Philanthropic Investment in Urban Development

Ownership as a strategy for sustainable urban development
Since 2008, Realdania By & Byg has invested in four large urban development projects for development over a period of 10-30 years.

When Realdania By & Byg invests in urban development projects, its goal is always to find specific solutions to the challenges faced by the cities of the future. Focus is on finding sustainable solutions, developing buildings of great architectural value, providing a diverse range of residential properties and functions, and creating urban space and a place for activities that enrich the city as a whole – and not just the land developed.

Realdania By & Byg’s aim is to inspire municipalities and private developers to sustainable urban development. At the same time, Realdania By & Byg’s philanthropic investments generate revenue that can be used for further investments.

Realdania By & Byg operates in Denmark and the company only makes philanthropic investments in areas for urban development in Denmark. However, Realdania By & Byg is happy to share the experiences as a philanthropic investor with international professionals working with sustainable urban development.

Through websites, conferences and guided tours through the Realdania By & Byg Club, Realdania By & Byg shares the many stories the urban development projects have to tell.

Go to www.realdaniabyogbyg.org to find the full project list in English.
An increasing number of people in Denmark are moving to larger towns and cities, while other parts of the country are experiencing a shrinking population and major demographic change. A similar trend can be observed in much of Europe and the wider world.

Urbanisation and demographic changes necessitate reorganisation of existing cities, not least as regards housing. At the same time, cities need to be ready to cope with other challenges such as the repercussions of climate change. Coastal cities are vulnerable to rising sea levels and flooding due to increased rainfall and more frequent cloudbursts. Moreover, consumers’ increasing preference for internet shopping has been putting a strain on high street retailers for a number of years now.

If our cities are to face the new challenges and remain attractive places to live and work in, the wealth of changes ahead demands strategic and sustainable urban development on all fronts, taking into account the climate and the environment, social and healthcare issues and the economy, and there is a need for innovative solutions.

In this context, Realdania By & Byg’s philanthropic investments in urban development can help develop model neighbourhoods in 1:1 scale, as well as tools and targeted solutions that can make a real difference in Denmark and beyond.

What are philanthropic investments in urban development?
Realdania By & Byg is a subsidiary of the philanthropic association Realdania. One of the ways in which Realdania By & Byg is bringing to fruition Realdania’s vision and goal to safeguard the quality of life in the built environment is by acquiring land for urban development. Firstly, a philanthropic investment should serve as a model from which a range of municipalities and private players can draw inspiration. Secondly, the project needs to be financially sustainable in the sense that there should be a small return on the capital invested once the project is complete.

With this in mind, since 2008 Realdania By & Byg has invested in four large urban development projects for development over a period of 10–30 years. When Realdania By & Byg invests in urban development projects, its goal is always to find
specific solutions to the challenges faced by the cities of the future. Focus is on finding sustainable solutions, developing buildings of great architectural value, providing a diverse range of residential properties and functions, and creating urban space and a place for activities that enrich the city as a whole – and not just the land developed.

This is where, as a philanthropic investor, Realdania By & Byg can apply a holistic approach to urban development that provides greater scope for improving the quality of life for city residents and visitors alike.

Normally these urban development projects can be realized by urban development companies owned by Realdania By & Byg in partnership with a municipality or other players who share our visions and values. Besides acquiring the land to be developed, sufficient working capital needs to be invested for the project to be realized. Realdania By & Byg typically owns anything from 25% to 75% of the project. In the four current urban development projects, Realdania By & Byg owns 75% of two of the urban development companies and 50% of the remaining two.

The urban development company is responsible for a range of tasks to take the project from the drawing board to the completed district. Among these tasks is drafting development plans, selling plots of land, site development and creating attractive urban spaces. In addition, the companies may take charge of the development of urban activities and management of communal spaces for a transitional period.

Much of the working capital will usually be used up in the first years of an urban development project, until the sale of construction rights begins to bring in revenues for the urban development company. The goal over the course of the development phase is to generate a return which, combined with the partners' original investment, can be paid to the owners once the project is complete.

While it is not necessarily possible everywhere in the world for a public authority or similar to become a partner in this kind of urban development company, nonetheless the visionary and holistic approach to urban development exemplified by Realdania By & Byg’s projects will hopefully serve to inspire charitable foundations, commercial players and public authorities working with sustainable urban development.

