



THE COPENHAGEN CITY AND PORT DEVELOPMENT CORPORATION: A Model for Regenerating Cities

BRUCE KATZ | LUISE NORING

B Centennial Scholar Initiative
at BROOKINGS

COVER PHOTO

AERIAL VIEW OF THE PORT OF COPENHAGEN

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INTRODUCTION

Cities across the world face increasing demands at a time when public resources are under enormous pressure. Many older cities, in particular, are plagued by outdated transportation and energy infrastructure and underutilized industrial and waterfront areas, all of which need to be upgraded for a radically changed economy. This has sent many U.S.—and global—cities scrambling to find new vehicles for infrastructure finance given the unpopularity of increasing taxes and the unpredictability of national and state governments.

To revive their flagging city in the late 1980s, a coalition of national and local officials laid the groundwork for the Copenhagen (CPH) City & Port Development Corporation. Its success provides a 21st-century model for global urban renewal.

This paper explores how the Copenhagen model can revitalize cities and finance large-scale infrastructure by increasing the commercial yield of publicly owned land and buildings without raising taxes. The approach deploys an innovative institutional vehicle—a publicly owned, privately run corporation—to achieve the high-level management and value appreciation of assets more commonly found in the private sector while retaining development profits for public use. The model reflects what Dag Detter and Stefan Fölster describe in their forthcoming book, “The Public Wealth of Cities” (Brookings Institution Press, 2017), as capitalizing on unknown or radically undervalued and underleveraged assets.

Combining strategic zoning, land transfers, and revenue-generating mechanisms, this model has helped spur a remarkable transformation of Copenhagen over the past 25 years from an ailing manufacturing city to one of the wealthiest cities in the world. It has made Copenhagen’s industrial harbor a vibrant, multipurpose waterfront while channeling the proceeds of land disposition, revaluation, and development to finance the construction of an expanded metro transit system.

The Copenhagen public/private corporate model combines the efficiency of market discipline and mechanisms with the benefits of public direction and legitimacy. The model enables large-scale regeneration to be conducted in a more efficient and streamlined manner than can be done by public authorities alone.

In this first in-depth case study of CPH City & Port Development, the corporation’s evolution and accomplishments are examined in their historic, political, and economic contexts. The corporation’s recent North Harbor redevelopment project is used to illustrate how it conducts business in close collaboration with local government, real estate developers, pension funds, and other urban stakeholders. Finally, the case study captures and codifies the political, institutional, and financial features that have enabled CPH City & Port Development to be successful and globally instructive.

“INDUSTRY WAS MOVING OUT OF COPENHAGEN, AND EVERYBODY KEPT WAITING FOR BETTER TIMES AND FOR INDUSTRY TO MOVE BACK IN. **BUT IT NEVER HAPPENED! THE TURNING POINT CAME IN THE BEGINNING OF THE 1990S, WHEN A BRAND-NEW, MASSIVE COMMERCIAL BUILDING IN THE HARBOR STOOD EMPTY FOR SEVERAL YEARS AND EVERYBODY RECOGNIZED THAT SOMETHING HAD TO BE DONE.”**

Jens Kramer Mikkelsen

CEO of CPH City & Port Development and former lord mayor of Copenhagen (1989–2004)

THE COPENHAGEN MODEL: KEY POINTS FOR U.S. AND GLOBAL CITIES

The Copenhagen model offers several valuable lessons for cities in the United States, Europe and elsewhere.



MAKE PUBLIC OWNERSHIP TRANSPARENT

A key element of the success of CPH City & Port Development is market knowledge—knowing what assets (land, buildings, etc.) are owned by the public and the market value of those assets.

BUNDLE ASSETS BY MERGING PUBLIC ENTITIES

Public ownership in many cities is often fragmented across multiple authorities. And the levels of government that direct these entities (and the laws and regulations that govern them) are also complex. Adapting the Copenhagen model may require national or state reforms as well as local political will.

ENCOURAGE STATE AND LOCAL GOVERNMENT COLLABORATION

The evolution and management of CPH City & Port Development represents a triumph of collaboration by the national and city governments. Despite political friction occurring in many nations, several dynamics—a municipal fiscal crisis; a radical scale-back of a national government; a unified vision of urban growth across key public, private, and civic stakeholders—could provide the impetus to experiment with new institutional models and forms of collaboration.

INSULATE DEVELOPMENT FROM POLITICAL INTERFERENCE

CPH City & Port Development operates with remarkable insulation from political interference. Changing the culture and behavior of politically weighted public authorities is important since the success of this model depends on its ability to operate with agility and to be adaptive to shifting market demands.

ENABLE LONG-TERM THINKING AND STEWARDSHIP

CPH City & Port Development is a remarkable example of long-termism pursued by both the corporation and many of its private financial and development partners. The Copenhagen model offers a way for cities to avoid using the disposition of public assets to fill short-term budget deficits.

The Copenhagen model could be applied to a broad range of cities. For example, Haifa, Israel, is shifting the location of its port and pursuing an ambitious redevelopment of its waterfront, an undertaking that is directly analogous to Copenhagen's North Harbor project. Hartford, Connecticut, is experiencing severe fiscal distress that could be alleviated by using the disposition of strategically located public assets to spur residential and business growth (and tax revenue) along its waterfront.

The Rust Belt city of Pittsburgh, Pennsylvania, is undergoing the most dramatic revitalization in decades (primarily near its world-class research institutions Carnegie Mellon University and the University of Pittsburgh), which could be further accelerated by the smart management and disposition of public land and buildings. The housing affordability crises of expensive cities like Boston and San Francisco could be mitigated by leveraging public assets to capitalize housing trust funds.

THE COPENHAGEN CITY & PORT DEVELOPMENT CORPORATION: HOW IT WORKS

The CPH City & Port Development Corporation—created in 2007 as a merger of Ørestad Development Corporation and the Port of Copenhagen—is driving the regeneration of the capital city of Denmark. Since its creation, it has overseen half of all redevelopment projects in the city for the last decade.

Funds from the sale of public land and assets are being used to invest in a broad range of infrastructure, including public transit, roads, and recreational and other public amenities. The corporation is able to leverage low-cost financing (enabled by the city's AAA credit rating) against its balance sheet of assets, which allows it to make decisions independent of electoral and political concerns. This in turn helps keep the corporation focused on long-term public gains—such as the regeneration

of a portion of the city or investment in transformative infrastructure—rather than short-term political considerations like the re-election of a particular individual or party.

Co-owned by the city of Copenhagen and the Danish national state, the corporation has benefited from the smart valuation and disposition of nationally and locally owned land. Mads Lebech, CEO of the Danish Industry Foundation and a member of CPH City & Port Development's board, explains the importance of the corporation's governmental partnership: "The national government owned the Port of Copenhagen, but they could not develop it without local government that regulates building permissions, land zoning, and conducts urban development. Together they could do a lot. Alone they could do nothing!"¹

¹ Mads Lebech, interview with Luise Noring, THE DANISH INDUSTRY FOUNDATION, ESPLANADEN 34A, ST., 1263 KØBENHAVN K. 6 OCTOBER 2016.

THE CORPORATION IS A STRATEGIC ASSET MANAGER, STAGING AND SEQUENCING THE SALE OF LAND AND PROPERTY TO MAXIMIZE VALUE.

EARNINGS ARE OPTIMIZED THROUGH VARIOUS FINANCIAL MECHANISMS, SUCH AS RENTAL AGREEMENTS AND JOINT VENTURES. IMPROVEMENTS IN INFRASTRUCTURE INCREASE THE BIDDING PRICE ON THESE ASSETS AND, AS SALE PRICES RISE, MORE CAN BE INVESTED IN INFRASTRUCTURE EXPANSION AND SO ON. IT IS A VIRTUOUS CYCLE.

BACKGROUND

In the mid-to-late 1980s, Copenhagen experienced 17.5 percent unemployment, a growing elderly population, and an annual budgetary shortfall of \$750 million. Deindustrialization and economic restructuring partly explained Copenhagen's predicament. Yet many economic and financial challenges faced by the city were self-inflicted: To raise funds in the early 20th century, local government purchased land adjacent to the city, which it developed into suburbs consisting of primarily private family homes. As many families moved to the outskirts of Copenhagen, the city's tax base dried up. The outward migration coincided with more individual ownership of private vehicles and greater public subsidization of road infrastructure, both of which enabled people to commute longer distances. As a result, the city became overrepresented by pensioners and young people attending public universities, neither of whom contributed greatly to the city's tax revenue.

Facing the loss of its traditional manufacturing base and a stagnating economy, the city government began to take radical steps to spur economic growth and entice people to move back into the city.²

In 1990, an historic alliance formed between Prime Minister Poul Schlüter of the Conservative People's Party, Social Democratic party leader Svend Auken, and the Social Democratic mayor of Copenhagen Jens Kramer Mikkelsen. Political coalitions like this are not uncommon in Denmark, a country with a long-standing tradition of compromise. However, national and local governments joining forces to tackle the challenges of the capital city was a bold move. Schlüter, Auken, and Kramer agreed to transform the city by catalyzing investment in housing and state-of-the-art infrastructure, making the city attractive to new citizens and strengthening the city's tax base.³ Undertaking these improvements without increasing local taxes posed a challenge, so the trio decided to focus on developing public land within the city's borders that had been left idle and unused.

