

# Another ‘Guggenheim Effect’? The Generation of a Potentially Gentrifiable Neighbourhood in Bilbao

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**Summary.** This paper examines the relation between urban regeneration policies designed to restructure urban cores and the gentrification of deprived inner-city neighbourhoods via the example of Bilbao. The paper explores the socio-spatial consequences of the regeneration strategies undertaken during the 1990s and examines how, once the initial projects were well under way, the City Council identified new spaces for furthering the regeneration process. These include Bilbao La Vieja, the most deprived housing neighbourhood in the conurbation but strategically located next to the city centre. The paper discusses the possible consequences of this designation for the future of the neighbourhood and suggests that the direct intervention of the local government would appear to be contributing decisively to making Bilbao La Vieja an obvious candidate for gentrification.

## Introduction

Since the late 1970s, it has become increasingly apparent that the gentrification phenomenon should not be seen as an individual, isolated outcome of residential rehabilitation, but as an integral part of a much broader, deeper process of urban restructuring. In the mid 1980s, authors such as Smith and Williams (1986, p. 6) argued that “residential rehabilitation is only one facet ... of a more profound economic, social, and spatial restructuring”, while 10 years later, Smith (1996, p. 39) claimed that gentrification had become “the leading residential edge of a much larger endeavour: the class remake of the central urban landscape” and stressed “its direct connection to fundamental processes of urban economic, political and geographical restructuring”.

This paper will examine the relationships between urban economic restructuring, changes in urban public policy and gentrification. More specifically, the relationships will be studied between the emergence of ‘new urban economies’ (McNeill and While, 2001) the rise of the ‘new urban policies’ for urban regeneration (Rodríguez *et al.*, 2001) and the gentrification of deprived inner-city neighbourhoods. To this end, the paper will analyse the case of Bilbao and a depressed section of its Old Quarter, known as Bilbao La Vieja.

Section 1 summarises the urban regeneration strategies pursued in Bilbao during the 1990s and their impact on the physical and social fabric of the city centre. It explains how the Bilbao City Council, following the

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model established earlier by other old industrial cities, has embarked on an ambitious revitalisation process whose ultimate aim is to turn Bilbao into a flourishing international hub of culture, tourism and business activity. To date, these strategies have mainly called for ‘flagship’ redevelopment projects focusing on derelict non-residential inner-city sites. But now that the initial projects are well under way, the City Council has identified new spaces for undertaking more projects and furthering the regeneration process. Some of these are deprived inner-city neighbourhoods which, once so identified, have become obvious candidates for gentrification.

Section 2 examines the case of one such area, known locally as Bilbao La Vieja, the most deprived neighbourhood in the conurbation. It is an area distinguished by a number of features that highlight its potential for gentrification. At the same time, however, because of the neighbourhood’s negative image, a middle-class shift to the area is still being resisted.

However, as will be argued in section 3, this situation appears to be changing due to the intervention of local government. The designation of Bilbao La Vieja as one of the city’s ‘opportunity areas’ suggests that revitalising this derelict neighbourhood will mean exploiting the opportunities it offers to continue rebuilding and reimagining the urban centre. Thus, there is a clear possibility that the process of renovating Bilbao la Vieja will ultimately lead to a process of gentrification ‘mediated’ and sponsored by the local government.

## 1. Bilbao: Urban Regeneration Strategies and their Socio-spatial Effects

Today, after two decades of swift and devastating deindustrialisation that eventually made of Bilbao a prime example of an ‘old industrial city in decline’ (Martínez Monje and Vicario, 1995), the city has enjoyed a spectacular turn-around and is now in the midst of an extraordinary urban ‘renaissance’

based on a number of initiatives undertaken in the 1990s to restructure and reimage the city (Rodríguez and Martínez, 2001). As a result of such strategies, Bilbao—with the Guggenheim Museum as its hallmark—appears to have become a standard reference for urban studies (Masbouni, 2001) or even *the model* of urban regeneration for other cities affected by decline (Crawford, 2001; Rodríguez and Martínez, 2001; Sudjic, 2002).<sup>1</sup>

However, although the urban regeneration strategies deployed in Bilbao are touted as unique, innovative and exemplary, in fact they are a rather recent continuation of a model first devised years ago by numerous cities in the US and the UK. Indeed, the intervention model followed in Bilbao was explicitly inspired by strategies developed earlier by cities such as Pittsburgh, Birmingham and Glasgow (Gómez, 1998; Rodríguez and Martínez, 2001). Bilbao is, therefore, a significant example of the well-known approach dating from the 1980s where flagship property-led redevelopment projects are central ingredients of urban regeneration (Moulaert *et al.*, 2001). The city visions and trajectories adopted by Bilbao clearly reflect the themes and discourses of the ‘new urban economies’ (McNeill and While, 2001) and the key tenets of the ‘new urban politics’ agenda (Boyle and Rogerson, 2001).

### 1.1 Urban Regeneration Strategies

In the late 1980s, the Bilbao and Bizkaia Councils became convinced of the need to devise and implement planning strategies designed to combat the steady decline begun at the end of the 1970s, to revitalise the economy and to reposition the city within the new context of a global economy. This thinking gave rise to the Strategic Plan for the Revitalisation of Metropolitan Bilbao (initiated in 1989 by the Basque Government and the Provincial Council of Bizkaia), the Master Plan for Bilbao (initiated by the Bilbao City Council in 1985) and the Metropolitan Bil-

bao Zoning Plan (initiated in 1992 by the Basque Government and the Provincial Council of Bizkaia).

Generally speaking, the revitalisation strategies adopted in these plans were based on six key elements. First, planners embraced a new vision for the city, a 'post-industrial vision' (Esteban, 2000), whose prime objective was "to secure our place among the 'world-class' metropolitan centres" (Diputación Foral de Bizkaia, 2001, no page number).

Secondly, if economic revitalisation was to take place, it would first be necessary to alter the city's image (Gómez, 1998). That is, the negative picture associated with deindustrialisation and decline would have to be done away with, and a new image associated with art, culture and advanced services created in its stead—an image of Bilbao as a better-looking, innovative, attractive city.

