



An Insight into Operational Urban Development in Hungary in the Light of Regulation-Based Urban Development

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Abstract. An operational urban development relying on the structured cooperation of the public and private sectors is indispensable to purposefully address the challenges posed by sustainable development. Its evolution in Hungary may serve as inspiration for other countries as well. In the period preceding the regime change, it underwent a much more significant disruption as compared to regulation-based urban development. Afterwards, its methods, procedures, and instruments suitable for use in a democratic rule-of-law state and under market economy conditions had to be rebuilt from scratch. For this to happen, two external factors provided assistance: the French–Hungarian urban development cooperation and the EU. As a result, we could witness the successful development of the methods as well as of the conceptual, strategic, and operational planning tools forming a coherent system of operational urban development planning carried through with the public sector’s physical intervention into the urban tissue.

Keywords and phrases: urbanization, urban tissue, integrated settlement development strategy, action area plan, urban development company

1. Introduction – Operational and Regulation-Based Urban Development in Hungary and Europe

Results of recent studies reporting on research on settlement development (Mohai 2018) indicate that identifying the distinct but complementary and closely interconnected activities of regulation-based and operational urban development as well as the conscious and professional application of its methods and toolbox are the elements that form the basis of a conscious and purposeful urban development able to properly address the urbanization challenges of an environmentally, socially, and economically sustainable development. Regulation-based urban development functions according to an established and effective practice all over Europe. However, that is not necessarily true in all cases when it comes to operational urban development (Merlin–Choay 2010: 804–805), whose post-1990 evolution in Hungary shows that an established practice and toolbox of an efficient operational urban development functioning in accordance with regulation-based urban development can be adopted in a former socialist country as well. At the same time, in the light of the experience accumulated in Hungary, research call attention to the fact that in respect of settlement development competencies a better understanding and knowledge of the essence, operating mechanisms, methodology, and instruments of operational urban development is of utmost priority. Therefore, this topic might be interesting for other former socialist countries too.

In order to gain a proper understanding of the issues addressed in the present study, providing the definition of certain key concepts in the sense meant to be used in our study would be in place prior to a more detailed discussion of the subject matter.

“Urban development” stands for the creation of a new or renewed piece pertaining to the urban tissue. Within that, the creation of a renewed piece pertaining to the urban tissue is termed as “urban rehabilitation” (Bajnai 2009).

‘The urban tissue is the ensemble of buildings and built spaces consisting of buildings, the physical framework of the life and functioning of the local society – the material carrier of urban life’ (Bajnai 2009).

Planned settlement development disposes of two large sets of instruments that are distinct but at the same time interrelated and in close interaction (Lacaze 1995): regulation-based and operational urban development.

Regulation-based urban development imposes obligations, and, by establishing and enforcing local construction and settlement planning regulations related to shaping the urban tissue, it keeps within the right channels and provides proper guidelines for construction activities initiated by individuals and organizations of the society aimed at shaping the urban tissue, and it does so for the sake of

public interest and the common good. Regulation instruments do not only impose restrictions but also open up possibilities for development. In order for some of the possibilities created through the instruments of regulation-based urban development to be utilized, private actors' market-driven construction activity is a sufficient condition, whereas the active contribution of the public sector to the realization of physical interventions targeting, through the safeguarding of public interests, the creation of a new or renewed piece pertaining to the urban tissue is a prerequisite for some other options to be exploited. In this latter case, we can speak of operational urban/settlement development.

Operational urban development is an urban development, an urban planning that takes place with the public sector's active involvement and physical – development-oriented – intervention by way of construction work in pursuance of ideas expressed by the public sector as well as of objectives set out in approved concepts and strategies (Bajnai 2018).

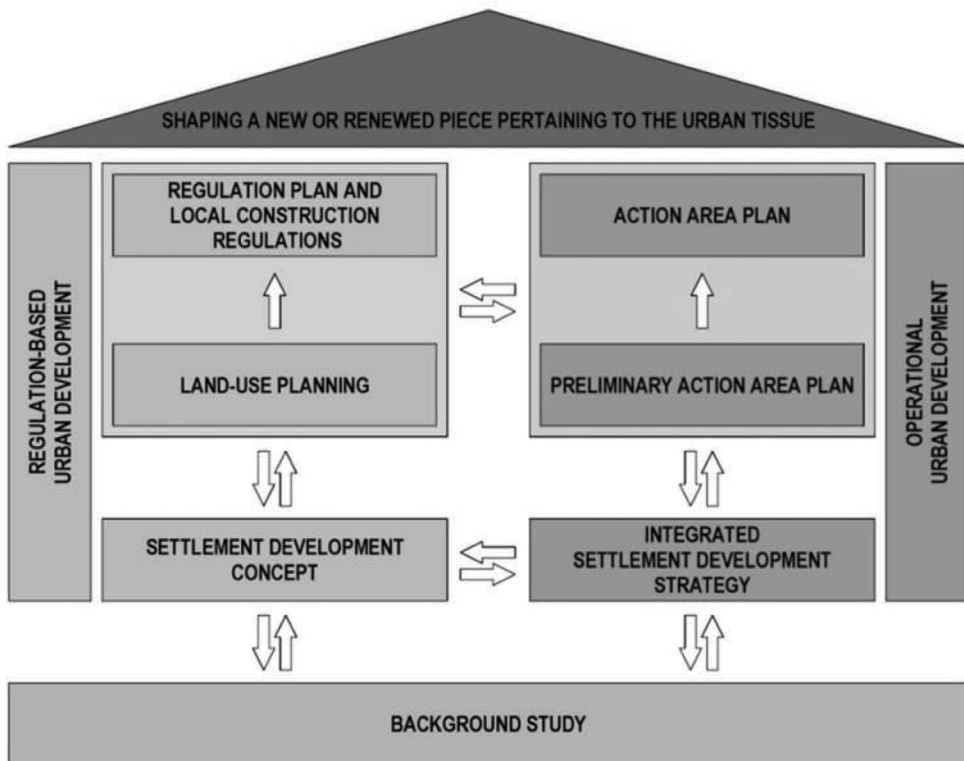


Figure 1. Present-day planning tools and correlations in Hungary's regulation-based urban development and operational urban development

