GOVERNMENT POLICY, THE LOCAL STATE, AND GENTRIFICATION: THE CASE OF PRENZLAUER BERG (BERLIN), GERMANY

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ABSTRACT: Since reunification, Berlin planners have sought to find a niche for a post-industrial New Berlin integrated into Europe. While great scholarly attention has focused on the grand projects that have dominated the reconstruction of the city’s government and downtown commercial districts, only lesser attention has been paid to the city’s housing and social policies. This article seeks to identify the extent to which Berlin planners have permitted unabated market-led redevelopment to proceed and to what extent local policy has sought more balanced redevelopment and the “European city” ideal. The article looks at gentrifying Prenzlauer Berg, in eastern Berlin, to assess the extent to which public policy measures can be expected to constrain and temper, and not just promote, gentrification. The role played by community development organizations in mediating development is observed. The impact of the city’s fiscal crisis and slack housing market are also noted.

What is the relationship between government policy and gentrification? One common theme of much of the gentrification literature is the relationship between government policy and gentrification. Even in its early years, urban observers began to recognize that gentrification was not solely the result of natural phenomena and market forces; it was also the result of government policy shaped by strong pro-development interests (see Smith & Williams, 1986).

More recently, the connection between government policy and gentrification has become even more overt. In Britain, the Labour government’s Urban Task Force has sought to promote gentrification and a “back to the city” movement as part of an “urban renaissance” (Lees, 2000, p. 391). In the United States, the Republican Party emphasis on New Federalist devolution and the Clinton administration’s emphasis on “reinventing government” have both enabled new local economic development actions that have underpinned gentrification (Wyly & Hammel, 1999). In Chicago, for instance, HOPE VI funds coupled with new flexible regulations for the replacement of existing public housing units allowed the city to tear down Cabrini-Green public housing towers and construct, in the abutting area, new townhomes and mixed-income housing, with luxury units selling at

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a price around $400,000. The project, situated quite close to the city’s Magnificent Mile, has helped to catalyze new private investment and residential development throughout the city’s near north area, with nearby penthouses priced over a million dollars.

Beauregard (1990) has noted the importance of local and national policies in explaining the different trajectories of the four different central-city Philadelphia neighborhoods that he observed. Government investment and policy initiated the reclamation and class and racial transformation of the city’s historic Society Hill district. Government policy also served to reinforce developer-driven gentrification in the Spring Green neighborhood, which is close to the city’s museum district.

Yet, is it possible that government policy can play a quite different role than that observed by Beauregard and others who have noted the close connections between government policy and the pace of change in neighborhoods ripe for gentrification? Can government policy play a different role in tempering the ill effects of market-led gentrification and promoting more balanced urban regeneration?

Much of the literature pointing to the nexus between government policy and gentrification is rooted in the experience of cities in the United States, Great Britain, Canada, and Australia (see, for instance, Laska & Spain, 1980; Palen, 1984; Smith & Williams, 1986). What about cities that fall outside the Anglo-American tradition? Are countries with a strong planning culture and less deference to private profit-making interests capable of controlling, or at least mitigating, the effects of gentrification?

This article seeks to answer these questions by looking at planning efforts in Prenzlauer Berg, a district in eastern Berlin that has undergone rapid transformation since the fall of the Berlin Wall. Special care will be taken to note just where government policy has served to promote and to mitigate the effects of gentrification.

DEFINING GENTRIFICATION: CLASS CHANGE AND DISPLACEMENT

Gentrification is an imprecise term. Even in the 1980s, during the early debate over gentrification, the term was used variously to mean “back to the city,” “resettlement,” urban “reinvasion,” “invasion-succession,” central city “revitalization” and “revival,” “reinvestment,” “renovation,” “private-market rehabilitation,” “private renewal,” “neighborhood renewal,” the “rediscovery” of city neighborhoods, and “incumbent upgrading”—all of which have somewhat different meanings (Clay, 1980; Laska & Spain, 1980; Lipton, 1980; London, 1980). A view of the process solely as back-to-the-city return of the urban gentry, for instance, would miss changes brought about by incumbent upgrading and the impact that changes in household formation have had on city housing markets.

Confusion over the precise meaning of gentrification persists. At the 2002 international conference on gentrification held in Glasgow, Scotland, panelists used the term gentrification broadly, referring not only to the transformation of residential neighborhoods but to a wide range of inner-city renewal and renaissance activities, including the reclamation of once derelict warehouse areas and the opening of new suburban-style shopping plazas and entertainment centers in once-abandoned core downtowns.

The broader uses of the term gentrification to refer to all evidence of urban renewal and renaissance, including commercial renewal, goes beyond much of the gentrification literature where the term has been used more strictly to denote urban succession in a city’s poor and declining residential neighborhoods. As Smith and Williams (1986) observe, gentrification “connotes a process which operates in the residential housing market” (p. 1). Strictly defined, the term gentrification does not accurately apply to any urban revitalization
project; it also denotes a process of class (and often racial) succession, if not always displacement. Smith and Williams (1986) provide a serviceable definition of gentrification as “the rehabilitation of working-class and derelict housing and the consequent transformation of an area into a middle-class neighborhood” (p. 1).

Wyly and Hammel (1999) underscore the point that gentrification is “a process that is fundamentally rooted in class” and “class transformation” (p. 716). They argue that gentrification in the United States refers to “the class transformation of those parts of the city that suffered from systematic outmigration, disinvestment, or neglect” in the decades following World War II. While the term may encompass new luxury construction in abandoned areas, more typically it implies “‘invasion/succession’ displacement” (p. 717). The construction of new projects on vacant center city land may avoid direct conflict; but ultimately these projects are still tied to efforts that privatize urban space and reconstruct the city for more affluent and technologically competent residents.

Yet, as the term is commonly understood, gentrification often implies more than even simple class transformation; it also implies displacement, especially forced displacement. This displacement focus is the basis of the definition provided in a Brookings Institution discussion paper: “In this paper we define gentrification as the process by which higher income households displace lower income residents of a neighborhood, changing the essential character and flavor of that neighborhood” (Kennedy & Leonard, 2001, p. 5). As the authors underscore, “gentrification requires the displacement of lower income residents from their neighborhoods.” More to the point, the authors underscore that they are most concerned about “involuntary displacement” (p. 5). New housing construction in Cleveland does not meet their requirements of gentrification as the city’s wide swath of vacant land and abundant abandoned residential and commercial structures enables developers to create attractive housing for newcomers without displacing existing residents (p. 16).

For Smith (1992), the essence of gentrification is in its violent displacement of the poor in the contest over city space, as so-called “better” classes seek to expropriate poorer and minority areas for their own use. Hamnett (1984), too, underscores the view that the term gentrification, precisely used, refers to a process of change that is being brought to former working-class, residential neighborhoods: “Gentrification commonly involves the invasion by middle-class or higher-income groups of previously working-class neighborhoods or multi-occupied ‘twilight areas’ and the replacement or displacement of many of the original inhabitants” (p. 284).

