European Investment Bank

# JESSICA Evaluation study

# for the 2014-2020 programming period

## Implementation of JESSICA-type Financial Instruments to support urban development in the Provence-Alpes-Côte d'Azur region

Final report

March 2014

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## Glossary

| | |
|---|---|
| ADEME | Agence de l'Environement et de la Maitrise de l'Energie (national agency for the environment and management of energy) |
| AMETIS | A real estate development company |
| ANEF | Association Nationale d'Entraide Féminine (social charity for helping women) |
| ANRU | Agence Nationale de Rénovation Urbaine (national agency for urban regeneration) |
| AOC | Appellation d'Origine Contrôlée (label designating certified origin) |
| BBC | Label designating an energy efficient building |
| BPS | Basis points |
| CDC | Caisse des Dépôts et Consignations (national public bank in charge of financing public projects) |
| CEB | Council of Europe Development Bank |
| CFA | Centre de Formation en Alternance (training centre) |
| Co-Financing | Public or private financing brought to match ESI Funds |
| Co-Investment | Private investment on top of Co-Financing to invest in a project or FIs |
| CPER | Contrat de Plan Etat Région (document by which the region and state agree on the planning and financing of major infrastructure projects and support for promising industry) |
| CSF | Common Strategic Framework |
| DATAR | Délégation interministérielle à l'Aménagement du Territoire et à l'Attractivité Régionale (agency for territorial development and regional attractiveness) |
| DTA | Directive Territoriale d'Aménagement (law on territorial development) |
| EC | European Commission |
| EHPAD | Etablissement d'Hébergement pour Personnes Âgées Dépendantes (elderly and dependant people shelter) |
| EIB | European Investment Bank |
| EIF | European Investment Fund |
| EPA | Etablissement Public d'Aménagement (public urban development agency) |
| EPAEM | Etablissement Public d'Aménagement Euroméditerranée (public urban development agency focused on the urban renewal of the "Euroméditerranée" area of Marseille) |
| EPB | "Energy Plus" energy performance rating for buildings |
| EPCI | Etablissement Public de Coopération Intercommunale (public office for intercity cooperation) |
| EPF | Etablissement Public Foncier (one type of EPIC which manages land reserves in preparation for envisaged public development projects) |
| EPIC | Etablissement Public à caractère Industriel et Commercial (catagory of public undertaking of an industrial or commercial nature) |
| ERDF | European Regional Development Fund |
| ESI Funds or ESIF | European Structural & Investment Fund |
| ESCO | Energy Services Company |
| FI | Financial Instrument (investment fund vehicle as defined in EU regulations for the deployment of ESI Funds resources in relation to the 2014-2020 Programming Period) |
| FIs | Plural of FI |
| FJT | Foyer De Jeunes Travailleurs (shelter/residence for young workers) |

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| FSN | Fonds national pour la Société Numérique (National fund for numerical society) |
| Grey Zone | For this study, the projects that have been identified in Grey Zone are projects that are facing financing difficulties, which does not allow their realisation with the use of solely private funds for the following reasons: risk, economics and scale. Financing difficulties of these projects are the result of the market gap generated by the three factors above. |
| Guarantee | Commitment to support all or one part of the capital and interest due in the event of default on a loan granted by a banking establishment |
| HF | Holding Fund (fund of funds in relation to the deployment of EU resources under the 2007-2013 and/or 2014-2020 programming cycles) |
| HFB | High Frequency Bus |
| HLM | Habitation à Loyer Modéré (social housing) |
| ICT | Information, Communication, and Technology |
| INSEE | Institut National de la Statistique et des Études Économiques (French National Institute of statistics and economics) |
| IRR | Internal Rate of Return |
| ITI | Integrated Territorial Investment |
| JEREMIE | Joint European Resources for Micro to Medium Enterprises |
| JESSICA | Joint European Support for Sustainable Investment in City Areas |
| LABV | Local Asset Backed Vehicle |
| Leverage Effect | According to Article 140 of the Financial Regulation 966/2012 and Article 223 of the Regulation 1268/2012 on the rules of application, the leverage effect of Union funds shall be equal to the amount of finance to eligible final recipients divided by the amount of the Union contribution |
| MA | Managing Authority (see below) |
| Management Fees | Fees related to the management of a FI, fund of funds, or other investment fund type vehicles. |
| Managing Authority | According to Article 123(1) of Regulation 1303/2013 (Common Provisions Regulation), each Member State shall designate, for each operational programme, a national, regional or local public authority or body or a private body as managing authority. The same managing authority may be designated for more than one operational programme. |
| Market Gap | Failure in the market where there exists a mismatch between the supply and demand of financing |
| MECS | Une Maison D'enfants à Caractère Social (a socially focused or socio-medically focused establishment specialised in providing temporary care and/or shelter for minors) |
| MS | Member State |
| OAT | Obligation Assignable du Trésor (French government bonds) |
| OIN | Opération d'Intérêt National (designated project of national interest) |
| OP | Operational Programme as defined in EU regulations in relation to the deployment of EU resources |
| PA | Priority Axis |
| PADD | Projet d'Aménagement et de Développement Durable (policy document expressing on a 10-20 year horizon objectives and projects of local authorities in support of economic, social and enivironmental development) |
| Pari-passu | Latin phrase used in legal terminology to mean equal footing |
| PET | Petroleum Equivalent Tonnes |

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| PLAI | Prêt Locatif Aidé d'Intégration (loan to social housing developers that enable the provision of subsidised rents for those social housing applicants considered to have the weakest level of revenues) |
| PLS | Prêt Locatif Social (loan to social housing developers that enable the provision of subsidised rents for those social housing applicants considered to have weak levels of revenue) |
| PLU | Plan Local d'Urbanisme (local urban plan) |
| PLUS | Prêt Locatif à Usage Social (loan to social housing developers that enable the provision of subsidised rents for those social housing applicants considered to have median levels of weak revenue) |
| POS | Plan d'Occupation du Sol (land-use plan) |
| PPP | Public Private Partnership |
| PRIDES | Pôle Régionaux d'Innovation et de Développement Economique et Solidaire (regional centre for innovation and socio-economic development) |
| Region | The regional government |
| REIT | Real Estate Investment Trust |
| RME | Renewable Marine Energy |
| SAS | Société Anonyme Simplifiée (simplified form of Limited Liability Partnership as described under UK law) |
| SCI | Société Civile Immobilière (legal form of business entity destined for real estate undertakings) |
| SCOT | Schéma de Cohérence Territorial (development plan usually at the scale of several communes and seeking to coherrently integrate several sectoral, urban, housing, commercial and other policies) |
| SCPI | Société Civile de Placements Immobiliers (type of real estate investment fund often providing related fiscal advantages) |
| SEM | Société d'Economie Mixte (legal form of business entity destined for use by public private partnership type ventures) |
| SGAR | Secrétariat Général aux Affaires Régionales (regional governmental administration) |
| SME | Small and Medium Enterprises |
| SRADT | Schéma Régional d'Aménagement et de Développement du Territoire (regional development plan) |
| SRI | Socially Responsible Investment |
| SRU | Solidarité et Renouvèlement Urbain |
| TCSP | Transport en Commun en Site Propre (public transport routes with dedicated lanes) |
| TO | Thematic Objective (priority theme as defined in EU regulations for the deployment of ESI Funds resources in relation to the 2014-2020 Programming Period) |
| UDF | Urban Development Fund |
| ZAC | Zone d'Aménagement Concerté (urban development zone) - a public management of urban space under the operation code of urbanism and established by the policy Land Law No. 67-1253 of 30 December 1967 to replace the urbanized areas of priority (priority development) |
| ZFU | Zones Franches Urbaines (urban tax-free zone) are geographic areas within which companies benefit from tax advantages. Originally established in 1997, ZFUs were relaunched in 2004. To date, there are 85 ZFU in France. |
| ZUS | Zone Urbaine Sensible (sensitive urban area) are urban area in France defined by the authorities to be a high-priority target for city policy, taking into consideration |

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| | local circumstances related to the problems of its residents. There are 752 sensitive urban zones in France, including 718 in mainland France, characterised by high unemployment, high percentage of public housing and low educational attainment. |

# Executive summary

### Urban development and spatial planning in the PACA region: cross-cutting issues

From a demographic point of view, the PACA region is characterised as mostly urban with a high concentration of the population situated along the coastal zone. PACA also has an ageing population relative to the rest of the country. While there are significant social disparities, the region also boasts considerable competitive advantages, especially in the areas of innovation and ICT. We take note also that the region's transport systems require improvements to meet both the needs of the population and to reduce environmental impacts. The region is under pressure to reduce the use of natural resources, as well as protect the environment from natural hazards. Energy issues are important for the region, due to the specific characteristics of the Mediterranean environment.

Although Financial Instruments established for PACA could cover the whole of the regional territory, this evaluation study focuses on three major urban centres: Marseille/Aix-en-Provence, Toulon and Nice, being the areas where the population is the greatest within the PACA region. These "urban centres" are implementing territorial development strategies which could include urban projects seeking investment through the deployment of FIs. The use of FIs remains nevertheless compatible with other geographic areas in the region. In effect, in addition to these three cities, the region has other significant urban centres (see map on page 12) which are also developing projects that could complement the portfolio of projects identified by this study (including Arles, Cannes, Avignon, etc.). It is worth noting that the projects identified by this study could be replicated outside of the three major urban centres that are focused upon here.

### Review of the programming period 2007-2013

A total European Regional Development Fund envelope of €302,234,812 euros was distributed across five Priority Axes:

- Axis 1: To promote innovation and the knowledge economy
- Axis 2: To develop businesses and the information and communication technologies to improve regional competitiveness.
- Axis 3: Sustainable resource management and prevention of risks (energy management, biodiversity and landscapes, sustainability, risk prevention and management).
- Axis 4: New territorial approaches aimed at employment and social mobility (fight against the spatial disparities within towns and with rural areas).
- Axis 5: To develop alternative transport modes to support economic activities.

77% of the ERDF funds allocated concern projects located in an urban centre (€231M ERDF). The funding allocated in rural areas amounted to €71M.

Projects related to economic competitiveness were usually privately co-financed while projects to improve the energy performance of buildings were funded through grants. Due to the constraints linked to the use of ERDF resources during 2007-2013, promoters of small projects were unable to apply for European funds, while cultural projects were unable to benefit from the ERDF due to the heavy administrative and financial burdens. For the 2014-2020 period, one or several JESSICA-type FIs could facilitate the realisation of projects of this type in the PACA region by allowing them to benefit from the co-financing of European Structural and Investment Funds. Therefore, the JESSICA-type FI could allow to boost financing of urban projects by mobilising new resources, including investments from private investors on projects which are considered risky.

### The use of Financial Instruments in the PACA Region

A JEREMIE-type investment fund to help small and medium enterprises (SMEs) access finance was established in December 2012. Today, €20M Euros are available to businesses in the PACA region through this JEREMIE Holding Fund which is financed with a 50% contribution from the ERDF and 50% from the Region.

Additionally, the fund "PACA Investissement" was established in the form of a Société Anonyme Simplifiée with a capital of €12M Euros wholly-owned by the Region. It has recently carried out a capital increase bringing the fund to a total of €15.45M Euros. Approximately €7.725M of this capital is from the ERDF.

The establishment of these two investment funds sets a precedent and demonstrates the ability of the PACA Region to successfully use investment funds and be accustomed to providing this type of public support. The implementation of JESSICA-type FI is aligned with this precedent and would be facilitated by the experience and skills now acquired by the Region in this regard.

### The financing offer in the PACA region

Financing constraints are seen particularly on banks as a consequence of new ratios under Basel III (e.g. capital adequacy, stress testing and market liquidity risks). This in turn limits the resources available for the financing of major urban projects. Although bond issuances can allows a diversification of funding sources, and despite the investment attractiveness of France as a country, the majority of investments made tend to be concentrated within the capital city of Paris, thereby prejudicing cities in PACA.

A number of financing tools/mechanisms exist, however, in the region to compensate in part for this deficit in financing:

- ADEME: This public institution supports the funding of projects up to implementation, in particular for projects concerning energy efficiency, energy management, the development of renewable energy technology and the promoting alternative energy (in particular a "heat fund" for wood energy, geothermal energy, solar energy projects).
- CDC: This national agency aims to finance projects in the "Grey Zone" such as social housing, revitalisation of industrial sites, or building commercial space for businesses. The CDC invests in projects using their own funds (equity) or through the provision of loans.
- Financing from ANRU: ANRU is considered a forerunner of JESSICA and the LABV (Local Asset Backed Vehicles) for urban development.
- EPA: This agency is in charge of OINs. The PACA Region has 3 OIN (Fos-sur-Mer, Euroméditerranée, and la Plaine du Var)
- Caisse d'Epargne: this bank has a Leverage Effect role to stimulate operations of general interest.

Despite the aforementioned institutions and agencies providing financing, this evaluation study has demonstrated a persistent financing need for projects in the PACA region as there is a demonstrable market gap. The creation of JESSICA-type FIs would allow the provision of additional and flexible support.

### Urban projects in the PACA region: investing in the "Grey Zone" to maximise impact

The market segments identified as being in the "Grey Zone" by this study are the following:

- Energy and Environment
  - Sea Water Air Conditioning (SWAC)
  - Timber Industry
  - Photovoltaic
  - Smart grid / demonstration project
  - Water treatment station
  - Treatment of waste
  - Energy efficiency retrofit in housing and public buildings
- Economic and agricultural development
  - Real estate assets intended for SMEs, including business incubators for start-ups
  - Port redevelopment
  - Peri-urban agriculture
- Social Integration, health and education
  - Social and health structures
  - Student housing

### Estimated portfolio of projects and related market segments

The analysis of projects identified through this evaluation study, and their respective financing difficulties, has allowed us to identify the market segments which could be supported with FIs within a multi-sectorial investment strategy. The total cost of specifically identified projects amounts to €311M, of which €80M (€40M ERDF+€40M national co-financing) could be financed through FIs. This provides an indicative Leverage Effect of 7.8.

Summary table of costs and identified financing needs

| Market segments | Total cost of projects identified (M€) | Need for financing on the projects identified (M€) | % of costs financed by Financial Instruments |
|---|---|---|---|
| **Sea Water Air Conditioning (SWAC)** | 88.00 | 20.00 | 22.73% |
| **Timber Industry** | 25.00 | 6.25 | 25.00% |
| **Photovoltaic** | 1.00 | 0.50 | 50.00% |
| **Smart grid /demonstration project** | 110.00 | 25.00 | 22.73% |
| **Water treatment station*** | 0.00 | 0.00 | 0% |
| **Treatment of waste*** | 0.00 | 0.00 | 0% |
| **Energy efficiency retrofit** | 40.00 | 20.00 | 50.00% |
| **Micro-business/SME real estate assets **** | 10.00 | 4.00 | 40.00% |
| **Port development*** | 0.00 | 0.00 | 0% |
| **Social and health structures** | 35.00 | 3.00 | 8.57% |
| **Student housing** | 2.00 | 1.50 | 75.00% |
| **Total** | **311.00** | **80.25** | **25.80%** |

* Eligibility to be confirmed within the framework of the current negotiations of the Partnership Agreement

** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

At the regional level, the estimated project portfolio (cf. methodology chapter 03) amounts to €1,109.1 M€ relating to an estimated overall financing need of €242.03 M from FIs (i.e. a multiplying

factor of 4.6). It should be noted that these amounts are preliminary estimates at this stage and will need to be confirmed during the ex-ante evaluation.

Summary table of costs and financing needs estimated at the regional level

| Market segments | Total cost of projects at the regional level after adjustment for feasibility (M€) | Estimated financing needs at regional level (M€) | % of costs financed by Financial Instruments |
|---|---|---|---|
| **Sea Water Air Conditioning (SWAC)** | 264.00 | 60.00 | 23% |
| **Timber Industry** | 62.50 | 15.63 | 25% |
| **Photovoltaic** | 7.20 | 3.60 | 50% |
| **Smart grid /demonstration project** | 330.00 | 75.00 | 23% |
| **Water treatment station*** | 0.00 | 0.00 | 0% |
| **Treatment of waste*** | 0.00 | 0.00 | 0% |
| **Energy efficiency retro** | 36.00 | 18.00 | 50% |
| **Micro-business/SME real estate assets **** | 80.00 | 32.00 | 40% |
| **Port development*** | 0.00 | 0.00 | 0% |
| **Social and health structures** | 315.00 | 27.00 | 9% |
| **Student housing** | 14.40 | 10.80 | 75% |
| **Total** | **1,109.10** | **242.03** | **22%** |

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In order to optimise the use of FIs for the programming period 2014-2020, the following approaches with respect to the structuring of resources of the Operational Programmes are suggested by this evaluation study:

- An optimal diversification of the Priority Axes concerned by these sectors of activity
- A maximum grouping of sectors of activity within a reduced number of Priority Axes

### Impact generated and potential replicability – two case studies

The detailed analysis of two case studies has been used to highlight the economic and social impacts of the establishment of FIs in the region:

- The Sea Water Air Conditioning project would reduce carbon emissions by approximately 20% within the entire district of Marseille while also fitting within the urban development framework. This project provides hot and cold water to adjacent buildings at prices which are competitive and stable over the long term. The project will benefit 30, 000 housing units and will generate approximately 20,000 jobs for the local economy. The project will also result in the improvement of living and working conditions. The number of jobs created directly and indirectly will, however, depend on the pace of deployment of the network.
- For its part, the Clos Fleuri project has a significant impact in terms of social cohesion and social mobility, as well as the management of local services relating to, for example, assistance to disadvantaged children, social integration, and tackling social deprivation. The building will be constructed with energy efficient technologies. It is anticipated that this project will allow for the creation of around twenty to thirty jobs over the long term.

The two case studies were selected on the basis of two main criteria: the level of maturity of the project and the replicability of the project across the region. The objective will be in effect to support other projects of this type in other towns in the PACA region. It should be noted that these two case studies are presented in this evaluation study for illustration purposes only and it should be

underlined that these projects have not been selected for any first phase of investment by a FI established for the region. The case studies show how Financial Instruments can be used alongside private sector investments to support economic development. .

The establishment of FIs to meet the financing needs of the projects identified in the "Grey Zone" will allow not only support the implementation of those specific projects, but it also allow for the establishment of one (or several) revolving investment funds for the region which can be used to reinvest returned resources in the future over successive investment cycles.

### Recommendations for the preparation of an OP adapted for the deployment of FIs

The recommendations for this evaluation study were drafted subject to the final approval of the Common Provision Regulations at European level. The FIs must invest in projects with a capacity to generate revenue. This is essential to (i) repay the investment and (ii) attract co-investment in line with market practices. The objective of these FIs is in effect to boost the market and encourage the private sector to invest in projects which have strong economic, social and environmental impacts. Based on the analysis, there is considerable demand for the use of FIs in the region.

The use of FIs allows for the mobilisation of different sources of public and private financing, which can intervene at two levels:

- Co-Financing and/or Co-Investment at the level of "funds of funds" or funds.
- Co-Financing and/or Co-Investment at the level of projects.

