

## The project integrator – the Berlin case

---

### Lessons for SMEs:

- Collective self-organized housing forms (in Germany called Baugemeinschaften) can help you establish a sustainable financial scheme as they provide financing from the beginning of the project (so you do not need a project loan for the start). This helps you overcome financial barriers when there is no easy access to development loans.
- In order to plan and implement a neighborhood level intervention you need access to the plot. Ideally you should own it, or at least to have a development option on it.
- The local detailed Master Plan can be a very effective coordination framework for neighborhood level projects.
- You do not have to implement all stages of a development process and do not need to be in contractual relations with all stakeholders in order to play an integrative role in a complex project on neighborhood level, but you should play a major role in the beginning (planning and site selection), be involved in project management concerning several buildings and retain control over open common spaces.
- In order to keep the deadlines and keep the time scale of planning and implementation reasonable you need to streamline the planning process and provide limited but still decisive options to the future owners.
- You can improve the success of your complex project if you invite different types of entities and objects (different CSO and developer groups, different functions for the site) into the neighborhood.
- If the CSO communities would like to curb the price of construction it might be reasonable to invite contractors to tender in each construction phase, however, the risk of adjustment increases, which should be transferred to the CSO group.

### The storyline:

By the end of 2012, 180 new residential units were built in 10 buildings that are located at the same site near the former Tempelhof airport in Berlin. The site with the valid Master Plan was bought in 2008 by 4 natural persons that all belonged to the same SME. They had a two week option from the municipality for the purchase and it was a bold decision to invest in the project at the beginning of the financial crisis. The plot was then sold to the 10 communities in 2010 (with a significant profit) that implemented the construction by the integration of an SME which is originally specialized on site development and project management.

The complex consists of one building which was realized in a classic developer based model, and 9 by self-organized housing groups (Baugemeinschaften), 8 of which became condominiums after the completion of the construction while one became a cooperative.

Since the end of 2012 two additional residential buildings were completed at the site, and 21 non-residential units were also constructed. This way a complete new neighborhood was created that surrounds a nicely developed common garden of 5,000 m<sup>2</sup>.

### The product (value proposition):

In Berlin there are several collective self-organized housing developments (so called Baugemeinschaften), ranging from a very standardized, nearly developer lead model to very collectively organized co-housing interventions. However, district level interventions even in Berlin are hard to find.

The product in the case of this project is a neighborhood with mixed residential and office use. It would have been a purely developer based project, but it became a mixture of developer based and community based projects. In 2010, when developers were not yet eager to enter to the construction market there was a need to find investors that take over the financial burden from the company. These Baugemeinschaften were in general groups of individuals that had a strong intention to influence the construction process and the intention to know their neighbors in advance. However there is a price to entering early in the planning process: the group had to contribute to the financing scheme in the very early phase by buying the land – in this case from the private persons that owned the site.

The activities of the integrator company throughout the process were:

- They were seeking for future Baugemeinschaften. They developed the project offer (based on the Master Plan that was valid for the plot) and advertised it in the neighborhood. People in general tend to be emotionally tied to their neighborhood, which is why it seemed (and finally turned to be) sufficient to focus the advertisement on the surrounding area.
- The site was sold to the newly forming communities (that obtained a project loan for this end). All plots were sold, except for one whose sale was delayed for 6 months as the original community disbanded and a new one had to be formed. As soon as the groups bought the sites they become committed to the project.
- For 6 out of the 10 communities the original company led the project management process. (They did not have the human resources to enter into contract with more communities.) This amount of buildings also resulted in an economy of scale concerning the construction as 2+3 buildings were built by the same contractor.
- Every 4-6 weeks this project manager company met with the separate groups to inform them about the process and make decisions.
- The community organization process affected the common garden as well: each building has its own garden (15 meters from the building), while the remaining site belongs to all buildings. A carefully planned participatory planning process, facilitated by the integrator company, was implemented in connection with the use of the common garden, in which all owners had a say. Finally the garden consists of different segments where all age groups can find their specific place.
- The company assisted the communities to find the proper financing sources; however, each group arranged their borrowing process separately. (Different loan for the land and different for the units were taken. Communities occupying a whole building obtained their loan from the same bank, but in the form of individual loans. The lien is on the whole building, but was turned into individual liens after the construction was completed.)
- The company was also the project manager of the construction of the non-residential units that are located at the same site.

The proficiency of the integrator company and the common interest to complete the project resulted in a relatively short time scale for the completion: in 2 years after the plot was sold the residential buildings were completed.

The integrator company provided the concept and project management in 6 buildings. They contracted out all the specialized tasks like architecture, engineering, and energy consultation. The construction itself was tendered. They contracted different constructors for each different phase, which resulted in about 7-10% price decrease. (As the risk was also smaller in one single phase and the risks of adjustment were taken by the community.)

The company, which is in the focus of our case study, implements a broad range of activities in general from project management to classic project development (the latter is organized into project based sub-companies). The company consists of 18 employees but only 2 of them are architects. (It also proves that the organization and implementation of a development project requires less architects than project managers with different educational background.)

This CSO case lies somewhere between the classic developer function and the project management function. It required a limited amount of liabilities at the beginning of the project (the price of the site), while it provided an influence on the whole development.

### **The market segment:**

The market segment of Baugemeinschaften is very wide in Berlin. There are communities that have rather technically oriented intentions (aiming to influence the construction and implement energy efficient interventions), while others are more community oriented. In our case most of the community groups belong to the first category: the energy parameters of the buildings are quite high, while the spaces for community activities remain limited, mostly to a common flat that can be used as a "private hotel" for the group.

The community oriented Baugemeinschaften tend to be cooperatives in their operation as it reflects more of a sense of community. In our case only one building out of the 10 insisted on establishing a cooperative in order to keep the common sense of ownership, while the other 9 buildings became condominiums with privately owned housing units.

Baugemeinschaften with less collective intentions tend to give preference to the predictability and fast track nature of the project development process, which is why the project management company was able to streamline and standardize the decision making process.

The price sensitivity of the CSO groups – at least in most of the Belin cases - is high. It does not necessarily mean the production of cheap residential units; instead, it implies demanding a reasonable price for a relatively high quality of living. In our case the prices were between 2,000-2,900 euro/m<sup>2</sup> (which seemed to be about 10% lower than the price of new residential units with such high construction quality and nice living environment).

**Pricing:**

The private owners (personally belonging to the integrator company) benefited from the sale of the land.

The integrator company itself used fixed fee for the project management tasks. Thus it had a strong interest to keep deadlines (which may have contributed to the fact that the project was completed in 2 years.)