new firms in that period while Beyoğlu has become steady in attraction of the firms mostly because of the historical and dense built environment. Parallel to this, firms in Beşiktaş and Şişli are the largest ones with the highest average number of working population when compared with the ones in other districts. Beyoğlu is ranked again as the fifth district according to the sizes of production service firms (Figure 5.27).

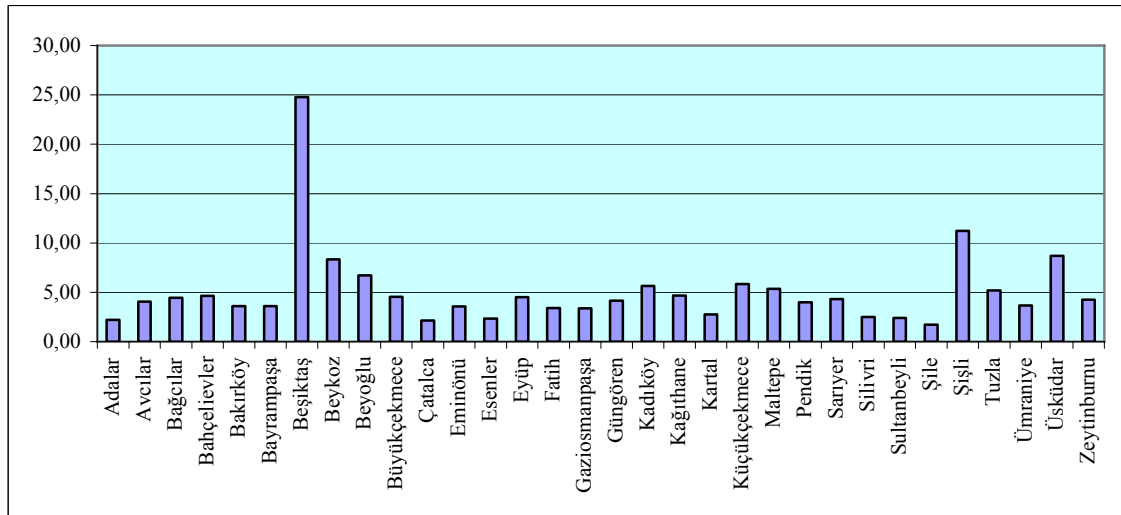


Figure 5.27: The Sizes of Firms in Production Services (Produced from the data of IMP in 2007 about 1992 / 2002 census of firms made by SIS)

### 5.3.2.4. Socio-cultural Characteristics of Beyoğlu and Şişli

Within the last quarter of the past century, the countries with economies depended on manufacturing industries have adopted new economies depending on information industries. Under the pressure of globalization process, majority of the world cities have adopted policies to lever their cultural assets and to develop strategic culture industries. As an example, cities like Manchester, Glasgow, Barcelona, and Bilbao have launched cultural flagship projects or tourism led regeneration projects in order to guarantee a prestigious place within the competitive arena. Culture industries refer to the production, distribution and consumption of products that have cultural

value. The activities that fall into such description consist of products related to visual art, music, literature, multimedia, software activities, graphics and web design, furniture and fashion and distribution and marketing facilities of those products such as museums, galleries, bookstores, theatres, cinemas and etc. as well. All those activities may at the same time be stated as personal services under the service sector.

Promotion of culture industries is one of the major policies developed for Istanbul related to the intentions about making the city ‘the cultural capital city of Europe’. Present cultural assets together with its natural and historical heritage is purposed to be enhanced in the future as well for increasing the city’s competitiveness on the global arena. When the concentration of all activities relevant to culture industries is examined within the city, Beyoğlu and Şişli, located in the CBD area, obviously appear as important nodes similar to the concentration of variety of service activities.

Table 5.6. Distribution of Cultural Facilities throughout the Central Districts (Produced from the data of IMP, 2006 and ICC-Social and Economic Indicators of Istanbul, 2005)

	Percentage distribution of							
	Cinemas	Theatres	Museums	Galleries and Exhibition Centers	Registered Chambers, Unions, NGOs	Charities	Congress Halls	Consulates
<b>Bakırköy</b>	9,52	4,00	6,00	1,15	1,20	2,50	8,00	1,75
<b>Beşiktaş</b>	12,24	14,70	18,00	8,75	4,10	16,50	23,00	25,50
<b>Beyoğlu</b>	10,20	26,70	28,00	57,15	15,90	15,50	29,00	37,25
<b>Eminönü</b>	0	0	36,00	2,38	13,80	8,50	7,0	1,75
<b>Fatih</b>	2,72	8,00	0	0	11,70	11,5	0	0
<b>Kadıköy</b>	21,10	17,33	4,00	10,32	7,50	9,00	0	1,75
<b>Şişli</b>	8,60	13,33	8,00	15,90	5,45	12,00	31,0	37,25

The cultural opportunities in Beyoğlu and Şişli are not limited with cinemas, theatres, museums and such. Those districts are also important centres where numbers of cultural activities are organized such as congresses and festivals. Each year more than 150 international, national or local festivals are organized in Istanbul. The festivals, according to data of 2004, are arranged in 22 districts in 176 distinct localities. Beyoğlu is the first district in concentration of festivals by hosting 31% of all. Şişli is the second centre with 20% and followed by Beşiktaş (%14), Kadıköy (%12) and Sarıyer (%11) (IGM 2006).

Other than the festivals, congresses which the city hosts represent Istanbul within the global scene as well. Istanbul is counted in front of many important European

cities like London or Amsterdam and placed as the 13th city in the world in terms of number of congresses held in 2005 (IGM 2006). When the distribution of congress centres are examined within the city, Beyoğlu and Şişli again appear as the first two districts including successively 30% and %32 of all congress centres in the city (Figure 5.28).



Figure 5.28. Distribution of Congress Halls on the European Side  
(Source: IMP 2006)

### 5.3.2.5. Tourism Characteristics of Beyoğlu and Şişli

The activities related to tourism are counted under the personal services of the service sector as well. However, it is better examine the distribution of those facilities by districts in order to realize the importance of the region consisted of Şişli, Beyoğlu and Beşiktaş districts in the city tourism. Tourism sector has always been and is expected to be in the future one of the important locomotives of income generating activities for Istanbul. There are plenty of places and monumental structures representing the historical heritage in Istanbul in addition to its unique natural attractiveness. As well as its natural and historical attributes, the recently increasing

numbers of organized fairs, congresses, festivals and other cultural, entertainment or sports events all contribute to the progress in the development of the tourism sector within the city.

Since Istanbul is proposed to rise as a cultural capital city for Europe, all the facilities related to tourism become also vital to the city. From this point of view, the role of Beyoğlu and Şişli again emerges considerably in contrast to the other districts. First of all, Beyoğlu is founded as the second district after Eminönü in consisting of the places for sightseeing for tourists (IMP 2006). Other than sightseeing, the area called ‘*Congress Valley*’ in which many international events are being held is located in the junction point of Beyoğlu and Şişli districts. Distribution of accommodation facilities among the districts in this sense is necessary to examine. Being a significant metropolitan area, Istanbul has a bed capacity of 80.162 which is greater than many well-known European tourism cities. As the Table 5.7 indicates, the great portion of available beds are provided by 4 and 5 star hotels with 38 percent together with the municipality licensed hotels with 37 percent. 2 and 3 star hotels with 20 percent take place in a secondary position when contrasted with those high quality facilities.

Table 5.7. Distribution of Accommodation Facilities throughout the Central Districts (Produced from the data of ICC-Social and Economic Indicators of Istanbul, 2005)

Districts	Bed capacities of					Total
	hotels up to 3 stars	4-star hotels	5-star hotels	other types	municipality licensed hotels	
Bakırköy	540	374	1964	0	85	2963
Beşiktaş	434	221	5346	82	97	6080
Beyoğlu	2081	5505	1594	1657	2848	13685
Eminönü	8028	3733	676	987	19659	33083
Fatih	2955	1097	1015	78	3781	8926
Kadıköy	694	304	400	0	866	2264
Şişli	208	571	4384	172	201	5536
Other districts	1960	613	2093	573	2026	8075

When the distribution of bed capacities throughout the districts is examined; it is seen that Eminönü comes first by containing 40% of all bed capacities in the city. Beyoğlu is the second district with 17% and Fatih is the third by 11% (Figure 5.29). In fact, Eminönü and Fatih especially distinguish from other districts by concentration of 2 and 3 star hotels. On the other hand, Beyoğlu competes in accommodation services by consisting of both economical choices (2 and 3 star hotels) with 13% and high quality

opportunities (4 and 5 star hotels) at the same time. It consists of 13% of all of the 2 and 3 star hotels and 24%, nearly the one-fourth, of all the 4 and 5 star hotels within the metropolitan area. Şişli, especially its lately developed neighbourhoods like Maslak, is much more specialized in supply of high quality accommodation. A number of 4384 bed capacity is provided in 5-star hotels located in Şişli. Another point to realize is that, concentration of 4-5 star hotels in Beyoğlu, Beşiktaş and Şişli zone (the current CBD area) contrary to concentration of 1-3 star hotels in the historical peninsula; points out an increasing trend in demand for high quality accommodation facilities especially in the central parts.

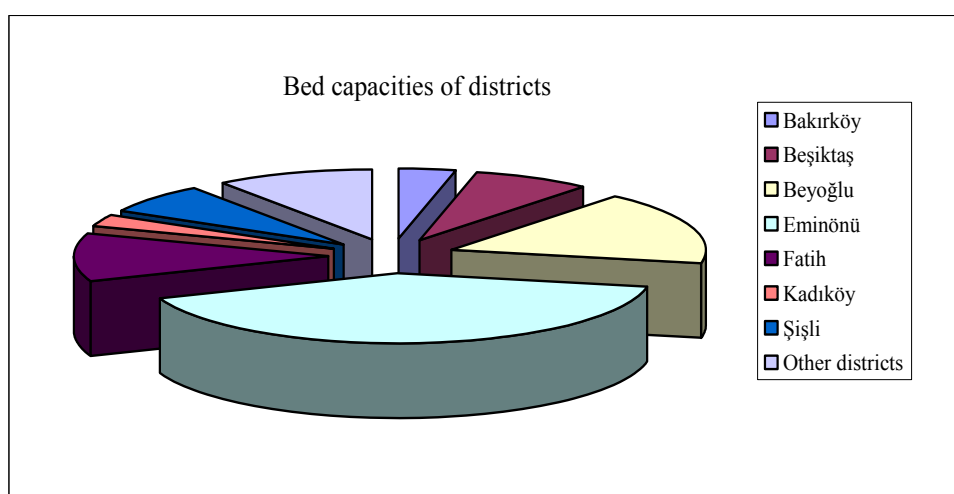


Figure 5.29. Distribution of Bed Capacities within Istanbul (Produced from the data of ICC-Social and Economic Indicators of Istanbul, 2005)

Other than accommodation facilities, eating and entertainment facilities are the other crucial services related to tourism sector. Eating and entertainment are anyhow the basic services for the overall city society. There are great many eating and entertainment facilities within the city, however, there are totally 488 business-licensed eating and entertainment enterprises that meet the criteria determined by the Ministry of Tourism. Similar to their position in distribution of accommodation facilities, Beyoğlu and Şişli districts are well distinguished in distribution of those 488 enterprises. As shown below, majority of them are located in Bakırköy, Beşiktaş, Beyoğlu and Şişli on the European side and in Kadıköy on the Anatolian side.

Table 5.8. Distribution of Eating and Entertainment Facilities throughout the Central Districts (Produced from the data of ICC-Social and Economic Indicators of Istanbul, 2005)

Districts	Business licensed eating and entertainment facilities (488 enterprises)					Municipality licensed eating and entertainment facilities	Total
	1. class restaurants	2. class restaurants	Cafes	Bars and entertainment facilities	Private licensed eating facilities		
Bakırköy	14	13	9	1	5	282	324
Beşiktaş	19	23	4	8	14	535	603
Beyoğlu	15	17	2	8	49	520	611
Eminönü	6	6	2	4	10	89	117
Kadıköy	18	22	8	4	19	1004	1075
Şişli	9	11	3	6	21	594	644

Further from the concentration of tourism related personal services above, another perception should be realized in evaluating the positive attributes of Beyoğlu in tourism sector. Istanbul is one of the most important destinations of maritime tourism in Turkey. There is a cruise terminal (Karaköy-Salı Pazarı Harbour) which is already planned to be redeveloped to increase its capacity with additional income generating activities. This cruise terminal is located on the coastal side of Beyoğlu district which has quite close distance to the case area. The proposal of a new cruise harbour with increased capacity and several additional facilities under a new international identity will certainly add a specific advantage to its surrounding district in terms of people and money flow as well as further concentration of port related activities.

### 5.3.2.6. Competing Features of Beyoğlu and Şişli with reference to Sector Characteristics

Analyses of location and scope of activities in different sectors in the city were essential in order to realize the role of the case study area with its surrounding region. Those analyses would also give clues for growth potential of those activities in the regional and city scales. Noticeably, the mentioned analyses indicate that finance, insurance and real estate and business services together with community, social and personal services are the most rapidly growing activities in the city especially in CBD. This rising trend in employment opportunities is expected to continue or even accelerate in the light of dominance of knowledge-based, service-oriented activities. Service sector

is proposed to be the main sector for the city economy in the future with an increase up to %80-85 in sector share and a decreasing effect in the share of industrial sector (Table 5.9).

Both Şişli and Beyoğlu have significant roles in carrying out the burden of the CBD functions. Şişli is the first and Beyoğlu is fourth district in contribution to GDP created over the metropolitan scale. They both take place within the first ten districts in ranking of the share of attained government incentives although where concerned incentives are mainly distributed for promoting industrial production as a national policy action. Similarly, both of the districts are placed within the first five districts in terms of attraction of foreign investments (FDIs & MCIs) in the city and location choice of the biggest establishments in the nation.

Being located in CBD, Şişli and Beyoğlu have high concentrations of production and personal services which has shown an immensely increasing trend in the last fifteen years. These services have strong growth potential also in the medium term in respect to direction of regional policies to raise the city a regional service centre. Both of the districts are highly competitive nodes in the metropolitan scale as realized from the growth trends of related service activities and employment change together with the direction of resources and of business investments.

Table 5.9. Competitive Capacity of Şişli and Beyoğlu According to Sector Analyses

		Size of the Cluster	Importance of Cluster to City	Growth Potential	Overall Ranking (among 32)	Remarks
<b>ŞİŞLİ</b>	Industry				8	Although cluster is an important source of city revenues, growth in district scale is flat.
	Production Services				2	Significant economic engine of the city with an increasing trend in district's employment.
	Culture				3	Significant contribution to the image of the city, inner investments increasing for the cluster growth.
	Hospitality & Tourism				5	Significant cluster in the district, inner investments increasing for the cluster growth.
	Entertainment				2	Significant cluster in the district, may grow in respect to increasing trend in personal sector employment.
<b>BEYOĞLU</b>	Industry				17	Does not represent a significant cluster for the district, does not even contribute to city's overall production.
	Production Services				5	Significant economic engine of the city with an increasing trend in district's employment.
	Culture				1	Major economic engine of the district, significant contribution to city image.
	Hospitality & Tourism				2	Major economic engine of the district, significant contribution to city revenues.
	Entertainment				3	Major economic engine of the district, may grow in respect to increasing trend in personal sector employment.
						Very High                      High                      Medium                      Low



### 5.3.3. The Competitive Capacity of ‘Piyalepaşa-Dolapdere Axis and its Environment’ as a Locality Itself

The analyses in the previous pages relevant to the larger environment of the study area point out that the concerned region plays an important role in terms of serving diversity of economic and social activities within the metropolitan scale. However, evaluation of the competitiveness of an area for a purposed regeneration requires area-specific analyses, which are expected to reflect the existing potential of physical, social, and economic circumstances. These area-specific analyses will rather contribute to the examination of location advantage and availability of local economic clusters together with realization of the area-specific disadvantages if exist.

In this respect, area-specific analyses are made according to the following groups of indicators each of which is expected to reflect advantageous/disadvantageous aspects of the study area.

- *Physical & environmental aspects* (location, accessibility, transportation network, urban spatial development process, ground conditions for construction, density of the built-up environment, condition of buildings and infrastructure)
- *Demographic aspects* (population change and density)
- *Planning & regulative aspects* (landuse pattern, ownership pattern, land and property values, availability of present public & private investments, plan decisions and construction permits)
- *Social aspects* (social profile of inhabitants, management and employee skills, attitudes, security considerations)
- *Economic aspects* (share of local firms and working population in different sectors within the regional context)

#### 5.3.3.1. Physical & Environmental Aspects of the Study Area

These aspects directly refer to the historical process and the limits of the physical development in Piyalepaşa and Dolapdere Axis and its nearest environment:

**Location** is the study area’s most powerful physical aspect. The site, with an area of approximately 180 hectares, is located on the junction of Beyoğlu and Şişli districts. Piyalepaşa-Dolapdere axis with its surrounds has a very central location within

the metropolitan area, having Tarlabaşı Regeneration Area on the south and Istiklal Street behind; Taksim Square on the southeast; Kasımpaşa and Golden Horn on the southwest; (old) central Şişli and Halaskargazi Avenue on the north; and D-100 highway on the northwest. The surrounding north, east and southern parts of the study area are all stated under the central business zone in the metropolitan scale.



Figure 5.30. Location of Case Study Area ‘Piyalepaşa-Dolapdere Axis and its Environment’ in the regional scale (Produced upon the basemap derived from Google Earth, 2007)

Study area has an advantageous proximity to the heart of the city, in which majority of economic, social and cultural activities take place and great portion of the highest land and property values are situated. The considerable amount of financial institutions, socio-cultural and political institutions as well as the commercial and leisure facilities are located in the neighbouring areas of Piyalepaşa-Dolapdere axis and its nearest environment. In addition to proximity to core activities, the area also has access to both inner city areas, coastal sides of Golden Horn and distant quarters on the outskirts with transportation connections. It is situated under the territories of partly in Beyoğlu and partly in Şişli Municipalities. The study area consists of 12

neighbourhoods, 8 of which, namely Bostan, Bülbul, Hacı Ahmet, Hacı Hüsrev, Kaptanpaşa, Küçükpiyale, Sururi Mehmet Efendi and Yenişehir, are located under the territory of Beyoğlu Municipality while the remaining 4, namely Bozkurt, Eskişehir, Ergenekon and İnönü, are located under the territory of Şişli Municipality (Figure 5.31).



Figure 5.31. Neighbourhood Borders within the Case Study Area (Produced upon the basemap derived from Google Earth, 2007)

Since majority of the data relevant to the case study is available in the neighbourhood level, borders of the case study area are determined with reference to the borders of above neighbourhoods that are adjacent to Piyalepaşa-Dolapdere axis.

**Accessibility and transportation infrastructure** are also strong characteristics that add value to location advantage of the study area. Porter's competitive advantages approach argues that there is a significant potential for expanding the inner city business base by building on the advantage of strategic location. In this context, case study area has indeed a very strategic location in term of its proximity to core functions of CBD and its accessibility. First of all, D-100 state highway (E5), which is the main spine of the European side of Istanbul, passes from the north-west with a direct linkage to the

case study area. Piyalepaşa Avenue, which was opened up in the late 70s, is a significant connection route to D-100 state highway (E5). It also has easy access to the connection road to reach the transit motorway (TEM). Piyalepaşa Avenue passes throughout the case study area and turns into Dolapdere Avenue on the northeast part of the case study area. Piyalepaşa-Dolapdere Axis connects highways to the city centre and carries out a great volume of transit traffic in the rush hours (Figure 5.33).



