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## Can Policies Learn? The Case of Urban Restructuring in Eastern Germany

### (1) Introduction

*'Cities in Germany do not develop without rules. Also, they are not solely a product of freely operating market forces. They are a reflection of societal developments, and in that way a result of a balancing of private and public interests, that follows the principle of sustainable urban development'* (BBR 2000: 2). The words cited above that highlight the prominent role of planning and urban policies are taken from an official report of the German construction ministry. Of course, Germany is not the only country where the spatial processes need to follow some rules specified by public authorities. Yet, what is characteristic for the German case is that the development of cities is indeed to a large extent (perhaps larger in some other countries) influenced by public policies. In general, Germany is known to be a country where the model of the "social market economy" is being implemented, which is based on an active redistributive function of the government. This means also an active approach of the State towards the development of cities, towns and regions.

Particularly since the early 1990s the number of urban policies initiated by the federal government has increased significantly. This process was partly related to the reunification of Germany and the following transformation of country's eastern part. Among the policies that were introduced with the specific purpose of dealing with the problems of east German cities one needs to mention especially the programme 'Stadtumbau Ost' (which can be translated into English as 'Urban Restructuring East'). It was initiated in the year 2002 as a reaction to extraordinarily high vacancies that plagued east German cities as a result of a strong process of demographic shrinkage.

This policy was intended to be based on the integrated approach to urban regeneration. Integrated approach is a concept that has been present in the planning discourse for a number of years, but it has become particularly popular due to the 'Leipzig Charter on Sustainable European City'. It is generally agreed that the integrated approach, in contrast to a narrowly focused sectoral approach, should be based on strategic planning, include projects in different fields of intervention, and involve a number of different public and private actors. However, as it turned out, in the initial phase the implementation of Stadtumbau Ost tended to be narrowly focused on housing market issues, particularly on dealing with housing vacancies. For that reason, the policy was confronted with criticisms in the literature, as it was argued that *'the dominance of housing market problems in the Stadtumbau (Ost) process has [...] presented a barrier to finding a more complex approach to regeneration'* (Kuhn & Liebmann 2007: 135), and that *'in considerable contrast to the comprehensive design of the development plans submitted, the implementation of Stadtumbau Ost has a strong tendency to be narrowly directed to the issue of regaining housing market equilibrium'* (Bernt 2009: 764).

Although it was generally agreed that Stadtumbau Ost significantly contributed to the stabilisation of housing markets in east German cities, with respect to other aspects (qualitative improvements in urban space) it turned out to be much less successful, at least in the first years of the implementation. As a consequence, the policy has undergone some changes in terms of legal regulations and financing in the next years. In this paper we would like present the gradual change that the policy has undergone in the course of the implementation. Using a range of

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sources including existing literature on the subject, policy reports, legal documents and financial data, as well as referring to information gathered during field research we look at the changes that the policy has undergone overtime, asking to what extent these changes resulted from the underlying dynamics of socio-economic processes, and to what extent can they be seen as a result of strategic decision making, resulting from a critical evaluation of the initial phase of policy implementation.

## (2) Demographic and housing market situation in eastern Germany

Stadtumbau Ost policy was implemented in eastern Germany against the background of a deep and long-lasting shrinkage process (Herfert 2004). A particular impulse for this policy was the problem of housing vacancies, which reached an unprecedented dimension in some cities, and especially in particular city districts (pre-war housing stock and post-socialist prefab housing, see Fig. 1). Interestingly, vacancies did not become an issue of public interest until the turn of the centuries. At that time it was finally realized that vacancies were not a temporary phenomenon, but a serious problem that affected roundly one million dwellings, or about 13% of the total housing stock (Kommission 2000: 2). Previously, as noted by several authors, this subject was virtually absent from the public debate (Bernt 2009, Glock & Häußermann 2004), despite the fact that some forecasts prepared in the middle 1990s predicted a serious problem with vacancies to arise around the year 2000 (IRS 2004). For several reasons, including the desire of local politicians to avoid in the public debate topics like ‘shrinkage’ and ‘vacancies’ (Glock & Häußermann 2004) that were not complimentary with the prevailing ‘growth paradigm’ (Grossmann 2007), these issues were a kind of taboo, until the problem reached such a dimension that it was no longer possible to negate or ignore it.