Similarly to France, there are two types of urban development and urban planning processes, methods, and instruments in Hungary that ensure urban development, i.e. the creation of a new or renewed piece of the urban tissue: operational and regulation-based urban development. In Hungary, the four decades of state socialist era ended by way of regime change carried forward, albeit with significant breaks, the work experience of regulation-based urban development with regard to the professional methodology and urban architectural theoretical background of establishing urban-planning objectives and facilitating their achievement with urban-planning regulations (Perényi 1976: 144–180). These major breaks were consequent upon the 1949 elimination of market economy and constitutionality. This, however, did not imply doing away with the practice of the urban planning profession at high standards (Fátay 2011); what is more, studies indicate that several benefits of the former civil legislation were successfully retained in the legislation on urban development and building affairs (Völgyesi 2009). There was a more radical break in terms of operational urban development. By definition, the urban construction and development activities carried out during the state socialist decades may also be considered operational urban development. Substantively, however, operational urban development activities performed in the absence of market economy and a democratic rule of law are in no sense on a par with such activities performed in the presence of the aforementioned circumstances. Consequently, following the regime change, this professional and scientific field had to be entirely rebuilt from scratch. This process got under way at once from the year 1991, it received a powerful boost with the 1992 signing of the Association Agreement between Hungary and the European Communities, and by the 2004 EU accession it had already yielded a highly useful and established operational urban development toolkit. This toolkit got integrated into the policy guidelines on operational urban development instruments as well as into the urban development practices implemented with EU and government support. All of these are enormous accomplishments when compared to the situation on the ground confronted in 1990 by the then established National Building Authority of the government carrying through the regime change, placed in charge of urban development, urban planning, and building affairs. Despite the results, however, a complete reconstruction of the professional experience as well as of the scientific and theoretical background concerning operational urban development has not yet been fully implemented. While adopting the instruments of regulation-based urban development has now long been a common practice employed to a high standard and in accordance with its intended purpose, when it comes to the proper and professional application of the operational urban development toolbox, much remains to be done in terms of awareness raising/education and filling the knowledge gaps, wherefore substantial further progress is needed in order to improve efficiency. The research work,

the methodology and education development activities carried out in Hungary, in particular within the framework of the National University of Public Service during the past four years, serving as the background of the present study, seek to promote this essential development. At the same time, even if we could take pride in having achieved full maturity in terms of the professional and scientific field of operational urban development, tasks arising from addressing the new challenges of urbanization (Topalov, Coudroy de Lille, Depaule, Marin 2010: 1243–1248) would still call for further measures to be taken.

Considering the state of affairs as outlined above, Hungary does not represent an isolated case within the European Union. Therefore, it might be interesting for professionals and scientists of other European countries as well to grow familiar with operational urban development in Hungary, drawing a parallel with regulation-based urban development, given that the public sector's operational and regulatory urban development activities performed simultaneously are an essential feature of EU Member States, with certain differences according to the local socio-economic and political specificities. Yet another similarity can be found upon a closer look at the major break that occurred in the operational urban development during the state socialist era in the former socialist states of Central and Eastern Europe. Yet, the approaches and practices existing in the United Kingdom are markedly different from those present in the continental countries of the European Union. The reason for this is the island nation's different historical, social, economic, and political evolution and, consequently, the diverging development of its systems of public and private law by comparison with the legal system of mainland Europe (Booth, Breuillard, Fraser, Paris 2007). This does not rule out the public sector's long-standing significant operational urban development activities in the United Kingdom, quite the contrary in fact (Heinz 1994). Consequent upon the historical development process of the continental legal system being radically different from its English counterpart, the marked distinctions between the property rights effective in the United Kingdom and those in continental Europe result in a situation where in the context of the continental legal and political system entirely different approaches, methods, instruments, and practices have evolved and are functioning effectively in the field of urban development as compared to their English variants (Booth, Breuillard, Fraser, Paris 2007). Therefore, the British toolbox can be adopted with extreme difficulties in the continental context. Within the continental legal system and the legal toolkit of urban planning, the French approach, practice, and legislation of urban development and planning has a particular importance and impact. Taking this train of thought even further, the divergent historical development processes of the social, economic evolution and political transformations taking place in each continental EU Member State yielded substantial differences and diverse solutions even within this context. Among other things, this accounts for the lack

of EU legislative harmonization needs, parallel to the integration process, aimed at harmonizing the legal area of what we may call in Hungary the legal system of urban development, urban planning, and building affairs while in France falls under the *Code de l'Urbanisme* (Jegouzo 1992) – Urban Planning Code. Romania has several legislative measures governing the legal bases of regional development, which in most cases were conceived under the principle of complementarity. The first act containing such measures was Act No 50/1991, which foresaw the need for regional development documents in case of urban development plans. Act No 350/2001 was born in the spirit of diversification of needs and of preparation for the country's integration into the EU. This Act clearly specifies a number of points on the document types required for the various regional development plans. Thus, for instance, the following acts are intrinsic to the National Plan of Regional Development: Act No 71/1996 on traffic routes, Act No 171/1997 on water, Act No 152/2000 on protected areas, on settlement network Act No 351/2001, and Act No 575/2001 on natural risk areas (Benedek 2006).

In this context, gaining insight into the instruments and practices of regulation-based and operational urban development in Hungary can be interesting on many levels for the reasons outlined below.