Figure 5.32. Orientation of Piyalepaşa-Dolapdere Axis within the Regional Scale (Produced upon the basemap derived from Google Earth, 2007)

Porter points out a strong attention on transportation infrastructure for the inner city localities to redevelop economically. According to him, existing transportation infrastructure of a distressed inner city locality should have the ability to attract new investments for an attempted economic regeneration. From this point of view, Piyalepaşa-Dolapdere Axis has a good potential to serve for the mobility of both residents and goods as to having direct access to highways, but, however, the service routes providing access through the neighbourhood adjacent to Piyalepaşa-Dolapdere

Axis do not have the ability to perform in case of an increase in the business activity proposed within a regeneration process.

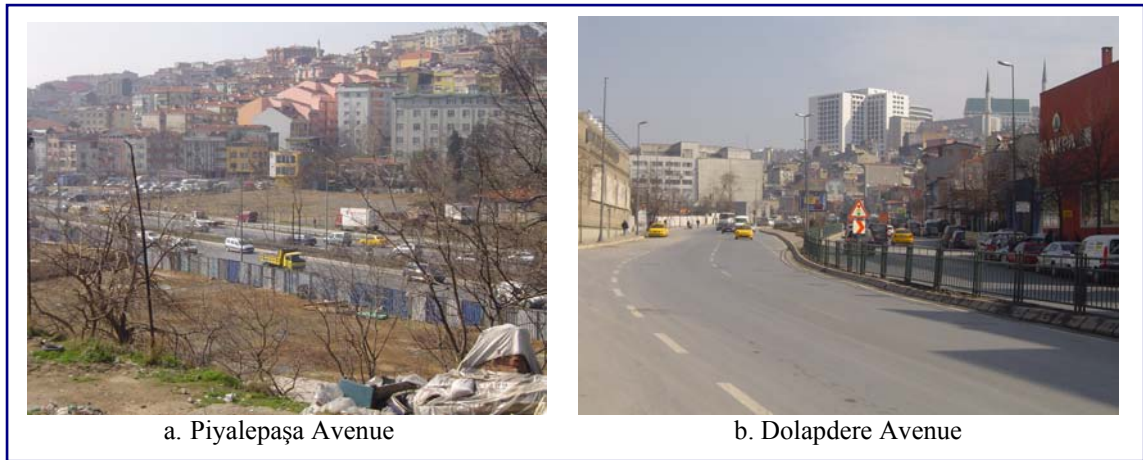


Figure 5.33. Views from Piyalepaşa-Dolapdere Axis a. Piyalepaşa Avenue b. Dolapdere Avenue

**History of urban spatial development** is essential for examining the competitive capacity of the study area in terms of allowing physical enhancement. Both central Şişli on the north and Beyoğlu on the southeast are quite old historical built-up areas of Istanbul. The urban development process in Beyoğlu traces back to the Byzantine Period with the construction of a bridge on Golden Horn connecting the walled city with Galata. After the conquest of the city by The Ottoman Empire, Beyoğlu-Pera region was occupied by the Greek communities in the late 13th century. The population increase and the fires experienced within the city walls also contributed to the shift of urban development throughout Galata. However, until the beginnings of the 18th century, the built environment in Beyoğlu was merely composed of the axis from Galatasaray to Tünel on the south and Taksim and its close environment on the north. Thereafter, Galatasaray-Tünel axis developed through Tophane, Tarlabası and Kasımpaşa neighbourhoods and the surrounds of Taksim expanded through Şişli. Galata-Pera region had risen as a significant centre of commerce, finance and leisure activities. Galata Bridge, which was opened up in 1845 over the Golden Horn, connected the main two commercial nodes in the city. Transportation planning was always effectual in shaping the development of urban built environment. The subway was finished in 1873 and started to serve between Tünel and Karaköy. The first street railway was constructed between Galata-Tophane-Beşiktaş route, and in time, Eminönü-Aksaray and Aksaray-Topkapı routes followed it. On the north, Taksim-

Kurtuluş (through Bozkurt Neighbourhood) route was constructed in 1911 and was extended through Şişli Square. Beyoğlu, continued to be the most significant socio-cultural and leisure centre of the city in the Republic Period as well. However, high-income level housing and commercial activities has shifted in time to Harbiye-Şişli axis through Şişli centre, Cumhuriyet, Ergenekon and Bozkurt neighbourhoods and Beyoğlu has started to serve for middle income groups in later periods.

There was no significant industrial activity within and around the case study area until the first half of the 19th century except for the establishment of the beer factory in Bomonti in 1892 which was the first and the most significant development. Bomonti is located in a close distance on the north of Dolapdere Avenue. By the 1950s, the rise of industrial activities in neighbouring Kağıthane district and especially textile industry in Bomonti area, together with the increase in population as a result of immense migration to the city, have caused unfavourable development pattern in the inner city environment. Mushrooming squatter houses have occupied both publicly and privately owned lands adjacent to prestigious historical built up areas. Those historical areas are today's Tarlabası area in which nowadays one of the most significant regeneration schemes within the city is to be launched. Piyalepaşa, Halil Rıfat Paşa, Halide Edip and Paşa neighbourhoods are such squatter housing areas on a close distance to Harbiye-Şişli axis which have developed illegally on lands owned by Treasury, Municipality, Charities and other private owners. Similarly, the southern parts of the case study area (Hacı Hüsrev, Küçük Piyale, Kulaksız and Kadımehmet) are other typical neighbourhoods that have emerged as unauthorized developments on private lands. Since they are unplanned built-up environs, today they create an unhealthy physical environment lacking the necessary liveability considerations. This situation reflects that a purposed revitalization should inevitably include large-scale redevelopment process, given that the great portion of the built-up pattern is unfit for use presently.

**The natural thresholds** concerning the region are also factors that determine the competitive capacity of the study area in terms of potential for development. The case area is situated on the slopes and along the basin of Dolapdere Valley that meets at a point with Piyalepaşa Valley and continues through the Golden Horn. The area with its surrounding region is included under the 2nd degree earthquake zone. The most suitable areas for development recommended in geological surveys are the relatively smooth lands on the hills of the area. However, the great portion of the slopes of the

hills is already filled with intensive development majority of which are associated with unfavourable physical conditions. The rate of slope within the area generally ranges between 20-30%, but the slope becomes much steeper over 30% in several parts of the neighbourhoods located on both sides of Dolapdere on the north.

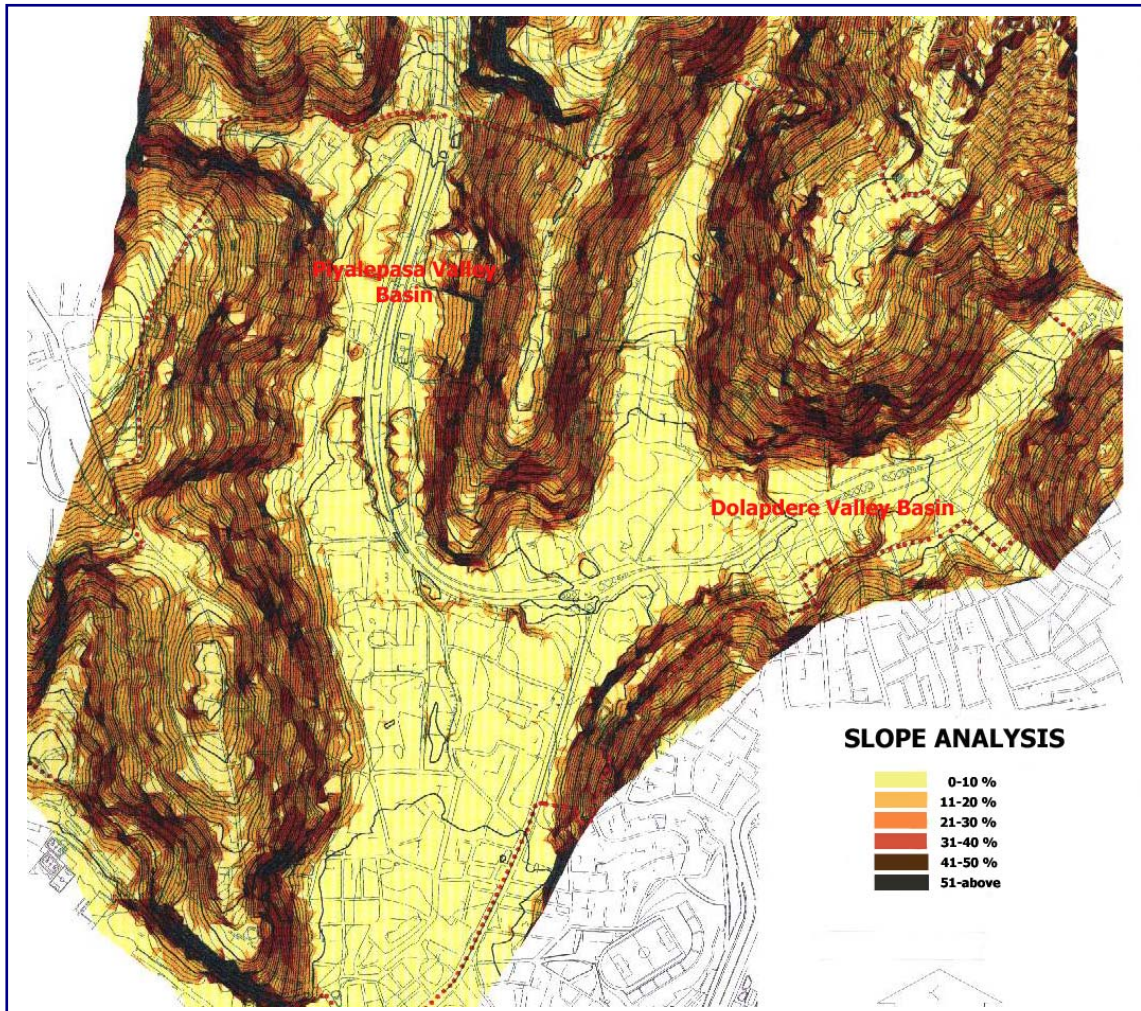


Figure 5.34. The Topographic Features of the Case Study Area  
(Source: Beyoğlu Municipality)

Other than the topographic features, geological surveys point out several impediments for development within the area. According to the surveys, three different geological characteristics exist within the case study area.

- First one refers to the basins of both Piyalepaşa and Dolapdere Valleys which are ‘the areas requiring detailed ground survey’,

- the second refers to the west side of Piyalepaşa Valley partly including Kaptanpaşa and Küçükpiyale neighbourhoods which is stated as ‘suitable for development’, and,
- the third one refers to the slopes on both side of Dolapdere Valley adjacent to the boulevard which is stated as ‘the areas not allowed for development before the necessary precautions are taken’.



Figure 5.35. Geological Characteristic of the Case Study Area (Produced upon the basemap derived from Google Earth, 2007)

The natural characteristics including the topographic and the ground structure of the study area is a very critical factor in determining its development pattern. However, it has not been so effective in early periods in terms of shaping the planning objectives of and construction permits related to the area. High construction areas were provided in the early development plans for Piyalepaşa-Dolapdere Axis encouraging location of commercial activities. However, by the 90s, construction permits in valley basin has been respectively limited with a discouraging effect on inward investments.



**Population density** is to be considered as an important criterion in physical constraints of the study area since it is composed of deteriorated low quality built-up pattern that emerged in time as a result of unauthorized development. The environment requires a physical improvement for economic regeneration that will undeniably necessitate restoration, rehabilitation and reconstruction processes so that the population density becomes a critical factor in terms of building society consciousness and negotiation considerations in possible redevelopment processes.



Figure 5.36. Densities of Neighbourhoods within the Case Study Area (Produced upon the basemap derived from Google Earth, 2007)

Population density represents a dual structure within the case area. Getting closer to the Halaskargazi Boulevard-Şişli, neighbourhood densities (persons/hectares) increase respectively. The neighbourhoods, namely; Ergenekon, İnönü, Eskişehir and Bozkurt which are the ones located under the territory of Şişli District situating on the northeast and east side of the case study area have higher densities when compared with the ones in Beyoğlu District. Those neighbourhoods that have mostly completed their development have densities ranging between 1000-2000 persons per hectare. On the

contrary, densities in the remaining neighbourhoods in the case area range between 0-900 persons per hectare. Especially the lots adjacent to Piyalepaşa-Dolapdere Axis have relatively lower densities when compared with the lots in inner parts in Beyoglu District. In other words, densities increase in neighbourhoods from the valley basin up through the hills. Küçükpiyale, Hacı Hüsrev, Hacıahmet and Sururi are the neighbourhoods with lower densities, since majority of them are generally composed of 1 up to 4 floor unauthorized dwellings that emerged as a result of population increases.

Floor number ratios of the neighbourhoods also show similarity in relation to population densities. Neighbourhoods with unauthorized development pattern generally include low-rise buildings up to 4 floors. For example, nearly 75% of dwellings in Hacı Hüsrev are 1 or 2 floor and the remaining 25% are 3 to 4 floors (Figure 5.37).

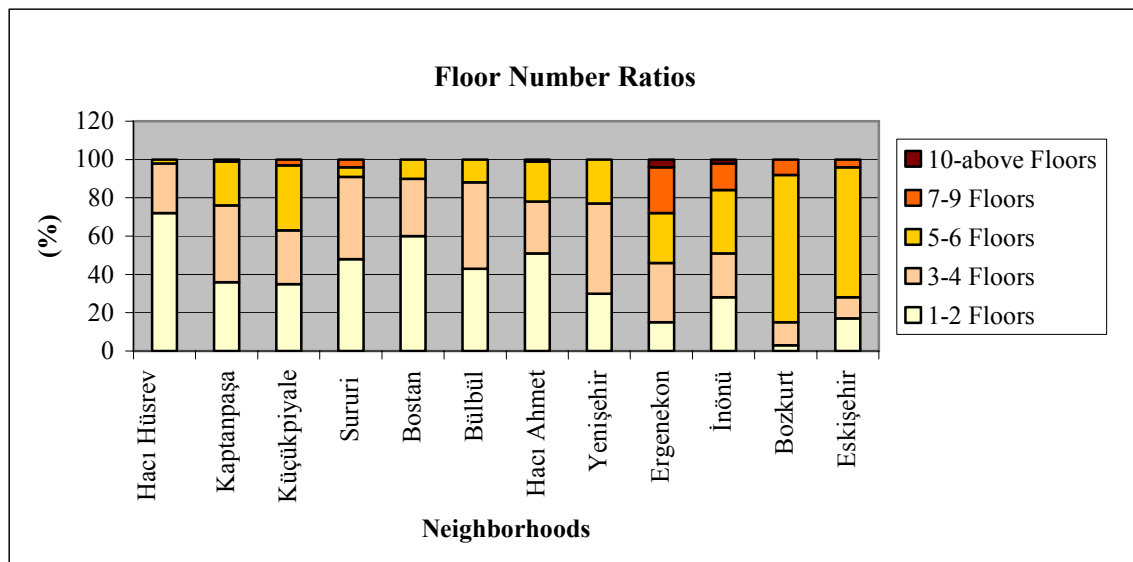


Figure 5.37. Floor Number Ratios in the Neighbourhoods of the Case Study Area (Produced from the data of Şişli and Beyoğlu Municipalities, 2007)

Similarly, approximately 80-90% of the dwellings in Sururi, Bostan, Bülbül, Hacıahmet and Yenişehir neighbourhoods are 1 to 4 floors. However, the neighbourhoods situated within the territory of Sisli Municipality, which are namely Ergenekon, İnönü, Eskişehir and Bozkurt, reflect relatively a more densely structured built-up pattern. More than a half of the overall buildings in those neighbourhoods have 5 or more floors. Moreover, there are hardly any vacant lots in those neighbourhoods when contrasted with the ones located in the territory of Beyoglu Municipality. On the other hand, there are several vacant or underused lots adjacent to Piyalepaşa-Dolapdere

Axis situated in neighbourhoods under the territory of Beyoglu Municipality especially in Kaptanpaşa, Hacı Hüsrev, Hacı Ahmet, Küçükpiyale, and Sururi which are still expecting the necessary investment to be redeveloped in the recent day.

**Condition of buildings** is another indicator in determining the competitive capacity in physical terms. The built environment is generally composed of densely structured adjacent buildings except for the located along Piyalepaşa-Dolapdere axis. Great portion of parcels are improperly divided leaving small parcel sizes most of which are not bigger than 100 m<sup>2</sup> but ranging over 40-50 m<sup>2</sup> and physically deteriorated as well. Building quality is noticeably low especially in neighbourhoods located adjacently on the Piyalepaşa Avenue, mostly, in Hacıhüsrev, Hacıahmet, Sururi and Bostan neighbourhoods. 50 to 80 percent of the buildings in those neighbourhoods are badly qualified or ruined (Figure 5.39).



Figure 5.38. Views from Hacı Hüsrev Neighbourhood

However, the number of building floors and the quality of buildings increase as getting closer to Şişli-Halaskargazi Avenue throughout Dolapdere Avenue. The reason for the increase in both number of floors and the quality of buildings in Ergenekon, İnönü, Bozkurt and Eskişehir neighbourhoods on the north is that those neighbourhoods are much closer to Halaskargazi (Şişli) Avenue and that they are planned and relatively early built up neighbourhoods when contrasted with other neighbourhoods in the study area (Figure 5.39).

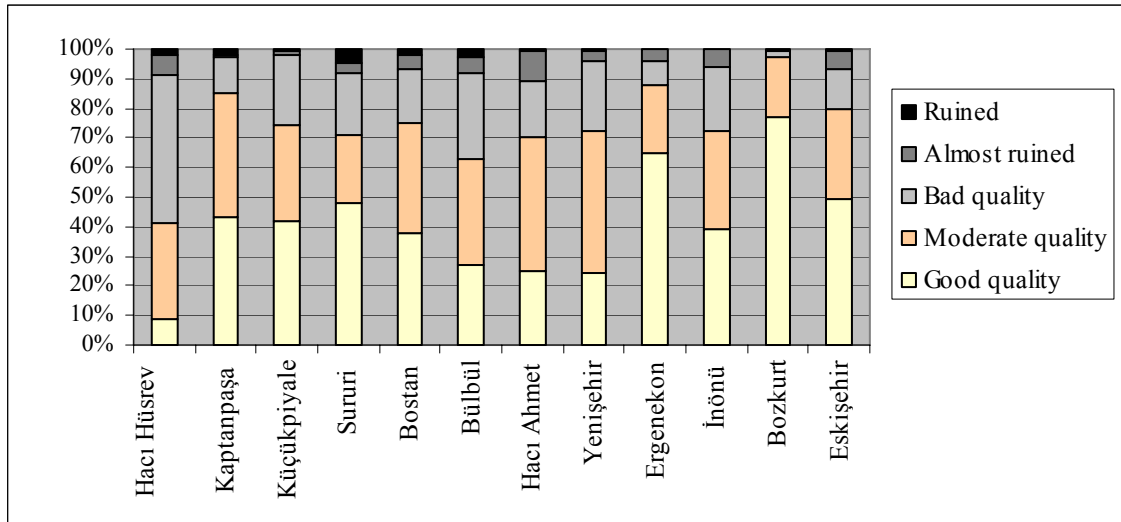


Figure 5.39. Ratios of Building Conditions in the Neighbourhoods of the Case Study Area (Produced from the data of Şişli and Beyoğlu Municipalities, 2007)

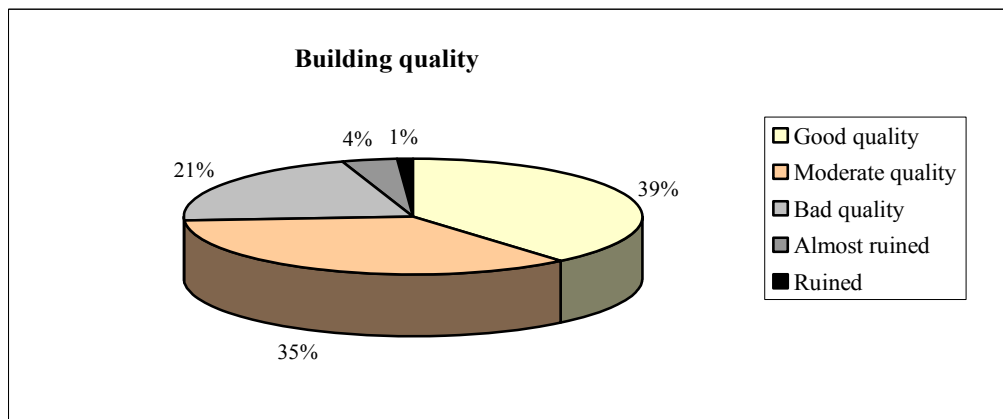


Figure 5.40. Condition of the built-up pattern in the Case Study Area (Produced from the data of Şişli and Beyoğlu Municipalities, 2007)

In fact, the cost of building in an inner city is significantly higher than in the suburbs because of both demolition and environmental cleanup costs and strict urban regulations: restrictive zoning, construction permits and architectural codes as well as the costs and delays associated with logistics and negotiations with community groups. If it is noticed that at least 26% of properties in the study area will need to be redeveloped and 35% to be improved for a physical revitalization, it is clearly recognized then why piecemeal property investments made in the past years did not able to help a comprehensive revitalization in the area.

