



## LOCAL DEVELOPMENT FACTORS IN URBAN REGENERATION. THEORETICAL APPROACH

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**Abstract:** Urban regeneration is driven by many different engines. These engines, however, in some circumstances may appear to turn to either a success or failure factor. In this context, it is appropriate to analyse how factors that serve the regeneration process are affected by embedding research in a particular paradigm set by the theories of so called “regional development”. The choice of these concepts analysed in the article was the result of literature review. The article consists of four parts. The first part defines the development factors and shows how the concentration of negative phenomena in degraded areas may inhibit their optimal use in the context of the city as a whole. Two subsequent chapters analyse how major theories of regional development picture external and internal factors that influence the development of a specific territory. Then, in the summary the author discusses, how main urban and regional development theories reflect the rationale for mitigating barriers in using local development factors as real driving forces of urban regeneration.

**Keywords:** urban regeneration; local development factor; theories of regional development

**JEL codes:** R58, R51, R53.

### 1. Introduction

According to the definition that is widely used in Poland regeneration is the process of “moving degraded areas out from the state of crisis, carried out in a comprehensive manner, through integrated activities for the local community, space and economy, concentrated geographically, led by stakeholders of regeneration based on municipal regeneration programme” (Revitalisation Act, 2015. The first step in the programming of urban regeneration is to define the concentration of negative phenomena in the cities, i.e. degraded areas. The observation of degraded areas allows to define a wide range of signs of crises that occur there in various configurations (based on: Revitalisation Act 2015: article 9):

- negative social phenomena, e.g. unemployment (especially long-term unemployment), poverty, crime, poor education or low social capital, low participation in public and cultural life,
- negative economic phenomena, e.g. a low level of entrepreneurship, poor condition of local businesses,
- negative environmental phenomena, e.g. exceeded environmental quality standards, the presence of waste posing a threat to life, health or the environment,
- negative spatial and functional phenomena, e.g. the technical and social infrastructure insufficient equipment or its poor condition, lack of access to basic services or their poor quality, mismatch between urban solutions and the area changing function, a low level of communication services, shortage or poor quality of public areas,
- technical degradation, e.g. deteriorated residential buildings.

These phenomena are not only the reasons for low attractiveness of the area, but also create barriers to move it out from the crisis. For that reason regeneration activities seek to remove these barriers. Simultaneously, the regeneration process should gradually lead to a replacement of public investment with a private one resulting from the development of the local economy. Regeneration should lead to the stable functioning of a particular urban area without additional support from public funds. Therefore, planning of regeneration activities should be preceded by the designation of the areas with high concentration of negative phenomena as well as its local potentials. However, what is truly missing is the local potential definition, the methods of their revealing and the relationship with the barriers to their use that result from the features of the area. Some works analyse particular factors helping regeneration activities to succeed. They are actually not described in an orderly manner and are not discussed in the context of regional and local development, so much needed for systematisation purposes. Successful regeneration activities depend on the involvement of the local community and socio-economic partners, natural and cultural heritage or local economy (Bryx 2012). The analysis of regeneration processes reveal that there is a slow shift from a narrow approach. i.e. the improvement of the technical characteristics of buildings to social problem solving in the crisis areas (Sepe 2013). The local community characteristics, intangible manifestations of a particular area culture and tradition, which determine its uniqueness and the possibility of creating specific local innovative environment, actuating the change and return of the degraded area on the path of development, constantly gain importance.

In this context, it is appropriate to analyse how the determining factors – that may serve the regeneration process – are affected by embedding research in a particular paradigm set by the theories of regional development. The choice of these theories that are analysed in the article is the result of literature review. It was worth the effort to analyse the ‘hidden’ theoretical context, based mainly on classical theories of regional development (Bramley 2000; Conway & Konvitz 2000; Roberts & Sykes 2000; Couch et al. 2003; Tallon 2010; Schenkel 2015).

