

# Žilina's retail battle continues

The transparency of Žilina's planning process has been forced into the spotlight by a battle between three retail developers

Robert McLean

## Žilina Facts

- **Population:** 85,000
- **Construction output Žilina region 1<sup>st</sup> half 2009:** €408m
- **Regional unemployment:** 10.7% (up 4.4% over one year)
- **Average monthly wage:** €623
- **No. of flats completed 1<sup>st</sup> half 2009:** 1003
- **Storage and transport 1<sup>st</sup> half 2009:** €107.7m (-22%)
- **Mayor:** Ivan Harman
- **Deputy Mayor:** Michal Horecký
- **Major employers:** Kia Motors, Tento, Metsä Tissue Žilina, Váhostav, Euro Media SK, Ferona Slovakia, Stredoslovenská energetika

Žilina is currently the center of a development drama being played out between a trio of serious investors, and it's largely thanks to the lack of an up-to-date master plan. Three groups are vying to build large shopping centers in rather close proximity to each other, and the tension is clearly now beginning to show.

The latest example of this came in early October, when developer HB Reavis announced it had won a court case in which the city had questioned the validity of the developer's ownership contract for the very land on which it was building its mall, [Aupark Žilina](#).

For outsiders, the fact that the city itself originally sold HB Reavis the land further confuses the issue, but is unsurprising. This city in central Slovakia has been riven by internal political divisions ever since the current mayor Ivan Harman came to power in 2006, unseating the powerful Ján Slotá who had ruled the city, and many suspect its economic life, for years.

Harman claims there's never been a question of making life difficult for companies who prospered under his predecessor, and that the city's only real complaint about the Aupark scheme was its size.

Off record, representatives of the developer say

they suspect other motives were at work, but in public, they talk of the court's decision on the land issue as an important step forward.

"Aupark Žilina views the recent decision by the regional court as a moral victory in this dispute. The court irrevocably confirmed the untouchability of ownership rights to the land. That means... it will no longer be possible to limit [ownership rights] through temporary measures taken through the land registry," said Roman Karabelli, a spokesman for HB Reavis, in a press release.

HB Reavis has completed the 25,000 sqm building's shell and core and is now working on the facade and the interior. Completion is expected next year. But Aupark will be competing with another retail scheme that's sprung up in the middle of town and is now coming out of the ground on the edge of the historic center.

[Hrad](#), built by Mirage Shopping Center, the development arm of local business magnate George Trabelssie, is intending to offer 19,000 sqm of retail space in a building that would have four underground and four aboveground levels. The project has also been surrounded by controversy,

not least because it required the destruction of a rectory.

More recently, the region's construction office claimed that the local construction office had acted incorrectly during the planning procedure, but it's unclear if this will actually slow the pace of construction. The foundation of the building has already been completed.

Štadión, Žilina's third planned mall, is being developed by Develon on the edge of the center next to the city's main football stadium and the main train station. Director Sebastien Dejanovski claims his 29,000 sqm project makes the most sense for the city, as it would keep cars out of the center while giving easy pedestrian access to the downtown. But with two other malls already under construction, it will have become more difficult to convince potential tenants to commit to preleases, especially given the current economic environment.

Hrad, developed by Mirage Shopping Center is one of the city's controversial mall projects



## Seeking brownfield investors

**Žilina's mayor Ivan Harman says his city can offer constructive cooperation to investors, but little in the way of land and incentives**

**Žilina probably has enough automobile sector investors these days. What do you see as its next step?**

What we would be interested in, and what we think the city is set up for, would be the construction of science and technology parks since there's a university here with a long history. We have the prerequisites for the creation of such parks and for such companies to be established here.

- 7 We'd also like to see the revitalization of the former industrial complexes that used to be located on the edge of town, but as the city has grown they've become part of the extended center. They used to be on the outskirts, but now they're basically in the center of town. We'd like to see this because they're unattractive and because such activities don't belong in the center of town. The owners of these plots are looking for new uses.

**These plots don't belong to the city?**

The vast majority have clear title ownership and private owners who are looking for new uses for the land.

**Do you have ideas of what could go there?**

We have ideas, of course. We'd like to see new sections of town built, with new residential and services for them. That would be ideal, especially since they're near the center.

**Is the master plan in good shape?**

The master plan isn't in good shape. It's been valid since 1980. The city is currently working on a new one and we believe it will soon be presented and approved.

**What active steps are you taking to attract investors to Žilina? Do you attend exhibitions like Expo Real or MIPIM?**

We're mostly focused on tourism at the moment, so we attend almost all the tourism exhibitions in Slovakia, the Czech Republic and Poland. But the specific action is largely up to the private owners of the land. On the other hand, we can offer an active approach from the city, the chief architect and planning officials. We'll work with anyone who comes with a project that's in accordance with the master plan.

**Investment incentives are under the jurisdiction of the state, but cities are often able to offer investors land or other instruments to encourage investors. What can you offer?**

- 35 That's a problem for Žilina because the city hardly has any land. My predecessor sold off most of the city's land, so while we have problems as a city, like the need for more construction of residential buildings, we have a problem finding the land for it. If the city wants to solve some of its issues, it will have to buy land from private owners.

**There does seem to be some tension between you and your predecessor. Does that have an impact on how people do business here?**

I think business in Žilina is progressing well. I have signals that businessmen

here and outside the city welcomed the change. The market has been opened to everyone; we try to maintain equality and stick to the rules. So we try not to give anyone special advantages. I don't have the feeling that investors are avoiding the city.

**You have three malls under construction. Aupark has had conflicts with the city, Hrad has been highly controversial, and Štadión hasn't begun at all.**

With Aupark, construction is continuing. It's true we tried to stop the work, and we were unable to do so [thus] far. Our biggest problem with it was that there used to be a square where Aupark is now being built. The master plan never counted on that area being completely built upon. We objected to that and suggested that they make the project smaller and that they could divide it into two or three buildings so that some public spaces would be created.

**Should a city of Žilina's size allow construction of several shopping malls to take place at once, or should it have a role in deciding when enough is enough?**

I'm a supporter of the open market, and whether a project is successful or not should depend upon the investors that attempt them. If a building doesn't work out, it will have to take on a different function. On the other hand the city should have some sort of way of being involved in a project's planning. The investor behind Hrad for example changed the project six or seven times following suggestions from the city. We didn't push through all of our ideas, but it was originally a much bigger project.

In the case of Štadión, the investor has so far been working with the city on the level of consultations. Personally, I admit that from an urbanism point of view I like that project most of all. Whether it will be realized or not will depend on whether the investor has the funds for it.

I like that project because after it's built on the edge of the city, near a big road, there will be a large parking lot and it would include a way for pedestrians get to the center in just a few minutes. So they wouldn't have to clog up the center with cars. Also, it won't be just shopping but it has a big fitness center, and it will be part of the football stadium there. That project is quite interesting to me. Whether all three centers can survive, I'm unable to say.

