



Leipzig City Story

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Anne Power and Eileen Herden

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About LSE Housing and Communities

LSE Housing and Communities is a research unit within the Centre for Analysis of Social Exclusion (CASE) at the London School of Economics led by Professor Anne Power. CASE is a multi-disciplinary research centre which focuses on the exploration of different dimensions of social disadvantage, particularly from longitudinal and neighbourhood perspectives, examining the impact of public policy. We aim to understand the social dynamics of disadvantaged neighbourhoods; promote models of housing and neighbourhood management; develop ways to support community and resident self-help action, especially in social housing areas; and shape government policy.

Foreword and acknowledgements

La Fabrique de la Cité, a French foundation sponsored by Vinci, funded LSE Housing and Communities to produce seven updated city reports on Leipzig and six other European cities, following our initial reports in 2007. The financial crisis, Eurozone troubles and six-year recession have changed the fortunes of these hard-hit, former industrial cities yet again. These seven stories are up-to-the-minute, grounded evidence of the capacity of cities to recreate themselves as the Phoenix. Each city story is unusual in focussing on a single city and looking in depth at how it survives and thrives, or struggles.

The reports draw on the earlier work of Jörg Plöger and Astrid Winkler who wrote the original city reports published in 2007, and we owe a deep debt of gratitude to them for their outstanding research, their meticulous evidence and their direct accounts of visits to the sites. We revisited all the cities several times since 2008, and this report is based on visits to Leipzig and interviews with city stakeholders. It also draws on previous research, city reports and wider evidence. We want to thank all those we met and interviewed, the projects we spent time in, all the residents, officials and programme leaders who shared their insights. In particular we thank Isabella Kohlass-Webber, Jan Richert and Ilke Rzymann. Without their input, the reports would not reflect the dynamic reality of changing cities.

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1. Leipzig – a brief history

The city of Leipzig is situated in the East German region of Saxony, 100 miles from Berlin. When the unified German state was created in 1879, Leipzig was one of the biggest and most important cities. Today it is the second largest city in Eastern Germany.

Leipzig has been a trading centre since the Middle Ages due to its location at the confluence of trading routes between central and Eastern Europe. As a hub of economic activity since the 14th century, Leipzig also developed a rich cultural and educational role, with Germany's second oldest University being founded in Leipzig in 1409.

Figure 1: Map of Germany



Source: Spiegel (online).

Figure 2: Federal German State of Saxony



Source: European Commission (online).

The *Gruenderzeit* period, or foundation era, occurred around the time of German unification in 1879 and was a period of dramatic urban transformation for Leipzig, driven forward by industrialisation. The first high-speed printing press in Germany, invented in 1829, was situated in Leipzig and it was the first city to use steam engines to revolutionise production in its textile mills. The first German long distance railway was completed between Leipzig and Dresden in 1838, laying the foundations for Leipzig's industrial development, and by 1915 Leipzig train station had grown to be the largest rail station in Europe.

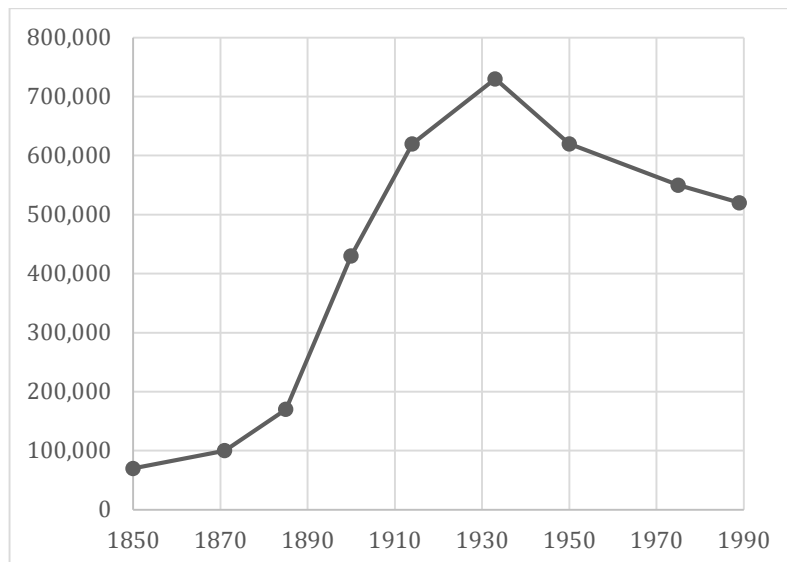
Figure 3: Leipzig rail station



Source: City of Leipzig.

At the end of the 19th century Leipzig was one of Europe's fastest growing cities comparable in its population growth to cities such as Berlin, Glasgow, Budapest and Munich.

Figure 4: Leipzig population development 1850-1989



Sources: Statistisches Landesamt Sachsen; Stadt Leipzig (2006); Nuissl and Rink (2003).

During the late 19th century, Leipzig developed into a city of liberal ideas and became the centre for the German labour movement, and the cradle of the German women's movement, which was founded in Leipzig in 1865. Other social movements were established during this time, such as the "Schreber" or allotment garden association, which aimed to establish outdoor growing and recreational areas for families living in unhealthy working class conditions. The Schreber Association went on to establish allotments throughout Germany, and these are still very much present in Leipzig and the rest of the country today.

Figure 5: Schreber gardens today



By 1933, Leipzig reached its population peak of almost 750,000 inhabitants and became Germany's fourth largest city. It had grown 10-fold over 180 years. During the Second World War, Leipzig was far less damaged by bombing than many other German cities, such as its neighbouring city Dresden, and much of its urban infrastructure remained intact.

The division of Germany in 1949 was a great point of political, social and economic rupture for Leipzig. However, in spite of difficulties following the Second World War and the disruption to Leipzig's well-established trading economy, the city quickly became the industrial production centre of the communist-run German Democratic Republic's (GDR) economy. Out of 300,000 employees in Leipzig, one third were employed in heavy industry under the GDR. This included in foundries, machine and tool manufacture, chemical production and open cast mining.

The growth in heavy industry especially chemical factories and brown coal mines, mainly on the outskirts of Leipzig created serious environmental damage, polluting the air, land and surrounding waterways. Over time Leipzig's coal fired power plants and open cast lignite mining poisoned large parts of the environment in the city and its surrounding area.

Figure 6: Heavy machinery for open-cast mining produced by Kombinat Takraf, Leipzig



Source: http://lexikon.freenet.de/images/de/0/01/Bucket_wheel_excavator_in_Ferropolis.jpg.

Figure 7: Heavy industry, early 1990s



Source: UFZ Leipzig.

Housing in Leipzig was in short supply in the early days of the GDR. The old pre-World War One housing blocks had withstood two world wars but were mainly heated by coal, still had outdoor toilets and were in serious disrepair. In the 1970s the GDR initiated a large building programme on green fields to the west of the city, where one of the GDR's largest concrete (Plattenbau) estates, Gruenau, was built. The estate housed over 100,000 people in 35,000 units at its peak.

Figure 8: Mass-built estates on the periphery – Grünau, Leipzig



Source: www.commonswikimedia.org <http://www.profiluftbild.de>.

The building of the Berlin Wall in 1961 to prevent movement from East Germany to the West, provoked serious opposition and the East German (GDR) government became more repressive as its economic system faltered in the 1980s. Towards the end of this period, Leipzig became the centre of a peaceful protest movement based in the St. Nicholas Church (Nikolaikirche) in the city centre. Issues such as the environment, disarmament, social reform and freedom became part of the discussions that arose from the “Peace Prayers”. Large groups of citizens gathered weekly for the peace prayers in the church, which eventually led to protest movements over repressive arrests and confrontations with the authorities.

Out of these meetings developed into the famous Monday Demonstrations. On the 9th of October 1989, 70,000 people peacefully demonstrated for reform in the streets of Leipzig. These demonstrations are widely credited as accelerating the fall of the Berlin Wall and paving the way for German unity.

Figure 9: 70,000 people march in the street of Leipzig in October 1989



Source: Leipzig Historical Museum.

