

# Developing Urban Growth and Urban Quality

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# **Developing urban growth and urban quality: Entrepreneurial governance and urban redevelopment projects in Copenhagen and Hamburg**

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## **Introduction**

The ways in which cities are built, rebuilt, and unbuilt are—and have always been—changing. Histories of urbanisation are spatially and temporally specific. City formation and development have occurred in different manners in different regions of the world at different times, driven by diverse political, economic, social, and cultural processes (e.g. Madeddu and Zhang, 2017; Grydehøj, 2015a; Agnew, Mercer and Sopher, 2007).

Nevertheless, the increasing mobility of people, businesses, and capital over the past decades has influenced urban development worldwide in locally specific ways. The creation of urban enterprise zones and business improvement districts to attract businesses to USA cities (Noring, 2019; Schaller, 2019), loan-funded efforts to raise land values in Pacific island societies (Davis, Munger and Legacy, 2020), and attempts at forming unique urban identities in emerging Chinese cities (Chen and Dong, 2019) are all vastly different from one another yet are both driven and made possible by developments in how state, regional, and city governance actors simultaneously pursue economic and social returns.

The present paper uses cases of urban redevelopment at waterfront and brownfield sites in Copenhagen (Denmark) and Hamburg (Germany) to consider how two municipal governments have engaged in divergent kinds of entrepreneurial governance, even as they have aimed to create similar kinds of new-build neighbourhoods. Both cities have pursued ‘progressive capitalism’ (Stiglitz, 2019), simultaneously raising urban land values and adding urban public goods. These cities follow a long tradition of using land value capture to raise funds for municipal activities, yet their scopes of action and tools for achieving progress have been shaped by local economic and political conditions. Although both cities began their redevelopment projects at similar kinds of sites in the 1990s, Copenhagen’s municipal government was relatively impoverished, while Hamburg’s municipal government was relatively wealthy. As a result, even though both cities deployed state-owned enterprises (SOEs) and revolving funds models to reinvest revenues in future development, they possessed

different potential strategies for increasing intercity competitiveness: Copenhagen's immediate aim with redeveloping its Ørestad and harbour districts was to fund a citywide mass transit system and thereby enhance competitiveness through infrastructure development, while Hamburg sought from the start to use its HafenCity waterfront redevelopment to boost competitiveness through port modernisation, multiuse development, an increase in urban quality, and expansion of the city centre. By comparing these two cases, we can better understand the contingent nature of entrepreneurial governance and urban redevelopment processes.

We begin by reviewing the literature on entrepreneurial governance and urban development, then describe the two cases. We follow this with an analysis of what comparison of these cases can tell us about the impact of local economic and geographical context on the processes of entrepreneurial governance, before proceeding to a conclusion.

## **Entrepreneurial governance**

### *Entrepreneurial urbanism in place*

The concepts of 'urban entrepreneurialism', the 'entrepreneurial city', and 'entrepreneurial governance' came to prominence in the 1980s through the work of David Harvey. In the intervening years, however, the processes of urban entrepreneurialism he described have become so unremarkable (Peck, 2014) as to often go unremarked upon. That which Harvey (1989: 7) identified as the "centerpiece" of the "new entrepreneurialism"—namely, "the notion of a 'public-private partnership' in which a traditional local boosterism is integrated with the use of local governmental powers to try and attract external sources of funding, new direct investments, or new employment sources"—is the rule, rather than the exception. When Harvey (1989: 7) wrote that "the activity of that public-private partnership is entrepreneurial precisely because it is speculative in execution and design and therefore dogged by all the difficulties and dangers which attach to speculative as opposed to rationally planned and coordinated development," meaning "that the [local] public sector assumes the risk," his concern was primarily with cities in the USA and United Kingdom. Such processes are today standard practice around the world, with cities from East Africa (Ajibade, 2017; Morange, 2015) to Eastern Europe (Grubbauer and Čamprag, 2019; Cook, 2010) to East Asia (Kim, 2020; Jou, Clark and Chen, 2016) competing to attract businesses and investors, partnering with private actors, and undertaking speculative development.