Four distinctive urban development projects
The key criterion to be met before Realdania By & Byg will join an urban development project is that
it contains a philanthropic challenge; one which the market is either unable or unwilling to take on. This approach is reflected in the four urban development projects across the whole of Denmark in which Realdania By & Byg is involved. The challenges to be overcome in the four projects are not merely local; they are universal societal issues so that the projects can inspire solutions applicable elsewhere, both in Denmark and abroad.

The urban development projects Køge Kyst and Kanalbyen in Fredericia have revitalised former docklands and industrial areas into living and sustainable urban neighbourhoods that have gone on to play an important part in transforming an entire city.

NærHeden in Høje-Taastrup Municipality has been conceived as a driver of the ongoing development of Hedehusene, a suburb of Copenhagen and a model for the suburb of the future with focus on an easy everyday life, close-knit community and social diversity.

Naturbydelen in Ringkøbing meanwhile, demonstrates how innovative and sustainable urban development rooted in the inherent potential of the local area – in this case with focus on nature – can contribute to promoting a positive development and invigorating towns in parts of Denmark located outside the major urban areas and growth centres.

The four projects are each organised along different lines, but common to them all is that boards of directors and project secretariats have been set up for the development companies. A project director heads the projects, drawing on a broad range of expertise from within his or her own organisation and from Realdania By & Byg, including technical, planning and commercial know-how to help ensure sound, dependable sales strategies.

Realdania By & Byg has built up a solid foundation of professional expertise within the urban development sector and, as an active owner of the properties, helps to generate value and profit for the companies by passing on its knowledge and skills.

While each of the four projects is unique, they all pass through the same phases from the initial concept to the completion of the project, after which the urban development company can be dissolved.

A clear, shared vision for urban development
Realdania By & Byg knows from experience the importance of a clear, shared vision for the partnership for the success of a project. The vision for the project draws upon the strengths of the local area and the wider city and encompasses ambitions for the development of the city as a whole.
Furthermore, emphasis is always on sustainability in the broadest sense of the word, as well as involving the city’s residents and other stakeholders throughout the whole process.

The vision serves as a point of reference for managing the company from inception to dissolution. A clear, shared vision with long-term commitment from the partners helps to ensure that an urban development project can be realised with strong support from a broad spectrum of political coalitions and changing political majorities and agendas.

A clear vision and clearly-defined quality standards for all building contractors help to attract investors who recognise the inherent value of the project. As a result, the area and the city as a whole become more attractive, which in turn opens up new opportunities for further development of the city and the municipality. The development can furthermore contribute to achieving broader goals such as climate targets and social sustainability, while the commercial and technical skills brought to bear help to translate the visions into reality as a new city.

Flexible development plans
Realandia By & Byg has learned that the conventional route to planning permission, with municipal and local planning processes, environmental assessments and processing of construction projects, cannot stand alone when the goal is to actively realise a complex, long-term urban development project. Accordingly, Realandia By & Byg has put together a model for development plans in the form of a coherent plan specifying how the overall vision for the urban development can be brought to fruition.

A development plan is a dynamic tool and in essence, it is more strategic and based on principle than it is concrete. The development plan comprises a physical, a strategic and a financial dimension, and includes a plan for realising the urban development project step-by-step. The strategic dimension sets out what initiatives need to be implemented in order to realise the vision and meet the project’s goals as regards the climate, environment, health, urban life, communities and so forth. It also sets out a vision for how the area will benefit and enhance the surrounding city. The financial dimension focuses on balancing the urban development company’s revenues and costs across the lifetime of the entire project.

For instance, in the case of the Køge Kyst project, at the strategic level the goal has been to harness culture as a catalyst of urban development, while in the Kanalbyen project, urban life has been a

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PHASE MODEL - PARTNERSHIP PROJECTS

VISION
- Phase 1 Preliminary assessment
- Phase 2 Vision and preliminary survey
- Phase 3 Establishment of urban development company

DEVELOPMENT PLAN
- Phase 4 Competition/parallel assignment
- Phase 5 Development plan

REALIZATION
- Phase 6 Sale
- Phase 7 Site preparation/infrastructure
- Phase 8 Developer building projects
- Phase 9 Commissioning of infrastructure

EXIT
- Phase 10 Exit and liquidation of development company
- Completed district

* Naturbydelen in Ringkøbing*
stimulus for realising the project. In Ringkøbing, Naturbydelen is fully integrated with its natural surroundings, providing new residents and the city’s inhabitants with access to attractive nature from day one, while the Nærheden project focuses on creating the best conditions for fostering communities in the form of urban gardens, community centres and a green link called “the Loop”, along which all of the neighbourhood’s common facilities are situated.

