

Cities in Transformation - Transformation in Cities

Social and Symbolic Change of Urban Space

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Avebury

Aldershot · Brookfield USA · Hong Kong · Singapore · Sydney

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Published by
Avebury
Ashgate Publishing Ltd
Gower House
Croft Road
Aldershot
Hants GU11 3HR
England

Ashgate Publishing Company
Old Post Road
Brookfield
Vermont 05036
USA

British Library Cataloguing in Publication Data

Cities in transformation - transformation in cities :

social and symbolic change of urban space

1. Sociology, Urban 2. Urban renewal

I. Kalltorp, O.

307.76

ISBN 1 85972 420 5

Library of Congress Catalog Card Number: 96-079150

Printed in Great Britain by
Antony Rowe Ltd, Chippenham, Wiltshire

Contents

List of contributors	viii
Preface	xi
Introduction	1
Part One - Cities in transformation: Globalisation and differentiation	13
1 Urban form and social control: Some milestones <i>Christer Bengs</i>	15
2 The urban region's mediation of the class structure <i>Dag Østerberg</i>	36
3 The neglected builder of global cities <i>Anne Haila</i>	51
4 The changing economic and social structures of the Paris region: Recent trends and policy issues <i>Edmond Preteceille</i>	65
5 Social transformation of urban space in Berlin since 1990 <i>Hartmut Häußermann</i>	80
6 Inequality and conflict in the post socialist city: Some analytical issues concerning the transition from state socialism <i>Chris Pickvance</i>	98

Part Two - Transformation in cities: Social and cultural dimensions		117
7	Tourism and urban transformation: Interpretations of urban tourism <i>Susan S. Fainstein and David Gladstone</i>	119
8	Art as the heart of a regional economy: The case of Los Angeles <i>Harvey Molotch</i>	136
9	Modernity, community or a diversity of ways of life: A discussion of urban everyday life <i>Kirsten Simonsen</i>	162
10	City narratives: The peculiarities of the Stockholm South Side <i>Mats Franzén</i>	184
11	Cultural strategies and urban identities: Remaking public space in New York <i>Sharon Zukin</i>	205
Part Three - Transformation in cities: Policies, conflicts and coalitions		219
12	Territoriality: Displaced power or frustrated identity? <i>Jens Tonboe</i>	221
13	Power struggles in the making and taking of rent gaps: The transformation of Stockholm City <i>Eric Clark and Anders Gullberg</i>	248
14	City fathers, mandarins and neighbours: Crossing old divides in new partnerships <i>Patsy Healey</i>	266
15	The packaging and repackaging of housing policy: A comparative study of renewal coalitions in Glasgow and Edinburgh <i>Douglas S. Robertson</i>	289
16	Exploitation, preservation or decay? Urban renewal coalitions in a Swedish town <i>Ingemar Elander</i>	316

17	Agency relations, interests and influence in urban renewal: The case of a Swedish public housing estate <i>Ove Ericsson</i>	338
18	La loi du plus gros - By superior bulk <i>Per Otnes</i>	360
19	Comparative analysis of power and transformation in cities: Concluding notes and a research agenda <i>Ove Källtorp</i>	377

13 Power struggles in the making and taking of rent gaps: The transformation of Stockholm City

Eric Clark and Anders Gullberg

Introduction

Since Neil Smith (1979) formulated the notion of rent gap as a force of change in the built environment, rent gap theory has proved fruitful in the sense that it has generated a number of empirical studies and stimulated considerable debate. The theory has been developed thanks to both empirical efforts and theoretical critiques. The present study applies a re-examined conception of rent gaps in an interpretation of the postwar renewal of Stockholm's central business district. The study is based on the presupposition that rent gaps are not reified mechanisms which determine the whens and wheres of urban development. Rent gaps are socially constructed, arise from material, social and economic contexts, and cannot be properly understood divorced from these contexts. Evidence of the role of rent gaps in processes of urban renewal has been shown in a previous study in Malmö (Clark 1987, 1988). In that study, much effort went into empirical operationalization of the theoretical concepts. In the present study the focus is concentrated rather on probing the social construction of rent gaps, in this case, in the context of the history of Stockholm's new 'City', on Lower Norrmalm.

First, a re-examined conception of rent gap is summarized. Then, as a background for analysis, some empirical indications of the development of rent gaps on Lower Norrmalm are presented. The main section subsequently draws a picture of how power has been exercised in the creation and capture of rent gaps through the redevelopment of Stockholm's central business district. How have the actions of various agents influenced the development of actual and potential land rents? What struggles took place between which agents, and how did the interests involved and the outcomes of their struggles relate to the making and taking of rent gaps? The purpose is twofold: to develop what is sometimes perceived as a dry and abstract theory by infusing it with the wet and concrete stuff of power struggle, and, to develop our understanding of the exercise of power in struggles over what cities are to be by viewing the struggles through a focused (necessarily limited) theoretical framework.