Yet to say that many cities are today entrepreneurial is not to say they are all entrepreneurial in similar ways. This is partially a consequence of the literally *grounded* nature of certain urban values. In the words of Clark, Larsen, and Lund Hansen (2015: 15-17), "The various elements of built environments are fixed to the land, and thereby acquire characteristics in absolute, relative and relational space," and it is the 'rent gap'—denoting "a disparity between actual land rent and potential land rent"—that is key to understanding entrepreneurial processes in the city. Because urban geographies differ, so too must urban entrepreneurialism, with, for example, scarcity economics coming keenly into play in littoral and mountain cities, where limited availability of developable land encourages agglomeration and densification, discourages sprawl (Wu et al, 2020; Sheng, Tang and Grydehøj, 2017)—and (all else being equal) raises rents. As Macleod (2002: 604-605) notes, "urban entrepreneurialism [tends] to be

driven by a political economy of *place* rather than *territory*,” and deindustrialised and ‘derelict’ city centre spaces are especially valuable, given that the “flagship projects” at the heart of so many entrepreneurial processes are aimed primarily at stakeholders “who live beyond the immediate locality.” This “spatially selective nature of entrepreneurial urbanism in cities” (Ward, 2003: 116) contributes to the ‘splintering urbanism’ identified by Graham and Marvin (2002), in which certain stakeholder groups are privileged in certain spaces, often with the effect of entrenching socioeconomic divisions.

These are not new processes. Manhattan’s Central Park, designed and constructed in the mid- to late-1800s, combined elements of civic pride, private and municipal economic speculation, and urban ‘regeneration’ (Rosenzweig and Blackmar, 1992). As Loo et al (2018) note, strategies of land value capture—“a financial tool designed to monetise the escalation in land values in the catchment area of public infrastructure projects”—fundamentally represent attempts to exploit rent gaps and have long played a role in speculative urban governance. The resilience of this strategy of speculative urban development over time also suggests that urban ‘governance’ has never solely been about urban ‘government’ but instead involves the interactions of a wide range of public, private, and community actors (Pierre and Peters, 2019).

#### *State-owned enterprises and government engagement with the market*

The “deterritorializing tendency” (Torrance, 2009: 208) of urban development processes that are producing geographically distributed nodes of regulatory conformity and extreme financial mobility (Easterling, 2014) exists in tension with the desire of many cities to create uniquely profitable or productive urban spaces. Discussing the trajectories and objectives of urban megaprojects, Sonn, Shin, and Park (2017) differentiate between what they term the ‘rent-extraction strategy’ and the ‘socio-economic transformation of space strategy’: these two strategies may produce superficially similar results but in fact serve different interests at different spatial scales, with efforts at rent extraction being attractive to subnational actors precisely on account of issues of ownership over spatially fixed assets. As a result, particular kinds of entrepreneurial activity tend to be pursued by governance actors at national, regional, and local scales. City governments sometimes lack the straightforward governance capacity to extract rents from their spatially fixed assets. Entrepreneurial governance practices and potentials differ in part on account of differences between various city economies the governance systems within which they are embedded, affecting the degree to which city government actors can gain leverage over and direct the activities of private actors as well as can pursue long-term objectives rather than simply chase short-term profits (Noring, Ohler and Struthers, 2020).

Pierre (1999: 373-374) draws attention to the “institutional dimension of urban politics”: the fact that the institutions of national governance to a great extent set the standards for local governance, “institutions in urban governance are themselves constrained by organizational factors such as constitutional arrangements and other types of legal definitions of the responsibilities of public organizations.” That is, subnational governance actors find that their scope for action is strongly conditioned by the expectations, systems, and machinery put in place by higher-level governance actors. One result of this is that entrepreneurial governments at the subnational level are incentivised to construct alternative or parallel vehicles for governance—such as state-owned enterprises (SOEs)—that allow the local government to act

outside its formal remit or to act outside its normal processes of accounting and oversight (Grydehøj, 2016).

Subnational and city government use of SOEs when engaging with the market and acting entrepreneurially is practiced around the world, in vastly different governmental systems, from authoritarian states to liberal democracies (Xue and Wu, 2014; de Langen and van der Lugt, 2017; Caesar and Kopsch, 2018; Kim and Choi, 2018; Grydehøj, 2018). Commonalities between these various examples are that municipally owned SOEs have the potential to operate in the market for the public good (bearing in mind that definitions of ‘the public’ and what is good for it may vary) and without needing to abide by legal restrictions on the scope of activity for government *per se*.

All SOEs may to some extent seek to skew competition in the market, but not all SOEs are representative of entrepreneurial governance. There is, for example, a difference between 1) the municipally owned SOEs discussed in this paper, which engage in speculative development to produce public income; 2) SOEs that engage in speculative development to produce private income (in the hopes of increasing tax revenues and employment); 3) SOEs that focus on supplying essential services to the public (often at below-market rates); and 4) SOEs that operate in key productive industries (often export oriented). All these types of SOEs have their uses, and they may have similar governance structures, but only the former two are entrepreneurial in the sense described by authors such as Harvey (1989). Such entrepreneurialism complicates the already complex issues surrounding municipal risk management, oversight, and regulation (Allen and Vani, 2013).

