

IMPLICATION OF THE CREDIT CRASH FOR URBAN REGENERATION IN RIGA

IMPLICAȚIILE CRIZEI CREDITELOR ASUPRA REGENERĂRII URBANE ÎN RIGA

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Abstract: The aim of this research is to evaluate the implication of the credit crash for urban regeneration in Riga. Examples of project development in urban brownfields and the implication of the economic downturn on them are analyzed in this study.

GDP increment rate of Latvia was the highest among the European Union member states during the rapid growth of economy. It was mostly determined by rapid development of the construction and real estate sectors. High demand for dwellings caused one of the highest rates of price rise for real estate properties in the world. As a reaction to rapid increase in demand, development of real estate projects increased as well. Significant number of them was developed in Riga - the most important economic centre in Latvia and the biggest city in the Baltic states.

Riga as a post-industrial city has significant proportion of brownfields, which are used ineffectively. The structures of these former industrial territories were formed mostly at the end of the 19th century and during the Soviet occupation period. Nowadays they are undergoing regeneration in order to construct new dwellings and commercial premises, because an advantage of these territories is their location close to the city centre.

Latvia has experienced a rapid economic downturn, which has affected all economic sectors in Latvia negatively. Banking sector has faced problems as well, resulting in unavailability of the credits. Overproduction of dwellings and decreasing purchasing ability has caused the highest rate of price decrease in the world. It has resulted in rapid decline in construction sector, and the regeneration of brownfields in Riga is affected negatively, too. Several regeneration projects are suspended, but some have not been started. Many companies have faced bankruptcy, but, despite unfavorable economic conditions, some urban regeneration projects are in progress because of the decreasing implementation costs.

Key-words: brownfields, credit crash, Riga, urban regeneration

Cuvinte cheie: terenuri abandonate, criza creditelor, Riga, regenerare rubană

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Introduction

This paper investigates urban regeneration processes in Riga (Figure 1) during two different stages of the economy – growth and decline. Regeneration of the brownfield sites is nominated as one of the key aspects of providing sustainable development of Riga in future. This is necessary in order to improve the quality of urban space in built up areas and to promote urban development in inner city areas, which were previously used, thus avoiding urban sprawl and further fragmentation of the spatial structure of the city. Several urban regeneration projects were implemented in Riga, but several ongoing activities were affected negatively by economic downturn.

Urban regeneration processes and their displays in particular cities are widely researched (Butler, 2007; Evans, Jones, 2007; Otsuka, Reeve, 2007), but there has been relatively few research done focusing on the implications of the economic crisis on urban development (Aalbers, 2009).

The case of Riga is particularly interesting because of the comparatively high number of brownfield sites in regional scale. These territories actually can be found everywhere in Riga, but major concentration of them can be observed in the built-up areas of the historical city centre and its neighbouring territories, where old industrial areas are located. Former industrial sites developed during the Soviet occupation period are located mostly in close adjacency to the railway infrastructure.

Economic restructuring and deindustrialization processes in the early 1990s caused transformation of Riga from industrial to postindustrial city, thus the number of derelict sites grew constantly (Grimski, Ferber, 2001). Economic growth determined increase of demand for qualitative premises thus stimulating urban regeneration processes as well. Most of them were implemented in the city centre, where abandoned historical industrial complexes were converted into dwellings and commercial premises. For more successful revitalization of brownfield sites assistance of the city authorities is necessary, but in the case of Riga urban regeneration processes are mainly based on the initiatives of private developers.

In order to characterize the implication of the financial crisis on current urban development in Riga, urban regeneration processes during the periods of economic growth and decline are analyzed, focusing on various aspects. Characteristic of brownfields and historical context of their formation reflects the current situation of these sites in present day Riga. Finally, conclusions about urban regeneration processes and their possible future trends are drawn.

Urban brownfields – problems and perspectives

Brownfield sites and brownfield related problems can be observed everywhere in the world, thus making this issue internationally significant. Due to a combination of economic, industrial and agricultural restructuring, speculative property development, and demographic change, every country in Europe now has a legacy of brownfield sites (Grimski, Ferber, 2001).

The loss of industries or deindustrialization marked the economic transformation from industrial to service sector (Paddison, 1993) what initially led to the abandonment of industrial territories (CABERNET, 2005) and loss of jobs what caused deterioration of social structure (Bezmez, 2008).



**Figure 1. Riga on the map
available at:
<http://www.grupa93.lv/?fl3m58i2>,
accessed: August 16, 2011**

Emergence of various brownfield sites is one of the most observable effects of deindustrialization process and, according to CABERNET (Concerted Action on Brownfield and Economic Regeneration Network) brownfields result from changing patterns of industry and development in many regions. The loss of the industries, the resulting unemployment and the reluctance of new investors to take on the technical problems and liabilities associated with brownfield sites affect the economic prosperity of the region, particularly in urban locations. In common usage brownfields refer to previously developed or derelict land, encompassing a range of sites in terms of size and location (CABERNET, 2005).

