

The role of housing policies in shaping future urban development

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Abstract

Improvement of the economic environment as of year 2000, the aggressive stance of banks resulted in the steep rise of mortgage credit. House prices reached an unprecedented level by 2003 and the trend continued in the following years. Mortgage credit share in GDP rose from a modest 0.22% in 2003 to 3.7% by 2008.

Major changes in both investors and consumer's behaviour occurred when availability of capital and liquidity conditions began to be felt as an indirect effect of the global financial crunch. Despite prudent policies of the central bank providing a cushion for the banking system and the confidence boosting measures taken for citizens, the frenzy among developers and consumers came to an end. The housing bubble would have burst anyway due to the increasing mismatch between housing demand and supply.

Housing policies of the past 20 years worked in the direction of restricted options with a strong bias towards owner-occupancy, while keeping the majority of household captive in their privatized flats. The improved macroeconomic conditions of the early 2000s and the late but rapid development of mortgage market eased some of the affordability constraints.

Scarcity of urban land and long-refrained yearning for single-family houses pushed housing construction outside the city boundaries in the suburban areas and further. Disenchantment with life outside the city (due mainly to poor infrastructure and services) and household ageing, made consumers to turning back to the city and investors to building condominiums on brownfields.

The changes of the past eight years reflect a certain trend with no indication of the final result. The major issue in terms of urban development continues to be finding out what would the future model of metropolitan development be. The lessons of the past years clearly point to the need of a new comprehensive housing policy articulated with the urban development plans.

Key words: housing policy, residential behaviour, housing consumption patterns, urban development

1. Introduction

For some time now the paradigm of compact city stays in the core of professional and academic debates. On practical level the concept is a double challenge for all urban stakeholders: (1) to put a stop to territorial expansion of cities and of resources (especially of land) and (2) to reduce transport need that accompany urban sprawl.

The compact city paradigm synthesizes a number of strategic options related to the sustainable development of cities: efficient resource allocation, mitigating pressure on the environment, regenerating traditional urban structures.

As the components of built environment are not mere urban forms but sites within which social, human, political and environment factors are intertwined, a whole range of issues need to be investigated. In all cities and metropolises the residential mosaic within the urban structure is the result of dynamic processes having major impacts on traditional urban structures, on community life, on infrastructure development and urban management.

Bucharest, the capital city of Romania is no exception. Transformations over the last two decades generated new processes subject to reflection and investigation in an attempt to finding clues for the new model (models) of possible future development of the city.

2. Changes over the last two decades

A short historic overview

There always were housing policies whether implicit or explicit and they provide clues to the understanding of urban structures. To better understand the problem a little history is helpful.

The development of a modern Bucharest started in the first half of the 19th century when the current structure of the city was laid out and explicit urban policies were devised. The development of the city over the next one hundred years - up to WWII – illustrates the role played by urban planning through its specific tools – master plans and building regulations – in shaping a modern city; part and parcel were the endeavours of the successive administration to diversify what we call today *housing options* (including low-cost housing and incentives for moderate income families to accede to property).

The city developed mainly concentrically around the historic core, up to the northern natural limits of the Colentina lakes. Railway links generated industrial areas mainly to the South and to the East.

Bucharest assimilated the modern architecture of the 20th century which changed radically the urban landscape of the inner city. New land divisions on the periphery were turned into “quarters for workers or public officers”. In the meantime the city absorbed a number of communes situated in its immediate proximity. By pre-WWII standards the capital city of Romania was already a metropolis and an urban agglomeration.

Urban development of the post-war years bore the characteristics of the centralised and planned economy. Planning principles induced considerable changes in the structure of the city and modified its relations with the surrounding territory. Pre-war housing construction based on individual plots and private property was replaced by large residential areas with multi-story multi-family blocks of flats, built

in most cases of large prefab panels. Large housing estates became urban mega-structures.