### Structuring of the OP for the use of FIs

The analysis of the data collected on projects potentially eligible for funding through a FI revealed financing needs by market segment for the PACA region. In order to propose a structuring of those parts of the OP relating to the use of FIs, these potential investments to be made by FIs have been assigned across Thematic Objectives in the following table:

Estimated FI investments and estimated project costs at regional level assigned across Thematic Objectives

| M€ | | | Thematic Objectives | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Market Segments | *Total market Segment* | 1 - Research and innovation | 2 - ICT | 3 - SME competitiveness and agriculture | 4 - Carbon footprint (min 20%) | 5 - Climate changes and risks | 6 - Protection of the environment | 7 - Urban mobility | 8 - Jobs | 9 - Social inclusion | 10 - Education and training | 11 - Public administration | Financing structure suggested | PT1 - sustainable development | PT2 - equality between men and women |
| Energy - Environment | Sea Water Air Conditioning (SWAC) | 60.00 | 10.00 | - | - | 40.00 | - | 10.00 | - | - | - | - | - | *Equity* | ✓ | |
| | Timber Industry | 15.63 | - | - | - | 10.42 | - | 5.21 | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Photovoltaic | 3.60 | 1.03 | - | - | 2.57 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Smart grid / demonstration project | 75.00 | 30.00 | - | 7.50 | 37.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Water Treatment Station | - | - | - | - | - | - | * | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Treatment of waste | - | - | - | - | - | - | * | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Energy renovation | 18.00 | - | - | 4.50 | 13.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| Jobs and social inclusion | Micro-business & SME real estate assets** | 32.00 | 4.00 | - | 4.00 | 4.00 | - | - | - | 20.00 | - | - | - | *Debt/Equity* | | ✓ |
| | Port development | - | - | - | - | - | - | - | * | - | - | - | - | *Debt/Equity* | ✓ | |
| | social and health structures | 27.00 | - | - | 2.25 | 4.50 | - | - | - | - | 20.25 | - | - | *Equity* | | ✓ |
| | Student housing | 10.80 | - | - | - | 1.80 | - | - | - | - | - | 9.00 | - | *Debt/Equity* | | ✓ |
| | *Total to be invested by the FI per market segment* | 242.03 | **45.03** | **-** | **18.25** | **114.29** | **-** | **15.21** | **-** | **20.00** | **20.25** | **9.00** | **-** | | | |
| | *Total costs per market segment* **** | 1,109.10 | 193.16 | - | 114.02 | 644.14 | - | 74.86 | - | 34.55 | 31.10 | 17.28 | - | | | |
| | **ERDF OP Framework (Subsidy)** | **500.00** | 110.00 | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **-** | **-** | | | |
| | **ESIF OP Framework (Subsidy)** | **210.00** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **210.00** | **-** | | | |
| | **Total Framework (Subsidy)** | **710.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **210.00** | **-** | | | |
| | **Total OP envisaged** *** | **952.03** | **155.03** | **90.00** | **118.25** | **222.29** | **14.00** | **59.21** | **20.00** | **20.00** | **34.25** | **219.00** | **-** | | | |
| | **% Financial Instrument / Total OP** | **25.42%** | **4.73%** | **0.00%** | **1.92%** | **12.00%** | **0.00%** | **1.60%** | **0.00%** | **2.10%** | **2.13%** | **0.95%** | **0.00%** | | | |
| ***Cofinancing and ESI funds*** | | | | | | | | | | | | | | | | |
| 50% | ESIF | 121.01 | 22.51 | - | 9.13 | 57.14 | - | 7.60 | - | 10.00 | 10.13 | 4.50 | - | | | |
| 50% | Co-Financing | 121.01 | 22.51 | - | 9.13 | 57.14 | - | 7.60 | - | 10.00 | 10.13 | 4.50 | - | | | |
| ***Co-financing and ESIF (including the 10% bonus if PA dedicated to FIs)*** | | | | | | | | | | | | | | | | |
| 60% | ESIF | 121.01 | 22.51 | - | 9.13 | 57.14 | - | 7.60 | - | 10.00 | 10.13 | 4.50 | - | | | |
| 40% | Co-Financing | 80.68 | 15.01 | - | 6.08 | 38.10 | - | 5.07 | - | 6.67 | 6.75 | 3.00 | - | | | |

***** Eligibility to be confirmed within the framework of the current negotiations of the Partnership Agreement

****** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

******* The sum of the amounts of subsidies granted for each thematic objective according to the Operational Programme Framework provided by the region (version of June 13, 2013)

******** The total cost of projects is based on a projection at regional level of the costs for the projects identified

Based on the above distribution of potential FI investment, and by combining TOs within Priority Axes, options for structuring those parts of the Operational Programme relevant for the the deployment of FIs are illustrated on the following pages. Notably, this corresponds to three of the (multi-thematic) priority axes proposed by the Managing Authority in their draft regional OP as was provided to us for the purposes of this study:

- Priority Axis 1: Research and Innovation for SMEs (TO1, TO3 and TO8)
- Priority Axis 2: Energy Efficiency and Sustainable Management of Resources (TO4 and TO6)
- Priority Axis 3: Integrated Urban Issues (TO6, TO7, TO9 and TO10)

Two options for the structuring of the OP for the deployment of FIs are proposed over the following pages. The first option proposes several PAs including seven, five or two TOs and the second option proposes a PA dedicated to FIs including seven, five or two TOs.

## Option 1: Priority Axes parallel to the Operational Programme framework

The first option proposes a distribution of potential FI investment over several PA including seven, five or two TO as detailed on the following pages :

**Option 1.1 : Three Priority Axes including seven Thematic Objectives** - Based on the estimated financing need across the region, the following OP structure could be envisaged:

| PA | TO | Investment Priorities[1] | Total Cost of Projects | Total FI | MF** | Expected results |
|---|---|---|---|---|---|---|
| Research & Innovation SME | TO 1 | a) enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest;<br>b) promoting business investment in R&I, in particular through product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies | 193.16 | 45.03 | 4.3 | Boosted investment in new technologies<br>Innovation<br>Development of technology parks |
| | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;<br>b) developing new business models for SMEs, in particular with regard to internationalisation; | 114.02 | 18.25 | 6.2 | Business creation<br>• Job creation |
| | TO 8 | a) supporting the development of business incubators andinvestment support for self-employment, microenterprises and business creation;<br>c) supporting local development initiatives and aid for structures providing neighbourhood servicesto create jobs, where such actions actions are outside the scope of Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund | 34.55 | 20.00 | 1.7 | Business creation<br>• Job creation |
| | | **Total PA - Research & Innovation SME (M€)** | **341.73** | **83.28** | **4.1** | |
| Sustainable Use of Energy Resources | TO 4 | a) promoting the production and distribution of energy derived from renewable sources;<br>b) promoting energy efficiency and renewable energy use in entreprises<br>c) supporting energy efficiency, smart energy efficiency management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;<br>e) promoting low-carbon strategies for all type of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; | 644.14 | 114.29 | 5.6 | Reduction in carbon emissions<br>Reduction in energy consumption<br>Promotion of renewable energy use<br>• Better use of natural resources |
| | TO 6 | b) investing in the water sector to meet the requirements of the Union's environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements;<br>d) protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure; | * | | | Reduction in carbon emissions<br>Reduction in energy consumption<br>• Better use of natural resources |
| | | **Total PA - Sustainable Use of Energy Resources (M€)** | **644.14** | **114.29** | **5.6** | • |
| Integrated Urban Issues | TO 6 | e) taking action to improve the urban environment, to revitalise cities, regenerate and decontaminate brownfield sites (including conversion areas), reduce air pollution and promote noise-reduction measures; | 74.86 | 15.21 | 4.9 | Reduction in carbon emissions<br>Reduction in energy consumption<br>• Best use of natural resources |
| | TO 9 | a) investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services;<br>c) providing support for social enterprises | 31.1 | 20.25 | 1.5 | Improvement of social cohesion<br>Participation of different types of public and private actors<br>• Job creation |
| | TO 10 | investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure | 17.28 | 9.00 | 1.9 | Improved access to training<br>Skill development<br>• |
| | | **Total PA - Integrated Urban Issues (M€)** | **123.24** | **44.46** | **2.8** | |
| | | **TOTAL Operational Programme option 1.1** | **1109.11** | **242.03** | **4.6** | |

* Particularly related to Water Treatment and Waste Treatment segments. Eligibility to be confirmed alongside negotiation of the Partnership Agreement.

** MF = The Multiplying Factor is calculated as Total Cost of Projects/Total FI. It represents the multiplier of public funds provided versus the cost of the projects funded.

Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment prioritiesRegulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities[3] Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment prioritieshttp://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0289:0302:EN:PDF

**Option 1.2 : Three Priority Axes including five Thematic Objectives** - Based on the estimated financing need across the region and taking into account the discussions with the MA, the following OP structure could be envisaged:

| P.A. | TO | Investment Priorities[2] | Total Cost of Projects | Total FIs | MF** | Expected results |
|---|---|---|---|---|---|---|
| Research & Innovation SME | TO 1 | a) enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest;<br>b) promoting business investment in R&I, in particular through product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies | 184.8 | 42 | 4.4 | Boosted investment in new technologies<br>Innovation<br>Development of technology parks<br>• |
| | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;<br>b) developing new business models for SMEs, in particular with regard to internationalisation; | 155 | 51.5 | 3.0 | Business creation<br>Job creation<br>• |
| | | **Total PA - Research & Innovation SME (M€)** | **339.8** | **93.5** | **3.6** | |
| Sustainable Use of Energy Resources | TO 4 | a) promoting the production and distribution of energy derived from renewable sources;<br>b) promoting energy efficiency and renewable energy use in entreprises<br>c) supporting energy efficiency, smart energy efficiency management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;<br>e) promoting low-carbon strategies for all type of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; | 420.27 | 113.32 | 3.7 | Reduction in carbon emissions<br>Reduction in energy consumption<br>Promotion of renewable energy use<br>Better use of natural resources<br>• |
| | TO 6 | b) investing in the water sector to meet the requirements of the Union's environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements;<br>d) protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure; | * | | | Reduction in carbon emissions<br>Reduction in energy consumption<br>Better use of natural resources<br>• |
| | | **Total PA - Sustainable Use of Energy Resources (M€)** | **420.27** | **113.32** | **3.7** | • |
| Integrated Urban Issues | TO 6 | e) taking action to improve the urban environment, to revitalise cities, regenerate and decontaminate brownfield sites (including conversion areas), reduce air pollution and promote noise-reduction measures; | 34.03 | 8.21 | 4.1 | Reduction in carbon emissions<br>Reduction in energy consumption<br>Best use of natural resources<br>• Optimal use of natural resources |
| | TO 9 | a) investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services;<br>c) providing support for social enterprises | 315 | 27 | 11.7 | Improvement of socialcohesion<br>Participation of different types of public and private actors<br>Job creation |
| | | **Total PA - Integrated Urban Issues (M€)** | **349.03** | **35.21** | **9.9** | |
| | | **TOTAL Operational Programme option 1.2** | **1109.10** | **242.03** | **4.6** | |

* Particularly related to Water Treatment and Waste Treatment segments. Eligibility to be confirmed alongside negotiation of the Partnership Agreement.

** MF = The Multiplying Factor is calculated as Total Cost of Projects/Total FI. It represents the multiplier of public funds provided versus the cost of the projects funded.

Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities[3] Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0289:0302:EN:PDF

**Option 1.3: Two Priority Axes including two Thematic Objectives** - Based on the estimated financing need across the region and taking into account the comments of the MA concerning option 1.2 above encouraging a more focused approach grouping the amounts allocated under two TOs, the following OP structure could be envisaged:

| P.A. | TO | Investment Priorities[3] | Total Cost of Projects | Total FIs | MF** | Expected results |
|---|---|---|---|---|---|---|
| Research & Innovation SME | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;<br>b) developing new business models for SMEs, in particular with regard to internationalisation; | 654.80 | 120.50 | 5.43 | Business creation<br>Job creation<br>• |
| Sustainable Use of Energy Resources | TO 4 | a) promoting the production and distribution of energy derived from renewable sources;<br>b) promoting energy efficiency and renewable energy use in entreprises<br>c) supporting energy efficiency, smart energy efficiency management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;<br>e) promoting low-carbon strategies for all type of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; | 454.30 | 121.53 | 3.74 | Reduction in carbon emissions<br>Reduction in energy consumption<br>Promotion of renewable energy use<br>Better use of natural resources<br>• |
| | | **TOTAL Operational Programme option 1.3** | **1109.10** | **242.03** | **4.58** | |

* Particularly related to Water Treatment and Waste Treatment segments. Eligibility to be confirmed alongside negotiation of the Partnership Agreement.

** MF = The Multiplying Factor is calculated as Total Cost of Projects/Total FI. It represents the multiplier of public funds provided versus the cost of the projects funded.

## Option 2: Priority Axis dedicated to Financial Instruments

In duly justified cases, in order to increase the impact and effectiveness of the Operational Programme, the MA has the possibility to combine one or more additional PA including different TOs in order to maximize the contribution of the FIs to the achievement of the strategic objectives. A Priority Axis dedicated to FIs could thus include multiple TOs. By utilising a dedicated PA for FIs, the MA could then qualify for a co-financing bonus of 10 percentage points.

It could be envisaged that this PA dedicated to FIs could include seven, five or two TO as described below:

[3] Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0289:0302:EN:PDF

## Option 2.1 : A Priority Axis including seven Thematic Objectives

| PA | TO | Investment Priorities[4] | Total Cost of Projects | Total FIs | MF** | Expected results |
|---|---|---|---|---|---|---|
| Priority Axis dedicated to FIs | TO 1 | a) enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest;<br>b) promoting business investment in R&I, in particular through product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies; | 193.16 | 45.03 | 4.29 | Boosted investment in new technologies<br>Innovation<br>Development of technology parks<br>. |
| | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;<br>b) developing new business models for SMEs, in particular with regard to internationalisation; | 114.02 | 18.25 | 6.25 | Business creation<br>Job creation<br>. |
| | TO 4 | a) promoting the production and distribution of energy derived from renewable sources;<br>b) promoting energy efficiency and renewable energy use in entreprises<br>c) supporting energy efficiency, smart energy efficiency management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;<br>e) promoting low-carbon strategies for all type of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; | 644.14 | 114.29 | 5.64 | Reduction in carbon emissions<br>Reduction in energy consumption<br>Promotion of renewable energy use<br>Better use of natural resources<br>. |
| | TO 6* | b) investing in the water sector to meet the requirements of the Union's environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements;<br>d) protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure; | 74.86 | 15.21 | 4.92 | Reduction in carbon emissions<br>Reduction in energy consumption<br>Better use of natural resources<br>. |
| | TO 8 | a) supporting the development of business incubators andinvestment support for self-employment, microenterprises and business creation;<br>c) supporting local development initiatives and aid for structures providing neighbourhood servicesto create jobs, where such actions actions are outside the scope of Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund | 34.55 | 20 | 1.73 | Business creation<br>Job creation<br>. |
| | TO 9 | a) investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services;<br>c) providing support for social enterprises; | 31.1 | 20.25 | 1.54 | Improvement of social cohesion<br>Participation of different types of public and private actors<br>Job creation<br>. |
| | TO 10 | investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure | 17.28 | 9.00 | 1.92 | Improved access to training<br>Skill development<br>. |
| | | **TOTAL Operational Programme option 2.1** | **1109.11** | **242.03** | **4.58** | |

Note: TO 6 is only counted once due to the choice of a single Priority Axis dedicated to FIs contrary to options 1.1, 1.2 and 1.3

* Particularly related to Water Treatment and Waste Treatment segments.

** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

MF = the Multiplying Factor represents the multiplier effect between the public funds provided and the cost of the projects funded. This factor is calculated as follows: Total Cost of Projects/Total FI

Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment prioritiesRegulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment prioritiesRegulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities[7] Regulation (EU) No 1303/2013 – 17th December

**Option 2.2: A Priority Axis including five Thematic Objectives**

| PA | TO | Investment Priorities[5] | Total Cost of Projects | Total FIs | MF** | Expected results |
|---|---|---|---|---|---|---|
| Priority Axis dedicated to FIs | TO 1 | a) enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest;<br>b) promoting business investment in R&I, in particular through product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies; | 184.80 | 42.00 | 4.40 | Boosted investment in new technologies<br>Innovation<br>Development of technology parks<br>. |
| | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;<br>b) developing new business models for SMEs, in particular with regard to internationalisation; | 155.00 | 51.50 | 3.01 | Business creation<br>Job creation<br>. |
| | TO 4 | a) promoting the production and distribution of energy derived from renewable sources;<br>b) promoting energy efficiency and renewable energy use in entreprises<br>c) supporting energy efficiency, smart energy efficiency management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;<br>e) promoting low-carbon strategies for all type of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; | 420.27 | 113.32 | 3.71 | Reduction in carbon emissions<br>Reduction in energy consumption<br>Promotion of renewable energy use<br>Better use of natural resources<br>. |
| | TO 6* | b) investing in the water sector to meet the requirements of the Union's environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements;<br>d) protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure; | 34.02 | 8.21 | 4.14 | Reduction in carbon emissions<br>Reduction in energy consumption<br>· Better use of natural resources |
| | TO 9 | a) investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services;<br>c) providing support for social enterprises; | 315.00 | 27.00 | 11.67 | Improvement of social cohesion<br>Participation of different types of public and private actors<br>Job creation<br>. |
| | | **TOTAL Operational Programme option 2.2** | **1109.11** | **242.03** | **4.58** | |

Note: TO 6 is only counted once due to the choice of a single Priority Axis dedicated to FIs contrary to options 1.1, 1.2 and 1.3

* Particularly related to Water Treatment and Waste Treatment segments.

** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

MF = the Multiplying Factor represents the multiplier effect between the public funds provided and the cost of the projects funded. This factor is calculated as follows: Total Cost of Projects/Total FI

Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment prioritiesRegulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities[7] Regulation (EU) No 1303/2013 – 17th December

### Option 2.3 : A Priority Axis including two Thematic Objectives

Based on the study carried out and taking into account the comments of the MA concerning option 1.2, a more focused approach which only includes two TO for which there is a strong demand for FIs in the PACA region can be envisaged.

| PA | TO | Investment Priorities[6] | Total Cost of Projects | Total FIs | M** | Expected results |
|---|---|---|---|---|---|---|
| Priority Axis dedicated to FIs | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;<br>b) developing new business models for SMEs, in particular with regard to internationalisation; | 654.80 | 120.50 | 5.43 | Business creation<br>Job creation<br>· |
| | TO 4 | a) promoting the production and distribution of energy derived from renewable sources;<br>b) promoting energy efficiency and renewable energy use in entreprises<br>c) supporting energy efficiency, smart energy efficiency management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;<br>e) promoting low-carbon strategies for all type of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; | 454.30 | 121.53 | 3.74 | Reduction in carbon emissions<br>Reduction in energy consumption<br>Promotion of renewable energy use<br>· Better use of natural resources |
| | | **TOTAL Operational Programme option 2.3** | **1109.11** | **242.03** | **4.58** | |

Note: TO 6 is only counted once due to the choice of a single Priority Axis dedicated to FIs contrary to options 1.1, 1.2 and 1.3

* Particularly related to Water Treatment and Waste Treatment segments.

** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

MF = the Multiplying Factor represents the multiplier effect between the public funds provided and the cost of the projects funded. This factor is calculated as follows: Total Cost of Projects/Total FI

Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities[7] Regulation (EU) No 1303/2013 – 17th December

### Implementation routes

Two main implementation routes are suggested for the establishment of a FI for the region:

1. An OP contribution to an EU level instrument in line with Article 38(1)a of the Regulation 1303/203 (Common Provisions Regulation).
2. FI set up at regional level. In the case of a Priority Axis dedicated to the FI, this solution would allow the OP to qualify for a reduction of 10 percentage points in its co-financing of the dedicated PA.

The first option above will not be discussed in detail in this evaluation study.

The creation of a FI managed by the Region in the form of all or part of an Integrated Territorial Investment (ITI) has been envisaged. However, based on discussion with the Managing Authorities, the Region has decided not to implement this solution because of inadequacy lack of alignment with the Region's strategy for the structuring of the Operational Programme at the time of completing fieldwork for the evaluation study.

The FI will benefit from a clearly defined investment strategy, combining the selection criteria for projects, the anticipated value of investment, the financial and non-financial benefits expected, geographic priorities, types of financial products (senior debt, mezzanine, equity or guarantees), and an approach to avoid any key risks such as State aid, etc.

Finally, the dedicated axis could support the "politique de la vIlle" ("city policy") strategy, under which the region is bound to allocate at least 10% of the ERDF and ESF funds.

An axis dedicated to FIs would strengthen the urban dimension within the OP, as well as the integrated approach by combining several TOs within one PA and the involvement of local actors through identified market segments. This solution would be based on three ideas:

- A multi-thematic and interconnected approach
- A territorial approach
- A strategic approach

The amounts allocated to this dedicated axis could benefit from the above-mentioned 10 percentage points Co-Financing bonus, without this having to be compensated by an enhanced level of Co-Financing to other PAs in the OP. The overall contribution to the OP from ESI Funds resources versus the national contribution would therefore be higher than 50%.

### Suggested structure

To maximise support from FIs to the market segments identified as part of the evaluation study, OP resources could be grouped under one or several TOs as detailed earlier. The structure of FIs will be affected by the structure of the OP and more particularly by the OP resources being made available for deployment via FIs. In effect, the structure of the FIs will broadly reflect the structure of the Operational Programme. Therefore, isolating each PA using dedicated JESSICA-type FI vehicles in relation to each PA could present a level of flexibility considered to be beneficial for co-investors seeking to intervene at the level of the aforementioned projects or FIs.