C.A. Chandler and W.L. David presented theoretical considerations of regeneration policy in 1979. They pointed out that the immanent feature of degraded areas,

and thus the cities, where they occupy a vast area, is a state of constant imbalance (Chandler & David 1979). The dominant issue is a sub-optimal use of available production factors (labour and capital). There are also no automatic convergence mechanisms, by which it would be possible to eliminate the disproportion between developing and degraded areas of a particular city. Public financing the regeneration processes should in any case stimulate overcoming barriers to optimal allocation of production factors and their effective involvement. In this context, on the basis of theoretical explanations of development processes in different cities, one can state that the for the degraded areas:

1. In cities located on the path of growth and development:
  - it is not possible to transfer automatically arising opportunities from well-developed districts to degraded areas,
  - an appropriate recognition of the area development barriers, especially in the social and economic sphere, in particular explaining the inefficiency of the local production factor use, is the condition for appropriate intervention planning,
  - a local innovative environment should be built in a degraded area (increase of the efficiency of employed capital by stimulating innovative activities, the introduction of new technologies and IT solutions; new funding formulas, including increasing financial leverage through venture capital and business angels).
2. In cities located on the path of end-stage development:
  - it is not possible to move out the area from the crisis based only on existing resources,
  - appropriate recognition of stakeholders that can make a change in the local composition of the production factors and providing protection mechanisms for existing residents, so that they were not ousted from the area after the completion of the intervention are the conditions for appropriate intervention planning,
  - an innovative environment based on existing and new resources should be built in the degraded area (redefining industries in degraded areas, introduction of business environment institutions, business incubators, emphasis on networking businesses).

Regardless of the city characteristics, building the coalition of stakeholders around the regeneration activities is the foundation for success of the development factors; a suitable environment for activities is needed. Also, a strive to strengthen the local community aspirations in order to improve the life quality and the neighbourhood activity is a must. Regeneration is a process of shaping profound changes in urban space, in consciousness, habits and living conditions of its inhabitants. These changes may be of an innovative character. Their implementation depends on the characteristics of the local environment, and it is them that determine the effectiveness of urban regeneration.

The article consists of four parts. The first part defines the development factors and shows how the concentration of negative phenomena in degraded areas may inhibit their optimal use in the context of the whole city. Two subsequent chapters

analyse how major theories of regional development picture external and internal factors influencing the development of a specific territory. Then, in the summary the author discusses, how the main regional development theories reflect the rationale for mitigating barriers in using local development factors as real driving forces of urban regeneration.

## 2. Local development factors in urban regeneration

Development factors are understood as resources characteristic for the given area that determine its development. The scope of the development factors is strongly dependent on the specificity of the analysed problem. The following list of factors is the effect of the literature review aimed at distinguishing the most typical ones in urban regeneration processes:

- human and social capital (Hart 2003; Adamson & Bromiley 2013),
- culture (Paddison & Miles 2007),
- local economy – its structure and production capacity (Hubbard 1996),
- heritage (Newman 2016),
- housing (Cole & Nevin 2004; Pinnegar 2009; Tajani & Morano 2015),
- level of technical infrastructure (Dijst et al. 2002),
- ability to produce knowledge and to improve technology thanks to the presence of universities and research institutes (Wolaniuk 2010),
- presence of creative class (Sepe 2013; Tavano Blessi et al. 2012),
- post-industrial zones with strong symbolic potential and importance for local milieu (Byrne 2000; Ploegmakers & Beckers 2015),
- urban transport infrastructure projects such as metro, regional rail and tram (Gospodini 2005),
- strong urban regime (Blanco 2013),
- eco-innovative strategies (Yung & Chan 2012).

Every city growth thanks to different potentials – a combination of above-mentioned factors. The possibility of using urban growth factors also varies within districts, neighbourhoods or even quarters. In this context the New Athens Charter statement is symptomatic: “In the twenty-first century economic success will become a part of these cities, which will be able to exploit its competitive advantage. The main source of these advantages will be a multifaceted consistency of a city. Significant competitive advantages will be created also by: skilful use of the qualities of the natural environment and cultural heritage, preservation of historical heritage and highlighting both the uniqueness of the city and the created possibilities to act” (European Council of Planners 2003). Although each city is characterised by a unique set of advantages, their skilful use will not be sufficient to meet the 21<sup>st</sup> century challenges. Co-existence of social, economic and technical problems in the degraded areas become the increasing barrier to the development of whole cities. Therefore, next to the identification of the development key factors, one should try to identify the barriers stemming from the diversity within a city, which prevents or hinders their use. Convergence of districts by solving the

degraded areas problems aims to improve the coherence of the city and optimum use of its potentials.