**Infrastructure**, above all, is one of the most critical aspects in regeneration of the physical context. In effect, any proposed large-scale urban regeneration in inner city areas of Istanbul in general will obviously necessitate the renewal of infrastructure.

Roads, railways, electricity, gas and water supply systems, and sewage systems are the traditional lifelines that will have to be brought up to modern and at the same time earthquake-resilient standard in the city” There will also be need for modernized underground network of fiber optic cables. The existing network will need to be upgraded and the substantial enhancement of the overall network will be vital to the development of Istanbul as a global city (Kocabaş 2005, 41).

From this point of view, the study area as an old inner city area represents an outdated infrastructure which creates a hurdle for attraction of private investments in terms of constructing business friendly environment. Several improvements have been made in 2006 for the underground network; much has to be done to create a business friendly environment for the future.

#### **5.3.3.2. Demographic Aspects:**

The study area developed relatively lately in contrast to adjacent historical preservation areas of the inner city. Especially, the considerable population shifts were experienced in the postwar period in 50s and so on. However, population increase has stabilized by 80s parallel to the physical obsolescence and acute social discrimination continuously increasing in the area.

There has not been any significant change in the population of concerned neighbourhoods in the recent decades. Population has even decreased in nearly 70% of those neighbourhoods unlike the cases in lately developed neighbourhoods in the city. The only population increase from 80s till the last population census in 2000 has been observed in Kaptanpaşa and Hacı Ahmet neighbourhoods. The reason that Kaptanpaşa continued to gain population is its location attraction since it is located adjacently on the south side of E-5 highway. However, there exists not any solid causal effect that has given way to increase in population in Hacı Ahmet. Other than those two, most of the neighbourhoods stand to be unattractive for moderate and high income groups for years.

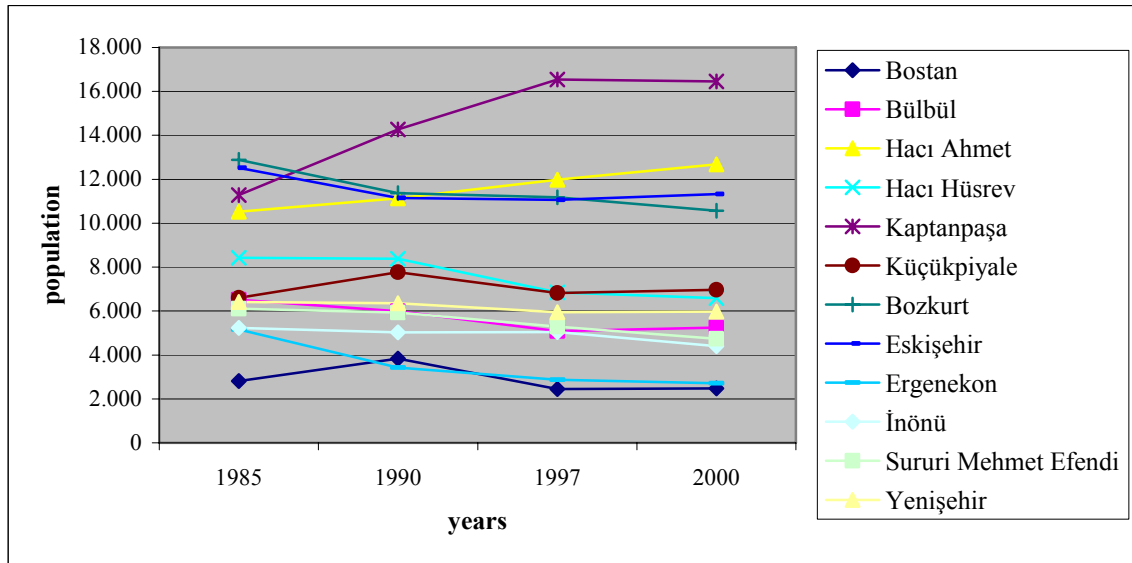


Figure 5.41. Population Change in the Neighbourhoods of the Case Study Area (Produced from the data of Beyoğlu and Şişli Municipalities, 2007)

### 5.3.3.3. Planning & Regulatory Aspects

Derelict or vacant urban lands reflect inefficient working of urban economic land. Since then, the issues concerning the use of land emerge as significant factors in addition to above physical and social factors in evaluating the competitive capacity of the selected area.

**Land-use** is an important indicator in evaluating the competitive capacity of the area in terms of the availability of creating a business friendly environment. Piyalepaşa-Dolapdere Axis is a primary service road giving access from highways to central business areas. Despite its being a significant linkage, the adjacent land lots on this axis could not properly had developed as a strong commercial axis for years as offered in both the past and the previous development plans. The land vacancy pattern indicates that majority of the large vacant or underused tracts are concentrated adjacently on Piyalepaşa-Dolapdere Axis, but especially on Piyalepaşa Avenue part (Figure 5.42). Through Dolapdere Avenue along this axis, small parcels replace those large lots, giving service in sales of automotive replacement parts and repair. By and large, the properties related with such services are 1-2 floors or semi-open/covered rundown built structures. Several commercial activities also exist within the inner parts of surrounding neighbourhoods in specific sectors generally taking place under the ground floors of

residential properties; however they are not professionally organized at the moment. The overall share of commercial use in the study area is 17%.



Figure 5.42. Views from the Present Vacant Lots adjacent to Piyalepaşa-Dolapdere Axis

In addition to commercial activities, few industrial activities also take place on the main axis with a total share of 6,5 percent in the study area. Unlikely, the inner parts of neighbourhoods adjacent to the axis are mostly composed of residential use. The largest use with 45,50 % share is the residential use in the study area. However, a great portion of those residential lands emerged as unauthorized and unplanned development in the past decades.

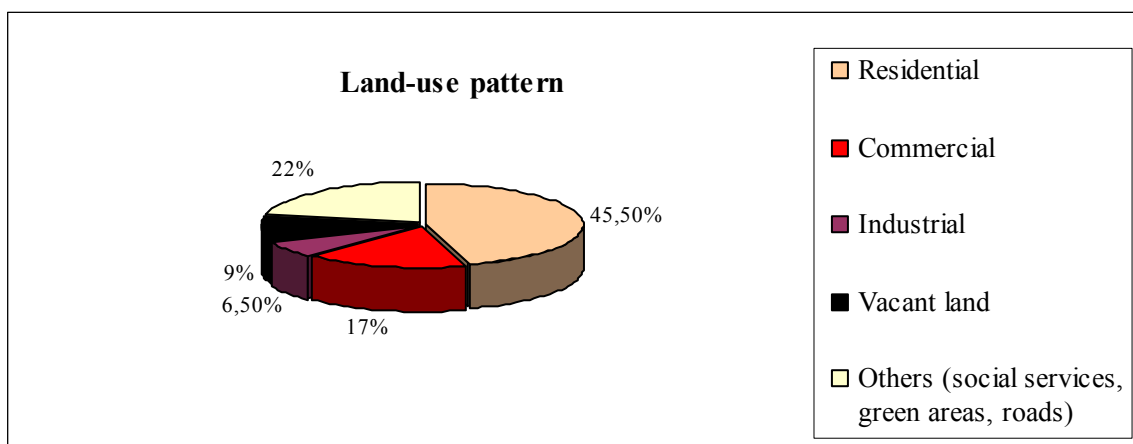


Figure 5.43. Percentage Distribution of Land use Pattern within the Case Study Area (Produced from the data of Şişli and Beyoğlu Municipalities, 2007)

Vacant and underused lands also occupy a considerable portion of the active land in the study area with 9% share which means in reality that nearly one tenth of the

study area is not economically used in the present. However, this reserve of vacant lands within the study area represents a great potential if returned into use by business development that will contribute to purposed economic revitalization.

**Ownership pattern** is also critical for purposed revitalization activities. Land is mostly owned by multiple private individuals in the study area (Figure 5.44). On the contrary, there are hardly any publicly owned land lots. Especially the municipality land forms only 4% of the total area. In many developed countries, public sector takes part in PPPs as the primary land holder in various redevelopment schemes.

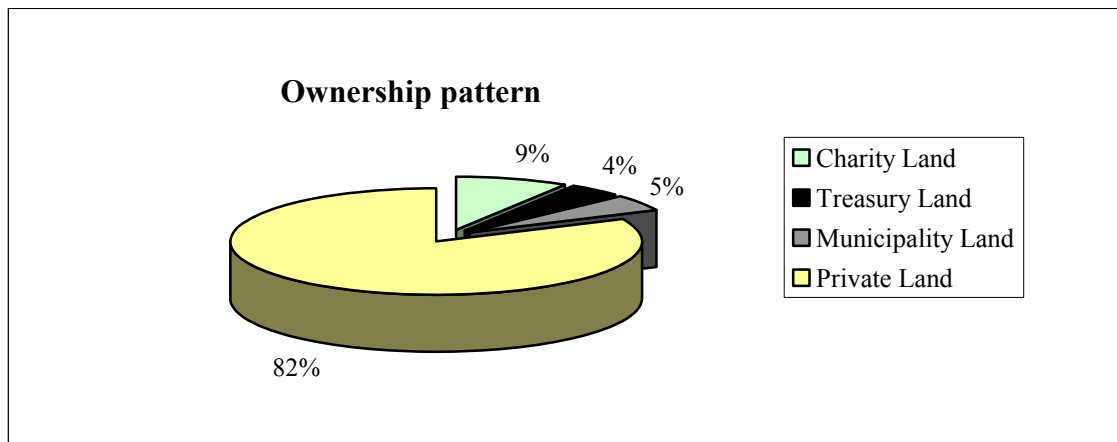


Figure 5.44. Land Ownership within the Case Study Area (Produced from the data of Şişli and Beyoğlu Municipalities, 2007)

Piyalepaşa-Dolapdere axis and its environment is composed of improperly divided small parcels with deteriorated properties on them as in the case of many other deprived inner city areas in Istanbul. Moreover, 80% of the total land is owned by private people. Assembling the small parcels into meaningful sites will inevitably become an essential process for the desperate need for regeneration in the study area. However, the multiple and private ownership pattern together with the scarcity of public financial resources lead to great difficulty in land acquisition process. Once acquisition is initiated, existing owners tend to attempt to lever exceptionally high prices in recognition of potential of their properties. This complex situation in access to available land/ property is in fact one of the most important reason behind the disinvestment on the study area.

**Land and property values** contrarily perform suitable conditions to initiate reinvestment. Surrounding region including the west, northwest and north side of the



case study area is the old settled parts of Istanbul situated in the central business district is where land and property values are extremely high. Especially on Halaskargazi, Cumhuriyet and Tarlabası Avenues, land values are nearly 20 times bigger than the most deprived neighbourhoods (Kaptanpaşa, Hacı Ahmet, Hacı Hüsrev and Bülbül) in the study area (Figure 5.46). Land lots on Piyalepaşa-Dolapdere Axis are significantly more valuable than the ones stated above; however they are still much lower than the ones in surrounding prestigious boulevards (e.g. Halaskargazi, Cumhuriyet).

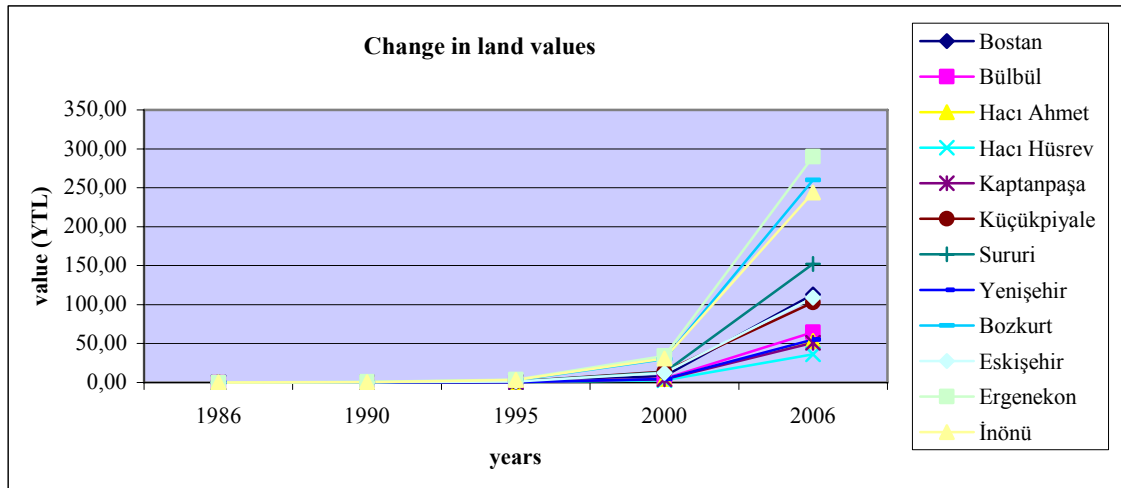


Figure 5.45. Distribution of Land Values throughout Different Neighbourhoods of the Case Study Area (Produced from the data of Şişli and Beyoğlu Municipalities, 2007)

From this point of view; unused land lots, underused buildings and vacant warehouses which are available on Piyalepaşa-Dolapdere axis with good proximity to very expensive inner city real estates are expected to present opportunity for the future effective reuses. It is a contradicting situation however why those properties are left undeveloped for years while they are located in a good proximity to core activities.

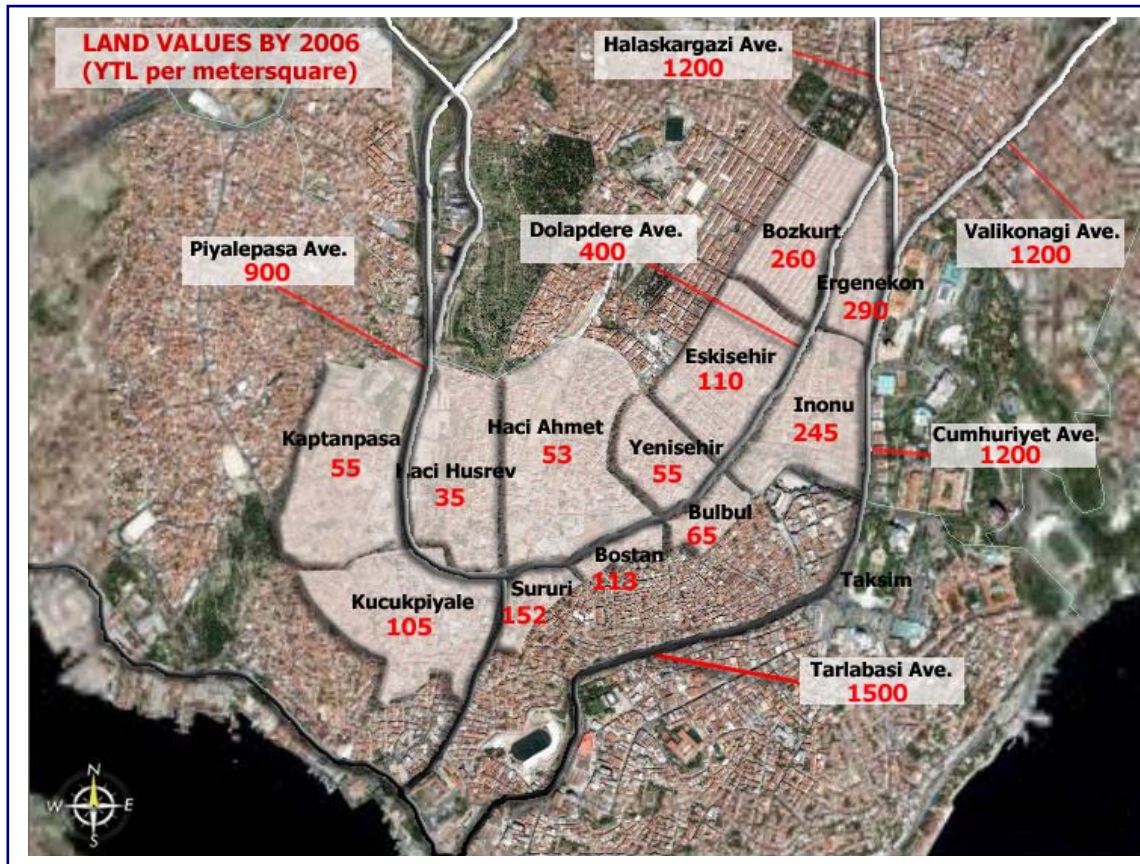


Figure 5.46. The Recent Land Values within around the Case Study Area (Produced upon the basemap derived from Google Earth, 2007)

Property sale and rent rates show similarity with the land prizes in the study area. Deprived environmental conditions and improper building qualities create a considerably decreasing effect on sale and rent rates in the neighbourhoods of the study area. The results of interviews with real estate agencies (2008) interpret that property prices are considerably low in the study area when contrasted with surrounding neighbourhoods such as Nişantaşı, Taksim, Maçka and İstikal Avenue where real estate prices are the highest in the city scale (Appendix C). Property prizes also differentiate each other within the study area in relation to location and building qualities. Especially in neighbourhoods under the territory of Beyoğlu district (e.g. Hacı Hüsrev, Sururi, Hacı Ahmet, and Bostan), prizes are much lower than, even  $\frac{1}{4}$  of, the prizes in neighbourhoods such as Bozkurt and Ergenekon under the territory of Şişli.

**Availability of present public / private investments** is a significant indicator in contributing to the area's competitive capacity by affecting the future use of the concerned locality. In this case, the study area has a critical location in terms of present developments and proposed development initiatives that are taking place in the

immediate surrounding areas. Those developments most probably will affect first land values within the study area which will force the need for the attempts to find the area's best economic use:

- *Pedestrianization Project in Talimhane:* Talimhane is located on the east of the case study area adjacent Taksim Square (Figure 5.48). The area has experienced a progressive development process in the decades with public initiatives. It was announced as Tourism Centre by the Ministry in 1989. Since then, there has been a considerable revitalization giving way to the increase in commercial activities especially in the number of hotels, cafes, restaurants and such. More important, the pedestrianization process which was implemented by Beyoğlu Municipality in 2003-2004 periods has made substantial contribution to economic and physical revitalization of the area. Considerable attraction of commercial firms providing personal services such as hotels, restaurants, eating facilities and travel agencies has been observed in the following years which has given way to increased in property values respectively.