**The potential total investment volume of the FI (or FIs) for the 2014-2020 programming period is estimated to be between €80 M and €242 M at this stage. This should be verified and updated as part of the required ex-ante assessment.**

The total estimated FI investment between €80 M and €242 M represents the market gap to be financed based on the identification of projects within given market segments. The total project cost related to these investments is estimated at between €311 M and €1,109 M, and the estimated difference of €231 M to €867 M is therefore made up of the identified contribution of the private sector and/or public sector by way of Co-Investment.

The creation of a "Fund of Funds" could offer the advantage of being able to capitalise on economies of scale with respect to fund administration, monitoring and control of the ESI Funds.

Prior to investing into projects, it is necessary to analyse the eligibility of the costs of each project, which are detailed in the ESI Funds of the final Common Provision Regulations (December 2013)[7]. The release of funds is carried out in phases, as and when the costs are generated by the projects.

### Added value of Financial Instruments

The economic model of the projects identified to be in the "Grey Zone" tends to be made up of a strong need for investment, but with low revenue generating potential such that the public sector may seek to help to reduce the impact of low income generation by contributing to financing (usually long-term) at reduced prices.

This model has many advantages:

- Optimal financial structuring which limits the use of capital and financial flows
- Benefits arising from the project and market risk shared between the public and private sectors (whereas traditionally, for example, plan a public agency might sell land at the bottom of the market to a developer who, several years later, will reap the benefit of a potentially significant increase in the price of this kind of asset)
- Preservation of public interests over the long term (the public sector participates in the management of the project and the decisions affecting strategy and performance)
- Control of investment exit scenarios (future resale, transformation, etc.)

As for all the options shown in this report, the FIs ultimately employed should finance projects that generate weak levels of profitability but which also generate key socio-economic benefits (including where appropriate environmental measures) aligned with both regional objectives, as should be described in the OP, and the Partnership Agreement. In this way, the FI should contribute to the strategic objectives of the Operational Programme.

[7] Regulation (EU) No 1303/2013 – 17th December

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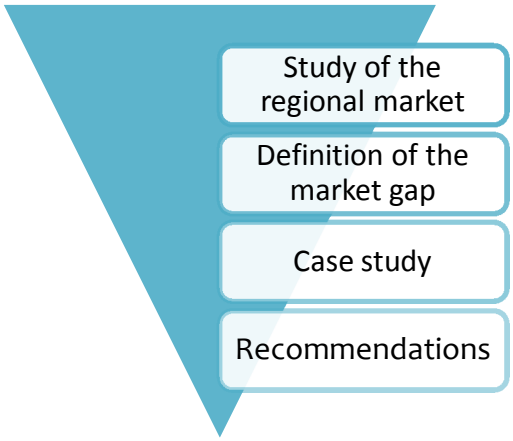
## Introduction

In compliance with the objectives of the EU2020 strategy for **smart**, **sustainable** and **inclusive**[8] growth, this evaluation study examined the possibilities of intervention of FIs in urban development projects within the framework of the programming period 2014 – 2020.

The European Commission wishes to encourage[9] the Member States to use these FIs more widely, by combining them, where appropriate, with grants, to support projects which cannot be supported by the private sector alone and which provide **positive externalities** which comply with the objectives of European Commission's EU 2020 strategy.

These so-called **"revolving investment"** mechanisms promote economically viable projects and allow repaid resources to be used for further investments.

The objectives of the evaluation study are:




a) Understanding the regional land use/urban development strategy and related projects; the identification of market gaps; description of the existing financial mechanisms and the definition of market segments (with lack of investment) which could utilise JESSICA-type FIs. On the basis of this overview, the concept of projects in "Grey Areas" is defined as projects generating income and presenting financial characteristics sufficiently interesting not to be fully financed by public funds, but generating revenue too low to be funded solely by the private market.
b) The assessment and the feasibility study of the implementation of JESSICA-type FIs in the PACA region, more specifically of the Urban Development Fund (UDF) and Holding Funds (HF) type. This being on the basis of a portfolio of urban projects and financial simulations based two indicative case studies with analysis including:
    - The potential of the FIs and the HF in order to fill the various market gaps,
    - The Leverage Effect which this type of financial tool could generate through partnerships and co-financing.
c) The recommendations made to the Managing Authority in view of the negotiations on the programming period 2014-2020.

*

By encouraging private capital to invest on segments of activities which are seldom sought after as they generate low returns in relation to the risks of the projects, the FIs therefore allow to develop new forms of public-private partnerships, encouraging the complementarity of the expertise of each party and the contribution to projects of general interest.

[8] http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/priorities/index_fr.htm
[9] Brussels, 9.11.2010 COM(2010) 642 final - {SEC(2010) 1348 final}

# 1. Regional strategy for urban development

## 1.1. Development and spatial planning in the PACA region

The following presentation aims to identify the strategic axes of development and spatial planning of the territory and the specific issues facing the different urban areas of the PACA region (in particular Marseilles, Nice and Toulon).[10] The analysis of the various strategic documents has allowed for distinguishing the territorial positions and the different types of projects which could be the subject of JESSICA-type financing. The details of the analysis by strategic document appears in annex to the document.

*An ambitious regional strategy for urban development which faces financing constraints*

- State-Region Project Contract 2007-2013: this is a contractual document by which the State and the Region commit to the programming and financing of major projects over a period of 7 years.
- SRADT PACA (in revision)
- ERDF Operational Programme 2007-2013
- PACA 2010-2013 Regional Innovation Plan: it sets for the major orientations of the PACA Region in terms of promotion and innovation.
- The SCOT (development plan) of Marseille: planning document covering the territory of the Marseille Provence Méditerranée urban area community.
- The POS of Marseille (analysis of the sustainable development project (PADD))
- The PLU (local urban planning) of Nice (PADD)
- The SCOT of Toulon (PADD)

The synthetic presentation of the development challenges of the PACA region has also been added to by a series of documents:

- Portrait of the region carried out by INSEE in September 2012
- Study on the socio-spatial disparities of the territory - May 2012
- Innovation strategy in the PACA region

### Cross-cutting issues in the PACA region

The territorial analysis presented below intends to determine the preferred territories of deployment for FIs. Taking into account the findings presented, it appears that the three main population centres constitute preferred targets (for reasons which are economic, demographic, etc. ). However, the area of influence of the FIs is regional and in the future, project promoters could be established across the entire PACA territory. Therefore, it is not excluded, although we have limited our findings to the three main population centres for the sake of synthesis, that other urban areas present projects eligible for FIs for the 2014-2020 programming period.

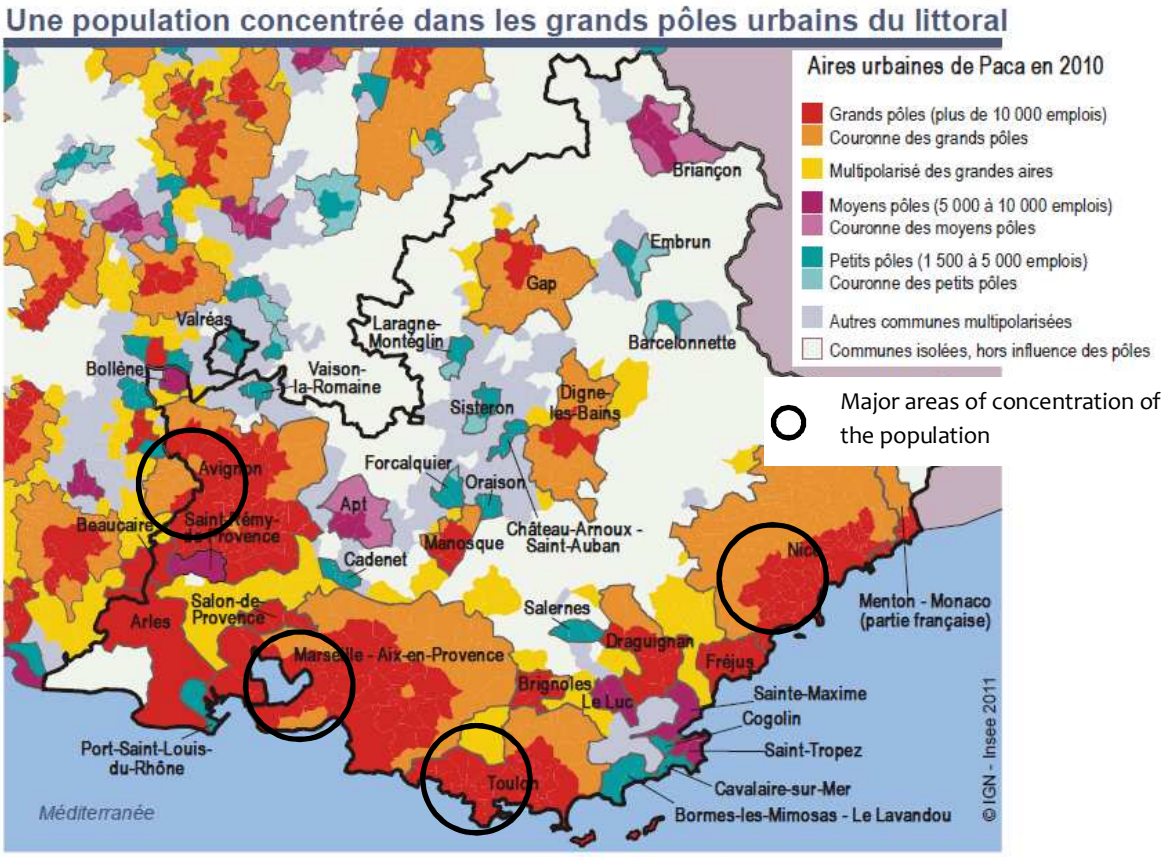
**A mainly urban population concentrated along the coastline, ageing and partly from the neighbouring territories**

With 4.9 M inhabitants and a GDP of €138 M, the PACA region is the third most populated region of France. However, the regions face specific geographical constraints which influence its urban

[10] The cities covered in detail have been limited according to the budget available for this study. This initial work can be expanded and deepened in an ex-ante evaluation study of the FIs to include other towns in the region (such as Avignon, Gap, Digne-les-Bains, and others).

development. Among the 35 urban areas, the 4 major urban centres, Marseille/Aix-en-Provence, Nice, Toulon and Avignon, represent **78% of the population in the PACA region**, a significant concentration of the population. In addition, 9 in 10 inhabitants reside in one of the 13 major urban areas.

The region has exceptional advantages, particularly in terms of its landscape and climatic conditions which add to its overall attractiveness. The topographical conditions (mountainous areas and sea) have resulted in urbanisation along the coastline. Approximately, 80% of its population are concentrated on the coastline. With such spatial arrangement, there are specific challenges in terms of urban development in areas such as Marseilles or Nice, including: lack of space, high density and congested and insufficient transport systems. One of the objectives of the region in terms of regional planning is based on the principle of a controlled management of urbanisation, particularly in a context of **strong suburbanisation**. In effect, the outskirts of the major urban areas have seen their population triple since 1962[11]. The region therefore shows a trend towards suburbanisation which is far more significant that the French average.




*Source : Insee, zonage en aires urbaines 2010, recensement de la population 2008*

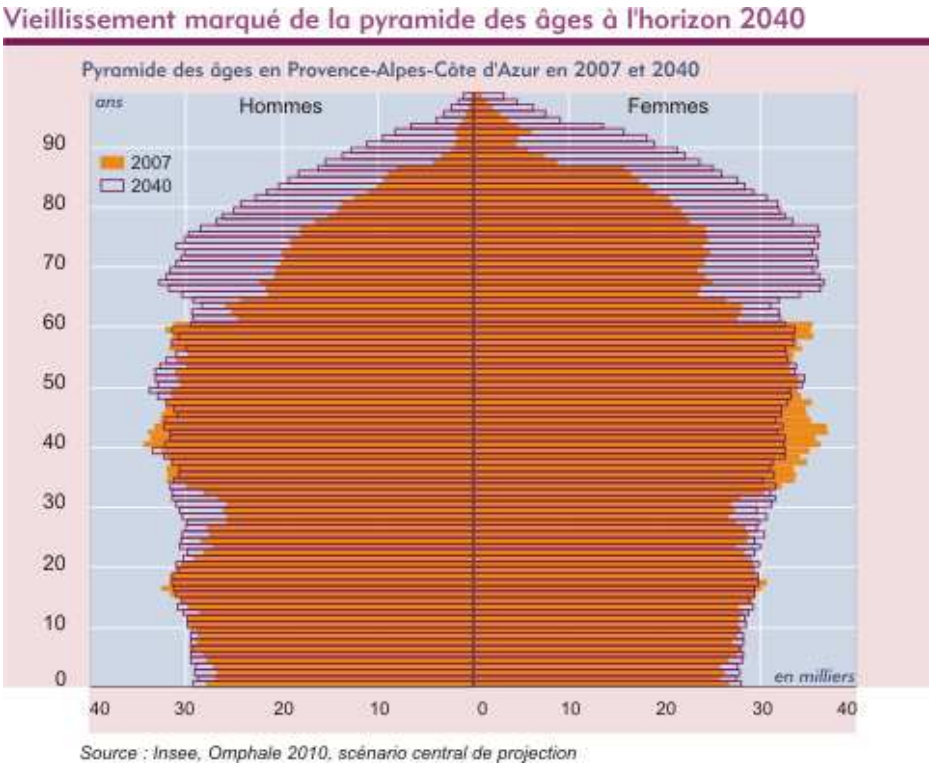
[11] Source: Portrait of the PACA region - INSEE September 2012

Accordingly, the agricultural land of PACA is subject to strong urbanisation pressure: the population trends consume space and have encroached upon agricultural activities, particularly suburban areas. This urbanisation pressure concerns:

- The dense space of the coastline and the middle valley of the Durance
- The agglomeration of Avignon, densely built with housing and business premises following its demographic attraction
- Certain communes of the sub-region.

The review helped to identify the territories where the majority of the population is concentrated (4 large agglomerations). The urban centres in PACA (particularly those that include more than 10,000 jobs) are more numerous, including: Digne-les-Bains, Gap, Manosque, Arles, Draguignan, Frejus and Brignoles. These territories, which have concentration of economic activity, could constitute the priority targets of actions for the possible deployment of an investment fund. However, projects must still be consolidated and presented by the territories concerned.

In the near future, according to the forecasts of the INSEE[12] , the population of Provence-Alpes -Cote d'Azur could reach between 5.4 and 5.7 M inhabitants in 2040 if recent demographic trends continue at the same pace. The regional population growth could also slow down considerably compared vis-a-vis other French regions. This is explained by the decline of the natural balance and of the migration balance. In fact, the population of PACA is to age, as shown in the following graph.




*Source : Insee, Omphale 2010, scénario central de projection*

[12] Demographic slowdown and ageing on the horizon for 2040, INSEE

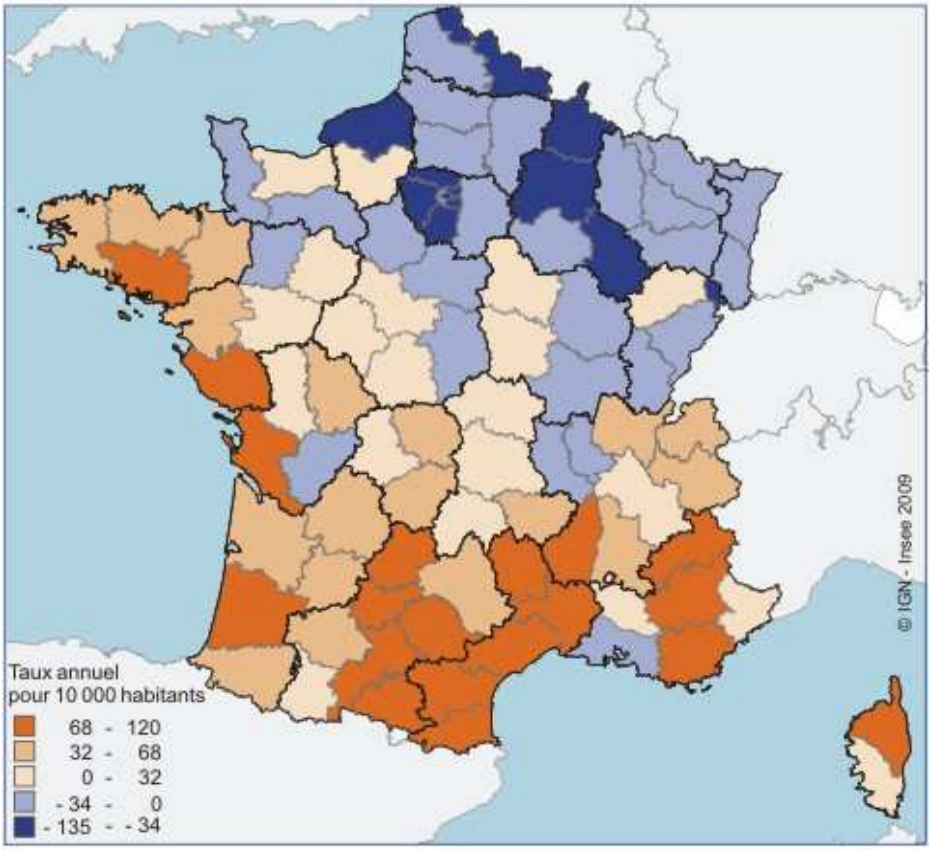
In this analysis, projects with social elements shall take on even greater importance as the region will be faced with a more fragile population presenting greater needs in relation to the public facilities.

These developments are the main developments influencing local demographic and social structures. It is also to be noted that other demographic mechanisms are at work in the PACA region, even if they only marginally influence local demographic and social structures.

Migrations between French regions are favourable to the PACA region which gains 13,000 inhabitants each year, according to the 2006 figures published by the INSEE. The three most attractive departments are the Alpes-de- Haute-Provence , the Hautes-Alpes and the Var. The Bouches-du-Rhone attracts a young population, mainly students, but presents a negative migration balance beyond 25 years. It is mainly families and working people with a fairly high social level who settle in PACA. These elements, illustrated in the graphs below, show that the three Alpine departments may be the subject of a thorough study given their attractiveness, for the deployment of FIs.