Overall, besides the German culture and Italy, it was probably the French culture that had the most decisive impact (Granasztói 1980) on the cultural development of Hungary in the past millennium, from the reform spreading out from Cluny and renewing the mediaeval Catholic Church and from the 'Latin' *hospes* playing a crucial role in urban development, through the Age of Enlightenment and the 1870–1914 building of Budapest (Siklóssy 1931), the modern capital of Hungary, all the way to the 20th-century modern visual arts, architecture, and urban planning. From this cultural context has the practice of operational and regulation-based urban development, entwined together, emerged in Hungary. Speaking in physical and architectural terms, the spatial model was first of all provided by France as for the regulation-based and operational urban development methods and instruments. This cultural and professional influence lived on in its own way in the period between the two world wars but even during the subsequent forty-year period (Perényi 1967) of state socialism. After the regime change, the value-creating activities of the Hungarian–French cooperation could once again prevail in the process of European integration. As a result, following a 42-year forced interruption in practising operational urban development under constitutional conditions, rebuilding the instruments of Hungarian operational urban development took place within a democratic constitutional framework in the context of European integration, owing to the French–Hungarian cooperation of building affairs and urban development. In the context of a cultural background showing a high similarity index in addition to the unique characteristics, they managed to incorporate the operational urban development methodology and instruments used in one of the

most developed EU countries and founding Member States and adapt them to the situation in Hungary despite the differing conditions in terms of local legal and regulatory capabilities – even though not in its full richness, scope, and depth but, in their essentials, to a significant degree and, above all, fully operational. In other countries, it did not go off this way; not even in states with a much stronger cultural and historical affinity than the Hungarian–French relations. The cases of Romania and Poland, for instance, are no exceptions to this ‘rule’, where throughout history much stronger ties have been established with France than Hungary has ever had. What could explain this state of affairs and can the public sector’s conscious and operational urban development activities be interpreted on a similar footing as in France or Hungary? Attempting to answer the question raised in the light of the Hungarian case study might provide an opportunity for producing some intriguing studies, whose drawing up, however, would go far beyond the framework of this study. A further interesting insight could be obtained from coming to grips with the results in Hungary produced upon the successful implementation of the advanced Western European instruments of operational urban development in the conditions prevailing in the former socialist country joining the EU in the year 2004. What sort of difficulties were involved in this process? In what terms can we still speak of considerable reserves as for the successfully domesticated, advanced European toolbox? A proper inspection might help professionals of other countries to arrive at findings with the potential to benefit their own scientific and professional methodology as well as urban development toolbox. Their feedbacks could support scientific reasoning related to urban development and promote the development of the methodology and instruments in Hungary and the rest of the European countries. Thereby, the European scientific and professional community specialized on urban planning, regulation-based and operational urban development can grow intellectually and carry out their urban development activities with greater efficiency in the service of the common good.

Obviously, it would take us well beyond the confines of this study to address all issues raised in connection with this topic. Besides, that would have us embarked on an impossible mission as further detailed research are required to be done, on the one hand, and treating the extensive, complicated, and diversified topic in all of its complexity would far exceed the limits of the present publication, on the other. It is equally impossible to provide full details of the Hungarian situation, methodology, and instruments of operational urban development, which represent the narrower topic of this study. Again, that would effectively break the confines of the study since, fortunately, several thousand pages of specialized literature and reference works are at our disposal in this respect, whose full summary would assume a much lengthier work.

Consequently, the study at hand restricts itself to presenting for the wider European public the key findings on the history of operational urban development

in Hungary, its typical approaches, practice, methodology, instruments, results, problems, and challenges for further development – all in the belief that it would contribute to the further development of an established European scientific and professional cooperation.

2. Instruments of Operational and Regulation-Based Urban Development in Hungary

2.1. A Comprehensive Analysis of Instruments of Regulation-Based Urban Development

In order to analyse the situation of operational urban development in the light of regulation-based urban development, an overview of the latter topic must be provided at first.

2.1.1. Historical Background

Similarly to other European countries (Claval 2014: 274), traditions of regulation-based urban development in Hungary (Nagy 2005: 345) go back to the Middle Ages. In the modern sense, considering the emergence and implementation of regulations providing for the entire city, the years between 1870 and 1948 meant the first momentous period when the urbanization of the capital (Siklóssy 1931) as well as of the provincial towns (Meggyesi 2009) took place.

This development continued at unabated speed in the 1948–1990 period of state socialism too (Granasztói 1976). The rebirth of rule-of-law state and democracy provided scope for the emergence of the present-day practice and legislation of urban development starting from the year 1990.

2.1.2. Legislation

Currently, the two most fundamental laws in force directly regulating urban development and urban planning are:

- Act No CLXXXIX of 2011 on Local Governments in Hungary,
- Act No LXXVIII of 1997 on the formation and protection of built environment

Regarding the rest of the laws, the Regional Development Act on drawing up the regional development and land-use (briefly put: spatial) plans plays the most essential role in shaping the overall urban development.

Pursuant to the laws cited above, the responsibility of urban development falls to local governments.

At the level of secondary legislations, the following two legal provisions address directly urban development and urban planning:

– the *Országos Településrendezési és Építésiügyi Követelmények (OTÉK)* [National Settlement Planning and Construction Requirements] setting the national normative rules of settlement planning and construction, having its regulations included in a government decree;

– Government Decree No 314/2012 (XI. 8.) on the settlement development concept, integrated settlement development strategy, and certain further issues of building affairs.

The aforementioned laws and government decrees regulate the – conceptual, strategic, and regulatory – framing and adoption of urban development plans at the substantive and procedural levels.

The constituent parts of Government Decree No 314 regarding the content and elaboration of Integrated Settlement Development Strategy (hereinafter ISDS; in Hungarian ITS – *Integrált Településfejlesztési Stratégia*) are defined by the policy guidelines. Besides ISDS, these guidelines include the definitions of basic notions and refer to drafting of action area plans as well as founding and operating urban development companies indispensable for the implementation of ISDS in medium-sized and large cities. The relevant parts considering the action area plans were explicitly incorporated into the ISDS-related substantive requirements of the Government Decree. Guidelines on urban development companies also prevail, though in an indirect manner – in a government-decree-level regulation on ISDS. A legislation concerning directly ATT and urban development companies is yet to be formulated.

In the legal landscape outlined above, the central organizations of the state are able to guide municipal urban development and planning within the framework of the activities described below:

– first of all, integrated in the adoption process, through the inspection and verification of urban development and urban planning plans in terms of their compliance with legislations and to examine whether they substantively fit into the national- and county-level spatial plans. It is taken as a given that the regulation-based and operational urban development and planning activities of local governments must be in conformity with the land-use plans drawn up based on spatial development concepts and programmes, which aim at aligning and enforcing the national as well as regional interests. These are as follows: national-level, priority regional, and county-level spatial plans.