Given that the world is constantly changing while the development plan is being brought to fruition, it is essential that the plan is not a rigid, detailed description of the planned urban development, but instead is inclusive and flexible, so that the development can adapt to any changing conditions and trends that may arise along the way, while also maintaining focus on the overall vision.

Development plans are not only worthwhile in very large-scale urban development projects. Smaller projects can also benefit, and it often turns out that the care and energy invested in a long-term development pays dividends because the project has undergone thorough planning and because the process of preparing a development plan has, in itself, fostered a sense of personal attachment for the project owners and stakeholders.

It makes a world of difference when a player or network of players are in place who possess the necessary resources, skills and will to realise an urban development project from start to finish.

No less important is the presence of the necessary professional expertise able to implement all fundamental aspects of the urban development. In practice this means that a broad range of experts including architects, engineers, economists, lawyers, anthropologists, communication experts and many others not only contribute, but also collaborate across professional boundaries in order to plot a path forward while remaining receptive to input, not only from the project’s owners, but also from its stakeholders and the residents who need to be consulted in order to foster a sense of local ownership and involvement.

The market and sales strategies
The economic sustainability of a project varies according to its location. The development plan and financing plan for a project serves to guarantee consistency in this respect. In areas where construction rights are cheap, realising the project will require a development plan that concentrates on finances and costs and a willingness to find satisfactory solutions within a limited budget.
It is also essential to take into account business cycles and the timing of the sales strategies to ensure the best possible pricing mechanisms for construction rights and to enhance the dynamic effects of the project. Pricing of construction rights is typically lowest in the start-up phase, subsequently increasing.

Dialogue and temporary activities
Dialogue with all relevant players in the city and active participation from the very earliest phases of the urban development projects, and throughout the development, are fundamental principles underpinning all of Realdania By & Byg’s urban development projects. We know from experience that vibrant, attractive and diverse cities are forged in an interplay between the city and its residents, with focus on people’s lives and activity. In this context, statutory public planning consultations are far from adequate. Employed strategically, dialogue and active participation in urban development projects bring about greater understanding and a sense of ownership and personal attachment in the local community: Moreover, they provide a better basis for breathing life into an area, even before the first brick has been laid. This can generate significant value for future investors.

Accordingly, the urban development companies have opened the door to dialogue on the urban development, both before work has begun on a development plan and at multiple stages in the process. Specific proposals for the development plan have also been discussed. This dialogue will continue in various forms throughout the entire course of the project.

Another strategic tool employed in several of the four urban development projects is the provision of temporary activities in dialogue with residents and stakeholders. Strategic use of temporary activities can inject life into a new urban neighbourhood, and with that positive awareness, a sense of ownership and value – even before the building work has begun.

In Køge Kyst a vision to make culture the catalyst for urban development has breathed new life into the former port area, with an enticing mix of art, cultural activities, music and pop-up facilities which have thrown a spotlight on the area in Køge and beyond. In Fredericia the entire Kanalbyen area, which is beautifully situated on the banks of the Little Belt but which was for many years an industrial area with no public access, has been reimagined as a public park with a wealth of facilities and scope for user-driven activities. For example, Kanalbyen has

Management tools for quality management
The urban development projects Nærheden, Naturbydelen in Ringkøbing, Køge Kyst and Kanalbyen in Fredericia apply a range of management tools to ensure the quality of the new urban areas.

- Development plan: The development plan sets out how the vision for the land development project is to be realised.
- Sales strategy: The sales strategy ensures the best possible prices for construction rights and that dynamic effects are exploited. Note also that the project will continuously need to adapt to the absorption of new buildings.
- Quality programme: The quality programme specifies the quality targets for the investors’ buildings in the whole urban area.
- Phase-by-phase prospectuses: Prospectuses can be used to specify the aims of the intentions of the development plan in a sub-area.
- Purchase agreement: The legal basis for quality management is that the purchase agreement for a plot of land and its associated construction rights commit the investor to supplying a building of the specified and agreed quality.
- Outline projects: On the basis of the development plan, the quality programme and any prospectuses, the building contractor submits an outline project for the future building.
urban gardens and an attractive “container vil-
lage” with shops, homes, cafes and workshops.

Quality management transforms visions into reality

Once the overall plan and strategies are in
place, the next step is to realise the project in
close and constructive collaboration with all
involved parties – not least the investors who pur-
chase plots in the neighbourhood to construct
homes, offices, shops and much more.