As gentrification implies the class transformation of more marginal urban areas, it is little wonder that Lees (2000) is reluctant to apply the term to the 1990s post-recession process where members of New York’s financial community have used their abundant wealth to buy into already-gentrified areas like Brooklyn Heights and Park Slope. Lees prefers the term financiers as opposed to gentrifiers, to denote the quite different nature of this second wave of neighborhood discovery and transformation (p. 398). The new financiers have bought out the earlier gentrifiers who preceded them, constructing large, fortified dwelling units out of character with the neighborhood and of a scale that dwarfed previous gentrified conversions. The arrival of these high-end supergentrifiers has changed the character of neighborhoods; still, their impact is much different when compared to the arrival of an earlier generation of gentrifiers that displaced the working class renters from their homes. Lees asks if the new entrants can accurately be viewed as gentrifiers when they “are not displacing marginal groups” (p. 398). Lees uses the term super-gentrification to distinguish the more recent wave of urban transformation from the earlier process of gentrification that displaced the working class and the poor.
Conventional gentrification is still taking place in New York City, in more marginal areas like Lower Park Slope, just outside of already-gentrified Park Slope, where the fight over contested territory and the displacement of working-class Hispanics continues (Slater, 2002). But in Park Slope proper and in Brooklyn Heights, the post-recession buying out of the already successful by the even more super-successful just does not fit the working definition of gentrification.

PRENZLAUER BERG: RIPE FOR GENTRIFICATION

In the early twentieth century, Berlin thrived as a center of manufacturing driven by small electric engines. At the turn of the twentieth century, Berlin had the highest population density of any city in Europe, with “a staggering 1,000 people per hectare;” in poor, working-class districts like Prenzlauer Berg, apartments had “five or more people per room” (Richie, 1998, p. 163). In Prenzlauer Berg, five-story tenement buildings that fronted the streets hid rows of back buildings and side buildings that virtually filled entire city blocks. Families shared small, cramped, and inadequately heated apartments that, together with industrial workshops, surrounded dark inner courtyards. Apartments lacked toilets; in some Prenzlauer Berg buildings, 10 flats shared a single toilet. The poverty and despair of the area were captured in the art of expressionist printmaker Käthe Kollwitz, who lived in the heart of the district.

Communist-era policy allowed areas of the old capitalist city to decay further in favor of the construction of new high-rise housing districts that were seen to embody communist ideals. More than half of East Berlin’s population lived in the belt of high-rise housing estates on the east side of the city, constructed of pre-cast concrete slabs or panels called Platten (Droste & Knorr-Siedow, 2001, p. 172; OECD, 1999, p. 57). Under the German Democratic Republic, families left Prenzlauer Berg for new apartments in the prefabricated high rises (Plattenbau) that offered greater living space, heating, insulation, private toilets, and better access to schools, shopping, and recreational facilities. (Mass produced, quickly assembled, and poorly maintained, many of the plattenbau soon suffered construction deficiencies. After reunification, the plattenbau districts suffered a huge exodus of population, and the government undertook an extensive effort to rehabilitate the structures and stem the outmigration.) Prenzlauer Berg, itself, was the site of the 8- to 18-story buildings of Ernst-Thälmann-Park, a project that was out of character with, and in many ways detached from, the rest of the neighborhood.

Prenzlauer Berg’s many abandoned buildings eventually attracted squatters who could find housing by jimmying open a door. The area became the site of East Germany’s “small and harassed alternative scene” (Ladd, 1997, p. 107), a center of dissidents and other outcasts who were not awarded housing or who were not comfortable in other parts of the city. Prenzlauer Berg gained the reputation for being sort of an East German version of Greenwich Village or Haight-Ashbury (Large, 2000), a place of intellectuals, artists, counter-cultural lifestyles, and LSD and hashish use. Gethsemane Church, in the northern part of the district, served as a gathering point for the 1989 demonstrations that helped lead to the fall of the Wall. On the district’s northeast side, Prenzlauer Berg abutted the Wall.

After Germany’s reunification, the area, with its cheap housing, “hip” reputation, and central location in a unified city (only 10 kilometers or so to Alexanderplatz) was ripe for gentrification. The district also enjoyed great transportation service provided by the U-Bahn, the speedy aboveground S-Bahn, and trams (which had been preserved in East Berlin but not in West Berlin). Land speculation and new development quickly ensued as
buildings, restituted to their former owners who typically did not live in them, were sold to speculators and property entrepreneurs. The once-badly deteriorated neighborhood suddenly became fashionable, as evident in the proliferation of new housing construction and renovation projects and the opening of numerous art galleries, trendy cafés, and restaurants. Soon, newly constructed and renovated buildings stood side-by-side seriously dilapidated buildings awaiting facelifts and overhaul.

Beauregard (1990) has observed from his study of Philadelphia how a sense of “community,” “solidarity,” and “neighborhood identity” can serve as the basis for “resistance” that will retard the pace of transformation (pp. 856–857, 864–866). In Prenzlauer Berg, the area’s working-class roots and history of squatter-style activism should have been expected to provide effective resistance to community transformation. Yet, community solidarity in Prenzlauer Berg was weakened as the owners of newly restituted properties felt little attachment both to badly deteriorated dwellings and to a neighborhood in which they did not live. Occasional street actions by more politicized groups critical of capitalist-driven investment processes were not able to thwart, or even greatly slow, the pace of neighborhood change.

As defined in terms of the modernization of derelict housing and the changed class character of the neighborhood, Prenzlauer Berg has clearly experienced substantial gentrification. If the definition of gentrification also embraces involuntary displacement, however, just how much of the neighborhood’s transformation can be characterized as gentrification is much less clear. Former Prenzlauer Berg residents were not generally forced out by rising rents or by the unscrupulous actions of landlords. Many residents voluntarily left the neighborhood in search of more satisfactory residences outside the old working class district with its cramped quarters. As a Brookings discussion paper emphasized in reviewing the definition of gentrification, “Tenants can leave their units for a range of reasons, so departures in a revitalizing neighborhood do not necessarily mean gentrification is occurring” (Kennedy & Leonard, 2001, p. 6).

Also, despite impressions of Prenzlauer Berg’s gentrification, in reality the transformation of the district has been most uneven. Renovation and transformation have been greatest near the cafés and galleries of Kollwitzplatz and in the southern portion of the district close to the business centers of Mitte and Alexanderplatz. Other portions of the district retained their raffish or working-class character. Private investment was much less evident in the farther reaches of the district, in areas closer to working-class Wedding and Pankow than to Kollwitzplatz. A decade after reunification, much of the building stock in the inner city Winsstrasse renewal district similarly awaited refurbishment (although cheap rents and small-scale redevelopment steps, such as tree planting and traffic control barriers, were beginning to increase Winsstrasse’s popularity).