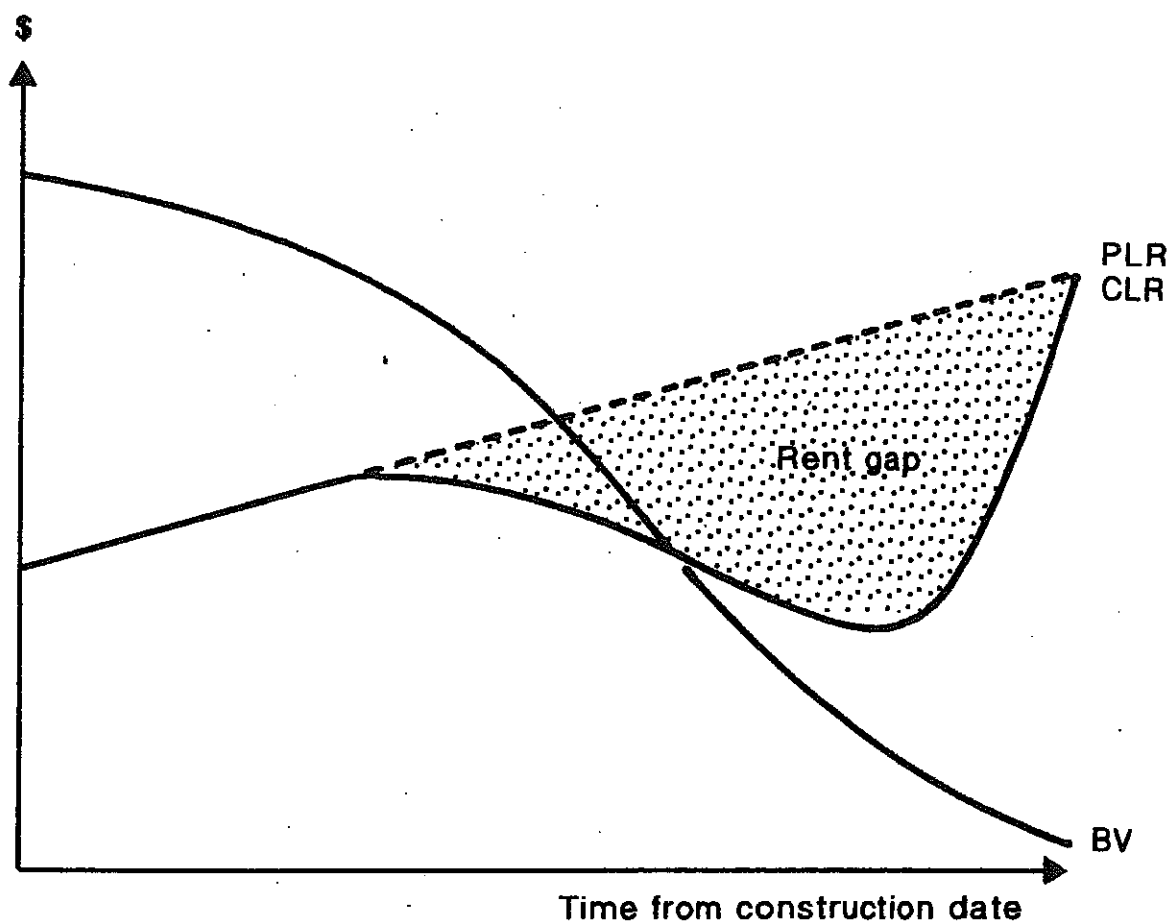


Figure 1 Development of a rent gap. PLR = potential land rent, CLR = capitalized land rent (actual land rent), BV = building value

Rent gaps re-examined

Rent gap denotes a disparity between capitalized or actual land rent and potential land rent (see figure 1). The potential land rent of a site is determined solely by the site's 'highest and best' use, while the capitalized land rent of a site is a function of also the site's current intensity and type of land use.¹ Development on the site will involve an intensity of fixed capital investment designed to accommodate the site's 'highest and best' use, i. e. will be appropriate for the procurement of potential land rent at that point in time. Thus, actual land rent will equal potential land rent as 'the full resources of the site' are developed (Marshall 1961, p.797). In the course of time, surrounding conditions may change, allowing for a higher and better possible use of the site, while the existing building fixed to the site constitutes an element of inertia for adaptation to a higher and better use. In this way, the building may come to 'no longer correspond to the changed circumstances' (Engels 1975, p.20), as urban growth pushes up the site's potential land rent to a level corresponding to a greater intensity of capital investment and/or a 'higher' type of use. A rent gap arises, the expansion of which acts as an incentive for the property owner to disinvest. Consequential neglect of repair and maintenance contributes to the pace of building depreciation, which in turn

influences actual land rent negatively as use of the existing structure shifts to 'lower uses'. If the rent gap continues to expand, as the actual land rent associated with current use becomes increasingly removed from the potential land rent associated with the site's changing 'highest and best' use, the property may come to be considered an interesting object of redevelopment by property capital agents. Speculation on future land rent income sets in and there occurs an upswing in capitalized land rent (and in its corresponding imputed annual land rent, or actual land rent) during the years prior to redevelopment. Redevelopment may take the form of demolition and new construction or renovation and improvement of the existing building.

In a nutshell, the rent gap constitutes initially an economic pressure to disinvest in the fixed capital on a site, which consequently becomes increasingly inappropriate to the site's 'highest and best' use, and eventually an economic pressure to doom the site to higher intensity and type of use through redevelopment.

Fundamental to this conception of the rent gap is the notion that investments in the built environment involve a 'spatial fix' (Harvey 1982). In urban contexts, capital investments on land are generally several times the value of the land. Though adaptations in the form of additional building investment (e.g. adding on floors or annexes) and/or upward shifts in use (e.g. conversion to office space) are not uncommon, the original investment *tends* to lock the site into a given range of intensity and type of use for the duration of the economic life of the building. It is due to the sheer size of building investments, the durability of buildings, and primarily the interest of financiers to harvest returns on investment that we do not experience instantaneous and continuous adaptation in the urban space economy to every marginal change in potential land rents. The dream world of constant equilibrium in the space economy through instantaneous responses to every small shift away from equilibrium corresponds to a nightmare reality of chaos in the built environment resembling what Harvey aptly describes as a 'frenetic game of musical chairs' (1982, p.393). In the real world, the game of musical chairs in the built environment is much slower and less continuous, with local bursts of sweeping change rather than constant smooth progressions of marginal change.

The closest real cities come to approximating the hypothetical extreme of near-instantaneous adjustments is during periods of very rapid urbanization. In Chicago, for example, Hoyt could note that 'thirteen-story skyscrapers with a structural life of a century or more have been torn down to give room for twenty-two- or forty-four-story tower buildings' (1933, p.335). And yet in such instances it is the relatively rapid pace of growth which makes it appear as if adaptations are continuous rather than jerky. The need to recover building investments entails inertia, and this spatial fix constitutes a real basis for the identification of actual land rent as distinguished from potential land rent. At the risk of stretching the game analogy too far, one might say that the rent gap is part of the grammar of the game. While it is the action of agents which determines the specific patterns of flow between chairs, a central grammatic 'rule' - just as much a consequence of practice as a determinant of practice - can be identified in the emergence, expansion and closure of rent gaps.

Two main lines of critique of rent gap theory can be identified in the literature. One says that since the theory cannot tell us when or where urban development or redevelopment will take place, it fails to explain such processes. The answer to this is

of course that we can be happy that the world is not constituted such that a mechanistic trigger-interpretation of rent gap theory (development takes place when and where the rent gap equals x) can be upheld. If these are the demands we wish to place on theory, we are faced with the Sisyphean task of hopelessly striving towards an unattainable goal. Of course, this formulation of the ambitious aim of rent gap theory - to determine the whens and wheres of urban development - is found in the critiques, not in the constructive analyses. The second line of critique is diametrically opposite. Rather than demanding prediction in strict accordance with a deterministic equation and finding the theory wanting, it calls for sensitivity to the contingencies of concrete contextual history, emphasizing that theory cannot substitute for historical social and political analysis. We need both. This latter line of critique is more fruitful as a basis for further development of rent gap theory. The present study may be considered in part a constructive response to this critique.