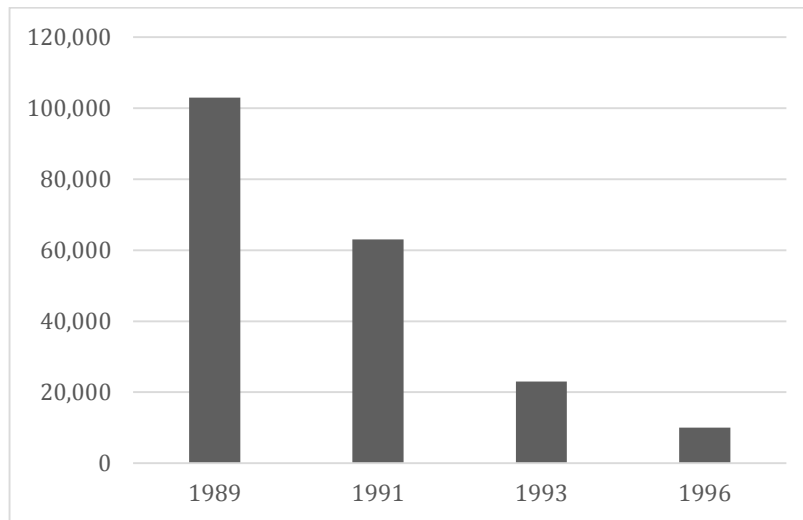
Figure 10: Leipzig overview: Timetable of important events until 1990

~ 900	Emergence of a Slavic village
1165	Town status conferred
1409	University founded
1497	Leipzig receives privilege for trade fair
1813	Battle of the Nations near Leipzig led to decisive defeat for Napoleonic troops
1838	First German long-distance train connection between Leipzig and Dresden
1871-1914	<i>Gründerzeit</i> era: industrialisation, rapid urban growth and increasing functional importance
1913	Completion of Europe's largest terminal train station
1933	Population peak
1949-1989	Existence of two post-war German states, in opposing power blocs during the Cold War
1989	'Monday demonstrations' triggering 'peaceful revolution' that led to collapse of socialist regime
1990	German reunification; currency union with West Germany

2. Reunification and its aftermath

The 1990s proved to be a period of painful transition for Leipzig, with the imposition of the western economic model leading to a quick and profound collapse of Leipzig's major industries. In just seven years, from 1989 to 1996, 90,000 manufacturing jobs were lost, a decline of 90% (Figure 11).

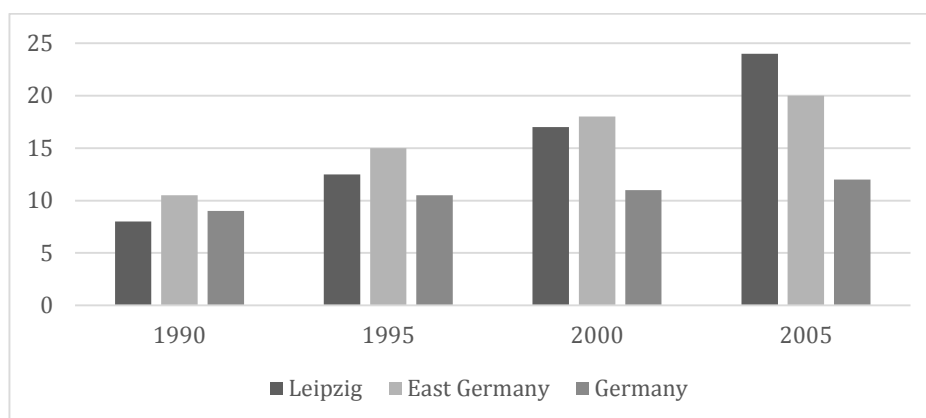
Figure 11: Number of employees in manufacturing 1989-1996



Source: Stadt Leipzig (2006).

Unemployment became Leipzig's biggest problem, reaching almost 25 per cent by the mid-2000s. The pressure on Leipzig's inexperienced and over-burdened local government was immense. The government was forced to increase its spending on social welfare, while at the same time attempting to follow the western growth model. Reunification caused the closure of many 'uneconomic' East German industries and led to severe job cuts in those industries that survived. Leipzig's unemployment rate eventually surpassed even that of the former East Germany (Figure 12).

Figure 12: Unemployment rate for Leipzig and Germany, in % in 1990 -2005



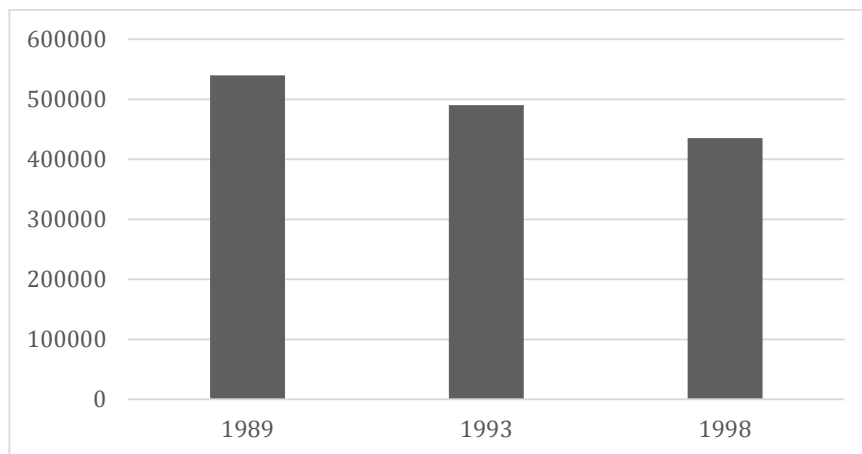
Sources: Stat. Bundesamt; Stat. Landesamt Sachsen; Bertelsmann Stiftung.

The loss of industry and the legacy of environmental damage had a major impact on the city's population, which dropped by 100,000 residents (20 per cent) between 1989 and 1998. Industrial collapse led to a major migration of the population to West Germany, and this period also saw a steep fall in birth rates among Leipzig's remaining residents.

Leipzig's inner city area reflected the urban crisis, with three quarters of its housing stock in need of renovation and 25,000 housing units vacant in 1990. The city and state (Saxony), heavily subsidised by the federal government, responded to this by encouraging suburban house building in an attempt to support the rising aspirations of middle class residents. As a result unchecked suburban sprawl grew around Leipzig, often without adequate investment in public infrastructure and transportation links.

The steep drop in population caused housing vacancies to rise from 25,000, 10 per cent of the housing stock, in 1990 to 62,500, 20 per cent of the stock, in 2000. Most of these units were in urgent need of renovation.

Figure 13: Leipzig population development 1989 - 1998



Sources: Statistisches Landesamt Sachsen; Stadt Leipzig.

Figure 14: Suburban developments of the mid-1990s



Source: Phoenix Cities.

The city's local tax base shrank due to the falling population and the closure of many local companies, and Leipzig struggled to meet the running costs of many public services. The city of Leipzig was a "shrinking city" with an oversized public infrastructure (housing, transportation, education), which, while no longer being used by its residents, was very costly to maintain. This created difficult choices for the city authorities, regarding how to rationalise the over-sized infrastructure, costly services and over-supply of homes. Other challenges included the competition with the suburbs, the need for jobs and growing social inequalities resulting from the new West German market orientation.

3. Laying the ground for Leipzig's recovery

Strong city leadership and investment

Leipzig's economic and urban development was driven forward in the second half of the 1990s by a strong city leadership, led by the newly elected Mayor Tiefensee. Leipzig was the first major East German city to recognise the need to adopt bold and forward thinking approaches to its deep economic and urban crisis. Mayor Tiefensee brought together a number of key local stakeholders, leading experts in urban development, and citizen groups to identify solutions for Leipzig's ailing urban environment in a series of roundtables and events.

The scale of empty, derelict housing and the need for selective demolition was possibly the most urgent issue, linked to a strong inner city refurbishment focus. Land reclamation and greening the city were also high on the agenda, as were strengthening the university, art and design schools, and local vocational training facilities. All of these elements were considered pre-requisites for the growth of private enterprise and the attraction of significant investors.

The city strategies that emerged from these forums were clearly focused on urban renewal, economic development, social integration and environmental reclamation. Eventually they attracted vital funds from the German federal government and the European Union. From 1997 to 2003, €30 to €40 million were made available from local, regional, federal and EU sources. East Leipzig, with high levels of deprivation, received funds from the *Soziale Stadt* neighbourhood renewal programme, funded by the federal German government. *Soziale Stadt* brought social and employment funds and programmes to East Leipzig and the funding was used to support both small scale, local problem-solving projects, and more major schemes. In west Leipzig, urban renewal funding came from the EU's Urban II programme.

Leipzig's housing and physical assets

In 2000 the city published its urban development plan that targeted housing and urban renewal. Its main aims were to increase the competitiveness of key areas, and to consolidate the housing market through demolition and refurbishment.

In the face of severe population decline, the city of Leipzig began to rationalise an over-large housing stock, while keeping as much of the core city structure as possible. Derelict buildings were demolished and flats were combined within under-occupied blocks. Leipzig received funding to support this remodelling work from the federal government programme *Stadtumbau Ost*, which was a major federal programme aimed at helping East German cities overcome their housing market crisis.

In addition, students were encouraged to become rent-free "house guardians" in disused blocks to prevent damage. Incentives were provided to encourage occupants to make small-scale repairs while groups of landlords were brought together to protect empty properties in their block. Selective demolition sites were turned into temporary parks and infill town houses were built to attract families into the city. These efforts were concentrated mainly in West Leipzig, where it looked possible to rescue declining areas.