**Government Policy Promotes Transformation**

For critics, the transformation of Prenzlauer Berg stands as testimony to the ills of the city’s corporate-oriented growth strategy that gave sparse attention to concerns for housing affordability and displacement. In the early 1990s, Berlin was actively searching to find a niche for itself in a postindustrial Europe. The economic modernization of the city had been delayed by the politics surrounding its Cold War division. Generous federal subsidies that were dispensed to make West Berlin a Cold War showcase also served to retard local entrepreneurship and growth initiatives (Strom, 1996). In the eastern half of the city, economic adaptation was similarly slowed by a communist ideology that glorified manufacturing.
With the fall of the Wall, the obsolescence of industries in the Ost (East) was suddenly apparent. As Berlin planner Thomas Knorr-Siedow recounted in a 2001 lecture to the Fulbright Kommission program on urban planning in Berlin, German officials responded with a sense of urgency to the loss of over 160,000 jobs in the eastern portion of the city; they would try to build a New Berlin as a postindustrial office and service center. This was redevelopment with a clear downtown, megaproject focus (Strom, 2001). Germany's capital was moved from Bonn to Berlin where entire new governmental and embassy districts were constructed. The Cold War no-man's-land of Potsdamer Platz blossomed as a vast new corporate and entertainment mega-complex. The old Friedrichstrasse downtown, divided and virtually abandoned during the Cold War (it was the site of Checkpoint Charlie), was rebuilt as an upscale office and retail center. Berlin even began to construct new facilities as part of its unsuccessful bid to host the 2000 Summer Olympics.

Plans for still greater transformation include the massive reconstruction of Alexanderplatz, which is to become the new center of a united Berlin. The Alexanderplatz project is to take approximately 30 years to complete and is to include a rescaled public square, the demolition of existing office towers, and (as enumerated in the initial plan) the construction of 10 new high-rise towers with a multitude of offices, shops, restaurants, and residences.

The guiding framework for the New Berlin was provided by Planwerk Innenstadt (the master plan for the inner city). Berlin was to be redeveloped, not as an American- or western-style commuter city, but as a densely built European city. Attractive central-city living environments were to be created to stem the flight of population to suburban Brandenburg, newly open after the fall of the Wall. Mixed-use waterfront developments and other new suburban-type districts constructed inside Berlin were geared more to owner-occupiers than to Berlin's traditional rental constituency (Simons & Häussermann, 2000). The Rummelshurger Bucht redevelopment of the derelict warehouse area along the Spree River was to be a model village with 5,900 apartments, 15,000 jobs, gardens, expansive park space, and a riverside promenade (Berliner Festspiele, 1999). The Planwerk envisioned new mixed-use developments that would add 21,000 to 30,000 units to the city's housing stock (Simons & Häussermann, 2000). The plan also called for the upgrading of conditions in Berlin's declining, working-class neighborhoods in order to provide a city that would be attractive to a white-collar and professional workforce.

Critics charged that such planning efforts acted to produce a city that was "increasingly socially, economically, and spatially polarized" (Strom & Mayer, 1998, p. 122). While new residences were being built for technologically competent workers, rising rents had the potential of displacing the working class and the poor. These early reviews found little sense of balance in post-reunification planning efforts. One assessment concluded that national and local "policies have done little to address...worsening housing conditions throughout the city" (p. 123).

The development of new prestige projects designed to accommodate high-tech industry and their technology-competent workers only served to underscore the dramatic nature of the change that was taking place in Prenzlauer Berg. As one local planner recounted in a personal interview, the city's landmark Wasserturm (or water tower) overlooking Kollwitzplatz was converted into nine pie-shaped flats at a cost of 4 million DM. Very little concern was given to the appropriateness of providing luxury living units in a structure that in the 1930s had been used as a "beating station" (Richie, 1998, p. 412) or "wild concentration camp" (Large, 2000, p. 263) where Nazi police auxiliaries imprisoned, tortured, and murdered their opponents.
On Prenzlauer Berg's southern edge, just minutes from Alexanderplatz, the night life of Mitte, and Kollwitzplatz's cafés (Töns, 2001), the developers of BACKFABRIK.de converted a massive factory-bakery collective into a striking complex containing 24,000 square meters of office lofts designed to attract smaller, innovative firms in the media, advertising, computer, and telecommunications industries (“Die BACKFABRIK.de,” 2002). Designed by the internationally renowned architect Marc Kocher, a former partner of the late Aldo Rossi, the project offers an Italian-style central piazza, bistro, restaurant, courtyard obelisk, gallery and exhibition space, and even a rooftop fluorescent light sculpture. Bundestag President Wolfgang Thierse laid a tile to mark the commencement of construction and returned to illuminate the light sculpture at the project's 2002 opening, signifying the importance of the project to the government's efforts to have Berlin become a high-tech, corporate service center in the New Europe.

Even more dramatic is the redevelopment of the Alter Schlachthof (Old Slaughterhouse) area as an entirely new, densely-built quartier of the city—a major new center of offices, shopping, manufacturing, and residences (4,700 planned housing units) on the site of the city's derelict stockyards and tanneries. It is another prestige project designed to attract international investment, with its vision conceived by Marc Kocher. The People's Republic of China is a tenant of the project and has arranged for space that may be developed as a new Chinatown. The Berlin Senat designated the Schlachthof renewal a strategic project for the city, part of its effort to make Berlin an international metropolis, writing down land prices and affording the developers special planning provisions, including an eased ability to expropriate private property.

Urban Renewal Policy: Toward More Balance Development

Images of prestige commercial projects, newly rehabbed apartment buildings, and trendy Kollwitzplatz cafés have led to the perception that Prenzlauer Berg's rebirth has been predominantly corporate- and market-oriented with little concern for equity issues and social policy. Such is not entirely the case. Berlin's government has designated five renewal areas in Prenzlauer Berg where the housing stock was so aged and housing conditions were so severely deficient that it took the government to catalyze and guide regeneration. The five renewal areas contained a population of approximately 60,000 persons living in 32,000 flats, 90% of which were erected before 1918 (S.T.E.R.N., 2001). Contrary to the stereotype of market-led gentrification, Prenzlauer Berg was also Berlin's largest residential redevelopment project.

Any fair assessment of the transformation of Prenzlauer Berg must take into account the severely dilapidated condition of housing in the district underscoring the need for renewal. In the early 1990s, one-sixth of the district's dwellings were vacant (Bernt & Holm, 2002); 43% of the apartments lacked a private bathroom; 22% had an outdoor toilet; 83% were inadequately heated and depended on individual coal-fed ceramic tile ovens that posed severe pollution and health problems (S.T.E.R.N., 2001). Under the GDR, building facades and stairways crumbled; balconies collapsed and were not replaced. The neighborhood also suffered a lack of public parks, playgrounds, schools, and kindergartens, all facilities that had been underprovided by the GDR.