Thirdly, this change in image would be achieved through transformation of the city's physical environment and the use of aggressive place-marketing campaigns (Rodríguez and Martínez, 2001). This opened the door to large emblematic projects and riverfront redevelopment undertakings (Abandoibarra, the Isozaki 'Gateway' project), the creation of new cultural facilities (Guggenheim Museum, Euskalduna Conference and Concert Hall), the construction of new trade fair and conference infrastructure (Bilbao International Exhibition Centre), public transport infrastructure (a striking new metro system), etc. To ensure that these additions would stand out as symbols of modernity and 'renaissance', and that they could be featured in place-marketing campaigns, the authorities resorted to big-name architects for their design: Frank Ghery, Sir Norman Foster, Cesar Pelli, Arata Isozaki, etc. The city's revitalisation strategies tended, therefore, to focus mainly on the physical regeneration of the city, while ignoring the socioeconomic aspects of revitalisation (Esteban, 2000).

Fourthly, there was a downtown bias to the urban regeneration strategies adopted. As happened in other old industrial cities, deindustrialisation created profitable opportuni-

ties for reinvestment in the urban core. The existence of abandoned industrial sites and derelict waterfront areas near the central business district and in the heart of the affluent residential area provided the City Council with its first 'opportunity areas': non-residential sites with high potential for commercial property development where flagship schemes could be undertaken (Rodríguez *et al.*, 2001). Thus, from the very beginning, the transformation of the downtown area was considered crucial to the attempt to restructure the image and the economy of the city as a whole.

A fifth feature of urban regeneration is the increasing importance of urban leisure economies. Judging by the results obtained to date, the ambitious original objective of turning Bilbao into a world-class advanced services metropolis appears to have faded into the background. The so-called Guggenheim effect seems to have been more successful at attracting visitors and possibly developing a cultural tourist industry than at attracting international capital investment and strategic functions (Gómez and González, 2001). Thus, the local authorities have had to rely increasingly on economic revitalisation strategies based on arts, culture and entertainment.

A final feature is the emergence of a new urban governance system in which an increasingly important role is being played by novel agencies such as Bilbao Ría 2000—an urban development corporation engaged in revitalising degraded areas or industrial zones in decline for new property investment—and Bilbao Metròpoli-30—a public-private partnership set up to implement the Strategic Plan and operating in fact as a lobbying institution (Egido, 2001). The presence of these new agencies in which market logic predominates "poses critical questions regarding the 'privatization' of planning and lack of political accountability" (Rodríguez *et al.*, 2001, p. 173).

Thus the six key elements underlying the revitalisation strategies were implemented. In addition, however, a word should be said about the wider economic context in which

the ensuing changes have taken place. The world economy enjoyed an expansive phase between the years 1997 and 2001, which was reflected in Spain and the Basque Country by the positive trend of all major economic indicators: higher GDP, lower unemployment, increase in available family income, moderate growth of average effective salaries and wages, etc. (Caja Laboral, 2001; Banco de España, 2002). Following closely on this expansive phase of the economy, in 1997 the real estate market also began a spectacular expansion of its own, characterised by sharp increases in housing prices. This development, while international in scope, has been especially pronounced in Spain, a country where 85 per cent of all households own their home (Banco de España, 2002). Between the years 1997 and 2002, the average cost of housing rose nominally by 78 per cent in Spain and by 104 per cent in metropolitan Bilbao (Ministerio de Fomento, 2003).<sup>2</sup> Accordingly, this general trend in the real estate market, together with the specific impact of the new regeneration projects discussed below, have helped to place Bilbao among the most expensive Spanish cities as far as housing prices are concerned.

### *1.2 The Remaking of the Central Urban Landscape*

Once in place, the regeneration strategies devised for Bilbao received a great deal of criticism (Gómez, 1998; Esteban, 2000; Rodríguez *et al.*, 2001). However, two main issues are of special interest due to the socio-spatial consequences they entail—the predominance of market logic applied to redevelopment projects and the downtown bias inherent in this regeneration model.

Regarding the first issue, it is clear that the strategists who devised the redevelopment projects see the city basically as a commodity with exchange value: where ‘opportunity sites’ are said to exist wherever there is room for profitable reinvestment; where the principle of self-financing adhered to by Bilbao Ría 2000<sup>3</sup> and

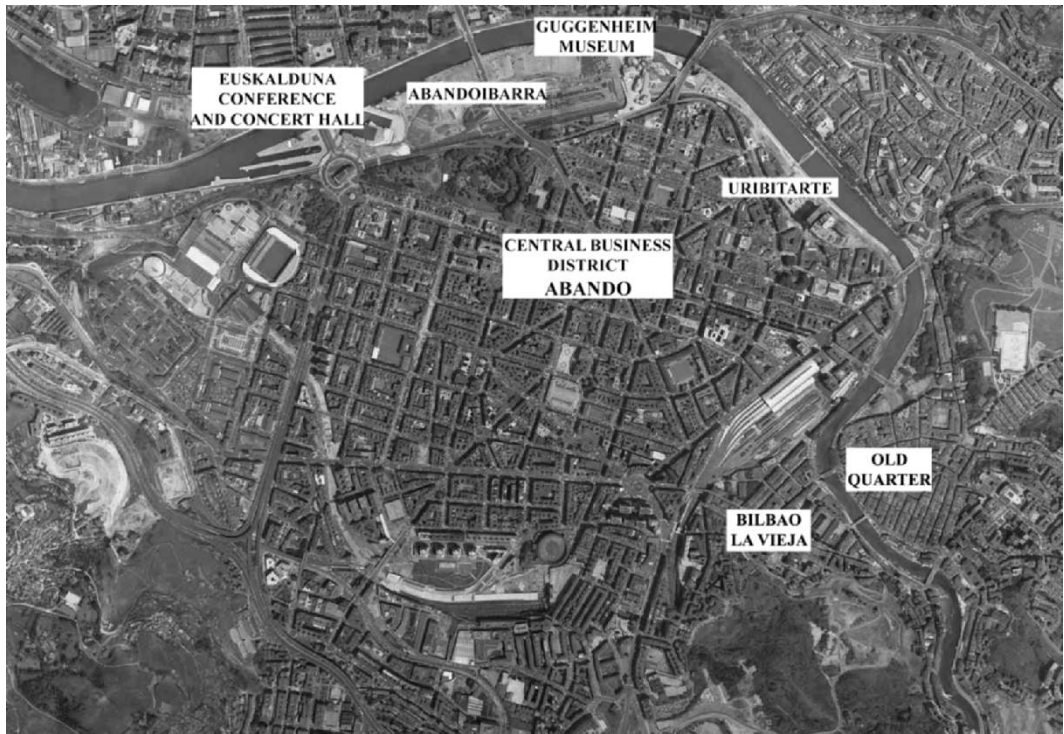
the overwhelming emphasis on efficiency and financial feasibility [have] left the project[s] captive of a short-term return maximisation logic that subordinates the strategic component to the requirements of speculative redevelopment (Rodríguez *et al.*, 2001, p. 176).

