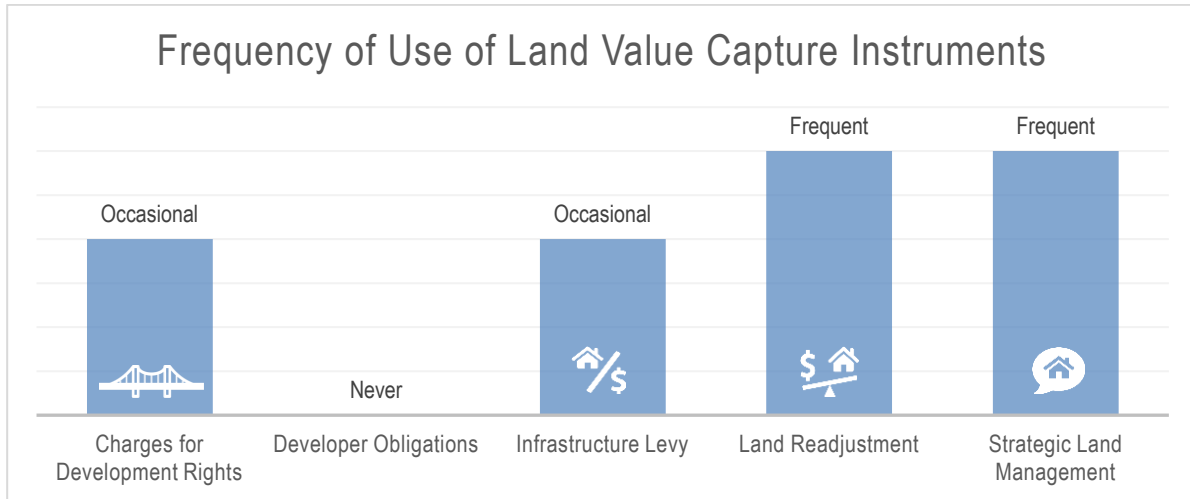




Denmark



Infrastructure levy, land readjustment, and strategic land management are the land value capture instruments systematically used in the country. In Copenhagen, property owners who benefit from adjacent public improvements such as subway expansion have to pay an infrastructure levy. The government adopts land readjustment in large-scale development projects. Charges for development rights allow higher density projects in exchange for affordable and social housing. Strategic land management is a key tool for forward-looking urban development and planning.

Main instruments

Instrument (OECD-Lincoln terminology)	Local name	National Legal provision	Implementation	Use
Infrastructure levy	N/A	None	Local governments	Occasional
Strategic land management	N/A	None	Local governments and special purpose bodies or temporary authorities	Frequent
Land readjustment	N/A	None	Local governments and special purpose bodies or temporary authorities	Frequent
Charges for development rights	N/A	None	Local governments	Occasional



Enabling framework

The country has three levels of government: the national government, 5 regions and 98 municipalities, with at least 20 000 inhabitants each (OECD, 2017, p. 81). The major cities – Copenhagen, Aarhus, Aalborg and Odense – enjoy a special administrative and political structure (OECD/UCLG, 2019[1], p. 539).

The national level prepares an annual national planning report and a quadrennial report called National Interests in Municipal Planning that serve as guidelines for local land use planning (OECD, 2017, p. 81). Municipalities conduct forward-looking strategic planning and prepare detailed municipal plans. These plans contain provisions about zoning and land use that inform the adoption of land value capture instruments. Municipalities also create Local Plans for every major development project (OECD, 2017, p. 81).

The national government and the local governments create the legal framework for land value capture. Albeit not written in a national law, the concept of land value capture is incorporated into regular planning practice, especially through strategic land management and large-scale development projects, such as the developments of Copenhagen City & Port Development Corporation.

Land value capture is a commonplace practice in Denmark, with substantial variations across cities and towns. In Copenhagen, for instance, land value capture financed city-wide public transit investments to propel economic development. In other cities, such as Aarhus, land value capture delivers affordable and social housing. Yet in other cities, land value capture is coupled with a strong vision that grants the town a unique strategic position with a competitive edge. In Holstebro, an art school was constructed that attracts young people from the whole country.



Infrastructure levy

Local governments can charge a levy from property owners for public improvements adjacent to their property. Public improvements include the provision of green spaces, parks, parking and pavement projects and public transport equipment. While Copenhagen adopts the infrastructure levy and collect the revenues, the same does not occur in other parts of the country.

Through the Copenhagen City & Port Development Corporation or associated community organisation, the municipality charges two types of infrastructure levy. The metro fee is charged if a metro station is established within a 50-meter radius of the property. The charge is paid in cash, in the form of a property tax increase. Specifically, benefitted property owners have to pay an additional 11.41 USD per square meter of office buildings or 5.71 USD per square meter of residential properties annually, for 60 years after the metro station is created. The levy is paid continuously and accumulatively.

The community fee is charged for the maintenance of green spaces, parking, houses, etc. CPH City & Port Development invests continuously in public amenities, which creates value, enhances quality and attracts developers. When the area is fully populated, City & Port transfers the management of the area to a community organisation. The fee amounts to a percentage of the land value gains, without aiming to cover all the costs. The fee is equally assigned among the benefitted property owners, which are all property owners within the area of intervention of CPH City & Port Development.



