



## Alternative strategies for urban redevelopment: A case study in a squatter housing neighborhood of Ankara



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### ABSTRACT

Since the 1980s, the redevelopment of squatter housing settlements has been a primary policy focus of the local and central authorities in Turkey. Their strategies have adopted two different models: one approach was not effective at generating redevelopment activity and produced low quality living environments, and the other approach resulted in dislocation and gentrification. The literature stresses three issues. First, redevelopment sites are areas where market forces failed; thus, they are perceived as high risk, low-demand, and low-return investments with high transaction costs. Second, institutions that lower transaction costs boost market forces and increase economic performance in property development. Third, local authorities remain active in urban redevelopment; despite having no direct tools for local economic development, they do have tools for urban development. This study reformulates the basic transaction cost thesis and hypothesizes that local authorities can boost urban redevelopment by making changes to institutions or 'the rules of the game' by increasing information flow, positive externalities and perceived returns and by decreasing transaction costs, negative externalities and risks, all of which motivate land owners and house-builders. To test this hypothesis, I have conducted household surveys and semi-structured interviews with house-builders in a squatter housing neighborhood undergoing a gradual transformation. The goal of this study was to search for the impacts of the local authority's strategies on homeowner inertia, private sector disinvestment and the implications of urban redevelopment. My findings revealed that the local authorities can produce desirable results for less attractive neighborhoods with the help of marketing, institutional strategies and effective land use planning without leading to dislocation and gentrification. Overall, this study suggests that 'institutional' strategies are crucial for urban policies and future urban redevelopment activities.

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### Introduction

Currently, Turkey's informal housing settlements are a focal point of urban redevelopment initiatives. These settlements are either in valuable inner city locations or in poorly serviced disaster areas. The first redevelopment policy addressing these settlements was the Building Amnesty Law (Law Numbered 2981). Enacted in 1984,<sup>1</sup> the Building Amnesty Law aimed to comprehensively transform informal housing stock into regular housing by creating legal development rights for multi-story construction through 'Improvement and Redevelopment Plans'. The construction of infrastructure would be managed under the auspices of local and central authorities while actual demolishing and reconstruction work would be performed by the private sector through market processes. The expectation was that redevelopment would gradually occur on a

mass scale without burdening public sector budgets. Accordingly, physical redevelopment would be the primary objective without being accompanied by social or economic programs. Nevertheless, it was expected that rural gecekondu<sup>2</sup> dwellers would assume urban lifestyles and integrate into the formal economy by obtaining jobs after redevelopment. Indeed, urban redevelopment served as a welfare redistribution mechanism for those households living in informal housing. However, physical redevelopment did not necessarily entail socio-economic and socio-cultural improvement for these households. Moreover, redevelopment processes could not occur nationwide, but only in those neighborhoods with locational advantages. Those areas with locationally disadvantaged features exhibited low investment attractiveness (Şenyapılı, 1996) and ownership problems (multiple owners, multiple inheritors, hesitant owners) created other bottlenecks for redevelopment. Consequently, redistributed income as a result of redevelopment did not reach some of the squatter households because regularized development

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<sup>1</sup> The exact name of Law Numbered 2981 is "Procedures to be applied to Buildings not Conforming to Reconstruction and Squatter Housing Legislation and Modification of an Article of Law Numbered 6785".

<sup>2</sup> 'Gecekondu' refers to the dominant type of informal housing in the form of squatter housing particular to Turkey. The term literally means "built overnight."

followed the locational preferences of the population who could afford to buy newly built dwellings (Türel, 1985). Populations in the areas that could not be redeveloped remained to a large extent economically and socially segregated.

By the end of the 1980s, for those settlements that could not be redeveloped, the local authorities introduced a new model called 'Urban Transformation Projects'. This new approach established a new model, 'Redevelopment by Transformation Projects', while the previous approach is referred to as 'Redevelopment by Improvement and Redevelopment Plans' (Dündar, 2001). The redevelopment or transformation objective became a more dominant intervention type for informal housing settlements for several reasons. First, the pressure of rising land prices made it unfeasible to keep those types of settlements at low levels of capital investment. Second, slum and squatter areas were considered to negatively affect the global image and competitiveness of cities. Third, transforming poorly built structures into regular settlements was considered to be essential for social progress. Finally, new coalitions were formed between governmental and commercial agents to maximize profits from land ownership. The Turkish central government introduced new legislation to regulate urban redevelopment, which transferred the major redevelopment authorities of local governments to the Housing Development Administration (HDA), which is an agency affiliated with the Prime Ministry. In this new model, local and central governments were either directly involved through HDA or through partnership models with private sector companies. Distinctively, these initiatives referred to redevelopment as 'urban transformation', to emphasize a distinction from previous approaches.<sup>3</sup> While in the 'redevelopment plan' model, the surplus generated by redevelopment was shared by owners of gecekondu housing and speculative house builders, in the model of transformation through 'transformation projects', the private resources generated through self-financing projects and the created surplus are shared by many stakeholders, such as local governments, private project companies, owners of gecekondu housing, owners of land and city residents (Türker-Devecigil, 2005). However, rather than producing affordable housing for disadvantaged groups, some of these projects targeted middle and upper-middle classes, even being advertised as 'Prestigious Projects'. Recent research has demonstrated that most of these projects produced demographic changes and physical upgrades rather than improving living conditions of the existing area inhabitants. Through property transfers, relocations, displacement and damage to the social fabric of the settlement, neighborhood relationships and mutual support mechanisms have been lost and many of the displaced residents continue to experience social and economic challenges in their new neighborhoods (Akpınar, 2008; Balaban, 2012; Batuman, 2012; Dündar, 2010, 2005; Erman, 2011; Görk, 2002; Güzey, 2009; Kuyucu & Ünsal, 2010; Lovering & Türkmen, 2011; Türker-Devecigil, 2003; Uysal, 2012; Uzun, 2003, 2006).