Previously the term "brownfield" was referred to the territories, which were classified as contaminated. In recent years the situation has changed considerably, and definition of brownfields in international planning practice has expanded to mean not only contaminated land but all "previously developed land", whether contaminated or not (Ganser, Williams, 2007).

CABERNET has defined brownfields as sites which:

- have been affected by former uses of the site or surrounding land;
- are derelict or underused;
- are mainly in fully or partly developed urban areas;
- require intervention to bring them back to beneficial use;
- may have real or perceived contamination problems (CABERNET, 2005).

Brownfield land in cities is largely located in areas that have experienced deindustrialisation or suburbanisation. Such sites may be found in the heart of the inner city, or out along various industrial belts or dockland regions (Lorimer, 2008).

Brownfields in general are understood as a negative issue; however, revitalization and reuse of these areas also provide wide range of benefits for further urban development. Urban brownfield redevelopment is part of the urban regeneration process, what in general is based on the idea of creating desirable urban spaces (Guzey, 2009). Significant amount of brownfields are located into urban areas and urban land reuse is seen as contributing to reduce pressure on greenfield sites, thus minimizing urban sprawl, and making a positive contribution to urban regeneration by upgrading run-down areas and providing a location for housing, services and amenities (Williams, 2004).

Sustainable built environment cannot be achieved without reintegrating brownfield land into the property markets and shifting development back to the central urban locations (Grimski, Ferber, 2001). A sustainable place is one in which a balance of employment, housing, and social facilities are copresent and available to a range of socioeconomic groups. It is populated by sustainable citizens who are politically, socially, and economically active and self-reliant (McIntyre, McKee, 2008). Sustainable communities are places where people want to live and work, now and in the future. They meet the diverse needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life. They are safe and inclusive, well planned, built and run, and offer equality of opportunity and good services for all (Maliene, Malys, 2009).

Application policies, which include the use of previously developed areas for the purpose of stopping the spatial expansion of cities (Ganser, Williams, 2007), are determinative factors that prepare urban regeneration. Redevelopment of urban brownfields is widely acknowledged as one of the major tools to achieve development of compact and sustainable cities (Ganser, Williams, 2007; Lorens, 2008).

It is also possible to define on this basis a set of principles for urban development policy, which can lead to the creation of sustainable urban structures (Lorens, 2008) and the idea of compact city has become a part of sustainable city concept (Ganser, Williams, 2007). The concept of compact city means intensification of existing structures, including the reuse of decayed ones, and limitation of spatial growth of the cities. As there is still a high demand for new city spaces, there is a necessity of looking for an alternative to suburbanization processes as development of urban structure, and regenerated central urban areas can become an alternative. However, introduction of the compact city model needs a lot of efforts in terms of financing, planning and social communication (Lorens, 2008).

Brownfield redevelopment is a very important aspect of urban regeneration processes (Ganser, Williams, 2007), because it provides reuse of abandoned territories and revitalization of the contaminated areas, thus regarding to the principles of sustainable urban development (Evans, Jones, 2007). The presence of derelict land has adverse effects not only on the environment but also on the economic and social health of the city. It is further commonly understood by urban planners that future urban development has to happen on derelict land (Grimski, Ferber 2001) by means of urban regeneration.

Usually the most attractive areas for investment in urban brownfield redevelopment activities are centrally located brownfield sites as their geographical location is seen as the main advantage in order to attract potential buyers or occupiers. Investors realizing the increasing profit in central areas begin to regard those locations that they once avoided as new investment centers (He, Wu, 2007).

Further transformation processes of abandoned areas and deteriorated urban landscapes through the implementation of various redevelopment projects in order to satisfy the demands of the new service-oriented economy (Bezmez, 2008) were usually leading to the commercialization of the areas, because all development activities initiated by private developers are profit oriented. In this case the issues of urban sustainability may become less important what demonstrates the need for closer cooperation between public and private sectors.

Brownfields in Riga

In broader view, the origin of the brownfields in Riga can be dated back to the early 1990s, when the Republic of Latvia restored independence after the collapse of the Soviet Union. However, brownfield origination issues in Riga are also inwrought with the rapid industrialization processes during the second half of the 19th century, when the city became one of the most important industrial centres in the whole Russian Empire. These processes were determined by the legislation of the Russian Empire, what can be characterized as a clear example of protectionism. The import of any kind of goods was strictly limited by laws and export of industrial products was stimulated by various bonuses, so it turned out to be gainful to locate industries in the territory of the Russian Empire.

