

## Neighbourhoods' Future Created by Combined Stakeholder Engagement

*Katharina Söpper*

(Dr. Katharina Söpper, Vienna City Administration, Municipal Department 18 Urban Development and Planning, Rathausstraße 14-16, 1082 Vienna, katharina.soepper@wien.gv.at)

### 1 ABSTRACT

Spaces in cities are manifold. Of particular interest for quality of life are neighborhoods. Blighted local areas undergo enhancement processes in various ways, which differ in success and sustainability of enhancement. This is often based on the stakeholder structure supporting the process. Different models display various levels of governmental as well as non-governmental involvement and collaboration of both groups often bears difficulties. How both can be useful and what model would combine the different stakeholders most effectively, is analyzed in the present work. The U.S. approach of Community Development Corporations (CDCs) displays advantages by gaining private funding and partners. Whereas, the German model guarantees enhancement processes even in areas where bottom-up initiatives and engaged nonprofit organizations are missing. In the interest of the neighborhood and the whole city, collaboration would be the best way; however, it seems that local actors have to take a leading part as experts of the local situation. The named results can also be transferred to the city context as they are neither limited to the neighborhood area nor to the studied countries.

### 2 GOVERNMENTAL AND NON-GOVERNMENTAL NEIGHBORHOOD ENHANCEMENT

Approaches for enhancement of distressed neighborhoods exist in almost every industrialized country. Programs differ, however can be divided into governmental-based and non-governmental-based approaches.

Governmental-based approaches are based on governmental created, lead, and funded programs. Local stakeholders take part as supporter on the neighborhood level, following the government's rules. In contrast, non-governmental approaches are bottom-up processes, getting started by local citizens, nonprofits or other area stakeholders. They define their own rules and goals and work on the enhancement of their neighborhood. Nevertheless, additional governmental funding is used during the non-governmental approach as well, which leads to the part-adaption of local goals according to governmental regulations.

Dissatisfying results often evolve from merely governmental programs sustained with governmental funding and tailored to governmental objectives and measures often using the same mission for every neighborhood that is part of the program. Such an overall program hinders covering local needs with adequate measures. Hence, local stakeholders do only play a minor role in the government's game. Participation processes exist, but are limited to strongly regulated procedures where citizens and other participants have to match with. Particular needs or desires are tough to cover while following the governmental based program.

In addition, governmental support is often limited in terms of time and money. Due to the goal of fair distribution of enhancement measures governments often limit their time and money budget. This way allows the approach to cover as many areas as possible since funding, that ends in one area will be available to another area afterwards. Time restriction often follows the idea of activating local potentials. Time restricted provision of money combined with the goal of building self-supporting structures is seen as adequate approach by the government for gaining local support and independent structures. The idea of long-term support without local contribution has to get avoided.

Therefore, the local community should get involved at an earlier time point and take over after the governmental incentives end. An example of such missing self-supporting structures after the governmental funding period is the German 'Soziale Stadt' ('Socially Integrative City') program. Being a successful enhancement program in general, the 'Soziale Stadt' program struggles by gaining necessary local support during the funding period, which leads to the end of most of the projects after the governmental funding ends. Short term extra time does not lead to long-term achievement yet.<sup>1</sup>

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<sup>1</sup> Söpper, 2012.

### 3 EXAMPLES OF EXISTING RELATIONSHIPS

Based on research on two examples of redevelopment approaches, the following results could be gained. The two examples are: the 'Soziale Stadt' program in Germany and Community Development Corporations (CDCs) in the United States of America (U.S.). The German program is governmental-based and currently struggling due to governmental funding cutbacks. New instruments and methods for more self-supporting neighborhood enhancement, even with reduced governmental funding are needed. Therefore, CDCs were chosen as second example. This approach is initiated by local stakeholders and follows a local mission. Governmental funding exists as well, however it is seen as additional in contrast to the initiative funding.

Both examples are based on collaboration processes, but they are generated from two different ends of the stakeholder spectrum.