– on the other hand, through the selection of urban development projects realized under the sponsorship of the European Union and the government

and through the fulfilment of authority functions managing the preparation and implementation of these programmes.

The regulations to be enforced by regulation-based urban development upon forming the urban tissue of a given settlement as well as the regulatory framework of operational urban development are currently defined by two hierarchically overlapping planning instruments of the regulation-based urban development and planning. These instruments, termed as settlement planning instruments in the Hungarian terminology, are as follows:

- settlement structure plan;
- regulatory plan, which is an annex to the local construction regulations (a legal text, the written form of the regulations, including a description of urban planning and construction rules).

2.1.3. The Settlement Development Concept

The settlement structure plan is defined by the settlement development concept, which is a document of local urban policy and urban development, formulating the town's vision and its overall long-term and far-sighted urban development goals (for 15 years ahead or for an even longer term as regards certain elements of its content). It systematizes the local government's urban development decisions covering the settlement's administrative area and facilitates the coordinated realization thereof. Both the settlement structure plan and the integrated settlement development strategy build upon the settlement development concept.

2.1.4. The Settlement Structure Plan

The settlement structure plan designates intended land-use zones and defines the types of principal activities. It contains the land-use plan and, based on the decisions set out in the settlement's development concept, outlines long-term (15–20-year) land-use objectives to be pursued as well as infrastructure networks, which will determine the settlement's structure. The settlement structure plan covers the environmental factors affecting land-use (undermining; soil contamination; flood, inland water, erosion, and landslide hazard; seismicity, etc.) as well as the protected areas. The settlement structure plan always has to be drawn up with reference to the entire administrative area of the settlement and has to be updated at least once every ten years. The development of the regulatory plan and of local construction regulations is based on the settlement structure plan, which performs an indispensable function not only as the basis of local construction regulations and regulatory plan that define the binding provisions for settlement planning and construction but as a document establishing the spatial, physical, and development potential of the town. In this sense, it serves

as the core document of operational urban development just as of regulation-based urban development.

The settlement structure plan should specify in particular:

- administrative areas and peripheries;
- lands intended as well as those not intended for development and their division (land-use units);
- technical infrastructure networks determining the settlements structure (main routes, collectors, public utility main lines, main elements of communications network);
- settlement- and district-level public parks as well as green areas of various categories;
- protected areas, areas designed to be protected (by virtue of this plan), and protection areas, which can be represented according to the scale of the plan;
- areas selected for rehabilitation and areas with functions intended to be altered.

2.1.5. Local Construction Regulations and the Regulatory Plan

Local construction regulations contain provisions for construction laid down in a regulation by the municipal council. The regulatory plan annexed to that Regulation displays on the blueprint provisions difficult to specify in the wording of the legislative text.

– The regulatory plan can be worked out either for the administrative area of the settlement or, separately, for each and every compartment thereof – at least of a size of a block of lots.

– A regulatory plan shall be drafted in each of the cases below:

- areas to be newly developed or that will undergo substantial modifications;
- areas requiring particular attention in terms of natural conditions, settlement structure, construction, architectural heritage, or intended purpose/function;
- in any other case where this is necessary in order to ensure compliance with local construction policies.

– The regulatory plan shall be consistent with the approved settlement structure plan – should a necessity for specific derogations arise, the settlement structure plan must be amended in advance.

– The regulatory plan shall be visualized on a scale map, including the necessary horizontal and height indications as well as other required data, in such a way that its specifications be amenable to clear interpretation in terms of the individual plots, construction sites, and public areas alike.

– The regulatory plan shall include the following:

- demarcation of administrative areas and peripheries (with administrative boundaries);

- lands intended as well as those not intended for development and the demarcation of the compartments within them;
 - separation of the individual compartments within public spaces and of other areas;
 - areas serving various functions (public roads, public squares, public parks, etc.) within public spaces;
 - provisions for creating and building up plots, building plots, and lands within areas not classified as public space;
 - protected areas, areas designed to be protected, protection areas, and buildings within the different compartments;
 - elements of infrastructure networks and buildings that require regulatory action;
 - demarcation of compartments affected by the application of specific legal institutions.
- Local construction regulations and the associated regulatory plan should be used together.

The professional and substantive requirements of urban planning and management plans are laid down in an implementing regulation of the Law on the formation and protection of built environment, namely Government Decree No 253/1997 on national settlement planning and construction requirements (OTÉK). OTÉK comprises several chapters and seven annexes. Urban planning is discussed in Chapter I – ‘General Provisions’, Chapter II – ‘Settlement Planning Requirements’, and the provisions of Chapter III. Chapter I defines those supporting industry-specific work areas of the settlement structure plan, the local construction regulations, and the regulatory plan which must be made mandatory. Chapter II of OTÉK establishes the land-use opportunities to be utilized by local governments when planning how to use the settlement’s administrative area according to their needs. Lands basically fall into two categories, namely: lands intended and not intended for development. A further division of these categories according to their primary purpose ranks residential, mixed-use, commercial, recreational, and special areas among lands intended for development, while among lands not intended for development we can find transport spaces, areas for the placement of public utilities, communications areas, green areas, forest lands, agricultural lands, water management areas, semi-natural areas, and special areas not intended for development. Areas sharing the same function should be listed under the same land-use category.

Within each land-use category, OTÉK also provides for the building types and the conditions of their placement on a given type of land. In the case of lands intended for development, the permitted maximum levels (floor area density, maximum coverage of built-up area, building height, minimum green space area) of construction use and of site coverage are summarized in a separate table.

Land-use units should be divided into public spaces and other spaces as well as so-called development zones (in case of lands intended for development) and zones (in case of lands not intended for development). The number of zones that can be determined is discretionary. Their numbers and the provisions assigned to them should be adjusted to local conditions and needs as well as to the actions to be undertaken while also having in sight the application criterion. OTÉK provides only for the minimum required content of development zones and zones, which, therefore, can be subject to expansion if necessary.