- *Tarlabaşı Urban Regeneration Project:* The project is one of the most significant initiatives that are expected to affect the study area (Figure 5.47). Being stated under Urban Preservation Area, Tarlabaşı neighborhood is located adjacently on the south of the study area. Tarlabaşı is an old housing area suffering from acute social and physical decline for decades. It has been recently taken under regeneration program by Beyoğlu Municipality in relation to the Act/no:5366. The project consists of restoration of physical conditions of 3000 historical properties with a change in their functionality to commercial, tourism and cultural uses. With delineation of the area as 'regeneration area', property prices have noticeably exploded in a short period. Since the project offers a new mixed-use (housing, commerce, tourism, entertainment), it is expected to increase the supply of employment in the surrounding region. Such a decrease in the rate of unemployment inevitably decreases the rate of crime and initiate inward private investment in longer term.

- *Commercial Centre in Bomonti:* Bomonti is located in a close distance on the north side of the study area (Figure 5.47). It is the place where the earliest industrial activities within the surrounding region took place. However, most of the plan decisions after 80s have been shaped in the way of moving most of the industrial activities outside in accordance with the regional scale planning objectives of the city. In respect to this, the area consisting of the beer factory, open bazaar, French Hospital and several car repair units was announced as 'Tourism Area' with respect to the

Act/no:2634. The old beer factory area which was established in 1892 in Bomonti is recently proposed to redevelop with a real estate project offering a new commercial centre including a shopping mall and residences.

- Proposal for a Commercial Centre on Piyalepaşa Avenue: The proposal is concerned for a large currently vacant tract adjacent to Piyalepaşa Avenue owned by a private land holder (Figure 5.47). The area is located on Hacı Hüsrev which is the neighbourhood composed of the most deprived residential units, 1-2 storey squatter houses lacking all quality considerations. Being next to such a housing pattern, the vacant tract is proposed to develop as a commercial centre which would be the first in its nearest environment.

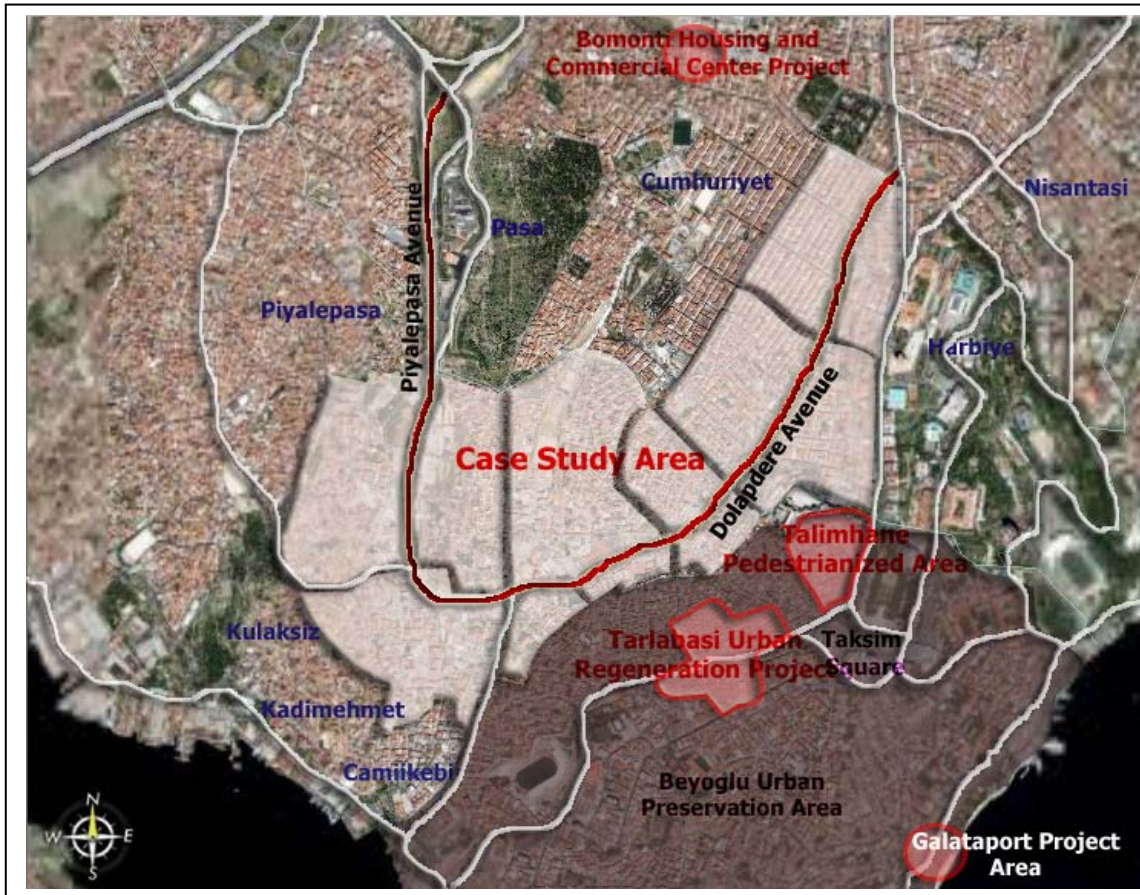


Figure 5.47. Nearby Developments and Development Proposals Expected to Effect Competitiveness of the Study Area

**Current Plan Decisions / Construction Regulations** are perhaps the most critical indicators that determine the destiny of the economic value of a locality. However, it is observed that they could not have been such determinative as expected in

the study area, when the related past and current planning objectives are evaluated. Since Piyalepaşa/Dolapdere Axis and its environment are situated under the territories of two different district municipalities, master plans and their respective detailed plans concerning the area have been prepared separately. Especially, detailed plans are prepared under different political concerns of each local authority. This situation is the first major problem related to planning and development issues for the area in terms of creating a barrier to generate a holistic development strategy.

Since 80s, a number of master plans and revisions (1/5000 scaled) have been approved for Dolapdere-Piyalepaşa Axis and its environment. (in 1983, 1994 and 2005 for Şişli part, and in 1986, 1989, 1994 and 2002 for Beyoğlu part) In effect, the major goal of each plan was the same. Unfavourable environmental conditions of Dolapdere-Piyalepaşa Axis and its Environment is to be rehabilitated that had come into picture in time as a result of industrial development in Kağıthane, Bomonti and coastal line of the Golden Horn and the respective inner city migration. The other common objective drawn forward in each plan was a planned development on vacant and underused lots on Piyalepaşa-Dolapdere route as a commercial axis including social, cultural and entertainment facilities throughout central Şişli. From this point of view, the most significant consistency between all of the plans approved after 1980 has been that the existing industrial functions including small-scale manufacturing and storage are totally excluded from the study area.

*1. Commercial development:* In each of the early and recent plans, Piyalepaşa-Dolapdere Axis is planned as a commercial axis. Especially in 80s, the adjacent belts on both sides of this Axis were even noted as CBD offering high-rise development up to 15-20 floors. Large parcel sizes more than 5000 m<sup>2</sup> were drawn forward in directing high-order business functions. However, minimum parcel condition totally discouraged probable investments since it had made land assembly nearly impossible for multi-ownership parcels. In 1994, the previous construction regulations were totally removed and land readjustment (article 18) was offered. More strict regulations had been brought for Dolapdere and Piyalepaşa Avenues separately (Table 5.10). The reason for this separation was noted as the topographic constraints and the respective small-sized parcels restraining the construction limits in Dolapdere when contrasted with Piyalepaşa. The latest construction regulations determined for commercial uses along Piyalepaşa-Dolapdere axis in the current plans has been much more discouraging for

property development that total construction area is which is already limited is to be even decreased by 65% in implementation (Table 5.10).

The required level of construction permits has not been provided in any plan approved within the last two decades as in the case of 1986 Plan. However, it has to be noted here that although favourable conditions were aimed to be provided in the 80s to enhance business development within the area, they could not have provided any significant contribution to direction of inward investment for required commercial development.

Table 5.10. Comparison of Planning and Construction Regulations of Plans Available in Different Time Periods for Piyalepaşa-Dolapdere Axis and its Environment (Produced from the data of Şişli and Beyoğlu Municipalities, 2007)

	<b>Construction Regulations for Commercial Areas</b>	<b>Construction Regulations for Residential Areas</b>
<b>1986 Master Plan</b>	Delineation of 'CBD Area' Min. parcel size: 5000 m <sup>2</sup> Land coverage ratio: 0.5 Floor area ratio: 10 No restriction for building blocks and heights	Min. parcel size: 1500 m <sup>2</sup> Land coverage ratio: 0.5 Floor area ratio: 3 No restriction for building height.
<b>1989 Master Plan</b>	Min. parcel size: 1000 m <sup>2</sup> Max. height: 20 floors	Current densities are maintained. Land readjustment offered for the building blocks adjacent to main Axis and Hacı Ahmet, Hacı Hüsrev neighbourhoods.
<b>1994 Master Plan</b>	No regulation for min. parcel size. Land readjustment offered. <u>along Piyalepaşa Avenue:</u> Floor area ratio: 3, Max height: 30,50 m. <u>along Dolapdere Avenue:</u> Delineation of a 'special project area'. Total construction area (E): 3 Max height: 5 floors	Current densities are maintained. Land readjustment offered for the building blocks adjacent to main Axis and Kaptanpaşa, Piyalepaşa neighbourhoods.
<b>2002/2005 Plans</b>	<u>along Piyalepaşa Avenue:</u> <i>for the lots bigger than 500m<sup>2</sup>:</i> Total construction area (E): 2 x 0.65 Separate blocks Max. height: 18.50 m. <i>for commercial units on ground floors and on small parcels:</i> Max. height: 12.50 m. Adjacent blocks <u>along Dolapdere Avenue:</u> Max. height: 24.50 m.	Current densities are maintained. Max. height for residential units: 12.50m.  Delineation of Hacı Hüsrev neighbourhood as a 'special project area' restricted with a density of 500 per./hec. Land readjustment offered.

2. Residential development: Planning and construction regulation in any period has not even brought any significant contribution to rehabilitation of residential environments. In each of the plans in different periods, the existing patterns and densities of residential areas have been preserved as the common objective. In 1986 plan, minimum parcel size was noted as 1000m<sup>2</sup> with the aim of changing densely structured organic pattern. However, again after 1994, planning decisions has been altered for residential areas, too. Most of the building blocks adjacent to the main axis and some of the neighbourhoods have been denoted for land readjustment (article 18). The distinct attempt for rehabilitating the environmental quality is perceived in the latest plan with delineation of the most derelict neighbourhood as a special project area; however, this planning decision is not supported by necessary instruments through area-specific project generation and implementation (Table 5.10).

According to the current land-use, 45.5% of the study area is used for residential purposes, while 17% is used for commerce and 6.5% for industry. According to the objectives of the available plans for the area, purposed reserve for residential is noted as 42%, 10.5% of which is defined as ‘special project area’ for Hacıhüsrev neighbourhood. Although vacant land would tend to increase from 9% to 15.5% by the removal of all industrial uses within the area, the opportunity is not used to increase the capacity of commercial uses. The share of commerce in the longer term is determined as 19.5% within whole area, 6% of which is in the type of ground floor commerce.

Each of the plans which have been valid in different time periods brought more or less similar plan decisions and construction permits through commercial development of Piyalepaşa-Dolapdere axis except for the 1986 plan. However, none of the plans could provide any revival both in physical and economic aspects. This is partly because planning processes could not bring solution to problems such as: land assembly, environmental obsolescence and security considerations. Other than this, classical planning and implementation processes in the light of the existing Development Act/no:3194 and Istanbul Development Regulations did not and still are not able to provide the necessary framework needed for comprehensive plan-led redevelopment in the area. The trend in land and property market within and around the area indicates that the concerned area does not have the capacity to attract investment in the current situation whatever zoning regulations and given total construction areas offered for business development. This trend may probably change with the effects of change in surrounding land and property values as a result of ongoing projects;

however, this will give way to individual property development rather than comprehensive regeneration in the area.

#### **5.3.3.4. Social Aspects**

The existing social profile of the inhabitants is as important as the physical and environmental characteristics for the economic revival of the area. The data gathered from field surveys made under the planning activities of Beyoğlu Municipality and the questionnaire made under the analysis of planning studio project in Istanbul Technical University in 2002 reflect that majority of the residents in Dolapdere region are not the original inhabitants but living in the area for 10 to 15 years. The main reason for the current residents to prefer living in the area is easy access to cheap housing and to their job destinations as well as proximity to retail, leisure, entertainment and social facilities.

The study area, especially the neighbourhoods adjacent to south parts of Dolapdere Avenue, has a diverse social structure composed of different ethnic and marginal groups which are socially excluded by the surrounding neighbourhoods for years. The analytical studies mentioned above also reflect that majority of the residents in the concerned area have low education levels which directly effect the existing employment structure.

Unemployment is a well-known problem for the study area, but the numerical data that will support this perception could not be achieved in data gathering process. However this is not the problem of this research that even IMP did not able to found accurate data for the level of unemployment in districts level while preparing the structure plan mostly because of the reality of marginal (unregistered) sector activities.

*Management and employee skills:* As a consequence of low educational levels, majority of working population are missing the necessary employee skills. Although the labour pool creates an advantage for new private investments to utilize from, their low skills remain as a big problem for business investors. Other than the employee skills, the existing local shopkeepers and small-scale business owners also lack managerial skills which are crucial to lever their businesses for a purposed local economic development.

There are a few number of community training facilities in some of the case study neighbourhoods provided by both Beyoğlu and Şişli Municipalities, however they are limited with personal capacity improvement courses for the youth and women. In



fact, there is a need for coordination of municipalities with local businesses for increasing the technical business skills.

Another important social illness of the study area especially in Bülbül, Bostan, Hacı Hüsrev, Hacı Ahmet and Sururi neighbourhoods is the high rate of disguised unemployment including drug dealing, prostitution, pick-pocket and other informal type of commerce. Since then, security emerges as one of the most crucial problems that at the same time affect the image of the area.

*Security:* Both the reality and the perception of security problem as a result of crime, illegal attitudes of social and political activists, and especially high level of robbery and pick pockets represent profound impediments to proposed urban economic development in the area. First, crime contributes to development of a negative attitude for inward investment. Secondly, it creates an unwillingness to work in and utilize from area-specific opportunities. In addition, security problem also prevents initiation of community building activities, since public authorities and NGOs show unwillingness to take part in the process.

### **5.3.3.5. Economic Aspects**

It is seen from the existing landuse structure that there is a considerable business capacity in the area with a share of 23,5%, 17% of which refers to commercial and remaining 6,5% refers to industrial activities. The main Axis is mainly occupied by sales of automotive replacement parts and repair and of intermediate goods for textile sector both of which form local clusters in the present. A small number of other clusters do exist in the inner parts of some of the neighbourhoods related to home textile, furniture and antiques by making use of business relations with the firms located on neighbouring districts even with several firms outside the region.

When the distribution of existing manufacturing activities is analyzed among the neighbourhoods of the study area, Bülbül comes first in the ranking with concentration of manufacturing firms related to furniture and antiques and Bozkurt comes the second with concentration firms related to home textile (Figure 5.48). The ones, among all 45 neighbourhoods in Beyoğlu, totally include 10% of all the manufacturing firms in Beyoğlu District. Similarly, the ones, among all 48 neighbourhoods in Şişli, totally include 7% of all the manufacturing firms in Şişli District (Table 5.11).

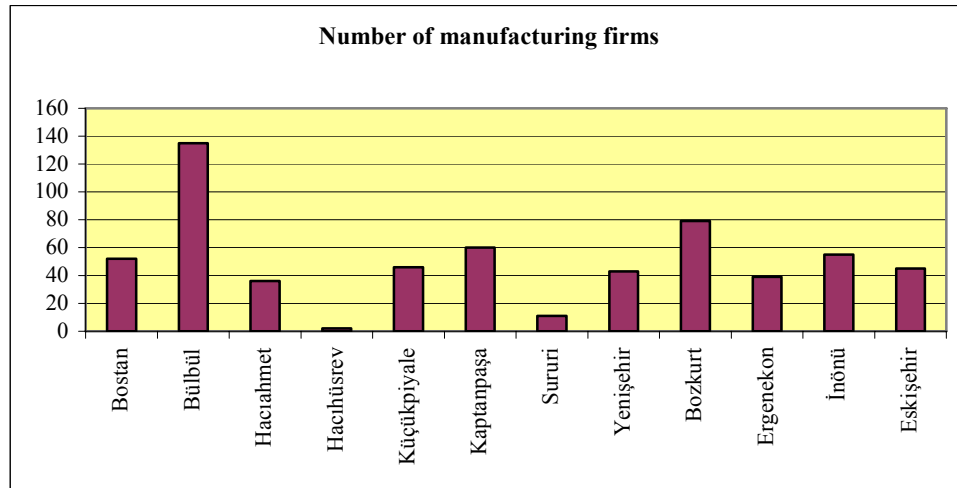


Figure 5.48: Distribution of Manufacturing Firms throughout the Neighbourhoods in the Study Area (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

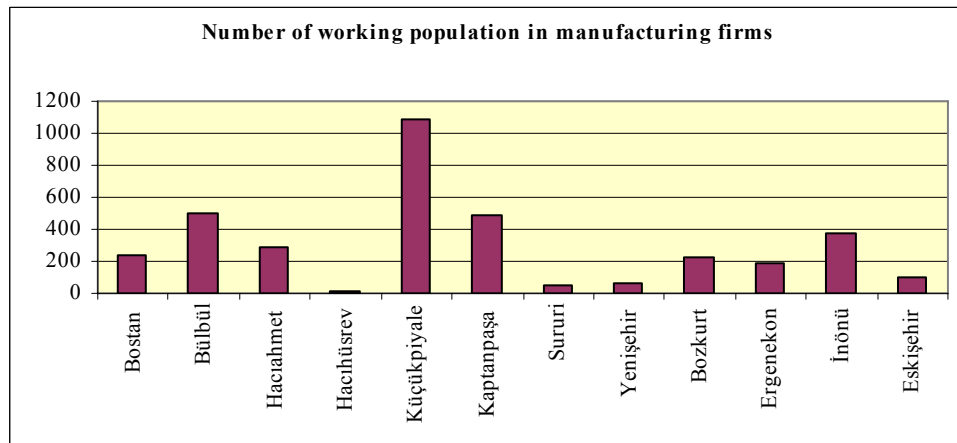


Figure 5.49: Distribution of Working Population in Manufacturing Firms throughout the Neighbourhoods in the Study Area (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

Although, local firms related with furniture, antiques and home textile in Bülbül and Ergenekon hold the great share in total numbers of manufacturing firms in the study area, they are not significant clusters as observed from the number of working population in those districts. (Figure 5.49) The biggest share in number of working population is observed in Küçükpiyale where relatively bigger size manufacturing firms are located. However, since manufacturing activities according to major zoning policies are to be totally removed from CBD area in the city, the shares of manufacturing activities in the territory of the study area is not expected to be so influential.