Effective tools and methods are essential to en-
sure that the particular qualities the developers
aim to utilise have an impact right up until com-
pletion of the new urban space and buildings.

Realdania By & Byg has found that quality man-
agement in this phase is crucial. In this phase,
the common outset is that, while the urban devel-
opment companies take charge of site develop-
ment and construction of many urban spaces,
third parties will realise the new residential,
business, cultural and other buildings. The goal
is to ensure that the individual buildings play a
part in realising the overall vision for the urban
area and that the buildings and the urban devel-
opment ultimately reflect the intended qualities. Basically, quality management of the investors’
projects is in four phases, as illustrated in the
model on the right hand side.

International scaling

We hope that the visionary and holistic ap-
proach to urban development exemplified
by Realdania By & Byg’s land development
projects can serve as inspiration for charitable
foundations, commercial players and public
authorities working on sustainable urban devel-
opment in other parts of the world.

Realdania By & Byg regularly publishes results,
experience and learning from its land develop-
ment projects via publications on several of the
tools mentioned in this booklet (in Danish).

In collaboration with the urban development
companies, Realdania By & Byg also conducts
tours to the urban areas before, during and
after completion, and we share experience
via Realdania By & Byg’s business club for
specialists.

↑ Temporary urban gardens, Nærheden

↑ 1. General management tools

As a supplement to the development plan, each
urban development company formulates a
quality programme comprising a range of quality
targets for the buildings the investors want to
construct when they purchase plots in the new
development. The quality targets reflect the con-
tractors’ expectations for the construction, and
serve as a guarantee for individual contractors
that neighbouring constructions will be built to
the same high standards.

↑ 2. Investor’s outline project

Individual building contractors draw up an
outline project that reflects the aims in the
development plan, the quality programme and,
if relevant, the prospectus. The project must be
approved by the board of the land development
company before construction can go ahead.

Among other things, the outline project describes
the project’s concept, volume and architecture,
taking into account the surrounding area of the
construction. There may also be requirements
that the pilot project describe access systems,
surfacing, elevations, use of buffer zones,
parking, disabled access, noise levels and any
number of other aspects. Finally, as far as is rea-
sonable, an outline project should observe any
regulatory requirements from the municipality
with respect to local development plans and
planning permission.

↑ 3. Authority project

The building contractor’s outline project forms
part of the basis for authority processing by the
municipality. It is clearly essential at this stage
to ensure that the pilot project is consistent with
the local development plan and that all relevant
elements are transferred from the pilot project to the
municipality’s authority project and implemented in
other authority processing. It is also important that
the contractor experiences smooth cooperation
in authority processing, and that after approval of
the outline project it is not necessary to go back
to square one in later authority processing by the
municipality, or that the requirements from the land
development company and the municipality are not
consistent.

↑ 4. Realizing the investor’s project

In this phase too, in which the contractor actually
constructs the building property, the four land de-
velopment companies maintain managerial focus
on quality, for instance through regular meetings
between the land development company and the
building contractor. As the relevant authority, also
has a key role. Through its regulatory functions and
inspection, the municipality has powerful tools to
ensure that the outline project is realised as agreed.
1. Partnerships with strong vision
A partnership on an urban development project can provide the basis to realise challenging projects based on a strong, shared vision for the urban development that a sense of ownership can ensure is retained over time.

2. Flexible Development Plans
Flexible development plans that, in addition to a physical plan, include a financial plan, a timetable of phases and a strategic plan (which could include drivers of urban development, urban life and sustainability in a broad sense) is crucial to ensure coherent urban development built to a high standard which not only develops the local area but also raises the bar for development of the city as a whole.

3. Commercial expertise
The sales strategy and commercial expertise are essential elements in forging financially sustainable projects.

4. Quality Management
Quality management throughout the urban development is vital in realising the vision for the project and ensuring the quality of the urban neighbourhood as a whole. For this reason, there is a need for a strong toolbox such as quality programmes and outline projects, for example, to ensure that the buildings constructed by investors meet the high standards set out in the development plan.

