

Urban Development Grants in Germany – A Critical Success Factor to Strengthen Cities under Changing General Conditions

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Key words: demographic and economic change, population decline, promotion programmes, social city, urban development grants, urban restructuring, vacancy

SUMMARY

German Cities have to deal with a multitude of demographic, economic, social and environmental challenges, for which there is considerable need for investment. Set among the background of demographic and economic-structural changes (e.g. population decline, reduction in work opportunities), financial assistance for urban development from the Federal Government and the Federal States is becoming one of the central considerations in future city development.

In Germany, urban development grants used for settlements development under changed general conditions, strengthening cities as business and innovation locations, creating socially stable urban neighbourhoods, safeguarding of the cultural and environmental heritage and improving cooperation of local planning and private investors by developing vacant, derelict or underused land or buildings in priority areas.

The article describes the advantages of public financial support for urban development. To do this, the study outlines the main urban development promotion programmes which are directed at coping with problems of shrinking cities, e.g. the Urban Restructuring Programmes for East Germany (launched in 2002) and West Germany (launched in 2004). All promotion programmes work on the premise of area-based, socio-spatial action and active resident participation.

The Programme Urban Restructuring East, for instance, was designed to enhance the value of towns and communities in the former East German states, transforming them into more attractive places to live and work and stabilising the housing market. In the framework of this programme, approx. 350.000 vacant housing units in more than 300 cities are to be demolished by 2010. Presently, the programme has earmarked Federal financial support amounting to approx. 1.1 billion euro; including funds from the Federal States and municipalities, total funding for the project amounts to approx. 2.5 billion euro.

The article shows that a wide range of positive results have been noted in the strategic fields of the programmes implementation. These include the capacity of the 'learning programmes' to motivate local government to function in a more cooperative manner. It has also become increasingly clear that monitoring systems and evaluations in the municipalities are prerequisites for the impact and quality controls required within the scope of programme implementation.

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1. INTRODUCTION

German cities have very diverse faces: either as modern service centres, as locations of industry, as sought after city dwellings and residences, or as attractive locations for tourists. Cities are market places and places to meet, architectural expressions of tradition, whilst at the same time, points of origin of technological and social innovations. They develop their own identities and compete for investors, residents and development funds. They are at the same time living places, centres of work, trade and commerce as well as places of education and culture.

Urban regions, cities and municipal authorities in Germany should develop themselves sustainably and according to the government plans and strategy. Urban development is a dynamic process characterised by the competing interests of society and individuals. The municipal planning level is the arena where these contrasts meet – and where balance is sought. This expresses itself in municipal urban development concepts and plans to different levels and standards. However the city structure is more than only an arena. At the same time it is an expression of the state and development of society.

2. NEW CHALLENGES FOR URBAN DEVELOPMENT

The development of cities in Germany are characterised both by global developments as well as local features. The continuing process of urbanisation in the last decades has led to major changes in housing development. Cities and regions, as well as their surroundings, are merging more into each other. Economic and demographic trends are most sharply focused in the cities. The politics of the social, ecological and economical modernisation of cities and municipalities faces new challenges.

Against the background of global trends, especially **economic factors**, housing development is shaped. For example, the loss of significance of traditional location factors, high unemployment and decreasing consumer spending power. The decreasing financial clout of the public sector, the privatisation of previous public sector responsibilities (cf. Friesecke 2006), as well as lesser subsidies and grants from public authorities, curtail the control possibilities through municipal planning.

Urban development is furthermore fundamentally characterised by **demographic factors**: Germany's population number, which has decreased ever since 2003, will further decrease. If the demographic situation continues to develop along current lines, the number of inhabitants will drop from almost 82 million in 2008 to nearly 65 million in 2060 (cf. Statistisches Bundesamt 2009, p. 5 and table 1).

| Year | 2008 | 2020 | 2040 | 2060 |
|---|--------|--------|--------|--------|
| Population size in Germany [in million] | 82,002 | 79,914 | 73,829 | 64,651 |

Table 1: Long-term demographic development in Germany 2008 to 2060¹ (Source: 12. coordinated population projection of the Federal Statistical Office Germany, Wiesbaden).

In addition, there are influential factors such as the demographic ageing of society, the increase in immigration, as well as pluralisation of life styles. These can be seen in their effects all over in the new eastern states of the Federal Republic of Germany (former DDR), and by observing such processes of shrinkage and growth in these states will play in as a major determinant as to how the urban development of many regions of the old western states of the Federal Republic of Germany should progress.

At the same time, there are fundamental changes in the ground rules of national politics. Principally through the increasing interdependence on the world economy, the internationalisation of the financial markets, the continuing integration of Europe and the global challenges of a sustainable development. The results of these worldwide changes concentrate and amplify themselves in the cities.

It is imperative to recognise these changes as an opportunity and to meet these associated problems in a proactive way. There will arise equally for cities and regions new and future relevant opportunities. The willingness to modernise, maintain a democratic culture and the will to preserve and improve the economic and environmental basis will be the bedrock to success.

To enable cities to cope better with their new tasks and challenges, the Federal Government supports the creation of sustainable urban structures with urban development promotion programmes (vgl. Bundesregierung 2009). 76 per cent of the German population live in cities. All residents gain from the subsidies and other benefits of urban development grants.

Urban Development Grants in Germany are grants from the Federal Government and the federal states used for settlements development under changed general conditions, strengthening cities as business and innovation locations, creating socially stable urban neighbourhoods, safeguarding of the cultural and environmental heritage and improving cooperation of local planning and private investors by developing vacant, derelict or underused land or buildings in priority areas.

3. DEVELOPMENT OF URBAN DEVELOPMENT GRANTS IN GERMANY

In 1971 urban development grants were introduced by the Federal Republic of Germany and its constituent states, as an instrument to support structurally weak cities and municipalities in the handling of urban-developmental-political issues. Up until German reunification in 1990 the main focus had been urban developmental requirements. Since 1990 the grant system has developed a more sophisticated approach based on the considerations of a comprehensive

¹ Variant: Lower limit of the „medium“ population; birth rates: nearly constant; life expectancy: base assumption; migration balance: 100 000.

urban-developmental-political understanding. This reflects itself in a more variegated programme structure (cf. next chapter).

