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Yvonne Franz

# **Gentrification in Neighbourhood Development**

Case Studies from New York City, Berlin and Vienna

Mit zahlreichen Abbildungen

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## A. Introduction: Urban Regeneration as the Key Driver of Competitive Cities

### 1. The Problem: City Embeddedness in Globalised Processes of Transformation

*“Cities are places where both problems emerge and solutions are found. They are fertile ground for science and technology, for culture and innovation, for individual and collective creativity, and for mitigating the impact of climate change. [...] We need to better understand the challenges that different European cities will face in the years ahead. [...]”* Johannes Hahn, European Commissioner for Regional Policy (EUROPEAN UNION, 2011: III)

Cities are embedded in an ongoing transformation, both triggered and influenced by a mixture of political, economic, socio-demographic and ecological changes. Cities constantly have to reinvent themselves in response to their changing environments, while at the same time preserving their cultural and urban heritage. If they do not adapt to new conditions, they remain stuck in the status quo and risk succumbing to severe challenges like shrinkage or even irrelevance. They may lose their attractiveness and finally become unable to compete with other cities as destinations for residents, economic activity and visitors.

The attractiveness of cities is influenced by the quality of life within these cities. Quality of life, in turn, is based on a variety of attributes: Besides the prerequisite of a stable and trustworthy political and legal framework, personal safety and low crime rates, economic factors have to be considered as well as environmental, social and cultural factors. Quality of life might be linked to the attractiveness within a city or a specific neighbourhood. However, quality of life and the attractiveness of a city do not evolve independently. As they are embedded into continuous urban transformation processes taking part at higher levels, neighbourhood development goes beyond local processes.

As Fig. 1 shows, cities<sup>1</sup> are clearly embedded between the poles of macro and

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1 This study is based on the urban geographical and political understanding present within

micro trends, both of which are again affected by external forces like economic, political, socio-demographic and ecological forces. External economic forces may refer to the current economic crisis that is connected to political forces with regard to adapted urban policies. External socio-demographic forces refer, for instance, to demographic transition, an aging but diversified population and ongoing immigration. Ecological forces complement this force field and point to urban adaption strategies required by climate change and environmental protection agendas. To understand the force field of urban rejuvenation and gentrification processes, every single external force must be understood as dependent parameter. All forces are connected and interact with each other, creating a complex system of intermingling parameters.

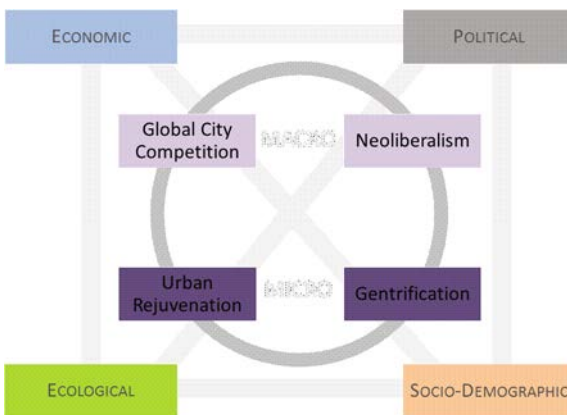


Fig. 1: The Force field of Urban Rejuvenation and Gentrification Processes (own illustration)

In addition, macro trends function as reactions to external forces such as global competition and neoliberal policy changes. As a consequence of globalisation, cities are embedded in a globalised city competition. Cities with a high living quality compete with other attractive cities at the national and international level. To return to the current situation of economic crisis, cities are currently need to adapt their urban policies to secure and improve their attractiveness for both the inhabitants as well as economic and cultural activities. Such policies have to consider the distribution of financial and investment obligations among more differentiated, particularly non-governmental, actors. As a result, this conceptual force field assumes a transformation of urban policies towards neoliberal political strategies.

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Central European and North-American cities. As a result, the conceptual idea for the problem statement refers to recent challenges within German, Austrian and US American political and institutional conditions.

To complete the force field, micro trends lie in the needs and demands at the neighbourhood level, consisting of specific contextual situations. On the one hand, macro trends occur as a by-product of global external forces, meaning cities cannot escape from these developments. On the other hand, changes at the micro level are initiated by macro trends as well. Proceeding with the aspect of globalised transformation processes, neighbourhood attractively may impact a city's living quality as well. It is claimed that urban rejuvenation strategies and gentrification contribute to the attractiveness of the built environment within a neighbourhood and to a positive city image at both the national and international level. The transformation process itself has to consider both the local and the contextual needs as well as globalised interests and decision-making rationales.

As Fig. 2 illustrates, the conceptual idea is based on an assumed causality between external forces, macro trends and processes at the micro scale. The question now arises as to how these processes manifest themselves spatially and why they do so. The link between macro and micro trends seems to be a crucial component, as macro trends may potentially explain a number of outcomes. It might be predictable, for example, that gentrification occurs in certain cities that compete to attract knowledge-based economies and people. Macro trends seem unable to tell where gentrification is going to happen specifically. This is the moment where parameters at the micro scale come in, including location, accessibility and transport – actors and community interests or ways to realise a certain concept of lifestyle.