Two more major events further modified dramatically the actual urban landscape of Bucharest: the major earthquake of 1977 and the development of the mega-project known as the “New Civic Center” in the 1980s. The latter including the large building that is now the Palace of Parliament changed dramatically the traditional urban structure.

Table 1 gives an overview of the housing structure of Bucharest by the end of the previous century.

Table 1

Housing types in Bucharest

<i>Housing types</i>	<i>No of units (estimation)</i>
1. Urban housing naturally evolved situated in the central core	55.000
2. Single family housing on individual plots (1910-1916; 1930-1940)	22.000
3. Housing along the main thoroughfares – individual/small and medium collective buildings	35.000
4. Large residential estates (1950-1990)	630.000
5. Rural type housing at the peripheries (late 18th and early 19th centuries)	25.000
6. Rural-urban housing by including villages and communes	15.000

Source: Bucharest Master Plan 1st Phase, 1998

This brief overview of the evolution of Bucharest over the last 150 years provides the image of a complex urban structure resulting from the historic stratification of the city. Today’s Bucharest has kept so far some of its monuments at human scale, its green areas, some specific characteristics of its public spaces – all of which are part of its identity and its cultural footprint.

New relationships with the territory over the last two decades

Comparative European studies have established a close relationship between demographic dynamics and population mobility. Increase of spatial mobility is cumulatively linked to the dynamics of new residential and business location patterns.

A careful reading of the territorial distribution of urban housing – in the particular case of Bucharest – highlights the relationships that had developed between housing policies of the past decades and sectoral policies on one hand and the role, i.e. the ability (or lack of ability) of the authorities to manage the new processes on the other hand.

Our working hypothesis is based on the analysis of the spatial structure of Bucharest and Ilfov county surrounding it, a territorial structure that can be represented as a series of successive concentric circles:

- The city core with about 350,000-400,000 inhabitants
- Areas around this core up to the administrative boundaries of the city with about 1.5-1.6 million inhabitants
- A “crown” of communes around the city – 17 communes with about 170,000 inhabitants.

Sub-urbanization as we know it today did not exist before 1989. People were tightly linked to their jobs in the city and to their flats that were erected in a highly

alert pace. The very few well-to-do had second residences (holiday homes – the only ones legally admitted). Meantime there was a large influx of daily commuters to the industries of the city. While for thirty years before 1990 the population of Bucharest kept increasing, by the second half of the 1990s it started to decrease dramatically. Over the same period the “crown” of communes increased steadily, especially after year 2000. It is to be noted that between 1992-2006 both the population of Romania and of Bucharest decreased by 1% each, in Ilfov county the increase was of 1,1% and in the selected communes of 2% respectively.

Table 2

Population dynamics 1966-2007

(no of inhabitants)

Year	Romania	Ilfov county		Bucharest
		Total	Of which the „crown” of communes surrounding the city	
1966	19.103.163	228.484	89.263	1.366.684
1977	21.559.910	229.773	121.755	1.807.239
1992	22.581.862	286.965	126.755	2.065.700
1997	22.581.862	277.801	130.445	2.027.500
2000	22.435.205	275.482	130.634	2.009.200
2007	21.537.563	288.296	169.764	1.931.838

Source: National Institute of Statistics

The evolution of the population reflects the significant changes in the occupational structure of the population. The number of industrial jobs decreased dramatically in Bucharest – from 1 million in 1990, to 772,000 in 1995 and 832,000 in 2000. On the other hand, by the mid-1990s there was a significant increase of jobs in the financial-banking sector, real-estate and other services.

Under these circumstances, relationships with the surrounding territory underwent important changes too. Though Bucharest attracted the bulk of FDIs, in Ilfov county per capita FDI is twice the national average. Settlements around Bucharest are still largely dependent on industry (37% of total jobs are in industry). Therefore it can be stated that capital investment and job-creation were more active in Bucharest and its vicinity than in other parts of the country. Close relation to the capital city and the existence of young, skilled labour have been attractive for both domestic and foreign investors.