Before presenting historical data on rent gap development on Lower Norrmalm, we want to emphasize a couple of points essential to a proper understanding of rent gap theory. We emphasize them because they have repeatedly constituted stumbling blocks in the way of grasping the notion of rent gap. First, actual (or capitalized) land rent is a theoretical concept, an abstraction, not to be confused with the naïvely observable concrete category of contract rent. It is all too easy to treat contract rent as synonymous with actual land rent. Since the legal separation of landowner from building owner is in many places the exception rather than the rule, this conflation of concepts can lead to a view that the role of land rent in urban development is negligible. However, once contract rent and actual land rent are considered interchangeable, we have left the arena of rent gap theory, as well as the arena of clear thought on land rent in general.

Secondly, and more importantly, we must leave behind us the notion that rent gaps must be most influential at time of redevelopment if they are to be of any interest. Bourassa (1993) and other critics have a fixed idea that according to rent gap theory, rent gaps are largest just prior to redevelopment, and that the size of the difference between actual and potential land rent triggers redevelopment. In other words, it is expected of rent gap theory to have precise implications for the location and timing of redevelopment. One weakness of Smith's original formulation - with the rent gap expanding right up until time of redevelopment - is reiterated by critics as if nothing has happened since then. Yet, figure 1 represents a reformulation which corrected this oversight almost a decade ago. The economic significance of rent gaps is greatest during a period of time much earlier than redevelopment, and is eradicated through speculation on future land rent incomes by the time redevelopment occurs. (See Clark 1995 for a fuller argumentation of these two points.)

Rent gaps on Lower Norrmalm

We suggest that rent gaps arose and expanded on Lower Norrmalm during the first half of this century, and that the drama of Lower Norrmalm's renewal can be interpreted as power struggles over the making and taking of these rent gaps. In this section, we will present available data that indicate the occurrence, growth and closure

of rent gaps on Lower Norrmalm, as a background for the subsequent analysis of power struggles. First, we will look at the scale of the Lower Norrmalm district, and then take a closer look at some of the city blocks that were renewed.

What sort of pattern of change in land values would one expect to find as a manifestation of rent gaps in an area? Land rent theory in general and rent gap theory in specific suggest that an indication of rent gap expansion in an area would be a markedly slower increase (or real decrease) in land values, relative to the rest of the city. Based on what we know about the impact of rent gaps on building values, we would also expect to find an even greater difference in the development of total property values between the area in question and the rest of the city. As an indication of rent gap closure, during the years prior to, and during the period of redevelopment, we would expect to find a reversed relation: greater increase in land and property values in the renewed area, relative to change in the city on the whole.

From tax records, we have compiled data on total land value in the two parishes (Klara and Jakob) which comprise most of Lower Norrmalm, and in the city on the whole. The raw tax appraisal values have been deflated (employing the national consumer price index) in order to render them more comparable over time, and corrected by aggregate regional price/appraisal coefficients (from the National Bureau of Statistics) in order to render them better indicators of market values. The findings show that while the rest of the city experienced a moderate 25 per cent increase in total land value during the period 1932 - 1956, Lower Norrmalm experienced a 25 per cent decline in land value (data on land values before 1932 are not available). From 1956 to 1965, however, the total land value of Lower Norrmalm rose ca 180 per cent, while the rest of the city experienced a 55 per cent increase.

Available data on total property value contributes to the contrast, since building values on Lower Norrmalm fell during the first period and rose during the latter period. After having tripled its total property value during the last quarter of the nineteenth century, subsequent to the opening of the Central Station, and doubled again the first three decades of this century, Lower Norrmalm experienced a 40 per cent decline in total property value from 1932 to 1956. Meanwhile, total property value in the city of Stockholm outside of Norrmalm multiplied six-fold during the first half of this century. During the decade from 1956 to 1965, total property value on Lower Norrmalm rose more than 170 per cent, while the remainder of the city experienced an increase of less than 30 per cent.

Clearly, these figures on change in land values and property values suggest an interpretation in terms of a district-wide rent gap. While the rest of Stockholm was experiencing growth in land and property values, Lower Norrmalm experienced decline. And that there was at the same time significant potential for the area is evident not only in view of its central location, but also in the plans for remoulding the urban space here.

More detailed data on three blocks in the redevelopment area are presented in figures 2-4. A common potential land rent curve has been estimated using data on development of population and total property value in the city. The capitalized land rent and building value curves for each block are based on tax appraisal data, which have been deflated (consumer price index for land values, cost of building index for building values) and corrected by aggregate regional price/appraisal coefficients. The

speculative upward movement of capitalized land rents manifested in property prices during the 40s and 50s is not reflected in the appraisal data. Nevertheless, the figures support the assertion that there were sizeable rent gaps in the area during the 1920s and 30s. Though limited in number, the few property transactions in the three blocks reveal the tendency for capitalized land rents to increase (and the rent gap to close) during a period prior to redevelopment.

The validity of various methods to empirically measure the theoretical concepts which constitute the basis of rent gap theory can be (and has been) discussed at length. Here we will rather consider these data as a relevant background to what we want to come to the foreground: the power struggles involved in the formation of these rent gaps.

The development of Lower Norrmalm since 1850: An overview

In the 1850s, business activities in Stockholm were concentrated to 'the city between the bridges' (Gamla Stan). Lower Norrmalm was then primarily characterized by upper class residences. Already in the 1860s, however, a marked northward shift in the location of retail trade took place. Two fashionable shopping streets developed along Drottninggatan and Regeringsgatan. The remoulding of the built environment in order to accommodate these activities took a variety of forms. Ground-level conversion from residential to business space was common, as was the construction of annexes and, to a lesser degree, the renewal of agglomerated properties.