Ultimately, when considering entrepreneurial urban governance, it becomes clear that local circumstances—geographical, organisational, and economic—must be taken into account. This is evident in the cases considered below, which concern efforts at entrepreneurial urban development by a relatively impoverished municipality (Copenhagen) and a relatively wealthy municipality (Hamburg) from starting points in the 1990s. When discussing relative wealth, we refer to historical municipal finances and do not seek to these cities’ average incomes *per capita* or personal finances, past or present. Much of the literature concerning entrepreneurial governance *per se* has focused on the negative impacts of urban entrepreneurialism, yet we might ask whether some of these negative impacts might be related not just to the policies devised by city governance actors but also to the potential avenues and strategies available to these actors.

## **Methods**

This paper utilises a mixed methods approach. Between May 2016–January 2018, the second author undertook semi-structured interviews with 16 key decisionmakers in Copenhagen and 15 key decisionmakers in Hamburg. Notes from these interviews were subsequently subjected to qualitative content analysis. The authors have also analysed media reporting, government documents, and publicly available statistical data. Although this paper does not make use of quotes from the semi-structured interviews, these interviews form the basis for much of the material contained in the two case descriptions.

## **Two cases of entrepreneurial urban development**

In many regions of the world, cities are experiencing a shift in their economic composition away from heavy industry and production and toward service industries and light urban manufacturing. This is in some cases driven by expediency for the heavy industries and in other cases by the needs of city residents and other stakeholders. One result is that land is being freed up in city centres, and there is a drive at the city level not just to find a productive purpose for this land but also to engage in familiar ‘rent-extraction’ strategies (Sonn, Shin, and Park 2017).

The manner in which a city government can undertake entrepreneurial urban development is, however, dependent in part on the city government’s economic and political starting point. The cases of Copenhagen and Hamburg described and discussed below provide examples of how differing local economic contexts may influence entrepreneurial strategies when it comes to urban development.

#### *Developing for urban growth: Copenhagen City & Port*

In the late 1980s, Copenhagen Municipality was in a dire economic situation, suffering from high unemployment and a large budgetary shortfall. Deindustrialisation was pulling jobs and production out of the city. At the same time, wealthier families and individuals were increasingly relocating from the dense city centre to privately owned homes outside the municipality’s borders, a trend facilitated by earlier public investments in road and rail infrastructure and thus improved opportunities for commuting (Knowles, 2012). Pensioners, university students, and the unemployed became strongly overrepresented in the city’s demographics, leading to a dwindling tax base. Denmark’s identity and self-understanding as a ‘welfare state’, with the government possessing both social and economic obligations relative its citizens, prompted a shift toward a new form of urban policy, as it did elsewhere in the Nordic region in the same period (Ærø and Jørgensen, 2005).

The municipal government began taking radical steps to spur economic growth and entice people and businesses to move to the city. In 1990, a political consensus formed at the national and municipal levels to transform Copenhagen by catalysing investment in housing and infrastructure, making the city attractive to new citizens and strengthening the municipal tax base. Key to this was introducing a new mass transit system in order to make the city more attractive to middle- and upper-income residents. Focus was also placed on developing vacant public land within the city’s borders and on ‘regenerating’ impoverished neighbourhoods (Lund Hansen, Andersen and Clark, 2001). The municipal and national governments created a series of SOEs with the explicit goal of redeveloping large districts in the city’s core, maximising the value of underutilised public land, and using the revenues generated by smart zoning and asset management to finance mass transit and other infrastructure.

The first of these SOEs was Ørestad Development Corporation, which was created in 1992 under the co-ownership of Copenhagen Municipality (55%) and the Danish Ministry of Finance (45%). Ørestad Development Corporation was designed to develop state-owned land that had formerly been used by the Danish military. The Ørestad area (3.1 km<sup>2</sup>) is located between downtown Copenhagen, Copenhagen’s international airport, and the bridge connecting Denmark to Sweden. While both the municipality and the national government provided land for Ørestad, the municipality alone was responsible for zoning.

Ørestad was not envisioned as a standalone megaproject but was intimately linked to the desire to upgrade the city's public transport through the construction of the Copenhagen Metro mass transit system. By national law, Ørestad Development Corporation was explicitly tasked with developing the area to raise capital for the construction of the first two stages of the Metro (the M1 and M2 lines). In order to construct the Metro system before Ørestad had been fully developed, Ørestad Development Corporation took out a loan against the value of its land assets to fund the construction. This financial speculation ensured the provision of public mass transit but had the downside of encumbering Ørestad Development Corporation with large debts from the outset. Whatever the perceived value of Ørestad itself, the project's primary function was to ease internal transit within Copenhagen and make the city as a whole more attractive to businesses and residents.