To accomplish these objectives, the city and national governments created a series of publicly owned, privately run corporations with the explicit goal of regenerating large districts in the city's core, maximizing the value of underutilized public land, and using the revenues generated by smart zoning and asset management to finance transit and other infrastructure.

² Exemplified by the bankruptcy of ship-building company Burmeister and Wain commenced in 1996 and finalized in 2017.

³ Holger Bisgaard, "København er genrejst—men hvad nu?" *Politiken*, April 25, 2010.

“WHILE DISCUSSING HOW TO IMPROVE COPENHAGEN’S INFRASTRUCTURE, A SMALL GROUP OF PEOPLE FROM THE CITY ADMINISTRATION AND THE [NATIONAL] MINISTRY OF FINANCE WENT TO THE CORNER OF THE ROOM TO DISCUSS THE BROADER IMPLICATIONS AND OPPORTUNITIES OF LARGE-SCALE INFRASTRUCTURE INVESTMENTS IN COPENHAGEN. **WE KNEW THE CITY WAS IN A DESPERATE SITUATION AND WE NEEDED TO COME UP WITH SOMETHING TO ADDRESS THIS SITUATION. HOWEVER, TO PAY FOR THE GRAND INFRASTRUCTURE PROJECT WE NEEDED SERIOUS MONEY. WE COULD NOT RAISE TAXES. ALSO, WE NEEDED AGILITY AND FLEXIBILITY TO OPERATE.”**

Jens Kramer Mikkelsen

CEO of CPH City & Port Development and former lord mayor of Copenhagen (1989–2004)

THE FIRST PHASE

The national government created the Ørestad Development Corporation in 1992 to revitalize protected land that was formerly used by the Danish military and owned by the state of Denmark. The area of Ørestad, about 1.2 square miles in total, was strategically located between the city of Copenhagen and the Copenhagen airport and the bridge connecting Denmark to Sweden. The Ørestad Development Corporation was co-owned by the Copenhagen Municipality (55 percent) and the Danish Ministry of Finance (45 percent). While the state of Denmark and the city municipality provided the land, the city municipality alone was responsible for zoning. It used this authority to rezone the area from protected heathland to commercial, educational,

retail, and ultimately housing purposes. In this way, the Ørestad Development Corporation established a mutually beneficial alliance.

The construction of a metro transit line connecting downtown Copenhagen to the airport became the catalytic move to spur the development of Ørestad. By national law, the Ørestad Development Corporation was explicitly tasked with developing the area to raise capital for the construction of the first two stages of the Copenhagen Metro (the M1 and M2 lines). To sequence the build-out of the metro system before the full development of the land, the Ørestad Development Corporation took out a loan against the value of its land assets to fund the construction, encumbering it with large debts from the onset.



FIGURE 1

AERIAL PHOTO OF
ØRESTAD WITH
COPENHAGEN
INNER-CITY IN THE
BACKGROUND

© Ole Malling

FIGURE 2

METRO



COPENHAGEN'S M1 AND M2 TRANSIT LINES OPENED TO THE PUBLIC IN 2002 AND 2007, RESPECTIVELY

The full development of Ørestad is expected to take 20 to 30 years, at which point an estimated 25,000 people will live in the area, 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. Highlights of the area include the Bella Center, the largest exhibition and conference center in Scandinavia; the Copenhagen Concert Hall and DR Village, the headquarters of the Danish Broadcasting Corporation (DR); and the Royal Arena, a 15,000-seat multipurpose venue.

“ØRESTAD AND THE METRO ARE SUCCESS STORIES OF COPENHAGEN. THIS PART OF THE CITY HAS DEVELOPED FASTER THAN ANYONE COULD HAVE ENVISAGED IN THE END 1990S.

AT THE SAME TIME, IT IS INCONCEIVABLE TODAY TO IMAGINE COPENHAGEN WITHOUT THE METRO THAT CONNECTS ALL THE DIFFERENT NEIGHBORHOODS OF COPENHAGEN.

THE DECISION TO ESTABLISH ØRESTAD DEVELOPMENT CORPORATION WAS THE RIGHT POLITICAL DECISION—AND IT WAS MADE AT AN OPPORTUNE TIME. IT CREATED THE PRECEDENT

FOR CROSS-PARTISAN COLLABORATION AND COLLABORATION BETWEEN NATIONAL AND LOCAL GOVERNMENTS. THESE BECAME PREREQUISITES FOR THE SUCCESSFUL OPERATIONS OF CPH CITY & PORT DEVELOPMENT ON MARKET TERMS.

IT IS A JOB WELL DONE!”

Jens Kramer Mikkelsen

CEO of CPH City & Port Development and former lord mayor of Copenhagen (1989–2004)

SECOND PHASE

The vision for—and management of—the Port of Copenhagen was radically restructured next. Historically, the port was run largely as an industrial harbor, the main activity being the container terminal. Because the port had been managed inefficiently, it ran continuous annual deficits. In order to balance these deficits, the port management would sell idle and unused land to developers. In 2000, when the Øresund Bridge connecting Copenhagen with the Swedish city of Malmö opened, it was estimated that 25 percent of the harbor traffic in the ports of both Copenhagen and Malmö would dry up.

To take advantage of new development opportunities, Port of Copenhagen Ltd. was put in charge of both the management and urban redevelopment of the harbor. Since 2001, the port activities have also been managed jointly by Port of Copenhagen Ltd. and Malmö Hamn A/B through the company Copenhagen Malmö Port AB (CMP). CMP did not own any of the land in the ports. Rather, it rented the land it required from Port of Copenhagen Ltd; now CMP rents the land from CPH City & Port Development. The first year after this extensive restructuring, CMP generated \$15 million in profits. For the first time in a century, the port reaped profits on its operations through greater efficiency and by operating in a more cost-conscious manner.

FIGURE 3

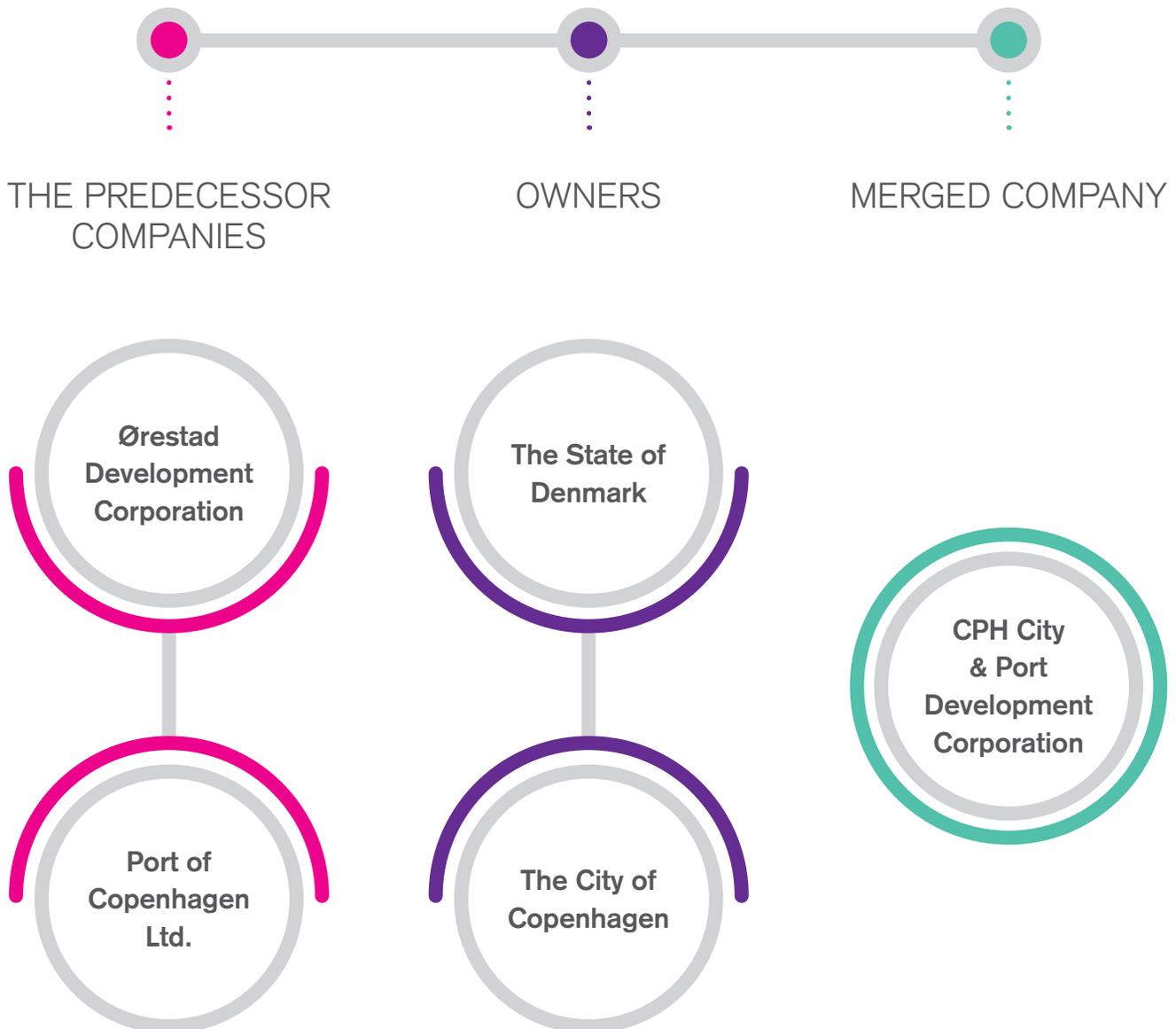


AERIAL VIEW OF
THE PORT OF
COPENHAGEN

FINAL PHASE

In 2007, the redevelopment of all these critical areas was consolidated under one entity—CPH City & Port Development. This new entity was created from the merger of two public corporations: the Ørestad Development Corporation, which had previously developed land in Ørestad and financed and constructed the M1 and M2 metro lines; and Port of Copenhagen