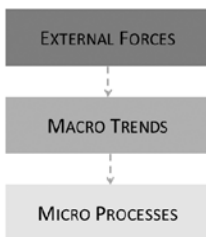


Fig. 2: The Interconnections between External Forces, Macro Trends and Micro Process (own illustration)

A potential link between macro and micro trends can be found by analysing the housing market. One crucial dimension lies in the quality of the housing stock and the affordability of housing, which is a commodity even for cities in the midst of global transformation processes. To a certain degree, the quality of housing represents the physical component of the urban fabric. The attractiveness of cities is strongly linked to their physical structures since it represents

not only the visual appearance of a city, but also the space wherein citizens actually live. Housing market mechanisms show that real estate prices depend on both the quality of the physical structure and the geographical place. The saying “*location, location, location*” found in real estate practices reveals the major importance of the physical whereabouts of housing. In terms of urban renaissance, place matters even more, as an increasing number of people moves to cities in order to fulfil their expectations of a vibrant urban life. Space is luxury, especially in the dense urban areas of historically grown cities. Market data reveal not only continuously rising real estate prices, but also an increasing demand for high-quality housing as well as a shrinking supply of affordable housing in cities all over the world.

Increasing real estate prices do not appear to be due only to changing housing demands and a shortage of housing choices and limited building land resources. Rather, increasing costs for housing occur also because of improved physical conditions due to urban rejuvenation practices. Urban renewal as both a hard planning instrument in US American cities and as a soft planning instrument in selected European cities aims at urban regeneration and rejuvenation. Though it represents only one dimension of urban development, it plays a crucial role in attracting future and existing residents, especially in times of urban renaissance. Urban renewal is thus strongly linked to upgrading processes resulting in physical and socio-demographic changes leading to gentrified neighbourhoods.

The attractiveness of the physical appearance of the housing sector can be secured by enacting urban rejuvenation activities. One possible outcome thereof is gentrification. Gentrification as a specific process in urban development has become a hotly debated issue all over the world. In the United States the acceptance of a neoliberal market economy is dominant, and within this framework gentrification results from supply and demand. In Germany, gentrification has been and is being debated very controversially between its proponents and opponents. The latter note the situation of rising housing costs and declining affordable housing stock, whereas proponents find themselves caught between prioritising investor interests due to cuts in public budget and the interests of public welfare. The ongoing discussion on gentrification and housing costs in German cities has started to influence election campaigns. In the Austrian context, gentrification is not as dominant in either public or political debate as in other European or Anglo-Saxon cities. This may result from the social welfare state system and an overall less developed civic participation in these discussions. Interestingly enough, however, the semi-academic public debate on gentrification has developed significantly more in Vienna over the last years. As a result, politicians have had to react to the evolving awareness with regard to affordable housing and gentrifying neighbourhoods and can no longer simply

refer to the larger stock in social housing that held off gentrification during the last decades.

Despite the differences of gentrification processes at the local and national level, a common similarity can be found in the embeddedness of gentrification into a broader force field that interacts with macro and external forces. Thus, this similarity provides the starting point for the line of argumentation that is used in this study for the analysis of gentrification processes.

## **2. The Present State: Urban Development and Rejuvenation in the Current Academic Discourse**

Summarising the current state of urban development and rejuvenation is a difficult task, not only because of the broad scope of academic research within this topic, but also because of many variations present in the international discourse and a somewhat fuzzy use of terminology. Therefore, this chapter limits the description to urban development research generically linked to urban renewal and rejuvenation strategies, urban renaissance and housing affordability that might lead to processes of gentrification. In terms of geography, this chapter covers research that focusses on North American and Central European cities.

This pragmatic limitation is open to criticism as being narrow-minded and incomplete. However, the current debate on, for instance, the “creative class”, inner-city brownfield conversion, concepts of green, low-carbon, zero emission or smart cities as well as ongoing processes like suburbanisation or the increasing popularity of gated communities underlie the approach of macro forces having an impact at the micro level. No doubt, the outcome at the micro level is highly diversified and greater than gentrification. But this study does not and cannot attempt to cover the entire range of urban development processes. Rather, it focusses on urban rejuvenation and its outcomes as one component within urban development processes. An in-depth analysis of gentrification theories is provided in the chapter on selected theories and is therefore excluded in this chapter on the present state in urban development research.

A quick online research may serve as a starting point for comprehending the present situation. Google Scholar finds 577,000 page results (search on June 28, 2013) based on the search term “urban development” starting in the year 2009. The content refers, for instance, to sustainable urban development, greenness, migration, exclusionary and inclusionary policies as well as to urban legacy of large-scale events. A search for “urban regeneration” (ibid.) leads to 18,700 results for the publication period 2009 to 2013 and refers, among other things, to

the impact of Olympic Games and Bilbao effects as well as to urban regeneration for sustainable communities and the role of creativity. For “urban rejuvenation”, Google Scholar finds 8,250 results (ibid.) that are linked to urban renewal, resilient planning or urban rejuvenation. The online database Scopus lists 11,254 publications (search on June 28, 2013) for “urban development” from 2009 or earlier, yielding new topics like urban farming, walkability, urban climate or emerging mega regions. For “urban regeneration” Scopus finds 674 results (ibid.) referring to the right to the city concept, fiscal incentive policies and climate friendliness. In all cases, the geographical research focus still lies clearly on North American and European cities, although a significant proportion of publications may also be found for Asian (predominantly Chinese), South American and African cities. Another indicator for current academic discourse can be found in “readers” focussing on urban issues published, for instance, by Routledge; these are well known among urban researchers. According to their website, Routledge plans to publish “The Gentrification Debates” by Japonica Brown-Saracen in summer 2013. The Routledge Urban Readers Series currently includes 11 such readers<sup>2</sup> ranging from urban design to sustainable urban development, from urban politics to city cultures.