Housing construction

The major indicators of the housing stock in Bucharest improved slowly but steadily after 1990.

Table 3

Evolution of the housing stock between the Censuses 1992 - 2002

	2002	1992
Population	2,009,200	2,065,700
No of buildings	113,364	109,125
No of permanent residences	779,144	761,156

Average area/unit - sqm	38.2	34.5
Average area/room - sqm	15.9	14.5
Average area/person - sqm	15.9*	13.0*
Average no of persons/ unit	2.41	2.66
No of households	734,084	742,628
Average no of persons./households	2.55	2.72

Source: Census of population and housing 2002, NSI

- *Official statistics includes only the floor space of rooms (without kitchen and premises)*

The major characteristic of the housing stock of the capital city is the large share of multi-family blocks of flats – over 70%.

Meanwhile housing construction around Bucharest was more alert than in the capital city.

Table 4

Population and housing stock dynamics

	1992			2002		
	<i>No of inhabitants</i>	<i>Housing units</i>	<i>Households</i>	<i>No of inhabitants</i>	<i>Housing units</i>	<i>Households</i>
Bucharest	2065700	761156	742628	2009200	779144	734084
Ilfov county	286965	88033	84415	307032	98462	90297

Source: Population Census 2002, NSI

While the growth rate of the housing stock stayed at a relatively low level in Bucharest (103.9% between the two Censuses), it was more dynamic in Ilfov county (112.8% over the same period). Empirical evidence shows that it is mainly the result of building secondary residences and not of a significant out-migration of the population of Bucharest.

Local authorities are eager to attract investment thereby supporting new housing construction. Their wish has been expressed so far mainly by providing land for building. In an optimistic perspective they included huge chunks of agricultural land within the legal boundaries of their localities (sometimes doubling or trebling the current area included in the new master plans). Housing market in the communes of Ilfov county was more accessible in terms of prices of land and building permits.

Housing policies and the housing market after 1990

Housing policies of the past two decades were dominated by two major phenomena (**issues**):

a) *Massive privatization* that situating Romania in the not so enviable category of “super-homeownership” countries) was followed by the accelerated decay of the privatized housing stock. Units in multi-family structures account for almost 80% of the total stock. Poor initial construction, long-deferred maintenance and repair has led to the rapid aging of the stock. A great concern remains also the consolidation of some hundred pre-war high-rise buildings, which were damaged by three major earthquakes in the last three decades.

The large owner-occupied sector still displays a high level of immobility with most of the owner-occupiers captive in their privatized flats. Existing units keep

losing their asset-value as reflected in the decreasing number of transactions on the secondary market, thus lowering supply in the existing stock and hampering housing mobility.

Meanwhile the upward filtering of higher income families to new types of housing and new environments all but enhanced the difficulties of owner-occupiers to cope with the cost of rehabilitation and refurbishment of their condominiums. Social and spatial segregation are already visible in certain areas of the city.

The almost total transfer of the public stock to private ownership resulted in more than one distortion of the housing system. As authorities were left with a negligible residual public stock, they cannot meet the most urgent social demand nor provide alternative accommodation in cases of eviction or natural disasters. Almost twenty years later, homeowners and authorities are still looking for ways to cope with these consequences with a view to *making homeownership sustainable*.

However, privatization enabled the early development of a *housing market* and the emergence of a fluid real estate market, mainly in the existing stock. On the other hand, scarce free land for building in Bucharest made housing market outside Bucharest more attractive and accessible, both in terms of price and building formalities.

b) Affordability issues pervaded the whole housing sector. For most of the 1990, *affordability issues* were due to the macro-economic environment and the lack of housing finance. Low wages, high and volatile interest rates, the reluctance of banking institutions to issue long-term loans were factors that contributed to the late development of an active housing finance sector

Government policies and programs at national level were contradictory and strongly biased towards home-ownership. They relied on the received wisdom of a generally laissez-faire approach of the free market where housing supply and demand would adjust freely to meet various needs, without the intervention of the authorities and institutions. Throughout the 1990s the major aim was to reduce the gap between market house prices and family incomes, especially by devising various measures that would enable young individuals and families to accede to homeownership.