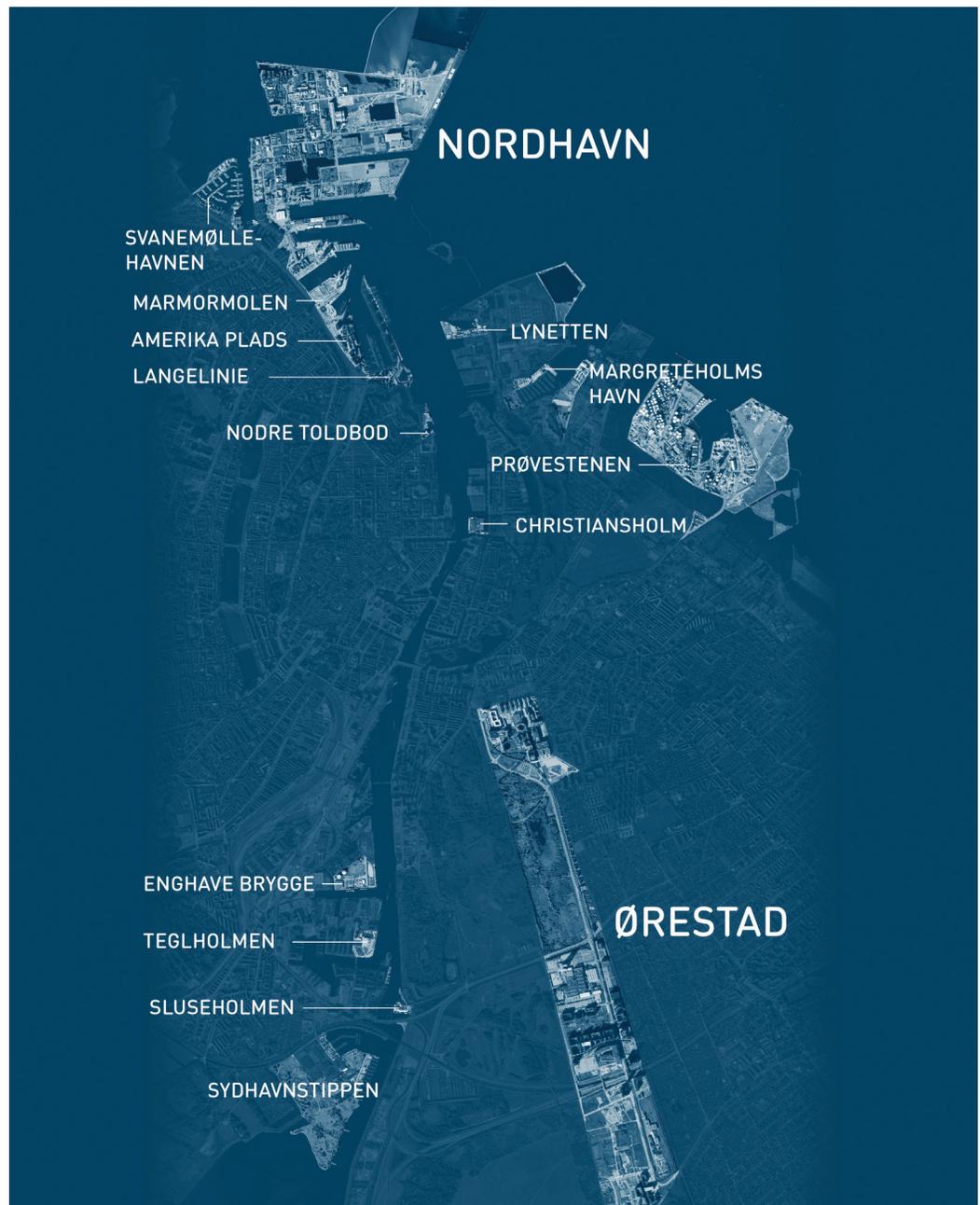
Ltd., which owned the harbor land and was responsible for operating the port. As with the Ørestad Development Corporation, the city of Copenhagen owned 55 percent of the CPH City & Port Development, with the remaining 45 percent owned by the Danish national government. A transit construction company was split off from the merged company to take full responsibility for building the expansion of the metro system.



Over the past decade, various areas of Copenhagen have undergone transformations under the management of CPH City & Port Development. They include the Ørestad area, the formerly industrial South Harbor area, the North Harbor, and an industrial area known locally as Paper Island. CPH City & Port Development has deployed the same innovative model of governance, finance, and operations

used by both the Ørestad Development Corporation and Port of Copenhagen. Since its formation in 2007, CPH City & Port Development has managed about half of all the redevelopment projects undertaken in Copenhagen. Eleven of its sites, shown in the graphic below, are landfill sites reclaimed from the sea.

FIGURE 4



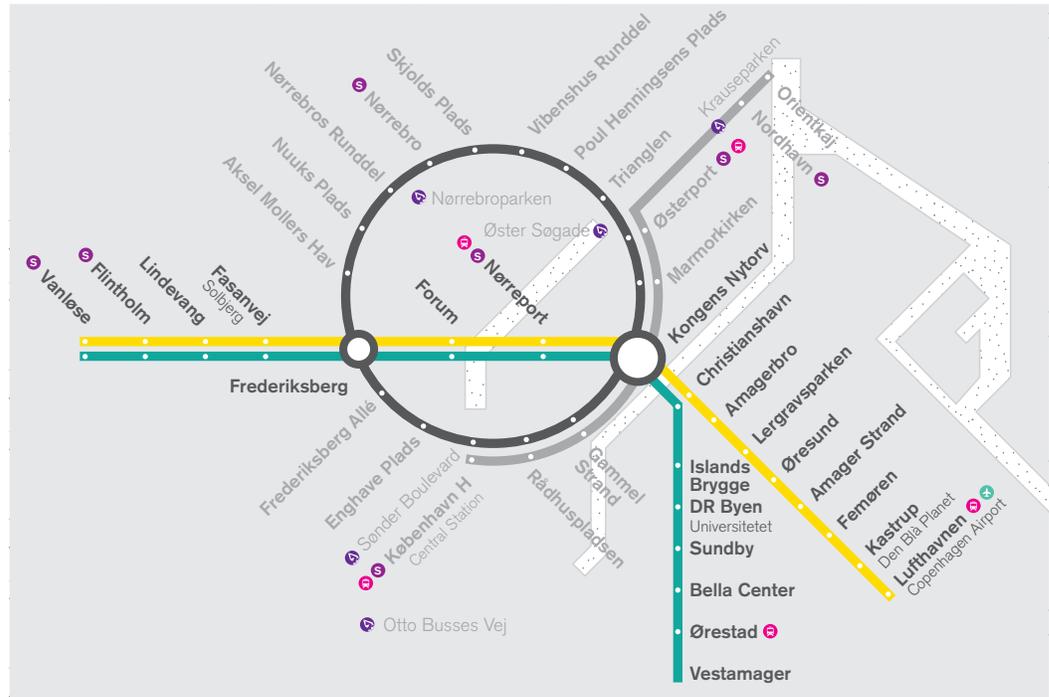
THE AREAS DEVELOPED BY CPH CITY & PORT DEVELOPMENT (SOURCE: CPH CITY & PORT DEVELOPMENT CORPORATION)

As with the Ørestad Development Corporation, CPH City Port & Development was established with the explicit purpose of using the revenues of redevelopment to finance the construction of infrastructure (specifically, the City Circle

metro line, shown in figure 5). The financing of this major transit expansion, as well as metro connections to North Harbor itself, has been accomplished with the sophisticated management of public assets.

FIGURE 5

OVERVIEW OF THE COMPLETE METRO SYSTEM OF COPENHAGEN, INCLUDING THE IN-PROGRESS CITY CIRCLE METRO LINE



THE MECHANISM, SIMPLE AND EFFECTIVE, GENERALLY WORKS AS FOLLOWS:

National and local government transfer assets to CPH City & Port Development

The land increases in value

This capital is either transferred to the metro construction company for broader transit investments and/or used by CPH City & Port Development to pay for local infrastructure that enables the development of the land

This generates revenue that is used to service debt



Local government rezones the land for residential and commercial use

CPH City & Port Development borrows (generally with loans on favorable terms from the Denmark National Bank) based on the (increased) value of the land

CPH City & Port Development facilitates development through a variety of mechanisms, including land sales to or lease agreements with developers and, in a limited number of cases, development by the corporation itself

This process has several critical benefits.

First, it enables a virtuous cycle. CPH City & Port Development invests funds from the sale of public land and assets under its control in a broad range of infrastructure projects, including public transit, roads, and recreational and other public amenities. These infrastructure improvements in turn increase the value of CPH City & Port Development's remaining land and assets, which in turn enables the corporation to invest and expand further.

