



Urban Land
Institute

EUROMONEY
LOCAL GOVERNMENT FINANCE
CONFERENCE

**CLOSING THE INVESTMENT GAP IN
EUROPE'S CITIES**

Greg Clark, Senior Fellow, ULI EMEA

Megatrends: Living in interesting times...



"...CASH...CASH..."

Crawford



The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide

ULI – the Urban Land Institute

ULI's mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

- ▣ Founded 1936
- ▣ 40,000 members worldwide
- ▣ Private and Public Sector
- ▣ 92 Countries
- ▣ Offices in London, Frankfurt, Washington DC, Los Angeles, Tokyo, Hong Kong, Abu Dhabi.
- ▣ Sharing Knowledge & Experience
- ▣ Objective and non-lobbying
- ▣ Independent Not for Profit Institute

ULI Urban Investment Network 2009

Founding Partners



City of Amsterdam



Ajuntament de Barcelona



Knowledge Partners



Partners

Birmingham City Council

Deutsche Bank Moscow Urban Cadastre Service

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Places for People

Princeton Property Partners

2008 Report

50 indexes

Sponsors

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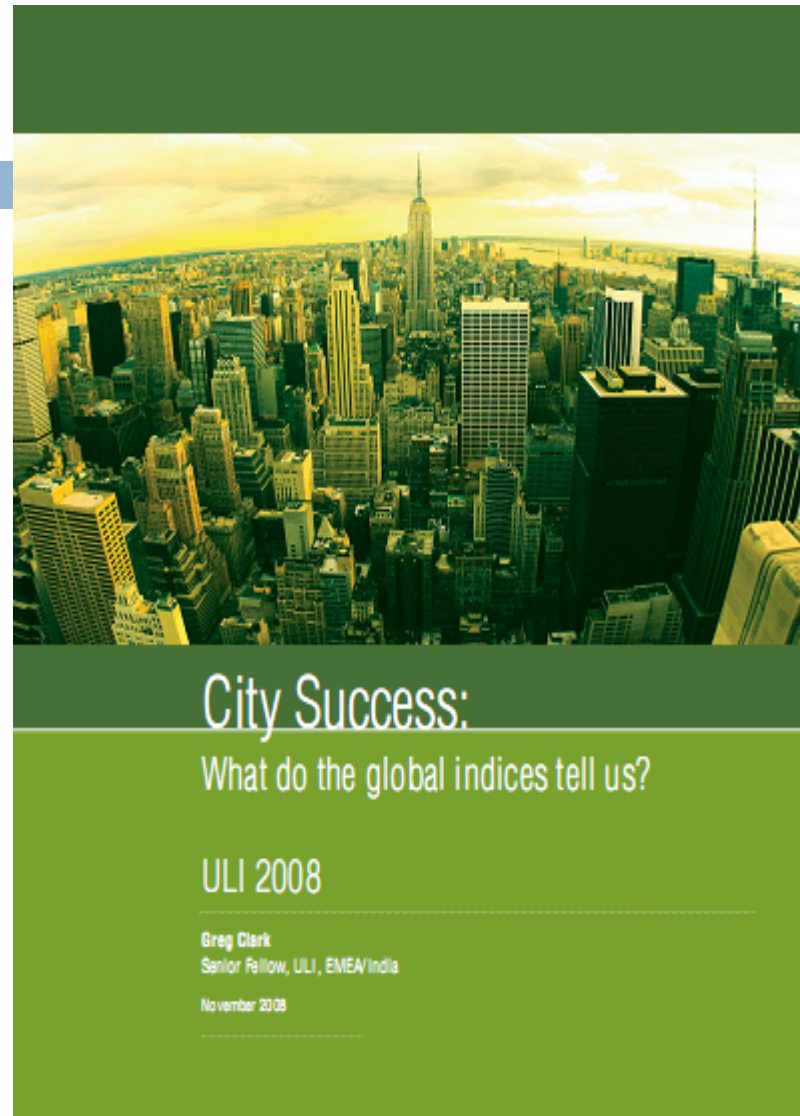
Consumer

Leader

Perceptions

Performance

Success



Successful cities.....