Without any claim to completeness, the current state with regard to urban development research can be systemised based on economic, ecological, political and socio-demographic dimensions that also reflect the external forces leading to specific urban trends (see Figure 1). Economic and ecological research seems to be linked to climate change-driven transformations towards green and sustainable city systems. In this field of research, not only the technical realignment of city systems can be found under the umbrella of “smart cities” (see FASSMANN & FRANZ 2012; FRANZ 2013), but also an equilibration of interest and impact analysis between international acting companies, national strategies and locational prerequisites. On the other hand, national government have already identified the emerging field of ecological transformation as important to economic growth and future strategy for urban areas. As cities gain in population, questions arise as to how to decrease resource consumption and how to increase the quality of life of cities in the future. New mobility concepts including sustainable means of transport play a crucial role. Car sharing, cycling and an efficient public transport system seem to be important components of urban development research and raise the question of walkability and density within urban areas. Quality of life is strongly linked to locational advantages and to securing those location factors in order to attract highly skilled people to migrate into competitively successful cities. In times of fiscal constraints, these challenges can be faced only through collaborations between the public and

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2 See [www.routledge.com](http://www.routledge.com).

private sectors. Therefore, the economic-ecological dimension of current urban development research deals not only with technology, strategies and policies, but also with power balances, new forms of corporation and with securing locations from a long-term perspective.

The socio-demographic dimension of current urban development research is strongly linked to immigration patterns and changes of lifestyles resulting in an urban renaissance. How best to attract people to move into cities is reflected in the perspective of future residents who expect a certain fulfilment of lifestyle demands. Yet expectations are not only fulfilled on the labour and housing market. Rather, the cultural components and how cities are positioned as future-oriented open places are gaining in importance. Such demands meet certain supplies and vice versa, the supply side being shaped by urban policies.

At this point, we can make the link to the political dimension of urban development: Urban policies refer not only to labour and housing policies, but also to a general political approach on how to deal with a changing society. Labour policies nowadays may focus on how to attract creative, highly skilled people as well as the support of young entrepreneurs. There may be an exclusionary dimension of these policies for the working-class which might not be represented in strategies for the future urban population. Housing policies to ensure the revitalisation of the existing housing stock may exist side by side with the construction of new housing options for the new urban population. Aspects of inclusion and exclusion thus occur in this field of research with regard to housing affordability and distribution. Current research seems to agree that urban policies are highly influenced by neoliberal approaches. Even in the more traditional welfare states, neoliberal tendencies have created new strategies of allocation which may include new or exclude former actors.

To summarise, current research on urban development issues covers a broad range of topics within a large geographical expanse. The topics themselves are systemised through the dimensions of economic, ecological, socio-demographic and political transformation processes, even though the national and local nuances are different. Differences arising from diverging dynamics with regard to population growth and economic situation are embedded within a global context. Again, the overview on the current state of affairs within urban development research shows that transformations of urban landscapes have to be analysed in light of external forces bearing upon local results. Detaching urban transformations from the global component is risky and ignores the complexity of urban issues.

### 3. Closing of the Gap: Gentrification as a Steered Component of Urban Rejuvenation

The current literature provides many answers about how to understand gentrification, how this process can be implemented, and what kind of negative or positive results may arise. What is missing is a systematic cross-national comparison of the policy implications of this research and the implementation thereof into local urban planning systems and policies. Numerous elaborations exist related to local gentrification processes, but there are few comparative studies of how they differ across governmental and political systems. The scientific literature seems to imply that the urban renewal processes in the United States are highly dynamic, while those of European welfare states are less so. The factors responsible for this are easy to identify: the varying state systems, political and institutional frameworks, mechanisms of regulation – especially in relation to the housing market – and the structure of real estate ownership.

However, to date it has not been well analysed how and why these factors have different impacts on gentrification within specific local contexts. Even less research can be found on the interrelated role of macro forces and “[...] governance processes between actors in urban regeneration and gentrification” (FULLER 2012: 913). The underlying decision-making processes can be seen as a result of rationales impacting the rational choice in urban rejuvenation policies. FULLER (2012: 913) argues that there has been a shift towards a more complex set of economic considerations and market values that “[...] have overridden broader civic values in the negotiation process”.

Also, the negative connotation of gentrification and a class-theoretical approach have dominated the scientific discussion and tend to lead to a fuzzy use of terminology. In order to prevent the “dirty word gentrification”, terms like urban regeneration, rejuvenation or revitalisation are used for similar, albeit distinct processes. The discussion of cases revealing the positive outcomes of gentrification is thus infrequent. Even less debate can be found on how to acknowledge gentrification as an inherent component of neighbourhood transformations in growing cities. As a consequence, few questions are raised about the extent to which processes of gentrification can, or should, be controlled and regulated through urban planning in order to achieve the desired aims of urban renewal.

Despite the current debate, this study takes the position that gentrification need not always result in a physical and socio-demographic transformation of a neighbourhood to be prevented. Given the fact that especially historically grown cities with an historic building stock face an economic need to maintain and renovate their existing housing stock, both investment and gentrification might



be necessary routes for selected neighbourhoods. However, investment in an existing environment requires a comprehensive understanding of its potential impact among the politicians and actors involved in such urban development issues. Leaving investment activities exclusively to market forces necessarily results in a loss of power and influence in the cities themselves. Therefore, the overall aim should be to first understand urban transformation and the decision-making processes in order to enable means of steering and cooperation among all actors as a long-term goal.