Chapter III discusses the general and specific provisions for the placement of buildings. Thus, for instance, it covers: development conditions; the methods of development; provisions for front, side, and rear yard; minimum distance between buildings; protection areas; public spaces; placement of vehicles; public utilities.

A further essential element is the paragraph, which gives local governments the option to apply regulations that differ from certain OTÉK provisions. Local governments can establish requirements at any time that are more stringent than the ones laid down in chapters II–III.

Based on OTÉK, regarding the development zones of areas to be newly developed or that will undergo substantial modifications, at least the following should be defined:

- minimum size of plot that can be covered;
- location of the building on the plot;
- permitted maximum coverage of built-up area (size of the area that can be occupied by buildings);
- permitted maximum building height;
- the level of public utilities consistent with the prescribed conditions of development;
- minimum size of green area;
- permissible limits for land-use, emissions, pollution, and environmental impact;
- buildings below ground level.

For development zones and zones, the following may be defined:

- exclusivity and limitations of use;
- the minimum width and depth of the plots, minimum building height, and architectural character features in order to preserve or create specific local features;
- other specifications for building long linear engineering structures and their pertaining engineering structures;
- maximum height of the building.

The local construction regulations and the associated regulatory plan are established in a regulation by the municipal council; accordingly, its provisions are binding on everyone.

Urban development plans should be drawn up by design engineers with appropriate designing qualifications. Designing qualification can be obtained by building engineers, civil engineers, horticultural and landscape architects, and urban systems engineers upon the completion of various conditions. Considering the organizational framework, the drafting of urban development plans may take place in mayor's offices and publicly or privately owned agencies.

If we attempted to briefly summarize the aforementioned, we could conclude that regulation-based urban development has a significant and continuous professional tradition.

However, certain issues must be mentioned, which are the following:

- strategic planning problems in terms of economic sociology and development and their impact on the flexibility and rigidity of the urban structure plan,
- the content of urban development plans in terms of timing,
- governing urban development and urban planning activities as well as harmonizing them between settlements and towns.

Besides fine achievements, there are many more problems in the field of operational urban development.

2.2. Operational Urban Development

Operational urban development, just as regulation-based urban development, dates back many centuries. The difference between them, and also the main source of the problems, lies in the less continuous and therefore less evident tradition of the former when compared to its regulation-based counterpart. The state socialist, centrally planned economic system of the period between 1948 and 1990, lacking constitutionality, democracy, and market economy, caused a more perceptible fault-line in the theoretical background, methods, and instruments of operational urban development than it did in the case of regulation-based urban development.

2.2.1. Historical Background

Interestingly, the practice of operational urban development in Hungary looks back on a much longer history than regulation-based urban development. The mediaeval practice of building the French fortified towns, the *bastides*, as well as of establishing the *polders* of the Netherlands and filling them with settlements supports the hypothesis that other European countries had similar trends (Merlin 2002).

The subject of the present paper, however, is studying operational urban development in Hungary, whose history reveals the following highly significant milestones:

– The first great era of operational urban development was the period of building new fortified towns in the second half of the 13th century, following the Mongol invasion. This is when the royal city of Buda (the predecessor of today's Castle District) was born of political will in a short time (Zolnai 1981).

– In the golden age of the emerging field of urban planning, a period defined by the Metropolitan Council of Public Works in Budapest – 1870–1948 – represented the great era of operational urban development:

- 1870–1914: the development of Budapest (Preisich 2004) as a modern global city – on the Pest side mostly, in a homogeneous manner, to the strip surrounding the Grand Boulevard (*Nagykörút*) from the outside and to the City Park (*Városliget*), with three new bridges across the Danube; creating the current structure of major provincial towns (Borbíró–Valló 1956);

- development of new districts both in Pest and Buda, launching the construction of two new Danube bridges; the first stage of reconstruction after the war (Harrer 1941).

– 1948–1990: the termination of the Metropolitan Council of Public Works in charge of the urban planning activities of Budapest and the state socialist regime's coming to power resulted in a four-decade-long interruption in the use of democratic constitutional and market economy instruments and methods of operational urban development in Budapest and in Hungary.

– 1990: the year when the rule-of-law state, democracy, and market economy are reborn; the instruments and methods of the communist regime disappeared at once or were rendered inapplicable in the field of operational urban development. Restoring the methodology and instruments used in the period of 1870–1948 would have been impossible in that time amongst the social, economic, cultural, and political conditions radically changed over time.

2.2.2. Main Features of the Operational Urban Development Restructured after the Regime Change

In the field of operational urban development, the basic responsibilities and competences are subject to legislation in Hungary (local government law and the law on the formation and protection of built environment, as we have presented it in the case of regulation-based urban development). Nonetheless, these laws do not regulate all existing aspects of methodology and instruments of operational urban development that can be applied under market economy conditions. In the meantime, regarding operational urban development too, the politics and public thinking, just as the thinking and attitude of the professional society of 1990–2000, was dominated by the view that the market is all-powerful and it provides solution for everything: it is sufficient for local governments to draw up urban development plans as investors will bring them to realization. This

general perspective was changed by Hungary's 2004 accession to the European Union and the fact that concurrently, already from the previous year – 2003 –, the EU provided significant amounts of non-refundable financial support for the implementation of urban development actions, and it has also made it clear in its communications that urban development and rehabilitation are considered a matter of the public sector. Expenditure of significant amounts of EU as well as of Hungarian state funds to financially support local urban development actions could not have taken place should the machinery of the EU have not found a workable operational urban development methodology and toolbox in 2003 which had been created despite an ultra-liberal context and which had made possible in both metropolitan and small-town conditions – even in the stark absence of a supportive legal and state development finance institutional background – the implementation of viable urban development actions for municipalities. The development of the said proven methodology and toolbox, in cooperation with the Municipality of District IX of Budapest and Caisse des Dépôts, originated in the 1992 establishment of SEM IX Urban Development Co. Ltd (*SEM IX Városfejlesztő Zrt*) and its urban development activities.