To be sure, much criticism has been raised against redevelopment operations that give precedence to market laws and to a pragmatism whereby “only the economically profitable is seen as desirable for the city ... only what the market deems profitable is best for the city” (Román, 2002)—operations where the public authorities are actually provoking a rise in residential property prices to finance the projects they have planned (Esteban, 2000).

The second issue, the downtown bias, is easy to understand in light of the above. As a result of deindustrialisation and decline, the heart of the city was dotted with ‘opportunity sites’. Thus, from the very first, urban regeneration strategies concentrated on the physical and economic restructuring of the downtown area, relegating to lower priority other districts which, although they had deteriorated and were in need of investments, did not offer the same ‘opportunities’. This, then, gave rise to a new central urban landscape and waterfront, featuring high-priced, high-rise housing and office blocks, luxury hotels, new shopping and entertainment facilities, museums, convention centres, riverside promenades, etc. Although the powerful presence of the Guggenheim Museum Bilbao seems to give the downtown a touch of ‘originality’, it is actually the same urban landscape that can be found in cities such as Baltimore, Glasgow and Barcelona (Smith, 1996; McNeill and While, 2001).

In Bilbao city centre (Figure 1), two large-scale redevelopment projects—both located near the site of the imposing Guggenheim Museum Bilbao, today considered both the symbol and driver of the city’s regeneration—illustrate both issues well: Abandoibarra and the Isozaki ‘Gateway’ project.

Abandoibarra, a 350 000 square metre site



**Figure 1.** Bilbao city centre. *Source:* Diputación Foral de Bizkaia.

previously devoted to port facilities and a shipyard, is considered the most emblematic project of those undertaken by Bilbao Ría 2000. The initial project, designed by Cesar Pelli, called for the development of a new nerve centre which would attract international investments and strategic functions, thereby driving the economic revitalisation of the city. However, the lack of companies interested in locating their activities there, plus saturation of the offices market and the better investment prospects of the luxury housing market forced a change in the original plan. Today, therefore, the project's main elements include 800 new luxury flats, a Sheraton hotel, a commercial/recreation centre and office space that has practically been reduced to one emblematic high-rise and is set to be occupied by the Provincial Council of Bizkaia. In short, Abandoibarra has been transformed "from a production oriented development to a consumption based renovated space catering to the de-

mands of the urban élite" (Rodríguez *et al.*, 2001, p. 176).

The Isozaki Gateway is a project designed to transform Uribitarte, a 42 000 square metre quayside area just up-river from the Guggenheim Museum, where the city's old Customs Depot is located. The architect's striking design calls for the construction of seven new buildings set off by twin glass towers rising 82 metres high. The idea is to create a small citadel containing 270 luxury flats, cinemas and restaurants. Unlike Abandoibarra, the Isozaki Gateway is a project undertaken by private initiative on privately owned land. Nevertheless, the local authorities have not only paved the way for its development—amending the zoning laws to allow a change in land use from commercial to residential, approving an increase in allowed building height—but have also included the Isozaki venture in their place-marketing campaigns as if it were one more emblematic project produced by public initiative.

The socio-spatial consequences of these projects seem obvious. The downtown residential areas, always inhabited by the city's more affluent citizens, have had their socially exclusive nature reinforced to the detriment of more peripheral neighbourhoods and less favoured sectors of the population. Indeed, one of the major outcomes of the Abandoibarra project has been the spectacular revaluation of the urban core, as seen by the sharp rise in property prices in this area. While still under construction, the price of the new luxury flats in Abandoibarra had risen beyond the €6000/per square metre mark by mid 1999, or twice the figure asked for in the best areas elsewhere in the city (*El Correo*, 30 July 1999).

However, within the wider context of steeply climbing dwelling prices all over the country, the high expectations of economic revitalisation generated by the new projects (the so-called 'Guggenheim effect') have sent prices soaring in adjacent neighbourhoods as well, eventually affecting the entire city. For example, in Abando, the city's central district, the cost of used flats on the open market rose by 74 per cent between 1998 and 2000. Consequently, by the end of the year 2001, Bilbao had become one of the most expensive cities in Spain, with the average cost of used housing exceeding that of Madrid and Barcelona (Tinsa, 2002). As for new housing in the open market, the same pattern has occurred (Sociedad de Tasación, 2002). Moreover, the enhanced residential appeal of the downtown area can also be seen by the large number of old buildings purchased and renovated by private promoters. Likewise, the market for retail space has also felt the 'Guggenheim effect' in the form of skyrocketing sale and rental prices for centrally located commercial premises (Rodríguez *et al.*, 2001).

Clearly then, the new emblematic projects with their combination of luxury housing, commercial and leisure spaces, new associated city image and consequent evolution of the real estate market are all enabling the city's central district—an already privileged area—to become ever more exclusive and

'privatised'. Table 1 enables us to visualise part of this process of consolidating Abando as "a bourgeois playground" (Smith, 1986, p. 32).<sup>4</sup>

Thus, as has happened in other European cities (Moulaert *et al.*, 2001), Bilbao is becoming another example of how large-scale urban development projects can actually accentuate social exclusion and polarisation in the city (Rodríguez and Martínez, 2001).

Perhaps the best way of summarising this process would be to quote the aggressive real-estate advertising on the front of one of the city's Main Street buildings undergoing transformation into luxury housing. The sign reads as follows: "Many will see it from the outside ... Only a few will enjoy it from the inside". To a certain extent, this slogan could be applied to the renovated city's central district.

### *1.3 The New Opportunity Areas and the Process of Gentrification*

As has been seen, the regeneration strategies pursued to date in Bilbao have focused mainly on the redevelopment of derelict inner-city areas with potential for commercial development. The fact that these are non-residential sites located in a district always associated with middle- and upper-middle-class residences would not seem to imply the existence of gentrification in the strict sense (Cameron, 1992), if by that it is understood "the rehabilitation of working-class and derelict housing and the consequent transformation of an area into a middle-class neighbourhood" (Smith and Williams, 1986, p. 1). However, the recent identification by the City Council of new 'opportunity areas' in the city makes the present authors believe there is a real possibility that the regeneration process under way in Bilbao might ultimately lead to gentrification—in the strict sense—of some of its most neglected neighbourhoods.