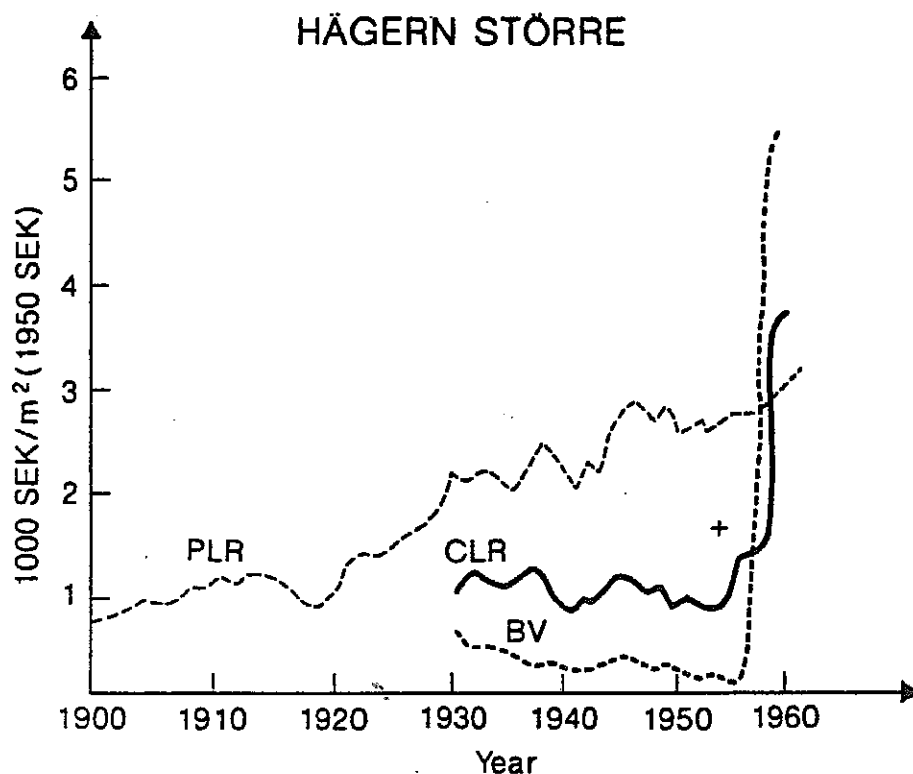


Figure 2 Estimated development of potential land rent (PLR), capitalized land rent (CLR) and building value (BV) for the block 'Hägerstörre'. Purchase price minus building value marked with +

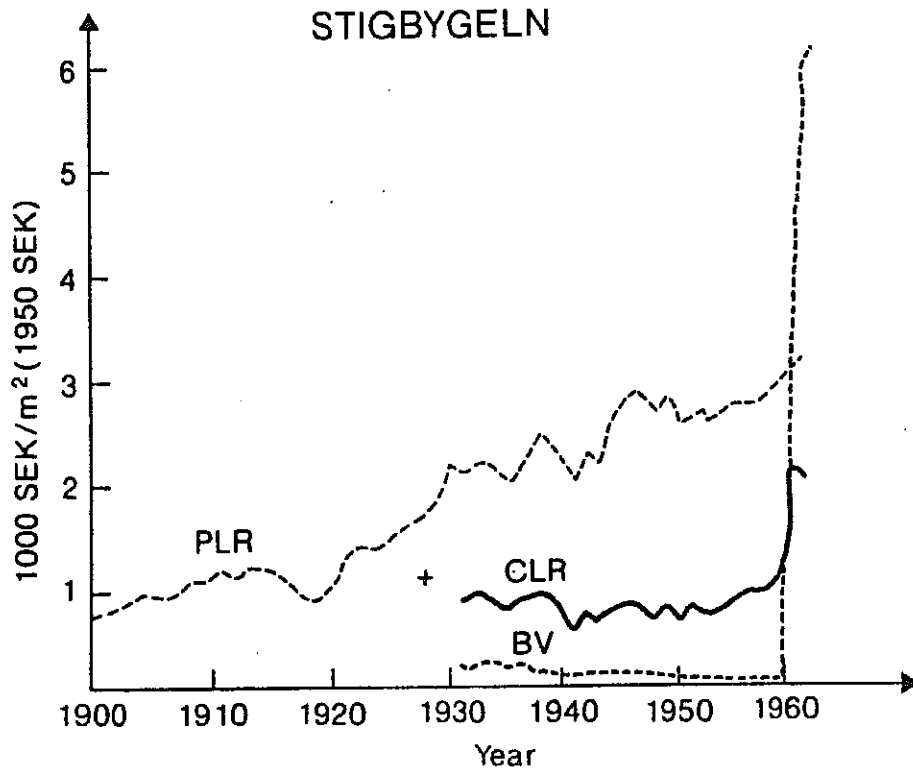


Figure 3 Estimated development of potential land rent (PLR), capitalized land rent (CLR) and building value (BV) for the block 'Stigbygeln'. Purchase price minus building value marked with +

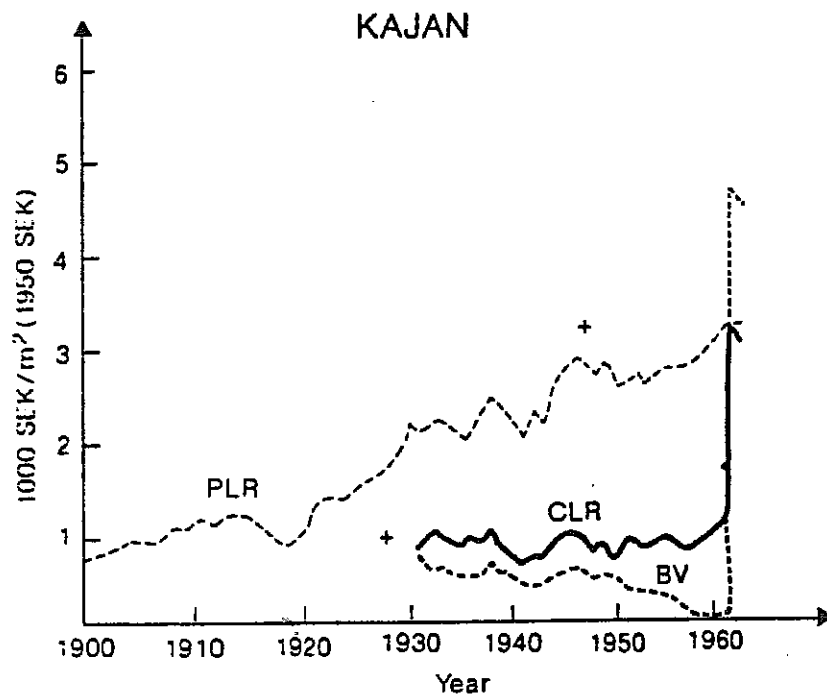


Figure 4 Estimated development of potential land rent (PLR), capitalized land rent (CLR) and building value (BV) for the block 'Kajan'. Purchase price minus building value marked with +

The strategic location of Lower Norrmalm (see map), accentuated by topographical barriers in the form of water and ridges, contributed to this development, and to the increasing flows of people and goods. Concern for growing communication problems in the increasingly strained street system was one reason why city authorities began to be restrictive towards these early forms of property-owner-led development. This was also a major impetus behind the Lindhagen plan of 1867, with boulevards as principal instrument to secure the needs for both mobility and hygienic public space. In 1874, the city began to purchase properties in order to carry out the plan. The reason such an active land policy could gain both political acceptance and economic rationale (if not viability) was that a new law the same year made it very costly for the city to broaden streets, while private property owners could count on both compensation from the city and considerable increments in land value brought about by the publicly financed road-works.