Second, it benefits from the smart valuation and transfer of nationally owned land to the corporation. In 2007, capital was initially raised by determining ownership of the harbor. Both national and local governments had made claim to ownership of the harbor. After three years of court procedures, it was confirmed that the national government owned the port of Copenhagen. The national government's contribution to the financing of the metro construction became the harbor itself, enabling the national government to take 45 percent of the shares of CPH City & Port Development by transferring ownership. By borrowing against

the value of this newly acquired land, CPH City & Port Development was able to make a one-time payment of \$2 billion to the Metro Construction Company to fund the expansion of the transport system.

In 2014, the national government revalued the land of North Harbor and estimated it to be \$450 million more than the original estimate in 2007. The appreciation went toward paying for the metro construction in North Harbor, including two extra metro stations. In 2014, the national government also decided to reduce its ownership shares in the company, enabling the local government of Copenhagen to assume a larger portion of responsibility for CPH City and Port Development. Since 2014, the municipality owns 95 percent with the State of Denmark owning the remaining 5 percent.

In sum, the capital raised from redeveloping North Harbor alone has led to reinvestments of \$15 billion, of which \$5.8 billion was redirected to the construction of the Copenhagen metro.⁴ CPH City & Port Development remains liable for \$2.4 billion in debt due to continued borrowing to fund these investments in infrastructure.

⁴ CPH City & Port Development 2011, 2012, 2013, 2014 and 2015 Annual Reports
<http://www.nordhavnen.dk/english/uk-nh-transformation2/uk-nh-nordhavnen/uk-nh-aarhusgadequarter.aspx>

ANALYSIS OF NORTH HARBOR

We look closely at the case of North Harbor to highlight the operations of CPH City & Port Development and its ability to meet market demands for land for residential and commercial properties and to extend the infrastructure of Copenhagen.

North Harbor is the corporation's most recent redevelopment project and, together with Ørestad, the largest urban development project in Denmark. The project was showcased as "The Sustainable City of the Future" at the COP 15 UN climate summit, hosted by Copenhagen in 2009, and at the Architecture Biennale in Venice. The district will be developed in phases over the next 40 to 50 years.

The North Harbor development project will accommodate a large number of new

inhabitants and provide residential, commercial, and office space in an innovative urban environment that incorporates sustainable development and design. Eventually, the entire North Harbor area will be developed to include buildings with 3 to 4 million square meters of floor space and the capacity to accommodate 40,000 inhabitants and 40,000 jobs.⁵ The North Harbor project finances both the redevelopment of the North Harbor itself and the continued expansion of the city's metro system.

CPH City & Port Development has been an agile and market-savvy institution in the redevelopment of North Harbor. The following examples show the broad variety of strategies the corporation has pursued to maximize the public benefit of its activities.

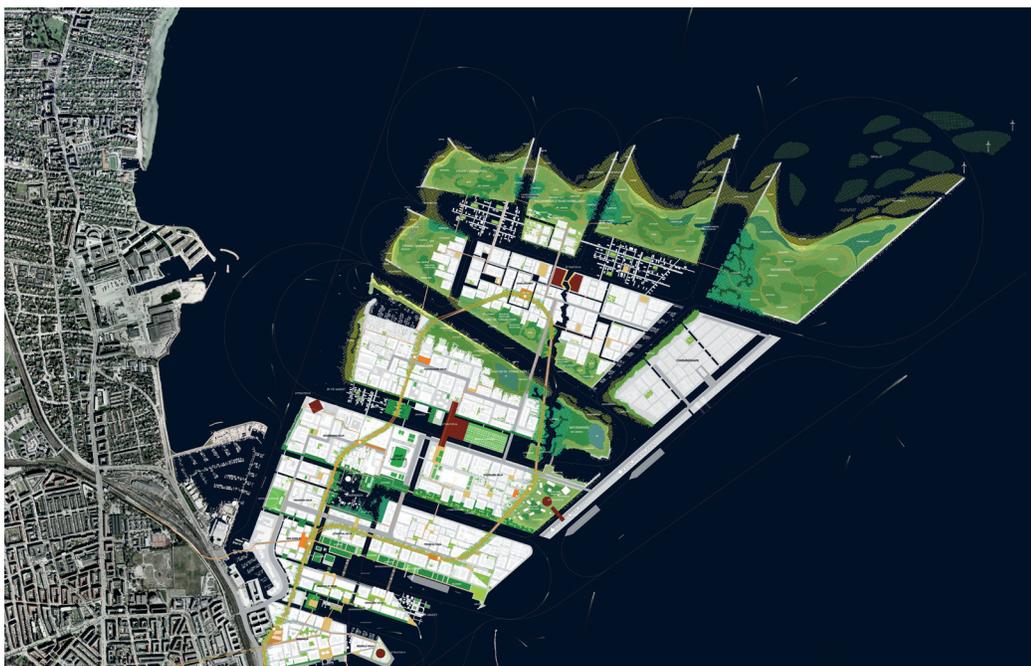


FIGURE 6

THE ENTIRE
NORTH HARBOR
OF COPENHAGEN.
THE ILLUSTRATION
STEMS FROM THE
WINNERS OF THE
COMPETITION: COBE,
SLETH, POLYFORM OG
RAMBØLL

© Cobe Sleth and Ramboll

⁵ CPH City & Port Development, "From Idea to Project." CPH CITY & PORT DEVELOPMENT IN COOPERATION WITH COBE, SLETH, POLYFORM AND RAMBØLL, August 2012.

STAGING OF LAND SALES

CPH City & Port Development sequences the development of land to skillfully manage supply and demand and to maximize long-term revenue for the public good. This freedom of operation enabled CPH City & Port Development to withstand political pressure during the global recession of 2008–09, when property prices plummeted. During that period, the municipal government of Copenhagen demanded that CPH City & Port Development reduce land prices to increase sales. The only potential buyers at the time were pension funds, which had sufficient capital to wait out the crisis and harvest their profits at a later stage. However, CPH City & Port Development's managers had faith in the market's ability to recover and did not reduce prices. Their faith was not misplaced: By 2014, sales had picked up.

CPH City & Port Development will be steadily generating revenue over the next decade from future developments across the city that will extend beyond the redevelopment of publicly owned land. Under its current business model, the most economically rational approach for CPH City & Port Development is to avoid paying off its debts quickly through the direct sale of land. Due to the massive infrastructure improvements being made, CPH City & Port Development has learned that, in certain circumstances, the corporation earns more if it holds off on selling property until the area has been fully developed. In the meantime, earnings are optimized through various financial mechanisms, such as rental agreements and joint ventures.

The management of CPH City & Port Development predicts that it will take the next 30 to 50 years to reduce debts to zero.⁶ However, that is under the unlikely circumstance that the corporation does not take over new project finance for the city. Even though CPH City & Port Development operates on market terms and for profit, it is not permitted to cash in on future profits. The legislative founding principles require that the corporation should become obsolete once the debt has been repaid; the reasoning being that the corporation should only serve the public purpose and not the market. When asked what CPH City & Port Development will do once the Copenhagen metro construction is complete, CEO Jens Kramer Mikkelsen responded that "Copenhagen City & Port Development has substantial know-how and professionalism within areas such as urban planning, construction, land sales, rental agreements, urban life, and harbor management. I am certain that the owners will continue to exploit this after we have completed the current suite of assignments."⁷

EXPANDING LANDMASS FOR CONSTRUCTION

The North Harbor development is partly built on surplus soil pulled up from the underground during the metro construction and deposited within a concrete structure extending into the sea. CPH City & Port Development charges \$7.50 per ton of clean soil disposed. The area within the borders allows for 20 million tons of soil to be deposited, generating \$150 million and creating space for another one-

⁶ CPH City & Port Development, "Business Plan 2016-2019."

⁷ Jens Kramer Mikkelsen and Michael Soetmann, interview by Luise Noring, By & Havn Aps. Nordre Toldbod 7, Copenhagen, 20 April and 18 May 2016.

million-square meters of buildings. With the large demand for soil disposal, CPH City & Port Development has raised the level of the new land by a meter to better prepare North Harbor for climate change and rising sea levels.

The deposit of soil solves multiple problems for Copenhagen. The removal of underground soil creates space for the expansion of the Metro, while new climate-resilient land creates space for businesses. CPH City & Port Development decided not to begin this expansion of the

landmass, however, until it had a tenant that was interested in the land. It found one in the Port of Malmö, which has committed to leasing the land on a long-term basis in order to add a fourth cruise terminal to its existing three terminals. (The new terminal will provide the Port of Malmö with the capacity to handle large cruise ships.) In addition to serving the interests of companies like Copenhagen Malmö Port AB, the deposit of soil and expansion of land is also being used to create new green recreational areas.



FIGURE 7

NORTH HARBOR
REDEVELOPMENT IN
MAY 2016, SHOWING
WHERE LANDMASS IS
BEING EXPANDED

© Ole Malling

UNITED NATIONS CITY DEVELOPMENT

In exceptional cases, CPH City & Port Development will develop and rent out property in collaboration with private developers. This was the case with the United Nations City, where the risks of continued development were considered minimal given that the tenant of the building is the Danish state, which rents it to the United Nations. CPH City & Port Development's AAA+ credit rating—a product of being publicly owned by the city of Copenhagen and the Danish national state—further reduced the project's

risk. With such a credit rating, loans come at very favorable prices and, by operating like a private company, these loans are easily rent-guaranteed in the private market. CPH City & Port Development earned almost \$37.5 million from the development of the property, which it sold to two large Danish pension funds.⁸ CPH City & Port Development retained an 8.5 percent ownership stake in the property at the insistence of the pension funds, which view CPH City & Port Development as a credible partner that can secure the financial future of joint operations.