Figure 15: 'Guardian house' and interim use as a neighbourhood park



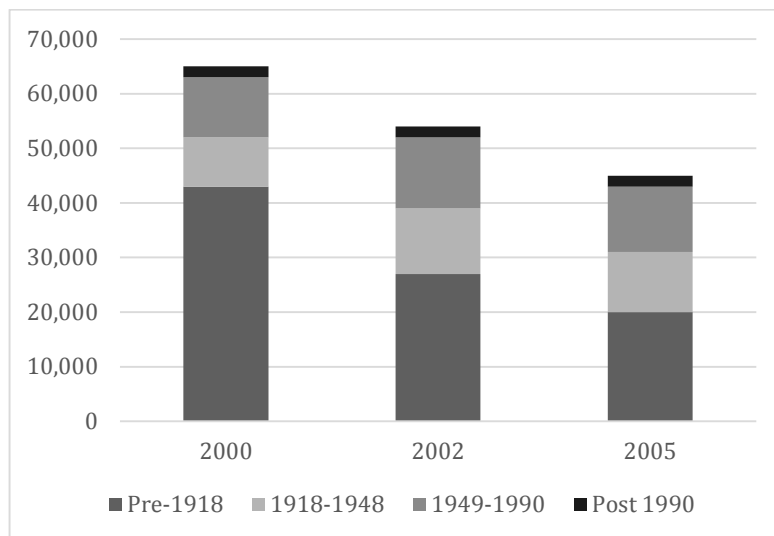
Figure 16: Urban Renewal Instruments in Leipzig

- *Townhouses*: construction of owner-occupied semi-detached townhouses in the inner city. Objective: increase attractiveness of core areas to compete with suburbs for more affluent households.
- *Tenant refurbishment incentive*: tenants receive financial assistance to refurbish their blocks. Objective: Provide necessary refurbishment to semi-derelict buildings.
- *Guardian houses*: temporary rental-free lease of decaying buildings in strategic locations. Objective: save endangered buildings and re-populate neighbourhoods.
- *Self-help programme*: giving incentives for private investment in refurbishment. Objective: saving endangered buildings.
- *Contract for unused lots*: temporary use of privately owned land by the city to create inner-city open spaces. Objective: increase quality of life and attractiveness of area.

Sources: Interviews with representatives of departments of Urban Renewal & Housing and Urban Planning, City of Leipzig.

A clear consequence of these different strands of action was a considerable fall in the level of housing vacancies in the city between 2000 and 2005 (Figure 17).

Figure 17: Share of vacant housing stock in Leipzig, 2000-2005



Source: Stadt Leipzig (2006).

Leipzig’s attractive *Gruenderzeit* architecture (Figure 18) was refurbished to high standards; parks and green spaces were maintained and expanded; tramlines were updated, alongside dedicated bicycle lanes, electric buses and cared-for pedestrian paths.

Figure 18: Examples of Leipzig’s Gruenderzeit era architecture



Leipzig modernised its city centre and renovated its neglected civic buildings. It fought to save and restore as much of its older, inner-city housing stock as possible and to rationalise the supply of suburban houses and flats in outer estates. The aim was to enhance the quality of life in the city, by carefully restoring old city blocks; letting flats at affordable rents and developing more mixed-use public spaces.

Economic development

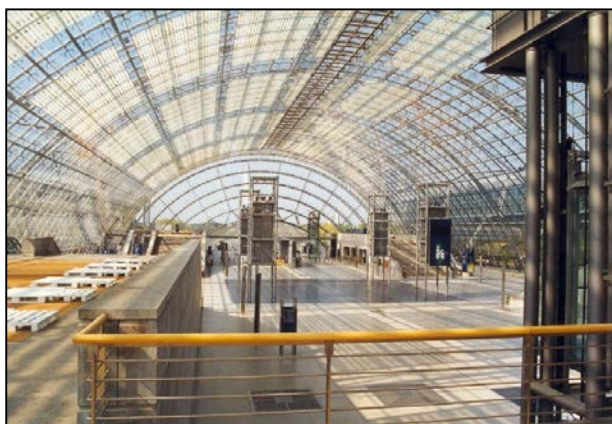
With federal and European funding, the city focused its economic development around five main sectors – automotive, health care, energy and environment, logistics, media and creative enterprises. These areas of activity proved powerful magnets for Leipzig’s employment recovery and the regrowth of certain industries.

The sector strategy was supported by large-scale investment in public infrastructure. The large trade fair was rebuilt, the train station restored and enhanced with a shopping mall, and the Leipzig/Halle airport, built in the 1930s, was modernised and extended to receive both commercial and cargo airlines 24 hours a day.

Leipzig also carefully laid the ground for its regrowth by offering business support services to incoming companies. The city funded the employment agency PUUL (Personal Support for Companies in Leipzig) to link local unemployed job seekers to job openings in the new economic sectors. PUUL connected more than 3,000 applicants to new jobs, mainly in the new automotive and logistics sectors. The logistics sector, requiring a lower skill base, was particularly well placed to take on formerly unemployed workers from the Leipzig area. PUUL was funded primarily by the City of Leipzig with some external funding from federal and European sources, as well as private investment from participating companies.

Major investment went into reclaiming polluted industrial sites, such as the large Lake Area, that occupied a former open-cast mining areas on the edge of the city. The central shopping street with its historic arcades, ancient churches, squares and university were also restored. Leipzig’s upgraded and attractive historic housing stock proved to be an increasingly important draw for the city.

Figure 19: New Trade Fair, reviving traditional function and the main train station, refurbished and now equipped with a shopping mall

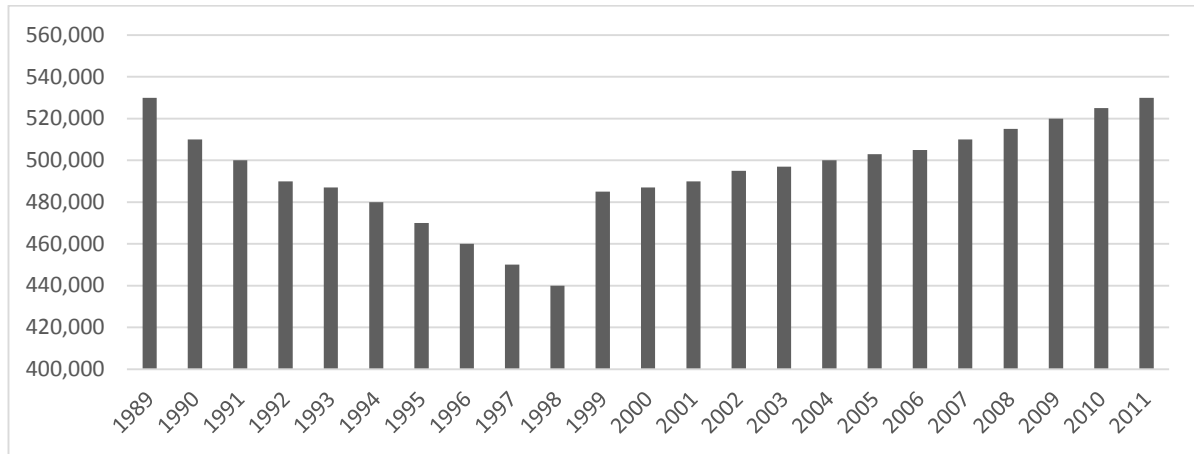


Population recovery

From 2000, Leipzig began to reverse its “shrinking city” image and after nearly seven decades of decline, its population started to grow again. Since 2000 Leipzig’s population has grown steadily, and since 2010 the city has grown by around 10,000 people per year, making it one of Germany’s fastest growing cities today.

In 1999, there was a large jump in Leipzig's population, due to the incorporation of 15 suburban local authority areas into the city, doubling the city area in size. Following this rise, the city's population continued to rise from the higher base.

Figure 20: Leipzig Demographic Development 1989-2011



Source: City of Leipzig (2015).

The following sections describe Leipzig's economic revival in more detail, the many successes the city has seen, as well as the questions that arise from Leipzig's new position and uncertain future.

4. Leipzig's Revival

Leipzig 2020 - Forward-looking development plans

In the early 2000's city leaders realised that changes in demography, the economy and the urban environment required Leipzig to forge a new sustainable development plan for the coming decades. Roundtables with local stakeholders, expert consultations and public input helped develop the city's new Integrated City Development Concept or SEKo in 2009, which laid out Leipzig's development plan through to 2020¹.

The plan forms the basis for the application for federal funding and includes ten significant urban development "concept areas": housing; economy and employment; green spaces and the environment; education; civil society; culture; traffic and technical infrastructure; historic preservation; sport; and higher education and research institutions.

For each concept area a separate plan was prepared and coordinated to fit in with, and work in tandem with, the other concept areas. This integrated approach was a shift in policy making from the more typical piecemeal planning strategy, towards a collaborative, big-picture approach that was derived from the planning principles of the EU's Leipzig Charter². The Leipzig Charter is a European policy paper on urban development, which calls for the involvement of economic actors, stakeholders and the general public in urban development. The name 'Leipzig Charter' comes from the location of the meeting in which it was agreed, but it does chime with what Leipzig city was trying to achieve.