The gradual transformation of Lower Norrmalm from the 1860s to the 1910s, during which it became Stockholm's uncontested central business district, thus took place in accordance with two broad models of development: piecemeal property-owner-led development and publicly orchestrated renewal in connection with the drawing of broad streets. Examples of the latter model are: the construction of Vasagatan to Norra Bantorget and Kungsgatan from Kungsholmen to Hötorget during the 1870s, Birger Jarlsgatan during the 1880s, the extension of Sveavägen to Kungsgatan during the 1890s, and finally, Kungsgatan's break through the Brunkeberg Ridge in 1911. Examples of the former model are numerous: expansion of the Leija department store on Regeringsgatan just before the turn of the century, headquarters of the Skandinaviska Bank at Gustav Adolfs Torg, the fashionable department store Nordiska Kompaniet on Hamngatan, which opened in 1915, and Stockholms Enskilda Bank on Kungsträdgårdsgatan, to name a few.

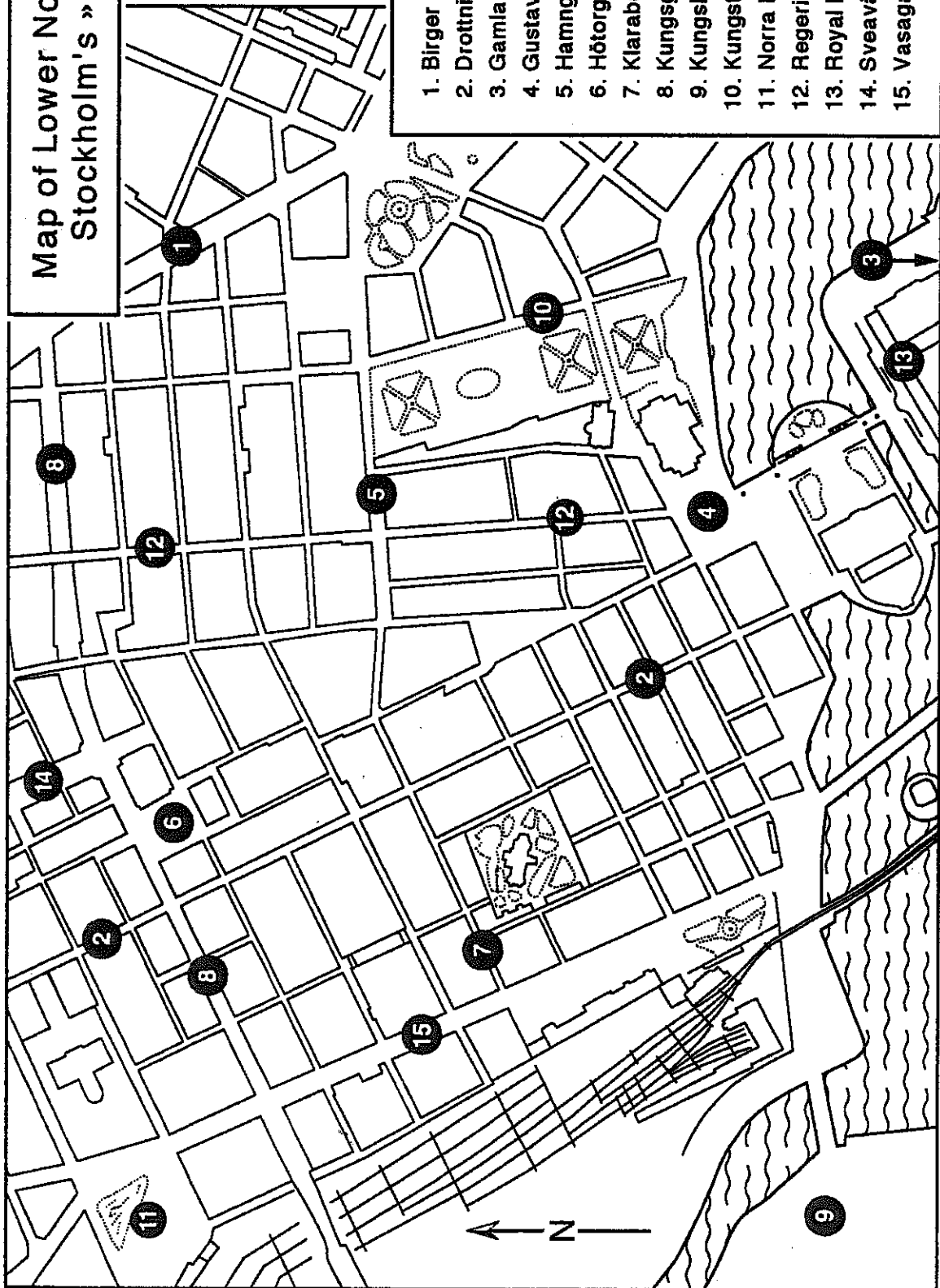
A new plan for the extension of Sveavägen was adopted in 1912. Rather than a 70 metre wide boulevard reaching down to the Royal Palace, as suggested by the Lindhagen plan, this plan called for a relatively unpretentious 18 metre wide street extending down to Klarabergsgatan - Hamngatan. Many properties along this stretch were subsequently purchased by the city.

During the 1920s, rapid growth in automobile traffic combined with beginning signs of business activities wandering northward aroused renewed interest in plans for Lower Norrmalm. The Lilienberg plan of 1928 was an attempt to solve these problems by connecting together the suburban rail lines through an underground hub, under Lower Norrmalm, and providing a north-south artery for car traffic along an extension of Sveavägen through the Brunkeberg Ridge, an idea revived from the Lindhagen plan. Initially praised by the press and supported by businesses, especially in the southern part of Lower Norrmalm, the extension of Sveavägen came to be one of the most heatedly debated issues in the planning history of Stockholm.

In 1932, an international competition was announced to attract plans for Lower Norrmalm. The competition resulted in 450 plans, of which none won general acclaim. The Great Depression entailed a near standstill in construction, and when demand picked up towards the end of the 30s, the unclear planning situation in general and the paralyzing debate over Sveavägen in particular resulted in the upswing by and large bypassing Lower Norrmalm. During this period of no guiding

Map of Lower Norrmalm
Stockholm's »City«

1. Birger Jarlsgatan
2. Drottninggatan
3. Gamla Stan
4. Gustav Adolfs Torg
5. Hamngatan
6. Hötorget
7. Klarabergsgatan
8. Kungsgatan
9. Kungsholmen
10. Kungsträdgårdsgatan
11. Norra Bantorget
12. Regeringsgatan
13. Royal Palace
14. Sveavägen
15. Vasagatan



plan, local authorities developed a practice of selectively rejecting applications for building permits, especially in quarters where there were signs of powerful interests in piecemeal solutions.