Medium term measures....

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- i. Connectivity and space to grow: gateway and hubs
- ii. Environmental Performance
- iii. Quality of life, place, services
- iv. Skills of labour force and human capital
- v. Innovation and creativity
- vi. Entrepreneurship
- vii. Industrial structure
- viii. Cost-base
- ix. Transparency of business environment
- x. Identity and Brand building

Successful cities

Longer term measures of city success...

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- i. Distinctiveness, Values, and Power of the identity and brand
- ii. Location and access to growing markets and role of region in international trade
- iii. Human Capital formation in the long term
- iv. Power of influence of language and regulatory/legal systems
- v. Depth of artistic, architectural, and cultural endowment, role in Scientific and Technological discovery and innovation
- vi. Continuity in City leadership and regional co-ordination; effective governance
- vii. Adaptability and success in adjusting to shocks and luck in being on the right side of conflicts
- viii. Investment in the city from all sources (including higher tiers of government) and management of assets and investment performance
- ix. Sustainability in terms of climate and environmental sensitivity
- x. Openness to International Populations

On the one hand.....

1. New global era requires a renewed focus on city investment. Demand side drivers with supply side constraints.
2. National success is not possible without city success.
3. Improved City investment requires dedicated tools and public / private endeavour: financial tools and development agencies are essential.
4. Investment is the critical task of city leadership.
5. Being 'investment-ready' is the key task for cities.
6. Cities have to provide investment prospectus.
7. Cities have to de-risk their investments.
8. Asset management and leverage within cities is key.
9. Work with public and private investors in partnership.
10. Investment and co-ordination are central to building prosperity.

But, on the other hand...

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- i. Cities have limited fiscal tools. Especially in developing world.
- ii. Investment cycle is 25 years, not a single mandate.
- iii. Major cities subsidise other places through transfer payments.
- iv. Cities compete for investment in public finance systems and in markets
- v. National govs compete to be fiscally tight.
- vi. Many new investment imperatives requires new financial tools (eg Climate Change, Low Income Housing, Mixed use districts).
- vii. Cities cannot easily develop finance track record.
- viii. Much of the national benefit of city growth is intangible or not measured.
- ix. Political representation does not reflect actual population and cities are under-represented.
- x. Market knowledge on city investment opportunities is not perfect.
- xi. Municipal staff not widely skilled in development finance, project finance, or investment disciplines.

City Investment Challenges

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- Must be a site of innovation
- Are global in nature even if different national systems produce distinctive tensions
- Are a looming crisis
- Are a shared challenge
- Need a higher level of mobilisation

- Must be topic for inter-governmental dialogue
- Must be part of how we address the public finance challenges of the next 10 years...

Cities in the Crisis

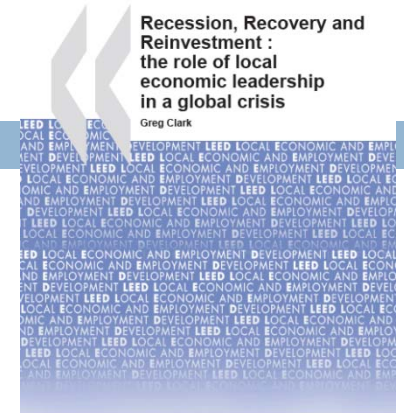
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“Recession, Recovery and Reinvestment:
the role of local economic leadership”

OECD LEED Book

The impact of, and response, to the crisis and recession in 41 Cities:

- Aarhus
- Barcelona
- Basel
- Berlin
- Bilbao
- Birmingham
- Brussels
- Cardiff
- Cologne
- Glasgow
- Hamburg
- Helsinki
- Lille
- Liverpool
- London
- Lyon
- Marseille
- Milan
- Munich
- Paris
- Rome
- Turin
- Zurich
- Budapest
- Prague
- Riga
- Warsaw
- Vienna
- Los Angeles
- Miami
- New York
- Pittsburgh
- Toronto
- Cape Town
- Beijing
- Hong Kong
- Mumbai
- Shanghai
- Singapore
- Tokyo
- Auckland



Map of the selected 41 cities



The global recession and its implications for Cities in Europe.