The main aims of the Integrated City Redevelopment Concept (SEKo) are: the improvement of Leipzig's national and international status; bolstering Leipzig's competitiveness; strengthening a high quality of life; and promoting social cohesion and stability. The SEKo identified city neighbourhoods that are of strategic importance to the city and in need of special attention and investment.

Federal and European subsidies for economic development

Partly as a result of its clear and inclusive strategic planning, Leipzig has been a continuing recipient of major Federal and European funding support for education, training, culture and the arts. For example, the Federal German government spent €250 million on refurbishing the University of Leipzig's campus and adding an imposing new main campus building on Leipzig's central square.

¹Interview with City of Leipzig Officials 1 and 2, July 2014.

² Interview with City of Leipzig Official 3, July 2014.

Figure 21: New university buildings going up on Leipzig's Central Square and the new university building in 2014



The canal and river have attracted major investments, and bicycle paths run along the entire stretch of waterway through the city.

Figure 22: Leipzig's upgraded canal and ERDF funded new cycle path



Public subsidy also allowed large former industrial areas to be cleaned up and prepared for reuse in order to attract industry and enterprise to Leipzig. Amazon placed its European distribution centre in Leipzig in 2006, a large logistics centre of 80,000m² on a reclaimed brownfield site. The 24-hour Leipzig Halle airport was instrumental in allowing this to happen. Meanwhile, Porsche and BMW built their new factories, where they now develop their most advanced production lines including electric cars, on former agricultural land.

Figure 23: BMW production plant Leipzig designed by Zaha Hadid



Source: Grombo (https://commons.wikimedia.org/wiki/File:BMW_Leipzig.JPG).

European programmes such as the European Regional Development Fund and Urban II, coupled with Federal German and European investment, have played a crucial role Leipzig's recovery up until 2009. Funding from the Federal German government at times made up two thirds of the municipal budget³. These large subsidies were meant to achieve a level playing field between East and West Germany, and many leading city officials question what will happen when funding streams end in 2019. The city is working hard to establish a broad middle class, based on a diverse economy to strength its tax base and insure against loss of external support.

The Five Sector strategy

The five main sectors, or clusters, of the city's economic recovery plan all grew and created many new jobs. The generous subsidies post-reunification helped attract companies to new or upgraded buildings, and attractive industrial sites. Infrastructure investment and active encouragement of the five enterprise sectors, helped the city to attract prestigious "lighthouse" companies such as Porche, BMW and Amazon, which act as beacons for the city's economic recovery and new status. Figure 24 shows the five enterprise sectors and their scale of operation in the city.

³ Interview with City Leipzig Official 1 and 2, July 2014.

Figure 24: Sectors at a glance 2013

	Number of Companies	Number of Employees
Healthcare and biotech	2,368	35,873
Logistics	1,659	28,593
Media and Creativity	4,160	27,798
Automotive and Suppliers	756	12,145
Energy and environment	1,275	11,455

Source: City of Leipzig (2014).

Automotive Industry

A major aspect of Leipzig's economic transformation came in 1999 with the decision by Porsche to build its new assembly facility in the city. Although Leipzig had no history in automotive production per se, Porsche's move was followed by BMW who also invested in a new production facility. Many other automotive suppliers followed suit and developed partnership with research facilities and other automotive networks. Both Porsche and BMW have progressively expanded their manufacturing activities leading to job growth and further investment. Although the financial crisis and recession of 2008 hit the car industry, both enterprises have continued to advance their operations.

Health and Biotechnology

The health care and biotech sector in Leipzig employs over 35,000 highly qualified workers and educates 6,000 students and trainees a year. The University of Leipzig and Leipzig University Hospital, the specialist Heart Centre Leipzig, the IZI Fraunhofer Institute for Cell Research and Immunology, and the Max Planck institute are the mainstays of this sector. Leipzig further encourages the activities of this sector with health care conventions held in the city annually, at its rebuilt trade fair.

Energy and Environment

The city's energy and environment sector is also growing and includes organisations like the natural gas company VNG, the European Energy Exchange, the German Biomass Research Centre and the UFZ Helmholtz Centre for Environmental Research. Leipzig actively pursues energy efficiency in buildings, including retrofit programmes for large estates, old street property, schools and public buildings.

Logistics

Leipzig is home to many international companies including DHL, Amazon, Aerologic, Lufthansa Cargo and Future Electronics that depend on Leipzig's transport links. These companies were attracted by Leipzig's 24-hour airport as well as its proximity to Central and Eastern Europe. Leipzig Halle airport received 900,000 tonnes of freight in 2013, an eight-fold increase since 2007, establishing Leipzig as Germany's second largest cargo hub.

Media and Creativity

The artistic sector have been embedded in Leipzig's economy since the Middle Ages, and creative arts are very much seen and felt on the streets of Leipzig today. Leipzig is home to several important cultural institutions. For example, The Academy of Visual Arts Leipzig is one of Germany's oldest art schools and focuses on the fine arts and graphic design. The arts and media sector has encouraged the flow of young people to the city over the past few years, as old buildings have been colonised by young artists and musicians. Alongside its fringe art scene, Leipzig is also home to the famous Bach choir, and a large city orchestra.

Within this sector, Leipzig is building on its long classical music tradition. Johann Sebastian Bach lived in Leipzig from 1723 until his death, and his life is commemorated each year through the Leipzig Bach Festival which attracts tourists internationally. The Bach choir is based in Thomaskirche in central Leipzig where Bach himself was organist. Felix Mendelssohn was the director of the Leipziger Gewandhouse Orchestra, which continues to play in the concert house on Leipzig's main square today. Mayor Tiefensee remained an active member of the Bach choir after he moved to Berlin to take a key cities job in the Federal Government.

Figure 25: Marketing the cultural past: statue of composer Johann Sebastian Bach



Similarly, since the 18th century Leipzig has also played a leading role in the international book market. Until 1945 the city hosted the world's largest book fair. Today, Leipzig's book fair is Europe's largest festival of literature and second largest in the world and is the national focal point for the publishing and printing sectors in Germany. Printing and graphic design were among Leipzig's early industries and they have been revived in recent years.

Structures supporting Leipzig's five sector strategy

Creativity and media, as well as the four other sectors, are generously supported by Leipzig's centuries old tradition as a trade fair city. The trade fair was used under the GDR to promote East German products to the wider communist controlled areas of Eastern Europe. The city has developed large infrastructure to hold major events and in 2011 the trade fairs drew over 1.2 million visitors to Leipzig.

The city administration brings leading figures from the five sectors together in workshops, to strengthen network exchanges and to share research and experience. They are also used to identify how the city can better support research and development to attract new businesses and create more employment. For example the city facilitates a regular meeting called “The Energy Sector Meets Science Workshop”, which brings together an array of stakeholders to identify potential industry partners and new research projects⁴.

Figure 26: Images from Leipzig’s trade fair during the GDR period



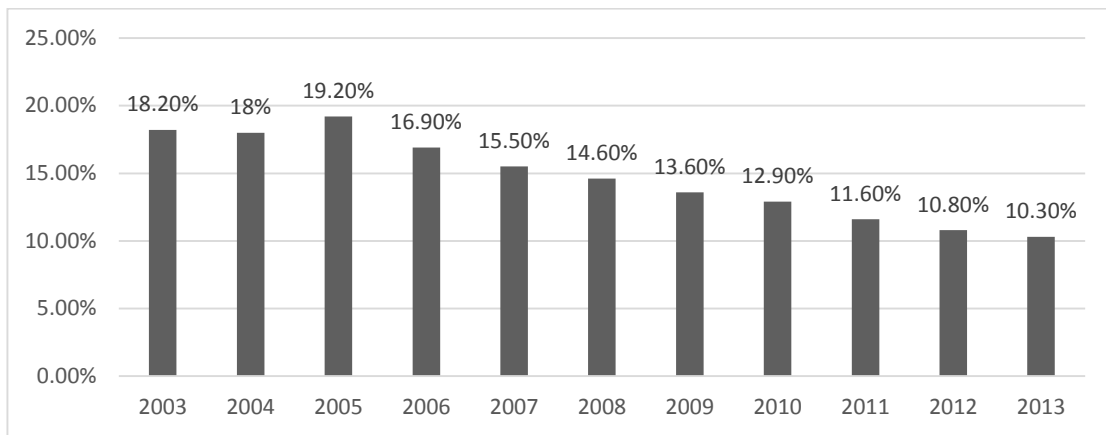
Source: <http://shop.alte-ansichtskarten.com>.

Unemployment declines

Unemployment has steadily fallen in Leipzig since 2005, and average incomes have gradually increased, alongside a sharp fall in those claiming state support as the following figures show.