In April 2002, the Mayor of Bilbao presented the main conclusions reached by An-

**Table 1.** Socioeconomic characteristics of the population, Abando and Bilbao, 1986–96

	Abando			Bilbao		
	Percentage		Percentage change	Percentage		Percentage change
	1986	1996		1986	1996	
Upper SEGs (employers, managers, professionals) <sup>a</sup>	35.4	45.4	42.2	15.7	22.9	60.0
Young professionals (upper SEGs, 25–39 years old) <sup>a</sup>	13.4	17.7	46.3	7.1	10.4	62.0
Manual workers (skilled and unskilled) <sup>a</sup>	17.1	11.5	-25.2	38.2	30.7	-11.7
Employed <sup>b</sup>	43.7	51.5	8.3	41.4	44.7	3.9
Professional, technical and managerial <sup>c</sup>	41.8	53.9	39.0	20.7	30.3	52.0
Banking, finance, insurance and business services <sup>c</sup>	15.9	21.7	47.1	9.5	13.1	43.5
Young adults (population 25–39 years old) <sup>d</sup>	19.0	23.3	14.7	20.6	24.4	11.1
Higher education qualifications (university) <sup>b</sup>	33.6	41.7	19.7	16.0	21.3	36.5

<sup>a</sup>Percentage of economically active population.<sup>b</sup>Percentage of working-age population.<sup>c</sup>Percentage of employed population.<sup>d</sup>Percentage of total population.

Source: EUSTAT (1999).

dersen Consulting in a study entitled "Opportunity Spaces for the City of Bilbao" commissioned by the Council.<sup>5</sup> According to the document, the city needed to "continue exploiting more opportunity areas and projects to enhance its competitiveness" (Ayuntamiento de Bilbao, 2002, p. 3).

The starting-point of the study returns to that new vision for the city according to which, in order to be successful in the process of 'differentiation and international positioning', it is essential to harness and enhance the city's competitive advantages. To this end, the Andersen report recommended that over 100 strategic and business projects be undertaken during the next 20 years in 6 areas of the city. The choice of these 'opportunity areas' was made on the basis of the following criteria: the strategic importance of an area's location, the concentration therein of a large number of opportunity sites, the strategic importance of possible projects and the immediacy of the actions to be undertaken.

As can be seen from the above, once the best located sites with greatest potential for commercial development (i.e. sites such as Abandoibarra and Uribitarte) have been exploited and recapitalised, it is essential to identify new areas with sufficient appeal to merit new investments, attract new activities and transact new business. The projects proposed for these new 'opportunity sites' would transform them physically, economically and socially to enable them to occupy the place and fulfil the role assigned them by experts in drawing up their 'desired vision' for Bilbao. If, as is the case, one or another of these 'recently discovered opportunity areas' is in fact a deprived housing neighbourhood, its new status will almost certainly make it a candidate for gentrification. Hence, in documents such as the Andersen report, 'gentrification' is normally synonymous with 'urban regeneration' or 'economic revitalisation'. In the next sections, the case of one such area, Bilbao La Vieja, is analysed.

## 2. Bilbao La Vieja: The 'Ground Zero' of the City?

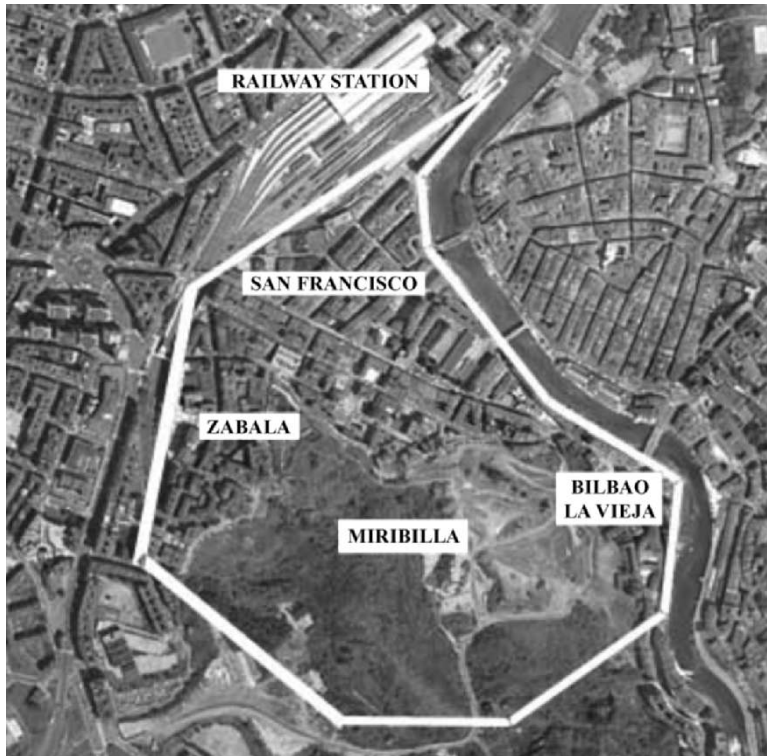
The area usually referred to as Bilbao La

Vieja (BLV) actually consists of three neighbourhoods located in the Old Quarter of Bilbao: San Francisco, Zabala and Bilbao La Vieja *per se*. With a surface area of 38 hectares, BLV has a population numbering close to 14 000, or 4 per cent of the city's total. Today, BLV occupies a space of undeniable centrality (see Figures 1 and 2). In spite of this factor, however, BLV remains isolated and cut off from the rest of the city. Physically speaking, its isolation can be accounted for by the existence of three barriers keeping it effectively separate from the surrounding neighbourhoods: railway tracks on one side, the abandoned mines of Miribilla in the hill behind and the Nervión river below. Socially speaking, the visible signs of physical and social decay, together with the bad reputation created by drugs, violence, crime and prostitution, have finally ostracised BLV, reducing it to the status of an 'excluded place' (Sibley, 1995), an area "excluded from the mental maps of possible living environments held by the majority of the urban population" (Skifter Andersen, 2002, p. 770).