#### 4. The Analysis Approach: A Comparative Policy and Actor Analysis

Qualitative research comprises a variety of methods such as in-depth interviews, observation and content analysis, which include the perspective of participants within the specific analysis. This implies in return that the researcher is able to identify relevant issues and “[...] understand[s] the meanings and interpretations that [...] [study participants] give to behaviour, events or objects” (HENNINK et al. 2011: 9). It is not only about practicing and conducting the specific qualitative method, it is more about handling the intermingling of underlying concepts, and about conducting the research and analysing the data, all of which require the skill of objective interpretation (see HENNINK et al. 2011).

A look at current scientific research in urban studies reveals a predominantly qualitative approach, especially when it comes to gentrification research. Since the 1980s there has been a shift in analysis when the quantitative analysis of statistical data become en vogue, but a statistical analysis still relies on the quality of data. Especially in gentrification research does it not seem easy to trace displacement based on quantitative data. Not only do actuality and detailed information matter, the accessibility to databases and small-scale data is also important. As a consequence, mixed-method approaches may contribute to a valid analysis of complex research questions.

##### *Policy Analysis*

Policy analysis offers the chance to understand the political framework in which a city and its opportunities for political action are embedded. Compared to “politics”<sup>3</sup> and “polity”<sup>4</sup>, “policy analysis”<sup>5</sup> searches for the similarities and dissimilarities in specific manifestations within a specific field of policies

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3 politische Prozessforschung (German).

4 politisches Organisationsgefüge (German).

5 Politikfeldanalyse (German).

(FAUST & VOGT 2010: 396). The specific manifestation represents the dependent variable, whereas institutions and interest-oriented actors represent the independent variable (ibid. 2). Policies are the product of conflicts, as they are “[...] made through socio-political processes [...] rather than by intellectual and deliberative choice [...]” (RONDINELLI 1973: 14).

Conducting a policy analysis in the traditional sense would lead to “means-end rationality” (HERMANS & THISSEN 2009: 808) or, as MAYNTZ & SCHARPF (1995a: 9) point out, would adopt a perspective of the dichotomy between the legislator on the one hand and the object to be steered on the other. The fragmentation within both groups, subject and object, would not be considered within a traditional policy analysis, nor would the possibility of autor-regulation within institutions. However, this analysis also deals with our understanding of policymaking between the relevant actors and its impact on decision-making.

In accordance with the institutional economic research approach as a neo-institutional approach within policy analysis, political phenomena are a product of interests and the structural scope of actions (FAUST & VOGT 2010: 405). This study deals with the understanding of the linkage between urban policies at the meso level and the underlying rationales and decision-making processes of actors at the micro level. Or, following HERMANS & THISSEN argumentation, this analysis focusses on “[...] other factors in policy making, such as power, personal relations, strategic behaviour and strategic use of information [...]” (2009: 808). Policy analysis is crucial in order to understand the political framework, but in combination with “[...] an analytical reflection on the actors that play a role in the policy making realm [...]” (HERMANS & THISSEN 2009: 808) the overall analysis might benefit.

Therefore, the political framework for all three case studies is analysed with a two-tier approach. First, the identification and interpretation of strategic policy documents like urban development plans, land-use plans or rezoning examinations as well as other urban planning instruments, for instance, such as public subsidies for urban rejuvenation investments, uniform land use review procedure (ULURP) or tenants’ protection regulations set the political framework of each case study. Thus, the policy analysis is about the analysis a government does within urban rejuvenation policies.

Second, actor analysis consists of qualitative in-depth interviews where evidence for policy-related motivations or decision-making arises. These results go back to the initial policy analysis represented by urban planning documents and instruments. This contribution provides in turn the perspective of practical implementation and qualitative realisation and allows for a comprehensive understanding of a contextualised political framework. However, the primary aim of actor analysis understands what actors do within urban rejuvenation policies.

The figure below illustrates the interconnection of policy and actor analysis used within this study. Both analyses are not done separately. Rather, the analytical concept attempts to interlink both analysis processes through reciprocally taking the results into account. As the figure below illustrates, policy analysis within this study refers to the analysis of policy documents and instruments that focussing on urban renewal policies. It is assumed that it is more likely to realise successful urban rejuvenation projects as long as there is an overlap between urban policies and its instruments and the strategic behaviour of actors.

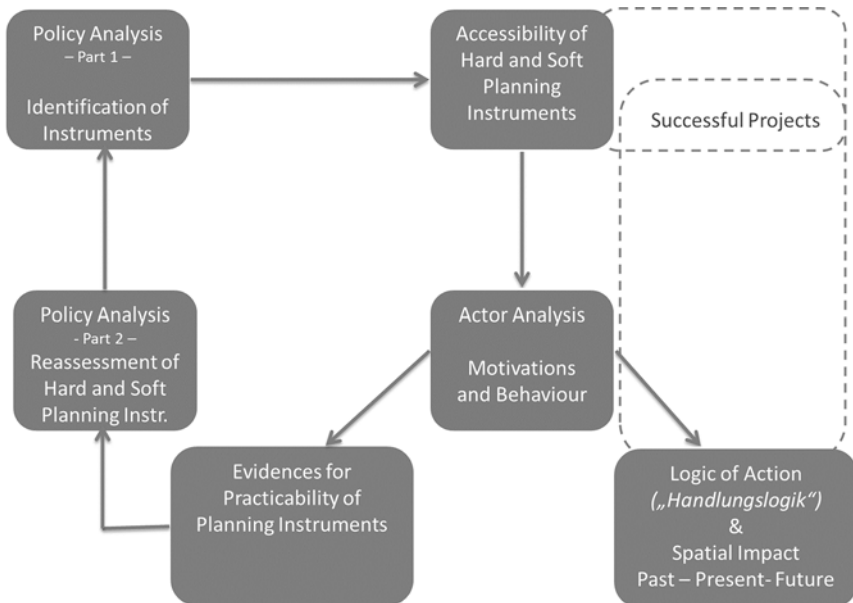


Fig. 3: Interaction of Policy and Actor Analysis (own illustration).