FIGURE 8



THE UN 'CITY' IN THE
NORTH HARBOR OF
COPENHAGEN

© Peter Sørensen

8 Jens Kramer Mikkelsen and Michael Soetmann, interview by Luise Noring, By & Havn Aps. Nordre Toldbod 7, Copenhagen, 20 April and 18 May 2016.

SUSTAINABLE AND SOCIAL HOUSING

Buildings in the North Harbor must comply with national and local laws that proscribe measures for sustainability in the built environment.

The entire development of North Harbor is conforming to Copenhagen's larger ambition of becoming the first capital city to be carbon neutral by 2025.

The UN City building is the most sustainable building in Scandinavia and was the recipient of the European Commission's Green Building Award in 2012. The green certification does not only specify standards for energy consumption, it also ensures that materials are sourced locally, building insulation is adequate, the construction process is conducted properly in terms of reduced accidents and suitable working conditions (lighting, temperature, etc.), and employee satisfaction is high.

"Investing in green buildings is good business for us," said Torben Möger Pedersen, CEO of Pension Danmark. He feels that tenants that are willing and able to pay extra for gold- or platinum-certified office buildings or housing are generally financially solid. In addition, Pedersen says that running a green building can be less expensive than operating a regular building. "We want tenants who think about the long-term costs and impact of running the building, including the working environment of their employees and the environmental footprint."⁹

CPH City & Port Development is also required by local government to ensure that at least 25 percent of the housing in new city districts is set aside as social housing for lower-income residents. To enable this, CPH City & Port Development gives a property developer a

substantial discount on the price of land. CPH City & Port Development also puts the developer in touch with a social housing company and, once the social housing is developed, the social housing company takes over the apartments and receives a subsidy for managing the social housing from national and local governments.

PROFIT SHARING

CPH City & Port Development has created a smart profit-sharing mechanism: the corporation receives part of the property value increase generated by the introduction of a metro station.

The mechanism works as follows. CPH City & Port Development includes in all sales agreements a clause requiring the purchaser to pay a supplement to the purchasing price if and when a metro station is established within close proximity to the property. Agreements specifically require the purchasers to pay an additional \$11.41 per square meter for office buildings or \$5.71 per square meter for residential properties annually for a period of 60 years after the establishment of the metro station within a 50-meter radius of the property. This special clause is executed at the time of selling the land and property since the corporation does not necessarily know if or when a metro station will be established.

PUBLIC AREAS

CPH City & Port Development also owns the public area between the buildings and

⁹ Torben Möger Pedersen, interview by Luise Noring, Pension Danmark, Langelinie Allé 43 KBH Ø, December 15, 2016.

the public properties, such as public parking spaces, sports grounds, and green areas. Investing in exceptional public amenities—such as distinctive streetlamps, benches, and high-quality street pavements—creates value, enhances quality and attracts conscientious developers with higher-caliber project designs. The corporation has also noticed that developers will submit proposals on their own accord that incorporate the latest technologies

and designs in sustainability. The public areas are maintained by a cooperative entity that includes all property owners (whether residential or office) and CPH City & Port Development itself. The cooperative is in charge of financing and maintaining public areas. In the initial stages CPH City & Port Development ran the cooperative, but in 2017 it will hand over management to North Harbor's property owners.

FEATURES THAT ENABLE THE COPENHAGEN MODEL: POLITICAL, INSTITUTIONAL AND FINANCIAL

Some of the features that make the Copenhagen model viable are emblematic of the city's (and Denmark's) unique culture and governance environment—characteristics that would be difficult to replicate elsewhere. Yet

others represent an innovative model that can be applied to urban redevelopment, public asset management, and infrastructure finance in cities around the world.

POLITICAL FEATURES

COMPROMISE AND COLLABORATION

In Denmark, there have traditionally been minority governments, making compromise and coalition building a requirement to achieve majority votes in parliament. This trait is also common in local governments, where cross-partisan collaboration is a prerequisite for “getting things done.” Copenhagen's

melleformstyre, or “mayors per expertise” system, resembles the national parliamentary arrangement: The lord mayor is appointed by the ruling party, but the city council elects, from various parties, a cabinet of several “mayors per expertise,” such as a technology and environmental mayor, an employment and integration mayor, a health and care mayor, and a children and youth mayor. While a mixed-

party cabinet can lead to mayors with different priorities, the diversity can also increase the incentive to collaborate and produce policies that enjoy widespread support and survive beyond the term of a single mayor.

With broad coalitions, political stability and policy continuity are ensured, since solutions persist even when political power shifts. As noted above, the resurgence of Copenhagen was planned by three key figures: Conservative Prime Minister Poul Schlüter; Svend Auken, the party leader of the Social Democrats; and the lord mayor of Copenhagen, Jens Kramer Mikkelsen, also a Social Democrat. It is important to note that the trio consisted of two Social Democrats; the party has held the position of lord mayor for more than a century.¹⁰ Thus, any long-term plan for the resurrection of Copenhagen was bolstered by the long-term commitment of the Social Democrats.

As journalist Feargus O'Sullivan recently wrote, "Constant compromise has sanded down the sharp edges of each faction's program and encouraged even the most tradition-minded politicians to accept new ways of doing things."¹¹ This governing arrangement results in a city government that is at once technically proficient, accountable, and incentivized to cooperate, enabling the city to be a stronger negotiator, partner, and investor. This collaborative governance must include alliances across different levels of government as well as political parties that span the partisan and ideological spectrum.

The penchant for collaborative governance extends beyond government in Denmark.

Asked to identify the main ingredients in CPH City & Port Development's success, Peter Damgaard Jensen, the CEO of PKA Pensions, said, "Because we are a small country, CPH City & Port Development can have collaboration with all actors, both public and private. If you know the property investors in the ten largest pension funds, you can put together a strategy that works. You can round up everybody with a decision-making capacity in one room. The network of people that can make this happen is small and accessible." In other words, the power distance between people is very low. "You can just pick up the phone and call someone," Jensen continued. "If they like your idea, they will work with you. There is a great understanding that if you want to develop something, you have to collaborate."¹² This understanding is what fosters collaboration between politicians, private investors, and public authorities.

DECENTRALIZED GOVERNANCE

Lars Rohde, the chairman of the board of governors of Denmark's central bank, said that in Denmark the "national government decides on the bridge to Sweden, and local government decides on the construction of the Metro. Whoever gets to decide on the investment needs to finance the investment. That is how it is and how it should be."¹³ In this way, the national government recognizes that local government is in charge and has competencies to deal with large-scale investments at the local level. However, there is also an appreciation that investments at the national level influence investments at the local level. Thus, when the

10 ASGER WESTH AND ULLA GUNGE HANSEN, "100 YEARS RULE", JYLLANDS POSTEN, SECTION KØBENHAVN, 15 MARCH 2003.

<http://www.jyllands-posten.dk/protected/premium/gamletillaeg/kbh/ECE3698712/100-percentc3percenta5rs-Styre/>.

11 Feargus O'Sullivan, "Even Copenhagen Makes Mistakes," Next City, February 1, 2016.

12 Interview with Peter Damgaard Jensen by Luise Noring, at PKA Real Estate, Tuborg Boulevard 3, 2900 Hellerup, Denmark, 10th November 2016.

13 Lars Rohde, interview with authors, National Bank of Denmark, Copenhagen, September 26, 2016.

national government built the Øresund Bridge connecting Copenhagen and Sweden, the local government had to make investments in infrastructure connections between the bridge, Copenhagen airport, and the city of Copenhagen. Today, the Metro provides those linkages.

The Danish system of decentralized government allows municipalities to operate with considerable independence from the national government. According to a 2009 OECD review, local governments in Denmark account for over 60 percent of government spending, the highest level among the OECD nations.¹⁴ In addition, local authorities receive an annual block grant from the national government that is negotiated annually by Local Government Denmark (the national federation of municipalities) and the national Ministry of Finance. The negotiation process gives local officials input into national policy that would be unprecedented in the United States. These fiscal powers are the result of local government reforms, the latest round of which occurred in 2007, that yielded a distribution of expenditures tilting heavily toward local government. The 2007 reforms, which included the consolidation of 271 municipalities into 98, also increased the role of local government in industrial and regional economic development.

BOARD COMPOSITION

The political features that define Copenhagen and Denmark—collaboration, professionalism,

public orientation—are manifested in the structure and composition of the CPH City & Port Development Corporation's board of directors.

By national law, the board consists of eight members—two appointed by the national government, four by the city of Copenhagen, and two by employees. The national government has decided to use its vote to appoint two professional board members—Mads Lebech, the CEO of the Danish Industry Foundation, and Dorte Krak, the CEO of the Arp-Hansen Hotel Group. Significantly, the national government retained two seats on the board even after its ownership stake in the company was reduced from 45 to 5 percent in 2014—an acknowledgment that the continued representation and support of the national government was vital to the corporation's operations.