Impressionistic evidence drawn from the gentrification and café scene surrounding popular Kollwitzplatz have led to an exaggerated picture of Prenzlauer Berg's health and transformation. Despite the much-evident new investment, Prenzlauer Berg remains the poorest subdivision in Berlin, with a mean net household income of only 2,100 DM (Berlin.cres.net, 2003). Even with the arrival of many new residents from the West
(popularly referred to as Wessis), Prenzlauer Berg still suffered a net population outmigration as former district residents used their newfound freedom to find better housing outside the district.

Tables 1 and 2 underscore the unevenness of private investment in the five Prenzlauer Berg renewal areas. Kollwitzplatz, of course, is the site of substantial privately financed reconstruction. In contrast, nearby Helmholtzplatz, the site of many past squats and the center of Prenzlauer Berg's alternative scene, is not so much the center of market-led gentrification as it is a target of government-led investment designed to upgrade the area's severely deficient housing. At the time of reunification, half the buildings in Helmholtzplatz had neither baths nor showerheads; one-fourth had only outdoor toilets (Berlin Real Estate, n.d.). Where gentrified Kollwitzplatz is viewed as an island of wealth, Helmholtzplatz is still regarded by policy makers and other outsiders as a "problem area" (Mayer, 2003, p. 6). Helmholtzplatz was designated as Prenzlauer Berg's first renewal area. Two other renewal areas, Winsstrasse and Bötzwstrasse, located closer to Friedrichshain, are similarly dependent on government-led revitalization efforts as they, too, have not witnessed the degree of private investment evident in Kollwitzplatz (See Table 1).

At its 2001 Halbzeit ("Half Time") photographic exhibition in the restored Kulturbrauerei, S.T.E.R.N., the agency charged by the Berlin Senat (the municipal cabinet) with the management of each of the five urban renewal areas, documented the extensive physical upgrading of housing in the district that had already occurred at the mid-point of scheduled public revitalization efforts. Citywide statistics, too, pointed to the extensive modernization of housing that has occurred since reunification. In 1993, 339,300 housing units in Berlin, largely in the eastern portion of the city, relied on wood or coal-tile stoves;

### TABLE 1
Progress of Urban Renewal in Prenzlauer Berg, 2000

<table>
<thead>
<tr>
<th>Renewal District</th>
<th>Number of Units Rehabbed Since Beginning</th>
<th>Percentage of Units Brought to Full Standard, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helmholtzplatz</td>
<td>133,338</td>
<td>43%</td>
</tr>
<tr>
<td>Kollwitzplatz</td>
<td>6,519</td>
<td>49%</td>
</tr>
<tr>
<td>Teutoburger Platz</td>
<td>4,423</td>
<td>42%</td>
</tr>
<tr>
<td>Winsstrasse</td>
<td>4,850</td>
<td>21%</td>
</tr>
<tr>
<td>Botzowstrasse</td>
<td>3,072</td>
<td>30%</td>
</tr>
</tbody>
</table>


### TABLE 2

<table>
<thead>
<tr>
<th>Renewal District</th>
<th>Social City Renewal Units</th>
<th>Self-Help Program Units</th>
<th>Total Units</th>
<th>Total Building Costs (DM)</th>
<th>Public Finance Costs (DM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helmholtzplatz</td>
<td>2524</td>
<td>290</td>
<td>2814</td>
<td>463,394,944</td>
<td>256,801,829</td>
</tr>
<tr>
<td>Kollwitzplatz</td>
<td>919</td>
<td>143</td>
<td>1062</td>
<td>211,376,162</td>
<td>129,573,689</td>
</tr>
<tr>
<td>Teutoburger Platz</td>
<td>596</td>
<td>188</td>
<td>784</td>
<td>159,095,828</td>
<td>98,426,651</td>
</tr>
<tr>
<td>Winsstrasse</td>
<td>474</td>
<td>107</td>
<td>581</td>
<td>116,109,297</td>
<td>72,402,476</td>
</tr>
<tr>
<td>Botzowstrasse</td>
<td>349</td>
<td>0</td>
<td>349</td>
<td>63,087,336</td>
<td>30,517,643</td>
</tr>
<tr>
<td>Total</td>
<td>4862</td>
<td>728</td>
<td>5590</td>
<td>1,013,063,567</td>
<td>587,724,288</td>
</tr>
</tbody>
</table>

just five years later, the number was reduced by two-thirds to 111,700. The modernization of home heating led to a sharp decline in the use of lignite coal, from 1.7 tons burned in Berlin in 1991 to just 53,000 tons in the year 2000 (Lehmann, 2001).

Public funds for social city renewal (Soziale Stadterneuerung) financed the modernization of 4,862 residential units in Prenzlauer Berg’s five renewal areas. There was an additional 1,400 units of new construction (S.T.E.R.N., 2001). A program to aid self-help housing and other cooperative efforts (Wohnungspolitische Selbsthilfe) financed the modernization of another 728 units at the project’s halfway mark (See Figure 2). Financial support was also provided for youth projects, neighborhood meeting places, theater works, and arts workshops. These projects were intended to promote social stability and integration by strengthening residents’ identification with their community (S.T.E.R.N., 2001). Part of the former Königstadt brewery was refashioned as a youth center and meeting house. Compared to private-led gentrification, the government renewal efforts gave considerable attention to improving conditions for existing residents, especially poorer residents, and to tempering the inequities of market-led renewal.

The Selbsthilfe program, in particular, helped to assure that a number of economically marginal residents of the district would share in its revival. The program provided aid to housing cooperatives, artisans, and the owners of small local stores. It also sought to assist nontraditional living arrangements, including apartment sharing by young people and former squatters critical of capitalist ideals. The self-help program also sought to abet social inclusion by providing skills training (in the building trades) for youth and by increasing the sense of identity that former squatters and other alternative groups would have with the neighborhood (S.T.E.R.N., 2001).

The first Selbsthilfe award was given to a cooperative formed by a group of former squatters who, during the waning days of the GDR, had engaged in intensive actions to foil plans to demolish their Rykestrasse building for the construction of a new “slab” housing project. Self-help assistance allowed the cooperative to pursue its own brand of socially and environmentally conscious living. The cooperative undertook the refurbishment not just of the building’s residential units but also a street-level café, in the heart of Kollwitzplatz, run by coop members and frequented by Ossis (East Germans).

Self-help assistance of 450,000 DM allowed another group of former squatters to organize a cooperative and acquire and modernize the eight living units of their building. Each coop member was required to put in 15 hours a week in sweat equity. In still another instance, outside funds allowed renters to form a residential association and acquire and manage their buildings, thereby fending off the prospects of their buildings’ imminent privatization and their near-certain displacement (S.T.E.R.N., 2001). On Knaackstrasse, just across from the Wasserturm, self-help assistance enabled the local operation of a small falafel and schwarma sandwich shop in the heart of trendy Kollwitzplatz.