Table 5.11. Shares of Study Area Neighbourhoods in Distribution of Manufacturing Firms and Employees among all the Neighbourhoods located in Şişli and Beyoğlu Districts (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

	Neighbourhoods	Share in manufacturing firms	Share in manufacturing firm employees
Beyoğlu District	Bostan	1%	1%
	Bülbül	4%	3%
	Hacıahmet	1%	0,7%
	Hacıhüsrev	0%	0%
	Küçükpiyale	1%	6%
	Kaptanpaşa	2%	3%
	Sururi	0%	0%
	Yenişehir	1%	0%
	TOTAL	10%	13,7%
Şişli District	Bozkurt	3%	0,5%
	Ergenekon	1%	0,5%
	İnönü	2%	1%
	Eskişehir	1%	0%
	TOTAL	7%	2%

The situation in the relative shares of the neighbourhoods in service sector firms is not so far from the situation above in manufacturing sector. The shares of the neighbourhoods in distribution of all service sector firms located both in Şişli and Beyoğlu municipalities are not significant (Table 5.12). Unfortunately, neighbourhoods under the territory of Beyoğlu District only hold 6% of total service firms located in Beyoğlu. Similarly, neighbourhoods under the territory of Şişli District only hold 7% of total service firms located in Şişli.

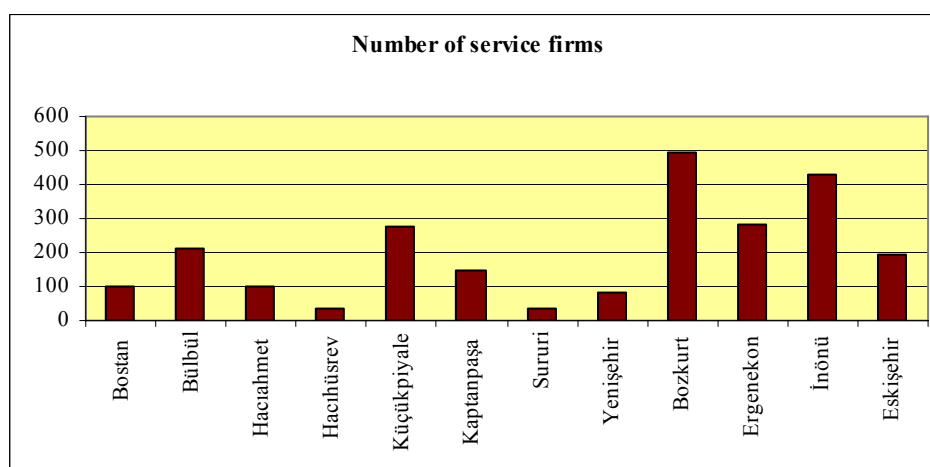


Figure 5.50. Distribution of Service Firms throughout the Neighbourhoods in the Study Area (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

However, Figure 5.50 notably illustrates that numbers of service activities in Bozkurt, Ergenekon, İnönü, Eskişehir, with close distance to central Şişli on the north of the study area, are relatively much higher than other neighbourhoods in the study area. Moreover, Figure 5.51 indicates that the concerned service firms located in those neighbourhoods especially in Bozkurt, Ergenekon and İnönü are more professional or bigger size firms in comparison to ones in the other neighbourhoods of the study area including larger sizes of working population.

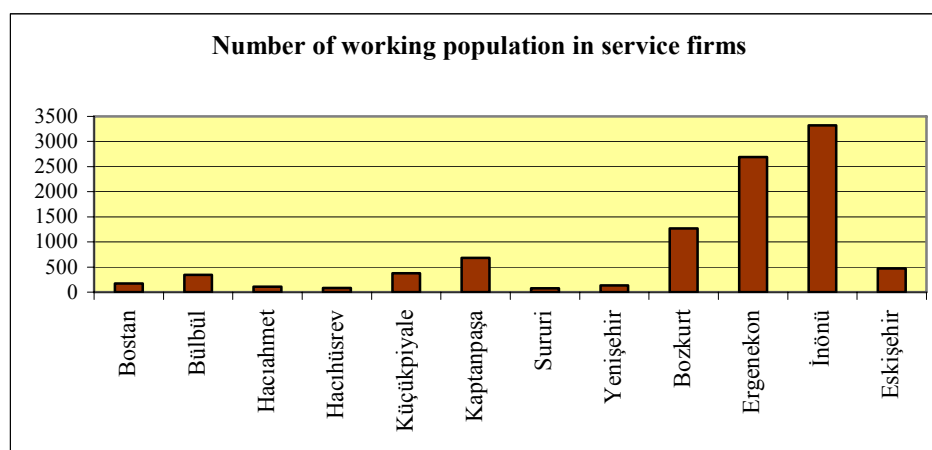


Figure 5.51. Distribution of Working Population in Service Firms throughout the Neighbourhoods in the Study Area (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

Table 5.12. Shares of Study Area Neighbourhoods in Distribution of Service Firms and Employees among all the Neighbourhoods located in Şişli and Beyoğlu Districts (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

	Neighbourhoods	Share in service firms	Share in service firm employees
Beyoğlu District	Bostan	1%	0,5%
	Bülbül	0%	1%
	Hacıahmet	1%	0,3%
	Hacıhüsrev	0%	0%
	Küçükpiyale	2%	1%
	Kaptanpaşa	1%	1,5%
	Sururi	0%	0,2%
	Yenişehir	1%	0,3%
	TOTAL	6%	4,8%
Şişli District	Bozkurt	2,5%	1%
	Ergenekon	1,5%	2%
	İNönü	2%	2,5%
	Eskişehir	1%	0,5%
	TOTAL	7%	6%

Contrarily, the service activities in other neighbourhoods of the study area rather refer to local services for community needs. The field surveys held during the case study research have also supported this recognition of differentiating activities in study area neighbourhoods. In the same way, concentration of more specialized service firms in especially Bozkurt, Ergenekon and İnönü neighbourhoods becomes more clear when the distribution of firms and working population in production services are perceived from Figure 5.52 and Figure 5.53. Specialization of firms in production services in those neighbourhoods indicates the pressure for expansion of production services from the surrounding prestigious (Şişli-Harbiye-Taksim Axis) areas through the study area.

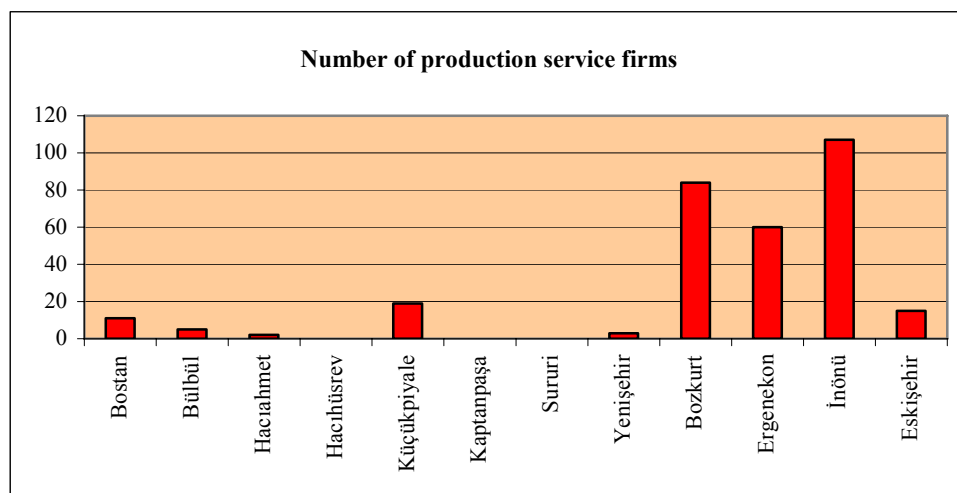


Figure 5.52. Distribution of Production Service Firms throughout the Neighbourhoods in the Study Area (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

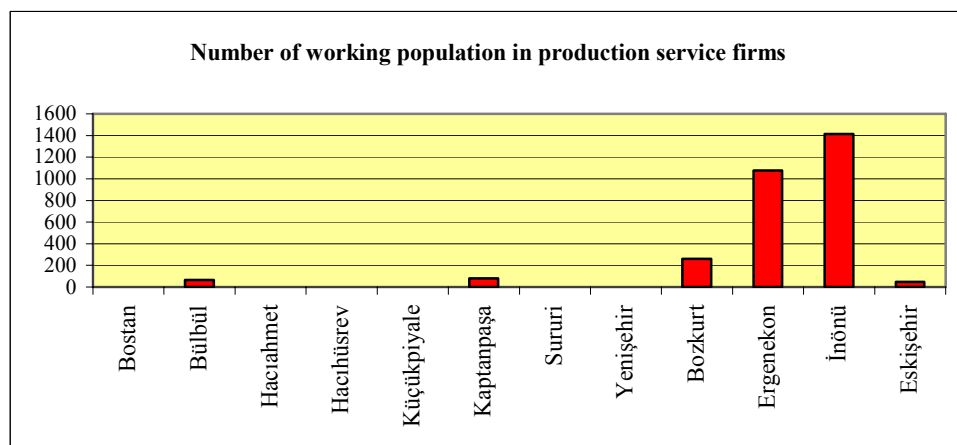


Figure 5.53. Distribution of Working Population in Production Service Firms throughout the Neighbourhoods in the Study Area (Produced from the data of IMP in 2006 about 2002 census of firms made by SIS)

Potential of strong local economic clusters is no doubt the deprived inner city areas' most powerful and sustainable competitive advantage over the long term. In fact, more detailed data is needed that are referring to; annual revenues of existing firms; wages paid to employees; square meters of space used by existing firms (in each sector); number of firms that have considerable export capacity; number of firms that have strong business ties (intermediate good/service exchange) with regional clusters, in order to make more accurate inferences about clusters advantage of existing firms in the study area. Availability of such data would contribute to more accurately evaluate whether existing cluster have the potential to improve if leveraged. However, the data relevant to above aspects could be not obtained in this research process because of the reason mentioned in methodology at the beginning. But the available data and field surveys reflect that the existing firms concentrated on several manufacturing and service sector activities do not have the potential to create strong local clusters. Existing zoning regulations and planning decisions do not even support manufacturing activities. Especially the activities about automotive repair and sales of their replacement parts that are dominantly located along the main axis as in the form of one-to-two storey shabby structures do not even fit with the expected economic performance for such a centrally located inner city area.

In contrast to the existing small scale local clusters, several individual property-based developments have emerged in the last several years within the study area; especially along the Piyalepaşa-Dolapdere Axis. Among all, the most significant one is the transformation of an old industrial plant into a faculty of Bilgi University. It has not only provided a physical renovation, but also offered new employment opportunities in the area. Leveraging the conditions that will allow new business investments is in fact much more necessary condition that has to be met in the area, since it directly adds to the local economic development by providing jobs to local residents.

#### **5.3.4. Evaluation of the Capacity for Promoting Competitive Advantages of the Case Study Area in relation to Porter's Approach of "Urban Competitive Advantages"**

Being located within the inner city of the metropolitan area, Piyalepaşa-Dolapdere Axis and its neighbourhood has its own urban dynamics which has to be realized in all types of levels. Parallel to this, inherent urban advantages and

disadvantages of this area are studied in different levels of context from the city level throughout local level. Advantages and disadvantages of the study area are generated in respect to the analysis of numerous variables that are put forward in the final of the third chapter. The relative weights of those variables are represented in details in Figure 5.54.

- To start with; the biggest advantage of Piyalepaşa-Dolapdere Axis and its environment out of Porter's four main competitive advantages is location. Its critical position connecting the major transportation routes with city centre provides great opportunity to be used in attempts for attracting private investment. The weights of good-access to both transportation routes and core activities as shown in Figure 5.54 are determined by the comparison of commuting times from between selected nodes/junctions in the city context and the study area (Dolapdere) (IGM 2008).

- Second major advantage is powerful economic clusters in the surrounding region. (Figure 5.49). High-order businesses, culture, tourism and entertainment activities are anchor sectors that have previously contributed in the same way to revitalization of Beyoğlu-Istiklal Avenue and Pera district located on the south of the study area. Availability of the surrounding powerful clusters in the region together existing policy directions through enhancing the service sector in the CBD creates a significant potential for expanding the inner-city business base by building on the advantage of the study area's strategic location. The weights of regional clusters (production services, culture, tourism and entertainment) in Figure 5.54 are determined according to the average ranking of Şişli and Beyoğlu districts together among the districts in the overall metropolitan area. Similarly the weights of foreign resources, governmental incentives and location preferences of large-scale firms in Figure 5.54 are also determined according to average ranking of Şişli and Beyoğlu among all. As the study area is also situated within the CBD in the upper-scale master plan, it will be realistic to expect a similar development tendency with the driving force of anchor sector uses in its wider surrounding region. In this case, among the probable prospects will be expansion of core activities; location-sensitive businesses looking for suitable lots close to CBD and nearby companies/intermediate services relevant to production services facing space constraints and back-office or support functions that are willingly to relocation or outsourcing. However, in reality, this does not refer exactly to the regional clusters advantage in Porter's approach. Because, Porter's clusters advantage refers to sector clusters located within the concerned area. Unlikely, the existing local businesses within the case study area do not represent the characteristics to act as

anchor sectors in order to grow or integrate with regional economic clusters at the moment. Some of them are even proposed to be replaced in the longer-term.

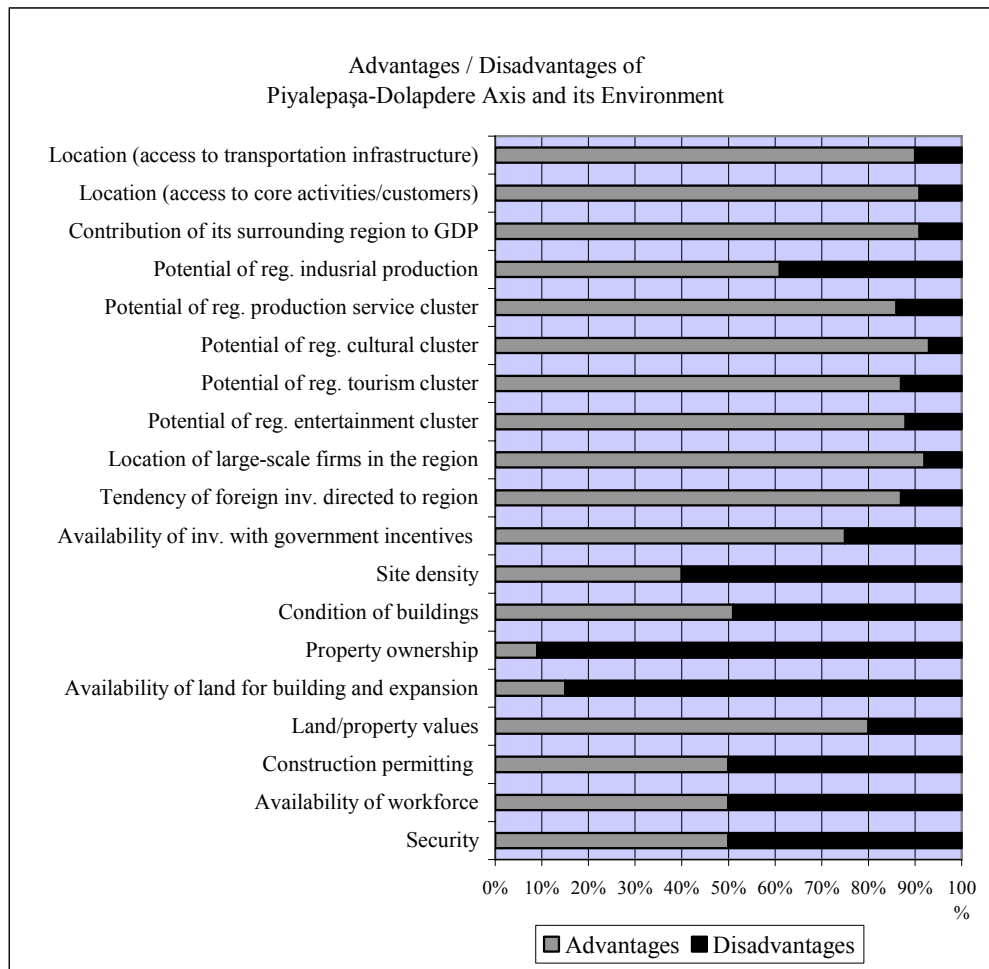


Figure 5.54. Comparison of the Relative Weights of Competitive Advantages and Disadvantages in the Case Study Area and its Surrounding Region

- Thirdly, availability of large labour power (unemployment) forms the other necessary advantageous condition as drawn forward in Porter's approach (Figure 5.54). The local businesses in the study area are not eligible to make use of this labour power with their present capacity. So, commercial redevelopment to a certain extent becomes essential to develop employability. But from another point of view, this may present the concerned area with a fundamental dilemma. Such redevelopment directly or indirectly may lead to a certain extent displacement of residents and raising concerns over political equity. For instance if redevelopment will create jobs which residents are not trained for the type of employment available- actually which is most probably the expected result in the case Turkey- job creation benefits will be realized instead by



people outside the area, unless business training program accompanies the redevelopment plan. Actually this dilemma is complicated by uncertain success of regeneration activity, when the absence of effective implementations of capacity building or private-sector led employee training activities in any regeneration scheme within the city is considered. Here, the weight of available work force could not be represented in the Figure 5.54, since adequate numerical data referring to unemployment and productivity of the existing workforce (work- readiness) could not have been achieved. So, it is shown in the figure as neutral.

- Other than above three, the availability of the fourth competitive advantage of Porter's approach which is namely the local market demand, could not be adequately assessed as in the form of whether or not it creates a considerable potential for attracting private inward investment. Although general information is available about the degree of quality of life and poverty; detailed information related to the income levels of the households and annual retail spending power could not be attained, the reason for which is defined in methodology in the first chapter.

In contrast to available advantages, there exist many disadvantages that affect urban future development (Table 5.13). Above all, the existing building stock is so deprived and unhealthy in several parts that there will be an immediate need for physical redevelopment in those parts of the study area. However, access to land and properties creates the biggest impediment for possible redevelopment. Once the site is accessed, site clearance with an extensive capital investment emerges as the next forthcoming impediment. Existing high density, land vacancy pattern, ownership pattern, existing plan decisions, construction limits and restrictive ground conditions all act as disadvantageous factors in physical regeneration process. To what extent those indicators have disadvantageous impacts are shown in Figure 5.54. Degree of density is determined according to the percentage of the average density of neighbourhoods in the study area among five density intervals (Figure 5.36). Similarly, land vacancy and ownership are determined according to the percentage of vacant land and to the percentage of private ownership. The existing landuse decisions and construction permits are shown as neutral in Figure 5.54, since they could not have been transformed into some numerical format. However, it is discussed in previous pages that they have considerably discouraging effects of initiating physical development attempts.

Table 5.13. Review of Advantages versus Disadvantages of Piyalepaşa-Dolapdere Axis and its Environment

<b>Competitive Advantages</b>	<b>Disadvantages</b>
<b><u>Location</u></b>	<b><u>Security</u></b>
Proximity to highest land/property values in the city	Considerably high rate of crime and vandalism
5 minutes drive to core activities (CBD)	<b><u>Low Resident Skills</u></b>
5 minutes drive to major state highway (D-100)	Low-professional skills
15 minutes drive to transit expressway (TEM)	High poverty rate
<b><u>Physical and Human Resources</u></b>	<b><u>Shortage of Adequate Physical Assets</u></b>
Availability of vacant and underutilized assets for business development	Highly deteriorated and densely built-up pattern 21% of which is in bad quality and 5% which is already ruined
Available work force	Small-fragmented parcels unfit for use
Relatively cheap land (6 times as cheaper than core activity areas around in the average)	Burdensome site acquisition
	Multiple ownership pattern
<b><u>Attitudes / Image</u></b>	Strict planning regulations and construction permitting
Recent revitalization efforts around (Tarlabaşı, Bomonti and Talimhane projects)	Steep slope restraining the construction permits
Available cultural/historical listed assets with an impact added to environmental value	Lack of area-specific regeneration policies & programs, encouraging public incentives
<b><u>Linkage to Regional Clusters</u></b>	Lack of financial resources, funds, loans or tax credits for site remediation/project generation
Powerful cluster of personal services with 90% city share in the surrounding region	<b><u>Attitudes / Image</u></b>
Long-term vision and strategic objectives for promoting high-order services in CBD and determined sub-regional centres.	Negative perceptions related to inner society
	Poor reputation of the area as a place to do business
Good proximity to culture, tourism, hospitality and entertainment clusters	Local government not responsive to business needs
	<b><u>Inefficient infrastructure</u></b>
Potential commercial relations with businesses in surrounding neighbourhoods	Inadequate parking areas and service roads connected to the Axis
	Lacking social infrastructure

Condition of buildings is also illustrated as neutral since it has a dual effect on the site. While bad building conditions act as advantage for encouraging redevelopment for creating new land uses with increased land values, it also acts as disadvantage as to increasing the cost of investment.