Characterised by:	<ul style="list-style-type: none"> • Difficulty obtaining credit • Fall in demand 	<ul style="list-style-type: none"> • Globalisation of economic difficulties • Slowdown in global capital flows 	<ul style="list-style-type: none"> • East and South • Public Finance • Slowdown in global capital flows
Which localities?	<ul style="list-style-type: none"> ➢ Financial hubs ➢ Debt 'users' 	<ul style="list-style-type: none"> ➢ Most, if not all localities 	<ul style="list-style-type: none"> ➢ Most, if not all localities
Locality impacts:	<ul style="list-style-type: none"> • Lower tax yields • Higher social costs • Reduced trade & tourism • Job losses 	<ul style="list-style-type: none"> • Lower tax yields • Higher social costs • Reduced trade and tourism • Job losses 	<ul style="list-style-type: none"> • New investors • New trade partners • Reorganisation of old urban settlement hierarchies
Medium-term success:	Competitiveness & diversification	Resilience and readiness for the upturn	Open and aware localities.. New public/private investment
Long-term success:	Sustainable and connected local economies with a clear Vision/Identity		

Towards long term recovery and reinvestment

Four key areas of concentration observed:

- **New economic strategies:** Focus around distinctiveness, high skills, talent attraction and innovation
- **New investment strategies:** New and innovative approaches to partnering and delivering with the private and institutional sectors
- **New partnerships with higher tiers of government:** New long term working relationships with central government in particular based on more flexibility and local autonomy
- **New focus on efficiency:** Drive for improved quality at lower costs