### 2.1 Bilbao La Vieja as an 'Excluded Place'

The area dates back to the year 1300, when the city of Bilbao was founded. With the industrial revolution of the mid 19th century, BLV experienced spectacular urban and population growth thanks to the nearby mines and massive influx of labour from other regions. However, the ensuing urban chaos, the unbridled construction of slum housing with no basic infrastructure, the overcrowding, the spread of prostitution and the high rate of street crime eventually caused BLV to be shunned by the rest of the city, thus initiating a process of exclusion and segregation that has remained in place until today. During the economic boom of the 1960s and 1970s, BLV enjoyed a period of renewed vitality based on business activity and a flourishing 'night life'—bars, cabarets. But all of this collapsed with the deindustrialisation and unemployment that devastated the city during the 1980s. BLV plunged into steep social and economic decline, which





**Figure 2.** Bilbao La Vieja. *Source:* Diputación Foral de Bizkaia.

was worsened by the appearance of drug addicts and dealers. Community relations decayed and large numbers of 'normal' or mainstream population soon began to flee from the area, selling cheaply and thus making way for growing numbers of low-income and socially excluded groups, including foreign immigrants, drug addicts and Gypsies (Ayuntamiento de Bilbao, 2000).

The deterioration of BLV is made particularly apparent in the Council's Integrated Rehabilitation Plan for Bilbao La Vieja (Ayuntamiento de Bilbao, 2000, pp. 40–55), with its mentions of high unemployment, school truancy and drop-out rates; vandalism of public property; high percentages of contagious disease and infant malnutrition; dwindling business activity; rising street crime and so on.<sup>6</sup>

It is no surprise, therefore, that BLV should be considered by the public authori-

ties as "the most degraded area in the Basque Country" (*El Mundo*, 7 June 2000) or as what the local press refers to as "the 'ground zero' of Bilbao" (*El Correo*, 16 November 2001).

### *2.2 Bilbao La Vieja as a Gentrifiable Neighbourhood*

As has been seen, BLV appears to be immersed in a self-perpetuating process that makes it increasingly stigmatised and unattractive compared with the rest of the city. However, this is really only one side of the coin. On the other, there are a number of characteristics that make the area potentially attractive to the better-off—i.e. gentrifiable.

First is its strategic location. BLV is located right next to the central business district and to the city's most exclusive neighbourhood (Abando). It is within easy

reach of Bilbao's star redevelopment projects (the Guggenheim Museum is only 1.5 km away), plus it lies on the same bank and just up-river from Bilbao's new waterfront. Moreover, its centrality is being reinforced by different projects designed to eliminate the physical barriers cutting BLV off from the rest of the city. The plan to build a new transport interchange on the site presently occupied by the railway station opens up the possibility of covering over the tracks separating BLV from the city centre. The upper portion of the Miribilla area rising behind BLV is being transformed into a new residential area through the construction of 3000 new dwellings. Bilbao Ría 2000 is currently renovating the quays and building a riverside promenade that will connect BLV to Uribitarte, the Guggenheim Museum and Abandoibarra.

Secondly, BLV offers architecturally interesting housing at low prices. This is most evident in the lower part of the neighbourhood—the area closest to the river. Here, there are old buildings with an historical look, whose architecturally interesting exteriors (stone structures, ornate façades and balconies) house flats that often measure over 100 square metres in size. Although some buildings are in a state of ruin, many could be salvaged and renovated. Moreover, this could be done at comparatively low cost. Property prices have declined steadily in BLV since the 1980s due to the increasing decay of the neighbourhood and the Council has launched a BLV home purchase and renovation aid programme to help underwrite such efforts. Despite these advantages, however, the bad reputation of BLV appears so far to have kept the private sector from taking large-scale advantage of the real estate opportunities available.

In the third place, a large portion of the population inhabiting BLV is particularly vulnerable and could easily be displaced from the area. Table 2 shows the significant presence, both in 1986 and in 1996, of vulnerable population sectors: manual workers, unemployed, elderly pensioners and so on. To these must be added the large numbers of

foreign immigrants and national ethnic minorities (Spanish Gypsies) who, for different reasons, were not included in the official figures.<sup>7</sup> Also, the cheap prices and rents have brought in large numbers of foreign immigrants. Their arrival has accentuated the area's ethnic diversity and increased the numbers of low-income and socially excluded groups.

In the fourth place, the existence of a nucleus of gentrifiers is another factor which highlights the potential of BLV for future large-scale gentrification. Often referred to as 'urban pioneers' to underscore their role as 'early-stage gentrifiers', the term seems useful here despite the objections raised against it (Smith, 1986; Lees, 1996). During the 1990s, BLV began to attract increasing numbers of a heterogeneous sector of the city's population which could be loosely described as its 'bohemia' (Florida, 2001). These included musicians, craft-artists, painters, sculptors, designers, and also professionals and university professors. Many are young and there is also a sizeable number of gays and lesbians. The existence of architecturally interesting housing and commercial premises at low prices—together with the purchase, rental and renovation aid and subsidies provided by the local authorities—is another factor helping to explain their interest in the neighbourhood. The 'atmosphere' of the neighbourhood also has its appeal, with its 'authentic' flavour, air of 'freedom' and feeling of living in a place that is 'different', full of cultural diversity thanks to the presence of immigrants. In BLV, the arrival of the 'pioneers' is today easily visible. They have occupied and renovated housing, opened art galleries and studios, shops, tapas bars and cafés, and new night life is now available (*El Correo*, 16 November 2001). However, the scope of this incipient gentrification and its impact on the neighbourhood are still quite limited. Within the area as a whole, the weight of these groups, while growing, is still small in comparison with the vulnerable population (see Table 2).<sup>8</sup> In spatial terms moreover, the process is still rather sporadic and is mostly a case of 'spot rehabilitation'

**Table 2.** Socioeconomic characteristics of the population, Bilbao La Vieja and Bilbao, 1986–96

	Bilbao La Vieja			Bilbao		
	Percentage		Percentage change	Percentage		Percentage change
	1986	1996		1986	1996	
Upper SEGs (employers, managers, professionals) <sup>a</sup>	6.6	15.2	135.0	15.7	22.9	60.0
Young professionals (upper SEGs, 26–40 years old) <sup>a</sup>	3.3	8.4	161.1	7.1	10.4	62.0
Manual workers (skilled and unskilled) <sup>a</sup>	47.5	35.8	-22.8	38.2	30.7	-11.7
Unemployed <sup>b</sup>	33.7	36.1	20.6	25.8	26.8	9.5
Retired and pensioners <sup>c</sup>	22.4	24.5	14.2	14.3	20.3	44.8
Elderly (60 years and over) <sup>d</sup>	24.2	26.8	11.1	17.2	24.5	33.3
Registered foreigners <sup>d</sup>	1.4	2.4	73.3	1.1	1.3	5.1
Lone parent <sup>e</sup>	8.8	10.2	19.0	9.2	10.7	22.2
Low education levels (primary and less) <sup>f</sup>	72.7	61.7	-11.4	58.6	48.3	-15.5

<sup>a</sup>Percentage of economically active population.<sup>b</sup>Percentage of workforce.<sup>c</sup>Percentage of population aged 16 or over.<sup>d</sup>Percentage of total population.<sup>e</sup>Percentage of the total number of households.<sup>f</sup>Percentage of working-age population.