The basis of the statutes governing urban development grants, and particularly since the federal reform in 2006, is the new Article 104 b of the Basic Law (“GG-Grundgesetz”). Under this the Federal Government of Germany is able to grant the 16 federal states financial assistance for particularly important investments for the individual states and municipal associations. Details of urban development grants are determined by the Federal Government and federal states in an annual administrative agreement. In it, it is determined how the individual programmes are being established, the amount of financial assistance from the Federal Government, as well as how the budgets are to be apportioned to the different states. Furthermore, the Federal Government and federal states have to come to an understanding, before they have concluded the administrative agreement, on how the terms of the urban development grants will be scrutinised for their “sustainable effectiveness”. As a result of this legal requirement a monitoring system has been developed which in turn provides the requisite verifiable data basis for the projects.

With the introduction of article 104 b GG (constitutional law) important changes have been made. These are in respect as to how the distribution of financial assistance is made, with the aim that such financial assistance be granted for a limited period of time, that its utilisation be checked at planned intervals and financial contributions be assessed and assigned annually. It is central to the new law, that federal finances are specifically used to rectify specific problems (cf. Battis/Klein/Rusteberg 2009). In the last 20 years various programmes have been set up to reflect the intended thrust of the new legislation and allows the communities to solve specific problems with the appropriate instruments. In addition to the “classic programme” which is there to be used for planning and implementing urban redevelopment measures and urban development measures, the urban development grants today also have programmes available which embrace demographic and structural changes, take on board specific challenges of disadvantaged residential areas, support the preservation of historic building substance and strengthen inner city centres.

Since the introduction of urban development funds in 1971 almost 6,000 projects in over 2,500 municipalities have been funded (cf. BBSR 2009). The Federal State finances in each case as a rule about a third of the programme volume (to today over € 11.9 billion in financial assistance), whilst the federal states and communities have borne two thirds. Since 1991 funds have poured equally into the old federal states of the Federal Republic and to the new eastern states (including Berlin) following reunification. Without taking into account price inflation it can be simply seen that since reunification over the last 18 years the same financial assistance has been received by the new (eastern Germany) states as have gone into the founding (western Germany) states over the last 38 years. If we look at the period since 1991, it shows even more the over proportional funding towards the new states (cf. figure 1). From the approximately 7.7 Billion Euro federal financial assistance about 70 % went into the new states (eastern Germany). In relation to the eastern Germany share of the population which stands at 20 %, the new eastern German states gain disproportionately from the finance assistance of the Federal State in regard to urban building grants.

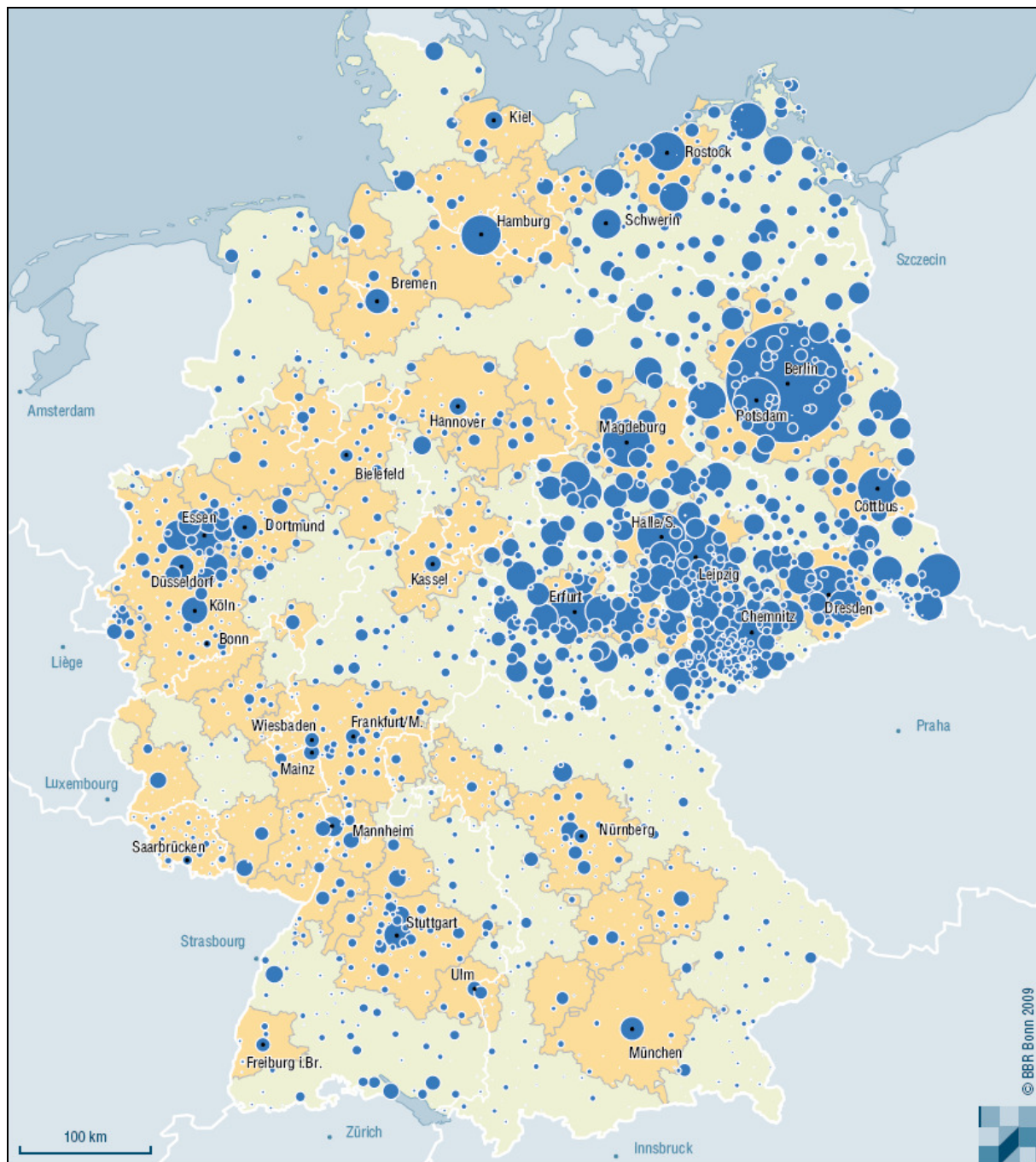


Figure 1: Financial Support of the Federal Government 1991 to 2008 per city for urban development (Source: BBSR 2009, p. 4). The greater the circle, the higher the urban development grants. The areas in orange colour are city regions / metropolitan areas.