The impact of the New Athens Charter is visible in “The National Urban Policy 2023” (NUP)– the basic document of the Polish government defining directions for urban development. Consistency is one of five specific policy objectives. Cities become coherent through regeneration of socially, economically and physically degraded urban areas (NUP 2015: 16). This process runs by bridging the gaps between city districts that develop harmoniously and degraded areas. The basic operations include the modernisation of the urban fabric, the restoration of economic and social activity, and thus improvement of the residents’ life quality (NUP 2015: 17).

The programming of regeneration process is intended to establish a framework for leading out given territory from the state of multi-aspect degradation. It can be achieved through the creation of complementary measures to solve existing problems using available potentials by the local authority along with other stakeholders. There is lack of the presentation of relationships between a decision on the choice of development factors that could lead the area out of the crisis and the success of these activities. The highest importance is attributed to spatial, historical and cultural aspects of the area as the regeneration activity potential stimulator. Therefore, the simplest typology of endogenous growth factors is based on these elements of urban fabric that are the driving force behind the regeneration process (community, culture, heritage, housing, leisure, property, retail).

Regeneration driven by culture was distinguished as a separate type of regeneration in the 1980s in connection with the demands of urban renewal and urban revitalisation (Paddison & Miles 2007). Initially, it was mainly architectural concept, but due to the huge public investment and quite substantial subsidies for the private sector it gradually began to be attractive for business. In many cases, the involvement of private investors is still limited to cultural event sponsoring or partly financing of art restoration and maintenance. Artists (artist-led regeneration) and showbusiness people (celebrity-led regeneration) who invest in areas considered by them as interesting can thus produce ‘catalytic’ effects that triggers the regeneration processes (e.g. the Bilbao Effect or Tohu in Montreal). They are actually more interested in this type of regeneration (Tavano Blessi et al. 2012). However, it is often that these processes have a more individual dimension and are not supported by local authorities. They may, despite the positive economic effects i.e. increased market value of real estate in the area and high rates of return on investment, bring negative social changes, such as displacement of residents with lower incomes by people with higher income, who can afford an apartment in an attractive location. This is a typical problem of gentrification, which is an totally market-driven example of supporting urban renewal processes by culture (Peck 2005).

Heritage-led regeneration in the cities began to appear in municipal politics in the 1970s, along with economic changes and a gradual transition from an industrial city to a post-industrial city, where culture, consumption and services are the economic base (Sepe 2013). The inclusion of material culture heritage (immovable monuments) to regeneration policies was not swift. For a long time European countries have not sufficiently integrated regeneration activities with the protection and

conservation of monuments (outside the UK), but the introduction of a pan-European policy of supporting heritage (including Gothenburg Strategy to promote sustainable development of urban areas and the INHERIT project) gradually contribute to the changes.

Society has become more aware of a huge potential of material heritage:

- possibility of ‘catalytic’ impact on the areas adjacent to the historic buildings and building complexes,
- possibility of creating new jobs and stimulating local entrepreneurship,
- shaping positive image of the revitalised areas by promoting the value of cultural monuments, strengthening the sense of local community ties. Despite a little involvement of local authorities, business has attempted to regenerate monuments and has been including them at arm’s length to the urban fabric since 70s which has brought huge profits to investors (Newman 2016).

Investments on the transformation of the areas into modern and attractive entertainment and leisure places are part of regeneration process that, to the greatest extent, have been dominated by the private sector. Bottom-up initiatives are often sufficiently independent (e.g. in the case of casinos) so that they do not require assistance from local authorities beyond issuing a building permit. Such activities do not, however, have much in common with regeneration that we put highlight in this paper, even though the achieved results (social – reduction of unemployment, reduction of social and economic exclusion, improved image of the area and security, economic – growth in the value of the properties located in these areas, higher taxes from real estate, high return on investment and technical – a significant improvement of the building technical condition) largely correspond to the regeneration objectives. Individual actions are usually scattered and cannot offer as complex effects as the integrated regeneration programmes do. And that is why such projects should be included, even conceptually, into the structure of the local regeneration plans (*A review... 2008*).