By the turn of the millennium, in addition to the physical transformation of the urban tissue, the professionals of SEM IX Urban Development Co. Ltd and URBAN DEVELOPMENT Co. Private Ltd. had finished the work that was necessary to develop and to have a version of the French methodology and toolbox adopted – used by the SEMs (Jegouzo 1992: 505) in the implementation of the ZACs (*Zone d'Aménagement Concerté*) (Jegouzo 1992: 934–946) and supported by laws and state development finance institutions – that can be put into action on the ground amongst the Hungarian legal, regulatory, and economic conditions and without supporting laws and institutions (Bajnai 2007).

In parallel, until 2004, SEM IX Urban Development Co. Ltd had accomplished a full-depth rehabilitation of one-third of the 73-ha Ferencváros action area with a total population of 20,000. Many of these results were already clearly visible in 1997, when upon their activities the development holding of Caisse des Dépôts in collaboration with professionals on the management and the panel of experts of SEM IX Urban Development Co. Ltd established SCET Hongrie Co. Ltd, now known as Urban Development Co. Private Ltd (in Hungarian: *Városfejlesztés Zrt.*)

In the year 1999, SCET Hongrie Co. Ltd founded the country's very first urban development company outside Budapest in the county town of Zalaegerszeg and then, in 2001, the first small-town company of this kind, again in the Western Transdanubia region, this time in Mosonmagyaróvár. In the period of EU accession, both urban development companies implemented urban development actions that were worth billions and were based on urban development action plans drawn up by SCET Hongrie Co. Ltd .

Based on the aforementioned local results, from the year 2003, the methodology and toolbox developed by Urban Development Co. Private Ltd. and SEM IX gradually became more and more incorporated into the system of policy guidelines on the use of urban rehabilitation supports. As the most recent milestone of this process, NFGM published its policy guidelines in 2009, entitled '*Városfejlesztési kézikönyv*' (hereinafter: Handbook on Urban Development), whose chapters on urban development action plans and companies put down and recommend for adoption the methodology and instruments developed by the Urban Development Co. Private Ltd. (Aczél–Bajnai 2009) in the course of the process outlined above. This Handbook is the professional basis of the parts concerning the ISDS and ATT of Government Decree No 314/2012 (XI. 8.).

The key element of operational urban development is to define the urban development action area in the ISDS as well as to draw up within the framework of the urban development action plan the complex urban development action aimed at the transformation of the urban tissue. This is the basis upon which the urban development action is implemented by the municipality's urban development company in the name and on the account of the local government with the structured cooperation of the public and private sectors. The main constituent elements of this process are as follows:

– The local government draws up a complex urban development action plan for the complex urban development action area in the spirit of structured cooperation with the public and private sectors, wherein it defines the following in a coherent system:

- the urban development operations of the public sector and their expenditure;
- the property development options of the private sector, which are created by the public sector and sold for real estate development companies together with the direct municipal urban development revenues that can be realized from them;
- duration and timing of the urban development action.

– The complex urban development action plan underlying the implementation as well as its annual plans and the annual reports on the implementation are approved by the municipal council.

– The local government establishes an urban development company for the implementation of the urban development action and other urban development actions included in the ISDS.

– The urban development company concludes a detailed planning and implementation agreement with the local government on the implementation of the approved urban development action.

– The agreement between the company and the local government specifies that the company shall implement the urban development action plan in the name and on the account of the local government and defines the practice of monitoring

by and reporting to the local government as well as the detailed planning and implementation tasks specific to the given action.

There is currently a 100% municipal ownership, although semi-public companies (*SEM – Société d'économie Mixte*) show a number of advantages compared to this in terms of efficiency and professionalism. The legal form of the cooperation between the company and the local government resembles most the case of the French '*mandat*' (mandate). The legislation in Hungary does not include concession in the field of urban development nor does '*mandat*' exist at the level of legislation, but as a separate category the concrete construction can be modelled fairly well with the set of instruments civil law has at its disposal.

There have been four periods since 2003 when EU grants were allocated. In the guidelines for applicants, the methodology of urban development action plans was incorporated already in the first period (2003–2004), which continued in the second period (2004–2006). In the third (2007–2013) and fourth (2014–) periods, the guidelines for applicants strongly recommended and in certain cases made compulsory the establishment of urban development companies and the planning of action area plans for the implementation of the supported urban development actions. On the national level, the EU and the Hungarian state appropriated approx. 25 billion HUF in the first period, approx. 50 billion HUF in the second period, and approx. 100 billion HUF (there is no accurate data on this latter amount) in the third period for funding the implementation of municipal urban development projects. The EU and the Hungarian state appropriated more than 1,000 billion HUF in the fourth period to support the implementation of local settlement development projects based on the ISDS and the Action Area Plans.

The third period of funding led to the establishment of more than 50 local urban development companies (no exact data available).

The implementation of the supported projects was not the sole purpose fuelling the establishment of urban development companies. Their scope of responsibility also includes the implementation of those other urban development actions that are present in the towns' Integrated Urban Development Strategies (hereinafter IUDS; in Hungarian *IVS – Integrált Városfejlesztési Stratégia*). IUDS is a new kind of plan, now known as ISDS, which came to be introduced by the government in the year 2007 based on the Leipzig Charter (Barta 2009). The Law on the formation and protection of built environment defined ISDS as an implementation-oriented development document with a medium-term perspective (7–8 years). Therefore, ISDS puts forward an operational urban development strategy as opposed to the conceptual vision of development conceived in the perspective of a 15–20-year timespan.

2.2.3. Legislation and Policy Guidelines on Operational Urban Development

Unlike in the case of regulation-based urban development, there is not a distinct, comprehensive, and detailed legislation in Hungary on operational urban development, its planning and implementation methodology and instruments. In this sense, there is certainly significant growth potential for (legal) regulation in Hungary. To set a good example of a comprehensive, distinct, extensive, and detailed regulation, we should appeal to the French regulation of operational urban development, wherein planning instruments and procedures (such as a joint development zone [ZAC]) are all statutory just as the methods and instruments of implementation (expropriation, land acquisition at a fixed/imposed price, semi-public companies [*Société d'Économie Mixte*, SEM], concession, mandate [*mandat*], etc.) managed and controlled by the public sector.