Figure 1. Typical forms of housing vacancies in eastern Germany: in historical pre-war housing (left), and in post-socialist prefab estates (right) (Photo: A. Radzimski)

In the early post-reunification years the policies for eastern Germany were driven primarily by the objective of economic growth. Some of these policies were particularly relevant for the development of cities and the functioning of housing markets. For example, generous tax benefits were introduced that stimulated the construction of numerous new apartment units, despite the fact that a number of dwellings in the existing housing stock urgently required renovation. Although these policies were not particularly motivated by any particular principles of spatial or (sub-)urban development, it has been argued that they had the actual effect of promoting urban sprawl (Nuissl & Rink 2005, Schmidt 2011). The policies resulted in a strengthening of the economic cycle, and in result residential construction in eastern Germany in the 1990s reached a scale incomparable to any other post-socialist country.

The scale of investments in the existing housing stock was relatively lower than the scale of new construction, but a significant effort was undertaken also in that case. Despite the fact that the inner-cities were plagued by some problems, like unresolved restitution claims (Nuissl & Rink 2005), a large share of historic buildings was renovated pretty soon – what also makes a striking difference in comparison to other countries of the former eastern block. Also the attractiveness of prefabricated housing estates constructed in the socialist times was improved. In the early 1990s even a special government funded policy was launched exclusively for that purpose, and about 150 projects in 120 cities benefitted from this form of support (IRS 2004: 15). During the first decade after the reunification about 75% of the housing stock had been already comprehensively or moderately modernized (Kommission 2000: 12). As noted by Glock & Häußermann, the policies that supported new housing construction and modernization „*have contributed to a situation in which investments in the housing sector have been partially decoupled from housing demand*“ (Glock & Häußermann 2004: 921).

In the post-reunification period eastern Germany has been affected by a deep and long-lasting shrinkage process (Herfert 2004, Bernt et al. 2014). It was caused by a number of factors, including a low birth rate and population ageing, as well as inter- and intraregional migrations. About 2.8 millions of persons moved from the eastern part of Germany to the western one between 1989 and 2002, resulting in a net population loss of 1.3 million persons (Wolf 2006: 2). Yet, according to the government expert commission, an equally or maybe even more important factor causing vacancies was the process of suburbanisation (Kommission 2000: 2-3). Suburbanisation in eastern Germany has been in itself an extremely interesting phenomenon, for which the term ‘sprawl without growth’ was picked up (Schmidt 2011). Despite the absence of the typical sprawl-inducing factors, including demographic and economic growth, it reached an unprecedented dimension in the 1990s, incomparable with any other post-socialist country. The reasons were, apart from rising incomes (partly stimulated by social transfers) and increasing automobile ownership rate, also the virtual absence of spatial planning and the policies already mentioned above (Nuissl & Rink 2005, Schmidt 2011).

### **(3) Stadtumbau Ost: and overview of policy rules**

Stadtumbau Ost was introduced as a new policy by the decision of the German parliament (Bundestag) from the year 2001. It was defined as a joint initiative of the federation and the federal states (Bund-Länder-Programm). It was not the first initiative of that kind in Germany. Federal support schemes for urban regeneration activities existed in (West) Germany since the 1970s, firstly as one single initiative, and since the 1990s as a branch of initiatives focused on particular topics. For example, in 1999 the programme ‘Social city’ (Soziale Stadt) was introduced, which is aimed at city districts facing particular social problems. Originally, Stadtumbau Ost was to be implemented in the years from 2002 to 2009, but the German parliament has approved a prolongation until the year 2016.

The Stadtumbau Ost policy was intended to be based on the integrated approach. This concept has become particularly influential in the last years due to recommendations included in the ‘Leipzig Charter on Sustainable European Cities’ (2007), but actually it has been present in the planning discourse already in the earlier period. In the case of Stadtumbau Ost, the integrated approach was implemented in particular by the formal requirement for all participating municipalities to elaborate integrated urban development concepts (*integriertes Stadtentwicklungskonzept, INSEK*). The main purpose of these concepts was to demonstrate how the projects implemented under the framework of Stadtumbau Ost would be related to an overarching development strategy of the city (BMVBS 2003). Also, in accordance with the

integrated approach the policy should involve a possibly broad spectrum of different actors, stakeholders and groups, including in the landlords, local enterprises, and residents initiatives.