The advantage of Riga in attraction of investments mainly from abroad was well developed transport infrastructure - port facilities and railway connections. This economic growth of the city continued until the World War I, when the front-line approached the city in 1915, when almost all factories were evacuated to the inner territories of the Russian Empire (MPR, 2008).

After the end of the World War I and the following Latvian War of Independence in 1920 Riga had lost almost two thirds of its population and most of industries what resulted in many unused industrial sites, but they were soon occupied by small and medium scale manufacturing enterprises (MPR, 2008).

After the end of the World War II and following the Soviet reoccupation in 1945, massive industrialization policy was carried out. This resulted in the

establishment of huge industrial enterprises and considerable influx of immigrants from other territories of the Soviet Union, and these both processes continued until the late 1980s. The existing industrial sites were reused and adapted for modern use as well (MPR, 2008).

After the collapse of the Soviet Union and restoration of independence of Latvia, most of the industries experienced privatization, bankruptcy and closure, because the main markets in other parts and territories of the Soviet Union were lost, and re-orientation to other markets in that situation was almost impossible.

As a result of these processes most part of the former industrial and military territories became abandoned and used ineffectively for approximately next 10 to 15 years, when rapid economic growth occurred and interest for these abandoned brownfield sites emerged.

The Municipality of Riga has joined a [multidisciplinary network](#) of CABERNET, so documentation and planning issues concerning brownfield areas are based mainly on CABERNET's conceptions. Accordingly, documents of Riga City Council concerning planning issues state that territories can be classified as brownfields, if there were performed any kind of activities in the past, but at present time they are not in use or are used ineffectively (G93, 2004).

Contamination issues, respectively, are not mentioned as main features for classifying the territory as brownfield site, which can be explained in two different ways. First, it is because there are no large polluted areas in classical meaning in Riga and, secondly, brownfield regeneration issues were not topical in Riga during the 1980s, when urban regeneration related issues became topical in Western European countries and the legal frameworks used for dealing with brownfields were based mainly on contamination issues (Grinski, Ferber, 2001, Ganser, Williams, 2007). More interesting, territories in Riga, which are contaminated, are not classified as brownfield sites, if they are in active use in present time, for example, some areas in the territory of Riga port and former military airfield of Soviet army in Rumbula.

According to the results of appropriate research and estimates, there is a significant number of places which are classified as brownfield sites. Their origin and kinds vary considerably, thus brownfield sites in Riga are:

- abandoned and ineffectively used former manufacturing and warehouse areas;
- uninhabited residential buildings in poor physical condition;
- abandoned military territories;
- extensively used allotment areas;
- derelict former dump sites;
- abandoned or inefficiently used transport infrastructure areas (Trusins *et al.* 2005);
- abandoned construction sites.

Trusins *et al.* (2005) stated that location of brownfields in Riga corresponds to the main phases of evolution of the city (Figure 2) and reflects the change of its

economic development models. There are several areas where location of brownfield sites is characteristic:

- blocks of residential buildings developed at the end of the 19th and in the beginning of the 20th centuries in poor physical condition;
- old industrial plots and buildings around the central part of the city;
- railroad ring around the inner city with rundown Soviet industries and infrastructure;
- remote areas located at the borders of the city, also mainly former or present large industrial places and former dumping sites;
- former industrial areas built adjacent to water bodies in the 19th century or during the Soviet occupation period with no public access to waterfront (Trusins *et al.* 2005).

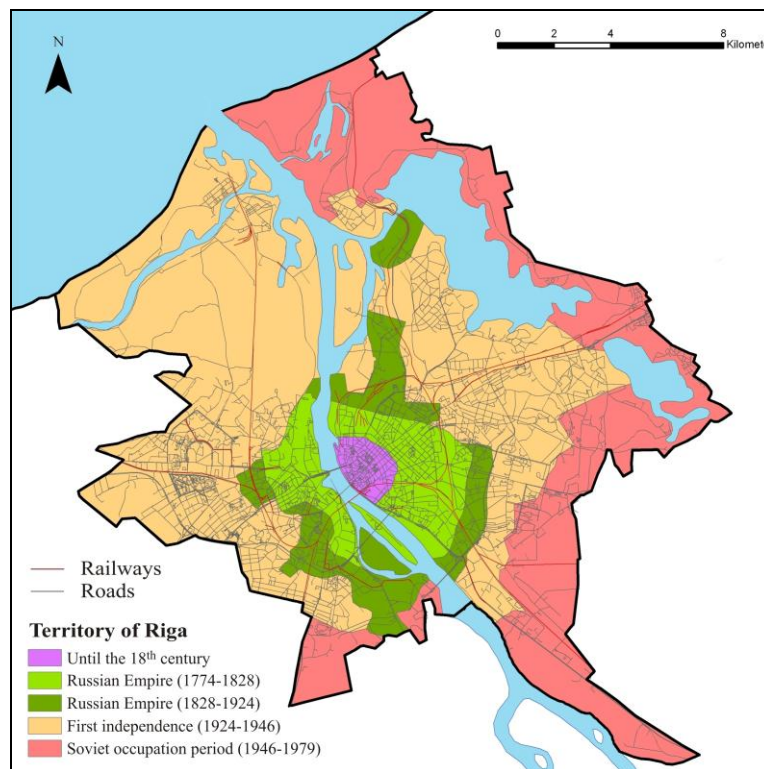


Figure 2. Territorial expansion of Riga. Edited by Németh, Á.