The full development of Ørestad was expected to take 20 to 30 years, at which point an estimated 25,000 people would live in the district, along with a daytime population of 20,000 students and 60,000 workers. The first office building was constructed in 2001, and the first residential buildings were completed three years later. As of December 2016, the residential population had reached 10,000, and the worker population now totals 17,000. Major institutions in the area include Bella Center, Scandinavia's largest exhibition and conference centre; Copenhagen Concert Hall and DR Village, the headquarters of the Danish Broadcasting Corporation; Royal Arena, a 15,000-seat multipurpose venue; IT University of Copenhagen; and University of Copenhagen's South Campus.

The next step in the city's plans was to transform the Port of Copenhagen. Copenhagen's industrial harbour had suffered from inefficiencies and continual annual deficits, which were covered by the sale of unused land to developers. In 2000, with the opening of the Øresund Bridge connecting Copenhagen with the Swedish city of Malmö, a significant fall was predicted in harbour traffic in the ports of both Copenhagen and Malmö. From 2001, port activities in Copenhagen began to be jointly managed by Port of Copenhagen and Malmö Hamn through the company Copenhagen Malmö Port (2012). Copenhagen Malmö Port does not itself own land in the city but instead rents the necessary land first from Port of Copenhagen and now from its successor body. Already in its first year following restructuring, Copenhagen Malmö Port generated US\$15 million in profits: for the first time in a century, the port made profit on its operations through greater efficiency and by operating in a more cost-conscious manner.

In 2007, a new entity, Copenhagen City & Port, was created through the merger of the two SOEs, Ørestad Development Corporation and Port of Copenhagen, thereby bringing together land development in Ørestad, financing of Copenhagen Metro, and ownership of harbour-front land. As with the Ørestad Development Corporation, Copenhagen City & Port was an SOE under 55% municipal ownership and 45% national ownership. A transit construction company was subsequently split off from the merged company to take full responsibility for building and expanding the Metro system.

Over the past decade, various parts of the city have undergone transformations under the management of Copenhagen City & Port, including Ørestad and the former industrial areas of Sydhavnen, Nordhavn, and Papirøen. Plans are also underway for a construction of a large new island, Lynetteholm (By & Havn, 2019). Some of these projects feature substantial land

reclamation (the construction of artificial ground) and thus the literal expansion of terrestrial urban space—a process that has been occurring in Copenhagen for centuries.

As with Ørestad Development Corporation, Copenhagen City & Port was established with the explicit purpose of using revenues from rezoning and redevelopment to finance infrastructure construction (specifically, the City Circle Metro line, followed by other Metro lines, tunnels, causeways, *etc.*). Such revenues build upon themselves: rezoning raises land values, producing revenue that can be invested in infrastructure that further boosts land values, and so on. Thus, in 2014, the national government revalued the land at Nordhavn and estimated it to be worth US\$450 million more than in the original estimate in 2007. The appreciation went toward paying for the Metro construction in Nordhavn, including two extra Metro stations. In 2014, the national government decided to reduce its ownership shares in the company, enabling the municipality to assume a larger portion of responsibility for Copenhagen City & Port: the municipality now owns 95%, and the national government owns the remaining 5%. The capital raised from redeveloping Nordhavn alone has led to reinvestments of US\$15 billion, of which US\$5.8 billion was redirected to Metro construction, with the remainder being used for infrastructure and other investments in the redevelopment zone itself. Copenhagen City & Port remains liable for debts of US\$2.4 billion due to continued borrowing to fund these infrastructure investments.

The financing of this major mass transit expansion has been accomplished through the sophisticated management of public assets. The process has been as follows: 1) The national and municipal governments transfer assets to Copenhagen City & Port. 2) The municipal government rezones the land for residential and commercial use. 3) The land increases in value. 4) Copenhagen City & Port borrows (generally with loans on favourable terms from the Denmark National Bank) based on the increased value of the land. 5) This capital is transferred to the Metro construction company for broader transit investments and/or is used by Copenhagen City & Port to pay for local infrastructure that enables development of the land. 6) Copenhagen City & Port facilitates development through a variety of mechanisms, including land sales to developers, lease agreements with developers, and in a small number of cases development by the corporation itself. 7) Revenues are used to service debt.

2016 brought with it a change in strategy on the part of Copenhagen City & Port. Whereas previously the company had been mandated to sell land at the highest possible price, with proceeds feeding into public infrastructure, a new rule was introduced requiring new-build developments to contain 30% affordable and social housing. This reflected a new political reality and public mood, but it was also a result of the progress that had been made in transforming Copenhagen's economy over the previous three decades. Making the city more attractive to high-value residents and businesses could no longer occur at the expense of social inclusion. In the current system, private investors and developers receive monetary compensation for signing over 30% of the development project to affordable and social housing cooperatives to take over development. The private investors and developers will sometimes develop this affordable and social housing themselves, provided it remains under a maximum cost threshold. Within this system, the financial burden of ensuring socioeconomic inclusivity is not placed on the private actors; instead, the municipality engages and work with the private actors to determine the optimal material and spatial frameworks for supporting such inclusivity.