Source: EUSTAT (1999).

clustered along the lower fringe of BLV—the area least degraded and best connected to the rest of the city.

Obviously, the existence of a gentrification trend initiated by ‘urban pioneers’ and taken up later by other agents—the ‘new middle class’, real-estate agents—is certainly nothing new (Beauregard, 1986). There are numerous examples of neighbourhoods affected by similar processes both now and in years past: Islington in London, SoHo and Williamsburg in New York, Chueca in Madrid, etc. What makes them worth highlighting in the case of BLV, however, is something different. Their presence may mark the starting-point of a future spontaneous, large-scale, market-led gentrification process, but so far it is slow in coming, due mainly to the area’s deadly image and the existence of other areas with greater appeal and safer for investment. But what should be noted is that the presence in the neighbourhood of this relatively consolidated nucleus of bohemians was one of the major arguments used in targeting BLV as an ‘opportunity area’. In the report on the Opportunity Spaces in Bilbao, the existence of ‘a functioning art colony’ was identified as one of the neighbourhood’s prime ‘competitive advantages’. On this premise, a ‘desired future vision’ for the area was adopted and a number of necessary actions and projects proposed to ‘harness and enhance’ this advantage and attain the desired goal. In other words, the hypothesis is that the regeneration of BLV lies in transforming it into the ‘artists’ district’ of the city. By making this vision come true, BLV will become one of the keys to the city’s economic revitalisation and will contribute decisively to consolidating the new image of Bilbao (Ayuntamiento de Bilbao, 2002, pp. 18–19). So the theory goes. The paper will return to this point in section 3.2.

### 3. Bilbao La Vieja and Local Government

BLV has long been one of the neighbourhoods most neglected by the local authorities. Ever since the 19th century, despite the

appalling conditions and problems evident in the neighbourhood, the city’s successive planning projects have failed to include any alternatives for the area (Ayuntamiento de Bilbao, 2000, pp. 18–20). Finally however, in the 1990s, the situation became so grave, and BLV neighbourhood associations began exerting such pressure, that the Council began to take steps to combat further degradation of the area. In 1994, it passed a Special BLV Rehabilitation and Interior Reform Plan, an area-based initiative aimed at the physical renovation and improvement of the neighbourhood. That same year, the city-owned company *Surbisa* began taking action in BLV. Its operations, now included in the Integrated Plan for the Rehabilitation of Bilbao La Vieja, have been limited to physical improvements. *Surbisa* has also been entrusted with managing economic aid programmes to subsidise the purchase and rehabilitation of housing and commercial premises by private initiative.

In short, until the end of the 1990s, local government intervention in BLV was restricted to a few scattered initiatives, most of which were simply physical measures with little effectiveness. Meanwhile, the neighbourhood continued to decay at an alarming rate, with more and more voices clamouring for decisive action. As a result, the local government drew up an integrated action plan for the area.

#### *3.1 The Integrated Plan for the Rehabilitation of Bilbao La Vieja*

The first measure came in 1995, when a Rehabilitation Board was set up with members drawn from the neighbourhood associations and the Council. Next, at the insistent urging of the Rehabilitation Board for greater co-ordination among the agencies at work in the area, a new body—the Interinstitutional Council of BLV—was set up at the end of 1999. With funds made available by Bilbao Ría 2000, the Interinstitutional Council drew up the Integrated Rehabilitation Plan for Bilbao La Vieja, San Francisco and Zabala (IRP) (Ayuntamiento de Bilbao, 2000).

This five-year plan (2000–04) is based on three guiding principles: an integrated framework to include not only physical or urbanistic issues, but also the social, educational, health, cultural and employment aspects of rehabilitation; secondly, the institutional responsibility of government and public agencies to provide the necessary funding; and thirdly, citizen participation.

The changes called for in the IRP cover social and community issues through programmes designed to improve the quality of life of citizens; local development through aid to existing businesses, promotion of self-employment and job insertion programmes; urbanistic development through the rehabilitation and recovery of the urban environment; and citizen safety to ensure peaceful community relations.

Although this Plan places emphasis on solving the internal problems of the neighbourhood, its approach is mainly physical. Public intervention under the IRP from 2000 to 2004 calls for far greater investment in urbanism than in social intervention and community development (€105.1 million vs €65.3 million). Clearly, the main problems affecting the resident population do not merit the same budget priority as the renovation of façades and housing, despite the fact that the IRP's diagnosis pinpointed the social deprivation of the area's residents.

Another urbanistic effort being conducted under the IRP and affecting the poorest residents in the area is the so-called Bilbao La Vieja Action Plan. This operation entails the expropriation of an area close to the Nervión river and displacement of its residents to the new public housing going up on the fringe of BLV. Given that a quarter of the families affected by these dislodgements are public aid recipients, the Action Plan seems likely to worsen rather than lessen the social and spatial exclusion of these residents.

Hence, taking into account the excessive emphasis on physical rehabilitation, the lack of a truly integrated approach and the short-term initiative focus, it is doubtful that the IRP will resolve the social problems affecting the resident population of BLV. In any

event, the recent Council-commissioned Andersen report targeting BLV as one of the city's 'opportunity areas' would seem to indicate a significant change in thinking about how the area should be regenerated.

### 3.2 *Bilbao La Vieja as a New 'Opportunity Area'*

As noted in section 2, the report on Opportunity Spaces in Bilbao identified a number of areas considered to be strategic due to the excellent opportunities they provide for developing new projects that will give continuity to those already undertaken. These are the city's new 'opportunity areas'.

In contrast to the 'old' ones (Abandoibarra, Uribitarte), some of these new 'opportunity areas' are deprived housing neighbourhoods—areas that have been subjected to steady neglect and decay and that have never appealed much to private-sector interests. Now, with the official designation of these neighbourhoods as 'opportunity areas', the announcement of major projects, initiatives and public investments for their revitalisation, the private sector is beginning to turn its eyes towards these neighbourhoods, making it likely that a process of gentrification and displacement will ensue.