The major government program was the creation of the National Housing Agency (NHA) in 1999 with the aim to boosting new housing construction and grant access to first-time buyers, especially young households. The early success of the NHA was due to lowering prices by providing serviced land leased free of charge for the life of the construction. Also, the NHA was the first institution to promote housing mortgage finance through selected banks.

As by law housing provision is the responsibility of the local government and a considerable share of the local budget is being dedicated to “housing related expenditure”, i.e. winter subsidies for utility payments, building of general infrastructure etc. Direct housing support for specific programs (e.g. thermal insulation of blocks of flats) is jointly financed by the state budget, the local budget and the associations of owners (in condominiums).

Direct investment in public rental and social housing was at a very low level up to now. However, the issue of public housing became topical over the last years due to the growing number of evictions after the restitution of buildings to former owners.

Affordability issues were most acute for the younger generation that did not benefit of the wholesale privatization and was left out in the cold.

The impact of housing policies on urban development patterns

In the early 1990s – till 1995 – housing supply consisted mainly of the existing stock and of the units in the unfinished blocks of flats that were completed after 1990.

The traditional urban structure of Bucharest proved to be very *resilient* (as most structures do). There was very little free land for new building and the little that could be identified was more often than not the object of conflicting claims of restitution. Consequently, in the first phase, investors turned to the outskirts of the city – either to agricultural land or to land provided in the nearby villages. This suited the early demand for single family houses (a long-repressed yearning of some families) and small multi-flat buildings in so-called residential parks (some of the latter becoming even gated communities). This kind of supply catered for the high-end of the income scale.

After 1999, the NHA produced a limited number of units for sale at more accessible prices still targeting the upper end of middle income groups. In Bucharest the NHAs output was very small due to the lack of land owned by the municipality.

Most of the new development went to the northern part of the city outside the city boundaries, gradually pushing further to the North. After year 2000 new housing construction was disseminated on various directions without any apparent logic and relationships; it reflected the comparative advantages of cheaper land and less bureaucracy in the communes of Ilfov county. We witnessed the proliferation of a number of spaces scattered in the territory with various functions (some mixed, some exclusively for housing) **that are challenging** a strategic view for the development of the Municipality of Bucharest.

However, most of the housing built around Bucharest and in Ilfov county are secondary residences; they do not result from a permanent outmigration of a sub-urban type.

3. Future development hypotheses

The development conditions of Bucharest – as in all capital-cities in Central and Eastern Europe – had dramatically changed after 1990. A brief review of the recent developments indicates that three phases were completed so far. The first was dedicated to massive privatization. In the second one authorities concentrated their efforts on reducing the affordability gap. The third stage that started after 2000 was that of the buying and building frenzy of private investors which resulted in a housing boom. As the economic environment improved and banks were aggressively offering mortgages, a housing bubble started building up. The bubble burst with the economic downturn and the credit crunch that followed but it would have burst anyway due to the obvious mismatch between demand and supply.

Future development hypotheses are supposed to look on *the long-term* and raise a number of questions:

- Would Bucharest follow the almost general European model of urban sprawl with housing construction dispersed on ever so large territories?
- Could the city be revitalized within its current (or enlarged) limits?
- Is there a predictable new model for a “third way”?

Sub-urban development

Population projections indicate the further decrease of the capital city’s population – reaching 1.56 million inhabitants by 2025. The decrease could be lessened to 1.76 million through a significant in-migration, and stabilizing the

population at its current level of 1.887 million persons could be achieved through both migration flows and high birth rates. Meanwhile, the share of elderly population would jump from 12.9% in 1997 to 23.4% by 2010.