Lessons learned from working with philanthropic investment in urban development

Permanent art work, Kanalbyen in Fredericia
The properties are listed chronology, beginning with the oldest first.
↑ BLOX and Lille Langebro (experimental new building projects and sustainable urban development)
↓ The Kvaesthus Pier (underground parking facility and new urban spaces)

Property Portfolio in Copenhagen

Year: 1663-1669:
6. The Harboe Widow’s Convent, Copenhagen

Year: 1742 and later
7. The Fortification Depot, Copenhagen

Year: 1854
19. The Navy Girls’ School, Copenhagen

Year: 1860
23. Risø’s Country House, Frederiksberg

Year: 1907-1908
32. J. F. Willumsen’s Family Home, Hellerup

Year: 1913
34. The Rose House, Hellerup

Year: 1917
36. The Balloon Hangar, Copenhagen

Year: 1937
42. Poul Henningsen’s [PH] Family Home, Gentofte

Year: 1951
44. Arne Jacobsen’s Family Home, Klampenborg

Year: 1952
46. Varming’s Family Home, Gentofte

Year: 1953
48. Clennensens Family Home, Gentofte

Year: 1955
49. Erik Christian Sørensen’s Family Home, Charlottenlund

Year: 1956-1959
50. Jarmers Plads, Copenhagen

Year: 2004-2006
57. Bispebjerg Bakke, Copenhagen

Year: 2006-2010
58. Tietgen’s Agony, Copenhagen

Year: 2006-2018
65. BLOX, Copenhagen

Year: 2011-2016
73. The Kvaesthus Pier and the Sankt Annæ Square, Copenhagen

Year: 2016-2019
77. Lille Langebro, Copenhagen
Sustainability in the broadest sense of the word permeates everything Realdania By & Byg does, and in recent years new steps have been taken to ensure that the highest possible level of sustainability is achieved in the projects.

This is important, as buildings have a huge carbon footprint and as buildings highly influence health and the quality of life.

The property business has many people working across national borders, so through our philanthropic investments in and active ownership of properties and urban development projects, Realdania By & Byg can make a difference in relation to what others in the market can do and want to do, with the purpose of inspiring others to benefit current and future generations.

### Sustainable development and CSR

#### Carbon reductions
- Life cycle analysis of our property portfolio
- Implementation of energy management

#### Sustainable urban development
- DGNB-screening of our urban development projects
- Certification of new buildings in our urban development projects

#### Securing reasonable employment and wage conditions
- Implementation of a new system
- Join charter for social responsibility
- Implementation of internal guidelines

#### Code of Conduct
- We reduce our carbon emissions
- We reduce our consumption of resources
- We build to ensure a healthy indoor climate

We monitor the effect of the solutions we choose and we share our experience and knowledge with our peers.
For Realdania By & Byg, sharing knowledge and information about urban development projects has been a priority from the beginning. Public dissemination follows as a natural part of the philanthropic mission that underpins all of Realdania By & Byg’s work.

Moreover, increased awareness of the urban development projects also raises the value of the urban development areas, and communication activities generate documentation of the development process, which can be useful for investments in urban development projects in the future.

Since 2007, Realdania By & Byg has had a public club programme, which allows the public to gain access to tours in the urban development areas and events about different professional aspects of the development.

Members of the club pay a symbolic annual fee, and in return they can purchase tickets for property tours at half price. Tours are given by Realdania By & Byg’s own guides in collaboration with the urban development project managers, who have extensive knowledge of the urban development projects.

Today, the club has about 5,000 members and, in recent years, Realdania By & Byg has had around 20,000 visitors annually.

Each year, at least one tour is given by Realdania By & Byg’s communications team in each of the four urban development areas. You are welcome to participate in such visits. If you are not a member, you will have to pay full price for each participant.

See all the planned visits in our online calendar (in Danish only): realdaniabyogbygklubben.dk/arrangementer

Please contact our Club Team if you have questions regarding our guided tours and visits.

klub@realdaniabyogbyg.dk

Guided tours and visits
Get in touch

Realdania By & Byg is a member of several international networks, e.g. Iconic Houses and the European Foundation Center. Realdania By & Byg participates in international conferences and is always interested in building new professional relationships that can contribute to sustainable development of the built environment in and outside of Denmark.

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Development and preservation

Realdania By & Byg is a subsidiary of the philanthropic association Realdania. Realdania’s purpose is to improve the quality of life in the built environment. Realdania By & Byg contributes to realising Realdania’s purpose through philanthropic investment in, and ownership of, historic buildings, experimental new buildings and urban development projects.

Since our foundation in 2003, Realdania By & Byg has accumulated a portfolio of more than sixty important historic buildings situated all over Denmark, all of which have been – or will be – updated through gentle restoration, and which, with their present-day usage, constitute a living built heritage.

Today, the property portfolio illustrates Danish architectural heritage over a 500-year period. Three to five historic properties are purchased and added to the portfolio every year.

www.realdaniabyogbyg.org