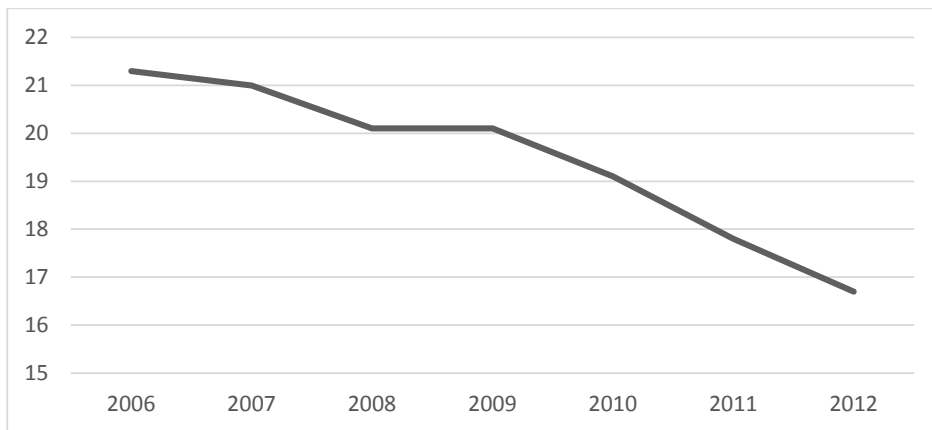
⁴ Interview with City of Leipzig Official 3, July 2014.

Figure 27: Unemployment in Leipzig, 2003-2012



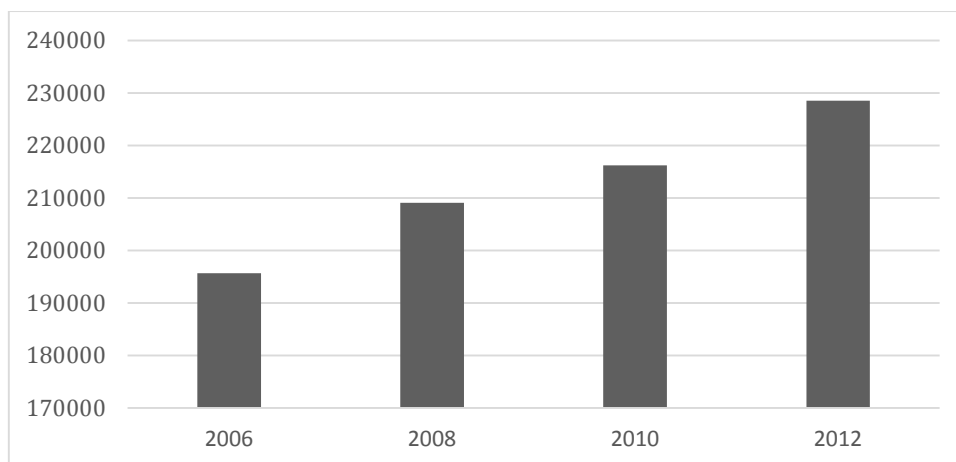
Source: City of Leipzig (2013).

Figure 28: Number of residents receiving unemployment benefit per 100 working age residents, 2006-2012



Source: City Of Leipzig (2013).

Figure 29: Employees making social security contributions, 2006 - 2012



Source: City of Leipzig (2013).

Leipzig was named as the German city with the highest levels of poverty in 2011⁵ showing that 25% of Leipzig's population lived in poverty. The city is experiencing widening income disparity and increased social polarisation, as entrenched poverty is becoming more apparent alongside the city's new economic growth. Feedback from the local job centres in Leipzig's poorer neighbourhoods shows that the focus on five investment-oriented sectors does not do enough to close the skills gap or to support small and medium sized businesses in these areas. Yet SMEs overall employ two thirds of the city's residents. The following figure show the scale of the SMEs.

Figure 30: Breakdown by company size, Leipzig 2013

Company size	Number of Companies in Leipzig	% of Total Companies	Comparison to German Average
1 to 9 employees	21,856	87.9%	89.7%
10 to 249 employees	2,3700	11.7%	10%
More than 250 employees	96	0.4%	0.3%
Total	24,871	100%	100%

Source: City of Leipzig (2014).

People working in poorer areas, such as East Leipzig, feel that more could be done to support small, local family businesses which tend to employ local people with lower educational and skill levels⁶. The city could also be more active in providing cheap incubator-type spaces for start-ups, and business advice to established but small family businesses struggling to adjust to the changing economic climate and the pressures of credit restrictions.

The Recession and Debt

Germany has weathered the recession better than other European countries because of its strong, export-orientated manufacturing revival and its technically trained workforce. The global economic recession of 2008 to 2013 had a significant impact on some sectors, but less than was originally feared. The strength of the city's major companies helped in this. Leipzig has greatly benefitted from the general buoyancy of the German economy and strong federal measures to keep up employment during the recession⁷.

In spite of this general resilience, Leipzig has the highest level of debt of all the major cities in in the state of Saxony. At the end of 2013 Leipzig was indebted by €695 million⁸. The main source of this debt was the massive investments made in the 1990s to support and improve public infrastructure after reunification. The city now estimates that one in every five euros is currently being spent to pay off the interest on the city's debt. This loss in income will be compounded at the end of substantial German federal funding to the new East German Laender in 2019. As a result, the city is under pressure to resolve its long term financial problems.

⁵ The Hans Boeckler Stiftung.

⁶Interview with Arbeitladen Manager 1 and 2, June 2014.

⁷ Economist Special Report on Germany.

⁸ Stadt Leipzig, 2014.

The City of Leipzig has publicly announced the aim to be debt free by 2037. This will only be achievable if Leipzig's tax revenue doubles by 2020. This is an ambitious goal. Mayor Burkhard Jung and the city administration hope that the success of Leipzig's big lighthouse companies – for example BMW and Porsche – will help grow the city's local business tax base. The city is also hoping that Leipzig's economic turnaround and its population growth will continue to increase the city's income tax revenue. However, none of these forecasts are guaranteed.

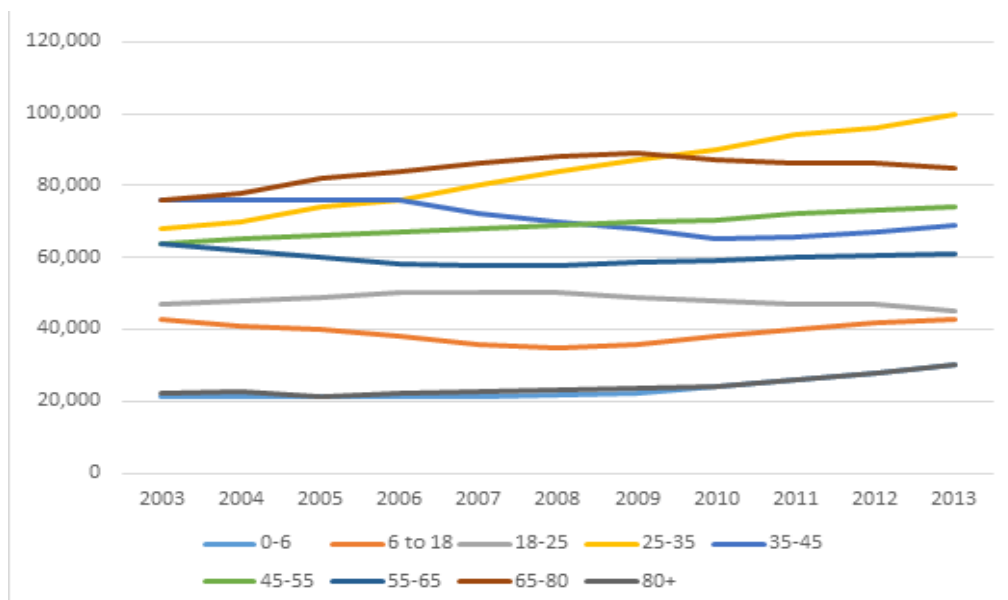
5. Leipzig under new pressures

Leipzig's expanding housing needs and demographic pressures

Housing has risen up the political agenda as rents are rising and cheap space is becoming scarcer. Housing has once again become a burning subject in Leipzig because after decades of high vacancies, popular areas of the city are now fully occupied. There is widespread talk of gentrification⁹.

Leipzig's population has been growing steadily for the last decade in most age bands, as Figure 31 shows. The average age of newcomers to the city is 33, compared with 43 for the average age of the city's population overall, and the younger age group is fairly evenly split between students and new job recruits. Two thirds come from Eastern Germany¹⁰.

Figure 31: Population development, 2003-2013, by age bands



Source: City of Leipzig (2013).

Figure 32 and Figure 33 show that over half of all households are single person, the fastest growing household type in the city. Family-size households are also growing along with two-person households. Many young families are forming in Leipzig as a younger population has moved in and established itself. Leipzig statistics report a baby boom in 2013, with 2,778 babies born in the first six months of 2013, a new record since unification. It is too early to say whether these are long-term trends but city leaders want to encourage this demographic turn¹¹.