**Solde des migrations avec le reste de la France**

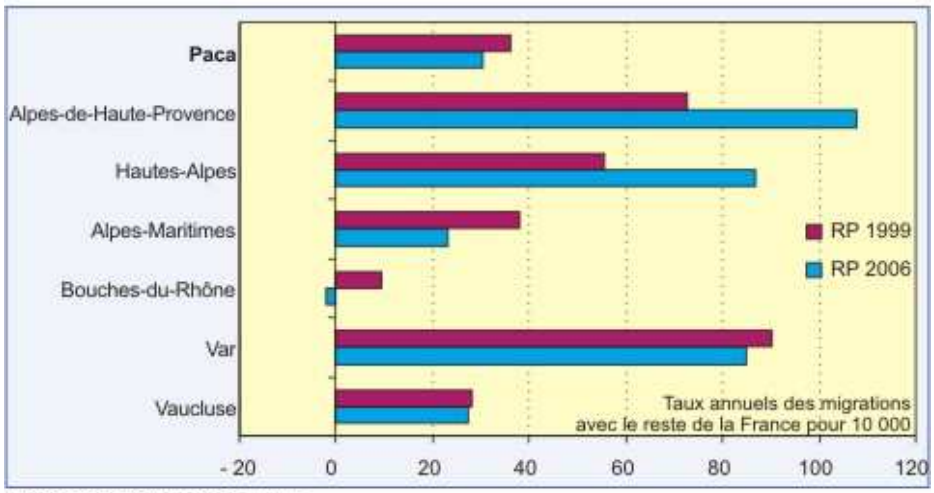
*Migrations résidentielles sur 5 ans par département*




*Source : Insee - Recensement de la population de 2006, exploitation complémentaire*

**Une attractivité renforcée des départements alpins**

*Migrations résidentielles par département*




Champ : population de 5 ans ou plus
Note de lecture : au RP 2006, par le jeu des migrations entre régions françaises, la région a gagné annuellement depuis 5 ans 29,1 habitants pour 10 000 habitants présents.
*Source : Insee - Recensement de la population de 1999 et 2006, exploitation complémentaire*

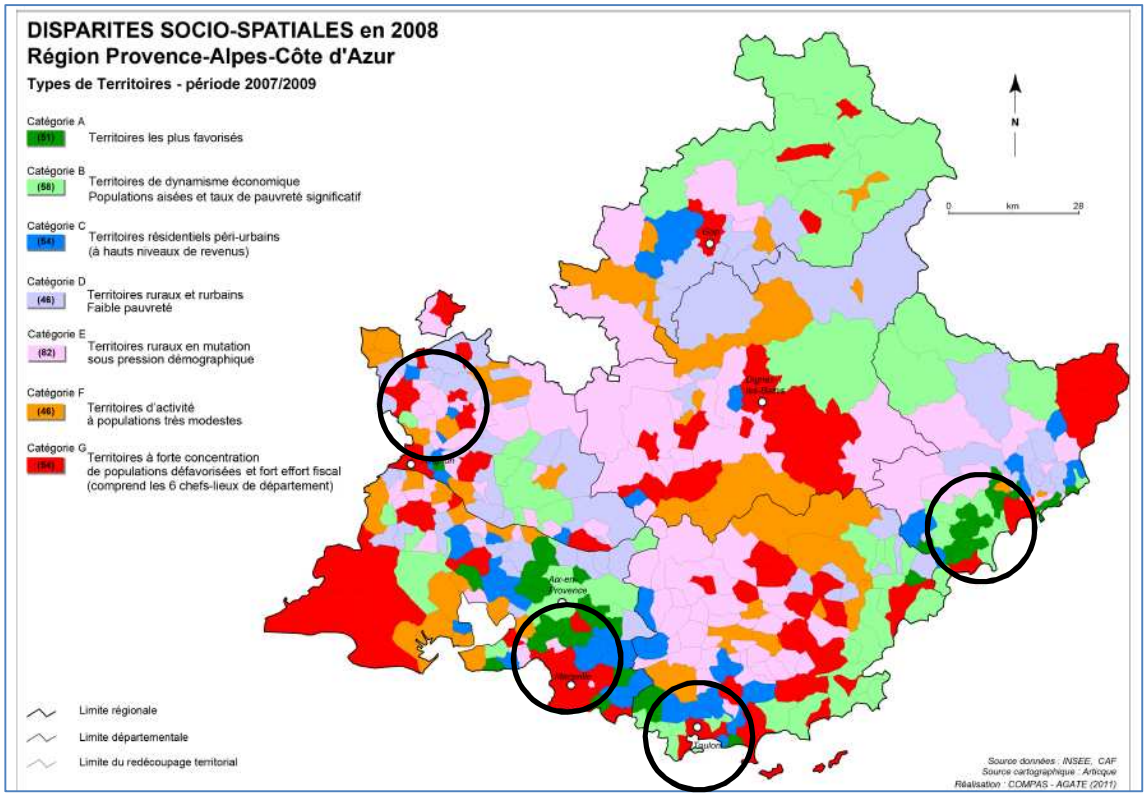
## Substantial social disparities

**Potential projects**
- Training centres
- Social structures
- Student reception facilities

The region is faced with a historically high unemployment rate (11.4% as compared to 9.5% at the national level), which is explained in particular by the shortage of jobs, the low level of studies of the inhabitants, the lack of employment-training system, and strong socio-economic disparities. Urban spaces in difficulty are thus confronted with problems of unemployment, youth unemployment, the practice of underground economies, and precariousness. These difficulties represent an even tougher challenge, as the PACA region is one of the most attractive regions in France, both from a demographic (gain of 40,000 inhabitants per year) and economic point of view.

The map below shows the different socio-spatial disparities of the region by showing

- The most privileged areas (category A) in dark green
- The areas of economic dynamism - well-off population and significant poverty rate (category B) in light green
- Suburban residential areas (with a high level of income) (Category C) in blue
- Rural and urban areas (low poverty) (Category D) in grey
- Rural areas undergoing change under demographic pressure (Category E) in purple
- Areas of activity with a very modest population (Category F) in orange
- Areas with a high concentration of disadvantaged populations and strong tax effort (Category G) in red




Among the territories identified, it is noted that Marseille presents a high proportion of territory with a disadvantaged population. This is confirmed by the urban structure of the city which concentrates many social housing, some of which are the largest in France (La Rouvière, 8,000 inhabitants).

The three other agglomerations have different profiles:

- Avignon is undergoing significant urban pressure with changing rural areas under demographic pressure and suburban residential territories
- Nice presents a contrast between the territories considered as the most privileged and a few territories with a high concentration of disadvantaged populations and a strong tax effort
- Toulon does not have privileged territories but suburban residential territories and a few territories with a high concentration of disadvantaged households and a strong tax effort

Here again, in relation to the potential for deployment of a possible investment fund, there are also areas of high deprivation in Gap, Dignes and Arles.

**Notable strengths in terms of attractiveness**

The economic attractiveness of the PACA region relies on a vibrant tourist industry as well as on active economic sectors, in areas such as biotechnology, microelectronics or petrochemicals. Although endowed with some major French industries (steel, agri-food, petrochemical, pharmaceutical, defence industry, aviation industry, airport, and spatial), productive activities show, however, a relatively low level of development with respect to the prominence and growth of the tertiary sector. The industrial sector appears weakened in the wood, paper, chemicals, shipbuilding and metallurgy sectors.

**Potential projects**

- Requalification of areas of activity
- Rehabilitation of commercial zones in the urban fabric
- Business nurseries

The tourism sector is particularly dynamic, but subject to strong competition inside and outside of the region:

- competition between the different destinations of the region (Nice, Cannes, Marseille, etc. ) and the tourism products offered by these territories (reception, leisure, cultural offer, etc.),
- competition with the other territories around the Mediterranean, including on the cruise segment.

The challenge to set itself apart from other Mediterranean cities within PACA and other nearby countries such as Spain and Italy through promoting the tourism sector, developing products and leisure activities, enhancing the cultural industry, improving the hospitality-related businesses (hotels/restaurants).

**Potential projects**

- Upgrading of the tourism offer (rehabilitation of hotels)
- Energy efficiency of tourist/cultural buildings and
- Integration of new technologies in cultural and leisure centres

**Innovation and ICT**

Innovation remains a priority in order to strengthen the knowledge economy by bringing together higher education, research and companies in the territory. The region is also facing a challenge of ICT deployment on its territory to increase its attractiveness to businesses. Although the coastal territories are well served, they are a little less so inland, even if the situation remains satisfactory overall.

To encourage new uses and broadband, the promotion of the information society and in particular the development of "new services and new uses in favour of the economic fabric and of society" constituted a specific measure in the 2007 - 2013 Operational Programme. Faced with needs identified in a region which is organised as a network of urban areas, this measure is still on the agenda.

The PACA innovation diagnosis published in September 2009, shows a satisfactory positioning for the ICT and their link with innovation. The region is the 31st European region for its share of jobs in knowledge-intensive services[13]. This positions it far ahead of Stockholm or of the Ile-de-France region, but next to Rhône Alpes and therefore one of the leaders for the French regions. The diagnosis shows an increase in innovation within businesses through the provision of efficient communication infrastructures.

**Potential projects**

- Development of multimodal hubs
- Mobility platform for employees

**Transport systems to improve by integrating the goals of reduction of environmental impacts**

The regional transport axes remain insufficient and often congested and the region faces major delays in collective and rail transports. This is a major issue to meet the objectives of economic development (in particular goods traffic on the Rhone axe), the development of tourism, and the travel needs of the population.

The challenges of reducing atmospheric pollution require the development of new means of alternative transport (Dedicated Public Transport Corridors in cities, reinforcement of intermodal hubs, etc.) **Transport is therefore a major issue for all the cities of PACA,** particularly for the large metropolitan areas along the coastline.

**Strong pressure concerning the use of resources and the challenges of preventing natural risks**

<u>The controlled use of natural water resources</u>

The water supply is a major challenge for the region. Today, the use of the water is divided between agriculture (irrigation of land), the supply of drinking water, hydroelectricity and industry. 86% of these uses come from superficial resources (watercourses, etc. ), in particular from the Durance and the Verdon. With the climate change and pressure on land in the regional territory, conflicts of use related to water will increase. In effect, water resources are decreasing (consequence of melting snow and the retreat of glaciers). The optimisation of the resource represents a major challenge, especially in urban planning and development projects. This concerns measures to preserve water quality, save water, anticipate climate change with innovative water treatment systems, etc.

**Potential projects**

- Water treatment stations
- Ecodistricts with innovative systems of waste management, water management, etc.

<u>The control of natural risks linked to urbanisation</u>

In the development strategy, the region must take particular risks into account: risks of flooding in the Rhone valley and on the coastal fringes, risks of fire, in particular in the urbanised areas near wooded areas, risk of landslides and avalanches in mountainous areas, risk of erosion and submersion on the hillsides.

[13] PACA innovation diagnosis, September 2009

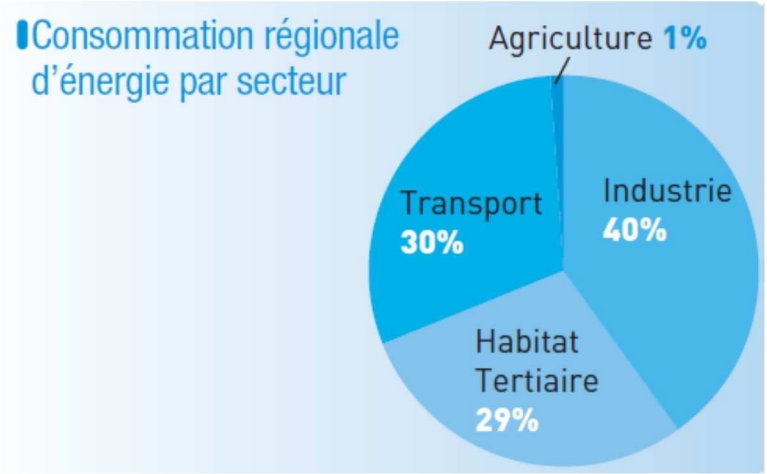
**Major energy issues in a region marked by the specific characteristics of the Mediterranean environment.**

**Potential projects**

- Energy efficiency in buildings
- Projects for the deployment of renewable energy systems
- Demonstration districts with positive energy buildings
- Smart grid

The **promotion of energy efficiency and the reduction of energy consumptions** are relevant topics in the development and land-use planning of the regional territory. These issues concern all the urban territories of the PACA.

The energy balance of the PACA region appears largely negative: the region only produces 10% of the energy it consumes; the question of electricity supply is particularly vulnerable. However, the territory offers a significant potential for the production of renewable energies: solar, wood, wind, hydraulic. Furthermore, the production of greenhouse gases appears high (8.5 Teq CO2/inhab./year), which requires the initiation of an active policy aimed at reducing atmospheric pollution.




*Source: Observatoire Régional de l'énergie, Energy Balance 2011*

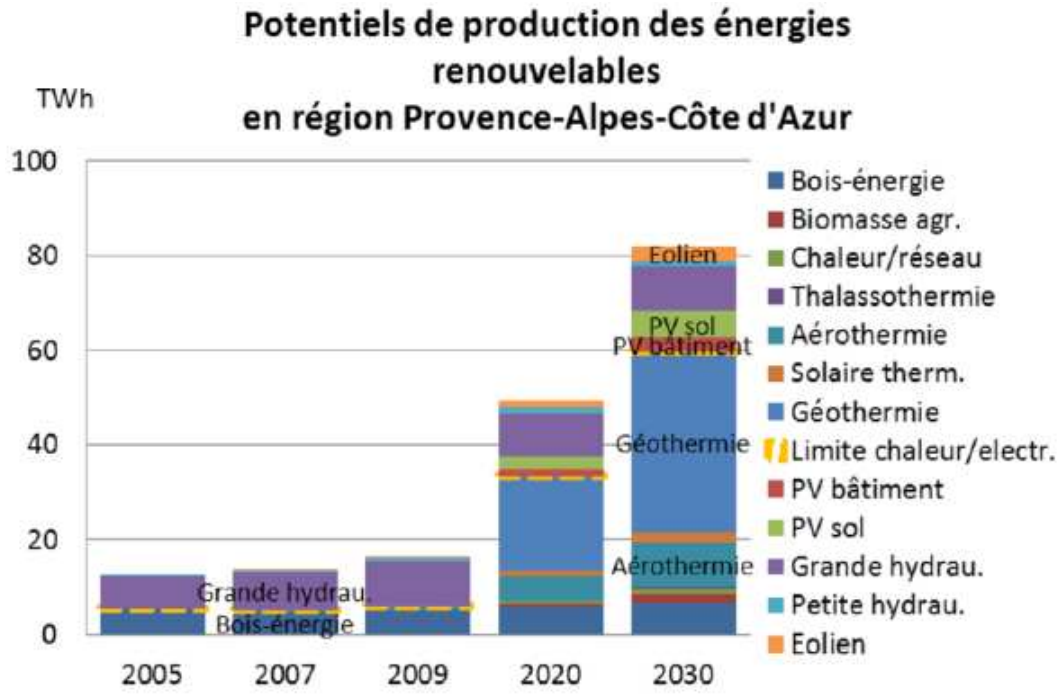
With respect to land use and construction, the Mediterranean climate presents a particular challenge for buildings in terms of comfort during summer. This involves:

- promoting renewable energies,
- controlling energy demand and consumption in a perspective of energy efficiency, by adapting the thermal performance of buildings.

Moreover, the climate change very specifically affects the PACA region:

- Global warming, both in summer and winter, is more marked around the Mediterranean rim, more intense in summer, with an increase in the frequency and intensity of heat waves: increase in the number of periods of 5 to 10 days of "intense heat" (more than 40°) and overexposure of the coastline and the Rhone valley, less exposure of the Alpine territories.
- Decrease in cold spells and increase of intense rainfall in winter.
- Significant decrease of rainfall, especially in the spring in the whole south-eastern area, except for in the Alps.

These developments increase the vulnerability of certain human groups (the elderly), more particularly in the urban areas (heat islands). They require an effort to adapt the urbanised areas, particularly with regard to the energy quality of buildings, or the reduction in consumption of fossil fuels which emit Greenhouse Gas (GHG) related to mobility.




SRCAE Provence-Alpes-Côte d'Azur (2011), Sogreah d'après SOeS, études de potentiel ENR

Whether for transport, industry or the tertiary habitat, the deployment of FIs may in part meet the challenges of reducing energy consumption. Potentially, 99% of the regional energy consumption may be concerned. The housing and tertiary sector appear more easy to deal with, taking into account the projects presented by local actors (energy efficiency of buildings, for example).

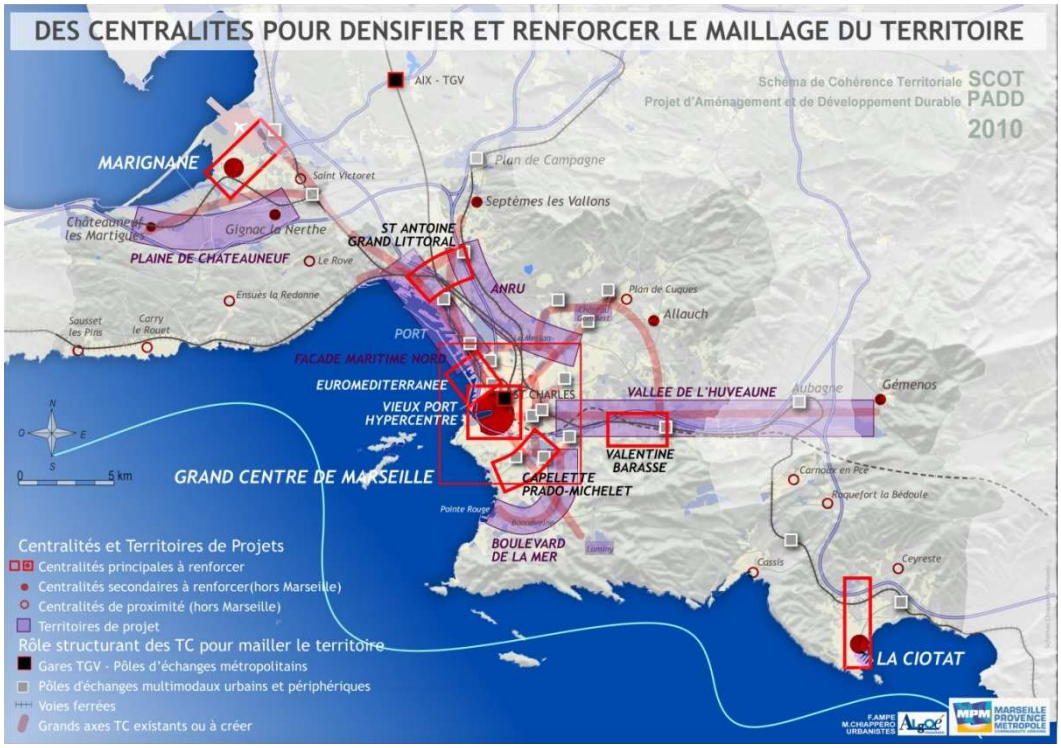
We will later focus on the analysis of **the three large regional cities** which concentrate the majority of the population in the PACA region: Marseille, Nice and Toulon.

**Strategic Objectives fixed in the Sustainable Development Project of the POS (land use plan) of Marseille**

- Creation of 60,000 jobs
- Production of 6,000 housing units with demographic growth of around 60,000 inhabitants

Marseille, along with the city of Aix-en-Provence, has approximately 1.7 M inhabitants. It is the most populated urban area of the Provence-Alpes-Côte d'Azur region. Over the past few years, the city has undergone a substantial economic recovery characterised by growth in employment (+ 3 500 jobs every year between 1997 and 2007[14]), dynamism through the creation of businesses (rate of creation higher than the national rate, i.e. 19.4% as compared to 18.8% for the whole of France), recovered demographic growth (+0.73% between 1999 and 2008), urban renewal triggered by the arrival of the TGV and major urban operations such as Euroméditerranée, the *Zones Franches Urbaines*[15], or the operations of urban and commercial renewal (Terrasses du Port, Dock, Centre Bourse, Capelette, Stade Vélodrome, etc.). The situation of the Mediterranean coastline also plays a decisive role in its development by encouraging the development of a significant port and tourist (cruises) activity. The city enjoys a particularly attractive natural setting which makes it a leading tourist destination. Marseille is also known for its sophisticated scientific and technical expertise, in particular in the area of health (in Lumigny), and optics-photonics (in Château-Gombert).

Despite this dynamism, the city suffers from structural handicaps concerning socio-demographic trends: activity and employment rates among the lowest in France.




[14] After the rebound, consolidate the economic development of Marseille, town planning agency, February 2011

[15] INSEE definition: The *zones franches urbaines* (ZFU) (urban free zones) are neighbourhoods with more than 10,000 inhabitants, located in areas which are sensitive or disadvantaged. Companies operating or which are to operate in these neighbourhoods benefit from a comprehensive regime of exemption from tax and social charges for five years.

**Four areas of urban economic development** (*Zones d'Aménagement Concertées*) were created between 2006 and 2007 in Marseille: Florides, Aiguilles, Empallières and Athélia V, (areas of between 28 and 87 hectares). These are located in key strategic areas which have a potential for economic growth. In a period of economic crisis, when public investment is decreasing and private investment is seeking less risky operations, innovative tools such as the FIs can help to stimulate additional investments in urban development projects.

**10 strategic operations** have been identified in the strategy of Marseille for 2020: **Iter** (scientific project for fusion), **LGV PACA** (high-speed train between Marseille and Nice), **international airport** (renovation of infrastructures), **Euroméditerranée** (extension of the residential centre and offices), projects related to urban dynamics (200 hectares of areas of urban economic development), **Port of Marseille** (extension of infrastructures), **urban transport** (development of the network ), **Universities** (restructuring of buildings and of the heritage in general), **Health** (strategic development plan) and **Culture** (13 renovation projects and 30 construction projects).