4. AIMS AND PROGRAMMES FOR THE URBAN DEVELOPMENT GRANTS, FUND DISTRIBUTION

The renewal and development of urban development in Germany has the overall aim to preserve and create attractive residential and economic locations for cities and municipalities. The objectives of promoting urban development are (cf. Krautzberger 2009):

- Strengthening inner cities and town centres in their urban function, also under consideration of protection of historic buildings
- Creating sustainable urban structures in areas affected by significant urban function losses; the principle indication of such function losses is permanent oversupply of structural works, such as, vacant dwellings or derelict sites in inner cities, particularly industrial sites, former military sites converted for appropriate re-use and railway sites
- Urban development measures for eradicating social deprivation.

The main instrument for this development consists in different **development grants for urban building funding**. For these programmes the Federal Government and the individual states, as well as the European Union, provide financial grants. These are further supplemented through own contributions from the respective cities and municipalities. The programmes however are not isolated singular undertakings but part of a comprehensive urban developmental project for regionally defined developmental areas or in other words strategic orientated packages in respect to integrated urban development.

Urban development grants have their legal basis in the German Federal Building Code. The implementation is carried out through administrative agreement and regulated between the Federal Republic and states as is set out in the guidelines of the individual states. The Federal Government has created the following programme areas to implement these promotional objectives (cf. BMVBS 2009b and table 2):

- Urban Redevelopment and Development Measures
- Protection of the Urban Architectural Heritage
- Social City
- Urban Restructuring in the New Federal States
- Urban Restructuring in the Old Federal States
- Active City, District and Neighbourhood Centres

| Programme | Start of programme | Financial support of the Federal Government 1971 up to and incl. 2009 [Mio. €] | Financial support of the Federal Government 2009 [Mio. €] | No. of cities and towns in the programme (by April 2009) |
|---|--------------------|--|---|--|
| Urban Redevelopment and Development measures | 1971 | 7.793 | 90 | 2242 |
| Protection of the Urban Architectural Heritage | 1991 | 1.847 | 115 | 178 |
| Social City | 1999 | 853 | 105 | 328 |
| Urban Restructuring in the New Federal States | 2002 | 1.024 | 121 | 400 |
| Urban Restructuring in the Old Federal States | 2004 | 341 | 96 | 323 |
| Active City, District and Neighbourhood Centres | 2008 | 82 | 43 | 146 |
| Total | | 11.940 | 570 | 2.506 |

Table 2: Urban development promotion programmes in Germany (Source: BBSR 2009, p. 3 and VV Städtebauförderung 2009).

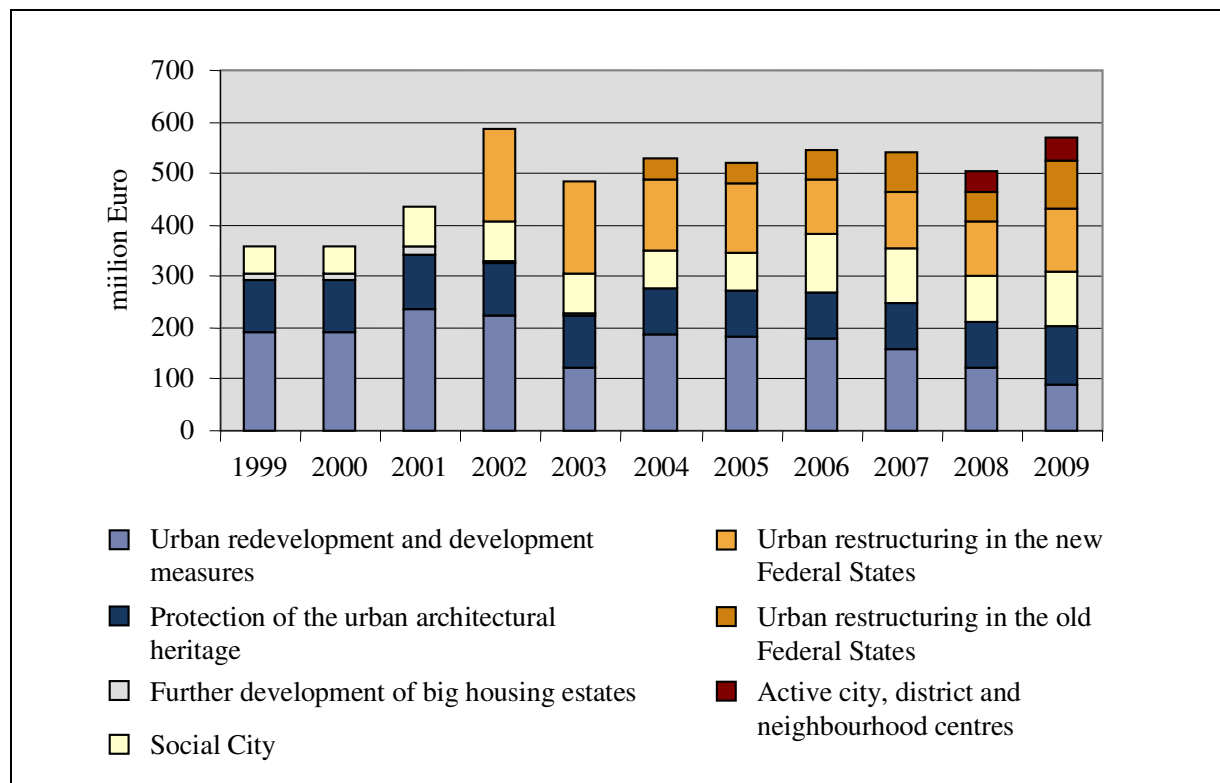


Figure 2: Financial Support of the Federal Government 1999 to 2009 ordered by programmes (Source: BBSR 2009).