All the weights of site-specific variables that take place in Figure 5.54 are generalized for the overall study area. The situations of some of the neighbourhoods or some of the localities will inevitably differ from the situation generalized for overall study area. Some of the neighbourhoods/areas are still more competitive than the rest of the area which should be separately and critically assessed in searching the prospects for increasing their investment value for purposed regeneration process.

However, the general comparison of advantages/disadvantages indicates that present competitive advantages could hardly make any contribution to study area's regeneration, unless all the possible effort by the public authorities is spent through decreasing the impacts of above impediments behind the existing disinvestment within the area.

### **5.3.5. Examining the Marketability of the Case Study Area**

It has been inferred from the assessment of present competitive advantages and disadvantages with reference to a number of variables that Dolapdere-Piyalepaşa Axis and its environment for the general are not marketable in the present market conditions (Table 5.14). Whereas significant advantages exist, the weight of existing disadvantages in many aspects restraint making use of those advantages for a probable economic revitalization. There has been no significant development in the area during the past planning periods either. Furthermore, there are even hardly any unique-to-a-region characteristics that would add to the study area's marketability. For highly marketable sites, market forces will drive future development for a required economic revitalization independently from the local government response. But in the case of Dolapdere-Piyalepaşa axis and its environment more extensive public involvement is required to initiate any economic regeneration activity.

Table 5.14. Identifying the Marketability of the Case Study Area for the General with reference to Site-specific Variables

<b>SCREENING THE LOCAL CRITERIA FOR IDENTIFYING THE MARKETABILITY OF 'PIYALEPAŞA-DOLAPDERE AXIS AND ITS ENVIRONMENT'</b>	
<b>Site Characteristics</b>	<b>Discussion</b>
Location (Access to transportation/core activities)	Highway access tends to be the most advantageous aspect of the area. The site has perfect location between the centre and highways.
Sizes of land lots	Most industrial or commercial development requires reasonable parcel sizes. Smaller sites will be automatically precluded from consideration, since; assembly of small properties into developable size is too costly and time consuming in the area.
Geology/Topography	Rives basins restrict development; low-density uses are the only viable uses, since then, business development is limited on the axis. Ground structure also increases cost and feasibility of construction.
Density	Maintaining densities is the proposed condition in all parts; however, densities are high in majority of the study area. Densities highly increase the burden of relocation, where redevelopment is essential.
Condition and structure of buildings	Renovation or demolition is essential in a great portion of land for site remediation. Building conditions mostly do not allow adaptive-reuse. Number of floors and environmental contamination highly impact cost and time for demolition and clean up.
Land use	Commercial use is limited along the axis and ground floors preventing expansion of regional clusters, however available vacancy rate creates opportunity for new business development.
Ownership	Private ownership makes site assembly longer and more expensive. Public lands and charity lands generally concentrated along the axis creates opportunity for redevelopment of the Axis.
Land/property values	Land is relatively cheap; however available land with proper sizes is few. Sale/rent rates are very low in Beyoğlu part, so demand is very low. Rates in Şişli part are moderate.
Zoning	Although area is stated under CBD in upper scale master plan, zoning decision is not supported by sub-regional policy actions. There is no area-specific designation to address perceived econ./physical decline.
Regulatory designations/Building codes	Architectural codes/permits in available classical master and detailed plans are not eligible for profitable redevelopment.
Parking area	Existence of adequate parking areas is important for commercial development; however area does not offer available parking services.
<b>Neighbourhood Characteristics</b>	<b>Discussion</b>
Security	Criminal activity decreases the value of land and image of the area and creates unfriendly business environment for required private investment.
Labour force	Although availability labour pool exists, skill level of workers is not eligible
Proximity to markets	Access to both suppliers and consumers, but too weak local clusters.
Area-specific programs targeted at the area	Area is not perceived as a primary matter of concern for regeneration. No specific regeneration policies are generated. There are not any development grants or public incentives are already available for any targeted area.



on a piecemeal basis will no more be uncertain about both public concern and the adjacent landowners' reactions and would be more likely to undertake a risk in the area.

Table 5.15: The Aspects Screening the Marketability of Sub-regions in the Case Study Area

Sub-regions	Land-use ordinance	Parcel sizes	Condition of built-up pattern	Density	Economic structure
I. REGION	Commercial	Available larger sized and vacant land lots along the axis	Large vacant tracts + 1-2 storey deprived built-up structures	Low-density	Vacant/underused properties, non-viable activities to be removed
II. REGION	Residential	Small, improper parcel sizes fragmented dev. rights	80% 1-2 storey squatter houses in bad conditions	Low-density	0% share in regional economic activity, marginal sector activities
III. REGION	Residential + bottom floor commerce	Small parcel sizes (<100m <sup>2</sup> )	35% 1-2 storey houses in bad conditions, 65% in moderate conditions	High-density	4% share in regional economic activity
IV. REGION	Residential + bottom floor commerce	Small but relatively proper parcel sizes	Adjacent blocks 60% buildings with 5-9 floors	High-density	7% share in regional economic activity

II. REGION: consists of purely residential Hacıhüsrev and some part of Hacıahmet neighbourhoods (Figure 5.55) having acute environmental and social problems (Table 5.16). The area totally needs to be radically renewed; however it has no unique competitive advantages rather has many disadvantages discouraging future possible inner investments. That is to say it has particularly low marketability (low demand). Public response should be exceptionally great through preparing the so that the risk attached to private sector will be reduced. The public response will also be necessary for organizing the local community to actively take part in the process.

III. REGION: refers to 4 neighbourhoods located in the territory of Beyoğlu Municipality (Figure 5.55). The neighbourhoods have moderate conditions when contrasted with II. Region however they realize also social and economic distress in the present. Those neighbourhoods similarly have low marketability. Public concern should also be directed towards policy actions and cooperative work with local community to initiate local economic development.

IV. REGION: consists of four neighbourhoods (Ergenekon, Bozkurt, İnönü and Eskişehir on the north that located under the territory of Şişli Municipality (Figure

5.55). This area also has low marketability, since there is not much to do as to its more properly structured built-up pattern, density, building quality, more sound economic and social structure. This sub-region among others is the most proper area in terms of the stated aspects. However, economic and social structure should be improved as part of a purposed program-driven economic regeneration process in the study area.

### **5.3.6. Prospects for a Possible Regeneration in the Case Study Area in Relation to Degree of its Marketability**

Ironically, despite the desperate need for comprehensive regeneration in Piyalepaşa-Dolapdere Axis and its environment, the current public response to cope with the perceived decline drives investments and job opportunities to other locations. In fact, a program-driven economic development should be adopted focusing on generation and circulation of additional money in the local community. It should also be sustained with wider economic growth policies. First of all, even the area is situated within the CBD according to upper scale structure and master plans; no specific policy directions or programs are currently available in the sub-regional level which is necessary to shape the content and scope of businesses expected to develop along the Axis. Since then, there is an urgent need for a holistic vision together with a set of policy formulation and supporting mechanisms and incentives. Secondly, in order to restore its economic and fiscal vitality, both commercial and residential redevelopment has to occur at a scale in the area that is competitive with contemporary suburban real estate development and that overcomes existing negative externalities found in the area.

Briefly, determining a particular course of action as the extension of a program-driven local economic regeneration held by the cooperative work of related local authorities is usually a rational economic process. However, for a commercial rationale to exist for such course of action, study area must offer an investment value or the potential for investment value to be created. High development profitability can only be built on the conditions of low site values, low interest charges, low construction costs and high sale values. As the concerned area has low-marketability, the role of the public sector will certainly be greater in developing useful mechanisms for leveraging its marketability, where the present legislative, organizational and financial structures are not capable of initiating such a large-scale regeneration scheme yet in all aspects. Table

5.16 outlines the main suggestions about economic regeneration in the study area in relation to above sub-regions. Further detailed framework of recommendations for developing the necessary reforms in the political agenda, in the regulatory framework and in the role models that are necessary for a purposed regeneration activity is outlined in more details in the last chapter.

Table 5.16. Outline of the Prospects for Regeneration in Sub-regions of the Case Study Area

<b>Sub-regions</b>	<b>Land-use ordinance</b>	<b>Course of action</b>	<b>Actors</b>	<b>Policy Actions / Instruments</b>
I. REGION	Commercial redevelopment (Profitable business activities)	Commercial redevelopment	- Greater city municipality - Şişli & Beyoğlu Municipalities - Stakeholders - Private sector	- Marketing campaigns - Area –specific program - Partner organization - Effective mechanisms for land assembly, financing and project management
II. REGION	Mixed-use	Commercial + residential redevelopment	- Greater city municipality - Şişli & Beyoğlu Municipalities - Housing Admin. - Stakeholders - Private sector	- Partner organization - Effective mechanisms for land assembly, financing and project management - Awareness raising
III. REGION	Mixed-use	- Local economic improvement - Physical rehabilitation	- Greater city municipality - Şişli & Beyoğlu Municipalities - Local community	- Awareness raising - Capacity building - Cooperation of municipality with local businesses in increasing commercial capacity - Financial support
IV. REGION	Mixed-use	- Local economic improvement - Property-led physical improvement	- Greater city municipality - Şişli Municipality - Local community	- Awareness raising - Capacity building - One-stop shops in local municipality - Cooperation of municipality with local businesses in increasing commercial capacity - Financial support

## 5.4. Evaluation

Urban restructuring experienced in the last decades has led to deindustrialization and specialization of urban economy on commerce and service activities in the metropolitan area of Istanbul. This emerging style of economy in the city has put “competitiveness” at the heart of urban growth. Regardless of the apparent urban problems, the attempts to create a more competitive basis within the international



context has been guiding Istanbul in recent years through a long-term vision, strategic objectives and action oriented-policies which is expected to contribute to a trickle-down economic growth and wealth creation in realizing its potential as a global city.

In this respect, maintaining the competitiveness of the city has to remain as the major goal of planning. On the way to become a world city, more vibrant central city areas are needed as they are the barometers of the quality of life and quality of the environment in the entire city. Recapturing inner city areas by making use of their inherent competitive advantages are thought in the context of this thesis to provide inner cities to find their best economic use. And this will require 21<sup>st</sup> century new economic and urban planning policy perspectives and new role models, as well as an extension of the past as drawn forward in Porter's approach.

Piyalepaşa-Dolapdere and its nearest environment, being one of the most well-known deprived inner city areas in Istanbul, is evaluated in this chapter as to whether its present advantages make sense for recapturing the area and integrate it to regional economy. Analyses before evaluation have taken within a variety of scales starting from the city level in the international context through the local level. Analyses referring to each level have shown the competitive capacity and the significant role of that level within the upper level. Analyses especially made upon the regional context have indicated that Şişli and Beyoğlu districts in which the study area is located in have significant places in the competitive edge of the city. They have considerable investment flows and shares in finance, insurance and real estate and business services together with community, social and personal services that are the most rapidly growing activities in the city. Although the study area has considerable advantages for being at the heart of strong regional clusters and transportation facilities together with the pressures of surrounding development over itself to redevelop, it has been for years suffering from acute economic, environmental and social problems. Analyses have shown that many disadvantages exist in the concerned area that create barrier for making use of its area-specific advantages. Added to the problems of lacking wider planning and policy directions through regeneration, lacking necessary financial incentives and organizational mechanisms, the study area represents low marketability situation for required investment for economic regeneration. Similar dual conditions more or less exist already in many inner city cases in developed countries; however diverse mechanisms for financial, organizational and planning aspects allow overcoming such obstacles more professionally. That is to say, presence of competitive

advantages could hardly make any contribution to study area's regeneration even to any other similar inner city case in Istanbul, unless it goes along with the required reforms for enabling instruments in legal, financial and organizational issues and risk minimization are achieved to initiate inward private investment.

## CHAPTER 6

### CONCLUSIONS AND RECOMMENDATIONS

This research has tried to assess the impact of *Urban Competitive Advantages* in *inner city areas* in Turkey and for the potential of *marketability* of those advantages for *economic revitalization*. The results of this assessment for the most part support the main assumption of the research that ‘policy directions and the regulatory framework for urban regeneration in Turkey will only help economic revitalization of distressed inner city areas when reformulated in the way they promote (market) the potential competitive advantages of concerned localities that will encourage private inward investment.’

The main critical acceptance of this research has been from the start that private investment is inevitably the key factor for economic enhancement of deprived urban areas in Turkey given the current driving forces of liberal market conditions. Because, a large scale economic regeneration is a capital intensive process and largely involves private capital. Demand for both residential and commercial uses is essentially market driven, since then purposed regeneration activity should meet the test of market efficiency. In this respect, analysing an economy-based model, *the competitive advantages approach*, within the scope of this research is not a coincidence. The concerned approach has contributed to a certain extent economic regeneration of several American inner cities through promoting their area-specific advantages. In the same way the present research has evaluated this approach through a field study for the case of Turkey. It will be more adequate to present the conclusion part of this evaluation separately as (6.1) the concluding remarks made through the use of competitive advantages in the case of inner city areas in Turkey and as (6.2) the concluding recommendations made through the Turkish urban regeneration practice as follows.

## 6.1. Conclusions made through the use of Competitive Advantages in the case of Inner-city Areas in Istanbul/Turkey

The conclusions made through the use of *Urban Competitive Advantages* in *inner city areas* in Turkey and for the potential of *marketability* of those advantages for *economic revitalization* could be stated with reference to the questions determined at the beginning for constructing the scope of the dissertation:

What are the competitive advantages that effect marketability of inner city areas?

- Deprived inner city areas still contain as area-specific advantages Porter truly mentioned in his model. Location, integration with regional clusters, local market demand and human resources act as significant disadvantages for certain locations. Although Porter did not mention, availability of physical assets may also add opportunity to the competitiveness of inner cities relative to the other places.
- Although cities, regions and localities have their own unique features, urban competitive advantages approach at least work for recognition of those inherent area-specific advantages/disadvantages of inner cities wherever it is located.
- Comparison of location advantages/disadvantages helps understanding the reasons behind disinvestment in inner cities.
- The vision attributed to inner cities is different from those of other deprived areas in the city. Inner cities are the most dynamic areas with mixed use, good access, concentrated public services and extremely high land values which should become vital and self-sustaining engines of growth for the city vision. In these circumstances where free market conditions are shaping value of urban land, Porter's approach becomes realistic for urban regeneration by means of building on strategic place marketing.

What are the indicators (variables) that illustrate competitive advantages of a locality and how those indicators operate on stimulating reinvestment in inner cities?

Thirty eight variables are determined to evaluate the existence of four main competitive advantages (location, regional cluster, market demand, and labour force) of distressed urban areas. These variables at the same time represent physical and environmental, planning and regulatory, demographic and socio-economic aspects which are necessary in evaluating the opportunities and restraints of those areas. The analyses made by using those variables help comparing the relative weights of areas'

advantages and disadvantages. Comparison of competitive advantages and disadvantages contribute to understand the degree of marketability of areas and which will shape the type and level of response of public authorities in regeneration purposes.

Does each or some of those competitive advantages exist for the case area ‘Piyalepaşa-Dolapdere Axis and its environment?’

Majority of data about those variables are obtained in the case study area except for the seven variables which would have contributed to understanding the degree of “local market demand advantage” if they were obtained. Analysis made all through the study area together with the existing legislative, organizational and financial capacity in Turkey portrayed in the fourth chapter has drawn below conclusions:

- However, overcoming disadvantages of deprived inner cities as well as building on their natural advantages is not possible in cases (as in the case of Piyalepaşa-Dolapdere region) where effective marketing mechanisms are not available.
- Existing land management in Turkey does not represent mechanisms for marketing deprived inner city areas for purposed development. Moreover, reclaiming the land emerges as the most significant disadvantage of deprived inner cities in Turkey as the great portion of the urban land is accompanied by complex private ownerships.
- Similar to land, availability of labour power, for the most part, does not add a competitive advantage on deprived inner cities in Turkey, since private sector will have to take more risk in contrast to ones in developed countries under unfavourable external conditions. While already confronting considerable financial burden, private sector will be unwillingly to take additional responsibility by making use of available labour power in inner cities.
- Existing planning culture in our cities shaping the urban spatial structure through master and detailed plans does not include wider policy directions and actions for shaping the socio-economic structure which is much more significant in leveraging required anchor sector in inner city localities.
- The current organizational capacity in our cities that will enable grounds for coordinating the relations of the local governments with both local businesses and outside regional businesses is not strong enough to create business-friendly environment for required economic regeneration in the current practice.
- The problem of access to capital for both public and private sectors for inner city regeneration in Turkey creates perhaps the most significant barrier for managing required outcomes through inner city regeneration.

How much effective are the relevant policy and regulatory framework in Turkey that are needed to stimulate private investment to deprived inner city areas?

The case study analysis held for assessing the use of competitive advantages in Turkey has indicated that even though area-specific advantages exist in deprived inner cities in Turkey they could hardly make any contribution to regeneration purposes, since the conditions that will increase their marketability do not exist for the most part. The reason for this conclusion is two fold. Firstly, the weight of disadvantages almost common all deprived inner city areas in Turkey considerably restrains making use of existing area-specific advantages in terms of attracting private investments inward. Secondly, the wider present conditions stated in the answer of above question are not capable of producing the prospects for promoting competitive advantages and minimizing risks for expected investments. These remarks also verifies the main supposition of the research that “the policy directions and the regulatory framework for urban regeneration in Turkey will only help economic revitalization of distressed inner city areas when reformulated in the way they promote (market) the potential competitive advantages of concerned localities that will encourage private inward investment.”

How to strategically design action-oriented interventions to initiate a revitalization process in concerned areas?

In order to achieve successful outcomes in Turkish regeneration practice, policy makers both in central and local government levels should seek the ways to promote advantageous aspects of areas to be regenerated. This will require renaissance in the current legislative procedures, in the institutional and in the financial structure and in the management of urban land which is illustrated in details in the Part 6.2. in the following pages.

## **6.2. Recommendations for Creating a Framework for Urban Regeneration in Turkey that will Facilitate Promotion of Urban Competitive Advantages**

The spectrum of regeneration activity varies from the individual site to the nation-state and there is no single measurement tool or no fixed course of action that represents the ideal spatial level for the practice of regeneration over time. However,

majority of the developed countries through time have developed their own national policies and mechanisms for urban economic regeneration. Correspondingly, although having emerged very lately, the needed response of the policy makers, professionals, academicians and other interest groups in Turkey to regeneration activities has gained pace in the last decade with respect to the increasing concern in planning for earthquake mitigation. The latest improvements are promising when lately flourishing neighbourhood regeneration activities are considered, but the progress on national urban regeneration will depend on providing the necessary framework as follows that will be supportive for further regeneration projects as a guiding manual.

**Framework for Planning and Regulatory Issues:** It has gained global importance for nations to achieve *sustainable urban development* to increase in *economic competitiveness* of cities with improved economic productivity, to create a more socially cohesive community as well as to generate wealth. In this regard, planning for economic revitalization of inner cities that will directly affect the performance of urban economic space becomes as significant as the other issues like housing, infrastructure and transportation planning.