The first step in policy analysis is to identify the relevant planning instruments. This was realised through an extensive literature review, as well as by following up evidence of relevant instruments mentioned during the semi-structured expert interviews. The second step in policy analysis lies in a qualitative interpretation based on an analysis grid.

In this analysis, the self-developed analysis grid is based on RONDINELLI's (1973: 13) five categories of public policymaking:

1. Organisation
2. Communication
3. Strategy

4. Participation
5. Adaptation

Those categories are refined with regard to urban rejuvenation policies and complemented by overlying dimensions. The interpretation based on the analytical categories shown above follows the procedure of qualitative content analysis by MAYRING (2007). The analysis procedure includes four steps:

1. **Identification of analysis dimensions:** Paragraphs within planning documents were highlighted that mentioned one of the five analysis dimensions.
2. **Content selection:** Text content that included the specific analysis category was copied and pasted into a spread sheet.
3. **Interpretation:** This abstract was summarised and interpreted in one statement.
4. **Labelling:** The summary statement was transformed into a keyword, which was then used as a quantitative measure for comparative reasons.

The results of the policy analysis are subsumed in the “political framework” which can be found for each case study in Chapter D.

#### *Actor Analysis to Understand Bounded Rational Choice*

As the statement on policy analysis shows, policies are made and adjusted by key private and public actors comprising individuals, institutions and organisations. They are all embedded within a political and institutional framework that shapes their decision-making processes. Therefore, the perspective of actors involved in urban rejuvenation practices become relevant or, as RONDINELLI (1973: 15) points out:

*“Policy is formulated and implemented through highly fragmented and multinucleated structures of semi-independent groups and organizations in both the public (sic!) and private sectors, and through a complex system of formal and informal delegation of responsibility and control.”*

A combination of both policy and actor analysis will be implemented in this research in order to understand strategic behaviour of the actors involved in urban regeneration processes. It is assumed that “[...] policy making [i]s a process influenced by external stakeholders” (HERMANS & THISEN 2008: 811). Such an approach requires, first, the identification of relevant policies and instruments as well as, second, of actors and stakeholders at different local levels. This enables an understanding of the intermingling and overlapping interests between policies and actors in terms of strategic behaviour. The assumption that successful rejuvenation projects in a city might be the result of a high degree in overlapping strategic behaviour justifies the choice of a qualitative actor anal-

ysis. Accordingly, this research pays particular attention to policies, instruments, motivations and actions related to urban rejuvenation issues within a specific neighbourhood.

An analysis of local urban rejuvenation processes in particular implies an understanding of the behaviour and motivations of all actors involved in those processes. To a certain degree they all shape the outcomes at neighbourhood level due to their involvement and interaction. Dealing with urban rejuvenation also means understanding the urban policies that underlie the agenda of both the city and the stakeholders. Basically, “[...] policy making is a social process of and between actors, rather than a rational effort to search for the optimal solution given a fixed problem definition” (HERMANS & THISSEN 2008: 808).

In actor analysis approaches, the method of stakeholder analysis understands “[...] policy making as a process influenced by external stakeholders [...]” (HERMANS & THISSEN 2008: 811) and focusses particularly on actors’ resources. According to the authors, this method allows us to structure the context of stakeholder’s environment and “[...] to assess the cooperative potential and the threat of obstruction [...]” (ibid.). Therefore, it is necessary to identify the relevant “[...] [s]takeholders, their interests and influence [...]” and to use “[...] documents and [...] interviews with stakeholders [...]” as sources of information (ibid.).

#### *Identification of Actors*

The table below shows a first attempt to systemise relevant actors within urban rejuvenation processes, their behavioural approach, instruments as well as motivating and influencing factors.

This analysis focusses only on actors who are directly involved in urban rejuvenation policies represented by physical upgrading processes of urban neighbourhoods through their own planning or investment decision. Therefore, four relevant groups of players also represent the sample of experts within the qualitative interviews conducted in this study:

1. Public authorities
2. Public-private partnerships
3. Private institutional companies
4. Private individual investors

Public authorities represent the municipal departments in charge of urban planning. Decision-making predominantly follows a top-down approach. They use laws and zoning measures as well as planning tools like business improvement or historical district in addition to financial incentives like tax reductions and subsidies in order to attract investment to urban neighbourhoods. They rely on the decision-making of private public partnerships, private institutional and

|                                    | Public Authorities   | Private Public Partnerships  | Private Institutional   | Private (Individual)  |
|------------------------------------|--|--|---|---|
|                                    | Initiation of Gentrification   | „Light-House“ Gentrification   | Gentrification  | Soft Gentrification   |
| Steering                           | Top-Down   | Top-down/<br>Bottom Up   | Bottom Up/<br>Top-down  | Bottom Up   |
| Instruments                        | <ul style="list-style-type: none"> <li>▪ Laws and Zoning</li> <li>▪ Planning Tools (e.g. historical district)</li> <li>▪ Capital (e.g. tax reductions, subsidies)</li> </ul> | Monetary Investment Decision   | Monetary Investment Decision  | Monetary Investment Decision  |
| Motivation/<br>Influencing Factors | <ul style="list-style-type: none"> <li>▪ Objectively: demography, return of locations in the inner city</li> <li>▪ Politically: votes</li> </ul>                             | <ul style="list-style-type: none"> <li>▪ Objectively: demography, valorization of location, ROI</li> <li>▪ Institutionally: political influence, leverage through public funds and zoning</li> </ul> | <ul style="list-style-type: none"> <li>▪ Objectively: ROI, building permit</li> <li>▪ Institutionally: image cultivation</li> </ul> | <ul style="list-style-type: none"> <li>▪ Objectively: increase of value</li> <li>▪ Personally: Perception of “how to live” and quality of life</li> </ul> |