in virtue of the map in: Ruskuls, G.: *Rīgas Apkaimju Attīstības Projekts, Rīgas apkaimju forums*, 27.11.2008. Available at:

http://www.rdpad.lv/apkaimes/apkaimes_projekta_prez_forums27118.pdf, accessed: August 16, 2011

In the context of location of the brownfields, the Old town of Riga has to be mentioned as a special case, because there are several properties; most of them are

classified as cultural heritage with high historical value, what are not in use and still remain as slums.

Therefore it can be summarized, that the brownfields in Riga are sites, which were previously in active use unlike underuse or abandonment today. The overall level of degradation of the identified territories is not high nevertheless the cumulative negative impact on living environment and urban landscape of the city is significant. These territories can be found throughout Riga and they mainly cause problems like degradation of the visual quality of urban environment, needless fragmentation of the urban structure, decrease of the land use efficiency and, in some cases, serious contamination problems (Figure 3).

Qualitative urban environment is determined as the main pylon of the future development of Riga. It is planned to stimulate the development of polycentric structure of the city, where development of strong local neighbourhood communities is planned; however, the dominance of the historical core is still set as the main goal (RD, 2005).

According to the Riga City Council (VRAA, 2007), urban regeneration, what includes brownfield redevelopment, has been stated as one of the main key objective to be implemented in order to promote complex sustainable development of Riga, and there were plans to revitalize all brownfield sites by 2018 (Lazdiņa, 2006). However, municipal legislation in Riga does not promote brownfield redevelopment processes, because the only possibilities to promote such activities are partial removal of restrictions regarding construction and tax allowances. National legislation also restricts the possibilities to support private initiatives as it is prohibited to invest public budget funds in private property what, accordingly, limits the use and development of public-private partnership. Moreover, owners of abandoned land or objects in Riga are still exempt from paying the real estate tax, what is also an obstructive factor for redevelopment activities.

Urban regeneration processes in Riga during economic growth

Riga experienced a construction boom during the rapid economic growth of Latvia (2000-2007) when real gross domestic product (GDP) increased for 6.9% - 11.9% yearly (CSBL, 2009) and the demand for new housing and commercial premises increased sharply. It can be explained with the growth of incomes and run-down existing housing stock, because during almost 10 years after the collapse of the Soviet Union only few new structures were built, mostly for personal use. This resulted in the lack of dwellings despite rapid depopulation in Latvia, especially Riga.

Riga experienced a boom of construction and considerable part of the building activities were carried out in brownfields, thus relating to urban regeneration processes. Local authorities are generally the lead agents in implementing urban regeneration programmes (Otsuka, Reeve, 2007). However, it has to be pointed out that Riga City Council mostly did not participated in these processes in partnership with private investors despite urban regeneration processes are set as important issues by local municipal authorities.