⁹ Interviews with students, activists and other local stakeholders, June 2014.

¹⁰ City of Leipzig survey.

¹¹ City of Leipzig, 2013.

Figure 32: Households and housing at a glance 2012/2013

Population	529,646
Average age	43 years old
Number of households	310279
Of which one person households	52,3%
Housing:	
Average living area per resident	47m ²
% of vacant buildings	8%
Average rent	5,08euro/m ²

Source: City of Leipzig (2013).

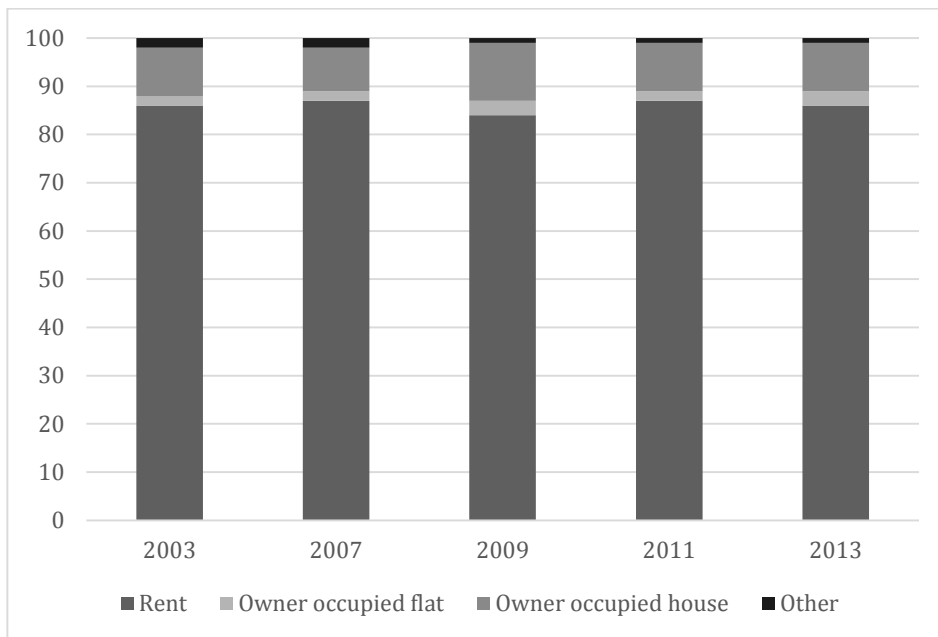
Figure 33: Change in household composition between 2007-2013

	2007	2013	Change between 2007-2013
Total Households	285,276	310,279	+ 8.60%
1 Person Household	143,314	162,391	+ 14.10%
2 Person Household	87,643	93,330	+ 5.60%
3 Person Household	33,898	32,420	- 6.00%
4 + Person Household	20,421	22,138	+ 7.60%
Average household size	1.79	1.75	

Source: City of Leipzig (2013).

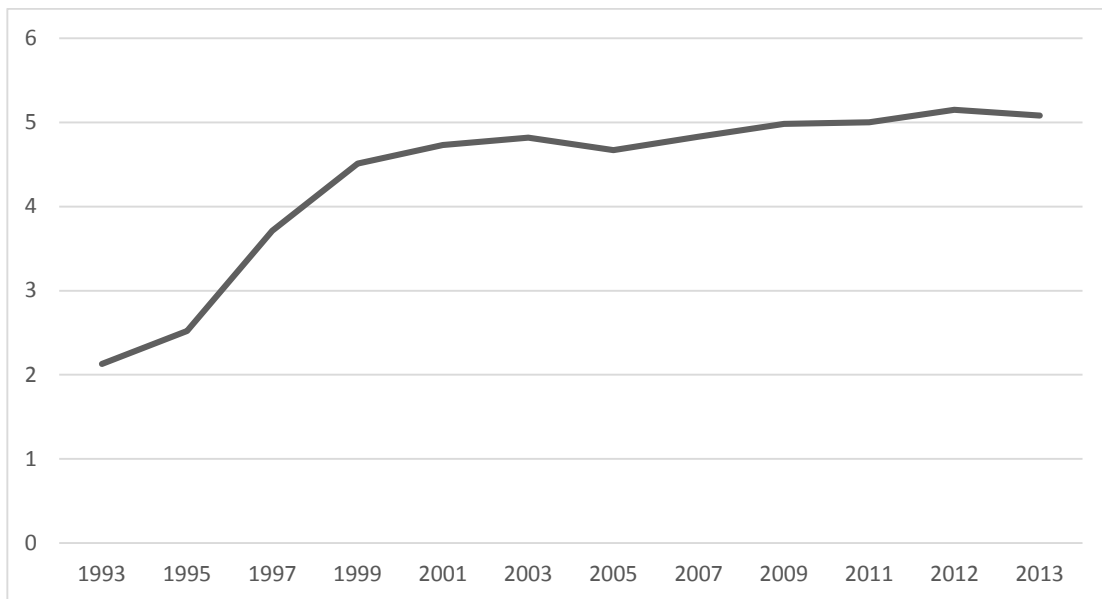
Residents in Leipzig are overwhelmingly concentrated in the private rented sector – around 85% rent privately, while only 12% own their own flat or house. Rents rose steeply in the decade after reunification, then from 2000 remained fairly stable, with a small and slow increase from 2005 onwards (less than half a per cent). Reliance on private landlords is almost total, and as a result, enforcing Germany’s regulatory code for private landlords and tenants is a major priority.

Figure 34: Ownership of Leipzig's stock



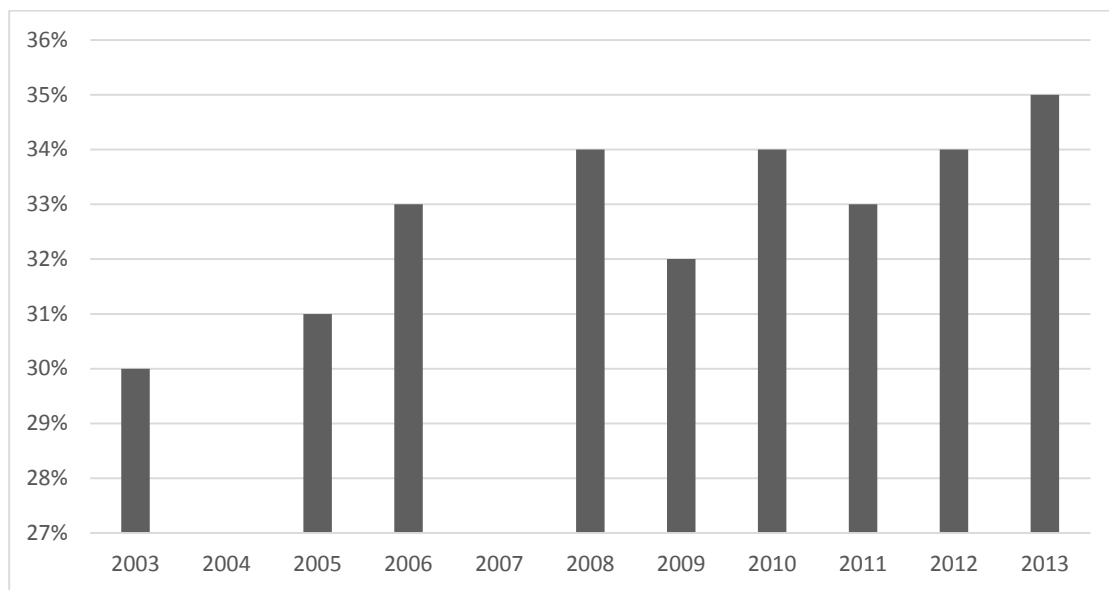
Source: City of Leipzig (2013).

Figure 35: Rents in Leipzig - average rent changes in m² excluding running costs (utilities etc.) %



Source: City of Leipzig (2013).

Figure 36: Rents in Leipzig as a proportion of average household income, 2003-2013



Source: City of Leipzig (2013).

Burkhard Jung, the Mayor of Leipzig, publicly argues for greater homeownership in the city. He compares Leipzig's 12% owner occupancy rate to the average of 30% owner occupancy in other equivalent German cities and argues that more homeownership would protect residents from increasing rents, while a property owning middle class would provide greater stability in the city¹².

The wide publicity about Leipzig's success has brought with it speculation and luxury investment that was not anticipated less than a decade ago. Citizens are voicing growing concerns over social polarisation, gentrification and rising rents in some parts of the city that until recently had been known for its very low living costs¹³.

The ambition to attract large, even luxury investments, to establish Leipzig's global economic position and strengthen its tax base currently sits alongside a contrasting commitment to making Leipzig an equitable and inclusive place for all types of residents. Forty per cent of taxes paid by local businesses come from North Leipzig where BMW and Porsche are located. This provides €218 million in tax revenue that the city argues can be targeted at poorer areas¹⁴. However, other local stakeholders argue that big investments in large companies have led to greater polarisation in the city¹⁵.