Copenhagen City & Port furthermore now invests 25% in local infrastructure, public spaces, and urban quality initiatives for the public good.

*Developing for urban quality: HafenCity Hamburg GmbH*

Following the devastation of World War II, reconstruction of the urban fabric was at the top of the agenda for many German cities. The tendency during this period was for urban functions to be compartmentalised, with the separation of industrial, office, retail, and residential areas. Hamburg followed a similar path by creating a 75 km<sup>2</sup> city centre zone of distinct legal nature exclusively for harbour use. In Germany's federal systems, city-states like Hamburg possess the fiscal and legislative powers of both a city (municipality) and a state. Hamburg has a traditionally strong public sector and controls significant assets (Noring, Katz and Verdis, 2017). Hamburg owns its harbour and finances it from the municipal/state budget.

Whereas Copenhagen had been confronting a stark drop in its port industries in the 1980s and 1990s, Hamburg port was and remains one of the busiest in the world and is today the third-largest seaport in Europe, despite being located 100 km from the North Sea. The simultaneous desires to modernise the port, to move noisy and polluting industrial activities outside the city centre, and to make space for new commercial and residential areas in the city centre led the city government to indirectly fund the construction of new, state-of-the-art industrial port facilities on the margins of the city. Unlike Copenhagen, however, Hamburg had relatively robust public finances. Furthermore, while Copenhagen's priority was to improve its finances by reversing the movement of high- and middle-income workers out of the city and by investing in infrastructure, redevelopment, and regeneration, Hamburg sought to gain primarily from the German unification in 1990, with the hinterlands for Hamburg's port services expanding to include the East German states and Central Eastern Europe. Hamburg needed to build and municipally finance a new container terminal, for which existing inner-city harbour areas were spatially insufficient. At the same time, Hamburg required more inner-city space for the growing service sector.

In 1993, the Corporation for Harbour and City Development was created as a subsidiary of the municipally owned port operating company Hamburg Harbour and Logistics. This set in motion a series of institutional innovations that have facilitated the redevelopment of former port and industrial areas in the city. The Corporation for Harbour and Site Development was tasked with acquiring buildings in leased-out but underutilised port areas. In 1997, the municipality of Hamburg created a special asset class as a legal entity to hold the accumulated assets and allow them to be leveraged and developed. Over the following years, the corporation gradually acquired control over much of the public land and after 2000 also bought most of the remaining privately owned land. In order to avoid speculative resistance from private operators, the city did not make public its broad vision for urban expansion or the development of HafenCity during this initial period of land and lease acquisition and treated the operation as an optimisation of harbour spaces. In the HafenCity area, income from land sales from this special asset class would later be drawn upon for infrastructure construction by the SOEs discussed below.

In 1997, Hamburg announced the HafenCity development to the public as a functionally mixed urban district adjacent to the existing urban core, and in 2004, Hamburg converted the Corporation for Harbour and City Development—independent from Hamburg Harbour and

Logistics since 1997—into HafenCity Hamburg GmbH. The new institution remains publicly owned by the city but operates with the responsiveness of a privately managed corporation. Much like Copenhagen Port & Harbour, HafenCity Hamburg GmbH is thus an SOE tasked with redevelopment of a city-owned former harbour area. HafenCity Hamburg GmbH has been developing the HafenCity site in recurrent competition stages. Significantly, because HafenCity Hamburg GmbH's focus was always on development of the site itself, it could engage in efforts at income maximisation over a longer time scale. The SOE invested in infrastructure and insisted upon a strong urban planning vision, which boosted land values. The higher the value of the land, the greater the bargaining power of the SOE vis-à-vis potential investors and developers. HafenCity Hamburg GmbH uses its bargaining power to induce investors and developers to adhere to the planning vision. The SOE declines to charge the maximum possible price for the land but in return demands that potential investors and developers contribute to the broader planning vision of HafenCity, thereby further increasing the value of new plots of land. This is a balancing act between on the one hand using potential income from land sales as bargaining power to entrench the planning vision and raising future income or on the other hand charging higher prices for the current land sales but in the process sacrificing the ability to make costly demands on potential investors and developers related to the planning vision.

HafenCity Hamburg GmbH has deployed this iterative strategy using a concept tendering process in which proposals are evaluated on the basis of a combination of overall quality, contribution to the urban planning goals, and bidding price. This serves to maximise income and urban quality (and hence competitiveness) over the long term. It relies on close dialogue and collaboration with potential investors and developers, ensuring the creation of framework within which both developers and the city can achieve their objectives. In this way, winning bids from developers in HafenCity and in Grasbrook and Billebogen (other areas managed by HafenCity Hamburg GmbH) must themselves address the city's desire to create mixed-income and mixed-use neighbourhoods in alignment with the broader planning vision. HafenCity (land area 1.27 km<sup>2</sup>) is ultimately intended to host around 45,000 employees and 15,000 residents.