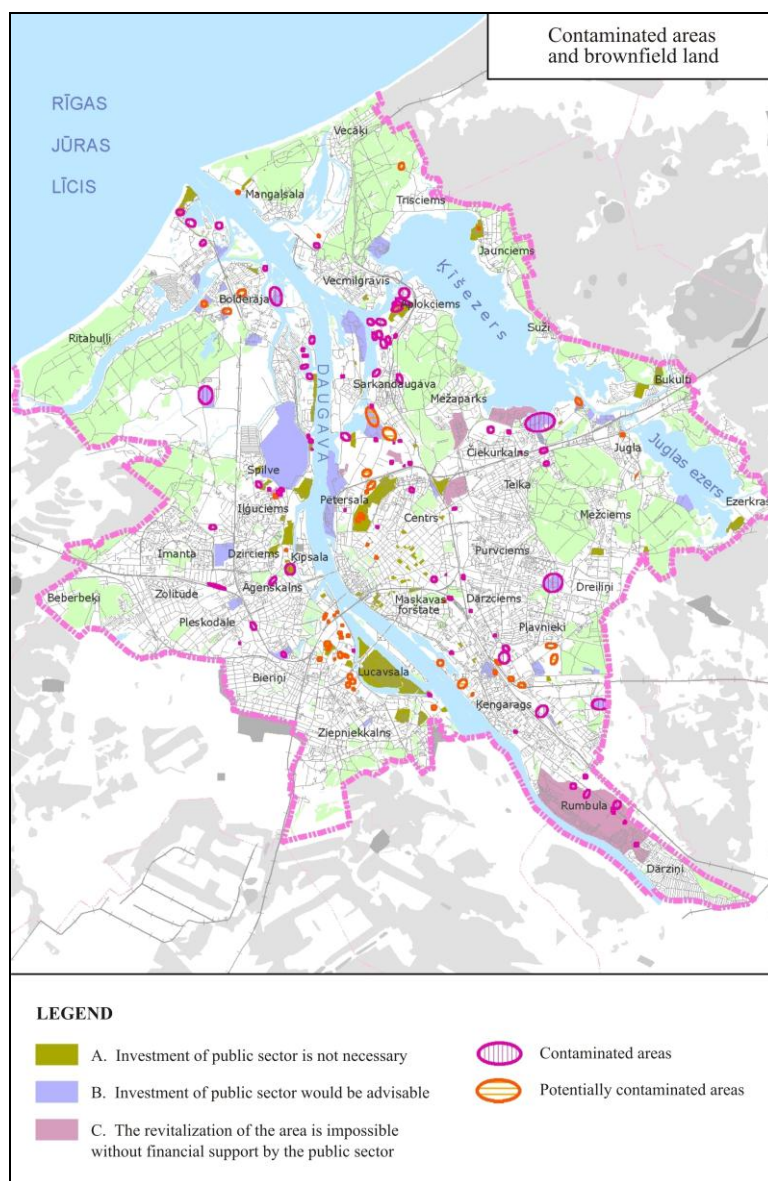


Figure 3. Brownfield location in Riga (RD PAD 2005)

Source: RD PAD (2005) *Piesārņotās vietas un degradētās teritorijas* (Riga, Rīgas domes Pilsētas attīstības departaments), available at:

http://www.rdpad.lv/uploads/rpap_doc/groz_kartosh/6.2.2_piesarnjotas_un_degradetas_teritorijas.pdf, accessed: February 15, 2011.

However, two positive exceptions can be mentioned, where authorities have participated as main contributors. The first was renovation of the wooden buildings with high cultural importance near the road to the Riga international airport (Kalnciema street), when authorities covered approximately 90% of total expenses. The second project is the rehabilitation of the wooden buildings in the deprived area within the historical core (Murnieku street) with contribution of 60% of total expenses (Šolks, 2010a).

Regeneration strategies based upon physical improvement of housing alone are not enough to achieve the sustainable, long-term revitalisation of deprived areas; rather, citizens must also be transformed by means of encouraging forms of self-governance, which align citizens' self-regulating capacities to dominant norms of conduct (Flint, Rowlands, 2003). This situation is characteristic in both above mentioned cases, because local residents and owners were involved in the regeneration processes and at present time these are the most accurate territories within the local neighbourhood. Both these cases reflect the importance of participation of local residents in urban regeneration processes thus providing further sustainable development of the neighbourhood (Mathers, Parry, Jones, 2008; Blakeley, Evans, 2009).

The main argument of municipal authorities' nonparticipation is the high prospective expenses, what city council just cannot afford. As a result of this, private investors are interested in regeneration of only those areas, which are located in perspective places, mostly in the city centre and close to the waterfronts. Contaminated areas despite their advantaged locations were not interesting for them because of possible large amount of investment.

New sustainable housing can be a driver for further urban regeneration and sustainable housing is an essential ingredient of any regeneration scheme. Sustainable housing stimulates physical, economic, environmental and social improvement, and the resulting enhancements in turn stimulate new investment and new opportunities as the urban environment once again become full of life and enterprise (Edger, Taylor, 2000). This kind of housing should be well available, matching quality, economical, ecological, cozy, comfortable needs of an individual (Maliene, 2001), but new structures constructed in the city centre of Riga in revitalized territories were orientated on upper-middle class residents with relatively high incomes, thus implementing urban regeneration as gentrification (Butler, 2007).

Most popular kinds of brownfields for urban regeneration chosen by private investors were former industrial sites and abandoned residential buildings in the city centre (Barber, 2007). Both kinds of these sites have quite similar disadvantages, mostly connected with poor or run-down infrastructure and restrictions connected with the preservation of the cultural heritage. If looked from the point of view of private investors, advantage of former industrial sites is the fact, that old manufacturing complexes, despite their high cultural value, officially

are not included in the list of cultural heritage, what should be preserved (RP, 2003). This practically allows them to demolish all structures, what sometimes is really done, because of the fact, that reconstruction of abandoned industrial buildings is stated as more expensive than construction of new structures. In this case issues of conservation and maintenance of industrial heritage turned out to be a challenge for architects and urban planners, but it mostly resulted in the loss of significant part of industrial heritage what has significant effect on the historical spatial structure of Riga.