“Urban Redevelopment and Development Measures” are the **classical programme** of urban development assistance. Urban redevelopment measures are governed by Sections 136 to 164b and urban development measures by Sections 165 to 171 of the Federal Building Code (*Baugesetzbuch*).

Urban redevelopment measures are defined in the Federal Building Code as those measures by means of which an area is substantially improved or transformed with the purpose of alleviating urban deficits. Measures of this type may be employed only where there is a public interest in uniform preparation and speedy implementation. Urban deficits may be a matter of the quality of the building fabric, i.e. where the existing state or condition of physical development in an area fails to meet the general needs of the people living or working within the area in respect of healthy living and working conditions and general safety; or they may be considered to exist when an area is seriously impaired in its ability to meet the requirements placed on it by virtue of its position and function. The important stages of the redevelopment procedure include preparatory investigations, the drawing up of a social plan, public participation, formal designation of the redevelopment area, individual infrastructural measures undertaken for public-order purposes and also constructional measures to be executed prior to the formal designation of the redevelopment area, and completion of the redevelopment procedure (cf. Turowski 2002, p. 85).

The purpose of urban development measures, expressed in the Federal Building Law, is to subject local districts or other parts of the municipal territory to development for the first time in a manner which is in keeping with their particular significance for overall urban development within the municipality, or which is in accordance with the desired development for a section of the federal state or the region, or to make such areas available for new development within the framework of urban reorganisation. Measures of this type are undertaken for the public good, and, in particular, in order to meet an increased demand for housing and places of employment, for the construction of public facilities or consequential developments, or in order to turn derelict land to productive use. Moreover, urban development measures may only be undertaken where there is public interest in uniform development and speedy implementation (cf. Turowski 2002, p. 84).

During the planning and implementation stage of urban development and redevelopment measures, public and private concerns are balanced against each other to ensure fairness and objectivity, and in so doing bringing all parties into the process as early as possible. In 2008 grants were made within the programme to over 840 projects of approximately 650 municipalities of the new states (East German States) as well as to 1,300 projects to some 600 municipalities of the old states (West German States).

The **“Protection of the Urban Architectural Heritage” programme**, financed jointly by the Federal Government and the federal states, supports the preservation of especially valuable historical town and city centres in the new federal states (since 2009 also in the old Federal States). Since 1991, the Federal Government has provided assistance to a total of 178 towns and cities in Germany to enable them to preserve the heritage sites in their centres and pass them on to future generations. But the intention is not to turn historical town and city centres into museums. On the contrary, they are to develop into vibrant areas that are

attractive places to live and work, with a wide range of cultural and leisure facilities, and that attract both residents and visitors.

There is also great potential inherent in historical town and city centres in terms of economic and location factors. The fact that they have evolved over the course of centuries and no two are alike means that they attract tourists and are preferred by companies when choosing a location. In addition, renovation schemes create work for local small and medium-sized enterprises, especially craft-based companies.

By the end of 2009, the Federal Government had provided a total of around 1.85 billion euros for the "Protection of the Urban Architectural Heritage" programme. To ensure that the assisted towns and cities receive not only financial support but also professional advice, the Federal Government created a group of experts on protection of the urban architectural heritage. At the same time, the group of experts is instrumental in ensuring that the funds are used effectively.



Figures 3 and 4: With urban development grants renovated buildings in the City of Görlitz (Source: die STEG Stadtentwicklung GmbH).

In order to prevent and counteract social and spatial polarisation in cities, in 1999 the Federal Government and the federal states jointly launched a programme called "Neighbourhoods with development priority - the **Social City**". This urban renewal programme has an integrative and thus a cooperative approach: in order to enhance the effectiveness of financial assistance provided, urban development assistance is to be combined with other departmental programmes and resources. It is not only about renewing buildings in the neighbourhoods funded by the "Social City" programme, but also about more public green spaces and playgrounds in the residential environment, an improved infrastructure, leisure centres for children and young people. In addition to structural investment the programme also focuses on socially inclusive actions in the fields of education and employment promotion to achieve an overall improvement of the housing and living conditions of the people in these neighbourhoods.

During the programme period from 1999 to 2009, the Federal Government provided financial assistance amounting to around 853 million euros for the "Social City" programme, which is a third of the overall programme costs. Together with the additional funds provided by the

federal states and local authorities a sum of more than 2.5 billion euros was made available for the implementation of the programme. Thus it was possible to promote 523 neighbourhoods in 328 cities and towns.

The Federal Government and the federal states launched the “**Urban Restructuring in the New Federal States**” programme to respond to the high number of vacant dwellings in the new federal states and the resultant loss of functions in towns and cities. But the programme is designed not only to tackle the high number of vacant dwellings but also to stabilise and revitalise town and city centres and neighbourhoods worthy of being preserved. At the same time, it is designed to curb urban sprawl. Between 2002 and 2009, funds totalling 2.5 billion euros will be provided by the Federal Government, federal states and municipalities for this programme, of which the Federal Government alone will contribute around 1.1 billion euros.

The programme rests on several pillars which complement one another:

- the formulation of integrated approaches to urban development;
- schemes to demolish vacant residential buildings on the basis of the integrated approaches to urban development;
- schemes to upgrade urban neighbourhoods, also on the basis of the integrated approaches to urban development.

In addition to this programme, a similar programme called “**Urban restructuring in the old Federal States**” was launched in 2004, because restructuring is a phenomenon that is also becoming increasingly evident in the cities and towns of the old federal states of Germany. Companies are closing down, jobs are being lost and residents are moving away, all of which presents municipalities in the old federal states, too, with the challenge of adapting to demographic and economic change. The priorities for the financial aid in the programme are as follows:

- Strengthening inner cities and town centres,
- Revitalising industrial locations/urban derelict land or brownfields,
- Furthering development schemes for residential areas.

Between 2004 and 2009, the subsidies given by the Federal Government within the urban restructuring programme amounted to almost 345 million euros. Until 2009, 323 cities and municipalities were included in the funding programme, 87 of which cooperated on an intermunicipal basis.