Tab. 1: Actors Involved in Physical Upgrading Processes, Motivations and Applied Instruments (own illustration).

private individual investors and aim at two objectives: first, to influence demographic factors and the return on investment in inner cities; second, to gain votes as successfully as possible. Despite investments in public housing, public authorities mostly do not directly invest on a large scale in the housing stock of urban neighbourhoods. Rather, in most cases they collaborate with the private sector directly or through public-private partnerships to initiate gentrification processes at the specific local level.

On the other hand, public-private partnerships follow both top-down and bottom-up approaches in order to create new housing options, leading to the effects of “lighthouse gentrification.” It is assumed that top-down decision occur within development projects initiated by the public sector in need of a private investor. In contrast, public-private partnerships might act bottom-up when the conceptual idea comes first and gets realised through the involvement of the private sector. Based on a monetary investment decision, public-private partnerships do aim not only at demographic issues, but also at the pure valorisation of the location and return on investment. The combination of public and private interests secures political influence to a certain degree, whereas economic in-

terest is motivated by the leverage effects of public funding and zoning incentives.

Private institutional investors like bank consortia or real estate funds clearly focus on bottom-up decisions accompanied by a certain amount of top-down decisions. They apply monetary investment decisions in order to obtain building permission and a return on investment of the planned project. Real estate relies more and more on branding strategies. Selling and purchasing real estate value is no longer about location only; rather, it is also about selling and buying a certain feeling or image. Examples can be found in high-rise projects where the element of sky is sold (e.g., Aura Condos in Toronto: “Own a piece of the sky”), in greenfield housing construction (e.g., in Vienna: “aspern Vienna’s Urban Lakeside”) or in loft housing projects (e.g., creative living environments like Andy Warhol’s loft factors in SOHO, New York City). The storyline for a real estate investment, however, comes first and is crucial for positioning, image building and marketing and finally optimising return on investment. Top-down decisions might evolve during negotiations with the public sector including building permission, density or supply of technical and social infrastructure.

Finally, private individual investors rely on their individual investment interest aiming at the stabilisation or increase of private value. The realisation of individual lifestyle expectations and quality of life lead to bottom-up decisions that may lead to soft gentrification processes when an accumulation of private investments occurs within a certain spatial entity. Private individual investors can be represented by single private individuals, but also by new forms of private collaboration, for instance, an association of private investors in the real estate market (*Baugruppen*).

This analysis focusses on the interaction between urban rejuvenation policies and the political, economic or social stimuli that motivate actors and institutions to support a physical upgrading process within an urban neighbourhood through a planning decision or financial investment in the built environment. In this line of research, and in addition to the role of policies, the role of actors and institutions and the interaction between them becomes relevant. Developing a theory explaining urban rejuvenation policies and the rational choices underlying investment in the built environment requires an actor-centred approach. Actor-centred institutionalism combines these dimensions; its conceptual framework approaches the question of cooperation and decision-making between actors and institutions (MAYNTZ & SCHARPF 1995b: 39).

While not a theory, actor-centred institutionalism provides an ordering system of locations and relationships between the actors involved and their effect on observable outcomes. It is rather a research heuristic as it provides academic attention to certain aspects of reality (*ibid.*). Following the argumentation by MAYNTZ & SCHARPF (1995b: 43pp), institutionalism refers not

only to political institutions, but also includes all relevant actors within the specific area of analysis. Thereby, the analytical dichotomy overcomes by a double perspective of actors and institutions (ibid. 46). The context of behaviour formed by institutional factors becomes relevant. This context can be characterised as being stimulating, facilitating or restrictive. Within the framework of actor-centred institutionalism, the behaviour of so-called corporate actors – institutions that are capable of acting – take centre stage. But because decisions are also made by individuals, the role of singular actors is also important to be considered.

These considerations lead to the necessity of a multi-level perspective where the institutional context frames the behaviour of private and public actors, institutions and organisations (ibid. 44). The behaviour of those actors is mostly considered as an agglomerated behaviour as an analysis of individual behaviour would exceed research possibilities (ibid. 50). On the other hand, tasks of institutional framework conditions can be described as follows: defining regulations, constitution and constellations of actors, structuring of behaviour orientation and influencing the specific situation of behaviour. But the institutional framework is not a closed system with an unlimited scope of influence. The reason for this can be found in the self-organisation of individual actors, especially when it comes to the allocation of resources (ibid. 49).

This study broadens the understanding of contextuality and adds the political dimension to the institutional context. One of the hypothesis of this analysis claims that local political and institutional framework conditions impact decision-making and rational choice of actors involved in urban regeneration practices. When it comes to results and explanations, it is important to mention that observable behaviour of actors are seen as “proximate cause”, while the institutional framework conditions act as “remote cause” (ibid. 46). This is considered within the policy and actor analysis.