Most of the old industrial sites the origin of which dates back to the end of the 19th century were converted into dwelling houses. It was planned to attract potential residents offering them advantages of central location with various cultural objects and sufficient public transport infrastructure. These activities improved the quality of urban space in Riga city centre, but only in the local context (Šolks, 2011a). As urban regeneration projects were accomplished as individual projects, they could not provide complex urban regeneration in the whole neighbourhood, because surrounding houses and social environment remained the same with its existing problems. This situation is more characteristic to further fragmentation of the spatial structure of city what local authorities would like to avoid in the future. If the city council participated more as partner in these regeneration processes, then it would be possible to deploy this process in broader territories.

The historical part of Riga is separated from other neighbourhoods by railway loop, where former industrial sites are located. Brownfield sites outside the city centre did not attract so much attention from private investors, because these territories can be classified as suburbs despite their proximity to the historical core. Besides, there were enough vacant territories for development, where projects can be accomplished without major investment. Good examples of urban regeneration in these territories are connected with the construction of shopping malls in large former industrial areas. These projects were implemented by attracting foreign investment and tend to be some of the most successful examples of urban regeneration for active public use in Riga. The advantages of these former brownfield sites outside the city centre are location close to the main streets with high intensity traffic flow, large continuous areas for development and fewer limitations connected to architectural design of the new structures.

Despite the economic growth and construction activities urban regeneration processes were not rapid enough to achieve the goal set by local urban planners - to revitalize all brownfield sites and convert them into full value neighbourhoods by 2018 (Lazdiņa, 2006) (Figure 4-7). There are several reasons for this situation, for example, nonparticipation of city authorities in urban regeneration processes. If private investors could expect some assistance from Riga City Council, for example, in rehabilitation of contaminated soil or at least as particular tax benefits, successful cooperation as public-private partnership could be developed. Urban planners of Riga point out the necessity of participation of municipal authorities,

but city officials repute, that their possibilities to support such projects are strictly limited by the lack of finances. For the regeneration of contaminated land or former dumping sites city officials suggest to attract investments from structural funds of the European Union or Latvian Environmental Protection Fund (Lazdiņa, 2006). These previously mentioned aspects, as well as rising construction costs and overproduction of premises, decelerated urban regeneration, as well as the construction processes in Riga in general.



Figure 4. Abandoned bicycle and moped factory, partly demolished



Figure 5. Abandoned Soviet industrial complex near Brasa railway station



Figure 6. Abandoned brewery in Maskavas Forštate



Figure 7. Neglected area in Old town

Financial crisis and urban regeneration in Riga

Prices on real estate in Riga rose dramatically (average price rise was 267%) during the period of economic growth (2004-2006) and banking sector had significant role in financing most of purchases made by residents. Total mortgage debt in Latvia rose from 2% of GDP in 2000 (€141 million) to 33.75% of GDP in 2007 (€6.7 billion) (GPG, 2009). A mortgage is money lent on the security of property owned by the borrower, usually in order to enable the borrower to buy property (Aalbers, 2009), and active mortgage lending was significant precondition for rapid development of the real estate sector in Latvia (Šolks, 2010b).

In January 2007, one out of every three Latvian borrowers already encountered difficulties making their monthly mortgage repayments. The situation dramatically worsened as global inflation impacted Latvia, and the government brought in measures to reduce housing speculation (GPG, 2009). In order to purchase a property with the assistance of mortgage lending offered by various banks, buyer was obliged to cover 10% of the total price of the property instantly. This regulation was initiated to avoid problematic credits, what could emerge if buyers were overestimating their abilities to repay the loans. Other limitations were increase in Land Registry and mortgage registration fees, additional taxes on speculative real estate transactions and buyers were required to secure certification of their legal income from the State Revenue Center (GPG, 2009).

The loss of jobs and falling revenues of residents have caused rapid downturn of demand for premises and falling property prices led to substantial losses for banks and other financial institutions. In December 2008, the government nationalized Latvia's largest domestically-owned bank Parex (GPG, 2009). As a result of financial crisis mortgage lending was almost completely ceased causing substantial problems for further development.

Urban regeneration processes in Riga are interlinked with other activities in the real estate and construction sectors, so it is self evident that these processes

were affected negatively as well. New developments practically disappeared, thus marking certain stagnation in the real estate and construction sectors.

As it was mentioned before, urban regeneration processes in Riga were mainly implemented by private investors or developers without any considerable assistance from local municipal authorities. Therefore brownfield regeneration faced the same problems as other real estate projects – they were mainly suspended for indefinite period of time. Probably urban regeneration processes would have not been affected so hard, if cooperation among private investors and municipal authorities had been done.