With regard to the spatial focus, an overarching aim of the policy was to strengthen the residential attractiveness of cities in eastern Germany that were challenged by the process of demographic shrinkage (BMVBS 2006: 5, Bundestransferstelle 2010: 1). More specifically, the policy was influenced by the concept of ‘consolidation’, which assumed that cities should shrink ‘from the outside to the inside’. In other words, it was expected that the reduction of vacancies in peripherally located prefabricated estates, together with renovation and upgrading in historical core districts would encourage a part of households to move closer to the city centre. That concept was very influential at some time in the planning circles, and a large number of municipalities implemented it in their development strategies (Peter 2009: 44).

The new policy of urban restructuring in eastern Germany was structured in such a way that all the support funds granted by the federal government (1 billion euro for the period from 2002 to 2009) should be equally divided between two objectives: the reductions of the vacant housing stock, and the qualitative improvements of urban space, i.e. upgrading (BVBS 2012: 70).<sup>2</sup> In the first case, the projects should be co-funded by the federation and the federal states, each of them granting 50% of support. In the latter case, also the municipalities were required to contribute a one-third share, and the remaining two-thirds were provided by the upper levels of government. It should be noted that, despite the original intention to keep both policy objectives equally important, alone this difference in financing rules, which required a contribution of municipalities in the case of upgrading but not in the case of demolitions, created conditions under which one objective could be preferred over the other.

One also needs to remark that, although in official government documents upgrading was declared to be as important policy objective as housing stock reductions, during the conceptual phase dealing with vacancies was considered to be the by far most important objective. While the introduction of Stadtumbau Ost followed the recommendations of a report elaborated by a multidisciplinary expert commission (Kommission 2000), it was noted by Seelig that the work of this body was dominated by the representatives of housing companies and banks, who were lobbying first of all for a subsidized government programme to help them deal with problematic assets, with just a single representative of urban planning (Seelig 2007: 24). In the report cited above it is stated that ‘*demolition projects should always be accompanied by upgrading*’ (Kommission 2000: 54), but remarkably the word ‘upgrading’ (Aufwertung) appears in the report only on 5 pages, while the word ‘demolition’ (Abriss) appears seven times more frequently. This reflects, at least to some extent, the actual focus of considerations that preceded the implementation of the policy.

To sum up, in the policy’s initial phase there were some signs that could suggest its later focus on housing stock reductions. Yet, it should be underlined that from the formal point of view both policy objectives – housing stock reductions and upgrading of urban space – from the beginning were intended to be treated as equally important. That rule had a solid legal base, as it was written the agreement between the *Bund* and the *Länder* regarding the rules of spending urban policy funds.<sup>3</sup> In the following part of the paper we will see how these principles were realized in practice, both in the initial and later period of the implementation.

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<sup>2</sup> The equal balance between upgrading and housing stock reductions should be maintained at the level of the federal states (*Länder*), but not necessarily at the level of individual municipalities.

<sup>3</sup> This agreement is called *Verwaltungsvereinbarung*. It has a status of a legal act, in which the federation (*Bund*) and the federal states (*Länder*) formulate the common rules of spending funds, in that case – funds related to the process of urban restructuring.

#### **(4) Policy in practice: how the rules were implemented**

As described in the previous section, Stadtumbau Ost was intended to be a policy based on the integrated approach, which should involve a range of different actors and combine interventions related to the housing market with projects aimed at upgrading of the urban space, with an overarching purpose of improving the residential attractiveness of cities in eastern Germany. In this section we will show how the rules were implemented in practice, focusing particularly on these points in which the policy diverged from the plans.

Initially, two equally important objectives of Stadtumbau Ost were formulated: the reduction of the vacant housing stock, and the qualitative improvement of urban space (upgrading). So, the policy was meant to have a broad profile, which was not solely focused on the issue of stabilization of the housing market, but also took into account the specificity of the urban environment. It was based on the assumption that physical reductions of the housing stock alone are not a solution, and that a strengthening of the residential function of cities (and particularly the inner historic districts) is necessary. Although in the conceptual phase the housing market aspect was dominating, in the decisive phase the policy took a more balanced shape. However, as it turned out soon, that combination of objectives was actually not followed in the first years of policy implementation.