#### 3.1 Collaboration Generated by Governmental Stakeholders – 'Soziale Stadt'

The German federal program 'Soziale Stadt' is part of the main urban development promotion program. The program consists of local, mainly investive projects in clearly defined neighborhoods and is funded by the government. The combined funding model consists of one-third federal and two-thirds 'Länder' and municipality support. Local redevelopment offices and their professional staff are the center of the local engagement. The time frame of five to ten years yields the challenge of building self-supporting structures and the sustainment of successful projects.<sup>2</sup>

The German model 'Soziale Stadt' can be described as collaboration generated by governmental stakeholders. The following table displays some advantage as well as disadvantages evolving from this kind of collaboration structure.

advantage	disadvantage
reliable funding (governmental share)	cutbacks due to governmental financial situation
distinctive program regulations	minor flexibility, due to governmental regulations
long history of redevelopment efforts	same program for every neighborhood
even neighborhoods without local initiatives get supported	time-restriction versus long term effort
local redevelopment offices as strong local stakeholders and starting point for local network building	governmental funding can hinder private funding engagement
local initiative can apply for governmental program	reliable partners for time after governmental funding cannot be found in time
	imbalance is particularly problematic once the government starts to retreat from the enhancement process
	local businesses do not feel attracted by program
	local nonprofits contribute but do not lead
	missing acceptance of local actors as partners
	regulations and rules come one-sided
	power as well as resources are allotted to one partner only
	common goals are missing

Table 1: Advantages and disadvantages of 'Soziale Stadt'

The reliable governmental funding is one of the biggest advantages of the German model 'Soziale Stadt'. However, governmental funding faces cutbacks as well, the governmental share can be seen as important starting point for local initiatives. This governmental first step also allows distressed neighborhoods without initiatives to get an enhancement process started. Would these neighborhoods rely on a local leading private partner there might be no partner strong enough to take the first step. Due to the long history of redevelopment efforts in Germany, the approach is proven to be reliable and even successful. The process was reviewed as well as adapted over time. The core instruments of the 'Soziale Stadt' program are

<sup>2</sup> BMVBS 2012; Centre for Knowledge Transfer 'Social City' 2008; Franke 2011; Franke 2005; Lahner, Zimmermann 2005

‘Quartiersmanagements’ meaning local neighborhood offices. These offices are paid by the government and build the local hubs for every activity. These low key meeting places are often successful in gaining partners for redevelopment efforts (even if their contribution might be time-restricted). Moreover, the German program also includes the chance for local initiatives to apply for the governmental funding if there was a initiative build by the neighborhood without governmental support at first.

The German model displays disadvantages as well. Recent cutbacks of the governmental funding hit the project areas hard, since they cannot cover this shortfall by private funds. Moreover, the governmental money comes with regulations attached, which means minor flexibility for local projects. Therefore, every neighborhood receives governmental money following the same rules and the same enhancement program, due to the federal regulations. Local singularities cannot be covered. Although the neighborhood revitalization has to be seen as long term effort, the governmental funding program is time restricted. Private engagement often is discouraged by the governmental regulations which can hinder private funding support. The largest challenge for the ‘Soziale Stadt’ program is gaining long term private partners. These local non-governmental partners are necessary for continuing the redevelopment effort after the governmental funding ends. However, due to the one-sided activities lead and paid by the government, they feel as participants more than as partners. In particular, local businesses do not feel attracted by the governmental lead program and miss flexibility. Local nonprofits contribute to the efforts started by the program but are no leading partner. In general, common goals for redevelopment combining governmental and non-governmental stakeholders are missing.

As shown above, German redevelopment efforts depend on governmental funding as starting point for neighborhood enhancement. This is based on the German understanding of the state and the role of the particular citizen as well as existing legal structures. In Germany, redevelopment of local areas is part of the so called ‘Fürsorgestaat’ (welfare state) and its measures have to be coordinated and paid for by the government. Local citizens do not feel personally responsible for their neighborhoods compared to U.S. neighborhood citizens. Therefore, governmental funding will still remain a necessary component of redevelopment efforts in future times.<sup>3</sup>

advantage	disadvantage
governmental and private funding is used in a combined way right from the beginning of the community development effort	first steps have to take place without governmental support at all
government is an important partner as sponsor	(economical) weak neighborhoods might not be able to get initiatives started on their own
no substantial dependency on governmental funding	more powerful actors might overrule silent inhabitants
stakeholders act as partners in a mutual undertaking	
designated long-term mission	
local projects are conducted by local people	
closer connection of the projects to the neighborhood since goals are based on neighborhood demands	
activation processes have to be intense, due to dependence on private money	
more long-lasting projects may be realized and funded	

Table 2: Advantages and disadvantages of Community Development Corporations

### 3.2 Collaboration Generated by Non-governmental Stakeholders – ‘Community Development Corporations’

Alternatively, neighborhood enhancement can start on the local level and involve local stakeholders as leading part. This is the case in U.S. Community Development Collaborations (CDCs), which are founded by the neighborhood itself and additional funding is provided proportionally by the government.