*The 'Guggenheim effects' and the 'new' Bilbao.* Before examining the outlook for BLV, it would be helpful to review the main characteristics of the 'new' Bilbao. As noted earlier, the 'Guggenheim effect' does not appear to have worked when called upon to attract international capital and advanced services, although it did prove effective in creating a new city image associated with art and culture, thereby making it possible to pursue an economic revitalisation strategy based on the 'new leisure economies'. So, Bilbao is a city that is striving to move into a leading position in the international art and culture scene. To this end, it has a famous Museum that provides a 'brand image', attracts wealthy tourists, generates income and creates employment (Plaza, 2000).

However, there are doubts about the Mu-

seum's capacity to spearhead adequately the rise of a dynamic, flourishing culture and tourist industry. Some claim that it is simply a transnational corporation's 'franchise': a museum that in any case is a mere cultural showcase that contributes nothing to cultural production *per se*; a museum that contributes to the commodification of the local culture and which was created at enormous public expense drawing funds away from other cultural activities (McNeill, 2000; Gómez and González, 2001). Hence the 'flip side' to this 'first Guggenheim effect'.

The findings are similar when the 'second Guggenheim effect' is considered: the revaluation and enhanced residential appeal of the downtown area. As noted in section 2, the great expectations generated by the city's flagship projects have had a huge impact both on the city's image and on its real estate market. Bilbao is now perceived by its citizens, particularly the more affluent ones, as a more appealing place in which to live. For the local authorities, this means the possibility of stemming the significant population loss—particularly among the upper-middle and middle class—that Bilbao has been suffering since the early 1980s, a portion of which may be considered part of the 'residential exodus' of young families to other towns in the metropolitan area (Martínez Monje and Vicario, 1995). Today, there are signs that would seem to indicate a relative change in this situation. Since the end of the 1990s, the housing market has gained momentum in Bilbao, particularly in the most central areas, with stepped-up demand, purchase-sale transactions, rehabilitation operations, etc.

However, as was to be expected, this lively real estate activity has resulted in the rapid disappearance of building lots and a sharp increase in land and housing prices. Hence, if the local authorities wish to stem the loss of population, retaining young middle-class residents and attracting new affluent families, they will have to identify adequate spaces for new housing developments. They will need to 'create' neighbourhoods that can be *included* as possible living environments

in the mental maps (Down and Stea, 1977) held by the type of population—young, qualified, creative—that they want to help make up the 'new' Bilbao (Bilbao Metròpoli-30, 1999).

*The 'new' Bilbao and the 'old' Bilbao La Vieja.* As can be deduced from the above, the 'new' Bilbao cannot afford to have a depressed neighbourhood lying in the very heart of the city—a neighbourhood that constitutes both a threat to the city's image and a waste of high-potential residential land.

On the one hand, the existence of BLV does indeed undermine the new image of Bilbao and poses the risk of Bilbao's being represented as a 'dual city'—i.e. the idea of the two Bilbaos: the 'new' one represented by Abando; and the 'old' by BLV and other depressed neighbourhoods on the periphery. The possibility of the diffusion of the dual city image in Bilbao poses problems for the agencies pushing its regeneration strategies. Therefore, the different regeneration agencies at work in Bilbao have felt obliged to include in their discourse warnings about the "risk of developing 'two-speed cities', where the least favoured hold down the pace of the most profitable" (Bilbao Metròpoli-30, 2000, pp. 22–23). Accordingly, the actions called for in BLV and other depressed districts targeted as 'opportunity areas' were presented publicly as projects aimed at the urban regeneration of those neighbourhoods.

On the other hand, given its location, BLV is perceived as an underused space occupied by 'marginal' or 'dangerous' social groups. But it is also a highly attractive space in a context where residential land is scarce and prices are soaring. It is "a 'plum' left to rot" (*El Mundo*, 6 November 1998).

*A 'new' Bilbao La Vieja for a 'new' Bilbao.* In view of the above, it is not difficult to discover the opportunities offered by BLV to the 'new' Bilbao. For one thing, the regeneration of BLV would make it possible to sharpen and complete the image of Bilbao as a city of art, culture and tourism, and would contribute as well to the economic revitalisa-

tion of the city along the lines of the 'new leisure economies'. BLV has been identified as an area

with a clear bent towards the artistic and cultural which, if adequately managed and enhanced, will help to drive the economy of the local community and the city as a whole (Ayuntamiento de Bilbao, 2002, p. 18).

A number of measures have been proposed to boost existing cultural efforts, including the development of *avant-garde* activities, ethnic diversity-based activities, the creation of performing arts and music centres, a multimedia school, galleries, restaurants, etc. In addition, the grants and subsidies already available for the purchase, rehabilitation and rental of housing and commercial premises will make it possible to attract students and young artists to the area. Finally, the development of a marketing plan will help to transform the image of the neighbourhood (Ayuntamiento de Bilbao, 2002, pp. 18–19).

Clearly then, this is a 'typical' example of a strategy aimed at creating an arts and cultural quarter (Law, 1992). But besides helping to intensify the bright side of the 'Guggenheim effect', BLV as an arts quarter could also help to attenuate its dark side. BLV is now perceived as an ideal 'complement' for the Guggenheim Museum: a space destined not only for consumption, but also for the production of art and culture, a space that will boost the development of local culture and be open to new trends and young artists—"the 'Montmartre' of Bilbao" (*Deia*, 6 June 2002).

Furthermore, a BLV that has been regenerated and transformed will mean new residential opportunities within the heart of the city. The rehabilitation of existing housing and the construction of new buildings will potentially generate sufficient appeal to attract or retain the 'new' population desired for the 'new' Bilbao. The authorities therefore appear to be striving to make of BLV the 'bohemian enclave' of Bilbao. No doubt they are thinking of the key role attributed in the recent literature to such enclaves and their ability "to

attract people, harness their creative energy, spawn new innovations, and generate economic growth" (Florida, 2001, p. 2). In short, BLV is the ideal place for attracting a social group that will complete the human capital needed by all modern, innovative and competitive cities.

The new vision desired for BLV calls for its radical transformation. It will mean converting an old, degraded neighbourhood into a new, dynamic one able to help in forging the 'new' Bilbao. To meet this objective, the local government has taken an active, direct role in working to overcome resistance to transformation (the image problem), to attract new residents and to pave the way for potential private investors. But these initiatives proposed for the revitalisation of Bilbao La Vieja are also decisively helping to pave the way towards gentrification of the neighbourhood. Moreover, the area's regeneration runs a real risk of becoming a gentrification process promoted and sponsored by the local authorities.