This fact can be illustrated by data regarding the financing of projects. While in the first year of policy implementation (2002) a balanced proportion between vacancy reductions and upgrading measures was maintained, in the following years demolitions became the dominant objective (Figure 2).<sup>4</sup> In the year 2004 even 70% of total support granted by the federal government was spent on vacancy reductions. Thereafter the proportions between these two objectives became somewhat more balanced again. Additionally, two further objectives were introduced in the course of policy implementation. These included: firstly, the reduction of unnecessary social and technical infrastructure (started in 2005), and secondly the preservation and renovation of historic buildings (started in 2006). However, these two objectives received substantially less funding than the two original objectives, and were in fact subsidiary in their nature.<sup>5</sup>

There have been several factors that might explain why vacancy reductions became the dominant objective of Stadtumbau Ost, while at the same time the upgrading of urban space, which was intended to be an equally important objective, played a less important role. Firstly, as already mentioned, the financing rules were formulated in such a way that encouraged vacancy reductions rather than upgrading projects, because in the former case no financial participation of municipalities was required. In the case of upgrading, the municipalities had to contribute one third of project value, what could turn out to be difficult or even impossible for many municipalities facing financial shortages. It should be also noted that, apart from Stadtumbau Ost, in some cases upgrading projects could be financially supported other funds from the federal budget (for example the funds for the preservation of historic monuments – *Städtebaulicher Denkmalschutz*) budgets of the federal states, i.e. the Länder.

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<sup>4</sup> In 2003 the rules agreed one year before were changed, and the Bund allowed the Länder to spend more than 50% of support on vacancy reductions. According to this agreement, the imbalances should be equalised in the following years (so, if in one year more funds were spent on demolitions, in the next years upgrading should receive more support). However, as it turned out, in fact the dominance of vacancy reductions lasted several years.

<sup>5</sup> The reduction of social and technical infrastructure was introduced as an additional objective of Stadtumbau Ost because a part of existing infrastructure networks (including water supply, for example) as well as in some cases kindergartens or schools became unnecessary after a substantial share of the housing stock had been removed. The preservation and renovation of historic buildings was introduced as a way of encouraging investments in inner city districts that received relatively little attention in the first years of Stadtumbau Ost.

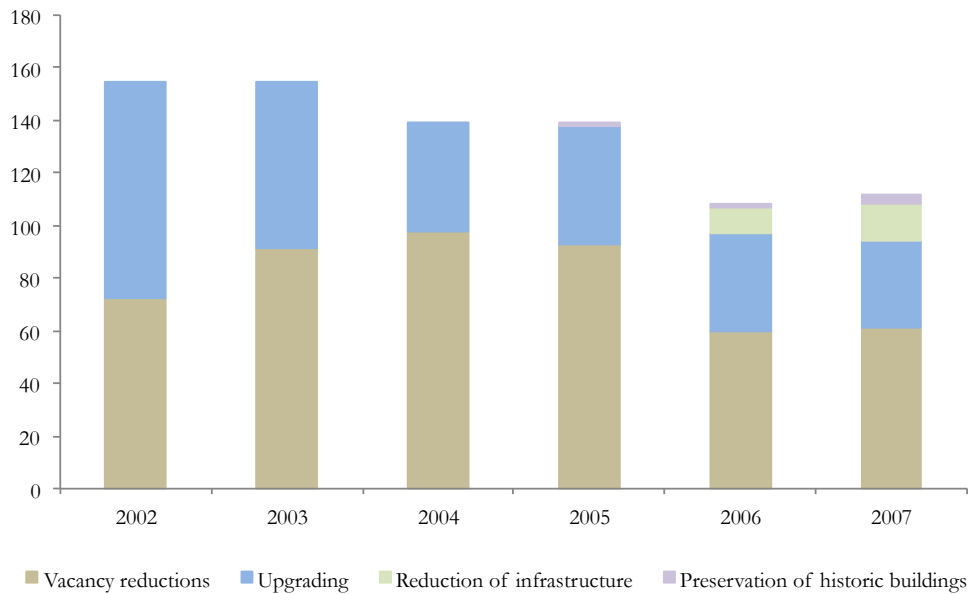


Figure 2. Total support granted by the federal government under the framework of Stadtumbau Ost in the period from 2002 to 2007, by policy objectives (in millions of euros). Source: BMVBS 2008, page 15.