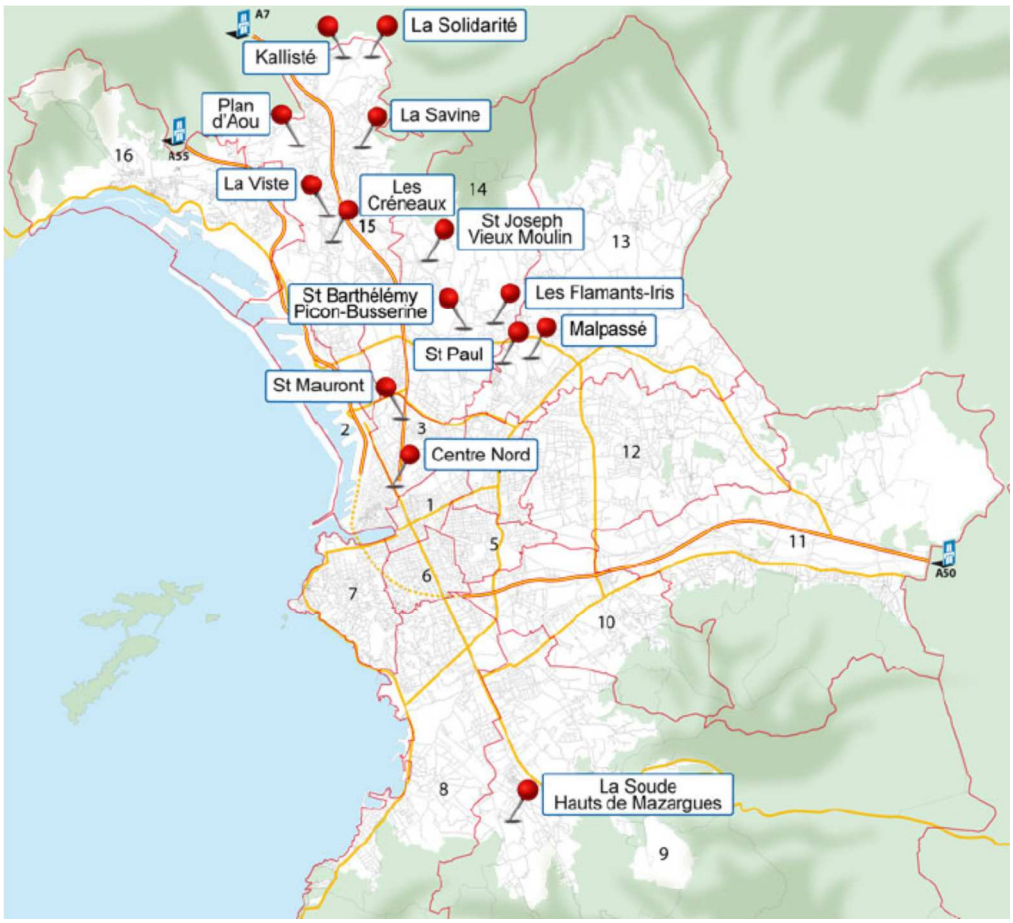
Of these 10 operations, Iter is located in the north outside of the map, the strategic operations of the airport, the port and Euroméditerranée have been localised in addition to the areas of activities, the others are general operations affecting the whole of the territory.

These projects of vast magnitude are strategic projects within the framework of which the urban projects studied for the deployment of FIs could be included. On initial examination, the projects included in the global Euroméditerranée project, those linked to urban dynamics, Health and the Port of Marseille, are potentially eligible. A more detailed description of the projects is made in the analysis of market segments and the project sheets.

In more detail, by considering the sectors which present major social challenges for Marseille, the areas identified as sensitive urban areas are areas where the urban renewal projects are particularly intense. In these areas, the populations show significant social difficulties and the economic activities are sometimes little developed, given the deteriorated social environment. The urban renovation projects in these neighbourhoods have been primarily addressed under the lens of the subsidy up to now, but an evolution of the urban renewal process could be envisaged. In this regard, these territories would be likely to constitute a priority area of action for the deployment of funds.

For information, the areas concerned are the following:

- Marseille:
    - Centre Nord
    - Saint Mauron, Bellevue, Cabucelle
    - Les Hauts de Mazargues
    - Vallée de l'Huveaune : Rouguières, Saint Marcel
    - Air Bel
    - La Rose, Frais Vallon, Le Petit Séminaire
    - Malpassé, Saint Jérôme
    - Saint Barthélémy, Le Canet, Delorme Paternelle
    - Saint Antoine Est: La Savine, Notre Dame Limite
    - Nord Littoral: Plan d'Aou, La Bricarde, La Castellane, Le Vallon, Mourepiane
    - Quinzième Sud: Consolat, Viste Aygalades
    - L'Estaque, Saumaty



**Marseille is confronted with specific constraints in terms of layout:**

- **Major social difficulties** which are reflected in a **phenomenon of territorial and social fragmentation.**
- Difficulties in generating **employment and attracting new activities**. In spite of positive developments over the last few years, the territory still suffers from a lack of jobs in the city area.
- Growing problems of **mobility and accessibility**
- Deteriorating **environmental conditions**: air quality, water pollution, homogenisation of landscapes
- An **overconsumption of space** related to the urban development methods of past decades: difficulties in mobilising land for economic development, equipment, infrastructures.

**The development and land use issues of the Marseille urban area:**

- improvement of the public transport system
- improvement of the housing offer, to cover the needs of a population with a modest income
- urban renewal, development of port facilities
- the quality of public spaces
- the mixture of functions in the urban fabric
- the preservation of the natural and environmental heritage and the quality of life in the urban framework
- Development around sectors with high stakes: energy, green-tech, clean-tech: waste recovery, new materials.

### Issues on the Nice territory

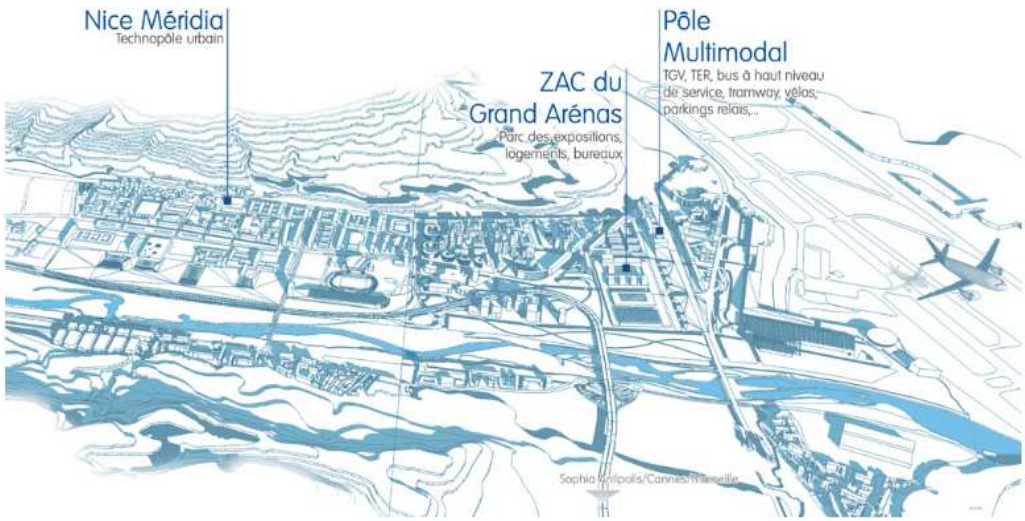
With approximately 1 M inhabitants, Nice is the second most populated area of the PACA region. Its economic development is based primarily on the sector of tourism, trade and construction. Like Marseille, Nice has placed its scientific expertise on biotechnologies. The Sophia Antipolis park is recognised internationally.

Nice has launched a major territory project with the **Eco Vallée / Plaine du Var**, which is part of one of the 2 ONI[16] (Operations of National Interest) developed on the territory of the PACA region (with Euroméditerranée in Marseille). The project responds to the ambition to preserve and enhance a restricted territory, to sustainably develop a strategic territory, and to give impetus to a strong economic and social dynamic across the entire urban area.

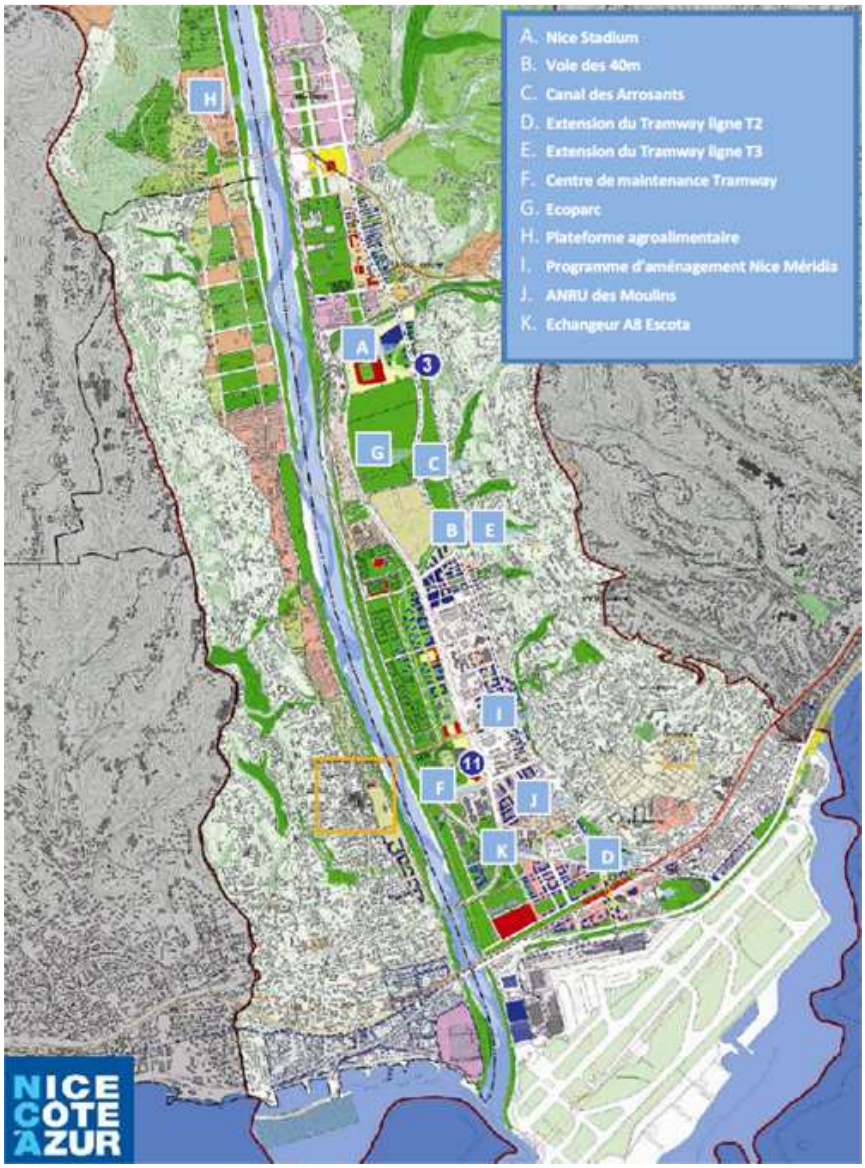
The ONI is structured around 4 major operations implemented by the Public Development Office, some of which are contained within the perimeter of **EcoCité Nice Côte d'Azur**:

- the **Grand Arénas**: future international business centre: exhibition park, housing, offices. The project, developed over 51 Ha, the land of which is controlled at 95 % by the public powers, presents a programme with a usable surface area of 680,000 m² to be built. 1,350 housing units are to be built and 21,000 long-term jobs could be created by this project according to the Plaine du Var ONI.
- The **Nice Méridia urban technohub** of sustainable development: 26 ha, 2,100 housing units, 4,000 jobs planned in the long term
- Agri-food and horticultural platform within the **Baronne-Lingostière** operation: 25 ha with planned extension, 136,000 m² of building capacity, and 1,400 jobs planned in the long term. It is planned to relocate the activities of the national domestic market.
- **Saint Martin du Var** ecodistrict (5 ha, constructible area of 50,000 m² , an estimate of 350 to 400 housing units, approximately 480 potential jobs in the long term)

[16] In an "ONI", the State issues licenses for the use of land, and in particular the building permit. The *Préfet* (representative of the State) decides to create a Joint Development Area (*Zone d'Aménagement Concertées* (ZAC)) in the perimeter in place of local council representatives. These prerogatives of the State reflect the importance of urban development in this area.




**Premières opérations de l'EPA ©EPA**



The ONI, implemented by the Plaine du VAR Public Development Office, allows to reinforce the attractiveness of the urban area by optimising the many assets of Nice:

- **Its positioning as a tourist destination** : Nice is ranked among the top tourist destinations in the world. Nice also ranks 2nd in the tourist destinations of France, after Paris.
- **Its international renown**. The population of Nice has over 190 nationalities. Among the French airports, Nice takes 2nd place in terms of traffic with nearly 10 M passengers per year, thereby making the Nice Côte d'Azur urban area the 2nd point of entry into France. This positioning sets Nice apart from other Mediterranean cities such as Gênes or Marseille.
- Its economic model based on the production of **high-quality services** in the field of tourism, high technology, sciences, biotechnology and health.
- Its **excellence in the field of research** ranks it internationally with the presence of many R&D centres of major international groups but also public research structures. The Sophia-Antipolis scientific park is among the top parks of Europe. Nice also has 7 competitiveness clusters, bringing together companies working in a network across the entire urban area. These competitiveness clusters provide the actors involved with privileged access to information on the sectors represented, visibility on the international or domestic markets, within the framework of calls for tenders for specific projects, access to funding to develop projects supporting the local economy and innovation:
  - The world leading Secure Communications Solutions: Information and communication technologies. The cluster has 19 members on the territory of Nice. The major theme of the cluster is the application of ICTs to Health.
  - Eurobiomed: it is active in 4 areas (infectious and tropical diseases, the treatment of rare neurological illnesses or which are linked to ageing, the diagnosis and immunotherapy of rare cancers, medical devices and bio-engineering). It has 9 member companies on the territory of Nice.
  - The Cap Energie cluster: focuses on the energies of the future, which do not generate greenhouse gas, allowing to meet needs while preserving the environment and the climate. The scope of the cluster covers 7 areas: control of the energy demand, solar, wind, hydraulic, biomass and hydrogen, fission and fusion. 12 companies in the urban area are members.
  - The globally renowned PACA Sea cluster has chosen to carry out its action on five themes: maritime security and safety, naval and nautical, marine energy resources, the environment and development of the coast. 7 companies in the urban area are members.
  - The Pégase (aerospace) cluster. The cluster anticipates the evolution of social needs linked to aviation and space activities with respect to protection, surveillance, communication, the transport of goods and people, envisaged under the angle of sustainable development (drones, aircraft, light aircraft, electric aircraft, heavy lift aircraft). 12 companies in the urban area are members.
  - The perfume cluster, aromas, scents, flavours (chemistry). Its ambition is to become a major Europe cluster for the characterisation and assessment of ingredients of perfumes, aromas, cosmetics and food products within the restrictive framework of growing regulatory requirements. 10 companies in the urban area are members.
  - The risk management and vulnerability of territories (risk monitoring) cluster. The Risks cluster studies, foresees and manages the risks specific to the Euro-Mediterranean basin with major collaborative projects such as the Euro-Mediterranean Risk Centre (*Centre Euro*

*méditerranéen sur les Risques (CEMER)).* It also approaches the European market under the angle of the control of industrial risks and risks generated by the innovative technologies. 7 companies in the urban area are members.

In the same way as Marseille, the areas identified as sensitive urban areas are areas where the urban renewal projects are particularly intense. In Nice, they are located in:

- Saint Augustin
- Saint Charles, Saint Augustin, Pasteur, Mont Gros
- Trachet
- L'Arian

Nevertheless, the territory is also subject to major development constraints:

- The general planning of projects must still be consolidated in order to avoid the overconsumption of space.
- The need for a development master plan to avoid the erosion of the landscape and which will be a support for the prosperity of the territory.
- The major socio-economic disparities.
- Insecurity in the urban area in terms of energy supply with a power system based on a single very high-voltage line (400,000 volts). In the event of an incident (damaged pylon, for example), the urban area is deprived of electricity. A problem with the transport of energy is therefore identified. Only 10% of the energy consumed is produced locally, the local means of energy production are insufficient and must be developed to be upgraded.
- The risk of increased competition from new tourist destinations (ex: Croatia, Montenegro, etc.), which could potentially reduce economic growth in the hotel and tourism sector.
- The low visibility at an economic level on "the knowledge economy" and "clean techs". In effect, the network of economic actors is well integrated (see description of clusters above), but it is difficult for external economic actors to understand their operation (positioning of suppliers, intermediaries, end consumers).

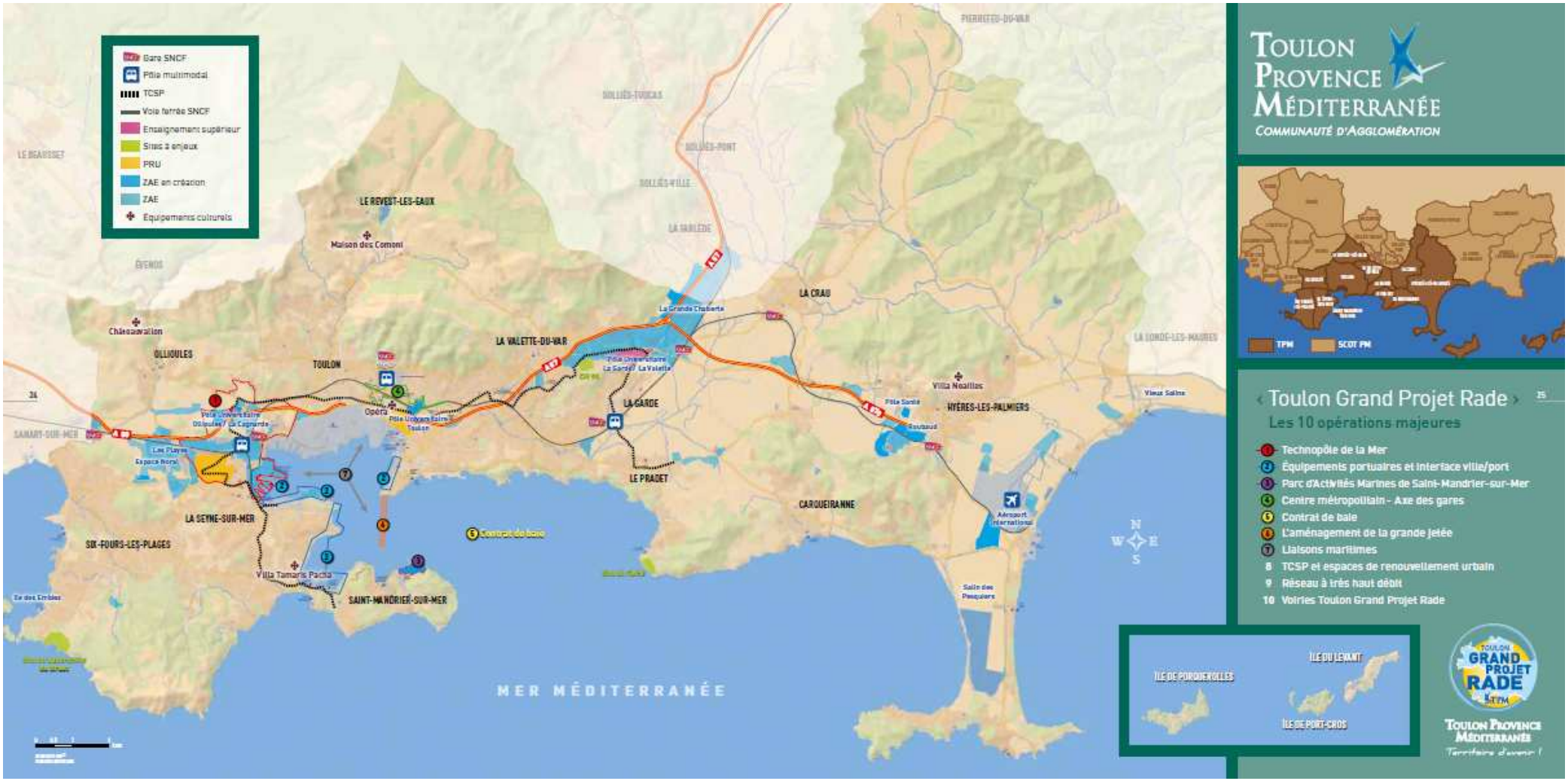
**The development issues of the Nice urban area**

- The control of urban development, and the optimal use of land in the city
- The preservation and optimisation of the landscape and natural heritage of the region
- Control of energy, both in terms of production (promotion of renewable energies) and consumption (energy efficient buildings, ecodistricts, etc.).
- Economic development (business tourism, sectors of excellence, port operations) to position Nice as an international metropolis.