HafenCity Hamburg GmbH positions itself at the intersection of the market and the state: the city government sets the political agenda and provides the regulatory framework, and the SOE uses these as the basis for its role in managing and developing public land in such a manner as refocus and recalibrate the city's property markets in the direction of innovation and value production. The cumulative effect of the city's and SOE's long-term vision, institutional interactions, development process, and financial model is to increase HafenCity Hamburg GmbH's market influence in shaping outcomes. Importantly, however, the masterplan for HafenCity provides space for continual creative influence on development. In contrast to the simultaneously piecemeal and overly controlled development of Ørestad (Zenari, 2019), HafenCity Hamburg GmbH works to weave various architecture and design proposals into one another, integrating multiple visions for the district to produce a more organic whole. Because this SOE has been used primarily to create quality urban areas (with profit maximisation occurring as a secondary result of this high-quality development), it has been unusually open to experimentation and embracing serendipitous developments. Thus, for example, when creative businesses began clustering in a collection of historic warehouses, HafenCity Hamburg GmbH nurtured this emergent creative hub and integrated it into its evolving spatial

planning, ultimately using it to add value to district as a whole. In this manner, the SOE engages in genuine collaboration with private actors, reinforced by a lengthy process of co-creation in part enabled by the concept tendering: by taking into account the business needs of investors and developers, HafenCity Hamburg GmbH secures its own ability to maintain and enhance HafenCity's character as a socioeconomically inclusive, mixed-use district.

Indicative of the close relationship between the city government and HafenCity Hamburg GmbH is that, parallel to the development of HafenCity itself, money from the special asset class (€235.7 million) was used to pay for the construction of a new container terminal at Altenwerder, south of the Elbe, thereby freeing up space and moving harbour activities and logistics out of the city centre. This expense and the difficult financial environment meant, however, that in 2011, HafenCity Hamburg GmbH lacked the funds to complete planned infrastructure investments within the redevelopment zone. The city parliament made up for this shortfall by recapitalising the special asset class with €407 million, also stipulating that the resources be used to extend the subway in HafenCity and increase the district's proportion of affordable housing to 33%.

### **Accounting for local context**

The cases of Copenhagen City & Port and HafenCity Hamburg GmbH have much in common. These are both (largely) municipal SOEs tasked with speculative redevelopment of deindustrialised harbours and otherwise idle areas within the city, most of which are based on either recently or historically reclaimed land. Copenhagen City & Port's and HafenCity Hamburg GmbH's arm's length management from their respective municipalities has proved vital for their tasks of generating public funds and effectively driving redevelopment, permitting the SOEs to make decisions on the basis of long-term objectives rather than short-term municipal needs, even in times of financial crisis (Noring, 2019). Use of the SOEs in this manner has also allowed the municipalities to avoid some of the limitations connected with European Union competition law (cf. Grydehøj, 2013). This has furthermore supported adherence to a revolving funds model of reinvesting revenues in further infrastructural, social, or environmental development—a significant divergence from asset sale strategies that simply use revenues to top up municipal accounts.

However, the two SOEs were born of quite different economic contexts and municipal priorities. In Copenhagen, Ørestad Development Corporation and later Copenhagen City & Port made use of major infrastructure investments and rezoning to raise the value of publicly owned land in the city. Significant debts were incurred in order to begin construction of the Metro system—and thereby gain mass transit benefits—alongside the early stages of Ørestad's construction. The process was initially aimed at making the city more attractive for high-value residents and businesses, but it is indicative of the plan's success that, since 2016, focus has widened to also include the public funding of social and affordable housing: whereas once the land values in the city were too low to encourage investment, they are now too high to serve residents across the socioeconomic spectrum without dedicated public support.

At the start of the redevelopment process in Hamburg, the municipality required money for harbour expansion and space for expansion of commercial activities in the city centre. Although, the city owned most of the land in the harbour area, private operators owned the

buildings. The Corporation for Harbour and City Development needed to acquire low-value leaseholds before HafenCity Hamburg GmbH could seek to raise the land's value through the strategic nurturing of high-quality urban development, involving rezoning, flood protection, infrastructure investments, and processes for ensuring that investors and developers literally buy into the municipality's vision of a mixed-use, socioeconomically diverse city.