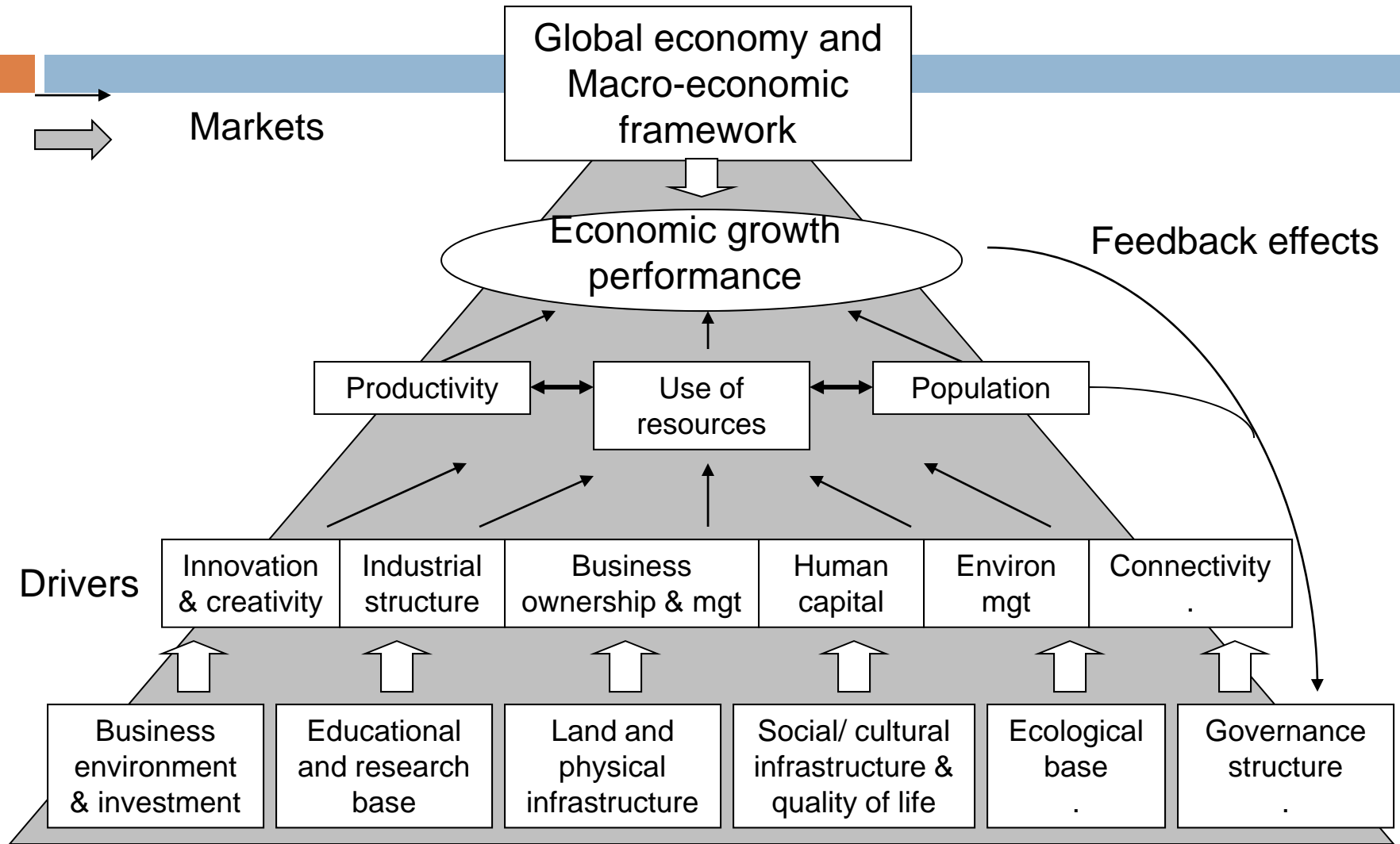
The Urban Investment Gap

Research in 60 cities.....

The urban investment gap is about **more than just money**:

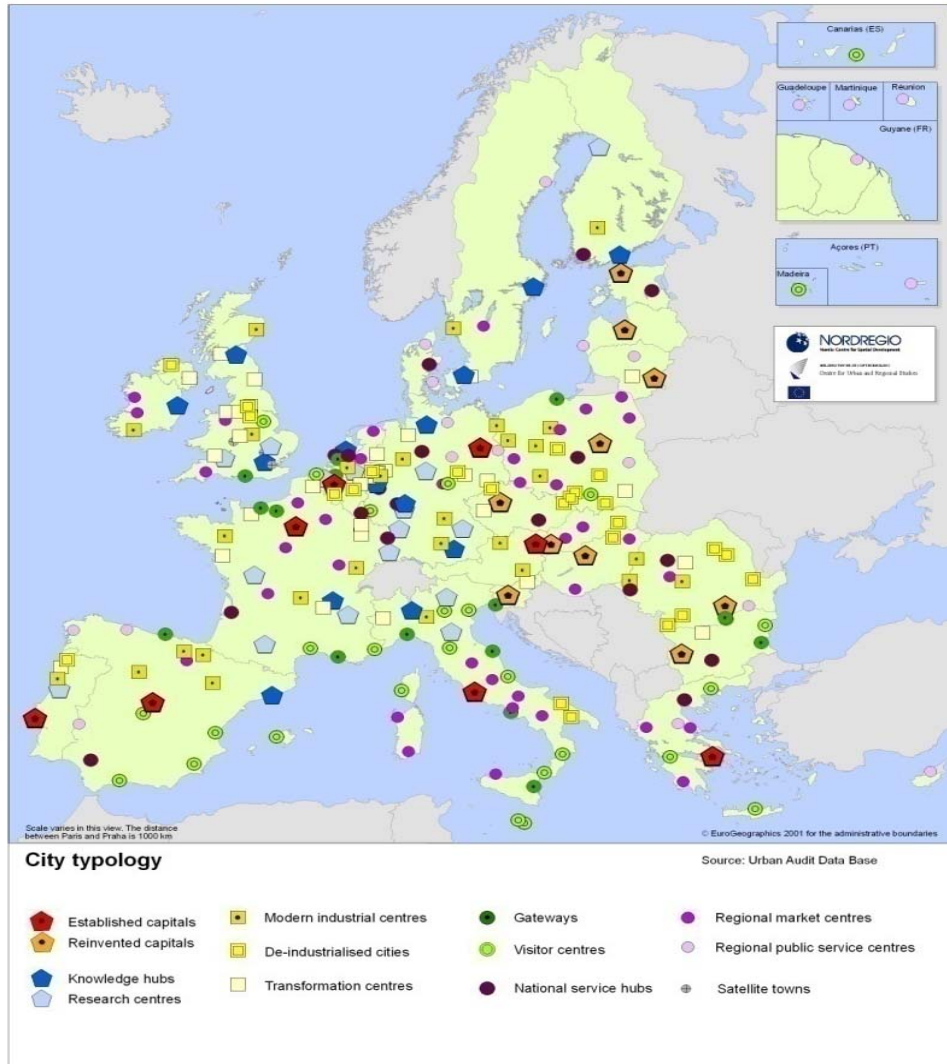
- i. Capital gaps: Funding and finance
- ii. Knowledge gaps: Skills, management, expertise
- iii. Institutional framework gaps: Legal frameworks and administrative capacities, tools and instruments
- iv. Collaboration gaps: Communication, leadership, trust.