Evolutions in the territory surrounding Bucharest show a somewhat different image. The dynamics of the population in the localities in Ilfov county is healthier; foreign investment continues to be attracted to areas outside Bucharest.

As mentioned above, factors that stimulated housing construction outside Bucharest were: easily accessible and cheaper land market and large spread of prices between the capital-city and localities in Ilfov county; the emergence of high-end housing consumers and a lesser category of families “turning back to nature”. Counter to these incentives was the actual structure of Bucharest’s housing stock, with over 97% in owner-occupation and still benefiting of relatively lower housing costs (despite the steep increase of utility costs).

The mere wish of families to be housed in a more attractive un-polluted environment (much advertised by the media but insufficiently documented) is not enough to trigger a wide-spread sub-urbanization process. As empirical analyses suggest, outward mobility (from the core-city) to the suburbia is the outcome of a great number of factors including the relationships between families and individuals, job location, amenities and services on offer and the attitudes of local authorities.

In the analysed period, we can identify two categories of families strongly motivated economically and socially to leave the city:

- The rather limited category of high-income families, filtering-up from their blocks of flats who could pay the price of an expensive single-family home; this category includes those in the 30-40 age-bracket having an above the average stable income. Empirical data show that families and individuals in this category would not give up the advantages of living in the capital-city and their option goes to apartments in high-end condominiums or refurbished flats in the central area of Bucharest, or at least in some of the newly built “residential parks” at the outskirts of the city; built in a speculative manner the latter are less and less attractive.

- Poor families captive in the residual public stock that cannot pay the ever increasing cost of housing (maintenance, repair, utilities). They leave the city for cheap or inherited rural housing. Housing alternative for these families would be building more social housing or providing affordable and equipped plots of land at the outskirts of the city.

There are also early signs of “secession” from the city of a limited number of families taking refuge in gated communities.

Sub-urbanization proves to be therefore a *very selective segregation process*, supported by the demand and preferences of a very limited social category. So far the options of this category targeted mainly the northern part of Bucharest and further developments in Ilfov county. For the time being, migrating to some distance from Bucharest is restrained by the poor services and infrastructure in rural areas. An extensive sub-urbanisation though not very likely in the medium term would impact negatively on the city; if forsaken by the upper-middle class the city would be confronted with a further downward-filtering in the housing stock and the administration with a substantial loss of income.

Bucharest - an urban agglomeration within a metropolitan area

A balanced urban development in which the development of the city-proper would be harmoniously blended with its surrounding territory would require concerted public and corporate actions.

After the collapse of the pre-1990 model of centralized decision-making and the dramatic changes in property structures, local authorities are facing new challenges in the post transition period. The Master Plan of the Municipality of Bucharest prepared in 2000 and approved by the Municipal Council of Bucharest represented a move forward by incorporating a strategic and territorial dimension in the “city project”. The Master Plan’s aim was to cope with a number of major challenges:

- providing diversified opportunities for private initiative with a view to enhance the attractiveness of the capital city;
- taking into account the requirements of local communities in terms of housing, jobs, public utilities and services;
- ensuring a stable income in the local budget by a proper management

The Master Plan has identified more land convertible for housing construction (an additional 2,000ha) either in mixed-function areas or on individual housing plots. Changes in housing distribution within the city was contemplated by developing new mixed-function areas, reducing density in large housing estates, diversifying housing options by new land divisions for single family units, reducing rural-type housing at the peripheries.