A new dimension to the complexity of the situation was added in 1938, when the local building authority made it a matter of principle to no longer sell land to developers, but rather to extend the implementation of municipal site leasehold to include commercial properties. The city continued to pursue its 'active land policy' on Lower Norrmalm, purchasing another three hectares of property for redevelopment in the late 30s and 40s.

There pervaded a gnawing impatience over the city's inability to reach a decision on a general plan for Lower Norrmalm's development. A telling expression of this was the argument of the municipal building office for the less thorough renewal scheme. It was a matter of getting the project started, and preferably completed, before population growth in the Stockholm region waned, around 1970 according to an official prognosis. An important step in this direction was the decision in 1945 that Sveavägen would terminate at Klarabergsgatan - Hamngatan. A new, more expansive population prognosis a couple years earlier only enhanced the urgency of the matter.

Finally, in 1951, a concerted effort was officially initiated under the direction of a special authority, the Lower Norrmalm Delegation, consisting of politicians, leading civil servants and directors of the project's operative divisions. The basic 'concept', a result of years of political negotiation, binding compromise and consensus building, can be briefly summarized in the following way. Large public investments in the region's transport net - underground, roads and railways - were to be designed to dramatically increase accessibility, especially in the 'City' (as the Lower Norrmalm area has been called at least since the 1910s). In order to provide for the needs of modern businesses, the built environment was to be radically remoulded. The quality of the city plan was to be the highest possible. Cultural activities were to be provided generous space. The end product, a modern, effective, functional, state of the art central business district, would put Stockholm and Sweden in a favourable competitive situation in relation to Europe and the global economy. Seen in this light, narrow economic calculations lost their meaning. Such comprehensive renewal called for a unified grip, with the municipality as helmsman. The planned investments in infrastructure would entail considerable increments in land values, and in order to avoid an unfair transfer from public investment to private property owners, land in the City was to be owned by the municipality and let under terms of leasehold. The expected future increments in land value were to accrue to the municipality. Private interests were however to be afforded ample opportunities to function as developers, administrators, builders, consultants and, once completed, as business leaders in the heart of the capital. Economic growth and profits for private enterprise were to be stimulated; windfall or speculative gains from property ownership were to be choked. A rational, planned, modern City. Of course, with such a program there was inevitably struggle, and as we shall see below, there were efforts to block the plan at first, and once underway, to boycott the new City.

The only partial realization of this 'concept' went through three phases: an underground phase, a car tunnel phase, and a phase of collapse and patching up. The underground phase (1951-63) involved the demolition of ca 120 buildings in an area

of ca 10 hectares (ca 25 acres) and the construction of the underground hub connecting western and southern suburbs, and 25 new buildings. The car tunnel phase (1964-70), based on the 'City 62' plan, expanded the area of renewal to cover an additional ca 29 hectares (together, about half of the area of the City). Over 300 buildings were demolished during this phase. An even more expansive plan, 'City 67', increased the renewal area to 52 hectares (ca 130 acres). Waning demand and public protest, however, ushered in the phase of collapse and filling in the holes (1971-78).

The renewal of Lower Norrmalm can be seen as an effort not only to accommodate modern modes of transport, but also to accommodate the new demands of economic restructuring on the built environment. Accompanying the transformation of the built environment was a transformation of economic activities in the area. Industrial employment fell by 81 per cent here between 1960 and 1975 (Martin 1983). On properties directly affected by the renewal as of 1963, office and commercial employment rose from 55 per cent before renewal to 98 per cent after renewal, while industrial employment fell from 25 per cent to 0 per cent. On properties redeveloped as of 1968, total floorage increased by a factor of 2.4: industrial floorage all but disappeared (-98 per cent) while office and commercial floorage increased by factors of 2.6 and 2.9. At the same time, concentration is reflected in the drop in number of firms from 924 to 532. The number of banks, insurance offices and property management firms increased, however, from 65 to 91 (Stockholms Kommun 1973).

In the end, the renewal involved demolition of almost five hundred buildings (over three-quarter million square meters of floorage), construction of the underground hub, a car tunnel and over 1.5 million square meters of new non-residential floor space, and a planned though not entirely completed expansion of the total traffic area by a factor of more than five (Stockholms kommun 1981, Sidenbladh 1981). From a mix of economic activities and land uses, Lower Norrmalm became homogenized into a modern office and commercial district with modern transport facilities.

Power struggles in the making and taking of rent gaps on Lower Norrmalm

Power is a notoriously slippery concept. Here we will make the process short by simply assuming that power involves employment of resources in conscious efforts to gain control over the course of events, as opposed to being the passive victim or beneficiary of change. Accordingly, we can make an analytical distinction between forces involved in the rise and expansion of rent gaps which are clearly related to the exercise of power, and those which are not. Two qualifiers seem in order. First, we do not pretend there is a clear line between these categories. One may perhaps see it as a continuum between the obviously controlled and the obviously uncontrolled, along which there is no evident break. Second, and related to this, we do not pretend that by making this analytical distinction, we can simply go on to categorize fragments of history into one or the other cozy conceptual box. For instance, urban growth or decline can to some extent be treated as 'spontaneous', uncontrolled, or if you will, an 'exogenous factor'. On the other hand, urban growth or lack of growth can often to some extent be attributed to the activities of powerful growth coalitions or growth control policies, one aspect of which is impact on land and property values. Similarly,

though much controlled and conscious effort goes into development of transport technologies, and the local impacts of their use on e.g. accessibility and noise pollution have direct bearing on land values, we can hardly treat them as more than an 'exogenous factor' in relation to rent gaps. On the other hand, decisions on the geography of transport infrastructure investment involve the exercise of power, with intended or unintended consequences on property values, in order to increase accessibility here or avoid the discomforts of traffic there. To draw a clear line between the element of power and control over the development of rent gaps and the element of spontaneous unplanned unfolding is simply not possible.

Our point of departure is that rent gaps are neither the entirely 'natural' or spontaneous results of uncontrolled mechanisms, nor the outcome of largely controlled processes in a simple, visible and closed power struggle. Our aim is not to present a comprehensive analysis of power struggle in the creation and capture of rent gaps on Lower Norrmalm, but to show that power struggles were an essential aspect of the process.