In 2008, the programme “**Active city, district and neighbourhood centres**” programme is designed to help prepare and implement packages of measures to preserve and develop inner urban areas as sites for business and culture and as places where people live and work. In many cities and towns, it is apparent that these areas losing some of their functions, especially as a result of vacant commercial properties. The financial assistance provided by the Federal Government can be used, for instance, for investment to improve the profile and image of the centres and to upgrade sites, such as:

- upgrading public spaces (roads, paths, squares);
- repairing and modernising buildings that dominate the townscape (including energy efficiency improvement);
- construction projects and regulatory measures for the re-use of land with buildings that are vacant, not being used for their original purpose or underused, or derelict sites, including acceptable temporary uses;
- city management, participation of leaseholders and business improvement districts.

To encourage greater stakeholder involvement, the local authority can establish a dedicated fund. Up to 50 percent of the money in the fund comes from urban development assistance funds provided by the Federal Government, federal state and municipality, and at least 50 percent comes from funds provided by private sector players or from additional local authority funds. The money from the fund has to be used for investment and schemes designed to promote investment. Money that does not come from urban development assistance funds can also be used for non-capital projects.

In 2008, the Federal Government provided financial assistance totalling 39 million euros to promote development in 155 inner urban areas in 146 cities and towns. For 2009, the Federal funds were increased to over 43 million euros.

The main emphasis of the programme documents the deficit of the new eastern states and the political compensational importance of the urban development grants. Existing structural differences between east and west will already be determined at the pre-distribution of the urban development funding provisions of the states through the administrative agreement of the urban development grants between the Federal Government and the states. The **distribution of the grants** takes place through so called distribution keys which should ensure that the grants are distributed in a proper and fair way and consists of different singular components.

The distribution of the federal financial funds for the programme “Urban Redevelopment and Development Measures” is based on the following distribution key: Proportion of the population (70 per hundred), depopulation of the municipalities larger than 2 % (7,5 per hundred), proportion of unemployed (7,5 per hundred), proportion of residential units in buildings with living space before 1918 (7,5 per hundred), proportion of foreign population (7,5 per hundred), in each case related to the sum of old states (including the western part of Berlin) and new states (including the eastern part of Berlin). The same distribution key is also applied to the programmes “Protection of the Urban Architectural Heritage” and “Active City, District and Neighbourhood Centres”.

The distribution key for the programmes “Social City” and “Urban Restructuring” demonstrate the tendency to develop a problem orientated financial distribution. So the key for the programme “Social City” has, in addition to the population proportion (70 per hundred), a third component, namely, a “social and integration factor”. This factor consists of the proportion of the unemployment rate of the states in relation to the unemployment rate of

the whole of the Federal Republic (22,5 per hundred) and the proportion of the foreign citizens (7,5 per hundred).

The components of the key for the programm “Urban Restructuring” take into account in addition to the proportion of the population (as in all other programmes: 70 per hundred), other characteristics which are: the development of the population in the municipalities (15 per hundred), the unemployment figures (7,5 per hundred), empty residential properties (5 per hundred), as well as the proportion of the population over the age of 65 (2.5 per hundred).

After the financial grants have been distributed to the states it is their responsibility to specifically plan and carry out the urban development project as well as the distribution of the financial grant to the communities. This means, that the states in regard to their regional and structural control mechanism – and depending on their specific need – can set individual emphasis on a “facilitation culture” for the implementation of the projects.

When a community is to be financially supported then the approval is always for a specifically agreed regional area. The financial assistance goes into an overall project which is to be carried out in specific developmental regions and which in turn are to be divided into small individual projects.

| Programme Key | Urban (re-) development measures [%] | Protection of urban architectural heritage [%] | Social City [%] | Urban Restructuring [%] | Active City, district and neighbourhood centres [%] |
|---|---|---|------------------------|--------------------------------|--|
| proportion of the population | 70 | 70 | 70 | 70 | 70 |
| proportion of the depopulation | 7,5 | 7,5 | | 15 | 7,5 |
| proportion of the unemployed | 7,5 | 7,5 | 22,5 | 7,5 | 7,5 |
| proportion of the housing units older than 1918 | 7,5 | 7,5 | | | 7,5 |
| proportion of foreigners | 7,5 | 7,5 | 7,5 | | 7,5 |
| proportion of vacant housing units | | | | 5 | |
| proportion of people older than 65 years | | | | 2,5 | |
| Total | 100 | 100 | 100 | 100 | 100 |

Table 3: Problem-oriented distribution of Federal Government funds to the federal states (data source: VV Städtebauförderung 2009).

5. GOOD PRACTICE EXAMPLE: PRACTICE OF URBAN DEVELOPMENT GRANT IN STOLLBERG/ERZGEBIRGE

The district town of **Stollberg** is situated in the State of Saxony in the north-west of the Erz Mountains, approximately 20 km south-west of the city of Chemnitz. The town has 12,122 inhabitants (Status: 30.09.2008) and a surface area of 30.7 km². Since the reunification the population has decreased by 2,311 (14.433 inhabitants at 03.10.1990). The regional census bureau anticipates a further decrease to approximately 10,900 inhabitants by 2020. Another problem is the increasing ageing of the population – in 2007 27.6 % of the population of Stollberg were over the age of 65. The prognosis of the regional census bureau is that by 2025 this proportion of over 65 year olds will increase to 45 %.

The underlying economic basis of the town up to 1990 was mainly small businesses in the sectors of electronics, metal processing work and printing, as well as rural agrarian businesses. With the reunification of Germany the whole of the Stollberg region was affected in as much as whole sectors of industry and business trades disappeared. However, in recent years companies have been able to establish themselves, specialising in metal processing, engineering manufacturing and in the high tech sector.

The Town Council of the Stollberg approved in 2002 an **integrated town development concept** for the whole of the town, which has been drawn up by a private consultancy firm. The central guidelines for the town development are continuously revised and are as follows (cf. Stadt Stollberg/Erzgebirge, Planungsbüro GRAS (Hrsg.), Stadtentwicklungskonzeption Stollberg, Juli 2002, p. 21ff.):

- Continuous improvement and vitalisation of the town centre
- Site development and new reorganisation of town centre sites
- Concentration on the revitalisation of selected areas
- Private residential home development at integrated locations
- Stabilisation of the rural parts of the town
- Development of the sport and recreational areas
- Ring fencing of sites for future development of industrial and business parks
- Improvement of the image of the town in the region

The above mentioned aims for the town development concept will be specified partly through the overall regional aims of development in regards to the residential use.