Copenhagen Municipality has four politically appointed members on the board. The current appointees are Morten Kabell, the “mayor per expertise” of technical and environmental affairs, who is a member of the Red-Green Alliance party (Enhedslisten); Social Democrat Lars Weiss, the deputy chairman of the Copenhagen City Council; Lars Berg Dueholm of the Liberal Alliance, a newly formed party advocating Danish-style neoliberalism; and Carsten Koch, who is also on the board that governs the Øresund Bridge between Denmark and Sweden and the Storebælt Bridge that connects Zealand, the island where Copenhagen is situated, with mainland Denmark.

¹⁴ OECD, “Territorial Reviews: Copenhagen, Denmark” (Paris: OECD, 2009).

INSTITUTIONAL FEATURES

BUNDLING ASSETS BY MERGING PUBLIC COMPANIES

CPH City & Port Development was created by a process of institutional innovation, through the consolidation of pre-existing public corporations, valuations of assets, transfers of ownership, delegation of tasks, and devolution of power. Danish central bank governor Lars Rohde stated that before the bundling of public assets and merging of public companies, ownership of public assets in Copenhagen was highly fragmented.¹⁵ With fragmentation, local government loses sight of its assets and is forced to make decisions in a piecemeal fashion. This has a negative impact on the city's ability to raise capital for transformative urban development. Rohde points out that, through this fragmentation, large-scale infrastructure investments only benefit individual property owners in a random way: For example, people living near Metro stations might see their property values appreciate more rapidly than others. A suboptimal solution to this problem would be to tax the appreciation to eliminate the randomness that benefits some owners and not others. However, through smart asset management, large-scale infrastructure investments can be used to leverage major investments and spur transformations of the entire city.

MAXIMIZING BENEFITS OF PUBLIC OWNERSHIP AND PRIVATE MANAGEMENT

The creation of a hybrid corporation was intended to combine the efficiency of market

discipline with the benefits of public direction and legitimacy. The Copenhagen model empowers both public and private sectors to do what they do well and to leverage their core competencies.

The public sector sets the basic rules of the game for sustainability and social inclusion. Michael Nielsen, the CEO of ATP Real Estate, said that close collaboration with the local municipality on planning and permits is a prerequisite for conducting the kind of large-scale urban development that CPH City & Port Development undertakes. "Copenhagen Municipality and CPH City & Port Development have a solid collaboration," he said. "The local municipality gives sufficient freedom of operations to CPH City & Port Development. If CPH City & Port Development had to ask for permission the whole time, nothing would ever happen. On the other hand, CPH City & Port Development justifies its existence by funding the metro and that is how CPH City & Port Development has gained the public's goodwill."¹⁶

At the same time, a corporate model allows several elements of large-scale regeneration—site selection and sequencing, building design, procurement of goods and services, joint ventures with private companies, circular economy techniques—to be conducted in a more efficient and streamlined manner. Governments are usually hamstrung by a multitude of formal rules and regulations and informal modes of operation when trying to innovate; corporations have much greater latitude.

¹⁵ Lars Rohde, interview with authors, The National Bank of Denmark, September 26, 2016.

¹⁶ Michael Nielsen, interview by Luise Noring, ATP Real Estate, Gothersgade 49, 1123 København K, November 7, 2016.

As a corporation, the annual board meetings of CPH City & Port Development are not subject to public disclosure and scrutiny. Making the internal deliberations and plans of the corporation publicly available might jeopardize its ability to negotiate partnerships with private-sector actors. However, CPH City & Port Development makes other reports and documents available on demand to the public and the media.

Copenhagen has found that by managing transactions through a publicly owned, privately run corporation, operations run faster and more efficiently in comparison to how local government traditionally tackled public development projects. This allows the city and state to set ambitious targets to meet the growing demand for resources and infrastructure.

INSULATION FROM POLITICAL INTERFERENCE

A key element of CPH City & Port Development's success is that the operations of the company are completely depoliticized and run with minimal interference from national and local governments. This enables the corporation to take advantage of public assets, legislative powers, and the local market economy to finance both major infrastructure investments and the sustainable redevelopment of underutilized assets and neglected areas, including the industrial harbor of Copenhagen.

Carsten Koch, the director of the board of CPH City & Port Development, argues that

de-politicization has been achieved in large part by having CPH City & Port Development governed by national law. One critical statutory requirement is the mandate to optimize commercial gains in order to generate profit for the city of Copenhagen and thereby enable the construction of the metro system. "If we did not have a legal requirement to act commercially and in the singular purpose of profit optimization," Koch said, "we would to a large extent be riddled in politics."¹⁷ A clear mandate for corporate profits to be designated for metro construction creates transparency and eliminates the potential for funds to be directed toward political issues or election campaigns.

Whenever CPH City & Port Development is required to take on more responsibilities, such as the tunnel connecting the peninsula of North Harbor with Copenhagen, it requires a change in national laws. This means that national government has to reach agreement across the political spectrum. In the past, statutory amendments have been passed to enable CPH City & Port Development to take on metro expansion projects in the North and South Harbor districts and the construction of the Circle Line as well as the aforementioned tunnel project.

The depoliticized nature of CPH City & Port Development's operations has enabled its leadership to survive partisan changes in national and local governments. At the same time, local and national governments have demonstrated both the political will to delegate power and to give freedom of ownership of the land and the operations to a separate corporate entity.

¹⁷ Carsten Koch, interview with Luise Noring, CPH City & Port Development, September 16, 2016.

The presence of Jens Kramer Mikkelsen, as former lord mayor of Copenhagen and the current CEO of CPH City & Port Development, helps to explain the de-politicization of corporate decisions. Kramer has successfully acted as a buffer between the company and local and national political leaders. His prior experience as an elected official has enabled him to be politically savvy and to shield the company from political interference so that it can operate as an independent, privately run corporation.

ORGANIZATIONAL STRUCTURE AND JOINT VENTURES

CPH City & Port Development has a relatively flat organizational structure to facilitate a lean and efficient approach to reporting and decision-making. All employees are no more than two levels away from top management, and most departments function in a highly independent manner and answer only to CEO Kramer. Many projects are developed through private and public partners, which allows CPH City & Port Development to function with only 113 employees—a relatively small staff considering its annual budget of \$72 million. Of the 113 employees, 86 are salaried professionals who are paid by individual accord, leaving 27 primarily blue-collar workers who are paid according to union agreements. Figure 9 below shows the organizational structure of CPH City & Port Development.

By operating like a private entity, CPH City & Port Development is not subject to public-sector regulations, such as tenders for partners,

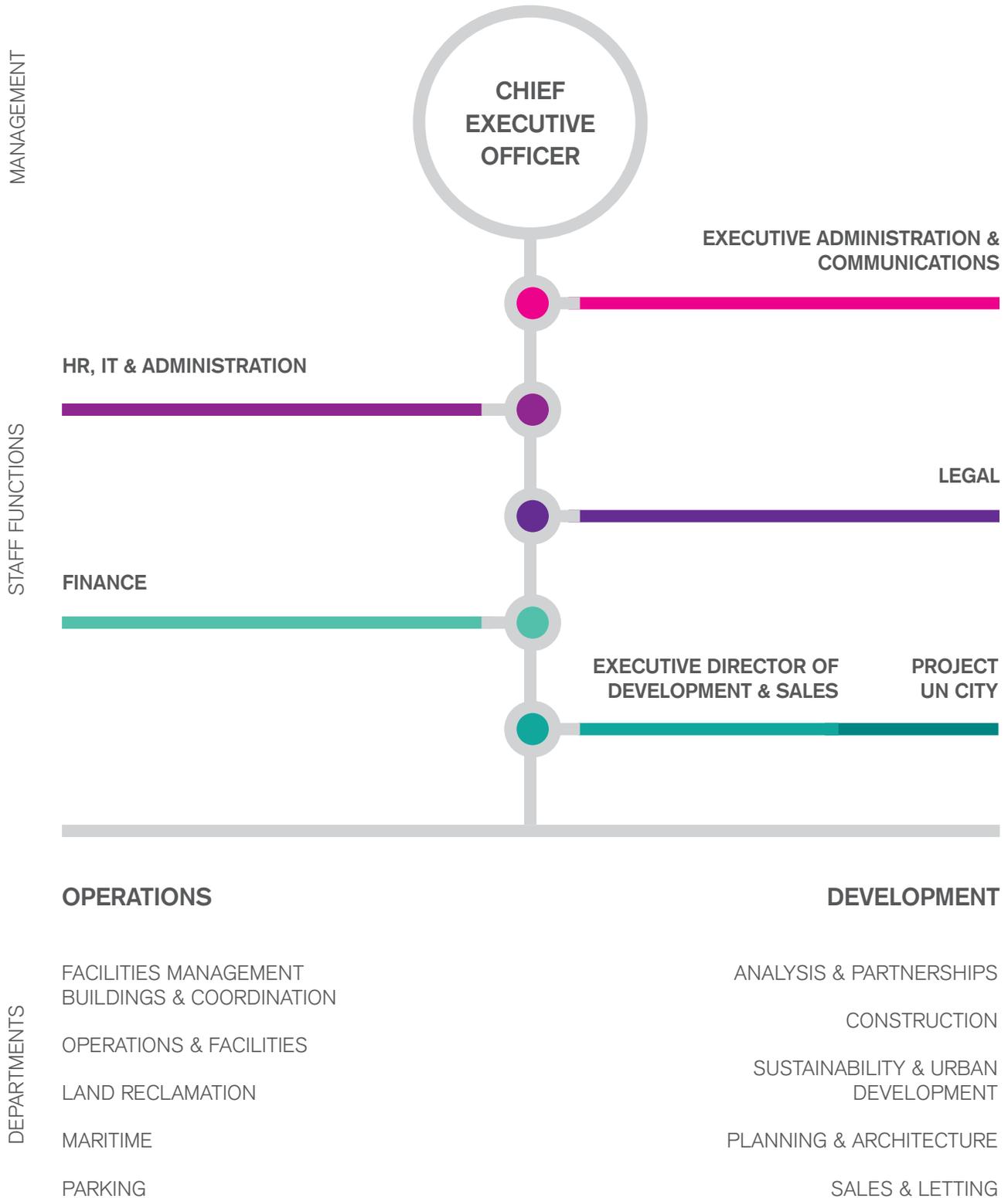
a prohibition against subsidiaries, and rigid civil service salary frameworks for employees. In fact, a crucial part of the reason why CPH City & Port Development is able to maintain a small and tight organization despite overseeing massive urban development projects is because it routinely enters into joint ventures with partners. The corporation is required to seek permission for the establishment of joint ventures from its owners (that is, the city and the national state), which are given 14 days to object. To date, the owners have never opposed the establishment of a joint venture.