Crucial for Community Development Corporations (CDCs) is their founding process, which takes place without governmental influence, but with local stakeholders only (citizens, businesses, nonprofits, etc.).

<sup>3</sup> Franke 2011; Schönig 2011

Professionals as well as local people without respective professional background work at the installed local offices. Local projects take place in collaboration with local partners (citizens, shop owners, large businesses, banks, nonprofits, etc.). Even funding is organized locally, supported by donations, and complemented by governmental funding (grants, etc.). No time restriction exists for CDCs, since they work with five-year plans and a long-term mission. This model has several advantages over the model described above.<sup>4</sup>

Community Development Corporations gain sufficient support from neighborhood citizens, nonprofits, foundations, banks, and local businesses, in particular since they are established by stakeholders from the neighborhood itself and part of its staff also comes from the area. First steps have to take place without governmental support at all. Locals are partners right from the beginning and additional governmental funding is combined with private local funds. Collaborations on the local level have to be built, and common projects have to be phrased prior to applying for governmental support. Nevertheless, the government is an important funding partner, but no one-sided independency evolves. The program follows a designated long-term mission and local projects are conducted and mainly paid by local stakeholders. These locally based and funded initiatives know local problems better and are closer to their neighborhood and residents, as well as participants and collaborators. Therefore, the program creates a closer connection to the neighborhood as well as an intense participation and activation process, since the money has to be collected from local partners. This leads to more long-lasting projects in the neighborhoods and all involved stakeholders act as partners in a mutual undertaking.

Disadvantages can be named for this program as well, since it can also be problematic that the first steps of the enhancement process have to be taken without governmental support at all. Thereby, (economical) weak neighborhoods might not be able to get initiatives started on their own. Moreover, more active participants might hinder other (more silent) potential partners from getting heard and getting involved.

### 3.3 Collaborations

It has to be stated that the paper focuses on the way the collaboration was generated, meaning who indicated the collaboration process. Of course, way and intensity of collaborations differ independent from their initiation process. Much good and fruitful collaborations exist in the 'Soziale Stadt' areas in Germany as well as in CDC neighborhoods in the U.S.; same with unsuccessful enhancement processes in both countries.

As result of the conducted research above, the following main goals for successful collaboration are stated: combined governmental and non-governmental funding, partnership instead of participation, long term collaboration, local based projects.

#### 3.3.1 Combined governmental and non-governmental funding

As the examples show, the combination of governmental and non-governmental funding makes neighborhood enhancement efforts strong and reliable. The mutual contribution to redevelopment efforts prevents from one-sided dependency and one-sided goals. Reliable governmental funding shares should be combined with a share of private funding. The private part should be gained through partnership instead of participation (see below). This common funding model displays the common approach as well as the common responsibilities all partners share. Depending on the cultural background of the country the leading partner can be private or governmental.

Using the U.S. and German example combined funding means: U.S. redevelopment approaches like Community Development Corporations (CDCs) avoid one-sided dependency by the combined use of governmental and private funds. Governmental money is only provided, if private funds are present, too. Thereby, projects only come to life if the private share (up to 50 %) is guaranteed, as well. Such an approach could also be useful for German redevelopment, instead of providing governmental money for projects that lack private funding. This method would be helpful to make projects more self-supporting and stop one-sided dependency on governmental money. Moreover, the search for private funding support could be an important part of the activation strategies in the neighborhood. Existent project funding should not comprise only the building or installation of the project, but also include maintenance and service periods in the future,

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<sup>4</sup> Accordino 2007; Brophy, Shabecoff 2001; DeFilippis 2008; Grogan, Proscio 2000; Peterman 2000; Rubin 2000

as it is the case in the U.S. model. Such an approach would prevent projects from taking place, for which no budget for future maintenance exists, as has happened in German ‘Soziale Stadt’ projects sometimes.

### 3.3.2 Partnership instead of participation

Gaining partners for the common undertaking of enhancement is crucial. Following the combined funding model, local actors should be seen as partners instead of participants. The difference between these two ways of collaboration lies in the guiding role. If local stakeholders only participate on the governmental effort, they are not responsible for the outcome and most important they are not able to influence the goals of the undertaking. Obtaining a participant brings support for the already existent project. Obtaining a partner brings someone in who shares the same idea and the same level of responsibility for the project. Partners in redevelopment define their common goals together and contribute in the same way. This seems the more promising way of neighborhood enhancement than the one-sided German model.