1. **Reform in major urban policy actions:** Traditional urban policy actions do not help addressing the degree of decline in inner city localities since they failed to realize the validity of economic concerns in the past. A strategic marketing planning is to be encouraged with an emphasis on stimulating private inward investment and creating business friendly and liveable environment to find best economic use of our deprived inner city areas. Policy actions reformulated with respect to markets dynamics will indicate how adequate our national and local governments plan the use of urban economic space.

For example, with the aim of promoting Istanbul to the category of world cities as the command and control centre for a vast region, it has become major policy to raise the city a regional hub of economic dynamism, an international crossroads for people, money, goods and information. This major policy requires adequate supportive policy actions that will improve the economic vitality of the city by encouraging private investment, raising income generating activities and exploiting new sources of employment. In this case, the most important policy action among all is strengthening the economic performance of the inner city by:

- Devising zoning strategies for particular CBD functions to flourish in,

- Enhancing local economic development and employment especially through business start-ups, providing suitable infrastructure, advisory and other support services to existing businesses and community enterprises,
- Promoting access to land to find its best economic use, and
- Enhancing the social infrastructure and security concerns to change attitudes.

2. **Changing the ethos of the existing planning system:** An economic regeneration in the light of above policy actions requires also a reform in the existing urban planning system in order to prepare the enabling grounds for urban change. Turkish planning culture could not have still moved away from its old style characterized by formal, statutory, and legally obligatory tradition of master planning, although there have recently emerged several projects pioneering new approaches to local spatial planning directed at neighbourhood regeneration. But, there is a critical need for changing the ethos of existing planning system for securing urban change with a shift from master planning to the level of strategic action planning. A more strategic approach for planning will be able to clarify the intended outcomes of regeneration, through strategic policy actions and instruments targeted at specifically defined areas together with clearly identified roles and responsibilities of the actors and organizations. The shift of emphasise about changing the ethos of existing planning system in this way could be indicated as below.

Table 6.1. The Shift in Priorities in the New Planning System

<u>From:</u>	<u>To:</u>
Emphasis on statutory conventional planning	Strategic & action planning
State provision	Market provision (privatization & partnership)
Emphasis on central government	Empowered local government
Physical improvement	Regional/local economic improvement
Statutory planning regulations	Technical feasibility and institutional basis
Top down planning & approval	Civic participation & bottom-up planning

As Kocabaş (2005) truly emphasizes:

Turkish urban planning is today slowly moving into a new era. Istanbul is leading the development of new approaches to planning in Turkish cities in response to new policy drivers (Kocabaş 2005).

The recent inner city project proposals, even though being fragmented prestige projects in nature, point out a hopeful tendency in Istanbul's planning agenda towards a flexible,



action-oriented and partnership-based approach centring on investment flows through inner city development. However, investment programs should be wider considered in the local scale for local economic development of deprived inner city neighbourhoods which require a community-based planning action on the ground. Local governments should coordinate with local/regional businesses for directing potential investment through project areas.

**3. Placing inner city regeneration in the centre of urban policy framework in cities:**

First of all, especially in the level of urban metropolitan management, there should be shared public agreement in favour of preventing disorderly urban expansion and turning declined inner areas into beneficial use in order to profit from the centrality of those zones in the sprawled metropolitan context. Commitment to comprehensive inner city regeneration should then be strengthened between both central and local governments. Greater city municipality in this respect is required to remove allocations of greenfield land for real estate development from development plans where the allocations are no longer consistent with planning policy objectives for the inner city.

**4. Arranging a new legislative basis for inner city programs:** The most important contribution to creating our national framework for urban regeneration in the recent years is the acceptance of the Act/no:5366. However, this legislation is so area-specific and incremental that it allows intervention to deprived urban areas only in the condition that they are situated under urban/historical preservation areas. While doing this, it leaves similar deprived areas next to those preservation areas untouched. Moreover, while dedicating areas for regeneration, it does not give any criterion for defining the conditions of deprivation. It does not even include clear statements for encouraging partnerships defining the role models for public, private or community sectors or for project management process. The legislation rather defines the process with overall public response only by strengthening it through classical procurement approach. Actually, a more effective and comprehensive legislative basis is needed to adequately define the urban areas in difficulty.

New legislation should be specifically designed to address the urban blight independent from wherever it takes place; within the inner city, within the borders of Preservation Areas or in the peripheries. More critically designated *priority areas* should be introduced where regeneration can be undertaken by professional project management, assisted by streamlined planning decisions, easier land acquisition, tax incentives and additional resources. New legislation may stand in the way of

announcing ‘*diminishing urban quarters*’ similar to the draft regulation for “urban areas in difficulty” studied under the issues for urban sustainable development in the EU.

Certain criteria may well be established for the announcement of such ‘*diminishing urban quarters*’ like the existence of:

- a rate of long-term unemployment higher than the city average;
- a high level of poverty with unliveable housing conditions;
- a particularly deprived built –up environment;
- a high crime rate in contrast to the city averages.

Additions could be made to those major headings if needed or levels of above conditions could be more specified with numbers of percentages. An area will then be expected to meet at least for instance two of the above criteria in order to be designated as a ‘diminishing urban quarter’. In fact, the designation of the boundaries of such areas should be critically done in order to avoid sharply dividing the urban neighbourhoods showing similar characteristics as done in several cases within the city while declaring regeneration areas with reference to the Act/no:5366.

Declaration of such areas should also be accompanied with further regulatory issues in the legislation for establishment of project-specific management teams, definition the responsibilities of each of the partners and supporting instruments for project financing and land and property development issues.

**5. Formulation of PPPs for successful outcomes in urban regeneration:** The evolving strategic management of urban regeneration will also require formulation of PPPs for delivering successful project outcomes. PPPs should refer to both Policy-Program-Project and Public-Private Partnerships. The Policy part of “Policy-Program-Project” should be performed by the greater city municipality in the metropolitan level. It should then turn into operational level under the responsibility of district municipalities keeping the vertical coordination with the greater city municipality. Additionally, the horizontal relationship between municipalities and other related governmental entities (e.g. Housing Administration, Conservation Boards, and Treasury) will also take place in organizing further financial and institutional aspects in the Program stage. Finally, the Project stage will include all site-specific tasks concerning directly implementation.

Table 6.2. Policy-Program-Project Stages in Managing Urban Regeneration

<u>POLICY</u>	<u>PROGRAM</u>	<u>PROJECT</u>
<ul style="list-style-type: none"> <li>- Agree a vision,</li> <li>- Set long-term goals and broad objectives for regeneration</li> <li>- Relate urban regeneration to other development goals and policies (infrastructure, transport, industry and services)</li> <li>- Specify basic strategies</li> <li>- Indicate general levels of public resource allocation</li> <li>- Set a time schedule in the long-term</li> </ul>	<ul style="list-style-type: none"> <li>- Convert strategies to operational activities in key locations (<i>in proposed diminishing urban quarters</i>)</li> <li>- Set quantitative targets and time schedules</li> <li>- Define sources of funds</li> <li>- Specify institutions and organizations to be included in project management process</li> <li>- Set guidelines for project formulation</li> <li>- Set priorities for the start</li> </ul>	<ul style="list-style-type: none"> <li>- Determine site specific activities</li> <li>- Have a clear budget</li> <li>- Have a clearly defined start and end</li> <li>- Have a detailed planning of tasks (action plans)</li> </ul>

After from the attainment of policy-program and projects in regional and sub-regional levels, public-private partnerships will essentially have to take place to come up with effective management processes for proposed regeneration activities.

**Framework for Institutional/Organizational Issues:** Good urban governance and local empowerment are crucial factors for increasing the quality of life in cities and for managing them in more sustainable ways, since then urban regeneration is directly concerned with the way we manage our existing urban assets. Well-managed urban areas can provide an economic environment capable of generating employment opportunities as well as offering a diversity of goods and services. In this regard, there is a need for accomplishing an agenda of new political strategies and new forms of urban governance. This new agenda should involve reconstituting the nature, quality and purpose of the overall relationships that link various institutional grounds: local, state, civil society and the private sector for urban regeneration. This agenda could be defined under following headings:

**1. Decentralization:** Globalization has influenced majority of the developed countries in the way of adopting decentralization of political powers and urban governance in the last two decades. The global forces have also been and still are likely the major important drivers in Turkey of the increasing political will on the reforms about urban governance within the last couple of years. Firstly, the successive IMF economic recovery packages include reforms of the public sector. This pressure for political modernization is also being reinforced by the World Bank earthquake recovery programs and directions of the EU harmonization process, both of which promote

decentralization from central to local government, an enhanced role for NGOs, a more direct citizen involvement in decision making and a partnership, rather than the central state-dominated approach to urban governance (Kocabaş 2005). The process of political modernization in all its facets which proposes to bring significant changes in the urban governance is in fact necessary for more effective planning.

Actually, being a large metropolis with prominent international functions, Istanbul requires specialized administrative regulations including wider authority spectrum to local government in comparison to other cities. In the present day, where global competitiveness is considered between cities rather than between nations, local governments emerge as the major actors in specifying economic development policies for initiating competitive advantages and fostering employment opportunities. Likewise, the Act/no:5216 has given Greater City Municipality the right of all planning issues within greater city territory. In the context of major external influences above, further legislations are being introduced in the recent years to devolve additional powers and resources from central government agencies to local governments. The latest arrangements made upon the legislations concerning ‘Greater City Municipalities’ and ‘Municipalities’ as well as the alterations made upon the legislation for ‘Conservation of Cultural and Natural Assets’ give opportunity to public authorities to take more active roles in urban regeneration in terms of land reclamation and acquisition and creation of partnerships as well. Moreover, new legislation for urban regeneration (Act no:5366) is enacted, including significant changes to the statutory planning system. This legislation has donated local governments with the right to develop regeneration schemes in their territories. Majority of the above legislative provisions in essence contribute to the shifting balance of emphasis from top-down planning bureaucracy through territorially based planning process which is necessary for the evolving national framework of regeneration. However, there is need also for supportive financing and land management instruments for carrying the opportunities given with those provisions into replicable regeneration practice.

**2. *Multi-level Governance and Partnerships:*** The shifting attitudes from conventional planning to strategic market planning have given way to reforms in many fields in creating the effective institutional basis. Development of the institutional capacity will provide ability to deliver the large-scale re-investment programs needed through strategic approaches to urban regeneration in our cities.

First of all, the legal framework for regulating development in urban areas should be strengthened and the top-down system of governance should be modernized. Furthermore, there is a need for professional expertise and stronger integration between the tiers of government. Capacity of individuals within public authorities sometimes lacks career training in inter-disciplinary dimensions of managing regeneration schemes. In the short term, there is a need for skills training program so that policy makers in local governments can learn from urban regeneration organisations and partnerships on the ground. In the longer term, they are better work with universities not only to eliminate the current skills gap but also to develop more adequate strategies for regeneration. IMP has effectively done this through wide-ranging participatory ground in the stages of analysis and policy generation for preparation of environmental structure plan of Istanbul. However, many of the attempts especially in the field of area-specific regeneration are still being enacted just with certain political manoeuvres of municipal councils without this necessary expertise of professionals.

A reform in urban governance necessary for managing urban regeneration should also reveal the necessary conditions at the local level. Most important among them will be wide-ranging partner organizations since successful redevelopment outcomes is most likely to come from partnerships established among variety of interest groups. Partnerships are easiest way of assembling stakeholders for potential benefit from redevelopment and significant access to capital or political power. Partnerships are essential in many schemes in Istanbul as well they will allow development that would not otherwise be possible. They will offer benefits to both public and private sector. For private sector: they will reduce risk by providing information, allow access to available funds, and allow ways for acquisition of land. For public sector: they will ensure positive influence over development, allow access to skills/expertise from private sector in management, coordination, design and negotiation and let regeneration outcomes to be achieved in the longer term. Moreover, since partnerships include private sector, they will be also responsive to market signals which means the project outcomes are realistically set out according to present economic conjuncture. In this regard, local authorities must have freedom to work confidently with private partners in implementing regeneration proposals in their territories by means of various organizations for example through; cooperation having no contractual relationship and legal change in ownership rights; public private consortiums including organizational

change with a shift of legal ownership or joint ventures with full transfer of ownership rights to a separate company.

**3. Process-driven and Territorially Based Decision-making and Policies:** Both decentralization of powers through the local level and the reforms through policy integration and synergy between and within all levels of government are necessary attempts to attain a more creative and solution-aided framework for regeneration activities. The continuing decentralization between the tiers of central/local government, reforms in political agenda, the involvement of universities in policy development and particularly the perceived integration of government agencies through partnerships in the recent years are in the same way encouraging for Turkey's evolving agenda for managing regeneration. However, these reforms at the same require process-driven and territorially based-decision-making processes for carrying upper-scale *policies* into *program* and *project* levels in cities.

In planning level, the local development, although being consistent with upper scale plans in policy directions and in legal planning aspects, should rather be simplified with an emphasis on strategy to create a more flexible basis for planning. Especially the local plans including areas dedicated for regeneration should avoid including detailed site-level policies. But at the same time they should be effectively integrated with wider regional transport, economic and housing strategies in the metropolitan level. Detailed planning policies for a purposed regeneration should be devolved into more flexible and targeted area plans with streamlined planning permissions for creating differential location incentives, speedier bureaucracy for recycling the deprived land and legal surety for minimizing investment risks.

In management level, area-specific development projects should be generated through strategic planning procedures depending on participatory roles of all the actors together with transparency in the overall processes from the beginning to the end.

**4. Supportive agencies:** The institutional base constructed over the tiers of central government and local governments are not able to consistently cope with wider problems of regeneration projects alone especially in cases where large-scale redevelopment processes are planned. For example, in Western Europe, where land is much less in supply when compared with U.S. and where urban areas are generally recognized as the drivers of the new information and service economies, urban regeneration has become an industry in itself, with variety of legislative arrangement enabling special agencies and organizations to tackle the problems of decline.

➤ The latest innovation in contribution to evolving national strategic planning process is the establishment of statutory *Regional Development Agencies* in several regions with the Act/no:5449 approved in 2006 as a response to EU harmonization process. The widespread role of those agencies is ranging from studying for regional economic development and employment opportunities through contributing to local infrastructure services. The necessary conditions should be provided for the establishment of a development agency for the metropolitan area of Istanbul as soon as possible as well. They are expected to work in coordination with local governments in issues concerning direction of capital investments, transfer of technology and know-how, providing expertise and assistance for businesses through areas that are to be made more competitive.

➤ Urban Regeneration Department of Greater City Municipality together with related representatives from the planned regional development agency of Istanbul and representatives from other district municipalities should prepare regular meetings in order to define “offered diminishing urban quarters” within the city scale and accordingly develop *neighbourhood regeneration strategies (NRS)*. (Similar to the case of NRS held by London Borough Councils and partners) This may have to be prepared by district municipalities together with provincial administrations in cities where greater city municipalities do not exist. Different from the case of London, NRS is to be initially prepared under the responsibility of only the public sector actors in our cities, since there are not any available statutory groups, institutions or agencies directly dealing with the issue of regeneration in the present day. The purposed NRS are then expected to offer detailed policies and plans in relation to wider regional development policies, together with policy actions, organizations and funding programs necessary to deliver purposed regeneration outcomes. After NRS are prepared under the response of the local government, they are to be introduced to interest groups from private sector as proposed development packages. This interaction will further transform into area-based partnerships for specific projects.

➤ In addition to horizontal organizations between governmental authorities, intermediate institutions may also be occupied to contribute to assistance and co-ordination in delivering area regeneration projects. These institutions could be established in the form of not-for-profit organizations similar to CDCs in U.S. However, their position will not be housing development as that of in U.S., since the conditions for obtaining governmental grants for social housing or release of municipal land

without any payment does not practically exist in Turkey. Those institutions may rather act as project dealers hired either by public-sector or partnership organizations especially in large-scale redevelopments for delivering successful negotiation processes. They may also take directly part in such organizations or provide service/information delivery outside the process. Other than project-specific assistance in above cases, they may, as a routine work, develop project packages including all area-specific information and feasibility results together with consensus building work. In the final, they may offer (sell) those project packages to local governments or private interest groups.

➤ Further from the need for organizations in local government structure and intermediate institutions, good urban governance should offer the suitable legislative basis for the establishment of private *Project Development Companies* specialized in delivering redevelopment projects. This may be in the form of either a *project based company* including partners all from land holders, public authorities and investors which would be valid for a specific time period or a private urban regeneration corporation that will work privately for redevelopment in deprived urban areas including majority of the processes relevant to planning strategies and project development on areas that need to be regenerated, negotiations, project phasing and implementation as soon as access to information, legislative ground for project management and available incentives are guaranteed by the local government.

**5. Civic engagement:** Balancing the sometimes conflicting goals of future development demands much greater levels of citizens' engagement in the democratic process and in taking personal responsibility for change. Civil society participation today forms the third party in partnerships for delivering successful regeneration processes.

➤ Many well-managed European and American cities present a complex agenda for *consultation* and *consensus-building* in neighbourhood regeneration projects. Similarly, plenty of mechanisms could be adapted to our cases for involving communities in the decision-making processes such as: regular surveys of public opinion such as citizens' juries and citizens' panels or civic forums, advisory boards, partnerships between district councils (boroughs) and community and business organisations through sharing and exchange as well as voting directly on project proposals majority of which are effectively experienced in cases abroad. Although it is not welcomed the private interest groups, it will an inevitable task in our cases especially in conditions, where private ownership structures the great deal of the built urban environment. However, the



perceived distrust within communities of the neighbourhoods (e.g. Zeytinburnu, Sulukule) in Istanbul where several recent regeneration projects are initiated indicates that there is still strong need for effective instruments and community based organizations for fostering social cohesion and trust in purposed regeneration schemes.

➤ The other major issues concerning the society in delivering regeneration policy actions are *awareness-raising* and *capacity-building*. First of all public sector should more rely on improving the quality and strength neighbourhood training facilities to adapt change in socio-economic structure. Secondly, private sector, which is too far from contributing to social dimensions of such projects in the case of Turkey, should be encouraged to take active role in training and skills development, through the issue of cross compliance. However, more important than the public and private response to capacity building, regeneration program within a deprived inner city area should fundamentally offer mixed use development specifically including employment generating activities which will in the longer term contribute to local economic improvement, decreased level of informal activities, enhanced quality of life and respectively increased tax returns.

**Framework for Financial Issues:** Public spending and taxation including; all kinds of redevelopment subsidies, derelict land grants, specific zoning regulations dedicating the improvement areas, are one of the most important parts of regeneration activities. First of all, a long-term investment program is needed in our cities that will require a regular flow of major capital investment to distresses areas. For example in England, a considerable portion (1.3 billion pounds per year) of public resources is specifically dedicated to regeneration activities in urban areas. Likewise, many of the developed countries' governments have massive state expenditures annually reserved for same purposes. Fiscal pressures on regular public budgets in Turkey restricts shifting urban public spending towards regeneration activities, however a possible financial framework with necessary arrangements could be constructed for the evolving strategic approach to regeneration.

1. **Access to funds:** The major type of fund for large-scale regeneration projects should come from governmental level. Available funds of EU (Structural funds/pre-accession funds), World Bank, and United Nations provided in the long-term periods hold a considerable share in best practices in many European countries. Developing possible ways of *access to* such *funds* should become a concern in fiscal issues. Recently, several workshops are being held in Special Provincial Administration as an extension of EU

harmonization process where projects in various concepts are generated to fight for EU assistance. In relation to this, in the short term, local municipalities could be forced to bring regeneration project proposals in their territories to the concerned workshops and work in coordination to develop valuable pilot projects in order to compete for the so called foreign assistance. In the longer term, there has to be a shift into integrated, area-based regeneration programs which will also carry out economic, social and environmental goals together and an approach that will compete for the accession to EU structural funds for urban regeneration when Turkey becomes a member state.