### Issues on the Toulon territory

Toulon is an important economic centre in the PACA region, situated between Marseille and Nice. With a population of 500,000 inhabitants, a strategic position on the Mediterranean, Toulon Provence Méditerranée has the potential to offer high living standards and a solid job base. The first French military base, Toulon benefits from interconnections between defence technology and several clusters including, in particular, the PACA Mer cluster, the aeronautic and space cluster, Cap

Energie and Eurobiomed (see description above) and the Optitec cluster. The Optitec cluster brings together a system of companies working on the themes of optics, phototonics and complex systems. The urban area community has implemented an ambitious project around the Toulon bay. The **"Toulon Grand Projet Rade"** (Toulon major bay project) focuses on **10 urban operations** which should act as levers for the economic development and urban renewal of the territory. These 10 operations are described in the map below.


Gare SNCF
Pôle multimodal
TCSP
Voie ferrée SNCF
Enseignement supérieur
Sites à enjeux
PRU
ZAE en création
ZAE
Equipements culturels
TOULON PROVENCE MÉDITERRANÉE
COMMUNAUTÉ D'AGGLOMÉRATION
TPM
SCOT PM
Toulon Grand Projet Rade
Les 10 opérations majeures
1 Technopôle de la Mer
2 Équipements portuaires et interface ville/port
3 Parc d'Activités Marines de Saint-Mandrier-sur-Mer
4 Centre métropolitain - Axe des gares
5 Contrat de baie
6 L'aménagement de la grande jetée
7 Liaisons maritimes
8 TCSP et espaces de renouvellement urbain
9 Réseau à très haut débit
10 Voiries Toulon Grand Projet Rade
LE REVEST-LES-EAUX
Maison des Comoni
EVENOS
Châteauvallon
OLLIOULES
TOULON
LA VALETTE-DU-VAR
LA GARDE
LE PRADET
LA CRAU
CARQUEIRANNE
HYÈRES-LES-PALMIERS
Villa Noailles
Opéra
SANARY-SUR-MER
LA SEYNE-SUR-MER
SIX-FOURS-LES-PLAGES
Villa Tamaris Pacha
SAINT-MANDRIER-SUR-MER
Contrat de baie
MER MÉDITERRANÉE
ÎLE DE PORQUEROLLES
ÎLE DU LEVANT
ÎLE DE PORT-CROS
TOULON GRAND PROJET RADE
TOULON PROVENCE MÉDITERRANÉE

- **The Technopôle de la Mer**: This is the development of a technological activity centre which is to serve as the anchor site for the Sea cluster. The development of the site is in line with the cluster logic, by promoting the installation of high added-value businesses, the hosting of research structures and laboratories, along with university structures and information centres. Once completed, the 200,000 m² is to accommodate 5000 employees and 1000 students.
- A **metropolitan activity and business centre** in the city, around the TGV station. The project includes the development of offices, public facilities and housing over 42 hectares.
- **Port projects** which aim to rethink the interface between the city and the port, by reinforcing their articulation.
- **The marine activities park in Saint Mandrier-sur-Mer**, intended for the professional yachting sector and marine and submarine high technologies.
- **The bay contract**: regulatory framework to promote environmental objectives among different cities and regions with, for example, water standards and the protection of marine ecosystems.
- **The refurbishment of the Grande Jetée of Toulon**: a military dock which is 1200 metres long, protecting the bay.
- The **development of maritime connections**
- **Urban renewal and collective public transport platforms** (deployment of Public Transport on dedicated sites)
- The **development of the high-speed network**
- **Improvements to roads**

In addition to these projects, as in Marseille and Nice, the urban renewal areas are:

- Centre Ancien
- Le Beaucaire
- Le Jonquet, La Baume, Le Guynemer
- Sainte Musse

**The development issues of the Toulon urban area**

- The urban renewal in the city centre and the creation of a business centre in Toulon (land optimisation, development of offices, housing)
- The development of housing (in particular public transport on dedicated sites)
- The redevelopment of the harbour front and optimisation of the port
- The optimisation of the military and defence functions of Toulon in the economic development of the territory
- The optimisation of the landscape heritage in urban projects
- Energy control (decrease of energy consumptions, promotion of renewable energies)
- The control of natural risks, in particular high risks of flooding

### Other regional urban areas

Other urban areas also stand out in the PACA region, such as Avignon, which is undergoing rapid population growth: the population of the urban area increased by 80 % between 1962 and 2008. This growth mainly affects the outskirts of the urban area, including the towns of Orange, Carpentras and Cavaillon. Urban areas such as Grasse, Fréjus, Draguignan or Menton-Monaco could host projects eligible for the deployment of a FI, subject to interest shown by private actors, who tend to focus on urban areas with a minimum critical size.

In particular, projects for economic development and urban renewal have been identified which could be part of the pipeline of projects which could benefit from the intervention of a JESSICA-type FIs, provided they are eligible for the ESI Funds.
These types of projects are examined later in the report for their inclusion or not in the project programme which could be supported by FIs.

- revitalisation of industrial sites (Grasse, Cannes)
- creation of business nurseries (Avignon, Grasse, Sophia Antipolis, Cannes… )
- refurbishment of military bases (Roquebrune)

The small urban units of the PACA region also face specific problems: the mid-mountain resorts are losing their attractiveness. To maintain their development, an upgrading of the offer of services and facilities (rehabilitation, adaptation to new needs) is necessary even though these communities are facing shortfalls in funding, both public and private .

For these areas, an additional constraint is added in order to qualify for the deployment of a FI: availability of technical support staff. Communes with few inhabitants have a reduced administrative workforce, which must give priority to local issues, such as the examination of building permits, for example. In the light of these constraints, the time available for training and raising awareness on European thematic often fail them.

### The territorial distribution of urban development issues

The urban development issues are distributed across the Region mainly in areas which are experiencing rapid growth (Marseille (0.7%), Nice (0.4%), Toulon (0.8%), Avignon (1%), 0.4% for the PACA region). Most of them are located along the coastline, and this pressure is therefore localised near the sea (for more information, refer to the context elements presented above and to the maps on pages 7 and 8).
Within these urban areas, the needs for support for urban development are as much urban as suburban. The pressure is so strong that all cities show a need for the development or renovation of their districts.

Marseille, due to both the composition of its population and its urban organisation, accumulates strong social issues , which is why many urban renewal programs are developed in the area. Environmental issues are also present in this area with a concentrated population, where the treatment of waste and energy management is particularly difficult.

Nice has the opportunity to address some of its urban development issues through the EPA Var Plaine development programme, which combines both economic and environmental issues. In effect, according to this development programme, it is planned to develop many economic programmes (offices, business incubators, National Interest Market, etc.) in an approach which takes sustainable development into account as a priority (Sea Water Air Conditioning Loop, smart grid, "green" buildings, etc.).

Nice and Toulon also have social issues, but on a smaller scale than Marseille, given that they have fewer areas bringing together disadvantaged populations.

Issues related to urban development projects in the rest of the territory of the Region, whether in rural areas or concentrated areas such as Gap and Digne-les-Bains, have not shown any projects compatible with the deployment of FIs at this stage, probably partly due to the reasons outlined in the previous paragraph .

## 1.2. Institutional framework of urban planning

One of the criteria for the inclusion of FIs is the compliance of the project with an "**integrated sustainable development plan**". This criterion was established for the 2007 – 2013 programming period. The project portfolio established in this study was implemented with this aim in order to validate the fact that at least 5% of ERDF resources will be used for sustainable urban development.

Generally, it could encompass the three following ideas:

- A **cross-thematic and interconnected approach**, based in particular on the three pillars of sustainable development. For example, an "ecodistrict" project aims to generate positive externalities in terms of economic development, social cohesion and environmental balance in urban areas.
- A **territorial approach** involving different institutional and geographical levels allowing toimplement strategies to reduce the disparities between certain districts. (NB: this approach would meet the objective of the EU 2020 strategy on reducing inequalities between territories);
- A **strategic approach** which guarantees that the financed project is part of a set of consistent and coordinated actions, to avoid risks of ineffectiveness in the event of the juxtaposition of independent and unconnected actions. This is part of a matching and integration of the project to one or more local or regional strategic documents.

As shown by the Nord-Pas-de-Calais study performed in March 2011, in France there is a range of strategic documents deployed at a national, regional, intercommunal and communal level, which can focus on a single theme (e.g.: transport, housing, economic development) or address a range of themes in a logic of sustainable development (Regional development and sustainable development plan). The analysis of these projects on a case-by-case basis with respect to their inclusion in these strategic documents will enable to validate the compliance of these projects with the requirement of "compliance with an integrated sustainable development plan".

In order to analyse the compliance of projects with the different strategic documents, a brief presentation of their architecture in the PACA region is presented below. The general operating

characteristics of urban planning in France is similar across all French regions. The diagram below illustrates this:

Source: diagram of the Nord Pas de Calais JESSICA study, BEI-PWC March 2011

**Explanation of abbreviations:**

| | |
|---|---|
| PDU | Programme de déplacements urbains (urban travel programme) |
| PEDMA | Plan d'élimination des déchets ménagers et assimilés (plan for the elimination of household and similar waste) |
| PLH | Plan local de l'habitat (local housing plan) |
| PLU | Plan Local d'Urbanisme (Local urban plan) |
| SAGE | Schéma d'aménagement et de gestion des eaux (water development and management plan) |
| SCOT | Schéma de cohérence territorial (territorial development plan) |
| SDTAN | Schéma directeur territorial de l'aménagement du numérique (territorial masterplan for digital development) |
| SRADT | Schéma régional d'aménagement du territoire (regional plan for territorial development) |
| SRCE | Schéma régional de cohérence environnemental (regional plan for environmental coherence) |
| SRT | Schéma régional des transports (regional transport plan) |

- **At the level of the State**

Two territorial development directives (DTA) exist in the PACA region: The DTA Alpes Maritimes and the DTA Bouches du Rhône. The territorial development and sustainable development directives are strategic town planning documents which allow the State to establish certain obligations with respect to development.
The State also intervenes in the PACA region through ONI (Operations of National Interest):

- The Euroméditerranée ONI in Marseille
- The Eco-vallée Plaine du Var ONI in Nice

These are major development operations to which a specific legal framework applies, as the State retains control of the town planning policy in these areas. The State (and not the communes) issues the land occupation permits and decides on the setting up of a ZAC (joint development area). Public development establishments (EPA) provide the operational structure under the authority of the State responsible for carrying out land use and development operations.

- **At the regional level**

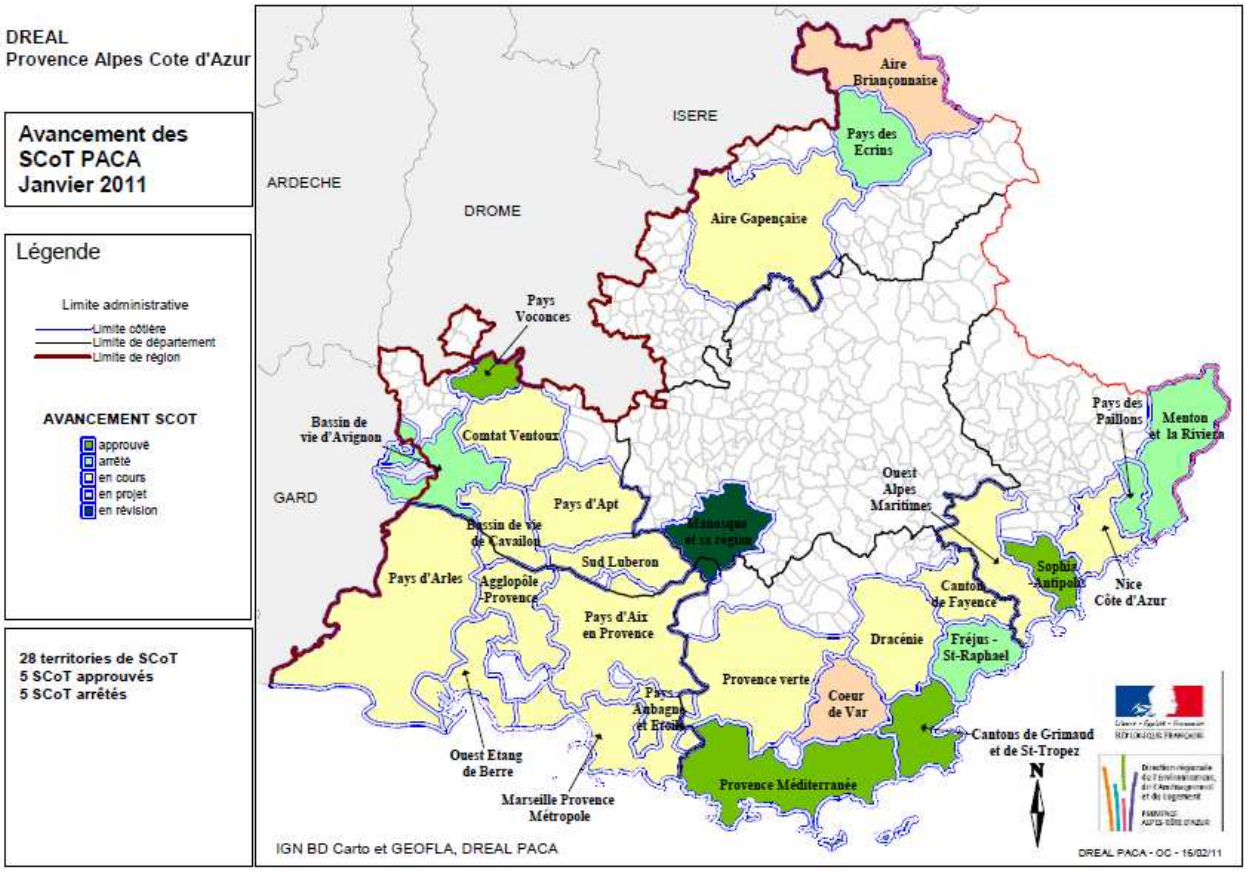
The regional strategy with respect to development is defined by the SRADT (regional plan for territorial development) established and steered by the PACA Region. This document is currently under revision. Within this framework, the strategic and prospective diagnosis of the region has already been carried out. Other strategic documents support targeted thematic:

- **SRDE**: Schéma régional de Développement économique (regional economic development plan)
- **SRIT**: Schéma régional des Infrastructures et des Transports (regional plan for infrastructures and transport)
- **SRCAE**: Schéma régional du climat, de l'air et de l'énergie (regional climate, air and energy plan): concerns control of the energy demand, the fight against atmospheric pollution, the development of renewable energies, the reduction of greenhouse gas emissions and adaptation to the expected effects of climate change.

The Operational Programme and the CPER (State-Region Contract Plan) must take into account the strategic guidelines fixed by the SRADT. Details of the strategic guidelines of these two contractual documents are provided in annex.

- **At the intercommunal and local level**

Operational approaches which comply with the regional strategic documents are established within the SCOT (territorial development plan) and PLU (local town planning plans). In the PACA region, since the entry into force of the SRU act establishing the SCOT (April 1, 2001), 28 SCOT perimeters have been defined (fixed or extended). All these perimeters cover 566 communes, of which 560 PACA communes, and a regional population of nearly 4 M inhabitants (i.e. 89% of the region). (Source: DREAL).




***NB: For more details on the structure of strategic planning in France, we refer to the study Nord Pas de Calais JESSICA study. The major orientations of the main strategic documents in the PACA region are also detailed in the appendix of this document.***

### The procedure allowing an integrated sustainable urban development

Three types of approach are identified as promoting an integrated sustainable urban development. These approaches, implemented at national level, are also applied locally in the PACA Region.

### Article 55 of the Act relating to Solidarity and Urban Renewal (SRU)

This article of the SRU Act, adopted in 2012, requires that communes with over 3,500 inhabitants in an urban area with more than 50,000 inhabitants, develop at least 20% of social housing in the interests of social integration and sustainable development.

A draft bill is currently being examined which provides for an increase of the rate to 25% and the broadening of the territories concerned, which would allow for a greater impact of the act on the national territory.

This approach allows urban renewal to include more disadvantaged populations in more privileged districts when there are new constructions. Even if certain communes prefer to pay fines rather than to apply this law, it is generally adhered to by both the public and private sector. Ultimately, the aim is a move towards social diversity. Private developers have incorporated this approach in their

construction through urban blocks and in very dense areas through buildings. It is therefore a vertical social diversity supported by the private sector which is developing within neighbourhoods.

The urban areas of Marseille, Nice, Toulon and Avignon must abide by this law but apart from these four major cities, the other urban units are smaller, and therefore currently unaffected by this law.

**The ZAC (joint development zone) procedures**

The procedures of creating ZAC, thereby allowing local authorities to require that private operators who develop operations in these areas, in specific perimeters defined by them, participate in the creation of public facilities specific to the requirements of the ZAC.

The public facilities programme is defined with the local authorities concerned, which render an opinion on the principle of the creation of these facilities, their incorporation into their heritage and, where appropriate, their participation in financing the programme.

Therefore, the definition of these perimeters allows local authorities to define the facilities which will be adapted to the urban development in advance.

These procedures are practised by the communes of the PACA Region.

**The National Office for Urban Renewal (ANRU) and urban renovation programmes**

The ANRU is the main national establishment which intervenes in the urban renovation of sensitive urban areas. The projects developed are developed by local authorities (mainly communes) and are subject to an agreement which brings different partners together in the urban renewal project. Through this mechanism, the coordination of both public and private actors allows the implementation of a joint development strategy for the neighbourhood and to thereby gain added value by showing a strong desire for social change in deprived area. After the intervention, the physical modification of neighbourhoods allows the creation of added value.

The agreements focus on different topics, whether urban, social or economic. In addition to building programmes, themes such as local urban management and the integration of local populations through buildings works, development and improvement are broached. Although difficult to implement, these articles included in the agreements reflect a desire for integrated and sustainable development.

*

This analysis shows a large potential project portfolio. These potential projects constitute urban projects which are fully "integrated" within the meaning defined by the European Commission, i.e. which meet the objectives of several strategic or operational planning documents. These projects, if they are supported by FIs, could help to reach the strategic objectives defined by the region. Among these objectives, the objective which indicates the allocation of at least 5% or the ERDF to sustainable urban development projects could be met through these projects. However, this estimate should be validated according to the evolution of future regulations.

**The Nice Côte d'Azur urban area and the Marseille urban project, a means of consolidation of public action, in particular European, on the territory.**

On June 5, 2013, the Senate gave the go-ahead for the "Aix-Marseille- Provence" urban project, which provides for the fusion of the different intercommunal bodies of the territories around Marseille and a redefinition of the areas of competence of the new structure. The draft bill intends to consolidate urban dynamics by affirming the role of urban areas, in particular that of Aix-Marseille-Provence, by providing them with a specific framework. By January 1, 2015, a public institution should be operational, if the draft bill is confirmed.

According to the draft bill, "All the competences transferred by the communes of the EPCI (public intercommunal cooperation establishments) integrated in the perimeter of the Aix-Marseille-Provence urban area are exercised over its entire perimeter or, if the executive body of the Aix-Marseille-Provence urban area so decides within a period of six months following its first meeting, will be subject to a restitution to the communes". It is not possible at this stage to foresee the competences which will be returned to the communes (if this is the case), all the more so given that local adhesion to the project has not yet been completed. It is likely that the competences which have already been transferred to the EPCI will remain community competences, but this assumption will have to be validated as the project takes shape.

The market segments covered in this study are intended to ensure a better functioning both locally and regionally. These segments concern different themes such as economic development, transport and energy. The transfer of all competences to the future Urban Area could consolidate the deployment of funds. In effect, a single point of contact, provided that it has adequate skills on all of the themes dealt with, is more likely to aid the creation, at least locally on the urban territory, of an urban development fund.

The administrative organisation of Nice urban area already allows to give a partial vision of what the establishment of a single point of contact at the level of the urban area could bring. The Europe Department constitutes the entry point for the coming together of the European approach and local deployment. This department is then responsible for disseminating information to the other departments (development, transport, town planning, etc.).

## 1.3. Review of the 2007 – 2013 programming period

This part of the study consists in exploring and analysing the support approaches of the projects implemented in the Provence-Alpes-Cote d'Azur region in the framework of the ERDF, over the last programming period. The capitalisation exercise carried out does not consist in a comprehensive assessment of all the projects. It aims to put into perspective the different elements of analysis shown at the end of the programming period and to identify the essential points that can enlighten the final recommendations as to the establishment of a JESSICA-type mechanism.

It is therefore intended to provide mainly qualitative data which will contribute to:

- Analysing the distribution of European appropriations according to the 5 strategic axes of the Operational Programme
- Analysing the degree of involvement of private actors as project managers and putting into perspective the Leverage Effect of the ERDF funds injected
- Highlighting the shortcomings observed during the previous programming period, as well as the areas in which a FI could intervene, replacing the subsidy system.