These regeneration activities are based on development of retail and the activation of the economic area aimed at the physical renewal of buildings and their surroundings. Former industrial buildings in attractive locations and with interesting architecture are often regarded as an initial resource. A specific cultural capital of a place is created by building a new image of the neighbourhood (street, place), or trade development. Post-industrial areas regeneration in urban centres is conducive to their economic and social regeneration, decisively increasing their value by creating positive development prospects. Another factor that affects the value increase of the area in not only narrow, but also in the wide sense, is the economic revival of the area and the creation of new jobs, and hence the possibility of reinstatement of persons excluded from the labour market due to structural reasons (Dixon 2005).

The drivers for growth that are summarised in Table 1 are related to the economic potential of the area intended to be regenerated, or the area where, thanks to fashion and increased demand, regeneration processes take place on the market basis. The observations of the problems present in the degraded areas indicate that a typical area cannot escape the crisis just with the aforementioned factors. Even if they occur, their impact is affected by different barriers, ranging from low security,



Table 1. Types of regeneration depending on the driving forces of the process

Regeneration types	Development factors associated with a given type
Community-led regeneration	<ul style="list-style-type: none"> <li>– the benefits of regeneration delivered to a range of stakeholders of different interests,</li> <li>– strong local community's involvement and partnership at the local level,</li> <li>– new forms of network governance in the urban realm (Barcelona, Lisbon).</li> </ul>
Culture-led regeneration	<ul style="list-style-type: none"> <li>– flagship cultural objects, immovable monuments serving culture and new cultural institutions (e.g. The Tate Modern in London),</li> <li>– distinctive sculptures and monuments,</li> <li>– iconic architectural objects (e.g. landmarks such as Gateshead's Millennium Bridge, the Guggenheim's museum in Bilbao),</li> <li>– unique cultural events, festivals, performance art (e.g. The Kendal Mountain Film Festival in Cumbria, Festival of Exhibition Sites in Hagen in North Rhine – Westphalia).</li> </ul>
Heritage-led regeneration	<ul style="list-style-type: none"> <li>– historic city centres (Old Towns),</li> <li>– historic old port areas (waterfronts),</li> <li>– monuments in the city,</li> <li>– historic former industrial systems.</li> </ul>
Housing-led regeneration	<ul style="list-style-type: none"> <li>– redevelopment of disadvantaged urban neighbourhoods (e.g. Glasgow, London) (Tallon 2010),</li> <li>– often parts of strategies of health improvement and reduce social inequalities.</li> </ul>
Leisure-led regeneration	<ul style="list-style-type: none"> <li>– sport events, the Olympic Games, championships (Olympics-led regeneration, e.g. Athens, Turin),</li> <li>– tourism-led regeneration, (e.g. hotels, conference centres), entertainment industry (e.g. casinos, i.e. Cardiff, Blackpool),</li> </ul>
Property-led regeneration	<ul style="list-style-type: none"> <li>– large-scale redevelopment projects (e.g. Birmingham), often connecting other development factors as success drivers (Tallon 2010),</li> <li>– flagship developments, e.g. waterfronts.</li> </ul>
Retail-led regeneration	<ul style="list-style-type: none"> <li>– shopping malls, especially those located in attractive buildings, or interesting neighbourhood (e.g. Goethe Gallery in Jena, Stary Browar in Poznań, Manufaktura in Łódź, Great Western Railway Engineering Works)</li> <li>– malls in city centres located next to monuments and places of entertainment, or culture (e.g. cinemas, theatres, etc., such as Neuer Wall in Hamburg).</li> </ul>

Source: own study.

short-lived existence of enterprises due to the low purchasing power of the residents, or the aspirations and potentials of local entrepreneurs, ending with stigmatisation of the residents in the opinion of the inhabitants of other districts.