Secondly, the need for regeneration of deprived urban areas should be made a key objective in allocating public expenditure across government. For each area-specific designation programs for regeneration, central or federal governments distribute specifically targeted grants in countries where delivering regeneration takes place at the heart of national urban planning. Currently there is not any direct governmental subsidy directly targeted at such purpose in Turkey. The only available financial support provided to local governments is just the transfer of extra 10% property taxes over historical assets collected as the share of protection (Act no: 5226, article:6). There is much greater need for creating a sustainable flow of resources for regeneration activities in the longer term. However, the potential financial contribution of national resources will depend on Turkey's economic improvement and the political will to provide public investment for the best economic use of the built environment. Although continuous transfer of capital through local governments is not feasible under fiscal pressures, a designated subsidy at least could be provided for specific time periods to project/projects that meet certain requirements. (e.g. subsidies given through *project competitions*, utilization of competitive *governmental redevelopment grants*).

Above purposed subsidies should only be made available where private investment is not currently being achieved but could be with some financial support, in which case the subsidy only covers the gap between the cost and the (lower) market value of the project. However, for such *subsidies* that are made available to suppliers of land and properties – the issue of *cross compliance* should be adopted in which would mean that the subsidy is only provided in the condition that the investor/developer is prepared to offer some tangible form of direct community benefit in return for that subsidy (e.g. rehabilitation in deprived housing stock, redevelopment of a derelict site, re-use of vacant/obsolete brownfield properties).

**2. Innovations in tax regimes:** Innovative regulations in taxation will actually be one of the most practical and beneficial tools in stimulating inward investment in our inner cities especially where public resources to be separated for regeneration purposes are inadequate:

➤ In order to encourage inner city redevelopment, the balance should mainly be shifted away from use of greenfield sites. It is practically not possible to define any greenfield tax on peripheral development, however planning permissions and transaction costs could be redesigned more discouragingly in greenfield developments than in brownfield developments in inner city areas. It is specifically necessary for Istanbul where enormous urban expansion has been realized in the urban macroform for decades.

➤ Moreover, area-specific tax relief for capital investment could be provided to encourage investments in inner locations requiring urban regeneration. For instance this incentive can accompany with recommended “diminishing urban quarters” to take part in legislative framework for regeneration in Turkey. (e.g. in the cases of Enterprise Zones in the UK; Empowerment Zones in U.S.; urgent Re-industrialization Zones in Spain; Rapid Growth Centres in the Nederland’s)

➤ Other than tax reliefs, tax credits may also become available to reduce tax liabilities for the purposes of rehabilitation for a specified time period within project areas.

➤ New measures could be introduced in order to encourage the restoration and the re-use of historic properties left empty by their owners, by means of, for instance, applying a new special tax charge to owners of derelict and poorly-maintained residential properties in the condition that those properties are left vacant for more than a year. Taxes collected for encouraging protection will then be used by municipalities for neighbourhood revitalization investments.

**3. Leverages for access to capital:** Other than tax burdens or transaction costs, access to capital (appropriate loans/credits) represents a barrier for the regeneration practice in Turkey in terms of restraining entrepreneurship for property redevelopment or improvement in deprived areas.

➤ First of all, a range of financial loans could be made available in order to encourage redevelopment for required land uses in concerned areas. Private financial institutions (banks) could provide low-interest loans or loan programs targeted at property development in inner city project areas while loan guarantees are offered to lenders by public resources in order to decrease lender risks. Public resources for loan guarantees will be provided for the most part through Treasury and local governments.

➤ Other than access to capital for individuals, access to capital for local governments is also important. Local authorities should also have the ability to create additional resources which they could make use of to improve their own neighbourhoods. In relation to this, they may well establish an *Urban Recovery Fund* which will be formed by the extra taxes (similar to betterment taxes) collected from regenerated areas where additional value has been created. The fund should also include capital transfers from Treasury and Housing Administration. 10% extra tax charges collected from historical properties could be also transferred to that fund. Local governments will then use those funds in necessary phases of upcoming regeneration projects; directly in project development; in subvention of risks in individual borrowings from financial institutions; or in provision of loans to developers again through deals with banks.

➤ Inner city areas are designated within CBD in master plans in cities. Likely, majority of the deprived inner urban areas are situated within the CBD area of the overall metropolitan area in Istanbul where high-order service activities are located and continuously require spatially expanding. However, there are not any available financial credits offered to investors ready to expand the core activities. Moreover, concentration of available public incentives still on industrial production does not adequately reflect a shifting balance of wealth and employment creation towards the high-order service activities. On the other hand several sector-based business incentives could be provided to interested investors in order to encourage them about making use of location advantages of deprived inner city areas for expansion of core (service) activities.

**Framework for Land Management Issues:** Deprived or vacant urban areas by some means reflect inefficient working of the urban economic land. Re-utilization of such land can be supported by appropriate national, regional and urban policies, at the same time, can promote national growth, environmental and social objectives. However, this two-way interaction needs to be recognized in economies undergoing structural readjustment as in the case of Turkey. There should be, on the basis of worldwide past experiences, variety of land management policies and instruments which could be supportive in our cities for a positive role over land for urban regeneration.

➤ The first reform about should be experienced in zoning regulation in our cities. *Zoning policy ordinances* should strictly limit unnecessary greenfield land releases and channel development into deprived inner city areas. For instance, such policy directions for the metropolitan area in Istanbul should start from the level of structure plan in which future growth trend of the city has been outlined. Land-use norms should then be

determined in master plans level in the favour of enhancing both physical and economic restructuring of built-up inner city areas. Furthermore several zone-based programs could accompany the policy for effective use of deprived inner city areas through improvement by specific zoning ordinances. (e.g. Empowerment zones, Enterprise zones, Industrial corridors)

➤ Following above major policy, a planned movement should be launched in the city scale to bring all contaminated and derelict land back into beneficial use. Problem recognition and solution could be aided by comprehensive information of land vacancy patterns and prizes. In relation to this, local authorities could be forced to prepare *detailed inventories* for available land lots in district level, which should then be collectively evaluated in greater city municipality in order to develop empty property strategies for their effective re-use. Each inventory in district level should be checked out for whether they are located in *diminishing urban quarters* or not. This may contribute to critically direct to such areas the future proposed investments especially convenient with their nature and urban competitive capacity.

➤ As regards to the shift of concern to attracting the interest to diminishing urban areas, both central and local governments, as a national land policy direction, should better realize land promotion and marketing as important as good planning in effecting regeneration. Trend in many European countries is about the way that subsidies have been channelled: away from *'traditional public sector providers'* of land towards *private, market-based consumers and producers*. Many of those countries including ones with strong central authority in urban management (e.g. Russia) are encouraging local authorities to act as enablers in the release of land. Fiscal pressures on local government budgets in many countries have generally induced municipalities to market vacant land in the recent decades. Where land is held by the public sector, attention in those countries is generally paid to the potential for subsidising development through providing *low-or-zero-cost land*. From this point of view, local governments in our cities are not able to providing such condition in many deprived inner city locations, since publicly owned land is considerably limited. Truthfully, the most successful urban redevelopment projects in Turkey have experienced powers of control have been combined with those of land ownership. However, successful outcomes may still come into practice with appropriate regulation, favouring deprived urban environs (*deregulation*) for *strategic land marketing* combined with *innovative mechanisms* rather than classical land management tools.

➤ *Expropriation* is a classical but significant tool assisting land assembly processes. It is particularly necessary in places where individual property development would not support a required wide spread revitalization, rather, large-scale redevelopment would become inevitable. Since then, it is better redesigned for enabling suitable conditions for land management in rather than using it as an instrument purely for obtaining public land. In this respect, a legislative ground has been provided (Act no:5393, article:73) for local governments in our country in the recent to make use of compulsory purchase orders in dedicated regeneration areas, however, it should not be used just in order to fasten regeneration process, but to provide clear piece of land that will contribute to creating a market value for the overall project area.

➤ Above all, developing innovative land management tools is perhaps the most necessary task for enabling regenerations schemes in Turkey. Rather than classical methods (e.g. expropriation, build-and-sell, land readjustment, directly purchasing or renting) in practice, more flexible and entrepreneurial land management tools could be generated according to the characteristics of the project area:

*Assemble of development rights (ADR)*: is an affective mechanism for land management which offers collection of all the development rights on the existing land parcels and sharing of the overall value created at the end of the project by the owners of those development rights. Development rights are much more critical than ownership pattern in many cases. Rather than burdensome aspects of expropriation, this mechanism gives opportunity to generation of a project scenario including property owners, investors and future users at the beginning of the project. ADR also allows organization of owners of development rights, local governments and developers on a clearly defined management board for an area-specific project under free market conditions. There are very few successful examples (e.g. Dikmen Valley and Portakalçiçeği Projects in Ankara) of ADR implementation in Turkey in previous periods, each of which having different types of organizations on the basis, but greater public and private benefits in the end.

*Transfer of development rights (TDR)*: refers to a method for protecting land by transferring the "rights to develop" from the area (sending area) that is to be protected and giving them to another area (receiving area) that is allowed for an increase in densities while developing. The method is not a new concept. It has been used for years abroad for preservation or protection of open space, natural resources, farmlands, and urban areas of historical importance. There are about 20 states that have enacted or amended specific legislations accommodating the concept of TDR. The latest alterations

made upon the Conservation of Cultural and Natural Assets Act (Act no:5226, article:8) have also provided a legislative basis for TDR activities, however this basis is valid only for the assets in conservation areas. Implementation of TDRs should be expanded as a program including regeneration of “diminishing urban quarters” in inner city areas whatever they are located in conservation areas or not. For instance, it will be useful especially for decreasing the densities through redevelopment or rehabilitation in built-up environs located on the river basins (similar to the condition in case study area). TDR programs may also donate local authorities to establish TDR banks that will allow pooling of development rights purchased from individual owners in concerned areas and selling them to developers in other developable areas. Such pooling system should also be supported by the necessary legal procedure allowing the arrangement of certificates in exchange of those development rights. For TDR activities to take place, local authorities should at the same time clearly predetermine sending and receiving areas in local master plans.

*Pre-emption right:* is another effective tool for local governments that could be utilized from in land assembly of proposed regeneration areas. Local authorities may draw the condition of pre-emption right forward for example to dedicated “diminishing urban quarters” which will mean that a person who wants to sell his land/property in those dedicated areas should first inform the local municipality. If the local municipality has the potential to transfer certain level of resources, it may collectively purchase the offered land tracts/properties to increase its share in dedicated areas initially.

➤ Further from all, local authorities can also establish specific centres or redesign urban regeneration departments (if exist) as 'one-stop shops' as a statutory board in municipalities in order to improve access to services related with redevelopment issues in dedicated regeneration areas including all regulatory and licensing requirements and necessary information/ assistance concerning the land.

Finally to note; Porter’s economy-based approach provides a new and comprehensive approach to reviving the distressed urban spaces and communities. However, agreeing on and implementing it will not be without its challenges. As it the case in most of the countries; the private sector, government, inner city residents, and the public all hold well-established attitudes and prejudices in Turkey about the inner city areas and its problems. Rethinking the inner city in economic concerns might be seen as a suspicious field for many who view profitable businesses as speculative

development. Also, the public politicians that used to frame the urban problems under classical development planning approach will be find it difficult to adopt a strategy for changing legislation, redirecting resources, and taking on restrictive bureaucracies. However, as time has come to adopt a rational economic strategy and to avoid from the intolerable costs of outdated approaches, seeking for the most possible ways to attract private investment back to our deprived inner city areas should be the major response of public authorities for achieving successful regeneration outcomes. Briefly, the major contribution of this dissertation in the light of this argument is making the true analysis for investigating the inner city advantages and developing the prospects for recapturing those inner cities. It is hoped that the final recommendations expressed in this part will contribute to Turkey's evolving legislative, organizational and financial framework for urban regeneration in the future.



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## APPENDIX A

### Representation of Enterprise Zones in England

**NO RATES**

**SALFORD CITY CENTRE**

**Willan EZ1**

**A superb location**

EZ1 is a superb distribution location. Not only does it gain all the Enterprise Zone benefits, but it is strategically placed both for easy access to Manchester and Salford city centres and to the regional motorway network. The terminus of the new M602 extension, open in early 1983, is within about 300 yards of the estate and joins the M62/M63 within a few minutes driving time.

**EZ benefits make your company more competitive!**

- The following special benefits will be available to new and existing businesses in the Salford Docks/Trafford Park Enterprise Zones:
  - exemption from rates on industrial and commercial property.
  - simplification of planning procedures and speedier administration of planning and other controls on development.
  - priority consideration of applications for customs facilities known as 'customs warehousing' and 'inward processing relief' as well as relaxing the criteria applied to decisions on private customs warehousing.
  - reduction to a minimum of Government requests for statistical information.
  - exemption from the requirements of Industrial Training Boards.

**NEW WAREHOUSE OR INDUSTRIAL UNITS IN SIZES TO MATCH YOUR EXACT NEEDS**

- 500 sq ft
- 750 sq ft
- 1,000 sq ft
- 1,250 sq ft
- 2,000 sq ft
- 2,500 sq ft

**or combined!**

**Willan EZ1**

**SALFORD ENTERPRISE ZONE GREATER MANCHESTER**

Figure A. Use of 'Enterprise Zones' in England as a Marketing Mechanism

Source: Brindley, 1996.

Notes: Enterprise Zones have become an important marketing device by the late 1980s in England. The most powerful instruments of this marketing strategy has been stated as the absence of local tax rates and streamlined planning procedures in designated zones. (Brindley, 1996)

## APPENDIX B

### Structural Comparison of Istanbul with World Cities

Table B. Comparison of Istanbul with World Cities through Several Criteria

(Source: IMP, 2006)

	New York	Londra	Tokyo	Paris	Istanbul	
Area (km <sup>2</sup> )	8.684	4.144	5.258	2.722	5.400	
Population	8.008.278	7.651.634	8.130.000	2.154.678	10.018.735	
Density	922	1846	1546	791	1855	
Local Government Budget	38 billion USD (2000)	-	57 billion USD (2000)	4 billion USD (1993)	3 billion USD (1999)	
Number of Internat. Stock Market	2	1	1	1	1	
Commercial Property Value (Annual dollars/m <sup>2</sup> )	50	92	27	70	15	
Number of Foreign Banks	75	40	-	-	17	
GNP (billion USD)	706	144	518		44	
GNP per person (billion UDS)	88000	18800	64000		4500	
Number of Skyscrapers	4208	811	307	201	613	
Number of Olympic Games	0	2	1	2	0	
Number of Airport Passengers (Annual)	58.013.317	96.664.127	83.792.111	73.639.248	14.392.199	
Number of Tourists (Annual)	5,4 millions (1995)	19 millions (1999)	2,2 millions (1995)	12 millions (1994)	1,8 millions (1999)	
Number of Vehicles in the Traffic	1.972.653 (1995)		3.681.100 (2000)	850.000 (1994)	2.166.070 (2000)	
Metro	Length of Line	438 km	171 km	219 km	200 km	8 km + 18 km (light - rail)
	Average Daily Transferred Passenger Number	1.700.000	201.370	7.366.000		100.000
Train	Length of Line	1.840 km		386 km	115 km	131 km
	Average Daily Transferred Passenger Number	648.720		17.425.000		200.000
Number of Consulates	90	64			61	
Number of Universities	40	29	117	13	20	
Number of Theatres	35	204	82	141	24	
Number of Museums	148	300	233	134	14	
Number of International Establishments	11	28	2	39	3	
Percentage of Squatters (% ,1995)		0	0	0	51	
Percentage of Homelessness (% ,1995)		3,0	0,2	6,0	0,1	

## APPENDIX C

### Comparison of Property Prices in Different Districts in Istanbul

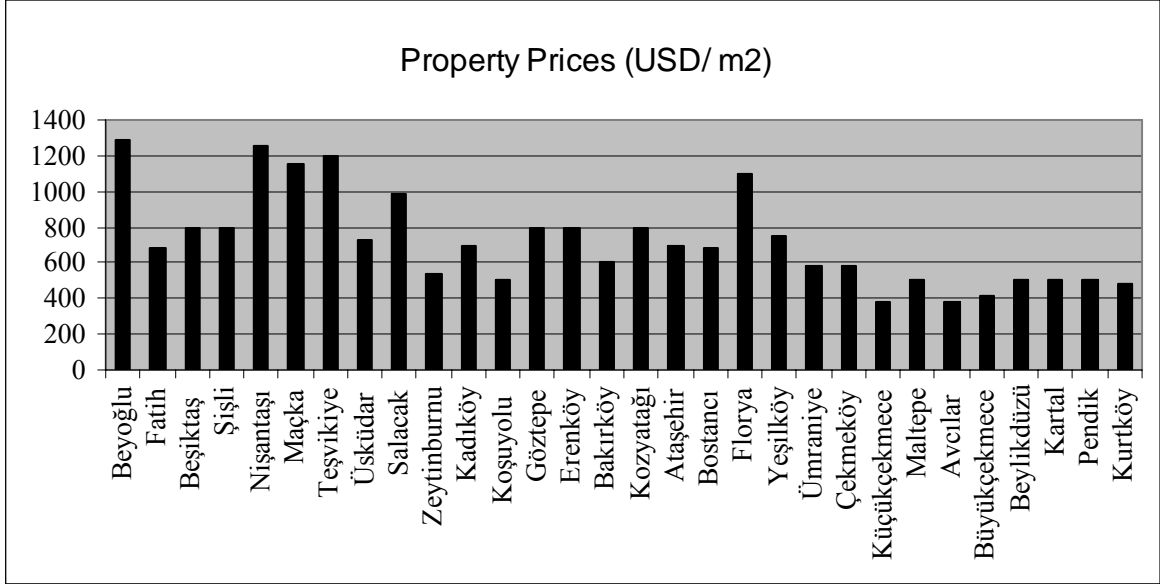


Figure C. Position of Beyoğlu and Şişli Districts among All City Districts in terms of Property Prices.

(Source: Ozus and Dokmeci 2005)

## VITA

### HANDE AĞAN YALÇINTAŞ

Hande (AĞAN) YALÇINTAŞ was born in Aydın, Turkey, on January 6, 1975. After completing her degree at Adnan Menderes High School, Aydın, in 1986, she attended the Undergraduate Program in the City and Regional Planning Department of Middle East Technical University (METU). After finishing the undergraduate education in 1997, she entered the Graduate Program in the City and Regional Planning Department of Izmir Institute of Technology, receiving a high honor Master's of Urban Design Degree in September 2000. She has started his PhD education in the City and Regional Planning Department in the same Institute in İzmir. During her stay at the Institute, she has worked as a Research Assistant for assisting the theoretical lectures and project studios of undergraduate & graduate classes, organization and assistance of summer practices for undergraduate classes and preparing research projects and literature survey through the academic field. She moved to Istanbul in 2003 and has started to work as a Technical Engineer in Istanbul Directorate of Ministry of Public Works and Settlements dealing with Istanbul Metropolitan Area upper-scale plan implementation & control, infill development plans, control & approval, coastal line determination & implementation, construction control in municipal territories, controlling development implementations of local municipalities. She attended Post-Graduate Program of "Inner City Development and Housing in Transitional Economies" in Institute for Housing and Urban Development Studies in Erasmus University, Rotterdam, in 2004 (March-July) and received a diploma with Commendation. She has received the PhD Degree in June 2008.