It is noteworthy, however, that every time CPH City & Port Development creates a joint venture, decision-making competencies and power of operations are delegated even further from the corporation's owners and board of directors. The wide acceptance of the deployment of joint ventures is a sign of trust by the owners and the board in the management of the corporation.

One exemplary joint venture is with Nordic Real Estate Partners (NREP) on the commercial activity of the North Harbor—a partnership called RetReal Nordhavn P/S. When CPH City & Port Development sells a plot of land in the Århusgadekvarteret district to property developers, the terms and conditions of the sale mandates that (LN) RetReal Nordhavn P/S can repurchase the ground floors for commercial and retail development. RetReal Nordhavn P/S retains the ground floors of the buildings in Århusgadekvarteret for continuous development of the commercial activity to ensure that the newly built neighborhoods become vibrant and buzzing with life.

FIGURE 9

ORGANIZATIONAL STRUCTURE OF CPH CITY AND PORT DEVELOPMENT



FINANCIAL FEATURES

ACCESS TO CHEAP FINANCE

As board director Carsten Koch noted, the single most important feature enabling CPH City & Port Development to successfully influence the property development market is its access to cheap finance, which is the result of the high credit rating of its owners, the city of Copenhagen and the state of Denmark. “The access to cheap loans and the ability to keep operating despite massive debts is the single most important feature of CPH City & Port Development,” Koch said. “Without that, we would have shared the destiny of other property developers during the recent recession, as we are just as vulnerable to market dynamics as other property developers.”¹⁸ Koch pointed out that, despite being somewhat sheltered by the high credit standing of its owners, CPH City & Port Development is nevertheless subject to international rules of accounting that require it to list both assets and debts at market value. The challenge, of course, is that whenever there is a market recession, such as in 2008–09, the company’s assets lose value while its debts remain the same.

LONG-TERM THINKING

By acting like a private company with a mandate to maximize profits, CPH City & Port Development is able to operate with a long-term strategy. CEO Jens Kramer Mikkelsen said, “If we were not a private company, we

would not have a coherent and long-term plan. Instead, each public agency with assets would sell out at market price whenever they were short of cash—similar to what Copenhagen Port did in order to balance the books prior to the restructuring in 2000.”¹⁹

Another prerequisite is patience. “You have to plan for good times and bad times,” said Michael Nielsen, the CEO of ATP Real Estate. The owners of CPH City & Port Development have to accept that there are no profits for long periods of time when the market is in recession.”²⁰ In fact, nobody knows when the last building will be built in North Harbor, as that will depend on future economic conditions. Thus, depending on market demand, North Harbor may not be completed for 50 years. At the same time, the city of Copenhagen invests up-front in the metro infrastructure even though local government has not yet secured the investment capital for the infrastructure investments stemming from CPH City & Port Development. This is a clear indication that local government believes in the corporation’s business case.

COLLABORATION WITH PENSION FUNDS

Large Danish pension funds are important collaborators of CPH City & Port Development. They share the company’s long-term investment horizon and its emphasis on low-risk investments.

18 Carsten Koch, interview with Luise Noring, CPH City & Port Development, September 16, 2016.

19 Jens Kramer Mikkelsen and Michael Soetmann, interview by Luise Noring, By & Havn Aps. Nordre Toldbod 7, Copenhagen, 20 April and 18 May 2016..

20 Michael Nielsen, interview by Luise Noring, ATP Real Estate, Gothersgade 49, 1123 København K, November 7, 2016.

"WE ARE NOT HERE
FOR A QUICK FIX:
**WE ARE HERE FOR THE
LONG HAUL."**

Jens Kramer Mikkelsen

CEO of CPH City & Port Development and former lord mayor of Copenhagen (1989–2004)

The joint venture between CPH City & Port Development and the pension fund ATP, which was established by national law in 1964 to supplement the retirement income of senior citizens, is emblematic of how the corporation operates. ATP is the fourth largest pension fund in Europe, with 5 million members and a requirement that all working Danes contribute.

ATP's commercial property investment branch, ATP Real Estate, has \$5.2 billion invested in Denmark in 1.2 million square meters of office space. In addition, ATP Real Estate has invested almost \$2 billion in real estate abroad, including in the United States. To secure future obligations and minimize risk, ATP Real Estate is very conservative in its investment strategy, typically entering into investment propositions late in the value chain—after properties have been developed or, at the earliest, after local building plans have been approved.

ATP Real Estate is involved in several of CPH City & Port Development's projects, including the Langelinie ("Long Line"), the Marble Pier, North Harbor, and Ørestad. ATP Real Estate CEO Michael Nielsen said that "what CPH City & Port Development did in Ørestad was absolutely correct. First they put the metro infrastructure in place, making sure that the area is serviced by public transit."²¹ ATP has not yet invested in Ørestad, he added, "as the right opportunity has not yet presented itself." However, already in the late 1990s, ATP invested in Langelinie, which is part of the Copenhagen harbor front. ATP has several large office buildings along Langelinie, which is adjacent to North Harbor.

ATP owned the tip of Langelinie, while CPH City & Port Development owned the tip of the Marble Pier, which is across the water. ATP Real Estate

and CPH City & Port Development merged the two land areas into Copenhagen Gate, which hosted a design competition for the best building on the site. In 2008, the U.S. architect Steven Holl won the competition with his proposal to build two towers connected by a bridge across the sea. In total, 60,000 square meters of commercial space will be built. However, in line with its conservative strategy, ATP will not commence construction before tenants have been found for the premises.

In 2008, CPH City & Port Development began construction of the UN City. ATP recognized the long-term value of owning the UN City building, which had a secure tenant in the city of Copenhagen on a long-term lease. Given the considerable scale of the investment, another Danish pension fund (Pension Denmark) was invited into the partnership. Pension Denmark and APT Pension both have 45.75 percent stakes in Harbor PS, the joint venture partnership that now owns UN City, with CPH City & Port Development controlling the remaining 8.5 percent. Harbor PS, which also owns Copenhagen Gate, operates as a separate entity and has its own board of directors.

According to Michael Nielsen, "City & Port Development and ATP Real Estate are good partners . . . because they are able to take on investments of similar size. In addition, we recognize CPH City & Port Development's insight into what are the developments in the area, as CPH City & Port Development has a good dialogue with the municipality on what is possible and how this is done. CPH City & Port Development adds credibility to our investments, and they drive the dialogue with the local municipality."

²¹ Michael Nielsen, interview by Luise Noring, ATP Real Estate, Gothersgade 49, 1123 København K, November 7, 2016.

TRANSLATING THE COPENHAGEN MODEL: LESSONS FOR THE UNITED STATES AND BEYOND

Can the Copenhagen model of urban development be transferred to other cities? Like many urban institutional innovations, the issue of transferability is complicated by the fact that U.S. cities operate under radically different legal and financing regimes than Copenhagen and other European cities. We believe, however, that the moment is ripe for a small group of U.S. cities to apply and test the Copenhagen model.

First, economic restructuring and shifts in demographic preferences have revalued many U.S. cities in recent years, particularly downtown and midtown areas that boast high-end amenities like waterfronts and that co-locate advanced research institutions, mature companies, and entrepreneurs in compact “innovation districts.” In many cities, growth of these areas is now hampered by aging and outmoded transportation infrastructure. Highways built in the decades after World War II, for example, scar the cores of many cities. These highways destroyed the traditional urban fabric, often dividing waterfront areas from downtowns and downtowns from universities and other employment centers of the city. Many highways located in urban areas are now coming to the end of their useful life, offering opportunities for transformative infrastructure investments—for example, replacement of elevated freeways with boulevards—that are more supportive of the new demand for vibrant places and creative economies.

Second, while the demand for transformative infrastructure investments is strong, the financing of such projects is incredibly difficult given their cost and complexity. Taking into account the unpredictability of the federal government and the hostility of many state governments, cities, urban counties, and metropolitan areas are left largely on their own to piece together the public, private, and civic resources and financing mechanisms to move these projects from aspiration to reality. The receptivity of U.S. cities to institutional models tried and tested in Copenhagen and other European cities is, therefore, unusually high.

Several general and enabling features of the Copenhagen model are particularly critical for U.S. cities to understand and adapt.