### Distribution of funds by strategic axis

The directions of the strategy of the ERDF Operational Programme in the PACA region have been defined to closer match the objectives of the Lisbon and Gothenburg strategy. In addition, the ERDF program and the State-Region Project Contract are closely linked. The Operational Programme overlaps a large number of regional strategic documents (Regional Innovation Strategy, for example)

A total ERDF envelope of **€302,234,812 Euros**[17] (for a total cost of projects of €793M Euros) has been distributed according to 5 strategic directions:

- Axis 1: To promote innovation and the knowledge economy
  - Strengthen the capacity of research at the service of the economy (€28M)
  - To strengthen networking and partnership platforms (€22 M)
  - To develop major strategic R&D projects (€25 M)
  - To support innovation projects of SMEs and Micro-businesses with high potential (€11 M)
  - To structure and animate the Regional innovation network (€17 M)

- Axis 2: To develop businesses and the information communication technology (ICT) society to improve regional competitiveness.
  The objective is to increase their density by promoting a dynamic of business networks and by encouraging the pooling of experience among businesses, synergies and overall innovation. At the same time, it is about developing accessibility and widespread appropriation of ICTs in the economic and social fabric, to strengthen regional competitiveness and innovation and also to encourage solidarity between territories and between individuals (social and territorial cohesion).

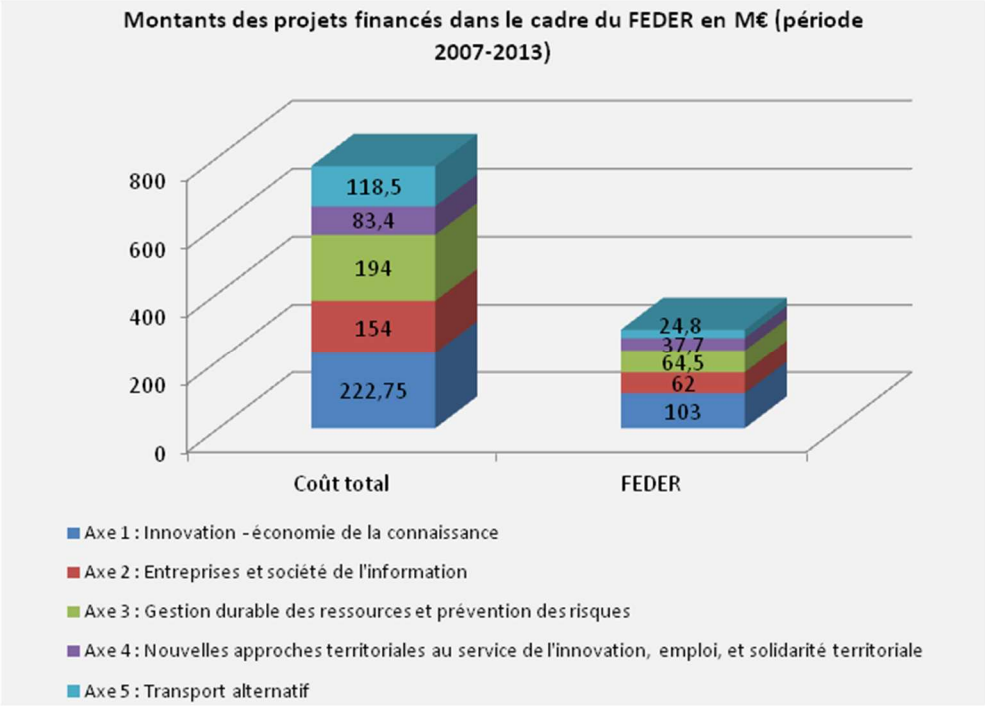
[17] ERDF PACA Operational Programme 2007-2013

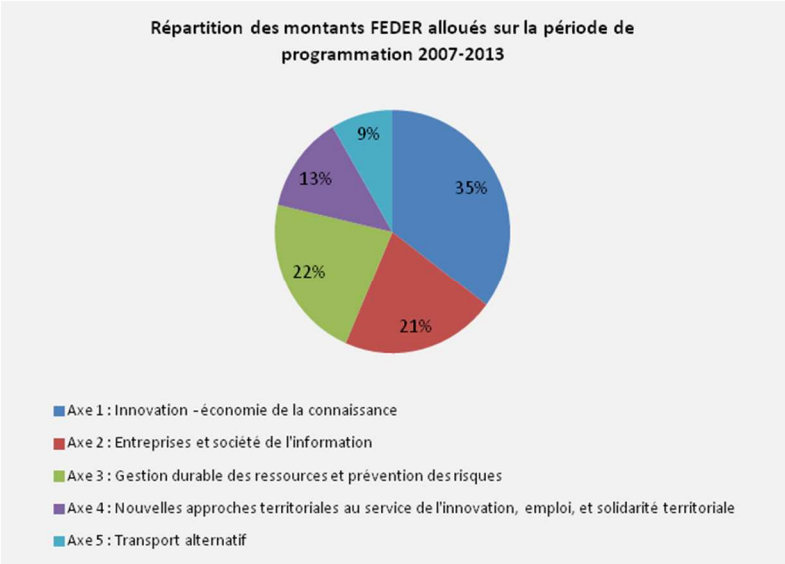
These first two guidelines should contribute to strengthening the competitiveness of the region by developing a knowledge economy and innovation.

- Axis 3: Sustainable management of resources and prevention of risks (energy management, valuation of biodiversity and landscapes, sustainable production and consumption, risk prevention and management).

- Axis 4: New territorial approaches at the service of territorial innovation, employment and solidarity (fight against the spatial disparities within towns and with rural areas).

- Axis 5: To develop alternative transport modes to the road for individuals and economic activities.






- **77% of the ERDF funds** allocated concern projects located in an **urban centre** (€231 M ERDF). The funding allocated in rural areas amounted to €71 M .

## "Leverage effect" and private sector co-investment by thematic axis for the 2007-2013 period

| (in millions of euros) | ERDF resources | *ERDF co-financing rate %* | OP resources | Private sector resources | Total project costs | *%** |
|---|---|---|---|---|---|---|
| **Axis 1: Innovation - knowledge economy** | 103 | *46,24%* | 222,75 | **16,75** | 239.5 | *233%* |
| **Axis 2: To develop businesses and the information societies to improve regional competitiveness** | 62 | *40,26%* | 154 | **34** | 188 | *303%* |
| **Axis 3: Sustainable management of resources and prevention of risks** | 64,5 | *33,25%* | 194 | **28,8** | 222.8 | *345%* |
| **Axis 4: New territorial approaches serving innovation, employment, and territorial solidarity** | 37,7 | *45,20%* | 83,4 | 0 | 83.4 | *221%* |
| **Axis 5: Alternative transport** | 24,8 | *20,93%* | 118,5 | 0 | 118.5 | *478%* |
| **Axis 6: Technical assistance** | 10,2 | | 20,5 | | 20.5 | *201%* |
| **TOTAL** | **302,2** | ***38,11%*** | **793** | **79,55** | **872.7** | 289% |

* % = Leverage Effect (see glossary)

**On axis 1** (innovation and knowledge economy), the projects (R&D and innovation projects) attracted EUR16.75m private funds resulting in a leverage effect on ERDF resources of 233%. The State was the main funder of research facilities, and private co-financing remained minority.

Among the projects are identified projects supporting business incubators, competitiveness clusters or PRIDES, associations supporting the development of technohubs, activity hubs: the IMPULSE interuniversity incubator, Multimédia in Marseille, the PACA Est incubator, PEGASE, the Sophia Antipolis association, and others. The projects focus on support to business incubators, support for operation, action programmes related to the deployment of innovation. Certain subsidies were also provided to support projects which could be subject to JESSICA funding: the extension of the CREATIVA business incubator promoted by the SEM CITAIS illustrates this point. However, a minority of projects dedicated to the setting up of infrastructures or facilities is noted.

It should be noted here that two types of FI were established in the PACA region which resulted in a Leverage Effect of 233%for axis 1:

- A first **"PACA Investment"** mechanism which includes private co-financing with the SMEs in the seed, start-up and development phases. The co-financing fund established at the initiative of the Region, mobilised, for equal amounts, regional funds and ERDF funds for 15 M Euros. It allows to co-invest in innovative SMEs for a maximum amount of 50% of public funds in partnership with a capital investor.
- The **JEREMIE** mechanism (*Joint European Resources for Micro to Medium Enterprises)* was also set up to respond to the issues of access to finance of SMEs through favourable term conditions such as lower interest rates and longer repayment terms. Endowed with €20 M Euros, the structure receives € 10 M of regional funding and €10 M Euros under the ERDF. By the end of 2015, it will generate a volume of loans of €121 M Euros.

**Axis 2** (to develop businesses and the information societies) mobilised 21% of ERDF funds. The ERDF had a Leverage Effect of 303%. These concern the support of major investment projects of large companies, support to clusters (Sustainable Mediterranean Buildings, Wood and Construction, Cap Energies, COSMED, PEGASE, CETIM, Sud Image, PACA Logistique, CRESS PACA, Eurobiomed, the Perfume, Aromas, Scents cluster, the cultural industries and heritage cluster, personal services cluster, SCS cluster, Popsud, Trimatec, etc.) and the development of digital services.

**On axis 3** (sustainable management of resources and prevention of risks), consequent private investment has been mobilised: private co-financing represents 15% of the total amount of projects and the leverage effect is 345%. These projects concern: the rational use of energy and the development of renewable energies clusters and the implementation of sustainable modes of production and consumption. Much aid has been granted to social housing.

Among the projects funded, some correspond to market segments covered by the FI:

- The establishment of a **ChP heating plant** in Aix-en-Provence, in Briançon, in Saint André lez Lille
- The establishment of a **district heat network** by the Urban Heating Company of the Toulon Area
- **Thermal rehabilitation of housing** managed in particular by the social housing bodies. **16 projects** have been carried out, mainly in Marseille, but also in Salon de Provence, Aix-en-Provence, La Garde, Toulon, **for a total amount of €30.2 M Euros, 26% of which privately co-financed.**
- Construction of a **methanisation unit** in Isle-sur-la Sorgue

Over the 2007-2013 programming period, 5 revisions of the operational programme have taken place in the PACA region. The fifth revision is currently in progress. These modifications mainly concerned the implementation of new measures in relation to specific requests:

- Creation of a line dedicated to FIs from 2009 onwards to allow the deployment of a JEREMIE investment fund and PACA Investment
- Re-launching of the ADEME subsidy lines for energy efficiency projects and the production of renewable energy.

These changes show, on the one hand, the willingness of the Region to put the FIs in place and, on the other hand, the strong demand on energy projects.

It should also be noted that there has been a modification related to the non-consumption of EAFRD lines, in particular on measures related to water.

### Lessons for the future programming period and the setting up of a Financial Instrument

i. Based on the study, the review suggested that private co-financing has mainly concerned projects related to the **economic competitiveness of the territory:** financing of R&D projects, innovation projects, businesses. Among them, a few incubator or corporate centre projects could correspond to FIs or UDF type funding.
ii. Projects related to the energy performance of buildings were funded by subsidies over the 2007-2013 programming period. They could be the subject of an intervention of the future FI.
iii. Due to the constraints linked to the operation of the ERDF (incurring of expenses before reimbursement via the subsidy), **promoters of small projects**, without great financial capacity, were not able to access European funds, despite having innovative projects that contributes to the objectives of the regional strategy. The strategic directions for the future fund must take these promoters of small projects into account. The subsidies were concentrated on aid of a minimum of €100,000. Projects presenting costs lower than these amounts were not considered, for reasons of administrative and financial management. In parallel, the ADEME partly made up for the deficit on small projects with a lower minimum level of intervention of €50,000.

iv. In the same way, **cultural programming projects** were unable to benefit from the ERDF due to administrative and financial burdens. However, they have real needs for funding, in particular for projects such as the digitalisation of cinemas, or the organisation of cultural events (the Festival d'Arts Lyriques of Aix en Provence). There is also a strong demand on the renovation or construction of cultural buildings (theatres).

## 1.4. The use of Financial Instruments in the PACA Region

### JEREMIE

A JEREMIE investment fund allowing access to the financing of micro and small and medium enterprises (SMEs) was set up in December 2012 with the signing of the operational agreement with the BPCE group. €20 M Euros are made available to small businesses in the PACA region through a participation fund funded at 50% by the ERDF and 50% by the Region.

At the origin of the establishment of the FI, the Region has confirmed its willingness to provide a possibility of supplementary financing to businesses on energy aspects (production of renewable energy) which represent an important regional issue. An exchange between the Region and the EIB helped to reorient the request toward the study of the JEREMIE instrument. The main point which drew the attention of the region was the broad scope of eligibility available to finance innovative businesses.

Therefore, the fund has been established with the assistance of the European Investment Fund, after having met the different banks who had been identified as a potential operator. The bank chosen is the only bank who has filed its application.

The professionals and businesses which are eligible for the JEREMIE mechanism in the PACA region are:

- the SMEs which have an investment project in the field of renewable sources of energy or energy efficiency,
- the SMEs which are part of the industrial sector, the construction sector (excluding real estate promotion) and the tourism sector (independent hotels, open air accommodation, accommodation in holiday centres, restaurant services), within the limit of 50% of the portfolio of loans to constitute ;
- the SMEs which are part of one of the regional hubs of joint innovation and economic development (PRIDES) or of one of the competitiveness clusters in the Provence-Alpes-Côte d'Azur Region.

The last update in April 2013 presented by the EIF indicated a volume of loans of €4 M Euros (the fund having actually started at the end of 2012).

### PACA Investment

The "PACA investment" investment fund, in the form of a SAS (Simplified LLP) with a capital of €12 M Euros, wholly-owned by the Region. A capital increase helped to increase the fund to €15.45 M Euros. €7.725 M Euros of this capital comes from ERDF funds. The fund management company, Turenne Capital Partners, has been called on by the PACA region through a call for expressions of interest.

## 1.5. JESSICA-type Financial Instruments, a response which complements existing tools

The private and public sectors are traditionally involved in projects with different economic models: projects through public sector subsidises were often unprofitable by nature, or by their concept while the private sector only invests in economically viable projects. Between the two, there is a need for funding which is not currently covered by the market.

JESSICA - Joint European Support for Sustainable Investment in City Areas - is a technical assistance initiative of the European Commission (EC) developed with the EIB and in collaboration with the Council of Europe Development Bank (CEB), intended to assist sustainable urban development and urban regeneration projects through FIs.

Within the framework of procedures applicable during the 2007-2013 programming period, the Managing Authorities (MA) within the Members States (MS) have the possibility to invest in part of their allocation in Structural Funds (SF) in FIs (revolving funds) for urban development, thereby recycling financial resources in order to increase and accelerate investments in urban areas. These FIs can invest in Public-Private Partnerships (PPP) and other projects included in integrated plans for sustainable urban development.

The Managing Authorities may decide to allocate funds to the FIs through Holding Funds (HF) in order to invest in several FIs. This mechanism is not mandatory, but it offers the advantage of allowing the Management Authorities to delegate to experts certain tasks required by the implementation of the FIs.

JESSICA has been put in place to support a sustainable urban development and remedy the lack of investment dedicated to urban renewal and regeneration projects. The initiative was therefore launched with the objective of supporting the creation of new opportunities for Managing Authorities responsible for the implementation of the Structural Funds of operational programmes over the 2007-2013 programming period. In this regard, the initiative must:

- Ensure the long-term sustainability of the support given to the process of urban transformation through the revolving nature of financial instruments such as the FIs and/or the HF;
- Support the sharing of the financial and managerial expertise of specialised institutions such as the EIB, the CEB, other FIs and financial institutions;
- Support the mobilisation of additional resources for the PPP and other urban development projects of the EU regions;
- Give greater encouragement to the final beneficiaries to implement effective investments.

The JESSICA initiative, which is the result of a partnership established between the European Commission, the EIB and the CEB, may therefore be an important catalyst for the establishment of partnerships between the Member States, the regions, the cities, the EIB, the CEB, other banks, investors, etc. which is essential to respond to the difficulties now facing urban areas.

The investment of JESSICA-type FIs in urban projects must be structured on the basis of financial returns sufficient to guarantee that the resources used can operate as revolving funds. Adequate socio-economic impacts are also expected from the implementation of the projects. As well, a

European "market" of JESSICA-type FIs will enable to develop a perennial use of European and national public financial resources, which would remain available to be reinvested in the long term for the sustainable urban transformation.

The JESSICA-type FIs option has been put in place to support the development effort necessary to reach the objectives of the 2007-2013 Operational Programmes. For the 2014 – 2020 programming period, the European regulation should allow the establishment of FIs to co-finance projects by mobilising the ESI Funds. This study aims to demonstrate the project potential that could be developed in this direction. However, for this new period, it will take into account the lessons of 2007-2013 in order to better support the development efforts of the regions.

### 1.5.1. The "Grey Zone" and market gap

A field survey identified projects with satisfactory eligibility criteria, both in relation to the 2014-2020 programming period objectives and to the financial, economic, social and environmental expectations.

These projects were recognised as having financing problems, preventing them from being carried out with the use of only private funds. This aspect corresponds to two criteria in the regulations:

> *Considerations - (35) Financial instruments supported by the ESI Funds should be used to address specific market needs in a cost effective way, in accordance with the objectives of the programmes, and should not crowd out private financing. The decision to finance support measures through financial instruments should be determined therefore on the basis of an ex-ante assessment.*[18]

These projects may have a single component - such as a building dedicated to business incubation and innovation - or multiple components - such as an area consisting of public infrastructures, public spaces and tourist infrastructure. The difficulty of financing encountered by these projects which, however, profitable, may be due to several factors:

i. A **risk** factor most often linked to the innovative nature of the projects; when they concern the development of new technologies (for example smart energy distribution networks), measuring the benefits of a technical evolution even if the latter is already controlled (for example in renovations aimed to decrease energy consumption) or the launch of new services whose commercial success is not demonstrated (for example a new sector of activity such as tele-centres).

ii. An **economic** factor when the investment requires a long period to be reimbursed, or when the profitability of the operation is present through the use of the infrastructure or service but makes it difficult to repay the initial investment (for example for the construction of a tram).

[18] EU regulation No. 1303/2013

iii. A **scale** factor, in the case of pilot projects which must move on to an industrial dimension, with the contractual and cultural changes this implies (public-private partnerships, dedicated investment vehicles, rules relating to State aid, etc.).

These factors underlying the lack of financing for these projects characterise the need for the intervention of a FI and have allowed to identify the market sectors in need (demand) in the PACA region.

# 2. Urban Development in the PACA Region: Investing in the Grey Zone and favoring impact

## 2.1 Financing constraints and existing tools

### The banks and the new ratios of Basel III, a limit on the financing of urban projects

The new Basel III regulation published since 2010 and which is being implemented progressively from January 1, 2013, have lead the actors of local financing (mainly banks) to review their investment policy. In effect, this new regulation imposes a strengthening of levels and of the quality of own funds, a maintenance of liquidity as well as a limitation of banks' balance sheets. Even if the constraints linked to the application of these rules have been recognized as important by the actors in the financing market, and a certain latitude is tolerated for the establishment of these rules, the general objective is indeed to avoid the recurrence of situations such as the subprime crisis, and that the established course is maintained.

By imposing a high liquidity ratio, the system imposes on banks a high level of liquid assets to be able to grant credits. This high level of assets (mainly State bonds) should enable them to withstand "stress test" in the event of another financial crisis similar to 2008. As funders are responsible for managing risks, they have now implemented processes which allow them to comply with this regulatory development. In anticipation of a strict application of the agreements of Basel III, the banks have implemented a cautious policy, where the option is either to increase the cost of the credit, or to simply stop lending. So-called "dry" credit is no longer favoured in the banks' policies. They are only granted in return for "cross-selling" which allows a return flow, in the same way as the management of the current account and investments. The banks concentrate on the most profitable segments of activity, excluding a substantial part of the territory's development projects, in particular for long-term financing which does not generate sufficient income.

In France, the supervisory authority represented by the Autorité des Marchés Financiers (financial market regulator) imposes these policies on banks and has a strong incentive mechanism to improve their liquidity ratios. Those involved in public financing, on the whole, including those whose core business is the financing of urban projects, are restricted by the liquidity they can grant to actors.

With less funds available for financing major projects, this regulation directly influences the possibilities of financing for urban projects at the global level and even more so in the PACA region.