Table 5

Proposed evolution of residential areas in Bucharest

Residential areas	<i>Total area</i>		<i>% of the total area of the city</i>	
	<i>Existing ha</i>	<i>Proposal ha</i>	<i>Existing %</i>	<i>Proposal %</i>
Mixed areas	616,12	2909,9	3,42	13,60
Residential areas of which:	7332,39	7095,8	40,78	33,17
- traditional housing	2333,01	1509,9	12,98	7,06
- in multi-family buildings	2676,69	1897,0	14,89	8,87
- on urban plots	583,03	3461,1	3,24	16,18
- on semi-rural plots	1739,67	228,2	9,68	1,07

Source: PUG București, IAUM, 2000

Long-term demographic projections (2025) were based on the assumption that despite the decrease of population in the medium-term, migration to the capital would pick-up due to the opportunities provided by the capital-city to young, highly-skilled categories. This hypothesis was in line with other European capitals which albeit face the same demographic challenges, i.e. natural decrease and population aging, continued their demographic growth over the last decades.

The proposed spatial structure of Bucharest emphasized the need to correcting the imbalances of the inner structure of the city and redistributing – within enlarged boundaries – areas dedicated to housing, reducing excessively high densities (in large housing estates) and diversifying housing options.

The relationships with the surrounding territory play a crucial role for the balanced development of the city. Obviously the development issues of Bucharest transcend its current administrative boundaries. These limits inherited from the pre-1989 thrifty period are much more restrained than that of other European capitals. In fact, Bucharest is already an urban agglomeration together with a number of settlements in its immediate vicinity.

As mentioned, the spatial structure of Bucharest reflects a lengthy historic development which had been substantially altered by the pre-1990 industrialization process. The basic star-shaped structure developed around the ring-road of the city and the major access routes to the city had been judiciously conceived in the early 20th century serving as a starting point for later development. Current developments are *conjectural and un-coordinated*, more often than not conflicting with a harmonious development of the city in a long-term perspective.

Moreover, the significance of the territory around the capital should not be overlooked as it is the depository of major infrastructure, natural resources and logistics vital for the functioning of the city, to name but a few:

- the main transport and communication lines ensuring connection with the rest of the country's territory and further to Europe (roads, railways, airports, optic fiber cables etc) ;
- commercial and industrial services requiring large areas;
- water supply, water treatment, energy pipelines, waste disposal facilities etc.;
- natural areas for recreation.

It could easily be noticed that management of all the above issues are often conflicting – e.g. preservation of valuable land resources as against ensuring a diversified and attractive land supply. Other issues need a mixed approach in which market mechanisms be blended with the regulating powers of local authorities.

Master plans as graphic representations of future images of the city are no longer flexible enough to provide answers to the complex issues of development of Bucharest as the capital-city of the country. As the number of actors involved multiplied dramatically – including along the Municipality of Bucharest and the local governments in the surrounding territory, all the other stakeholders of a complex development - urban planning has to shift *from development control to a flexible and integrated approach*. It would involve cooperation, negotiation in establishing shared objectives for a real metropolitan area. Urban plans and regulations should than be completed and integrated in an institutionalized system ensuring the contribution of all stakeholders both to the planning process and to the use of resources involved.

Creating a real metropolitan area around Bucharest is subject to the capacity of Bucharest to rally all the energies of the public and private sectors, as well as the civil society in a common strategic project for the long-term. So far this proved to be a very difficult process, coming up against decentralization and a limited understanding of local autonomy. To institutionalize a real cooperation of metropolitan type would require lengthy negotiations and compromises of all parties involved. Legislation to create the metropolitan area of Bucharest has been already drafted but there is some way to go until all the parties involved would reach an agreement to make it pass.

Is there a “third way”? Turning back to the city

Scarcity of land for new housing in Bucharest, the wish to possess a single family house and the propitious conditions to fulfill this yearning (cheaper land, less

bureaucracy) were the main factors that stimulated housing construction outside Bucharest in localities of Ilfov county. However, living outside Bucharest proved to be a non-viable alternative for families in search of a permanent residence, especially for those commuting to the city. *The major deterrents were poor infrastructure and services and lack of public transportation link.*

Meanwhile, housing in Bucharest was limited to a relatively small number of infills with luxury apartments and some “residential parks” at the outskirts..