At Oderbergerstrasse 12, self-help assistance was given to provide housing for the homeless. The Berlin Senat provided partial funding; the homeless, themselves, contributed to the project through the sale of special newspapers. Yet, the prospect of replicating the project has been sharply reduced by the intrusion of Berlin’s fiscal crisis, which has acted to constrict the monies available for social spending.

**The Social City and Careful Urban Renewal:**
**Neighborhood Management and Citizen Participation**

By the latter 1990s, Berlin policy makers began to respond to the criticisms of the corporate-oriented nature of the early post-unification planning efforts. Planners exhibited
a new concern for neighborhoods and their residents, including measures designed to mitigate the ill effects of gentrification and displacement (OECD, 1999; Simons & Häusermann, 2000).

Federal Soziale Stadt (Social City) policy, directed against problem neighborhoods, emphasized citizen participation (planning with people), social inclusion (especially language and skills-based training to integrate the new immigrant groups into German society), cultural celebrations, and youth programs. There were 15 Senat-designated Social City planning areas in Berlin. In each, a Senat-appointed manager sought to get schools, churches, housing associations, merchants, and others to work in partnership together (Simons & Häusermann, 2000).

In Prenzlauer Berg, S.T.E.R.N. (more formally, the Gesellschaft der behutsamen Stadterneuerung Berlin mbH) was the appointed manager for the Soziale Stadt program. S.T.E.R.N. had previously been awarded the contracts to prepare and coordinate the activities of Prenzlauer Berg's five urban renewal areas. Another federal policy, quartiersmanagement, also gave specific attention to the social development of declining areas, a quite different emphasis than the physical reconstruction focus of urban renewal. Only one of Prenzlauer Berg's five urban renewal areas, Helmholtzplatz, was also designated a quartiersmanagement area, with its social policies, too, administered by S.T.E.R.N.

S.T.E.R.N.'s history of neighborhood management has roots beyond Prenzlauer Berg. S.T.E.R.N. came to prominence as a result of its "careful urban renewal" approach in Kreuzberg, a West Berlin neighborhood where squatters and activists had thwarted the large-scale clearance and redevelopment efforts of the 1960s. S.T.E.R.N. was created to implement the new neighborhood-oriented approach to urban renewal called for by the International Building Exhibition (IBA, the Internationale Bauausstellung Berlin). The IBA spelled out 12 basic principles for a new direction for German planning. Principle Number One encapsulated the spirit of this new and alternative direction for future Berlin redevelopment efforts: "Renewal must address the needs of present residents, who must be involved in the planning process. Existing housing stock is to be preserved wherever possible" (S.T.E.R.N., 1989, p. 12). The 12 principles were adopted by Kreuzberg's councilors and the city of Berlin in 1982–1983.

To minimize displacement, S.T.E.R.N. bases its neighborhood development plans on existing use patterns of property; residential sites are kept residential, and commercial sites are kept commercial. As all five of Prenzlauer Berg's renewal areas are primarily residential in character, S.T.E.R.N.'s primary focus has been on improving the standards of dwellings, increasing public open space, and providing supportive social infrastructure. S.T.E.R.N.'s critical reconstruction approach emphasizes infill, historic preservation, the rehabilitation of old buildings (as opposed to new construction), and a respect for traditional height limits (22 meters in Berlin). Private developers criticize the guidelines as unduly restrictive.

A new emphasis in Prenzlauer Berg was placed on the provision of parks, child care, neighborhood arts, social services, improved schools, and the creation of larger apartments, all efforts to make Prenzlauer Berg more attractive to families, especially to middle-class families. A "Hundred Courtyards" program sought to create new play spaces and gardens in the district's many central courtyards, many of which, over the years, had been paved and used as parking lots. Yet, despite these efforts, Prenzlauer Berg remains an area dominated by small-sized living units and single persons and couples without children. Single-person households constitute 57% of the households in the district. During the 1990s, the proportion of single-person households in the district rose by nearly a fifth, and the mean number of persons per household dropped from 2.1 to 1.6 (Bernt & Holm, 2002).
One key element of S.T.E.R.N.'s careful urban renewal approach is its emphasis on citizen participation (Bürgerbeteiligung), its rejection of the top-down approach that had characterized Berlin urban renewal in the 1960s. As S.T.E.R.N. explains, the "concrete knowledge of the realities of each case...can only be provided by the people living in the town in question" (S.T.E.R.N., 1989, p. 6).

S.T.E.R.N. employs a number of participatory devices. In each urban renewal area, S.T.E.R.N. seeks to organize a large, well-attended, two-day mass neighborhood meeting, a practice that it first started in Kreuzberg. S.T.E.R.N. also utilizes planning workshops where residents discuss various items and goals. Each of the five renewal areas has its own resident association that not only receives information from S.T.E.R.N. but also submits its own proposals. There are also extensive mailings to neighborhood residents, including a monthly magazine.

Anecdotal evidence attests to the sincerity of participatory efforts in Prenzlauer Berg. S.T.E.R.N. arranged for the extensive involvement of neighboring residents, private interests, and the parks department in designing a park and playground at Teutoburger Platz. The preliminary plans for both the Helmholtzplatz and Teutoburgerplatz parks were modified to include benches in response to the concerns solicited from the parks' small group of regular beer drinkers who complained that they were being ousted from their traditional gathering spots.

Yet, the continuing controversy over Helmholtzplatz Park also points to the tensions inherent in S.T.E.R.N.'s participatory orientation. Socially marginal residents object that the goal of making Helmholtzplatz "a place for all" means that the park will eventually be redesigned for the convenience of children and seniors, not for the drinkers, punks, and homeless who have used the park as a gathering place and a place to sleep. At a Planungsworkshop, members of these fringe groups complained of the construction of a park fence, increased police surveillance, a ban on dogs, and an attempt to review participation procedures, all measures that they saw as a retreat from the earlier agreement not to oust marginalized people from the park (Holm, 2001). Indeed, they had reason to worry. S.T.E.R.N.'s planners had long observed that children and their parents avoided the park's playground area as it had become a hangout for alternative groups. In the Spring of 1999, S.T.E.R.N. helped organize a "project day" where children and their parents reclaimed the play area in a noisy children's festival (S.T.E.R.N., 2001, p. 44).

S.T.E.R.N. helps to bring neighborhood concerns into the decision-making process. S.T.E.R.N. views neighborhood groups as one very important, but not the only, set of stakeholders in neighborhood development. The organization acts as an intermediary that seeks to balance the concerns of neighborhood residents, economic interests, and governmental actors (Franke & Lohr, 2001).

A number of small incidents illustrate the intermediary role played by S.T.E.R.N. In one controversy, local activists objected to the construction of a new residential building, which, in the absence of Federal subsidies, was to be rented at market rates. Residents proposed the construction of affordable housing; they feared the gentrifying impact that market-rate construction would have on neighboring property. But S.T.E.R.N. lacked the public funds for affordable units and would not bring the development to a halt.