This assumption is based on the possibility that participation of municipal authorities in urban regeneration processes would guarantee additional influx of funds for completion of the ongoing projects if necessary, thus promoting sustainable development. But in this case specific paragraphs in contracts have to be included in order to regulate contractual obligations among both partners, if private investors are unwilling to cooperate or become insolvent. Presence of municipal capital guarantees further implementation and completion of projects even when economy is hit by crisis because of availability of funds which are planned for implementation of certain activities.

This can also be illustrated with a situation when the only ongoing development activities during economic downturn in Riga were construction of multi-storey municipal housing blocks in order to provide dwellings for residents waiting in queue for municipal flat to rent.

Surprisingly, but Riga is still facing a lack of dwellings despite oversupply in the real estate sector. It is because most of the dents cannot afford to buy a dwelling in so called "new projects" developed by private investors. Mortgage loaning is restricted as well; besides, most of the potential buyers do not qualify for demands set by creditors.

In the context of regenerated areas and new apartment blocks built there the same situation can be attributed. The dwellings were offered for sale like other newly built or refurbished premises orientated on middle and upper-middle class buyers. However, there was low demand for the properties what have not been sold before. Potential buyers waited for further decrease of the price because of the rapid decrease before, but in this case the lowest possible price could not be much lower than the existing, because these projects were implemented during the economic growth, when expenses were much higher than during the economic downturn. For example – wages of the construction workers decreased for 20.9% in the second quarter of 2009 in comparison with the same period in 2008, and prices for construction materials – for 7.6%, but overall expenses of construction decreased for 10.8% over the same period (Diena, 2009). Property developers insisted that the price for dwellings was the lowest possible as they were offered for a cost price (from €1 000 up to €1500 per m² depending on location).

The other aspect of urban regeneration during the credit crash is related to other particular development projects, which were not completed before the economic crisis

began. In general, only one development project in former industrial areas was completed after economy went into recession. This particular object was a shopping centre close to the city centre and waterfront, but another problem arose – it was not easy to find entrepreneurs who would wish to rent commercial premises for shops or bureaus, and there was a lot of unoccupied space for rent.

The situation concerning housing development in former brownfield sites was not surprising at all – most of the ongoing projects were suspended for indefinite period of time. There were two reasons for that – low demand for dwellings and lack of funds for construction activities as banking sector ceased mortgage lending. Most of the projects that were already started were offered for sale, but there was no interest from other investors not only because of oversupply, low demand and decreasing purchasing ability, but also because of the necessity to take on the existing obligations what concerns the crediting of the projects. The situation of these projects varied significantly, starting from sites where only demolition activities have been started to projects that were almost accomplished. There were several urban regeneration related projects, where no activities were carried out at all, but areas with the proposed projects were offered for sale as well.

However, there was an exception what was not typical for the situation and overall background of the urban regeneration processes in Riga during the economic downturn. There were two brownfield regenerations related to housing projects that were implemented during the economic crisis. Both these sites are located in the remote part of the city centre in areas close to the railroad ring where abandoned Soviet industrial sites are located. Construction activities started in the early stage of the economic downturn, converting previously used industrial buildings into dwellings. These premises can be classified as lower cost dwellings, because implementation costs had decreased significantly, what allowed to offer reasonable price (approximately €600 per m²). Potential buyers also got additional 10% discount if they paid in cash without any mortgage loan. The most interesting fact was the high demand for these dwellings, what resulted in the price rise, but premises were almost completely sold out anyway. The advantages of these properties are the proximity to the city centre and public transport network, nearby green spaces and nice view from the top floors, but the disadvantages are incommodious planning and location near railroad where intensive cargo traffic is common. In general, this example is a clear evidence of urban regeneration that promotes sustainable development despite economic crisis.

Table 1

Number of urban regeneration projects in Riga (2011)

status	implemented	partly implemented	suspended	planned	ongoing
number	82	6	34	10	15

There were plans to stimulate construction activity that can be classified as related to urban regeneration as well. The Ministry of Economics of Latvia planned

to provide funds for heat installation of buildings in order to heighten their energy efficiency. Financial resources for this activity were provided by structural funds of the European Union and it was planned to cover 50% of the total expenses of the approved projects (MERL, 2009). The rest of necessary financial resources were expected from local residents, but another problem arose – there were problems to get necessary financial resources as crediting was strictly limited.

Heat installation of buildings included renovation of facades mainly in the apartment blocks in the outskirts of Riga, built during the Soviet occupation period, thus promoting visual quality of the urban space. Besides, heightening of energy efficiency is part of the sustainable development strategy as well. Moreover – the implementation of this activity was discussed among professionals as a good opportunity to warm up the economy, thus stimulating recovery from the financial crisis (Grīnvalds, 2009).