State guidelines coming from the highest level, distinct from the regulation-based urban development, concerning all the planning and implementation instruments developed so far in the established Hungarian practice of operational urban development are included in the policy guidelines put forward in the 'Handbook on Urban Development' (Aczél, Bajnai, Lunk, Wachter, Somogyi, Gerőházi 2009) published by the Ministry of National Development and Economy (NFGM) in 2009, resulting from the work of an experts' group. On the part of the Ministry for National Development and Economy, State Secretary Dr Péter Szaló and Principal Advisor Gyöngyi Jármí were in charge of directing the work. Policy guidelines include the above definitions of urban development and urban tissue as well as guidelines on how to draw up and what to include in the integrated settlement (at that time: urban) development strategy and in the complex urban development action plan (at that time: action area plan), while also covering the establishment and operation of urban development companies. This toolbox is much narrower in scope than the one adopted in France. Due to the absence of other legal backgrounds and financial instruments, it lacks, for example, two methods of market-based financing and implementation: the instruments of concession and mandate (*mandat*). At the same time, experience has shown, and it turned out to be true already before the EU accession (2004), that under proper market conditions – which also existed in Hungary – it was highly workable, while legal constructions (concession, authorization, ZAC) (Jegouzo 1992) missing on the legislative level could be replaced by occasional contractual arrangements under civil law as well as by planning procedures and contents (complex urban development action plan) organized according to the French model (ZAC).

Among the already mentioned constituent elements of policy guidelines, the provisions for the formulation and content of the integrated settlement development strategy have since then become the subject of regulations under

Government Decree 314/2012 (XI. 8.). This legislative requirement also contains reference to the preparation of action area plans in accordance with the strategic-level approach, but it fails to include explicit rules on the preparation of complex urban development plans and action area plans. The current regulatory situation provides relatively favourable conditions for operational urban development. Recent studies suggest that the general regulation of urban planning in Hungary, too, took place at a much later point in time than the development of an established practice (Mohai 2018). On the other hand, the well-functioning legal instruments (similarly to the European example) for urban development procedures under the forms of concession and authorization (*mandat*) as well as the establishment of the necessary state development finance institutional background, a preferential state development credit scheme – ensured in France by the country's state development finance institution, the *Caisse des Dépôts et Consignations* – could considerably boost the efficiency of operational urban development.

2.2.4. Integrated Settlement Development Strategy

The integrated settlement development strategy is a system of objectives and the interventions necessary for the implementation thereof, serving as a bridge between the settlement development concept and the operational urban development plans.

The core document of operational urban development is the strategy formulating medium-term, 7–10-year urban development objectives that the local government intends to achieve through the interventions planned within the framework of that strategy.

With a view to the systematic, complex transformation of the urban tissue, the strategic-level presentation of developments to be implemented in the different action areas and in symbiosis with network (e.g. transport) developments is of paramount importance among the planned interventions. This provides the basis for local governments to build up a comprehensive picture of the system of planned urban development actions and interventions so that it can exploit the advantages deriving from the synergies of their implementation.

During the planning stage of the interventions, the duty falls to ISDS to forecast the various potential urban development actions in the perspective as well as with the methods of operational urban development actions (Bajnai 2007) and to provide both a technical and a financial overview thereof. Within the scope of available knowledge and with a preliminary and indicative nature, the transformation of the urban tissue and the associated financial parameters must be outlined according to the depth and accuracy of datasets and information available at the time of formulating the strategy. Ideally, in terms of the 7–10-year timeframe planned in the ISDS regarding the urban development actions to be

implemented by the local government, action areas may be demarcated, while the characteristics of their urban tissue, the major lines of its transformation, and the financial parameters thereof will be presented – all consistent with the logic of operational urban development planning.

Consequently, ISDS is an implementation-oriented urban development document with a medium-term perspective. Its permanent constituent elements are as follows:

- background study,
- definition of strategic objectives,
- specification of the instruments and interventions necessary for the implementation of the strategy.

The variable constituent elements are: a desegregation plan and programme for potential cases involving segregation issues that might occur in the town and that can be redressed by way of an anti-segregation approach; a coordinated draft plan of social and physical interventions appropriate for the social dimension of urban development that can be defined in a given social and economic environment.

Strategic goals define those developments that in the context of specific physical, social, and economic conditions are appropriate to be implemented in pursuance of the general objectives of urban development so that (a) the urban tissue can make up a beautiful, healthy, convenient-to-use, that is, well-functioning built urban environment, (b) the process and outcome of settlement development can address the challenges of sustainable development (Hamman 2008), and (c) it can meet the requirements specified in the Fundamental Law of Hungary as well as the objectives derivable therefrom.

In line with the above, the plan of interventions serving the implementation specifically focuses on interventions in the physical reality of the town, the urban tissue, carried out by way of construction work.

The background study and the definition of the strategic target system devotes considerable space to the social life of the town, the functioning of local economy, and their connection with the town's physical reality so that the interventions formulated in the strategy can contribute in the most effective way possible to the betterment of the settlement's social life and economic functioning by applying changes to the physical framework.

It follows from the above key definitions of urban development that interventions serving the implementation are mostly territorial in nature as urban development means, by definition, the creation of a new or renewed piece pertaining to the urban tissue.

The urban area demarcated for the planning and implementation of territorial interventions is the action area. The coordinated, complex, goal- and implementation-oriented urban development set of operations to be carried out with predefined parameters on the action area is the urban development action,

whose plan is the complex urban development action plan, that is, the action area plan, as it figures in the terminology of government decrees and policy guidelines. The definition of interventions planned within the context of ISDS comprises the summarized presentation of the urban development actions planned on the different action areas as well as the coordinated draft financial plan thereof.

Speaking at the level of ISDS, this is essentially the preliminary and indicative projection, done with adequate depth and substance, of the information available at the time of strategy formulation, i.e. of the complex settlement development action plan drawn up on the action area – the action area plan.

The projection of urban development actions drawn up on action areas is complemented by the presentation of planned developments, relevant for the settlement as a whole, to be carried out outside the action areas. Most often, these are developments that constitute a network from a technical or functional point of view, or the elements thereof.