¹² Speech given by Burkhard Jung, Leipzig Weiter Denken Event, June 2014.

¹³ Interviews with students, activists and other local stakeholders, June 2014.

¹⁴ Interview with City Officials 1 and 2, June 2014.

¹⁵ Interviews with Academic 1 and Arbeitsladen Manager, June 2014.

Figure 37: Buildings being renovated and for sale



Figure 38: A billboard advertising luxury apartments in West Leipzig: "Space to develop. Space for creativity"



The extent to which older inner city buildings should be refurbished to meet new energy standards is also being debated in Leipzig today¹⁶. Germany's exacting energy standards often lead to high retrofitting costs, which can push up rents. The population is generally supportive of green retrofitting, but residents argue that meeting new energy standards should be achievable without pricing out existing residents¹⁷. Some local residents argue that investors are pushing for high-cost refurbishment in order to drive up rents and displace long-standing, low-income occupants. Residents groups argue that the city needs to play a more active role as mediator between public interest and private profit in order to protect the supply of affordable housing¹⁸.

Meeting infrastructure demands

Leipzig's era of "great vacancy" in the past is now replaced by the city's ambition that the population should reach 600,000 in the coming years. Existing public infrastructure is already proving inadequate. The city will need more kindergartens, more schools, more public transport and new civic buildings to house many more local services.

Demand for expanded services was not dreamt of less than a decade ago, when the decision was made to sell off or demolish costly and redundant public infrastructure in the face of a shrinking population. This lost infrastructure would be in much higher demand today. In retrospect, city stakeholders argue that public assets should have been "mothballed" instead of demolished or sold off, until the demographic situation stabilised, as happened with much of the older housing stock¹⁹.

Many of the previously vacant sites have already been developed privately. This leaves the city in the situation of having to buy new land and develop new services and infrastructure in areas that until recently had an abundance of both. For example, more than 80 schools were closed in the last two decades, and today the city needs to build 20 new schools to accommodate the current child population, which is growing fast²⁰. New infrastructure investment also carries risks for the city, as it cannot predict whether its current population trends will continue. The end of special federal funding, forecast for 2019, will challenge the city just as land supply becomes scarcer and prices rise and it is uncertain what replacement funding might be in place.

Role of creative arts and alternative lifestyles

The empty spaces left behind at the fall of the Berlin wall, the impact of rapid de-industrialisation and a shrinking population attracted alternative groups to Leipzig, who turned "the rubble of the former GDR" into creative spaces. Artists and city officials alike agree that Leipzig is a case study of city revitalization through the arts²¹.

¹⁶ Interviews with Activist 1 and 2, Leipzig Weiter Denken, June 2014.

¹⁷ Interview with City Official, June 2014.

¹⁸ Interview with Arbeitladen manager, June 2014.

¹⁹ Interviews with Academic 1 and Stadtteilladen manager, June 2014.

²⁰ Interview with City Officials 1 and 2, 2014.

²¹ Interviews with Architect, Curator, Spinnerei resident, and Students, June 2014.

There is an alternative economy that has grown up around some of the empty buildings left behind by collapsed industries. “Creative communities” are now well established in Leipzig and are growing in prosperous areas of the city, such as Connewitz, Plagwitz and Lindenau. Street art, cafes, bars, cinemas and galleries line the main streets but these areas and buildings still look somewhat makeshift, as buildings are continually renovated immediately around them.

Artistic activities generated interest in previously depressed parts of the city and attracted artists, students and young families to the high ceilinged *Gruenderzeit* apartments and large warehouse lofts²².

Spinnerei

One of the most impressive of these alternative economic developments is the Spinnerei, which began to be unofficially colonised by young entrepreneurs and artists in the late 1990s. It has become one of Leipzig’s great success stories; enterprising, communitarian, and creative – an exciting social enterprise.

The “Baumwoll Spinnerei” or “cotton spinning factory” in West Leipzig was built in 1884 and grew to be the largest cotton manufacturing factory in continental Europe, covering six hectares with 20 separate factory buildings, 240,000 spindles and thousands of workers. The buildings withstood two wars, partially because the grass covered roofs protected them from air raids, and partly because their very solid brick construction absorbed shocks. The solid building fabric made it easy for artists to move in and establish their studios when cotton production was halted in the 1990s. The Spinnerei now houses many different activities including cafes, artists’ studios, exhibitions, small-scale production and residential units²³.

In just over a decade, this large abandoned factory site in West Leipzig has become a major tourist attraction with 25,000 visitors, including international art dealers, arriving at its springtime open house. The factory hosts an outdoor cinema, a beer garden and several small businesses, including a bicycle builder, a call centre, and an art supply store. These activities subsidise studio spaces. The Spinnerei is well established now compared to 5 years ago, and attracts entrepreneurs and tourists who want to be part of the creative and artistic Leipzig culture.

Artists suggest that the “cultural colonies” developed organically at the Spinnerei with an eye to what was topical at the time²⁴. Many also acknowledge that the city played a key investment role in stabilising the buildings on site and attracting ERDF funding²⁵. The city also demonstrated a willingness to encourage below-the-radar alternative economic activity that not only fits empty spaces, but takes on a life of its own. The buildings have supported artists of the “New Leipzig School”, a movement that has gained international recognition in particular through the painter Neo Rauch.

The fast pace and extensive reach of renewal set out in the previous section is positive news for the city, but more established residents also lament the loss of old Leipzig and the post-reunification generation misses the alternative, counter-culture days of Leipzig. City regulations are no longer as lax as they were when the city was desperate. The money that poured into the city after 2000 is now changing the

²² Interview with Architect, July 2014.

²³ Interview with Spinnerei resident, June 2014.

²⁴ Interviews with gallery curator and Spinnerei resident, June 2014.

²⁵ Interview with City Officials 1 and 2, July 2014.

bohemian atmosphere that drew people to Leipzig as an alternative artistic magnet in the first place. Some even look back to the era of the “great vacancy” with nostalgia²⁶.

Leipzig’s city government faces the unenviable task of reconciling the needs and ambitions of this creative group of residents that thrive on low costs to develop new creative ideas, with other growing sectors of the economy that generate private investment and ownership – which the city argues it also needs. Leipzig’s creative atmosphere is clearly a pull factor for many younger residents relocating to Leipzig, but many residents and local stakeholders worry that Leipzig’s creative environment may be under threat.

Figure 39: Spinnerei Cotton factory in the 1950s



Source: Spinnerei visitors centre

Figure 40: Spinnerei today from inside the courtyard



²⁶ Interviews with Gallery Curator, Stadteilladen manager, and Student, June 2014.

6. Leipzig's Commitment to Citizen Involvement

A strong tradition of active citizen involvement thrives in Leipzig. The city's strong history of labour movements, activism and peace demonstrations continue to inspire a sense of citizen power and participation. Today, citizens are actively shaping the city and examples can be found everywhere – from street art, environmental festivals, anti-gentrification protests, to large areas of land devoted to well-tended community gardens. Three actual examples are given here that show how citizens are actively involved in developments, encourage by the city. The examples show how the city of Leipzig has gone to great lengths to encourage residents to participate.

Leipzig Weiter Denken – Leipzig thinking ahead

The city of Leipzig, along with the Helmholtz Centre for Environmental Research, has initiated a citizen involvement forum called “Leipzig Weiter Denken” or “Leipzig Thinking Ahead”. It aims to involve and integrate citizen ideas and priorities into new government policy and agenda setting. This initiative has been funded by the Federal Ministry for Education and Research, which wanted to test the potential for greater citizen involvement in the political process.

The forum debates subjects of importance to the future of Leipzig, including social cohesion, affordable and energy-efficient transportation, energy saving, the environment and city finances. One current important focus of “Leipzig Weiter Denken” is the creation of a new housing agenda for the city. In a context of a growing population and rising living costs, citizens have debated their visions of Leipzig's housing market in the future.

A recent forum event drew over 200 Leipzig residents seated around more than a dozen tables, extending into an overflow room at the back of the hall. This allowed everyone to contribute their views. Residents brainstormed a series of questions as a group, writing down their ideas to submit to the city²⁷. The evening generated heated discussion around the topics of affordable housing, alternative transportation, the development of public meeting spaces and preserving a social mix in the city.

These citizen events take a lot of organisation, time and resources on the part of the council, but city officials believe that the dialogue and ideas that are facilitated through these events are invaluable²⁸. The meetings put citizens in direct contact with city officials, and open up areas of contention to rigorous public discussion.

²⁷ Observation, Leipzig Weiter Denken Event, June 2014.

²⁸ Interview with City Official 3, June 2014.

Figure 41: Leipzig Weiter Denken Event June 2014



The following box outlines some of the aims and activities of the citizen engagement approach of the city.