### 3. Development as a result of external factors – theoretical approach

It may be interesting to review the key theories that explain mechanisms determining development of a specific region or city. Table 2 summarises some of them. The growth is explained by factors external to the territory. The aim was to indicate how a typical crises occurring in degraded areas may limit the ability to take advantage of the possibilities offered by the presence of a defined potential in a given city/region.

Table 2. Factors Affecting the Development of Regions and Cities and Barriers to Their Use in Degraded Areas

Theory	Factors determining the development	Barriers to the use of available factors supporting growth in degraded areas
The theory of polarisation (F. Perroux)	Status of the growth pole or a stimulating impact of the stronger centre – growth pole.	Low entrepreneurship in degraded areas makes it difficult to use the advantage of its proximity (technology distance and low efficiency of work/capital).
The theory of the so-called Geographical Growth Centres (A.O. Hirschman)	The ability to concentrate economic growth, in particular by creating a network of progressive feedbacks (Korenik & Zakrzewska-Półtorak 2011), carrying positive growth stimuli through the cooperation of many companies.	Diffusion of development in degraded areas is possible through communication, but there is no guarantee that the development of communications infrastructure will lead to development, or will it launch a digressive feedbacks, i.e. internal demand for external goods and services.
Circular Cumulative Causation concept (G. Myrdal)	Capacity to stimulate the broadening effect and resistance against “washing out” the development (Myrdal 1958).	The regression in degraded areas is most commonly the consequence of the centralisation of production using most valuable factors in the local/regional centre (e.g. the downtown/core of the functional area/agglomeration) while limiting their local possible beneficial effects.
Theory of N. Kaldor	The ability to increase, in relation to environment, the efficiency of production exceeding the increase in the cost of wages (Korenik & Zakrzewska-Półtorak 2011).	Low skills of degraded area residents result in low labour costs, but its effectiveness cannot be raised without investment in human capital, often with uncertain return due to the accumulation of other problems (learned passivity, addictions, etc.).

Source: own study.

We can realise that even in cities ‘on development paths’ there are areas in which the accumulation of negative phenomena limits the ability to take advantage of the development benefits of the whole settlement unit and increases costs of degradation burden on residents of other districts.

The first of these theoretical concepts is the polarisation theory. Development is here enhanced by the impact of stronger centre in the area (e.g. in the functional area). Growth poles, i.e. the settlement units that have reached the leading position, grow strongly. Regardless of the growth pole strength, if there is an area in a city with the cumulated problems of the low entrepreneurship and low efficiency of available production factors, its residents will not be able to benefit to the same extent as in other areas. The dynamic development of the city in conjunction with barriers may result in a gradual polarisation and stigmatisation of that part of the city.

A.O. Hirschman’s theory refers to the positive feedback resulting from the collaboration between growing companies. The high risk of investing in degraded areas or a need to use human resources outsourcing are the barriers to the economic revival of these areas as businesses link around geographical growth centres. The



gradual inflow of new residents in the vicinity of new enterprises on degraded areas (e.g. high tech) also causes a disturbance of the population existing structure and the gradual gentrification of the area, both in terms of housing and services. An increased demand for goods from outside the area appears.

In the concept of Circular Cumulative Causation by G. Myrdal the possibilities of the settlement unit development are determined by the ability to resist the tendency of “washing out” the potential. In this context, the degraded areas are simply the victim of the city natural development, because the development of other districts “sucks” their potential through filtration mechanisms (Polko 2005).

According to the N. Kaldor’s theory, the development is a direct result of the ability to increase the efficiency of production factors (particularly labour) in relation to environment. Again, in this case degraded areas are lagging behind, mainly through barriers associated with low ability to adapt to changes in the labour market.

The theory of the economic base is one of the most common interpretation of the reasons of advantages achieved in economic development by specific regions or cities. Its essence lies in the division of residents’ city activity into two groups:

- exogenous (or “city-creating, basic, primary, exporting”);
- endogenous (or: non-base, providing service to the internal market) (Kuciński 2004).