It is also important to note that policy implementation during the first three years (from 2002 to 2004) was strongly differentiated regionally. While some regions (Länder) spent a vast majority of support funds on vacancy reductions, in other regions the structure of spending was more equally divided between both policy objectives (Figure 3). Particularly in Saxony and Saxony-Anhalt the amount of subsidies spent on vacancy reductions was much higher than the amount spent on upgrading. That can be partly explained by the presence of cities that were particularly strongly affected by vacancies. These included in particular Chemnitz, Dresden and Leipzig in Saxony, and Halle, Dessau and Magdeburg in Saxony-Anhalt, as well as a number of smaller towns in both Länder.

The policy also diverged from the original plans with regard to the spatial focus. The concept of ‘shrinking from the outside to the inside’ assumed that vacancy reductions in prefab housing estates would cause a part of residents to the historical core districts. However some municipalities have seemingly understood this principle in a rather narrow version. That is, it has been pointed out that some local policymakers did not actually see any additional need to spend Stadtumbau Ost funds on upgrading the historic core districts, because they were convinced that the reduction of the housing stock in the peripheries would ‘automatically’ induce an increased residential attractiveness of historic city parts, even without substantial qualitative improvements therein (BMVBS 2006, p. 70).

This approach, however, did not prove to be very successful. During the first phase of the implementation, when the policy was strongly focused on housing stock reductions (mostly in prefabricated housing estates in city periphery), the migration movement towards the core districts were very limited (ibid.). That fact had several reasons. Firstly, the housing associations managed to efficiently reallocate remaining residents from demolished buildings within their own housing stock. Secondly, for many households the relocation to the historic districts did not offer a feasible alternative due to existing residential preferences and higher costs.<sup>6</sup> It is estimated that as a result of this about 70 to 80% of residents affected by demolition measures relocated within

<sup>6</sup> Higher costs in the case of relocation from prefabricated housing to historic buildings would result in particular from generally larger apartment sizes as well as higher room height, which would drive up the heating costs.

their neighbourhood (BMVBS 2007a, p. 29). Taking into account large vacancy reductions implemented in prefabricated housing estates, as well as several upgrading projects that increased their residential attractiveness, vacancies in post-socialist districts decreased substantially, while in historical cores they remained on a high level (Liebmann 2008: 163). That pattern of spatial development clearly diverged from the concept of ‘shrinking from the outside to the inside’.

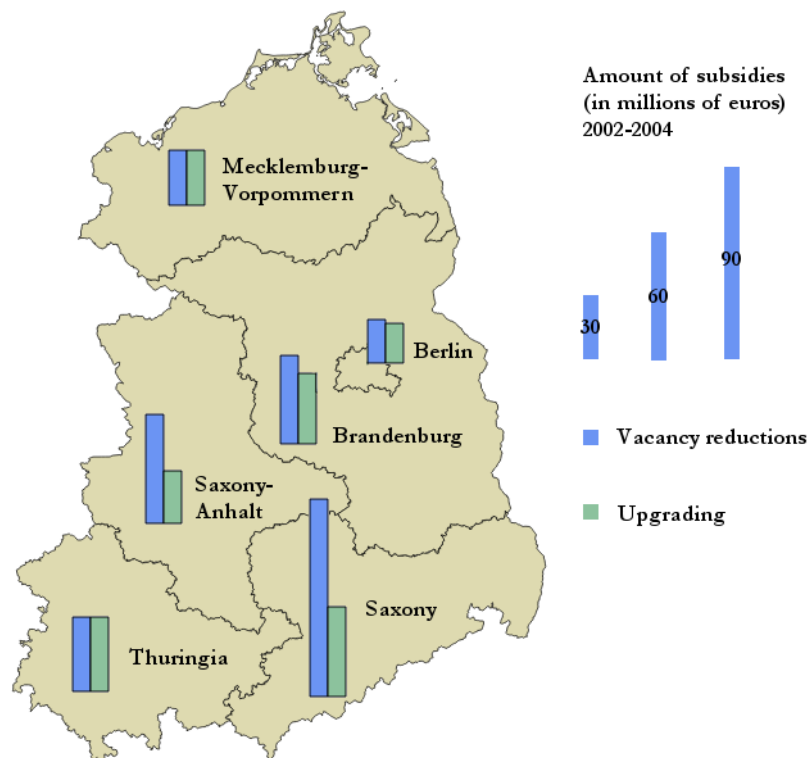


Figure 3. Regional differentiation of Stadtumbau Ost subsidies in the period from 2002 to 2004, according to policy objectives. Source: own elaboration based on data from BMVBS 2006, p. 33.