#### 4. Conclusions

The case of Bilbao, an old industrial city, examined in this paper shows how ubiquitous the phenomenon of gentrification is. It is not exclusive to large, or global, cities, but appears as well in regional capitals which, like Bilbao, are trying to reposition themselves in the global economy.

In the case of Bilbao, the paper has endeavoured to show the relation between gentrification and the spatial, economic and political restructuring being undertaken in the city, pointing to how one of the effects of the urban regeneration policies designed to restructure urban cores may be the gentrification of deprived inner-city areas. In this regard, the experience of Bilbao highlights the important role played by local government in creating potentially gentrifiable neighbourhoods.

In this paper, it has been seen how the new vision for the city led to the formulation of different strategies in which large-scale emblematic redevelopment projects (i.e. Aban-

doibarra and the Guggenheim Museum) have become central tools used to transform the image and physical environment of the city and to achieve its consolidation as an international centre of culture and tourism. To date, one of the outcomes of such strategies has been the apparent urban ‘renaissance’ now being enjoyed by Bilbao (i.e. the ‘Guggenheim effect’), but another has also been the accentuation of existing social and spatial inequalities. The central district has been revitalised and renewed, clearly furthering its exclusive, exclusionary nature, while the degraded neighbourhoods of the periphery have remained excluded from regeneration efforts and results.

However, the renovation and social upgrading of a space that *was already* middle-class cannot, strictly speaking, be defined as gentrification. But now that the initial projects are well under way, the City Council has identified new spaces for furthering the regeneration process and some of these *are* deprived housing neighbourhoods (i.e. BLV). Thus, bearing in mind the logic that has guided the authorities to date in the regeneration of Bilbao, identification of the city’s new ‘opportunity areas’ suggests taking another look at the relation between urban regeneration policies and the gentrification of deprived inner-city neighbourhoods.

BLV is the most deprived neighbourhood in the city and yet it has a number of characteristics that make it potentially so attractive (i.e. gentrifiable), that it has been targeted as an ‘opportunity area’. It was selected because it offers good opportunities for ‘completing’ the restructuring and reimagining of the city, for developing the city’s economy along the lines of arts, culture and tourism, and for enhancing and broadening the ‘Guggenheim effect’. The designation of BLV would appear to indicate that any projects put forward for the neighbourhood’s revitalisation will be linked and subordinated to the wider strategies for regenerating the entire urban core. Therefore, if the projects devised for BLV are finally approved and implemented, there is a real possibility that the neighbourhood’s regeneration will lead to a process of gen-

trification promoted, organised and sponsored by the City Council and other public agencies. Hence, the gentrification of BLV—should it finally become a reality—can be seen as yet another ‘Guggenheim effect’.

It can be asked, therefore, whether gentrification is the inevitable destiny of all deprived inner-city neighbourhoods offering ‘opportunities’ for this model of urban regeneration. Whether, as claimed by Smith and Williams (1986, pp. 221–222), “what remains is the Catch-22 character of the problem” for vulnerable residents of Bilbao La Vieja and other similar neighbourhoods.

At first sight, the project may be welcomed by the area’s ‘normal’ or mainstream residents and neighbourhood associations, since it will apparently contribute to solving BLV’s most pressing problems. On the other hand, however, these processes have associated costs and there is abundant evidence pointing to the negative neighbourhood impacts of gentrification (Atkinson, 2002). Therefore, it seems reasonable to expect that, over the short term, what will be achieved is simply the displacement of ‘problematic’ sectors (drug addicts and dealers, prostitutes) to other deprived areas of the city, while in the long run, any ‘normal’ residents lacking sufficient income to stay in the area will eventually be displaced.

Thus it may be asked whether the local government—which appears to have evaluated the possible benefits of a gentrification process—realises that gentrification of Bilbao La Vieja will not put an end to the socioeconomic problems existing in the neighbourhood and wider city. That is, one wonders whether they have really considered the costs of gentrification. Unfortunately, the authors fear the answer must be ‘no’.

## Notes

1. Today, successful culture-led regeneration programmes are said to be based on the ‘Bilbao model’ or to have brought about the ‘Guggenheim effect’ (*Financial Times*, 4 September 2001). Hence, the ‘Guggenheim effect’ is studied and ‘envied’ by other cities



- such as Liverpool (*The Guardian*, 27 June and 12 November 2002).
2. This increase is due to a combination of factors contributing to a sharp rise in demand: demographic changes, an expanding economy, tax breaks for home-owners, lower mortgage loan interest rates and an increase in relative return on property ownership compared with other forms of investment (Banco de España, 2002).
  3. Bilbao Ría 2000 operates on the self-financing principle which works as follows:
 

the shareholders grant the land they possess in central areas of Bilbao, while the City Council reclassify the land. On this basis, Bilbao Ría 2000 invests in the planning and development of the said land and sells sites to private property developers. As the land is located in downtown areas, it is in great demand and its sale generates capital gains ([www.bilbaoria2000.com/2engl/1br\\_2000/](http://www.bilbaoria2000.com/2engl/1br_2000/)).
  4. Unfortunately, statistics from the 2001 Census are not yet available, making it necessary to compare 1986 data with figures from 1996, when the Guggenheim Museum was still under construction and its effects had only begun to be felt. Given the evolution in housing prices, however, it seems safe to assume that the upward trend shown in Table 1 simply rose at a sharper rate thereafter.
  5. Despite its importance, since it includes the Council's strategy for the future urban development of Bilbao, the Andersen report was commissioned directly by the Mayor, who belongs to the Basque Nationalist Party (which also controls the Provincial Council and the Basque Government), without any kind of prior debate in a Plenary Session. Following its public presentation, there has likewise been no debate or approval of the report by the Council.
  6. A recent study on business activity in the area reported that, since 1997 half the establishments in Bilbao La Vieja had been closed due to the deterioration, crime and poor image of the district (*El Mundo*, 22 May 2001).
  7. For one thing, the census does not include ethnicity among its definitions, which automatically makes it impossible to quantify the Gypsy population. For another, the use of a person's place of birth as a proxy is not entirely satisfactory, since many foreigners lack a residence permit and therefore, because they are 'irregulars', do not figure in the census.
  8. The formula employed by EUSTAT to define and classify occupations and socio-economic groups does not make it possible

to take an adequate measure of bohemia. We have had to content ourselves, therefore, with using the 'upper socioeconomic groups' as a proxy.

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