The town development of Stollberg has been an active project since the beginning of the 1990's. The redevelopment area "Altstadt" (old part of town) was approved in 1994 and due to the redevelopment work of the past 15 years has now become a dynamic and lively centre of the town. Furthermore, in 1995 the location "Albrecht-Dürer-Straße" consisting of prefabricated buildings has been taken into the programme known as "urban development - a continuation of the development of large new regions" (StWENG). In 2002 two further large regions have been designated as a development region as part of the programme "Urban

Restructuring in the new Federal States” concerning redevelopment of towns in the east of the country. Furthermore, as a sign of urban development policy, Stollberg sets great store by making available sites for a number of business parks and residential areas.

However, these positive changes resulting from the town development should not cause one to overlook the existing problems. Particularly of mention at this point are the ageing population and the negative birth rate. A concentration of high unemployment and a continuous decline of the population combined with inherent social problems are to be witnessed in the inner part of the town and in the large residential areas. These problems are characterised by a considerable number of vacant flats, a high number of unemployment and recipients of social security, vandalism, unused kindergartens and schools. The town district “Dürerquarter” a prefabricated construction from the 1980’s and the bordering Eichbusch estate (a residential area developed in the 1950’s and 1960’s) are the structural and social deprived areas of the town.

Against this background 2002 saw an urban developmental concept being drawn up for the Dürerquarter which takes into account in the planning that there will be a step by step reduction of the residential stock of some 25% to 40%. In addition to the overall urban development concept there has been conceived a revitalisation and improvement project for the focal area of the inner town centre and Dürer area. In accordance with the integrated urban development concepts these two areas been taken into the Federal Government’s “Urban Restructuring in the new Federal States” programme.

Due to the fact that the full extent of necessary measures for the building works and social stabilisation of the extended Dürer area cannot be financed completely through the agreed grants and the grant provisions within the urban redevelopment programmes (the StWENG-programme had previously expired in 2004), Stollberg applied for funds under the Federal Government’s programme known as “Neighbourhoods with development priority – the Social City”. The application was approved in 2005. Furthermore, the town in 2008 placed a grant application to the European level for the development funding of the urban area entitled “New Wilhelminian period Stollberg”. This application was approved in 2009. The European Fund for Regional Development (EFRE) is an important structural fund for the economic vitalisation process of poorer regions. In implementing this European grant, Stollberg is now providing support for middle sized businesses in order to create new jobs on a permanent basis, to set up projects for the creation of infrastructure and provide technical assistance.

Altogether the borough of Stollberg has in 2009 some five formally supported **development areas** (cf. figure 5 and table 4).

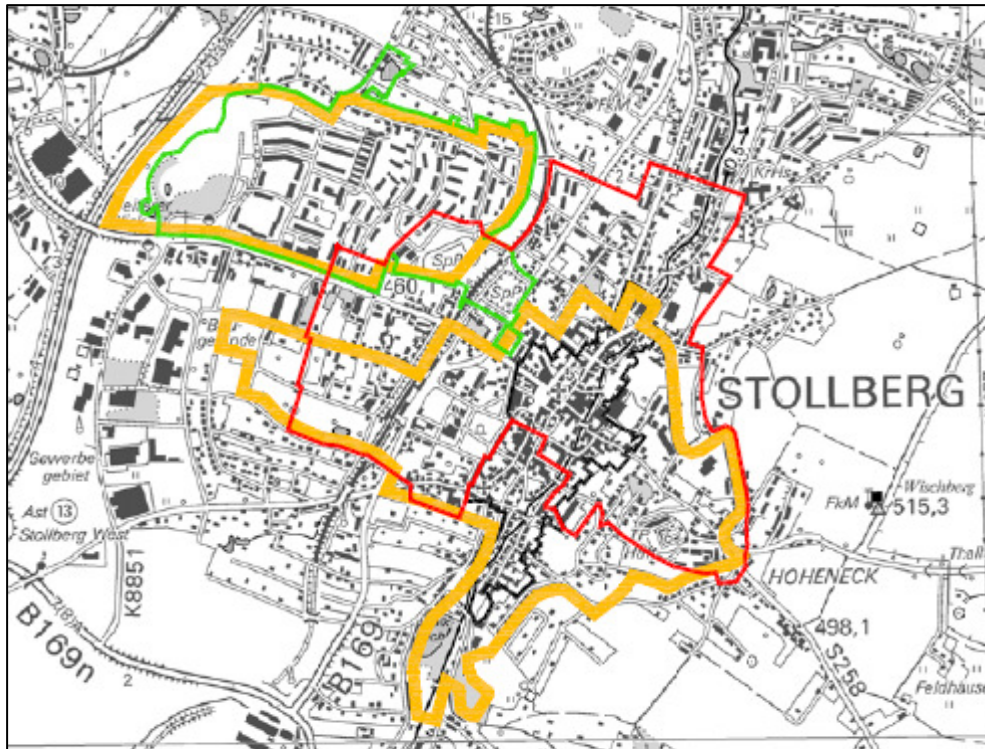


Figure 5: Survey map of the urban development programmes in the city of Stollberg.²

| Name of the area | Area in square kilometre | Year of formal designation of the area | Name of programme |
|--|---|--|---|
| „Altstadt“ (historic centre) | 0,23 km ² | 1994 | urban (re)-development measures, in individual cases: Federal State programme |
| „Innenstadt“ (city centre) | 0,97 km ² | 2002 | Urban Restructuring in the New Federal States |
| „Dürergebiet“ (Dürer Quarter) | 0,54 km ² (after extension in 2004): | 2002 | Urban Restructuring in the New Federal States |
| „Dürerviertel / Eichbuschsiedlung“ | 0,53 km ² | 2005 | Social City |
| „Neue Gründerzeit Stollberg“ (new Wilhelminian period Stollberg) | 1,09 km ² | 2009 | EFRE-programme of the European Union |

Table 4: Key data to the urban development programmes in the city of Stollberg.