The development of Lower Norrmalm during the latter half of last century can from the perspective of rent gap theory be seen as a period of investment in building capital directed toward realizing the 'the full resources', or potential land rent, of the area. This potential sprung partly from the excess demand for office and retail space due to rapid urbanization combined with an inadequate built environment in the Old Town, partly from the enhancement of the area's centrality and gravity by the location of Stockholm's central station on Vasagatan. The two dominant forms of property development during this period have been mentioned above: property-owner-led piecemeal development and city operated street projects. The success of the latter resulted in there being formed a ring of broad streets around the area, with an abundance of attractive sites for retail trade and business (Birger Jarlsgatan to the east, Kungsgatan - Sveavägen to the north, and Vasagatan to the west) . This, together with an invasion of banks in the south during the first two decades of this century, led to the movement of retail trade northwards. Deterioration of the built environment became increasingly evident. Rent gaps arose, starting in the south-central area, spreading outward as they expanded in the middle. The 1912 plan for Sveavägen's extension reflected the city authorities' perception of the area's potential, while the northward drift of retail trade and the decay of buildings reflected suppressed capitalized land rents.

There were two primary lines of scrimmage in the power struggles involved in the *making* of these rent gaps. One was between those who insisted on a long Sveavägen all the way to the Royal Palace and those who preferred a shorter extension down to Klarabergsgatan - Hamngatan. The other was between municipal authorities and private interests. We will look at each in turn.

The Sveavägen question was debated over a number of aspects, from architectural to fiscal in nature. For our purposes, the interesting aspect of this struggle is the question: where is the center of gravity to be located in the city? Property owners in the southern section of Lower Norrmalm exercised what sway they had to bring about a long monumental Sveavägen, heavy in symbolic value. Some did so through political parties, others through other channels, for instance the chamber of commerce and mass media. While this potential was being kept alive, the area continued to

experience decline, as the central business district drifted northward. The 1912 plan, with the short extension of Sveavägen, was the current officially adopted plan, and the city had bought a number of properties for enacting the plan. Around these properties, speculative purchases were being made. Proponents of this plan were primarily those who wanted redevelopment to take place sooner than later, and who were not interested in a total refurbishing of a new City, in which they may not be able to find a niche. But the realization of this plan was being thwarted by a number of factors: a World War, fiscal constraint, ample supply of business sites along Kungsgatan, and, the persistence of the camp for a long Sveavägen. This camp rallied around the Lilienberg Plan of 1928. More comprehensive in scope and sweeping in its proposed impact on the built environment, it aroused considerable debate, and as long as there was a lack of any authoritative decision on the matter, there would continue to be a near standstill in development activities. The potential land rent of the area continued to expand with the growth of the city, increasing awareness of the need to tackle transportation problems in the area, and gradual consolidation of a political determination to plan and construct a new modern City. At the same time, capitalized land rents were held down by the drift of business activities northward (the realization of potential land rents elsewhere; uneven development on the local level), prolonged debate over the future of the area, and ensuing disinvestment in the existing stock of buildings and insecurity for potential investors. Thus, the power struggle across this line of scrimmage was involved in the expansion of rent gaps in the area: it was largely about where and what types of land use changes would take place, and thus where potential was to be designated; and it also entailed suppression of capitalized land rents by its very duration and lack of an obvious winner.

The second major line of scrimmage of power struggles in the making of rent gaps in the City was between private interests in the development and use of City space on the one side, and municipal authorities on the other side. With the Lilienberg Plan in public focus and the international competition four years later, there was not a lack of initiative from private property owners to redevelop properties in the area, nor a lack of interest to buy-in to the area. The response of municipal authorities made two things increasingly clear: the city deemed it to be in 'the public interest' to pursue a comprehensive development of the area, complete with transport hub infrastructure, and, the city intended to make a serious effort to lay claim to the resulting increments in land values. The latter had a dampening effect on both potential and capitalized land rents, by deflecting private development interests away from the City, towards the 'malmar' (the outskirts of inner Stockholm surrounding Lower Norrmalm). The former, however, contributed substantially to rent gap expansion by signalling a growing determination to anchor central business district activities in the area. 'Highest and best' uses were to be located here, in a rational scheme which enhanced locational value through coordinating positive externalities, locational spillovers and access to complementary activities within the area.

A clear manifestation of this struggle first arose in the 1930s, when applications for building permits by private developers for renewal of single properties or agglomerated blocks of properties were rejected by local authorities. The consistent rejection of applications for building permits in the area, with only a few exceptions, constituted a form of 'redlining', now by public authorities rather than financial

institutions. The outcome was however the same: disinvestment, decay, and diminished capitalized land rents. In 1938 the city strengthened its arsenal by reaching a political decision to extend the instrument of municipal site leasehold to include development of business properties (it had previously been used almost exclusively for development of residential properties), and that leasehold would as a matter of principle be the only accepted form of land tenure in the development of the new City. As it became increasingly evident that a sweeping remoulding was on the agenda, private interests began to wield their economic power by outbidding the municipality on the property market. As speculative buying-in began to accelerate in the 1940s, we enter into a new phase of the process: struggle over the *taking* of rent gaps in the City. Capitalized land rents were on the rise and rent gaps were being captured rather than created, most certainly indicated in rapidly increasing prices for properties, the buildings on which were doomed to demolition.

Struggles involved in the taking of rent gaps on Lower Norrmalm stretched over a period of four decades and engaged a wide spectrum of agents, from the marginalized losers who were in practice deported from the area (though some of these smaller industries and businesses found the move favorable), to the central state, which vied for position in the capital city and on occasion fought tough battles at the negotiation table with the municipal authorities. A more detailed presentation of this history is forthcoming in Gullberg (1997). Here we will focus on the main line of conflict, again, between private development interests and the municipality.

The municipality had armed itself heavily, by international comparison, to capture the land value gains emanating from the comprehensive renewal project. Aside from the extension of site leasehold to business properties, it had begun to actively employ eminent domain in the City area, and had managed to persuade central government to change expropriation law to facilitate 'zone expropriation'. In this way it enabled itself to draw a line around an area and designate it as an expropriation area. And expropriation law made it difficult for private speculation in 'planning gain' to succeed. With the establishment of the Lower Norrmalm Delegation, the city had designed an advanced formal organization for the execution of the project, from expropriation, evacuation, and technical planning and construction of infrastructure and buildings, to marketing, and leasehold contracting, through which details of use, costs and quality could be regulated. The delegation operated, however, also largely through more informal channels of decision-making, coordination and execution.

