

Private Sector involvement in regeneration  
Best Practice Experience

Supporting business and  
entrepreneurship in the area of  
Hamburg - St. Pauli

Kurt Reinken  
STEG Hamburg

# Background St. Pauli

## Weaknesses

- Increasing rent for workspace
- Low economic growth
- Low individual spending power
- High youth and long-term unemployment rate (14%)
- 15% of pop. depend on welfare benefits
- Poorest area in Hamburg

## Opportunities

- Converting old factories for start-ups and businesses to encourage self-employment
- Creative potential
- “Area of opportunities”

# Aims of Regeneration

- Improving the economic life in the area
- Supporting start-ups, young enterprises and entrepreneurship in the area

# Regeneration Strategy: Start-up centres in St. Pauli

The concept:

- Managed workspace
- Small office units between 10 and 50 m<sup>2</sup>
- Relatively low rents
- Flexible renting contracts
- Joint technical infrastructure

# Start-up Centre ETAGE 21

- Since 1998
- Former slaughterhouse was converted into a local business premises 4,500 m<sup>2</sup>
- ETAGE 21 offers workspace between 15 and 50 m<sup>2</sup> for rent
- Mix of branches from the Service-Sector (Design, Consulting, Media)
- Owner: City of Hamburg, in the trust of STEG for approx. 25 years
- Role of STEG: Project development and management of the start-up centre



# Start-up Centre **ETAGE 21**

- Total costs of construction:  
€ 1 million
- Financing:
  - Sponsorship by City of Hamburg: 40%
  - Loan by private bank: 60 %
- Binding period of time: 25 years
- Occupation: Ø 90%
- Office-rents: Ø € 7,50 / m<sup>2</sup>  
Market rents: Ø € 10,50 / m<sup>2</sup>



# Start-up centre Sprungschanze

- Since 2000
- new commercial building with 1,000 m<sup>2</sup> floor space
- 30 office units between 15 and 50 m<sup>2</sup>
- Mix of branches/Service-sector
- Ownership: Private investor
- Role of STEG: Concept development and management of the start-up centre for the private owner



# Start-up centre Sprungschanze

- Total costs of construction:  
€ 1 million
- Financing:
  - Sponsorship City of HH: 30 %
  - Private investor: 60 %
- Binding period of time:  
10 years
- Occupation: Ø 98%
- Office-rents : Ø € 7,50 per m<sup>2</sup>  
Comparable market rents:  
Ø € 10,50 per m<sup>2</sup>



# Start-up project Music centre

- Start of construction: October 2004
- Commercial building with 2,500 m<sup>2</sup> floor space
- 40 units between 15 and 50 m<sup>2</sup>: offices, stores and production rooms
- Ownership: City of Hamburg within the trust of STEG
- Role of STEG: Project development, realisation and management of the centre



# Start-up project Music centre

- Construction costs: € 5,4 million
- Public-private 'Finance-cocktail':
  - Sponsorship by City of Hamburg: € 1 mill.
  - EU /EFRE Funds: € 1 mill.
  - Private bank: € 1,2 mill.
  - State Bank: € 1,2 mill.
  - STEG´s own resources: € 1 mill.
- Calculated rents: Ø € 6,50 per m<sup>2</sup>;  
Comparable market rents: Ø € 10,50 per m<sup>2</sup>

# Summary

1. Projects have been established in the neighbourhood (Anchoring).
2. New jobs have been created:
  - ETAGE 21: 70 enterprises = 140 jobs
  - Sprungschanze: 40 enterprises = 80 jobs
3. Image of a “start-up neighbourhood” has been developed in St. Pauli.

# Issues for discussion

- Target-groups: Attracting new entrepreneurs vs. supporting long-time unemployed
- Subsidising start-ups: Ø € 800,- per business = Value for Money
- Structural changes on the labour-market need new strategies