All municipalities participating in Stadtumbau Ost were required to elaborate integrated concepts of spatial development. These concepts should demonstrate how the projects were embedded with an overarching strategy of city development. In reality, however, an integrated approach based on strategic planning often gave way to a different *modus operandi*. That process has been well illustrated by the case study of Leipzig Grünau, a large housing estate that was characterized by a significant number of vacant dwellings (Bernt 2005). While initially the process of restructuring in Grünau was intended to be based on a plan elaborated by the municipal authorities, in practice the decision, which buildings should be removed, and which should be maintained was more a result of a bargaining process between the municipal authorities and the landlords (i.e. the housing companies). So, the actual decisions depended more on the situation of particular housing companies, than on the overarching development strategy of the city (ibid.). In result, instead of an integrated approach to problems based on a partnership between the public and the private actors, in some cases *‘the relations between City Hall and landlords [were] not stable and long lasting, but contradictory, highly fragmented and limited to a small number of issues’* (Bernt 2009: 764).

The degree of involvement of different actors and stakeholders was differentiated. After five years of policy implementation it was concluded that apart from local decision makers mostly the representatives of the housing sector were involved in the projects. While municipal housing companies and housing associations participated in over 90% of projects, the representatives of

the local economy were involved only in every third case, and resident's initiatives in every fifth (BMVBS 2007a: 74). Some groups identified as crucially important for an effective implementation of urban restructuring, like for example private property owners, participated in the policy in a marginal extent (Bundestransferstelle 2010: 4). The importance of small property owners is demonstrated by the fact that they own about 45% of rented dwellings in eastern Germany (BMVBS 2007b: 18). In contrast to housing associations and large housing companies, which were actively involved in the process of urban restructuring, only 3% of private landlords received Stadtumbau Ost subsidies until the year 2005 (BMVBS 2007: 34). Although the reasons for this were manifold, one needs to remark that actually the problem began already at the level of information policy, as the *'small property owners concerned [had] little knowledge of the city's urban regeneration concept and of concrete plans or measures in relation to upgrading or demolition activities in the area where their house is located (...) The media have so far been the main source of information about urban regeneration measures. Information coming from the city or the union of property owners played a far lesser role.'* (BMVBS 2007b: 5).

Having discussed the main weak points of Stadtumbau Ost, let us now move to these aspects in which the policy turned out to be more successful. Generally, it is believed that with regard to housing market stabilization the policy has met the expectations. Already in the years 2002-2007 about 200,000 dwellings were removed from the market with the financial support of the *Bund* and the *Länder* (BMVBS 2008: 14).<sup>7</sup> So, around 60% of the objective of 350,000 removed dwellings was already achieved (ibid.). Around 80 to 90% of demolitions took place in prefabricated housing estates, and only about 10 to 20% occurred in the historic districts.

To sum up, during the first years of its implementation the Stadtumbau Ost policy turned out to be a successful solution to the problem of housing vacancies. But at the same time, being strongly focused on the issue of housing market equilibrium, the policy failed to recognize the complexity of urban environment in which it was implemented (Kuhn & Liebmann 2007, Bernt 2009). It met the expectations of the housing sector, but disappointed those who expected an integrated approach to solving the problems of cities in eastern Germany that were strongly affected by the process of shrinkage.

## **(5) Policy under change**

In the previous section some aspects were identified, which might be seen as the 'weak points' of the Stadtumbau Ost policy during the initial phase of implementation. They can be summarized to the following points: (1) lack of balance between the two main objectives – reductions of vacancies and upgrading, (2) insufficient focus on historic core districts, (3) in some cases, lack of integrated and strategic approach to the problem. In that section we would like to discuss how these issues were addressed in the later years of policy implementation.