- **Transparent ownership and value:** A key element of the success of CPH City & Port Development is market knowledge. Yet, as Dag Detter and Stefan Fölster argue, many U.S. cities have little knowledge of the public assets (land, buildings, etc.) they own and the market value of those assets, either under current or altered zoning regimes. Many U.S. cities are, in essence, a “fact-free” zone when it comes to public assets. In the age of technological innovations like geospatial mapping and big data analytics, this information deficit can be filled either

by local government acting alone or in concert with emerging tech companies like Opportunity Space.

- **Bundling assets by merging public entities:** The CPH City & Port Development evolved after several mergers of public entities. Many U.S. cities and counties have multiple, often independent institutions that own public assets and are solely responsible for their disposition. Public ownership in U.S. cities, in short, may be large but it is highly fragmented and balkanized. The list of these institutions—airport authorities, port authorities, water and sewer authorities, convention center authorities, stadium authorities, redevelopment authorities, public housing authorities, land banks, school boards—is long and varies from place to place. And the levels of government that direct these entities (and the laws and regulations that govern them) are also complex. Many of these entities emerged over the past century in hopes of preventing corruption, enabling greater efficiency, and in some cases diminishing the power of certain racial and ethnic groups. Adapting the Copenhagen model, in part or in full, is thus a tortuous exercise in “putting Humpty Dumpty back together again” and, in some cases, may require state authorization as well as local political will.
- **State and local government collaboration:** The evolution and management of CPH City & Port Development represents a triumph of collaboration by national and city governments. Many U.S. cities have hostile relationships with their state governments, either because of partisan differences or

more basic issues of power and control. Yet several dynamics—a municipal fiscal crisis; a radical scale-back of the federal government; a unified vision of urban growth across key public, private, and civic stakeholders—could provide the impetus to experiment with new institutional models and forms of collaboration. To this end, it is helpful to remember that the Copenhagen model was devised and designed during a period of fiscal and economic distress.

- **Insulation from political interference:** CPH City & Port Development operates with remarkable insulation from political interference. In the United States, many public authorities that were initially established to ensure political insulation are now riddled with political interference. (The Port Authority of New York and New Jersey is perhaps the best-known example.) Changing the culture and behavior of public authorities is as important as corporate or statutory issues of institutional merger and powers. Success of this model depends on its ability to operate with agility and be adaptive to shifting market demands.
- **Long-term thinking:** CPH City & Port Development is a remarkable example of long termism, pursued by both the corporation and many of its private financial and development partners. In the United States, the disposition of public assets is often undertaken on a project-by-project basis to fill short-term budget deficits. The immediate budgetary needs of local government are exacerbated by the similar short-term orientation of major financial institutions.

Despite these impediments, we believe that the political, fiscal, and economic urgency of the moment will drive a small group of U.S. cities to be “first movers.” The motivations for innovation will differ across the spectrum of urban performance and prosperity. In the United States, economically “distressed” cities like Hartford, Connecticut, have very few options for financing large-scale infrastructure and nothing left to lose. “Rebound” cities like Pittsburgh, Pennsylvania, are experiencing their most dramatic regeneration in decades and are now bumping against barriers imposed by legacy infrastructure. And “hot market” cities like San Francisco and Boston need to ride the market wave and leverage the value of public assets for a broader definition of infrastructure that includes, most prominently, affordable housing.

Beyond the United States, several cities seem to be prime candidates for application of the Copenhagen model. For example, Haifa, Israel, has an operating port in the core of the city that blocks the natural development of its older downtown. The city has developed an ambitious plan to revitalize its waterfront that could be enabled by changing the governance of the port along the same lines as Copenhagen.

Also notable, Chile and the United Kingdom are devolving powers to cities like Santiago and Manchester. Transferring public assets to corporations that are co-owned by national and metro governments could be an innovative approach to enabling cities to spur regeneration and raise resources for the long haul.

CONCLUSION

As cities experience rapid urbanization, they are met with the challenges of increasing demands for resources, amenities, infrastructure, housing, and jobs in a safe, vibrant, interconnected cityscape. Centralized policymaking and implementation and shrinking public finance, particularly in nations and states hostile to cities, simply cannot keep up with the rapidly evolving urban landscape.

CPH City & Port Development represents an alternative approach to the traditional public or private dichotomy. It is an approach that combines the capacity of both state and city government with the agility and effectiveness of private solutions to leverage public assets and optimize market opportunities. The Copenhagen story tells cities to focus on the fundamentals—the

public assets they have, the hidden value of those assets, smart institutional innovation, and cross-sectoral collaboration to unlock value—in addition to the specific details of particular projects.

The prospects for adapting the Copenhagen model to the United States and elsewhere, though complicated, could not be better. Market and demographic possibilities and pressures—coupled with the scale-back of the federal government and the indifference of many state governments—mean that many cities will need to find new methods for designing, financing, and delivering large-scale regeneration and transformative infrastructure projects. Capturing the value of public assets through a long-term institutional vehicle could be an idea whose time has come.

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ABOUT THE PROJECT ON 21ST CENTURY CITY GOVERNANCE

The Project on 21st Century City Governance is a collaboration of the Brookings Centennial Scholar Initiative and the Global Economy and Development program. It aims to deepen

our understanding of the norms, institutions, and networks essential to successful city governance.

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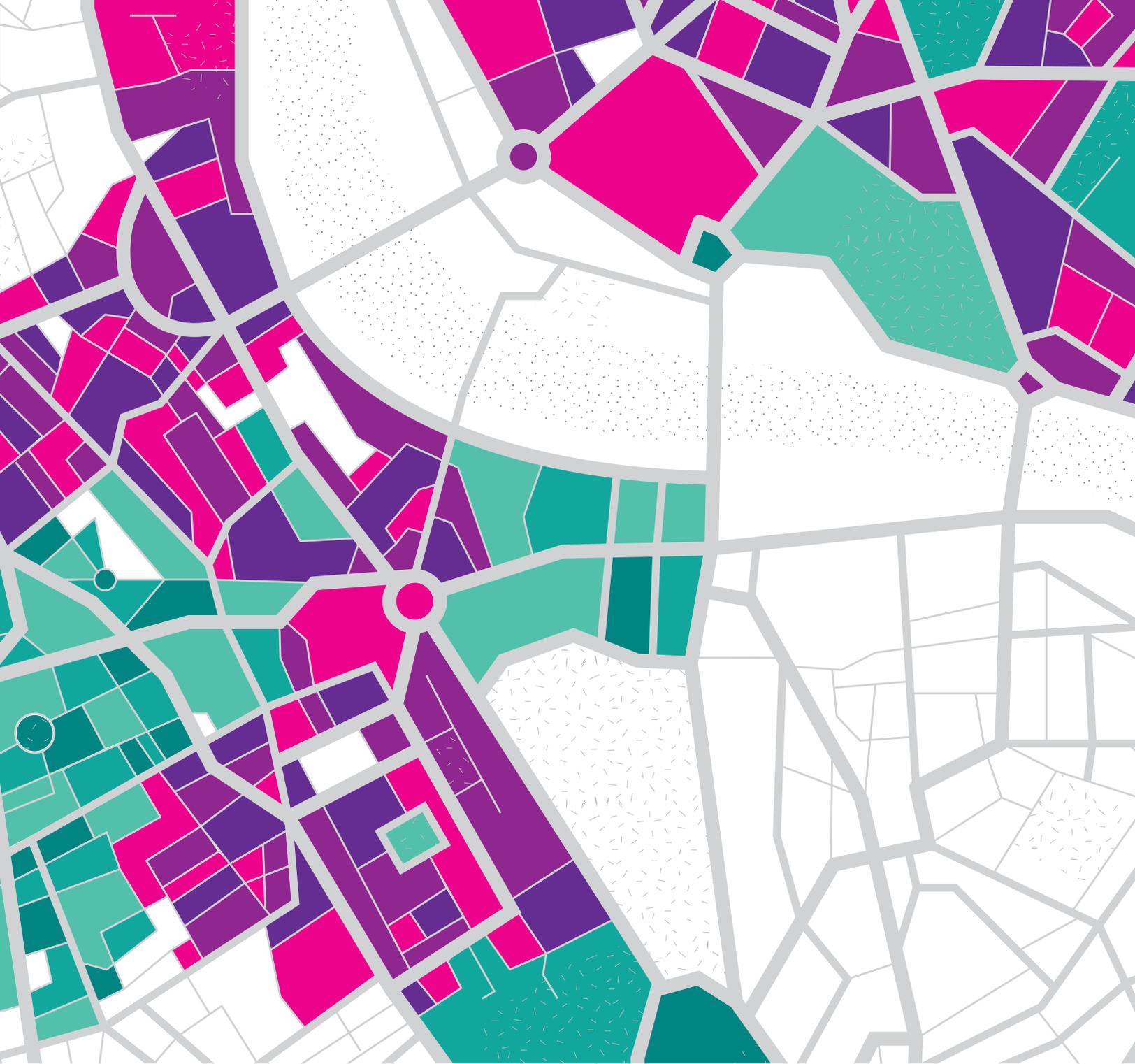
issues arising from global urbanization and the challenges of a city-driven century. The goal is to inform and propel new patterns of urban growth, new forms of urban finance, and new norms of urban governance that are concrete, imaginative, integrated and, ultimately, transferable.

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