#### *Stakeholder Analysis as a Method Focussing on Actors' Resources*

Speaking about actor analysis might seem practicable, but with regard to HERMAN's & THISSEN's (2008: 811 pp.) list of methods focussing on actors' resources, there is apparently a need to specify the approach of the applied actor analysis within this study. This analysis aims at understanding the motivation and decision-making of actors involved in urban regeneration practices. It is not only about their environment, but also about their strategic behaviour and participation in urban regeneration. Given the fact that stakeholder analysis seems to follow this specific interest of research, this study applies a stakeholder analysis that collaborates with “[...] stakeholders with influence on project success and interest in its outcomes [...]” (ibid. 811).

Compared to the general term “actor,” “stakeholder” inherits the con-



notations of power broking, strategic participation and distribution possibilities of resources. BRYSON (2004: 22) provides a definition made by R. Edward FREEMAN in 1984, who “[...] defined a stakeholder as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (1984: 46). Stakeholders have a stake, as the term itself already implies. This stake can be related to material and financial property or to some immaterial interest in a distinct issue or system. Owning a stake is strongly connected to interest, power of influence, property and resources, as well as to strategic decision-making. Processes of interest preservation by stakeholders take place at any level in society or institutional setting. For an institutional environment, one can distinguish between local, regional, national and international levels. The character of participation is also different: They act either actively or passively.

For a better understanding of stakeholders’ motivation and decision-making, this study distinguishes between key, primary and secondary stakeholders who were chosen either because of their importance or their influence. Key stakeholders are actors who have a significant active or passive influence on the urban rejuvenation process within a neighbourhood or on the success of a particular project. Primary stakeholders benefit from the system or project, whereas secondary stakeholders act as intermediaries within a project.

The reason why stakeholder analysis has become more relevant can be found in the macro process of globalisation, which results in an interconnection of processes, power relations and shared responsibilities (see BRYSON 2004: 23 pp.). Both the analysis and our understanding of systems, processes and networks have become more complex. At the same time, there is a necessity to understand the complexity and interaction of stakeholders in order to react and adapt in times of changing frameworks (ICRA n.d.: 2). At the centre of attention are stakeholders who participate as individuals or in groups in decision-making processes (see BRYSON 2004: 23 pp.).

This study focusses specifically on stakeholders who participate actively in urban rejuvenation projects within the three selected case studies. It is not concerned with a micro analysis of individuals or local social groups who are affected by planning decisions or investment in the neighbourhood. The chain of actors within this study stretches from private to public actors, starting at the micro level through with stakeholders who represent the local population, for instance, tenant protection associations or community boards. Therefore, the micro level is represented by an aggregated group of individual actors holding a specific stake. The end of the chain of actors lies at the meso level, with stakeholders who represent both the public and private sector, for instance, urban planners and developers.

### Conducting Stakeholder Analysis

The first analysis technique is a typology comprising influence and institutional embeddedness. This typology enables the localisation of the stakeholders as specific types on a four-by-four matrix (BRYSON 2004: 30 pp.). The matrix includes the dimension “type of influence”, which covers the range from cultural and communicative influence to policy-making to indirect investment and finally to direct investment. The second dimension is the “institutional embeddedness” of the stakeholders, ranging from individual to private to intermediate to public. As a result, there are two categories of stakeholders, namely, stakeholders on the supply side and stakeholders on the demand side (see Figure 4).

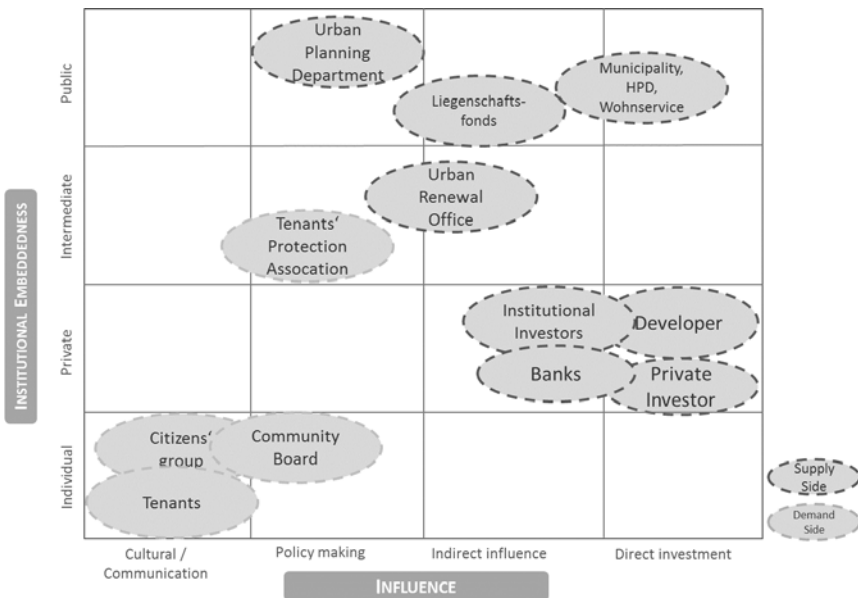


Fig. 4: Influence Versus Institutional Embeddedness Grid (own illustration).