The structure of financing with regard to different objectives has undergone a substantial change over time (Table 1). In the period from 2002 to 2009 a half of all support funds granted by the federal government was spent on housing stock reductions, and as illustrated by Fig. 2. that share was much higher particularly in the years from 2003 to 2005. During the same period, about 40% of support funds were spent on upgrading, and the two other fields of intervention, i.e. the reduction of social and technical infrastructure, and the renovation and preservation of historic buildings, made up almost 10%. In contrast, in the period from 2010 to 2013, the share of funds spent on vacancy reductions fell down to only 10%, and in absolute terms funding declined more than ten times. On the other hand, upgrading became by far the most important objective with roughly 70% of funding. It is also worth noting that the objective 'Renovation and preservation

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<sup>7</sup> Additionally around 20,000 dwellings were removed with the financial support of the Länder Brandenburg, Saxony and Thuringia.



of historic buildings' significantly gained on importance in comparison to the previous period, which partly reflects the increased focus of the policy on the core districts that will be discussed in the following part of the paper.

The change that the Stadtumbau Ost policy has undergone was partly a result of the underlying housing market dynamics. Firstly, there were substantially fewer demolitions of dwellings, and in consequence much less public support was spent on that purpose. A major part of dwellings that could be removed from the market without many complications were already demolished in the period from 2002 to 2007 (BMVBS 2008: 16). The remaining part of the vacant housing stock could not be so easily taken from the market, for example due to the fact that the buildings were renovated some years before, and in consequence the properties were mortgaged. Or, the buildings were vacant in a substantial part, but there was still a large group of remaining tenants that would require a complicated reallocation process. And finally, the landlord could oppose the demolition for some other reasons. The number of demolitions declined also due to the fact that the financing rules have changed, making housing stock reduction less attractive for housing companies (Bundestransferstelle 2010: 4).<sup>8</sup>

Table 1. The structure of support funds granted by the federal government under the framework of Stadtumbau Ost, with regard to fields of intervention.

Period	Fields of intervention			
	Reduction of housing vacancies	Upgrading	Reduction of infrastructure	Renovation and preservation of historic buildings
	In millions of euro			
2002-2009	518.5	428.4	63.8	13.1
2010-2013	37.8	247.5	16.3	47.2
	As percentage			
2002-2009	50.7	41.8	6.2	1.3
2010-2013	10.8	70.8	4.8	13.6

Source: Bundesprogramm Stadtumbau Ost 2009 & 2013.

However, the change that the Stadtumbau Ost has undergone appears to be also a result of a strategic, political decision. Or more precisely, of a range of decisions that led to the same objective. First of all, the spatial focus has shifted from the prefab housing estates, typically located in peripheral areas of cities, towards the historical core districts. Notably, the third official policy report of Stadtumbau Ost, published in the year 2008, was entitled 'Perspectives for the inner city in Urban Restructuring' (BMVBS 2008). One year earlier, the new approach was announced by the following statement of the Federal Minister of Transport, Construction and Urban Development:

*We also see that the desired effects, especially in the historical districts, did not everywhere come to fruition. For that reason the latter pillar of urban restructuring, that is the upgrading of inner cities and urban districts that deserve preservation, shall henceforth be brought into focus. The inner cities create the individual character of each city. That applies in particular to the valuable historic urban fabric that has to be preserved (BMVBS 2007a, p. 3).*

Two important changes in policy rules were made already in the year 2005. Firstly, it was decided to strengthen the legal protection of historic buildings (built before 1914) by the requirement of

<sup>8</sup> Together with Stadtumbau Ost additional funding was introduced by the federal government with the purpose of covering the costs of mortgages of the demolished buildings. Some of these mortgages date back to the socialist Times, and are typically called *Altschulden* in the German discourse. When the possibility of this additional funding expired, reduction of housing vacancies became financially unfeasible for many landlords.

the approval for regional authorities (i.e. the Länder) for the demolition of every such building, if these buildings were located on the street front, or for other reasons constituted important elements of the urban fabric (BMVBS 2012b: 70). In the year 2008 the importance of historical city cores was underlined by the fact that demolitions of valuable historical buildings<sup>9</sup> were excluded from financing under the framework of Stadtumbau Ost (ibid.: 72).<sup>10</sup> Secondly, as already mentioned before, a new field of intervention was introduced, which had the purpose of preservation and renovation of historic houses. What is particularly important, no financial contribution of municipalities was required in that case – similar as in the case of vacancy reductions, but differently to the case of upgrading projects, where a contribution of a one third of project value was required (ibid.: 71). In that way the local authorities received an additional, and financially attractive option of supporting the inner districts.