It is significant that the activities of Copenhagen City & Port and HafenCity Hamburg GmbH have both focused on total redevelopment of brownfield sites and water areas rather than the renewal or regeneration of existing residential or mixed-use areas. As such, these SOEs have been relatively shielded from debates over displacement and gentrification: they have introduced new stakeholders to the city without directly dispossessing or creating conflicts with existing stakeholders—something that is not guaranteed when it comes to urban waterfront redevelopment (e.g. Boland, Bronte and Muir, 2017; Grydehøj and Ou, 2017; Park and Lim, 2013). Grydehøj (2015b), however, highlights how powerful societal actors frequently use land reclamation to 'enclose' water, wetland, and idle spaces, thereby avoiding the healthy democratic conflict that often accompanies attempts to redevelop existing urban land: just because urban redevelopment does not cause displacement, it does not necessarily mean that the development is equitable or just (see also Gupta, 2015; Ng, 2010).

Indeed, as Lund Hansen, Andersen, and Clark (2001) recognised already early on in Copenhagen's Ørestad, Sydhavnen, and Metro construction processes, such developments are inseparably separated from socioeconomic changes occurring elsewhere in the city. Copenhagen Municipality's efforts to reverse the movement of high earners outside the city's borders and its willingness to engage in "publicly induced gentrification" contributed to "competition between municipalities in the capital city region to cater to what is called the 'economically sustainable population' and the simultaneous displacement of the socially and economically marginalized population [...] in a cynical territorial game with considerable social costs" (Lund Hansen, Andersen and Clark, 2001: 863, 866). Nevertheless, given that Copenhagen Municipality had found it necessary to cease construction of new affordable and social housing in 1995 due to lack of funds (Noring, 2019: 128) and that the city is now utilising Copenhagen City & Port's hold over newly high-value land to ensure inclusive housing availability, it could be argued that socioeconomically inclusive ends have justified problematic financial and infrastructural means. Only by becoming a wealthier city has Copenhagen been able to create new affordable and social housing.

HafenCity Hamburg GmbH too faced early criticism for the high, socially exclusive property prices in HafenCity, but the SOE made adjustments to strengthen the project's social inclusivity dimensions and to create space for middle- and lower-income work and housing in Hamburg's city centre. HafenCity Hamburg GmbH, however, only had the ability to react with such agility because of the SOE's bargaining power, bolstered by the strong planning vision and its prudence in pursuing short-term profit maximisation with regards to its land assets. This highlights a challenge when it comes to evaluating the social value of speculative urban development processes: if poorer governments engaging are pushed to prioritise immediate economic returns while wealthier governments have the opportunity to prioritise long-term social and environmental values, then it is unhelpful to straightforwardly criticise the former while applauding the latter. Copenhagen's experience suggests that single-minded pursuit of economic returns can be transitioned into more balanced development strategies once some

budgetary breathing room has been achieved. Insistence on taking context into account when evaluating entrepreneurial urban development must apply not just to considering the impact of development processes on the wider city but also to considering possible alternative courses of action.

The sequencing and prioritisation of projects is also important here: the addressing of certain urgent needs can facilitate the addressing of other needs later on, but the reverse is not always true. For example, development-funded investments in Copenhagen's Metro system helped expand the city's tax base, ultimately enabling the municipality to increase its provision of affordable and social housing, but if the decision had been made to prioritise provision of affordable and social housing, construction of the Metro system—and indeed of the current quantities and quality of affordable and social housing—would probably not have been possible. In much the same way, if HafenCity Hamburg GmbH had from the outset narrowly focused on charging the highest price possible for its land assets, the HafenCity redevelopment area would not have increased in value to the extent they have and thus would not have enabled the SOE to leverage its planning vision and thereby maximise future income. Only by having a strong planning vision and adhering to this vision throughout has the value of HafenCity Hamburg GmbH's assets increased over time.

The different localised economic contexts in 1990s Copenhagen and Hamburg likewise influenced the precise ways in which municipal authorities went about their redevelopment efforts: the poorer city leveraged land to pay for massive infrastructure investment, thereby spurring growth; while the wealthier city leveraged land to guide a carefully managed urban planning process, with socially inclusive goals and innovative market standards, while the burden of the financial transfer to finance harbour development was lifted in 2011. These differences have ultimately influenced the nature of the neighbourhoods that have been developed, even if the operations and goals of Copenhagen City & Port and HafenCity Hamburg GmbH today resemble one another in many ways. One important point is that the redevelopments in Copenhagen, particularly in the early stages, involving Ørestad and Sydhavnen, were not undertaken for their own sake but were in large part a means of paying for the city's new state-of-the-art transit system and boosting the city's international competitiveness (Majoor, 2014). As such, less attention was granted to the quality of the resulting urban environments than was the case in HafenCity.