Because the study focusses on stakeholders who are involved in urban rejuvenation strategies, it emphasises the quantitative representation of stakeholders on the supply side. This category comprises for all three case studies six distinguished types of stakeholder:

1. The private stakeholder with indirect influence, e.g., institutional investors and banks
2. The private stakeholder with direct investment activities, e.g., developers and private investors

3. The intermediate stakeholder with a mix of political and indirect influences, e.g., urban renewal offices
4. The public stakeholder with political influence, e.g., urban planning departments
5. The public stakeholder with partly political rather than mainly indirect influence, e.g., local authority real estate offices (“Liegenschaftsfonds”)
6. The public stakeholder with a mixture of direct and indirect investment activities, e.g., municipal authorities like the Department of Housing Preservation and Development (HPD), Wohnservice Wien

It might be necessary to specify those detailed types of stakeholder that are not self-explanatory, namely, institutional and private investors. Institutional investors include, on the one hand, “non-property-corporations” like insurance companies, corporations or pension funds that invest into real estate property for reasons of portfolio diversification. On the other hand, it includes investors like open or closed funds and real estate holdings where the business field is located in constructing, trading and maintaining real estate property (HEEG 2009: 128). In contrast to institutional investors, private investors are explicitly limited to non-corporate investors mainly represented by individuals or “aggregated” private investors, for instance, a group of individuals who collectively plan, construct and finance a private residential project<sup>6</sup>.

On the demand side lie two detailed types of stakeholders. First, tenants, who are considered as aggregated actors, for instance, in citizen’s group with mostly communicative and cultural resources. Second, private stakeholders, whose political influence is represented by community boards or, as intermediate institution, by tenant protection associations.

The next step in the analysis consists of special consideration of evidence of bounded rational choice. Although the above reveals a shift in terminology from actor to stakeholder, the analysis does not comprise a stakeholder analysis but rather remains an actor analysis. Traditional actor analyses can still provide useful input for setting up the more narrow and specified approach of stakeholder analysis. In general, actor analysis is based on theoretical and operational requirements in order to secure a transparent and structured analysis of policies and behaviour.

In consequence, this study refers to the four theoretical dimensions suggested by HERMANS & THISSEN (2008: 809), namely, networks, perceptions, values and resources. Those dimensions were adapted and extended to a set of six dimensions comprising

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6 Baugruppen (German).

1. Embeddedness
2. Values
3. Resources
4. Rational choice
5. Gentrification awareness
6. Local gentrification processes

### *Choice of Sample*

In this analysis, the sample refers to a set of three samples. First, the choice of the neighbourhood case studies; second, the choice of samples within policy analysis; and third, the choice of samples with regard to the actor analysis. All three samples follow the conceptual idea of contributing to a comprehensive understanding of urban rejuvenation policies and what impact urban renewal processes have on gentrification.

### *Selection of Neighbourhood Case Studies*

Three case studies are used within the multiple comparisons to cover the range from hardly to highly dynamically gentrifying neighbourhoods. This approach aims to identify the various underlying policies and practices that stimulate or retard gentrification.

The selection of the three case studies is based on two approaches. On the one hand, the choice was made based on personal perception of some significantly changing neighbourhoods in New York, Berlin and Vienna. In this context, change refers to visible upgrading processes in the built environment, to a different commercial variety and to a shift in public awareness in the media (“place-to-be”). On the other hand, the choice of case studies is based on socio-demographic and housing market data that support the original arguments of personal perception. At the same time, macro and structural components are considered as selection parameters as well.

Based on THOMAS (2011: 77), the selection of the three case studies derived from the origin of every single case as a “key case” that in each city serves as a good example for neighbourhood rejuvenation processes leading to evidence of gentrification. All three cases represent growing cities that are prominent cases of successful adaptation of older city structures into new conditions of global competition. Although the political and economic frameworks range from free-market to social welfare, all three cities are representatives of renter-occupied housing markets with a well-established system of rent regulation. In addition, all three cases offer both competitive advantages and challenges and must attract new young professionals to fuel their adaptation. The results of gentrification may be a key example of implementing that goal. Historically grown neighbourhoods, located at a certain proximity to the city centre and providing a

specific mix of unique selling propositions like location, attractively built environment or commercial variations, might turn into places of abode for those new young professionals. The allocation of newly built or transformed attractive neighbourhoods is influenced by public and private decisions and investments. Therefore, all three cases address the question of how different specific local policies yield different neighbourhood trajectories, which in turn contribute distinctively to larger urban adaptation processes.

### *The Sample for Policy Analysis*

The selection of planning documents and instruments is based on their relevancy for urban rejuvenation policies, level of political scale and actuality. In order to achieve a representative and comprehensive sample of planning documents that impact urban rejuvenation processes in all three case studies, also online media monitoring was chosen as a useful tool in addition to recently changed or new planning instruments. In the end, the sample for policy analysis in this analysis looks as follows:

|                                | NEW YORK CITY   | BERLIN  | VIENNA  |
|--------------------------------|---|---|---|
| <b>Urban Development Plan</b>  | PlaNYC, 2011<br><br>The New Waterfront Revitalization Program, 2002<br><br>New York City's Brownfield Incentive Grant (BIG) Program, 2010 | Gesamt-Berliner Stadterneuerungsprogramm 1993 – 1995 [Urban Renewal Programme for Berlin] | STEP 05 in combination with Visions for STEP 2025 (revised version of STEP 05; currently in progress)<br><br>Strategieplan, 2004 [Strategy Plan 2004]<br><br>Regierungsabkommen 2010 – 2015 [Coalition Agreement between Social Democratic Party and Green Party 2010 – 2015] |
| <b>Housing Plan or Program</b> | New Housing Marketplace Plan, 2010<br><br>Greenpoint-Williamsburg Inclusionary Housing Program, 2005                                      | n.a.  | n.a.  |