Overall, nearly 30 years of urban redevelopment has legalized and transformed a considerable amount of housing stock.<sup>4</sup> Nevertheless, there are informal housing settlements still remaining after

the unprecedented surge of urban transformation across the country. Current concerns have shifted to the implications of redevelopment. This paper argues that the 'Urban Transformation Projects' model is not the only option and that promoting urban redevelopment might not necessarily entail abandoning social objectives. Local authorities can boost market processes for the redevelopment of informal housing to create more livable housing environments while avoiding those common and well-known unintended or undesirable social outcomes of redevelopment through institutional strategies and by using tools already available at hand.

### *Theory and hypothesis*

The current literature on redevelopment capacity emphasizes house-builder perceptions and behavior. For instance, McNamara (1993), Amin and Thrift (1995), Adair et al. (1999, 2003) and McGreal and et al. (2000) all consider redevelopment sites as being high risk, uncertain and low-return investments. Adams and et al. (1988) find that household ownership constraints are more frequently experienced at redevelopment sites; this phenomenon makes inner city locations less attractive to developers compared to greenfield sites. According to previous research, non-finance-based instruments are more significant than public sector money for stimulating the flow of private finance into urban redevelopment. The most common non-finance based instruments are simplified planning procedures, policy clarification, risk reduction measures, infrastructure provision, targeting of initiatives according to the private sector's priorities and commercial requirements, land assembly, contamination remediation, greater flexibility in existing practices, more innovative policy initiatives to react to changing market conditions, and the availability of market data on returns (Adair et al., 1999; McGreal et al., 2000).

Although there is a considerable amount of literature on house-builder behavior, little is known about household perspectives, their decision mechanisms or how to promote policies that readily acknowledge them. The socio-economic effects of redevelopment on households have also been widely studied. However, these studies underestimate the role of households in the actual redevelopment decision mechanisms and their impact on the consequences of the redevelopment processes. Although the processes are shaped by interactions between households, policy actors (i.e., central and local governments and agencies) and other non-policy actors (i.e., house builders), our knowledge on how households respond to different policies is not clearly elaborated in the literature. Nevertheless, local authorities are known to be active in urban redevelopment projects, and they consider urban redevelopment to be central to economic development. Jones (1996) explains that local authorities have little direct power in local economic development although they hold powers such as building control, infrastructure provision and compulsory purchase to regulate the property market. Moreover, as Hunter (1985) notes, redevelopment can also enable local authorities to create short-term construction jobs for less skilled occupations and unemployed people.

Another separate body of theories focused on disinvestment for redevelopment draws from institutional economics. Institutional economics is premised on the notion that institutions diminish transaction costs and, consequently, increase economic activity and improve performance (Coase, 1960, Williamson, 1974). In the institutional economics literature, 'institutions' are defined as 'rules of the game': the rules, norms and regulations by which a society functions (North, 1990). This definition departs from the traditional public administration view, where institutions are understood as simply 'organizations'. Transaction costs refer to all costs other than the costs of physical production (Lai, 1994), including costs of information, negotiation, monitoring,

<sup>3</sup> 'Urban regeneration' is also often used interchangeably with 'urban redevelopment'. In general, urban regeneration refers to a comprehensive strategy; this includes the redevelopment and rehabilitation of the physical structure and its integration with social, economic and environmental goals as defined by Roberts (2000), Lichfield (1992) and Couch (1990). As neither model implemented in Turkey until now has yet achieved such a comprehensive approach, the author prefers to use the terms urban redevelopment for the first model and urban transformation for the second.

<sup>4</sup> A total of 222 projects have been planned with 267,840 housing units; construction of 75,473 units has been started and 51,246 of them have been completed and allocated for habitation to the right-holders in Turkey by the 'Urban Transformation Projects' by the Housing Development Administration (HDA) according to HDA records; the number of units produced by redevelopment through market processes is not a collected statistic in Turkey.

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