Aside from fighting battles in court over compensation for expropriated properties, private interests initiated what from the outside appeared to be a concerted boycott of leasehold in the new City, opting for development in other parts of the inner city. Alternative plans and locations for business activities were forwarded. Companies within the dominant Swedish industrial-financial (Wallenberg) empire systematically boycotted leasehold, as did the two largest real estate corporations, Hufvudstaden and Drott, and the big insurance companies Skandia and Hansa. The city found it very difficult to find interested developers who could agree to the terms of site leasehold, and the city initially had to stand as developer to get the process underway.

Return fire from the municipality came in the late 50s in the form of a zone plan which would keep the 'malmar' primarily residential, and, incidently, deflect demand for development space back into the City. The plan was a politically strategic success,

and enjoyed much support from the population on the 'malmar'. The zone plan was adopted in 1962, and it seemed the city was winning a decisive battle.

Another decisive moment came in 1963, after the Social Democrats won local elections by a considerable margin, staying in power in spite of a strong anti-bulldozer campaign waged from the political right and backed by the chamber of commerce. Utilizing the situation that some investors had become engaged in the renewal process by the early 60s, the Social Democratic leader Hjalmar Mehr skillfully pooled vested interests and brought about the formation of an alliance. The chamber of commerce agreed to stop agitating against and obstructing the renewal scheme. Instead it would support the project. In return, the city would provide attractive sites for investment and development, something they had an abundance of.

At this point, it seemed the municipality was going to take home the victory; that is, capture the rent gaps, through expropriation and municipal site leasehold. However, by the end of the 60s, popular protest had mounted against the renewal project. Demand was ebbing due partly to temporary high development fees levied by the state. These factors, combined with political pressure to fill in the holes, resulted in considerable discounts during the 70s in leasehold fees. In the end, the last hole (kvarteret Oxen Större) was sold rather than let on terms of leasehold, a sign, if anything, of losing the last, if small, battle.

Typical of large planning projects, there has not been any attempt to calculate any balance sheet: what were the consequences and who gained? A couple efforts can cast light on the question. Ratzka's (1980) study of the implementation of municipal site leasehold in Stockholm indicates that it has, probably, in the long run, been economically sound for the municipality. His study was however carried out prior to the experience of the 80s, when municipalities found it increasingly difficult to win cases in court as the terms of leasehold contracts became due for review (see Clark and Runesson 1996). Gullberg's (1993) study focuses more narrowly on the City renewal as planning project, rather than site leasehold as policy instrument. The findings of his research into the highly complex economy of the project suggests that while the leasehold system of development did not entail a loss for the municipality, it was the private leaseholders that benefited most, the lion's share of land value increments having accrued to the building owners. The municipality's real returns exceed 1 per cent per annum, which compares favourably with alternative investment in national bonds, with a real return of 0.6 per cent on comparable investment. These returns do not match, however, the considerably larger increments in land value which leaseholders in the City could appropriate. In accordance with supreme court rulings, if land values increase more than general inflation, lease fees are not to increase at the same pace. The difference is appropriated by the building owner (leaseholder) through increased rents and/or sale of building above its value.

Conclusion

The case of Stockholm City's renewal is not exactly the most representative example of urban redevelopment. The sheer size of the project puts it in a class with few members, and its long history is dramatic, much more so than we have been able to

elucidate in this short text. But even small piecemeal redevelopments involve the drama of conflicting interests to some extent. And regardless of motivation, the drive to realize interests of whatever kind in the built environment will have impact on the constitution of rent gaps in the urban economic-geographic landscape.

The example of Lower Norrmalm shows how rent gaps are created: they do not just happen, 'naturally'. We saw first how the struggle over plans, which among many other things also determine the geography of potential land rents, played an essential role in the expansion of rent gaps on Lower Norrmalm from at least as early as the 1920s to the 1940s. Indeed, it is difficult to imagine an explanation of specific rent gaps without reference to plans of some sort, either the plans of public bodies or the plans of individual agents; preferably both. We cannot understand what is meant by 'inadequate' or 'inappropriate' built environment without asking: inappropriate for what? Inappropriate for this or that potential, as envisaged in this or that plan.

There is no clear line of demarcation between the creation and the capture of rent gaps, even if we have tried to analyze them as two separate struggles. Indeed, struggles over the making of rent gaps determine where it is even possible to take them, which the example of the struggle over Sveavägen's extension clearly shows. In the case of Stockholm City, the special condition of site leasehold, with two vested interests in the land value (landowner and leaseholder), means that the struggle continues still today, in city courts, in county courts, and in the supreme court. Especially in this case, but arguably to some extent in any case, one can conclude that it is a gross simplification to assume that land values always accrue to landowners. The distribution of land values is the outcome of struggle, politics and law. They may accrue to the landowner, to the leaseholder, to the building user (e.g. through rent control), to the general public, or to specific groups as gratis positive externalities.

Studies in the making and taking of rents gaps may give the impression of dealing with a highly limited aspect of urban dynamics. There are however several reasons why this is not the case. The uneven development over time and space of site values, manifested in rents and property prices, is an expression of the multitude of mutual and conflict-ridden dependencies which characterize city regions. In the city - the Promised Land of those notorious externalities - each new exploitation of potential development and expansion of infrastructure in the built environment entails a shift in relations of competition and interplay between locations. The rent gradient reflects not only realized development projects, but also living dreams of the city. The incessant tensions between ongoing changes in the city and the long-lived inertia of the mass of buildings assumes the guise of rent gaps. The tensions and conflicts created from the very existence of these gaps generate constantly fresh efforts to build anew, to find new combinations of businesses and projects within construction and real estate, within infrastructural transformation and finance. Ground rent and its companion the rent gap are like the city itself. They hold the pieces together in a chaotic mixture of harmony and conflict. They are enticements emanating from human agency, but they can never be controlled by the rationality of planning, and therefore lead lives of their own. They provoke some actions while prohibiting others. They shelter far less than the entire secret of the city, but without them we may be sure that it will remain hidden.

Note

- 1 Here we will use the concepts capitalized land rent and actual land rent interchangeably. Elsewhere (Clark 1995) they are defined as follows. Actual land rent refers to the value of the use of the site for a given period, e.g. annual, given the current intensity and type of use. Capitalized land rent refers to the present value of all future annual land rents given the limits on intensity and type of use imposed by the current building, but allowing for speculation on redevelopment, involving change in intensity and type of use. Since speculative increments in capitalized land rents are to be imputed as income flow to actual annual land rents, the two concepts correspond, differing only in time horizon.

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