K. Dziewoński who introduced the division of activity (that is endogenous and exogenous) to Polish literature, divided workers according to their participation in raising capital outside the city (Dziewoński 1967). The exogenous group has trans-regional connections, and its work is based on meeting the needs of people from outside of the city, while the endogenous group satisfies internal needs (e.g. public transport, local services). M. Kiełczewska-Zaleska stresses that Dziewoński was actually the first to show that both groups are city-creating and contribute to the prosperity of residents (Kiełczewska-Zaleska 1972). In degraded areas, however, there is a significant imbalance between the exogenous and endogenous groups (Gwosdz 2014). To support the residents of this area is often costly in the whole city context (the cost of social assistance for the unemployed and living in poverty people because of the life difficulties or low qualifications). At the same time this type of areas with a smaller exogenous group and its monofunctional nature (e.g. in the industrial regions) are most susceptible to the mechanism of imprisonment on the path of development (lock-in effect) (Grabher 1993).

To conclude, despite the factors that stimulate city development, the negative feedbacks may still prevent the use of the development opportunities, if it is based on external factors. There will always be factors limiting the ability to exploit opportunities that arise from the external environment. Given this conclusion, the analysis of theories explaining the ability of an individual settlement to develop through endogenous resources is crucial.

#### 4. Theory of local innovative environment and theories based on endogenous resources

The high degree of negative phenomena in degraded areas requires a concentrated and well thought intervention that is tailored to specific needs and conditions. Every time these actions have innovative features. According to R. Galar necessary conditions for the effective implementation of local innovation include:

- endogenous resources,
- competences allowing the use of existing opportunities,
- network of links between stakeholders, ensuring the ability to pursue common goals and strategic interests of the community (Galar 2007).

Innovative environment that explains development processes at local level was introduced by G. Törnquist (1983). The components of such environment can be divided into the following categories of endogenous growth factors:

- clear specificity, and (most often) spatial separateness of the area,
- representation of stakeholders (public institutions, companies, NGOs, citizens, etc.) who take independent decisions regarding activity in a given area,
- set of tangible and intangible advantages of the area (infrastructure, knowledge, skills, local tradition, local law provisions),
- organisational logic – rules of cooperation of entities active in the given area, e.g. due to tradition, patterns or established procedures,
- the ability to adapt and adopt new solutions (Jewtuchowicz 2005).

The most common analyses of the factors contributing to regeneration processes are limited to the first three points of the above, i.e. the area characteristics, the local community vs. stakeholders and advantages of the area.

According to G. Törnquist, the conditions for the creation of local innovative environment comprise of:

- a large resource of information easily accessible for the community members,
- the knowledge accumulation and increasing access to information, e.g. through the accumulation of knowledge in time, e.g. by academic institutions,
- occurrence of certain unique competencies in specialised types of activities in a given area (Korenik & Zakrzewska-Póltorak 2011).

Therefore, the social dimension of this environment – its leaders, the characteristics of the local community and the ability of the community to use the collected experience and the tradition of the area for the creative change of its character (Taylor 2007), is no less important in the analysis of the conditions for successful regeneration activities. For that reason, it is still worth discussing another type of the regeneration process that is supported by the local community (community-led regeneration). In this case, the most important endogenous development factors include: the involvement of the community, gathered and built social capital, local tradition, existing and shaped social relationships, the ability to plan and use their own potential (Wagenaar 2007). This type of regeneration is exposed to the greatest difficulties, especially when not connected with other endogenous factors (listed in Table 1) that are parallel to the development of the community who stimulates positive changes to the local economy.

- Regeneration supported by the local community is strongly conditioned by:
- the involvement of non-governmental organisations and informal groups, which causes financial instability of the process (Chaskin & Garg 1997),
  - necessity to arrange partly the planned activities with local authorities – in practice so-called social projects require such arrangements from the beginning: from the purchase of the equipment to the adaptation of a specific room in order to build a new facility,
  - the ability of local community and authorities to work together – due to their previous cooperation and dashed hopes – can sometimes be reduced significantly.