There is a single typical case that can be defined in general terms where interventions planned within ISDS are not only aimed directly at the transformation of the town's physical reality. This is the case of social urban rehabilitation. The social dimension of this kind of rehabilitation has a wide scope of interpretation according to the social and economic situation of the given town. During social urban rehabilitation, a simultaneous, coordinated intervention takes place into the physical reality of the town, the urban tissue, and into the life of the people who live within the physical framework of the urban tissue subject to construction interventions.

The urban development action plan for social urban rehabilitation realizes a coordinated projection of the direct, helping, social interventions into the people's lives, aiming to benefit their social, economic, and cultural integration as well as to promote their upward mobility. One of the possible instruments of social urban rehabilitation in Hungary is the implementation of a desegregation programme, which can be used with great efficiency among certain circumstances in cases of segregation. In such a case, the desegregation programme is a key constituent element of ISDS as the intervention scheme at the service of social urban rehabilitation.

2.2.5. Action Area Plan: The Plan of the Complex Urban Development Action

The action area plan is the deployment plan of the previously presented urban development action, the silver thread of implementation (Bajnai 2007). On the one hand, it forecasts the pursued complex target condition, while it maps the operational urban development actions to be implemented in its pursuance, on the other hand.

The only way for the public sector to create a new or renewed piece of the town as the result of operational urban development – the complex target condition of urbanization (Cerdá 2013) – leads through its cooperation with the private business sector (Martinand 1993). The public sector's active participation in the implementation of its own urban development visions presupposes its capability to develop partnerships with the private sector, whose contribution and investment hold the promise of full implementation concerning its own urban development concepts (Heinz 1994: 16).

First, a situation analysis is performed that examines the existing state of affairs with a view to the feasibility of the planned action. Given the underlying concepts and inferences of urban development, the examination addresses those relevant feasibility issues that arise from the very nature of development according to the study on settlement development management.

Achieving the desired urban quality as a result of development requires in a significant number of cases a specific urban planning preparation in the urban architectural and development sense of the term. The Operational Urban Development Concept [*Operatív Városfejlesztési Konceptió*] (Bajnai 2007), or the Programme, breaks down the urban development plan, as well as the preparatory urban planning schemes drawn up for the deepening and concretization thereof, into interventions, projects that stand for the different elements of the implementation process. Based on the examination, those interventions are defined in this work phase that the local government and its partners have foreseen for implementation in the period projected in the action plan so that, with the physical, socio-economic, and environmental regeneration of the demarcated action area forming a coherent structure, they can create the new or renewed piece pertaining to the urban tissue in accordance with the target condition as projected in the urban planning concept.

As a rule, urban development actions to be implemented by the public sector are investments that – while acting as creators of new values themselves – encourage the private sector and other partners as well to participate in the development process and make investments. In cases of social urban rehabilitation, the essential feature of the said operations is that they stand for interventions aiming at balancing social inequalities.

The following must be defined in consistency with the management and development plans: (a) the functions of the new and renewed development that can be implemented by exploiting building opportunities created during the implementation of the development action and (b) the floor area of the new buildings that can be built.

This momentum is an integral part of urban development action planning since the building site created as a result of the public sector's development operations is the real estate product, whose sale, economically speaking, is the basic objective

and purpose of the implementation of operational urban development, for which the settlement development concept, the integrated settlement development strategy, the settlement structure plan, and the regulatory plan have paved the way.

This urban development product visualized in the action area plan – the marketable building land – will represent the subject of promotion activities of the marketing and investment done as part of city marketing towards the implementation of the project. From the projected market value of this product can then the sale price of the building land be derived. The price of properties awaiting sale is determined by the specificities of construction potential. According to the presented correlations, the proposed scheme of development that can be implemented by the private sector will determine, during the implementation of the urban development action, the direct urban development revenue realizable from the sale of the building lands to be created.

To receive feedbacks on changes in market as well as boundary conditions, the regular, at least annual, updating of action area plans is an essential requirement for all types of urban development actions. However, the greater degree of flexibility demanded by the specific nature of urban development actions aiming at developing new industrial areas as well as by their specificity calling for an increased flexibility, and their rather hard-to-predict technical aspects direct our attention to the even greater significance of feedbacks and updates in terms of these developments than in the case of urban rehabilitation developments. Therefore, updating the action area plans for industrial areas might become necessary more than once per year and may be an indispensable operation upon the generation of different larger investments.

The financial plan for the action area plan is the financial mapping of the implementation of the operational urban development concept – the public and private sectors' development programme –, and so it is shaped therewith in an iterative manner, as drawing up the budget has repercussions on technical solutions, which in turn have an effect on the projects of investors and property developers buying up the building lands, thus on the anticipated revenues, and vice versa. Consequently, the financial plan is not a simple cost calculation – as an investment programme in the traditional sense – but a financial scenario developed with the coordination of costs and resources, presenting the financing conditions that make the development action possible.

The comprehensive financial plan for the implementation of the urban development action presents the final outcome of the action. In addition, it is also essential to present the timing of the action, in annual segments. This will project in annual breakdown the urban development expenses of the urban development action, its direct urban development revenue, and, accordingly, the amount of municipal budget contribution necessary for the implementation of the action. The non-refundable financial supports reduce the necessary amount of

municipal budget contribution. The financial scenario shows when mobilization of additional funds becomes necessary and when releasable funds are formed. Further, the financial scenario will also give a clear perspective of the budget lines to be assigned to the municipal account.

3. Conclusions

Following the regime change (1990) and before the EU accession (2004), Hungary succeeded in adapting and introducing an established practice, methodology, and toolbox at the service of planning and implementing the operational urban development. This set of instruments has also been at the service of developments realized with EU and government support since 2004.

The existence of this toolbox significantly enhances the ability of the country to carry out such complex, long-lasting series of interventions as part of urban development projects, and do so consciously and according to the plan, that are qualified to counteract the adverse effects of global climate change and to address the challenges posed by sustainable development.

The impact and effectiveness of the available instruments can be further enhanced by introducing such legal institutions, financing facilities, and preferential state development credit schemes of which there are some good examples all over Europe.

The example of Hungary could be of interest to other socialist states as well.

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