Box 1: Leipzig Weiter Denken - Participation in Leipzig

Leipzig Thinking Ahead – A Centre for Civic Participation

- Launched in May 2012 the pilot project "Leipzig Thinking Ahead" has become the focal point for citizen participation in Leipzig.
- Since January 2014 the project has expanded to become a permanent fixture within the city council. The goal is to anchor citizen participation in both the administration and amongst the citizens.
- Citizens, stakeholders, experts, scientists and policy-makers discuss current topics relevant to sustainable urban development. The goal is to work together using innovative methods to resolve the various challenges that sustainable urban development presents. The city uses surveys, events and online forums to reach citizens and encourage a citizen-orientated advisory approach within the city administration.

Current issues

Living in the growing city

In order to respond to the population growth, the city of Leipzig is currently updating its housing policy. In a multistage participation process, citizens, politicians, groups within the housing market and experts are invited to discuss issues and ideas about housing.

Sustainable Finance

The city of Leipzig faces the challenge of reviewing many of its services in the upcoming years. Leipzig's citizens and the finance department meet once a year to discuss current issues regarding future budget allocations.

Leipzig New Lake District

Many of the water landscapes in and around Leipzig and adjacent areas in Saxony-Anhalt and Thuringia need a clear strategy to develop in a sustainable way. Citizens are included in this planning process and can actively contribute to the tourism, ecology, and economic development of the area.

Volunteering in Leipzig

Leipzig has a long tradition of participation by the citizens in the administration of the city. As a result the city is consulting with residents to develop a more concrete strategy to support volunteer work in Leipzig.

Clara Zetkin Park and Johanna Park

Two of Leipzig's important inner-city green spaces, the Clara Zetkin Park and Johanna Park, are getting busier. As a result the city has initiated a broad-based communication and participation process around the management of these public spaces. Dedicated areas will be preserved for special activities and an awareness campaign is being developed with residents to enhance the co-operative use of these public parks.

Energy-efficient Retro-fitting

The question of climate protection is prominent in Leipzig, with around 54% of the housing stock consisting of historic and listed buildings. Experts are invited to workshops to generate ideas that will help overcome the future challenges Leipzig faces in energy saving.

Neighbourhood offices

An example of direct communication between residents and city government can be found in Leipzig's "Laeden" or neighbourhood offices. These open-door centres and offices have been set up along main streets in different areas of the city to act as points of contact between residents and neighbourhood organisers employed by the city.

Figure 42: Neighbourhood offices in Gruenau and Leipzig West



The aim of the neighbourhood offices is to gather local information, help resolve and manage local problems and feedback citizen's concerns to city government. Staff represent neighbourhood issues in the city-wide meetings and events with a view to encouraging new economic and infrastructure investments and supporting current projects. They also help to develop strategic long-term neighbourhood plans and mediate property and land disputes. Neighbourhood officers are tasked with identifying new ideas for the area and working with local agencies and organisations to bring them to fruition. They have a local budget to support local social initiatives and small improvements.

Neighbourhood officers organise themed meetings to which local citizens and organisations are invited to contribute their ideas on topics relating to the development of the area. The neighbourhood offices are a valuable information point to find out more about what's happening in the area. One neighbourhood officer described their core role this way: "Our primary task is turning our residents' bright ideas into a reality here in the neighbourhood"²⁹.

Local job shops – Arbeitslaeden

Local neighbourhood "Arbeitslaeden" or job shops help citizens and businesses to become more involved in the city and their area. The job centres in Leipzig East and in the large outer estates, such as Gruenau, provide a free base, separate from and independent of the offices that administer unemployment benefit. The job centre works to prepare unemployed residents for the local job market, as well as networking with and supporting local small business by providing micro credits and setting up training programmes. These local job shops were first initiated by the city of Leipzig with funding from ERDF and the Federal Ministry for Labour and Social Affairs. They offer free services open to any local resident wanting to make use of them.

Due to high numbers of immigrants in East Leipzig, its job shop is also a point of contact for residents to establish their work status and formal residency, so as to legalize their status in the city. Foreign, non-German speaking residents are also linked with language training courses. The job shop employs a psychologist who works with long-term unemployed residents to build their confidence over time and to assess how they may re-enter the job market.

The Arbeitsladen in East Leipzig plays an impressive role in empowering local residents and businesses to develop and grow within the city. The shop helps with applications, establishing work status, training and skills development and encouraging the growth of local businesses and enterprise networks³⁰.

²⁹ Interview with Stadtailladen manager, June 2014.

³⁰ Interviews with Arbeitsladen Managers 1 and 2, June 2014.

Figure 43: Job centre in East Leipzig with map of participating local businesses



7. Concluding thoughts

Leipzig's transformation from a declining, polluted and run-down Communist city, to a historically restored, desirable, growing and more prosperous city is, for some, nothing short of a miracle.

Many local stakeholders claim that Leipzig is proof of how an active city administration, supported by expert and resident input, can formulate convincing development plans that attract and put to good use substantial German Federal and European subsidies. For others, Leipzig's success has developed more organically from the creative and entrepreneurial spirit that was allowed to thrive in the space and the freedom that existed in the years following reunification. Some stakeholders feel Leipzig has "made it", while others argue that the city continues to be divided and unequal, paying out large subsidies to big business at the expense of local residents and businesses. Some believe that the city has only recovered because of a massive injection of federal and European funding.

Nonetheless, many strands of effort, innovation, enterprise and vision went into rebuilding a city that lost 100,000 population between 1989 and 1998, and 90 per cent of its manufacturing jobs in just a few years following reunification. The reversal of fortunes relied on a confluence of factors. The strong and determined adoption of the city's carefully considered development plans was a major factor. These plans reinstated the city centre by reinvesting in pre-WWI inner city blocks, expanding public transport, densifying activities and creating vibrant mixed-use neighbourhoods. Areas that had been abandoned for decades have come alive and attract young people and families to live in the inner city

The city also focused on restoring its urban environment by decontaminating and reinstating former industrial land, creating small parks on bare land left by demolition and investing in energy saving by retrofitting homes. Cycle ways, footpaths and pedestrian routes have encouraged people out of cars, the city's waterways and lakes have been restored and are now prominent features of Leipzig's urban environment.

Economic development was fostered by focussing on five strategic economic sectors: automotive industry and suppliers; health and biotechnology; energy and environment; logistics; media and creativity. The city managed to attract key "lighthouse" companies, such as BMW, Porsche, Amazon and DHL, and these companies in turn generated the need for significant local back-up services, and a trained labour force.

Leipzig has also developed as a research hub particularly around the health, energy, engineering and environment sectors and has attracted top science and research facilities. These facilities draw in highly qualified researchers and students, whose work is promoted and supported by the many conferences and trade fairs hosted in the city.

The city also made the most of its historic assets, using the city's traditions to enhance its progress. For example Leipzig's airport and vast central train station, its medieval trade fair, university, art school and Bach church and choir – all of these assets helped pave the way to Leipzig's economic recovery and conversion into an attractive tourist and artistic destination.

In a similar vein, the historic Monday Demonstrations that led indirectly to the collapse of communism offer a model of participative transformation from recent history. The post-reunification, citizen-based approach to city planning, involving difficult debates among city officials, local stakeholders, planning experts and the public have encouraged a “listening before doing approach” in Leipzig, which informs many of the pressing decisions faced by the city today.

Another feature of Leipzig’s recovery is the presence of bottom-up, small-scale, often artistic inspired enterprises, combined with building reclamation, inner city renewal, a rising student population, a fine art school, and “space to create”. The proximity to Berlin and the fast train link help put Leipzig on the map, and the city’s history of dissent, protest and creativity have helped attract, a growing youthful population.

Today Leipzig faces many new challenges. Population growth requires significant new infrastructure, just as external subsidies are declining. Leipzig’s rising population and artistic and cultural success are causing rising rents in popular areas and a reduction in spare capacity. Leipzig’s new industrial base seems strong following the recession but no one knows whether Leipzig’s current flowering is sustainable and will continue.

Nonetheless, the city’s progress so far derives from a vision of rebirth that allows the Phoenix to rise from the ashes. Leipzig demonstrates this amply.

Figure 44: Overview of interviews conducted in Leipzig, 2014

Interviewees	Date of Interview
Academic #1 based in Leipzig	June 2014
Academic #2 based in London	May 2014
Urban Planner employed by city of Leipzig	May 2014
Leipzig city official #1	June 2014
Leipzig city official #2	June 2014
Leipzig city official #3	June 2014
Stadtteilladen manager	June 2014
Arbeitsladen manager #1	June 2014
Arbeitsladen manager #2	June 2014
Biotech researcher based in Leipzig	June 2014
Architect based in Leipzig	June 2014
Gallery curator based in Leipzig	June 2014
Spinnerei resident	June 2014
Activist involved in Leipzig Weiter Denken #1	June 2014
Activist involved in Leipzig Weiter Denken #2	June 2014
Students enrolled at the Max Plank Institute	June 2014

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