Hamburg, Germany: HafenCity

Briefing Note for MIPIM Waterfront Cities Network Workshop "Paying for the waterfront"
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The city of Hamburg has historically owned the port, the city's single historical most important source of income. At the beginning of the 19th century, the Port of Hamburg was the third most important port in the world; today, it is still ranked among the 20 most important used ports in the world. Similar to most industrial port cities, Hamburg turned its back on its waterfront until the end of the 20th century. With the fall of communism and the inner-German border Hamburg gained the opportunity to have a port catchment area far into Eastern Europe and to grow dynamically in other areas of the city. **In 1997, local government decided to incorporate the waterfront into the Hamburg cityscape**, by developing 157 hectares of port space into an innovative inner-city expansion called HafenCity but also to expand and modernize port activities. The total investment volume is estimated today at 10 billion Euro private capital and 3 billion public capital, mainly generated through land sales.

The port area, although owned by the city, was leased to port companies. Local government had to find a way to regain control over the assets without damaging the operations and activities of the port. The tactic was the establishment of Harbor and Site Development corporation (HSD) in 1993 within Hamburg Harbor and Logistics (HHLA); the company repurchased and terminated long-term leases that the city had with numerous port operators during the period from 1993 to 1996; the **designation of HafenCity area as a special asset class (SAC)** in 1997, making HSD independent with a mandate to develop a core city area called HafenCity and manage the SAC; and the conversion of HSD into HafenCity Hamburg GmbH (HCH) in 2004.

The land was transferred free of charge to the SAC. Hamburg city government issued a state guarantee for the SAC in 1997. There is no additional guarantee for individual loans taken out against the value of the SAC. **HCH solicits loans in the commercial financial market based on the value of the public assets** held in the SAC and the loan guarantee issued by the city-state. Loans are used to make investments mainly in infrastructure such as energy, sewers, roads, and bridges and in basic public amenities such as public recreational areas, which in turn increase the value of the assets in HafenCity and cover the operating cost of HCH. The focus of HCH's investments is limited to HafenCity proper and the SAC is expected to "break even" and not make any profit. Today it seems likely that a small surplus might be achieved.

The SAC operates with a plan budget of 25–30 years; since HCH estimates costs and revenues every year, the long-term budget plan is adjusted annually. The process for approving budgets is a fast-track process that allows for **public control by the Hamburg parliament as well as significant flexibility in strategic and financial management**.

The processes of HafenCity development are not only considered as a finance mechanism for urban development but as a **socio-technical system creating a common public good and public goods within the private good** as far as private investment is concerned. In the latter case, the "common goods" are innovation, new markets for social diversity, and high standards of sustainability that the "private goods" (e.g. privately developed properties) embrace. Although selling the land asset, HCH thus de-commodifies the new asset, at least partially and, at the same time, specifies the buildings and their uses. When a developer wants to buy a plot in HafenCity, it is not sufficient to be price competitive, as HCH's emphasis is as much on the creative and qualitative aspects of new developments. Only 30% of the decision criteria rating a particular proposal are related to the price and 70% of the decision criteria are based on the proposal concept. **Thus, financing urban development and financing innovation and urban transformation are interlinked.**