Conclusions

Industrialization and deindustrialization have left their marks in the urban space of Riga and, as a result of these both processes, urban brownfield issue has become topical in recent years. Derelict industrial areas constitute a significant part of urban brownfields in Riga and redevelopment of these areas would provide enough space for various business activities. Urban regeneration processes in Riga are a key issue for sustainable urban development in the future. This principle was documented in literature (Grimski, Ferber, 2001; Ganser, Williams, 2007) and, particularly, by Evans and Jones (2007), who characterize sustainable urban regeneration from various aspects.

Riga as a post-industrial city experiences several brownfield related problems, mostly fragmentation of the spatial structure, degradation of the visual quality of the urban environment and, in few cases, contamination of the soil. Riga is a member of CABERNET network, so brownfield related planning issues are based on its conceptions. Accordingly, brownfields in Riga are sites that were previously used, but at the moment they are abandoned or underused, whether contaminated or not (G93, 2004; Ganser, Williams 2007). According to Trusins *et al.* (2005) these sites are mostly former industrial territories and abandoned housing stock, as well as former military territories, allotment areas and former dumping sites.

During the rapid economic growth of Latvia the demand for dwellings and commercial premises increased sharply because of growth of incomes and lack of premises. This resulted in rapid increase of construction activities and development of the real estate sector. Significant part of development occurred in brownfield sites, thus referring to urban regeneration processes, mostly in the historical core of Riga, where abandoned industrial sites were converted into mixed-used territories, thus providing reuse of abandoned territories and development of compact spatial structure of the city.

Dwellings constructed in regenerated areas in the historical core of the city were mainly orientated to middle and upper-middle class buyers with relatively high incomes, showing signs of gentrification as part of urban regeneration processes (Butler, 2007) in Riga.

Another important issue is the participation of municipal authorities in urban regeneration processes as partners together with private developers (Otsuka, Reeve, 2007), because this kind of cooperation may stimulate regeneration of the so-called problematic brownfield sites where contamination issues are urgent, for example, the former Soviet army airfield in Rumbula. In the case of Riga the main reason for nonparticipation of city authorities is a lack of financial resources, and, as a result of this, private investors are interested to regenerate only perspective located brownfields.

Riga City Council has participated as a partner in some local urban regeneration projects in cooperation with local residents and owners. The results of these projects demonstrate that cooperation among local authorities and local residents can be very successful (Šolks, 2011b) in transforming the existing urban space and it can lead to further sustainable development (Flint, Rowlands, 2003; Blakeley, Evans, 2009).

Prices on real estate in Riga and total mortgage debt rose dramatically and early signs of repayment problems were observed in 2007. As a result of financial crisis, loss of jobs and falling revenues, demand for premises and property prices experienced rapid downturn. This resulted in substantial losses for banks that ceased mortgage lending almost completely.

As a result of the previously mentioned circumstances urban regeneration in Riga has faced the same problems as other real estate projects and they are all mainly suspended. Developers tried to sell unaccomplished projects, but there was no interest from other perspective investors, because terms of financing were not acceptable in that situation as contracts for funding were signed during economic growth when construction costs had reached their peak. During the economic crisis it was cheaper to construct a new structure than to buy an existing one. Besides, oversupply of premises and unavailability of credits served as limiting factors for any construction activities at all. This situation led to the bankruptcy of several developers and overall stagnation in construction sector.

Despite oversupply there still was a lack of dwellings in Riga because of high prices of newly constructed or renovated premises that residents could not afford to pay. Developers faced problems with the maintenance of vacant premises which caused additional expenses, because it was difficult to sublet them not only because of too high rental price, but also because of the fact that most of these premises were not finished completely, thus they could not be offered for rent without additional investments.

Despite the economic crisis and credit crash, there were few ongoing urban regeneration projects in Riga, where potential buyers are attracted due to the

reasonable price. It was possible to provide further implementation of these projects because of decreasing construction costs.

Concluding this research, some issues concerning further urban regeneration in Riga should be discussed. First – what should be the role of local municipal authorities in urban regeneration processes? Is there a necessity for cooperation among private developers and municipal authorities? If looked on examples where cooperation has been done, it can be observed, that it guarantees good results what tend to be characteristic to sustainable urban development. Besides, the presence of municipal capital in regeneration processes would guarantee completion of projects despite economic downturn or other complications and thus it can be a tool for stimulating the recovery of the economy as well. Secondly – what will be the future of the real estate sector in Riga? As a cost price of premises offered for sale right now is quite high, it is not easy to attract possible buyers, what can result in mostly uninhabited housing estates. In this case the next question appears – is there a future for urban regeneration in Riga at all? It is prospective, that after recovery and strengthening of economy urban regeneration processes will continue, but some lessons from previous experience should be regarded in order to achieve complex sustainable development of the city.

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