Although both Ørestad and Sydhavnen possess high-quality buildings and infrastructures, it is questionable whether these are today redevelopment zones that ought to be emulated for their own sake and whether their developmental models have proven robust (Majoor, 2015). In the words of Zenari (2019: 13), Ørestad “is currently portrayed as a place with massive empty sites, a huge lack of scattered amenities and a long distance from A to B, which has encouraged even more the prioritization of private transport, making walking experience not pleasurable and functional in this context.” That said, there is a sense in which the (relative) failure of Ørestad itself to meet expectations (Knowles, 2012: 257) has heightened the success of the processes it enabled. As Harris (2017/2018: 87) notes, the fact that most of the Metro system's users live outside of Ørestad allays potential criticism of Ørestad as an elite enclave that siphons resources away from the city as a whole. Knowles (2012) sees Ørestad's “transit oriented development” as succeeding in making Copenhagen as a whole more competitive. Whether this represents a municipal planning success or an investor failure to eradicate “infrastructure's

positive externalities” (O’Brien, O’Neill and Pike, 2019: 1294) is, perhaps, a matter of perspective.

In contrast, HafenCity Hamburg GmbH, which was not created as a means of constructing a new mass transit system, is exceptionally well integrated into the city’s existing transport infrastructures, served by three new subway stops, walking paths, bike lanes, and bus and ferry routes. By orienting the revolving funds model toward creating urban quality within the redevelopment area, Hamburg has emphasised localisation of benefits in a manner that differs from Copenhagen’s more city-scaled focus.

Aalbers (2019) argues that large urban projects today often “are not even designed with ‘other’ local groups in place, but increasingly appear decontextualized from local needs and conditions.” In the case of the Hamburg Corporation for Harbour and City Development’s efforts to purchase in secret as a precursor to announcing the HafenCity project, it is evident that democratic engagement is sometimes directly opposed to economic and political objectives and the preconditions for public land value capture: it served the public interest to keep the purchasing effort secret and thus keep the prices that the municipality paid for the existing leases low, yet these kinds of operations may be fundamentally irreconcilable with ideals of participatory engagement. Whereas the initial public investments in the HafenCity project were speculative because the immediate stakeholders of the district (its residents) did not yet exist, the public good argument for developing Ørestad as a means of funding a mass transit system for all of Copenhagen was in a sense more straightforward. The question thus arises as to whether it is at times worth sacrificing the democratic feature of transparency for outcomes that provide the public with greater benefit.

## **Conclusions**

Through our comparison of waterfront and brownfield urban redevelopment in Copenhagen and Hamburg, we have argued for nuanced, locally contextualised understandings of entrepreneurial governance of urban development projects. Both of the redevelopment processes were and are clearly entrepreneurial and speculative in their conception and execution, and neither have proceeded in an ideal manner. However, both may be counted as successes in light of the economic conditions in which they occurred. It would probably have been irresponsible to apply the strategy pursued by Ørestad Development Corporation and then Copenhagen City & Port in the context of 1990s Hamburg. Equally, it would probably have been impossible to apply the strategy pursued by HafenCity Hamburg GmbH in 1990s Copenhagen.

Clark (2017) asserts that “Private property in land constitutes the very foundation of rent gaps, as it allows for extraction of capitalized land rents, speculative bidding on future rents, and the discernment of potential rents under ‘higher and better’ land uses.” In the cases considered here, it is the municipal government that is seeking to raise revenues by closing the rent gap on publicly owned or acquired land. The city government seems to be acting like a private investor. The revolving funds model may lead to long-term benefits for the city and its residents, but the motivation behind any particular act of entrepreneurial urban development is by nature at least partly about creating conditions to attract incoming investment, skills, industry, or similar, with benefits for existing stakeholders sometimes being a secondary

consideration. HafenCity Hamburg GmbH's efforts to square this circle through its dedication to high-quality urban development have produced excellent results, yet we should not fool ourselves into thinking that these results are the same as they would have been had they been motivated solely by the desire to create an ideal urban community. In Copenhagen too, the massive benefits provided to the city by the Metro system has come at the expense of terrestrial and water spaces being developed into neighbourhoods that have only recently come to serve truly local needs.

There is no one answer to the question of how best to manage the pressures of inter-city competition. The entrepreneurial city may now be the name of the game, but there is no shared rulebook. Solutions that work for one city may not be directly transferrable to another, even as research into the experiences of different cities contributes to a deeper understanding of how large-scale speculative redevelopment processes operate in different circumstances.

More research is necessary to better understand not just how municipal governments best can attract investment to serve the public good but also how one state strategy for acting entrepreneurially can transform into another—and how investors and other private actors react to such transformations. Geographical similarities in certain kinds of urban redevelopment projects—particularly the attractiveness of both historically reclaimed land and newly reclaimed land for redevelopment—have for their part frequently been overlooked in the literature, yet the cases considered here suggest that they may be significant for the degree to which state actors can succeed in making the most of the benefits of speculative urban redevelopment while containing its negative impacts.

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