The company STEG Stadtentwicklung GmbH, a private redevelopment agency, on behalf of the town take on the urban planning consultation and coordination of the necessary planning

² black border: urban redevelopment area „Altstadt“; red border: EFRE-programme „Neue Gründerzeit Stollberg“; orange border: „Innenstadt“ and „Dürerviertel“ (Urban Restructuring programme); green border: „Dürerviertel/Eichbuschsiedlung“ (Social City programme) (Source: die STEG Stadtentwicklung GmbH).

and building tasks in agreement with the municipal authority. STEG Stadtentwicklung GmbH has in three formally determined development areas contractual agreements with the town of Stollberg, which include the authority to pay building work carried out and to issue instructions on the behalf of the municipality.

The following example based on Stollberg's Dürer Quarter and the Eichbusch Estate illustrates the precepts of the **Social Town-Region** aims and with brief description as to the starting point from which these two initiatives developed.

Sub-locality I Dürer Quarter

The Dürer Quarter consists of a residential estate with prefabricated residential buildings from the 1980's. In 2002 a step-by-step reduction in residential units of 25 to 40 %, as well as the upgrading of the remaining buildings and open spaces, was implemented. At the same time and in tandem a concept for the development of the locality within the overall framework of the urban development concept was arrived at. The formal agreement that Dürer become a urban remodelling area has already shown impressive redevelopments results. Long stretching and incompact six floor high prefabricated building slabs have been converted into attractive four storey residential houses. In addition to the urban architectural structure, the Dürer Quarter differs from the Eichbusch residential estate in its social composition. Pertinent to the time of the initial development of this estate and first occupancy in the 1980's is that about one third of the occupants of the Dürer Quarter are between 40 to 64 years of age. The senior citizens mostly resident in the three old age care assisted residential flats and in old people's residential homes and care homes comprise just under one third of the residents. One characteristic of this area is a high fluctuation. The Dürer Quarter evidences different social problems. Some of its difficulties are caused by a high level of unemployment, a higher proportion of people receiving social security benefit and migrant foreigners, vandalism and alcohol problems. This whole locality is therefore considered to be the "ghetto" of Stollberg. Even though this branding exaggerates the situation, it nevertheless gives the area a negative image.



Figure 6: Large panel housing estates in the Dürer Quarter, a typical building style of the DDR.

Sub-locality 2 Eichbusch Residential Estate

The Eichbusch Residential Estate consists of a typical apartment block construction of the 1950's to 1960's. The open plan building construction and generous clearances give the area an open space feeling and green character. The two to four block buildings are of monolithic construction with gable roof. Many buildings may have been partially or fully renovated since the 1990's. In Eichbusch there are predominantly well established long residing tenants in situ. This is as a result of there being a high number of cooperative flats available. A number of tenants have been living there since the flats were first built about 40 years ago. The age structure is accordingly and differs therefore from Dürer Quarter. The age related decrease of tenants requires a gradual reorientation of the estate, so that it becomes attractive for younger tenants.

With the expansion in 2004 of the urban redevelopment region 2 to include the Dürer locality this sub-area has been declared a development area as part of the programme covering the urban redevelopment of the eastern states. Measures for upgrading have already been implemented.



Figure 7: Running demolition of a housing estate.



Figure 8: Partial demolition in the Dürer Quarter (in red colour: remaining parts of the building).

Having in mind the increasing unoccupancy of the flats in early 2001, an urban development concept for the residential area “Albrecht-Dürer-Straße” has been developed with the aim to gradually reduce the overall residential accommodation capacity. On this basis and in agreement with the urban development concept for this area an urban developmental frame plan has been worked out.

The implementation of the planned measures including the upgrading of the residential surroundings has led to the stabilisation of the residential area. The area has in the meantime become a lively and dynamic place with positive future prospects.

From 2003 until 2007 in the Dürer area some 432 flats have been removed and most of the remaining accommodations upgraded. Upon completion of the scaling back of the number of residential units it is anticipated that altogether 516 flats will have been removed from the estate.

| | |
|------------------------|--|
| Programme: | Social City |
| Dimension of the area: | 0,53 km ² |
| Number of inhabitants: | 3.072 (year: 2007) |
| Period of time: | 2005 until approx. 2015 |
| Estimated total costs: | ca. 6,4 million euros (1/3 Federal Government, 1/3 Free State of Saxony und 1/3 City of Stollberg) |

Table 5: General information - Social City programme area „Dürerviertel/Eichbuschsiedlung“.

Since 2006 a **neighbourhood management** has been in place, although concerned with non-investment measures, it still has a particularly important role to play in the implementation of the aims. With one member of staff this scheme has the function of a community based facility, which allows uncomplicated communication between the residents and administrative management. At the same time, as the office is in-situ, it provides a contact point for the clubs and institutions which are active in this residential estate.

The objective of the urban redevelopment process is therefore not solely for the demolition and redevelopment of the existing residential property, it also encompasses all areas of urban infrastructure, including roads, pathways, places and, of course, schools and recreational facilities. In particular two of the large residential building constructors in the locality have in this regard a big responsibility and certainly live up to it as is visible to all.



Figure 9: The Dürer Quarter after partial building demolition.

This integrated action concept supplies a substantial contribution for the further development of the Dürer Quarter and Eichbusch Residential Estate drawn up in November 2006 and shows a sustainable implementation strategy for the coming years.

The **implementation of the objectives** of the urban redevelopment programme for Stollberg is altogether to be seen as a **great success story**. Without grants given from the European Union, Federal Government and the State of Saxony, the town would not have been in a financial position to upgrade the existing housing stock and its surroundings. Since 2001 alone, the urban remodelling area “residential area / Albrecht-Dürer Straße” the industrial form of prefabricated buildings slaps, has been consequentially scaled back within the programme “Urban Restructuring in the new Federal States” to 283 living units. Since then and parallel to the systematic improvement of these living quarters the remaining accommodation units have been upgraded and redeveloped. The occupancy rate since then is one hundred percent.

Furthermore it is to be acknowledged that the cooperation between the various parties concerned in the redevelopment is well rehearsed and functioning.