There are no administrative challenges to implementation. The fee is set according to a fixed criterion, which is relatively simple, and is equally distributed among benefitted owners. Property owners are willing to paying the fees since it is a small increment to the property tax.

Developer obligations

Developers are subject to obligations to obtain approval for new development or densification. The obligations consist of in-kind provision of roads, parking, neighborhood facilities and affordable housing units. They are designed to compensate the cost of stronger use of public infrastructure and services resulting from development. Local governments and special purpose bodies frequently implement the obligations.

The obligations are due upon completion of the new development. No exemptions to payment are admitted. Once built, the infrastructure is handed over to local authorities, who will manage the equipment, such as roads and parking spaces. Neighborhood facilities are sometimes handed over to local community organizations for management.

In every development area, between 25-30% of units must be dedicated to affordable and social housing. This is a government demand that can be negotiated with developers on a case-by-case basis. In some development projects, private ownership and affordable housing are combined in the same area of project development, while in others the affordable units can be built off-site, anywhere within the jurisdiction. The units must remain affordable for as long as they are managed by housing cooperatives.

The private developers often negotiate with housing cooperatives to hand over to them the delivery and management of social housing. Many housing cooperatives are large and have been operating for 150 years, which means that they have considerable accumulated funds. All rental revenue is reinvested back into maintenance of the existing housing stock and further affordable and social housing.

There are no challenges to implementation.

Charges for development rights

Local governments can charge developers for an administrative decision to rezone land to a different use, typically more productive and of higher density. The charge is paid through the in-kind provision of land or public space or the construction of affordable housing units. No cash substitution is allowed. Local governments make moderate use of this instrument.

When land is rezoned to a more productive use, there are land value gains. To compensate these gains, developers have to include a percentage of affordable and social housing in the project. In exchange, they can be allowed to build at greater density. In the Greater Copenhagen area, the affordable and social housing (red. *Alment boligbyggeri*) percentage is of 30% of the total of units, and in the rest of the country it is of 25%.

The affordable units must be built on-site and be comparable to market-rate units in terms of size, design standards and amenities. Developers do not have permission to own the affordable housing units. Hence, they transfer the



ownership and management to a housing cooperative, which sometimes is also in charge of construction. The units have to remain affordable for as long as the project exists. Beneficiaries are households eligible for social welfare programmes already residing in the city.

The instrument contributes to the significant provision of affordable and social housing in the country, with 20% of the total population living in affordable and social housing managed by housing cooperatives. A challenge to implementation is the low demand for building at higher density in most cities. Developers rarely appeal against the charges, so resistance is not an obstacle.



Land readjustment

Local governments and special purpose bodies frequently carry out land readjustment projects for the purposes of urban expansion or renewal and brownfield regeneration. They collect the revenues from the projects. The projects usually take place on derelict or abandoned land that is publicly owned.

The government acquires private property at market value and private landowners receive cash compensation. Participation of private landowners is compulsory. The participation of resisting owners in projects of public interest is enforced through expropriations. In practice, expropriations are rarely carried out.

Land is pooled together, rezoned and divided. After readjustment, the land can be sold in the private market or used to implement major development projects of public interest, as was the case for the city-wide metro system financed by the urban developments of Copenhagen City & Port Development Corporation.

A share of the readjusted plots is reserved for public improvements, such as public roads, public transportation, parks and green space – from which landowners will benefit. In addition, the land readjustment project typically reserves plots for future sales, to generate further public revenues.

The main consideration to implementation is the obligation to protect areas of significance, such as environmental reserves and cultural heritage sites, which cannot be readjusted and must be preserved.



Strategic land management

Local governments and special purpose bodies created by the government for strategic land management acquire and retain lands in advance of needs, for the purposes of urban renewal, land consolidation, control of urban growth patterns and capture of capital gains. In all, they frequently use the instrument, which constitutes an important feature of the country's forward-looking urban development and planning.

The government purchases land adjacent to the city and zoned for unproductive uses, such as former industrial and harbour areas, natural protection areas and military training grounds. Afterwards, they rezone and redevelop the land, integrating it into urban plans. They provide basic physical preparation, public utilities, public spaces, roads, parking and public transport, alone or in partnership with the private sector.



The government sells or leases the developed land. It is sold at market price to the highest bidder as the purpose is to raise capital to repay the loan for land acquisition, infrastructure investments and to invest in further developments. Sales occur through public tenders with the aim of promoting a flagship, vision-driven development. The bulk of the revenue is generated through augmenting the value of the land through maturing, rezoning and infrastructure investments and then selling the land at this new higher value.

Public land can be leased to generate public revenues, provide land for real estate development or facilitate developments with a public purpose. The length of the contract depends on the intended use or purpose. Leaseholders cannot transfer the lease in the market but may sublease it to third parties.

The ground rent is paid through recurrent payments. Projects with public purposes or that comply with specified uses can receive discounts, e.g., commercial use on the ground floor of a residential unit. The collected revenues are earmarked to invest in public spaces, public transportation, roads and parking.

Strategic land management operations tend to be costly, and the revenues raised do not always justify undertaking them, which hinders more frequent adoption. Leaseholders often consider the ground rent to be economically unfeasible.