The question of finances intruded in yet another dispute, this time over a sizeable vacant parcel of land in the Teutoburger Platz renewal area. The land was originally planned to be the site of a new school. But with the decline in the number of children in the area, the need for the school dissipated, and S.T.E.R.N. proposed a change in the development plan. S.T.E.R.N. did not simply yield to resident associations who wanted the large open space to be developed as a playground. As the property was owned by the Federal
government, S.T.E.R.N. feared that the costs of acquiring a parcel of such considerable size for use as a playground would virtually exhaust the agency’s budget for land acquisition, impeding other development projects in the area. Allowing commercial development of the site, in contrast, would generate monies that would help pay for site acquisition. In the end, S.T.E.R.N. suggested a compromise; most of the property was devoted to commercial use, with a smaller portion of the site left as greenspace.

S.T.E.R.N.’s conceptualization of neighborhood management is also seen in its work on the redevelopment of the district’s number of large but antiquated beer production facilities. Prenzlauer Berg was once the center of the Berlin beer industry. By the 1990s, these once derelict facilities provided spaces for new offices, galleries, restaurants, entertainment, and media- and web-based development.

The old Pfefferberg Brewery, the site of a famous squatters’ action, was declared a protected building in 1990. Badly damaged during World War II, its deteriorated buildings in more recent years have provided a site for small craft workshops, outdoor beer gardens, concert venues, and countercultural clubs. Plans for the regeneration of the site were to be decided by the Pfefferwerk Cooperative, local residents, and S.T.E.R.N., the entity contracted by the city of Berlin to manage redevelopment in the renewal area (Berliner Festspiele, 1999, pp. 277-278). The site initially was turned over to a private developer charged with increasing the commercial uses of the site. But S.T.E.R.N. intervened to ensure that the artists and small workshops situated in the complex would be offered long-term leases so that they would not be displaced by the rebuilding effort. S.T.E.R.N. also applied for public funds to renew one of the Pfefferberg buildings as a space for local artists. The agency also worked to ensure the green design of the project, including the preservation of open space near local schools and even requirements that commercial tenants provide facilities to facilitate bicycle commuting.

In redoing the Pfefferberg, an effort was made to keep down costs and to maintain the feel of the old buildings, including preserving walls with their bullet holes from World War II. Plans for the Pfefferberg stand in sharp contrast to the redevelopment of the nearby Kulturbrauerei (the former Schultheiss brewery), a more polished and glitzy complex that includes a multiplex cinema, dance clubs, restaurants, open-air cafes, government-subsidized dance and performance spaces, arts venues, and even a food market for the project’s residential neighbors. The Treuhand commission, charged with the privatization of government property in the former East Germany, failed twice in its attempts to sell the Kulturbrauerei site. In the end, the commission decided to develop the site itself, expanding on its GDR-era use as a place for neighborhood cultural activities.

While not actually responsible for the development of the Kulturbrauerei, S.T.E.R.N. nonetheless found itself working with area residents on such issues as land use planning and traffic management to ensure that traffic to the Kulturbrauerei’s underground garage would not pass through residential streets. S.T.E.R.N.’s intervention also helped to produce a compromise where the size of a planned Kulturbrauerei disco was reduced in order to lessen its impact on the surrounding residential area.

Just north of the Pfefferberg, infill development plans call for the construction of a new mixed-use office project on the north side of Senefelderplatz, on the busy Schönhauser Allee thoroughfare. Despite the opposition of neighborhood activists who sought the preservation of the rare piece of greenspace, planners allowed the new project to proceed as being consistent with the historic street grid of the city; the site has remained vacant only because the building that previously occupied it was destroyed during World War II.

As all these cases serve to demonstrate, S.T.E.R.N. seeks to balance the demands of various neighborhood and development constituencies, the stakeholders in the neighborhood’s
renewal. It does not act simply as the voice of neighborhood residents. Hired from outside the neighborhood to manage redevelopment, S.T.E.R.N., with a staff of professional planners, has even at times discounted the views of neighborhood groups that it deemed unrealistic in ignoring the material constraints on renewal (Franke & Lohr, 2001). S.T.E.R.N.'s participatory orientation does not reach the "community control" top rung of Arnstein's (1969) "ladder of citizen participation" (p. 217).

Still, whatever its limits, S.T.E.R.N.'s commitment to citizen participation is genuine and stands in marked contrast to the inadequacy of the participatory mechanisms in more famous New Berlin building projects. Federal and state agencies pursued major development projects as if on a secret mission (Simons & Häussermann, 2000, p. 21) with only the most minimal public participation. The objections of environmentalists to the construction of a new high-speed rail and traffic tunnel under the Tiergarten were ignored as planners stressed the need to have a high-speed rail station to serve the new governmental district while having a tunnel to divert automobile traffic away from the impressive new Federal Chancellery building. On this and other major strategic projects, normal procedures governing land use were modified so that the Bezirke, the local or borough councils most responsive to citizen concerns, were stripped of their usual powers to grant and deny planning permissions (Simons & Häussermann, 2000; Senatsverwaltung für Stadtentwicklung, 2001; Strom, 2001).

The Bezirke were similarly excluded from the development of an Inner City Master Plan. The 1996 Inner City Master Plan (Planwerk Innenstadt) was formulated top-down with the attitude that "central city planning should not be held hostage to neighborhood interests" (Strom, 2001, p. 111). The official summary of the 1999 version of the plan claims that the "participation process was both involved and successful" (with 16 forums and project meetings, five public exhibitions, and eight round-table workshops with borough planners and other interested parties) (Senatsverwaltung für Stadtentwicklung, Umweltschutz und Technologie, 1999, p. 185). Yet, other language in the plan undercuts this interpretation by asserting that as the "common good of the city" must be the plan's "guiding principle," planning must not be compromised in response to any sectoral concern, "even direct concern for the interests of local citizens" (p. 184). As the official summary continues, master planning can help produce a coherent vision of a "city in the tradition of the great European cities." This can be done only if sectoral concerns, including those of activist citizen groups, are kept in balance. Otherwise, "a disparate cityscape" of "faceless city fragments," would result (pp. 184–185).

To deflect criticisms of the lack of citizen involvement, the Berlin Minister for Planning organized an informal advisory council, the Stadtforum (City Forum), where municipal representatives and independent planning experts debated urban development issues before a public audience who were then asked for comments. By 2001, the Stadtforum had met some 80 times. But this participatory approach was quite limited, focusing on the exchange of elite opinions without providing organizational support for sustained, independent citizen participation. The shortcomings of the Stadtforum led the PDS (the former communist party) to help organize an alternative Stadtforum von Unten (Forum From Below) in an attempt to give voice to eastern residents who felt neglected.