Framework for city & regional growth



Pre-conditions

Different cities require different investment strategies



Different gaps for different cities

City type	Investment drivers			
	Capital	Knowledge & skills	Institutional framework	Collaboration
Knowledge hubs	✓	✓	✓	✓✓✓
Established capitals	✓	✓✓✓	✓	✓✓✓
Reinvented capitals	✓	✓✓✓	✓✓✓	✓
Transformation poles	✓	✓✓✓	✓✓✓	✓
Gateways	✓✓✓	✓	✓	✓✓✓
Modern industrial centres	✓✓✓	✓✓✓	✓✓✓	✓
Research centres	✓✓✓	✓✓✓	✓✓✓	✓
Visitor centres	✓✓✓	✓✓✓	✓✓✓	✓

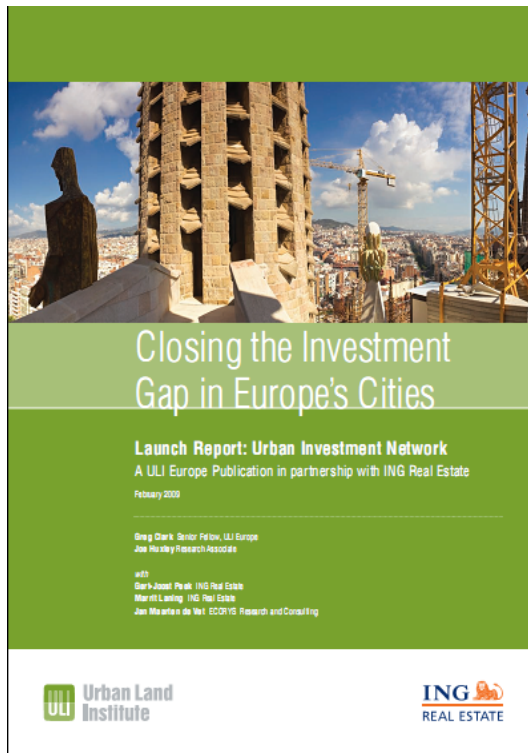
Urban Investment Network



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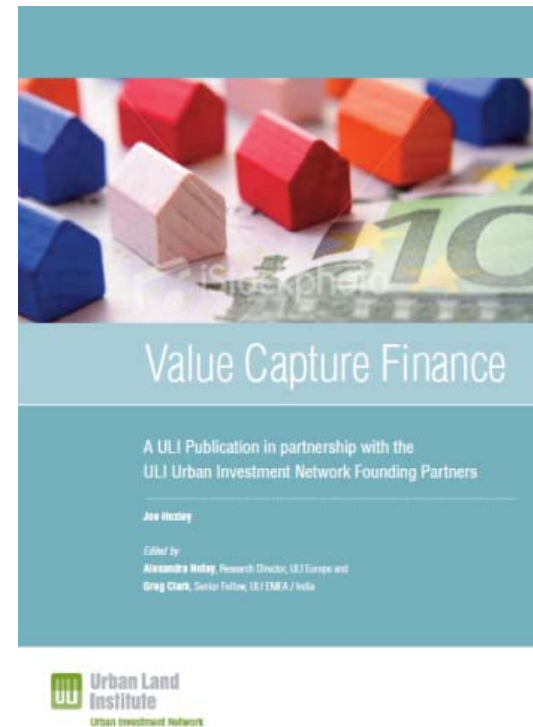
“Closing the Investment Gap in Europe’s Cities”

ULI Publication (February 2009)



“Value Capture Finance”

ULI Publication (October 2009)



ULI Urban Investment Network

- City Governments
- Development agencies.
- Regional Bodies
- National Ministries.
- Research Institutes.
- IGOs, NGOs, and IFIs.
- Investors
- Banks
- Public Banks/Development Banks
- Developers
- Infrastructure providers

Thematic Focus for 2010/2011.

- I. Urban Investment after the Crisis.
- II. Bridging the City Investment Gap: the role of city investment strategies.
- III. Value Capture Finance for Urban Development.
- IV. Using Public Land Assets to attract Urban Investment.
- V. Hosting International Events and Urban Investment
- VI. Financing the environmental retrofit of cities.
- VII. The new role of Banks in City Investment.
- VIII. How to brand, promote, and market cities to optimise investment.
- IX. The role of urban investment and development funds.
- X. PPPs and Urban Infrastructure: Asset management and finance for cities.
- XI. Investing in Urban Districts and City Centres
- XII. The role of development corporations in urban investment.
- XIII. Profiting from Urban Investment: the role of pensions funds and sovereign wealth funds.

Core elements of city investment strategy ?

Public finance

- i. Make the investment case to higher tiers of Gov with sound evidence.
- ii. Accept reality - sound fiscal strategy. Efficiency and effectiveness of city government.
- iii. Prioritise larger and catalytic investments. Scale.
- iv. Use rare grant aid widely. Pursue sustainable growth of tax base.
- v. More public-public joint ventures through tangible investment projects, and a clear case.
- vi. Capable development agencies and corporations. Shared agencies and intermediaries.
- vii. Asset management and financing.
- viii. Make public procurement work for investment: leverage core capital flows better.
- ix. Recruit financial talent.
- x. Build investment prospectus and tools.

Private finance

- i. Foster investment dialogue with private sector.
- ii. Support existing investors better.
- iii. Reduce risk, cost, and uncertainty.
- iv. Seek advice and partnership early.
- v. Build 'investment-ready' propositions. Investment prospectus.
- vi. Better information on city finances and investment opportunities.
- vii. Promote the city for investment.
- viii. Develop infrastructure as an asset class.
- ix. Build templates and pilots to make complex finance easier.
- x. Asset protection and management.

Lessons from UIN so far...

The Crisis

- Urban investment is long term. Value creation must be long term.
- Asset management.
- Banks are ready for a different deal.

Investment Tools

- Institutional Investors are interested.
- Public Land needs leadership.
- Value creation is key to value capture.
- Global events are a catalyst not a panacea.
- Investment readiness.

Partners Please Join Us

Founding Partners



City of Amsterdam



Ajuntament de Barcelona



ISTANBUL
METROPOLITAN
MUNICIPALITY



Knowledge Partners



Partners

Birmingham City Council

Deutsche Bank Moscow Urban Cadastre Service

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Places for People

Princeton Property Partners