Since the uptake of the “Social City” programme in 2005, the restructuring process has been consistently carried through and expanded on the level of non-investment social related measures (e.g. in the field of education and employment promotion measures). The integral parts of the different programmes offer especially in this area the opportunity of a holistic approach in the strategies and the vision of adapting a whole part of a town to the reality of actual requirements. Besides further adaption of the existing accommodation the good start to the programme is to be continued in the coming years and further developed.

6. LONG TERM EFFECT OF URBAN DEVELOPMENT GRANTS

As it has been demonstrated in the previous section, urban development grants can have a considerable effect in implementing changes in urban architectural, economic, environmental and social areas within communities (see table 6 next page).

From the view point of **urban development**, the urban development grants have made a positive effect upon a substantial investment deficit in the area of public infrastructure. On the basis of a statistical analysis of the German Institute of Urban Affairs (Difu) the need requirements alone in the communal area are placed at roughly 700 billion Euros (Difu 2008). As this requirement is mainly in the area of development investment, urban development grants strengthen the investment quota of the municipalities, which has been declining for a number of years.

Besides this there is the aim to create new or protect existing qualities inherent in urban construction. On the one hand it is about the development of urban qualifying measures (building culture), while on the other hand it is about the assurance and further development of growing architectural qualities (protection of historical monuments).

Furthermore, urban development justifiably aims to have an **economic** kick start **impact** in effecting private capital follow up investments in development areas and has considerable influence on commercial development ventures especially in inner cities. Next to the

enormous investment effect the urban development grants have, they also provide stimulus to employment within the region (Eltges, Lackmann 2003). It has been assessed by the German Institute for Economic Research (DIW 1996) and by the Rhine Westfalia Institute for Economic Research (RWI 2004) that there is an extremely high multiplication factor effect.

For each individual Euro invested in the urban development programme by the federal state (including the federal government investment fund), there will be about 6 Euros invested by private funds in Germany. From it results a building volume approximately eight times higher than the programme volume of the urban development grants. The urban development funds from the federal state, regional states and municipalities of approximately 1.8 billion Euros per year have triggered approximately 11.3 billion Euros of private investment in Germany. This together has resulted in an increase of the production of the building industry, as well as affiliated branches, of 33 billion Euros per year. This is about eighteen times more than the invested urban development grants. Urban development assures therewith 310,000 jobs in Germany.

In addition it is established that urban development finance themselves through decreased unemployment, increased tax payments and reduction of public expenditure (cf. Fraaz 2001).

| Urban Development Impact | Economic Impact | Environmental Impact | Social Impact |
|---|--|--|--|
| Kick off effect through pioneering innovative initiatives | Incentive system for investors and property owners | Contribution to climate protection and energy efficiency | Strengthening the residential function of developed areas |
| Vital importance for measures concerning public spaces and traffic | Stabilisation of the retail market | Grant funding of internal development: Reduction of land consumption | Establishment of an improved social intermix, support of a social balance |
| Central funding for the public good | Job creation | Noise and exhaust fume reduction (industry and traffic) | Urban development assumes an intensive participation of all citizens: "additional benefit for society" |
| Great success in the preservation of buildings and management of structural defects | Space for socio-economic experiments | Contribution to the preservation of biodiversity | Public funding offers assistance to the integration of immigrants |

Table 6: Urban development, economic, ecological and social effects of urban development funding (according to BMVBS 2009a, p. 16).

Against the background of **environmental conservation** energy saving and climate protection are also a common concern of the federal government, federal states and communities. To realise these aims the cultural and social institutions of the communities will be developed through a new programme "Investment Pact of Social Infrastructure". This will particularly place emphasis on grants for the purpose of energetic renewal in respect to cultural and meeting places, schools, crèches, kindergarten, sport halls and so on. With

innovative, future orientated, energetic projects within the frame work of urban development can the challenge of environmental issues within cities be appropriately met. In doing so issues concerning area conservation, noise reduction and protection of species shall be covered (Keßler 2008).

Furthermore, such programmes of urban development have proven to be effective instruments for supporting **social compensation** in disadvantaged areas. This concerns especially the programme “Social City” and other supporting programmes. It goes without saying that urban development in many towns has had a beneficial contributory effect in that the residential community has strengthened and social conflicts have not escalated. Also urban development initiatives offer assistance to the integration of immigrants in urban areas. Especially in inner city quarters, with a high proportion of immigrants, such initiatives have become of central importance due to their impact in the education sector, local labour market and in the fostering of social support.

The urban development funding has overall played a defining role in the convergence of the development levels between the towns and municipalities of east and west Germany (Eltges, Lackmann 2003). As different studies have suggested, this task will continue to remain in the coming years.

7. CONCLUSION AND OUTLOOK

Urban development in Germany has become an important instrument in solution orientated funding for the removal of serious deficits in the field of urban planning (cf. Walter 2001, Spangenberg 2006, Göddecke-Stellmann/Wagener 2009). Its segregation into various programmes shows the adaptability of urban planning tasks. The increase in the financial assistance of public funds document the growing importance for society.

So that cities and towns can master the tasks and challenges mentioned in this paper, the Federal Government of Germany has to support urban development programmes to ensure future sustainable urban planning. In terms of a sustainable urban development, the following main topics are particular focuses of attention:

- Settlements development under changed conditions - orientation towards cities,
- City cooperation at the regional level,
- Using the declining land use as an opportunity - making neighbourhoods more attractive for families with children,
- Creating socially stable urban neighbourhoods - regarding migration as an opportunity
- Adapting the infrastructure to the needs of the elderly,
- Strengthening cities as business and innovation locations,
- Maintaining the diversity of retail trade - strengthening central supply areas,
- Intensifying modernisation of the existing building stock - reducing CO₂ emissions,

- Improving cooperation of municipal planning and private investors.

It appears that in only few countries in the world a system exists similar to the urban planning model of Germany. On the basis of the outstanding success, with relative small investment and nearly 40 years experience, it is recommended to other countries to think about taking on similar models. Even when the national situations are different, the relevance towards the economic, environmental and social problems in the urban environment during this period of globalisation and climate changes is more pertinent though than ever before.

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