Citizen participation in planning a new Alexanderplatz was similarly quite limited as plans were reviewed and decided on by city officials and an elite jury. Official documents refer to "extremely intensive public involvement" (Senatsverwaltung für Stadtentwicklung, 2001, p. 35). Yet, public participation largely took such passive forms as the holding of periodic exhibitions where the results of the planning process were displayed before the public for comments and objections.
In Germany, Federal laws that seemingly promote citizen participation are often easily compromised during implementation. The 1976 amendments to the Federal Building Act oblige local authorities to make the early drafts of planning documents available to the public for comments and objections. The local council is obliged by law to consider and respond to every comment and objection made by citizens. Residents can also file a grievance with administrative courts if they feel a municipality has failed to adequately follow the participatory requirements of the law. Yet, planners generally make only minor alterations in response to citizen concerns. In reality, planning authorities are quite skillful in presenting documentation that they have met the legal requirements for citizen participation. Evolving drafts of plans often include an appendix containing a summary of citizen comments. Draft plans also are routinely accompanied by “box score” figures that purport to show the responsiveness of planners, that, for instance, they have fulfilled 9 of 14 or 64% of citizens’ suggestions in a specific area. In such box scores, every minor wish fulfillment is counted the same as a major citizen objection that is ignored.

More recent Federal policy has sought to give greater emphasis to citizen participation. In 1999, the German government embraced the concept of the activating or enabling state, emphasizing transparency and the development of social capital. The Socially Integrated City program stressed neighborhood management, resident participation, and desirability of neighborhood collaborations and public-private partnerships in problem solving. By the year 2000, 209 neighborhoods in 189 cities participated in the program (Franke & Lohr, 2001).

When contrasted with the severely limited role afforded citizen groups in the planning of Berlin’s grand projects, S.T.E.R.N.’s participatory orientation stands out. It is at the neighborhood level, not at the strategic project level, that a new culture of citizen participation has begun to emerge in Berlin. Still, the new planning culture in Berlin has not placed power directly into the hands of citizen groups as much as it has shifted decision making to a more community-oriented group of planners.

The Impact of Fiscal Crisis: Undermining Social Policy

By the late 1990s, conditions of fiscal crisis threatened to undermine those programs that were key to maintaining neighborhood balance. The intrusion of new economic constraints in the late 1990s abruptly ended the luxuriousness that Berlin had enjoyed in being able to provide generous social programs financed largely by federal aid. Programs like social housing suffered deep cuts (Mading, 1998).

Falling land prices since 1994 further led the city Senat to reduce its commitment to social housing. Falling land prices meant a drop in money for social programs associated with redevelopment, as the funds for those programs had largely come from the proceeds of redevelopment land sold to private developers. With the decline in such proceeds, the city increasingly turned to privately financed housing, which gained a new prominence in the development plans.

During the early 1990s, public grants had helped to finance about one-sixth of the modernization efforts in Prenzlauer Berg, contributing to the large welfarist or social segment in the district’s rehabilitated housing (Bernt & Holm, 2002). But with new fiscal austerity, public subsidies were reduced, and private investment decisions gained a heightened primacy in shaping the district. Physical rehabilitation gained a new primacy over social policy (Bernt & Holm, 2002; Simons & Haussermann, 2000).

The new, privileged position gained by private investment as a result of the city’s fiscal crisis is underscored by a brief look at the figures. From 1991 to 1999, slightly less than
half (48%) of building modernization in Prenzlauer Berg was privately financed. In the era of fiscal constraint, since 1998, the figure jumped to 75% (S.T.E.R.N., 2001). The changed housing mix has increased the prospects of gentrification-induced displacement. The 1998 Building and Regional Planning Act sought to offer the residents of urban renewal areas protection against displacement (OECD, 1999). However, property owners incur greater obligations for rent stabilization if they use public funds for modernization. As the above-mentioned figures underscore, fewer and fewer building modernization programs are reliant on public funds.

Even the housing mix envisioned by the Planwerk Innenstadt was compromised as a result of the new fiscal constraints. The 1994 plan for Adlershof, Berlin’s proposed “city of science and technology,” called for the construction of 5,500 housing units, with 45% to be built as private housing. Just two years later, facing new fiscal constraints, the Berlin Senat reduced the total number of planned units to 4,000 and increased the private housing share to 80% (Simons & Häussermann, 2000, p. 9). Once again, tight fiscal conditions led to a compromised social policy goal.

The increased deference to the preferences of the private market has helped to produce a new social stratification in Berlin. During the last half of the 1990s, districts in both the eastern and western portions of Berlin “developed a more distinct social profile.” In eastern neighborhoods, the “social mix” of the old GDR neighborhoods was “slowly dissolving” (Simons & Häussermann, 2000, p. 5). In Prenzlauer Berg, privately financed renovation resulted in a greater displacement of lower-status by higher-status renters than did publicly assisted renovation (Bernt & Holm, 2002). If economic and demographic trends were to increase the demand for Berlin’s housing market, the city’s welfarist social and housing programs, facing cutbacks in government subsidies and the expiration of rent caps, will no longer be capable of safeguarding against displacement and counteracting gentrifying processes (Bernt & Holm, 2002). The Federal 1998 Building and Regional Planning Act offered the residents of urban renewal areas a degree of protection against displacement (OECD, 1999, p. 50). However, the protections offered by the act against rising rents was not absolute (Strom & Mayer, 1998). Properties lying outside the boundaries of the designated renewal areas also enjoy a much lesser degree of rent protection.

Government policies impact neighborhood trajectories. As noted above, in Prenzlauer Berg, social class succession (the new stratification) has been greater in privately financed investment projects as opposed to those projects where government financing helped underwrite a commitment to maintaining neighborhood diversity and a respect for social values. Studies of neighborhood upgrading will do well not to view all of a neighborhood’s change under the single rubric of gentrification. The public-led renewal of Helmholtzplatz differs considerably from the more market-led transformation surrounding Kollwitzplatz. Public-led modernization may produce quite more socially acceptable results than a private-led or laissez-faire approach that does not attempt to offset gentrification (Atkinson, 2001).

**CRITICISMS AND THE FUTURE PROSPECTS FOR BALANCED REDEVELOPMENT**

Critics of gentrification have focused on the costs and social inequity of neighborhood transformation. Yet, the benefits of Prenzlauer Berg’s physical upgrading did not go only to the area’s many new arrivals. While urban renewal efforts at physical revitalization certainly helped to make the area more attractive to new residents, the same programs also
helped to upgrade housing and neighborhood conditions for more socially marginal residents who continued to live in the district.