Therefore, the community ability to self-organisation is a next growth factor essential for the community-led regeneration (van Meerkerk et al. 2013). This factor determines the ability to produce the local innovation environment conducive to the regeneration process and creation of the sufficient changes in an extraordinary way. In the case of regeneration one should remember about the long-time horizon of changes. The processes of social renewal and restructuring of the local economy often require decades, so the stability of the local innovation environment is fundamental.

Companies that operate in the area are a specific part of the local community. Initially, they were overlooked in the analyses of regeneration, while their involvement is a key condition for the success of the ongoing processes. The sooner local authorities provide good conditions for enterprises to increase their activity and new investments in the area, the greater is the chance of regeneration activity success. The combined use of the above mentioned factors of endogenous development, community involvement and business activity determine the success of regeneration. To just use the example of Gran Centre Granollers (GCG) initiative in the town of Granollers near Barcelona. In this case the axis of the regeneration activities was the combination of public investment in public spaces, cultural development (partly financed by public and social sectors) and the development of entrepreneurship and trade. Everyone was involved in the strategy development, but only the increase of local small and medium-sized enterprise activity caused the success (Coca-Stefaniak et al. 2005) – leaders, who gave the tone for the project, stemmed from that group, and their continued commitment maintained positive effects in a long term. In this context, it is worth mentioning the concept of dynamic located capabilities – the hypothesis at the borderline of sociology and economic geography. According to it, the potential for the development of the settlement is a result of the combination of “skills, attitudes of workers and entrepreneurs, quality and reliability of suppliers, as well as the institutional environment, including public authorities, trade associations and non-governmental sector” (Gwosdz 2014).

## 5. Conclusion

Regeneration is a process of shaping urban space, habits and living conditions of its inhabitants. Its implementation depends on the characteristics of the urban fabric. There are many different development factors that can be referred to urban

regeneration as the driving force (culture, housing, retail, leisure either symbolic power of heritage or industrial sites). Every city combines different potentials and the possibility of using growth factors also varies within districts, neighbourhoods or even quarters. Therefore, next to the identification of the development factors, one should try to recognize the barriers stemming from the diversity within a city that prevent or hinder their use. Convergence of districts brought by solving the problems of degraded areas should allow the improvement of the city coherence and the optimum use of its potentials. Urban regeneration is a tool of this integration. The analysis of degraded areas problems' indicates that a typical area cannot be led out from the crisis on the basis of the aforementioned factors. Even if they occur, their impact is affected by different barriers, ranging from low security, short-lived existence of enterprises due to the low purchasing power of the residents, or the aspirations and potentials of local entrepreneurs, ending with stigmatisation of the residents in the opinion of the inhabitants of other districts. Therefore, the main aim of the article was the examination of key assumptions of urban and regional growth and development concepts to reflect on the theoretical rationale for mitigating this barrier.

Despite of the factors that stimulate city development, the negative feedback prevents the use of the growth opportunities, if it is based on external factors. The analysis indicates that are factors limiting the ability to exploit opportunities arising from the external environment. Given this conclusion, the analysis of theories explaining the ability of an individual settlement to grow through endogenous resources is crucial. According to the theory of polarisation low entrepreneurship in degraded areas makes it difficult to use the advantage of its proximity (technology distance and low efficiency of work/capital). The theory of A.O. Hirschman, states that diffusion of development in degraded areas is possible through communication but there is no guarantee that the development of communication infrastructure will lead to development or it will launch a digressive feedbacks, i.e. internal demand for external goods and services. The concept of G. Myrdal shows that the regression in degraded areas is most commonly the consequence of the centralisation of production using most valuable factors in the local/regional centre (e.g. the downtown/core of the functional area/agglomeration) by limiting their local possible beneficial effects. According to the N. Kaldor low skills of degraded area residents result in low labour costs, but its effectiveness cannot be raised without investment in human capital, often with uncertain return due to the accumulation of other problems (learned passivity, addictions, etc.). Supporting the residents of this area (community-led regeneration) is often expensive to the city as a whole (the cost of social assistance for the unemployed and living in poverty people because of the life difficulties or low qualifications), but – according to most of the presented theories – it is condition sine qua non – of success of urban regeneration and the major way to break the lock up on the path of development.

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