Also, since 2007 it was required to spend at least 50% of support for upgrading, which in that way became the main objective of Stadtumbau Ost (ibid.: 71). It should be also noted that upgrading had a somewhat different profile depending on the spatial location of projects that were implemented. In the case of prefabricated housing estates 41% of projects were related to the improvements of the living environment, while 30% involved the re-use of spaces that were made empty after the buildings were demolished. In the case of historical core districts, 37% of projects were related to the upgrading of the existing housing stock, and the second-most important task were the improvements of the living environment with a share of 33%. As we see, in the case of the prefab housing estates upgrading was to a large extent a consequence of housing stock reductions.

Lastly, we would like to refer to the last aspect in which we identified a weakness of the Stadtumbau Ost policy in the initial period. As already mentioned, Stadtumbau Ost was intended to be a policy based on the integrated approach, and that means in particular the inclusion of different actors and stakeholders, both from the private and the public side. The objective of a broad involvement turned out to be very difficult to achieve. Moreover, in contrast to other aspects this issue is also difficult to change, because the engagement of private actors can be only indirectly influenced by the public authorities. However, some recent projects have demonstrated that a stronger involvement of private actors is in principle possible.

One of examples is Glaucha, a district of Halle (Saxony-Anhalt) built in the late 19<sup>th</sup> century to provide housing for industrial workers. Due to that reason, it is characterized by relatively simple architectural forms, and despite central location for a long time it has suffered from an overall negative image as a place of residence. 70% of dwellings in Glaucha are owned by private landlords, so from the very beginning it was clear that no change in the neighbourhood could take place without an active involvement of them (BMVBS 2012a: 96). As of the year 2007, the district had an extraordinarily high vacancy rate of 15%, compared to a 14.4% average of Halle (ibid.: 95). Starting from the year 2007, the municipal authorities started to focus their efforts on the issue of urban restructuring in Glaucha.

A characteristic feature of that process is that apart from ‘hardware’ issues (i.e. investments in the physical fabric), much emphasis was laid on the ‘software’ aspects (like information and communication). Using the financial support from Stadtumbau Ost, the institution of a ‘landlord moderator’ was called into life. The main task of that person was to provide information and advice regarding a stepwise renovation, or alternatively the sale of houses (ibid.: 96). In general, the experiences with this ‘Glaucha model’, as it has been called meanwhile, have been evaluated

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<sup>9</sup> More specifically, buildings constructed prior to the year 1919, other important landmarks as well as of historic monuments are meant in this context.

<sup>10</sup> Exceptions from these rule could be made only by the decision of the ministry, following a request of the regional authorities, which in turn must be based on a district-level urban development concepts demonstrating that such measures are necessary to implement from the point of view of an overarching strategy.

very positively. The vacancy rate, although still remains relatively high, has declined to 20% in the year 2010, and the number of renovations has increased significantly. Also, the process of urban restructuring has stimulated the activity of residents' initiatives. For example, a local association has been called into life that among other things became engaged in work with the youth (ibid.: 97).

## **(6) Conclusions**

In this paper we looked at the example of the Stadtumbau Ost policy. This policy has been implemented for a number of years in the context of east German cities with the overall purpose of strengthening their residential attractiveness under the circumstances of a strong process of demographic shrinkage. In particular, we documented a change that the policy has undergone over time. Firstly, contrary to original intentions, it became strongly focused on the important, but narrow issue of housing market equilibrium. Dealing with housing vacancies, especially in prefabricated housing estates, for a certain period became the dominant aspect, which was subject to much criticism in the literature. Later, the policy has gradually taken a more integrated approach, and included in greater extent other issues, especially the upgrading of historical city cores.

In conclusion, the change that the Stadtumbau Ost policy has undergone appears to be both a result of processes external to the policy itself, and of changes made by policymakers. External factors, including in particular changes in the structure of housing vacancies, have led to decreased number of demolitions, and in that way opened up the possibility of reorienting the policy more strongly towards other aspects. However, the actual direction in which the policy evolved seems to be the outcome of several important changes in policy rules, that all followed more or less the same strategic objective. In that way, it can be said that the policy, or more precisely the policymakers, learned from the initial experiences during which Stadtumbau Ost did not fully meet the expectations.

## (7) Literature

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