GDR neglect had resulted in the advanced decay of the district's housing stock. Urban renewal in Prenzlauer Berg brought sorely needed improvements in heating, insulation, basic building infrastructure, school modernization, courtyard greenspace, and public play areas. These all meant dramatic qualitative improvement to the lives of existing residents, not just to newcomers. More socially marginal tenants benefit when apartments are sealed against dampness, modern central heating systems are installed in place of dangerous and polluting tile coal-heating stoves, barren courtyards are converted into gardens and usable green space, and new youth activities and upgraded parks are provided. Any criticisms that government policies served to reinforce gentrification must be counterbalanced by recognition that the same government renewal programs in Prenzlauer Berg also brought sorely needed improvements to the area's badly deteriorated housing stock and public facilities.

Government regulations and neighborhood management also acted to limit rent increases and dampen displacement. The management agency for the urban renewal districts, S.T.E.R.N., focused on infill and rehabilitation projects in an effort to minimize displacement. Renewal money was targeted for the rehabilitation of older structures; new construction was largely confined to vacant sites. Special financial assistance allowed former squatters and alternative groups to remain in their neighborhood with their own cooperative housing, meeting places, cafés, arts, and other self-help commercial ventures. As one S.T.E.R.N. spokesperson summarized, "careful urban renewal" means "to be careful with the people who are living here" and to be sure that "at the end of the [renewal] process they are still living here."

Berlin urban planning, despite its glamorous corporate investment projects, has not given free rein to the free market. Instead, Germany continued to demonstrate "a strong consciousness of city building as a public enterprise" where "the state is seen as the legitimate arbiter of the built environment" (Strom, 2001, p. 474). In Prenzlauer Berg, government assistance provided for the modernization of the district's worst-off buildings. Selbsthilfe, or self-help financing, allowed tenants, faced with near-certain prospects of eviction as buildings were transferred to private ownership, the ability to remain in their units and in the neighborhood. Selbsthilfe assistance even offered persons opposed to capitalist ways and values the ability to organize alternative living arrangements and to live in buildings at below-market rates. Although not all self-help efforts are equally successful in providing affordable units, one case study of a self-help building in Prenzlauer Berg found rents at about half what was being charged in similar buildings in the neighborhood (Huron, 2002). Even amid the new fiscal austerity, planning for the redevelopment of Berlin's residential districts continued to emphasize community participation, local job creation, the incorporation of immigrants, and a willingness to form partnerships among churches, charities, and community-based associations organized along ethnic lines (Simons & Häussermann, 2000).

Yet, the future success of balanced urban renewal efforts in Berlin may depend as much on the state of the housing market as it does on the availability of public social policy and housing funds. The soft nature of the Berlin housing market served to weaken rent inflation and pressures for displacement. A decade after the fall of the Wall, Berlin experienced neither the dynamic economic and population growth nor the housing crunch that many had predicted amid the euphoria over reunification.

Berlin did not emerge as the new office center of Central Europe, a doorway to the East. Instead, international companies discovered that they could locate in East European cities
with no need for large Berlin offices. As Knorr-Siedow details, Berlin gained 300,000 service jobs since unification but at the same time lost a half million industrial jobs. Between 1993 and 1996, Berlin lost 20% of its research and development jobs and another 10% of its jobs in cultural services (Simons & Häsussermann, 2000).

Nor did Berlin gain one million in population, as some analysts had envisioned. Instead, the city lost some 20,000 persons over the decade as younger persons fled to the West and others found homes in suburban Brandenburg (Knorr-Siedow, 2001). OECD figures are slightly different but underscore the fact that there was no post-reunification population boom in Berlin. During the pre-unification period (1980 to 1992), Berlin’s population grew by 13.7%. From 1989 to 1997, in contrast, growth was minimal, only 1.4% (OECD, 1999).

Based on overly optimistic projections, government construction programs overbuilt and contributed to an estimated 70,000 (with some estimates as high as 100,000) empty dwellings in Berlin. Berlin was not alone. Leipzig, with over 40,000 vacant units, and other former GDR cities suffered similarly staggering vacancy rates as people moved to new homes in the suburbs and the West (Droste & Knorr-Siedow, 2001).

More radical critics also scorn Berlin’s seemingly salutary housing and social programs, including participatory and neighborhood management programs, as causing long-run harm. Social and participatory programs have cooptive effects and induce political quiescence, undermining the potential for neighborhood mobilization against transformation. The Berlin Senat initiated the program of regularizing squatting and offering grants and loans, at least in part, to undercut the more politicized squatting movement (Huron, 2002).

Margit Mayer’s criticisms go even further. She sees the new organizations as part of a strategy whereby Berlin decision makers have been able to bypass more politicized local organizations and mute grassroots criticisms of the city’s development agenda:

With the establishment of new neighborhood offices, the [Berlin] Senate circumvented existing initiatives and community organizations... In this way the Senate has created a parallel structure overlapping with but in part displacing the existing community infrastructure—one that focuses more on economic and job creation development on the one hand and on conflict moderation and (apolitical) technical expertise on the other (Mayer, 2003, p. 11).

Even self-help assistance has the effect of individualizing the response to gentrification, requiring participants to commit extensive time and energy in sweat-equity labor in their building, draining their ability to participate in political alliances and anti-displacement strategies across buildings. Self-help projects also have the potential of dividing the alternative politics movement, causing a new fissure between the tenants of newly restored building and the residents of unrestored structures opposed to neighborhood change (Huron, 2002). Cultural displacement, too, has occurred, where indigenous residents leave an area as they no longer feel at home amid the changing milieu and their increasingly yuppified neighborhood (Huron, 2002).

Government renewal programs have had all these deleterious effects. Still, despite these criticisms and dangers, this article has pointed to the positive role that government policy and neighborhood management can still play in tempering market-led gentrification and in assuring that at least some of the benefits of a neighborhood’s renewal go to existing residents.

The occasional street actions in Prenzlauer Berg by more politicized groups have not been able to bring a halt to, or even greatly slow, the process of neighborhood change.
Community solidarity plays only a “structural role, but in a very contingent fashion” (Beauregard, 1990, p. 872) in influencing the exact path of a neighborhood’s trajectory. In a capitalist society, gentrification will largely continue to occur where market conditions and the actions of private developers dictate.

The Berlin experience demonstrates that government policy can serve to promote a trajectory of neighborhood change that is more inclusive of social policy, affordable housing, and community development goals. Of particular importance is the role that can be played by neighborhood management organizations such as S.T.E.R.N. in articulating a more participant, inclusive, and balanced vision of urban renewal. While such pragmatic, managerial organizations do not always act as the unfiltered voice of neighborhood residents, they nonetheless serve to bring the concerns of existing residents to the table and temper destructive developer actions. A review of neighborhood change in the United States has similarly come to recognize the value of community-based organizations, especially community development corporations (CDCs), in assuring the provision of social services and housing opportunities for lower-income residents (Kennedy & Leonard, 2001).

The scope and shape of a neighborhood’s transformation need not be dictated by developers and by market forces alone. In the wake of Berlin’s fiscal problems, however, the question remains: Will the resources and political will be there to continue the pursuit of more balanced neighborhood redevelopment?

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