With increasing housing demand in Bucharest and available free land drying out, developers turned to brownfields. In recent years condominiums in former industrial or derelict areas have been scattered all around the city. They vary in size – from tens to several thousand apartments. Disenchantment with life outside the side, the increasing number of elderly families make condominiums more and more attractive. The increased demand for condominiums is an early indication for new preferences of housing consumption and a changed residential behavior of families. Not a few owners of single family housing outside Bucharest turned back to the city.

The credit crunch is expected to induce further changes in the housing consumption models and the residential behavior of families and individuals. Meanwhile, in a not so distant future, there will be significant changes in the structure and composition of families, as population aging and the number of monoparental families would increase. These types of evolution will significantly modify the housing options and housing needs of the population, in favour of living in the city. Recent changes reflect a certain trend with no clear indication of the final result.

4. Conclusions: “Never let a crisis go to waste”

In a country of homeowners (with over 97% of the housing stock in homeownership) social issues cut across the whole housing system. Attempts to implement a comprehensive housing policy, with a proper social net for the needy, are being challenged by a number of issues resulting both from the (still pervading) legacy of the former housing system, the slow development of market mechanisms and new social behaviors.

Housing policies of the past twenty years offered very limited options: they were strongly biased towards home-ownership, restricting options for acceding to housing by means of buying or building. Authorities were left with a very small public stock and rental housing is limited almost exclusively to the existing privatized stock. New housing construction has been scattered haphazardly both within the city proper and in the territory of Ilfov county around Bucharest. So far, housing policies have not been consistent with a coordinated development of Bucharest and its surrounding territory.

The urban structure of the city did not witness dramatic alterations over the last 20 years. However, distortions in the housing system are being reflected in:

- the increasing social polarisation within the urban structure
- marginalisation of some urban areas;
- the unsustainable character of homeownership, due to the physical and asset-value decline of the existing stock, the rising cost of utilities, compounded by the still persisting earthquake risks;
- secession drives of a small category of high-income families forsaking the city towards gated communities

Improvement of the economic environment as of year 2000 and the aggressive stance of banks made mortgage credit much more accessible, leading to a housing

boom by 2007. Mortgage credit share increased from a modest 0.22% of GDP in 2003 to 3.8% in 2008.

Recent changes of the past years – turning back to the city of some families, a marked preference for condominiums within the city - reflect a certain trend that cannot be extrapolated for the long-term. However, it is to be expected that they would put an end to a volatile, highly-speculative real estate market, to the artificial high prices of obsolete, often dilapidated housing.

Meanwhile, the financial downturn would presumably impact on the behavior of both housing consumers and providers. This is also a propitious time for *reflection and evaluation raising awareness* to link housing policies to urban development in general and to the creation of the metropolitan area of Bucharest in particular.

Relationships between housing policies and urban development patterns are in the focus of amendments made to the housing legislation and institutional framework. The new draft Housing Law aims to strengthen the role of local authorities in formulating Local Housing Programs. The LHPs should formulate a coherent diagnosis of the existing housing situation; define the objectives and priorities that would ensure a balanced distribution of a diversified housing supply. The quality of the diagnosis would be a crucial part of the LHP, closely linked to the *territorial development of the city* and based on a large consultation of all parties interested and favouring social-mix in housing. The LHP also provides for a greater role for research with a view to diversifying housing options, assessing demand in its different forms, evaluating the future of the existing stock in the urban development context.

Meanwhile a bill has been drafted for the institutionalization of the Metropolitan Area of Bucharest. MAB would be an inter-community development association, of public interest and governed by private law, governed by a board including representatives of the Municipality of Bucharest and its districts and of each administrative unit of Ilfov county. The major aim of the MAB would be to coordinating the use of resources and to harmonizing the development objectives of the whole territory, along common priorities.

Both measures are expected to enhance the quality of residential dynamics articulated with the subsequent urban development plans.

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