Regarding the ‘Soziale Stadt’ approach and U.S. CDCs partnership means: In the U.S., citizens are perceived not only as participants, but also as funding partners. Local inhabitants should be asked for support (money or manpower) if governmental money has to be complemented. Working with a combination of governmental money and private funds forces CDCs to get local stakeholders on board early and to build partnerships with the residents. Incentives are given for people to donate time and money by providing them influence on the decision making process and on implemented projects, which they pay or work for. Such more interactive participation processes and the building of partnerships rather than hierarchical structures between the office and the neighborhood including more co-determination for the people would most likely improve German approaches, as well.

### 3.3.3 Long term collaboration

Moreover, the collaboration should follow long term goals. Since neighborhood enhancement is a long term challenge and improvement cannot be reached during a few years, the collaboration needs to phrase long term goals together. Working together on future projects brings in more commitment by the singular partner. Reliable planning horizons attract private partners most. In addition, governmental partner need to be interested in a sustainable enhancement of their city areas instead of short term success, which is fading away after the redevelopment program left.

The German redevelopment program shows how problematic situations can get, if the governmental money is withdrawn from the area before sustainable enhancement took place. In contrast, the U.S. approach never sets a deadline, but uses long-term missions combined with 5-year implementation plans.

### 3.3.4 Local based projects

Working on the city and neighborhood level always comes with particular challenges and situations. These situations differ from area to area. Therefore, it is very important to be aware of different challenges and particular needs existent in the neighborhood. This particular situation can be understood best by working with local stakeholders and obtaining local partners. The goal of redevelopment efforts needs to be, establishing local projects, based on local ideas, and (partly) funded by local partners. Neighborhood stakeholders are manifold, beginning with inhabitants, businesses, nonprofits and so on. The more local input the project consists of the more likely it will be successful.

German ‘Quartiersmanagements’ contribute to a local view on projects and are able to gather local ideas. Nevertheless, the U.S. local redevelopment offices are more active in gaining local partners and in getting in touch with as many local stakeholders as possible. In particular business and nonprofit partners need to be contacted more in Germany. Common projects will lead to a common effort on local enhancement.

## 4 NEW RELATIONSHIPS

The question about the neighborhoods future and the role combined stakeholder engagement plays on this behalf was answered for the local level using the example of neighborhood enhancement. However, this research results can also be transferred to the city level as well as an to an international context.

## 4.1 Neighborhood Enhancement by Different Relationships

The chosen examples show that neighborhood enhancement always depends on the general understanding of the role of a country's government. Strong dependence on the government comes along with comprehensive governmentally lead support programs for the neighborhoods, whereas more individualistic societies do not depend as strongly on the government.<sup>5</sup> Thus, no model fits every country since the context has to be taken into account. Nevertheless, neighborhood enhancement has to take place between partners. Neither can the government improve the situation on its own, nor can the local area start projects entirely without governmental support. Consequently, new relationships have to be built. Ideas and engagement have to be contributed by the neighborhood, whereas organizational and monetary support has to be provided by the government and the local partners alike. Eventually, the neighborhood – accompanied by the government – decides about its future. Non-governmental stakeholders could and should play an important role in redevelopment efforts in the future, if they are seen as partners and provided with necessary power and responsibility. In addition, the engagement of citizens and business has to receive more appreciation.

## 4.2 Ways of Stakeholder Engagement and their Importance on the Future of Cities

The presented research used redevelopment as an example and manageable research area, but its results are important for the city context as well. Many cities of the world face increasing numbers of challenges combined with a decreasing amount of governmental money available. Accompanied by the newly established understanding of citizen and private stakeholder engagement this should lead to a new way of dealing with the cities' challenges.

City governments will not be able to create their future on their own. Many new stakeholders are about to claim their share of the city and its future. Although, the government will still play an important role in securing the common good and fair living conditions for every inhabitant, planning projects will be shared ventures in future times. How collaboration between these stakeholders can take place and what needs to be aimed at has been described above.

If the cities' future will be based on shared efforts of all city stakeholders using combined governmental and non-governmental funding, if it is build upon partnership instead of participation, if it reaches for long term collaboration, and if it works on local based projects, the future challenges might not be that frightening anymore.

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<sup>5</sup> Peterman 2000

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