In fact, the volumes placed on the market in 2012 were lower than in previous years and some banks affirm that these volumes will continue to decrease over 2013. The time of want therefore follows the period of uncontrolled liquidity observed until 2007. This decrease in availability of funding pushes some actors to set up investment funds with financial partners. The investments are then made possible but they are more constrained by the organisation of several actors and the more complex procedures to implement, as several actors must agree in order to take an investment decision. The only means to counter this decrease in financing in the long term, public actors should be able to make deposits and allow the bank to maintain a satisfactory liquidity ratio. However, they are prevented from doing so by the law. Other solutions must be found.

### Bond issuance - a diversification of funding?

To cope with this situation, some local authorities diversify their sources of financing through the bond issue. The PACA Region has launched this bond issue offering a coupon of 3.6% for a maturity of 12 years at a fixed rate, with the final amount of the bond issue being established at 119.5 M Euros. Crédit Agricole CIB and HSBC France have accompanied the Region in setting up this method of financing.

A dozen investors have invested to fund 75% of environmental projects (renewable energies, low energy-consumption construction, transports) and 25% of social projects (social housing).

The operation has allowed the Provence-Alpes-Côte d'Azur Region to perform a transaction of €119.5 M Euros at OAT+80 bps i.e. offering a yield of 3.6% to investors (bond issue). It is to be noted, however, that the cost of a bond issuance is usually higher than a traditional loan.

In terms of distribution, this issue benefits from an interesting diversification with more than one third of domestic investors, nearly a third of German investors and another third of Belgian and Dutch investors. This issue demonstrates the appetite of foreign investors for high-quality signatures of the French public sector. The participation of so-called SRI investors amount to almost one third of order.

By type of investors, in coherence with the maturity targeted by the Region, the insurance companies represent the majority of the investment (58 %) followed by asset managers (33 %). However, although the success of this type of bond issue has been confirmed on the energy and social housing market segments, it is not guaranteed that it attracts as many investors on economic development.

## The attractiveness of France for investments, a predominance of Paris to the detriment of the cities of the PACA region

| | Existing Investments | New Investments | Development |
|---|---|---|---|
| 1 Munich | 3.73 | 3.56 | 3.29 |
| 2 Berlin | 3.72 | 3.46 | 3.09 |
| 3 London | 3.57 | 3.23 | 3.13 |
| 4 Istanbul | 3.55 | 3.47 | 3.46 |
| 5 Hamburg | 3.49 | 3.45 | 3.21 |
| 6 Paris | 3.36 | 3.20 | 3.08 |
| 7 Zurich | 3.33 | 3.28 | 3.25 |
| 8 Stockholm | 3.31 | 3.13 | 2.90 |
| 9 Moscow | 3.31 | 3.15 | 3.08 |
| 10 Warsaw | 3.24 | 3.20 | 3.12 |
| 11 Frankfurt | 3.20 | 3.16 | 2.73 |
| 12 Copenhagen | 3.11 | 3.14 | 2.69 |
| 13 Vienna | 3.10 | 3.07 | 2.89 |
| 14 Edinburgh | 3.03 | 2.95 | 2.61 |
| 15 Lyon | 2.90 | 2.78 | 2.60 |
| 16 Milan | 2.75 | 2.55 | 2.16 |
| 17 Prague | 2.73 | 2.68 | 2.38 |
| 18 Brussels | 2.70 | 2.62 | 2.42 |
| 19 Helsinki | 2.68 | 2.67 | 2.41 |
| 20 Dublin | 2.66 | 2.88 | 2.30 |
| 21 Rome | 2.61 | 2.48 | 2.12 |
| 22 Amsterdam | 2.49 | 2.55 | 2.03 |
| 23 Barcelona | 2.42 | 2.31 | 1.73 |
| 24 Madrid | 2.29 | 2.37 | 1.79 |
| 25 Budapest | 2.07 | 2.17 | 1.90 |
| 26 Lisbon | 2.03 | 2.24 | 1.85 |
| 27 Athens | 1.67 | 1.97 | 1.65 |

Good Fair Poor

Note: On a scale of 1 to 5
Source: *Emerging Trends in Real Estate Europe 2013* survey.

France overall remains an attractive market for investment. However, when discussing with private sector organisations regarding private investment (primarily real estate) in urban areas, the actors, whether they are institutions, investment funds, managers of SCPI (private real estate companies) and OPCI (real estate investment bodies) or sovereign funds, consider Paris in priority. The other territories in France are rarely mentioned.

For example, the table below presents the investment prospects for 2013 according to the study conducted by PWC on more than 500 leaders of the real estate industry. Among the cities listed, Paris ranks 6$^{th}$ and Lyon 15$^{th}$, but no other French city appears in the classification. By opposition, Germany has 4 cities in the classification. The vision considered by the actors of real estate financing,

which directly influences urban development, is therefore very much geared towards the largest urban areas in France.

The Provence Alpes Côte d'Azur, although it has a strong brand image, the PACA region is unable to easily attract large investments. This position is all the more unfortunate given that, according to the barometer of the real estate investment market published by Ernst & Young (survey among 50 investors), 67% of those questioned consider that in 2013, France will be an attractive or very attractive country for real estate investment.

The positioning of the territory PACA as a secondary territory of attraction is relayed by local actors such as the Caisse d'Epargne integrated in the BPCE group: local investments are difficult to find and special emphasis is placed on developing projects which the territory can live off.

In this regard, the PACA region only has a few banks whose historical installation is linked to the territory (Banque Chaix, Banque Martin Maurel). These banks could, in addition to the Caisse d'Epargne, promote local investment, as Arkea does in the Centre region or Brittany or the Crédit Mutuel in the Eastern region.

## Existing financing tools to address this shortfall in funding

### The Agence de Développement et de la Maitrise de l'Energie (national office for development and energy management), supporting action on energy themes

The *Agence de Développement et de la Maitrise de l'Energie* (national office for development and energy management "ADEME"), is a public institution acting in the field of the environment, energy and sustainable development. In these areas of intervention, the ADEME assists the financing of projects, from research to implementation. The ADEME intervenes on several market segments identified later in the report.

The PACA Region has the traditional Mediterranean climate which is very hot in summer and cold in winter, consumes on average more energy than the other French regions (particularly for the cooling of premises in summer) and the supply of this energy in a territory limited by its topography makes the intervention of the ADEME very relevant in relation to local needs.

Out of a national budget of €600 M Euros, in 2010, €18 M Euros were allocated to the PACA regional directorate. In the year, a little more than €10M Euros have been contracted on projects related to energy. This intervention was completed by the establishment of contractual arrangements with the Region (€122M Euros, mainly through the State-Region Contract Plan) and other regional actors (General Council, energy actors, etc.).

In addition, the ADEME manages a subsidy of €36M Euros of ERDF appropriations on the themes of energy control, development of renewable energies and the move towards sustainable consumption. The heat fund, representing €800M Euros per year of appropriations, is assigned

locally by the ADEME to wood energy, geothermal energy, solar thermal projects. The institution therefore intervenes in various capacities on complementary funds for projects which could be examined for the deployment of FIs.

The ADEME, backed by its diagnosis of the 700 files examined each year, observes that even if the support at project level could be satisfactory on certain energy themes, the mission of support to the energy renovation of buildings, and more particularly the establishment of an industrialisation of the approach, is failing on the territory. This approach, consolidated by a study launched by the Regional Council and carried out by the firm SP2000, reinforces the idea of the establishment of a regional actor acting on energy projects. All the more so, given that the building sector was recognised as strategic for 2013 in the strategy of the ADEME. This regional actor could benefit from the intervention of support from FIs for the 2014-2020 programming period.

### The Caisse des Dépôts et Consignations (National bank in charge of financing public projects), a core business oriented towards projects in Grey Zone

The priorities of the CDC in the PACA region cover a wide area: social housing and town policy, financing of businesses, university and knowledge economy, sustainable development through energy efficiency, transport infrastructure, biodiversity, renewable energy, Ecocités, and ecodistricts, dependence, and tourism.

In 2011, the CDC invested €22 M Euros in own funds in the PACA Region, contracted €1 billion Euros of loans on broad themes such as social housing, the financing of businesses, renewal energies, the EcoCités and EcoDistricts files.

The CDC is a top-ranking investor on urban projects on which a European FI could position itself. In effect, benefiting from the assistance of large deposits (€3.8 M Euros) from clients such as notaries, bailiffs, administrators and legal representatives, the institution may continue to lend large amounts without unduly jeopardising its liquidity ratio.

| | |
|---|---|
| **Energy** | ▪ Interventions on the **energy retrofit of social housing** by creating ad hoc structures to promote projects. In the PACA region, important needs exist, including in the Var. The CDC offers social housing agencies of eco-loans at very attractive rates to finance the rehabilitation of less efficient housing. The CDC is also positioned as a third party investor alongside energy operators and lessors to implement this type of project.<br>▪ Interventions on the energy renovation of deteriorated jointly-owned properties by created a dedicated ad hoc structure. Significant needs exist on this market segment.<br>The CDC also invests in the energy renovation of public buildings<br>▪ Investments in **renewable energies**, particularly targeting biomass, and geothermal energy which are the emerging sectors, less consolidated and therefore more considered to be in the "Grey Zone". Photovoltaic and wind power are sectors which are already more mature and structured which present lower financing needs as compared to biomass and geothermal energy, which is why the CDC has privileged these last two technologies. |
| **Environment / waste** | ▪ Loans granted to local authorities for work related to sewage stations.<br>▪ Budget dedicated to the renovation of the networks |
| **Economic development** | ▪ Interventions on the corporate real estate with a double logic: an environmental logic in supporting projects with a sustainable development component (BEPOS etc. ), a logic of zoning by investing in the areas covered by the town policy (ZFU, ANRU) or ONI. The CDC is therefore aiming for the reclassification of neighbourhoods and the restructuring of businesses.<br>Project for the creation of **investment companies** with the Caisse d'Epargne in Marseille, in the Vaucluse and in Nice, in order to create several ad hoc project companies dedicated to corporate real estate. The companies will be the subject to public and private co-investments.<br>▪ Support to regional competitiveness clusters and to PRIDES by intervening on the hosting of businesses (corporate real estate). |
| **Transport** | ▪ Interventions on infrastructures with financing by loan (tram, BHNS, etc. ) or through investments in own funds via CDC Infrastructure.<br>▪ Support to a multimodal platform project by investment in a project company alongside the Caisse d'Epargne. |
| **Digital** | ▪ Intervention on the deployment of infrastructures and of the digital service via the FSN fund of the PIA. |
| **Accommodation** | ▪ Operations carried out on student accommodation, on the housing of the elderly (rehabilitation and bringing into line with EPAD standards), and on social tourism (acquisition and rehabilitation of the Le Royal hotel in Nice to preserve the diversity of the tourism offer). |
| **Training** | ▪ Support for work-based vocational training CFA TP PACA |
| **Tourism** | ▪ Investment in facilities for tourism, directly in project companies with partners or through equity loans for the renovation of hotels in collaboration with Oséo.<br>▪ Minority Investments in mixed economy "tourist" companies (accommodation and/or leisure facilities) |

### The ANRU funding, a forerunner of JESSICA and of the LABV in sensitive areas

The Agence Nationale de Rénovation Urbaine (national office for urban renewal), which intervenes on urban renewal programmes and which has just confirmed its undertaking in a press release of April 11, 2013, has helped to launch projects bringing different actors together across the entire national territory.

The aim of these urban renewal projects which take place only in sensitive urban areas and therefore in areas which are economically and socially degraded, is to coordinate the action of the public (State, local authorities), semi-public (CDC, social landlords, Foncière Logement (low income housing agency)) and possibly private actors (promoters such as Nexity, for example).

Through signing an agreement, all actors involved consolidate a joint vision of the evolution of the territory, an implementation strategy and modify urban conditions through these joint actions. Public spaces are rehabilitated, facilities are created, the properties of landlords are renovated and available housing brings diversity to the territory. The provision by the local authorities leading the renovation programmes of tenements of land for Foncière Logement (low income housing agency), which build housing units there available for open rental which it may lease to retrieve income and generate a certain return on its operation.

In effect, this draft ANRU project could be similar to the "Local Asset Backed Vehicles" or LABV model. In this LABV model, urban regeneration is based on the free provision of land by the public sector. The land is made available to a project company bringing together public and private actors who in turn provide the funding to develop the projects.

These modalities are currently being studied by the public land institution. However, there are a few legal constraints linked to the EPF status, which must sell the property at cost price within a fairly short period, of approximately 5 to 7 years.

However, this LABV attracts the private sector for several reasons:

- A limited risk by the commitment of the public sector in the long term with the provision of the land
- Offers the possibility to study different projects on the land made available and as long as the property is made available, flexibility is therefore enhanced

On its side, the public sector benefits from a share in the profits generated in proportion to the contribution made to the project company.

The awareness and the commitment of local actors for the urban renewal programmes allow to rely on this concrete example to present opportunities of evolution and to contemplate the establishment of FIs in the 2014-2020 programming period, possibly based on the example of the LABV.

### The "Etablissements Public d'Aménagement" (EPA) within Operations of National Interest (OIN), a formidable tool of action, but cultures difficult to change.

Out of 17 operations of national interest, the PACA Region brings 3 together:

- The Fos-sur-Mer development zone

- The Euroméditerranée public development office in Marseille: Over 480 hectares, Euroméditerranée is regarded as the largest operation of urban renewal in Europe
- The development operation of the Plaine du Var in Nice: 450 mutable hectares for a construction potential of 3 M m²

On the vast perimeter concerned by these operations, the State delivers the building permits in place of the local authorities. The ONI, respond to major issues, of a supra-regional scale, by allowing, by the powers thus exercised by the State in the sphere of urban planning, to set goals which go beyond the local approach.

Complex operations can also be carried out jointly, with strong ambitions and reinforced powers of action. The EPA has reinforced development missions within the territories of Euroméditerranée and of the Plaine du Var. They currently carry out the acquisition of land, to then resell this land with a capital gain according to the development programmes decided. This positioning is effective for the moment, but it does allow to take joint advantage of the added value created on the territory. The risk of marketing taken by the developer is not entirely paid off on the resale, as the maximum added value comes to light when the constructions are completed and the users can use the premises. The EPA could benefit from the establishment of FIs in which private actors would also intervene, and where the added value along with the risks would be shared until the culmination of the operation.

Given the magnitude of the programmes and issues of urban development, the statutory evolution of EPAs is difficult to contemplate for the moment. However, their positioning, such as that of the EPF in relation to the tools previously discussed, in particular the LAVBs, would be an important lever for the deployment of JESSICA-type FIs. The provision of land for the development of projects whose strategy is consistent with that decided on the scope of intervention could allow to attract additional investment.

### The Caisse d'Epargne: a Leverage Effect role to stimulate operations of general interest

The Caisse d'Epargne, in the same way as other banks such as the Banque Postale or Arkea, intervenes to develop projects which are difficult to implement in the region. The structure intervenes by the establishment of specific SCI-type (real estate company) companies by project, in the same way as the CDC when it intervenes in real estate matters in urban development.

This functioning is explained in greater detail in the Voûtes de la Major fact sheet, but it is useful to specify at this stage that the establishment of structures such as SCIs to act in real estate matters in the city or more precisely in sensitive urban areas contributes to making up for the general shortfall in financing presented above.

These tools present development opportunities for the establishment of JESSICA-type FIs. Some can serve as a model in the financing of certain projects and are specified in the "project sheets".

# 3. Market analysis and project portfolio

## 3.1 Market segments identified in the "Grey Zone"

The analysis of projects began by applying filters on their eligibility (axes of the ESI Funds) and of their difficulties in securing financing has helped to identify the market segments that could be use of financing tools. These segments are represented on the diagram below and detailed hereunder. They have been divided according to 3 thematic:

Energy and Environment

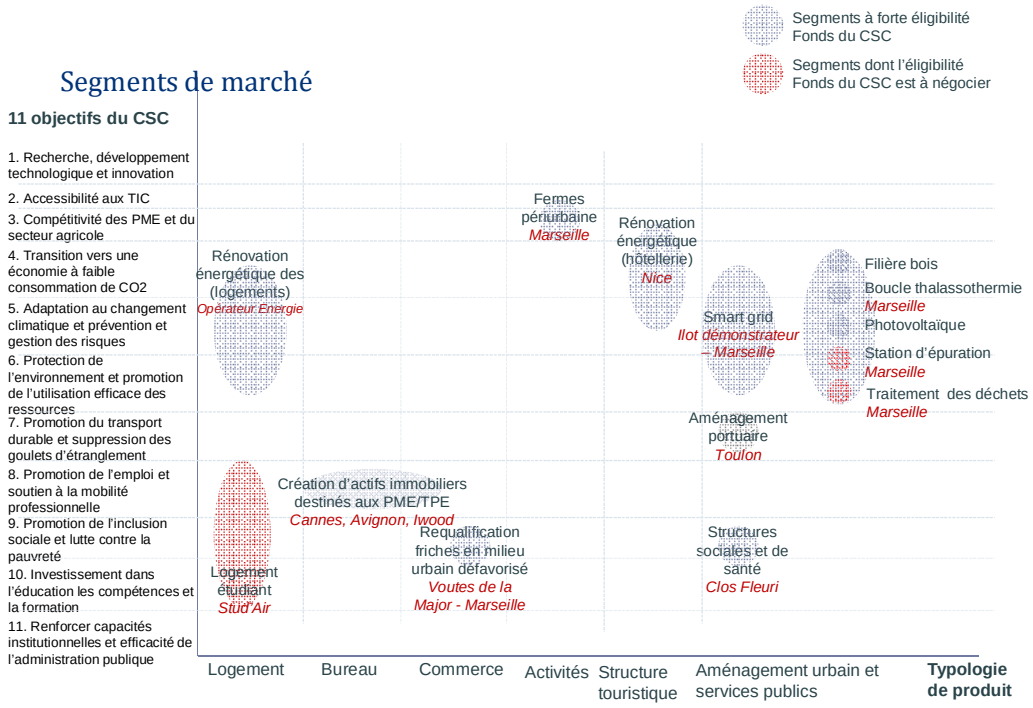
- Sea Water Air Conditioning (SWAC)
- Timber Industry
- Photovoltaic
- Smart grid /demonstration project
- Water treatment station
- Treatment of waste
- Energy renovation of housing

Economic and agricultural development

- Real estate assets intended for SMEs/Micro-businesses, including business incubators
- Port development
- Peri-urban agriculture

Social Integration, health and education

- Social and health structures
- Student housing



## Sea Water Air Conditioning (SWAC)

- **Issues and financing difficulties**

The energy sector represents a real challenge for the Mediterranean region as discussed earlier in the report. Among the different sources of renewable energy to exploit in the Region, the availability of water on the coastal territories appears as a major opportunity. In this context, the production and distribution of hot and cold water for the **heating and air conditioning of buildings** is currently being implemented. It must foster the exploitation of natural resources, the reduction of energy consumptions, and the reduction of greenhouse gases ($CO_2$ emissions). These projects therefore participate in part in the national objective in the field of renewable energy (23% of the final energy consumption by 2020). Using the marine environment for the production of energy through new **innovative technologies** , especially with the pumping system and the distribution network, and **innovations in terms of assembly** to be able to establish a viable economic model. The model is intended to be replicated on other urban districts after validation of the first experiments.

This type of project involves public and private actors. The local authorities in charge of the public service may delegate this service to a private operator who performs the primary investment for pumping, for the production and distribution of energy and is paid directly from users. The public actors fund the transport network and collect a fee from the operator in the case of a delegation of public service.
The feasibility of the project implies that the real estate developers accept the connection of buildings to this source of energy and bear the higher cost (billing of the connection right by the operator). This therefore implies risks for the deployment of the project which must be covered by a guarantee system since the promoters may choose not to connect. The guarantee could attempt to assess this risk by conducting a market analysis. Due to the innovative nature of the project, high investment costs for the local authority, and of the risks underlying the operation, this type of project is subject to real financing difficulties.

- **Development trends**

In terms of energy consumption, the residential/tertiary consumption in the region has grown almost twice as rapidly as the population, thereby reflecting the evolution of individual habits. The annual consumption per capita has thus increased from 0.8 toe in 1998 to 0.9 toe in 2008. As it outlined in the part devoted to contextual issues in the PACA region, there is a mismatched between the level of energy produced and consumed: it only produces 10% of the energy it consumes. This is an important issue in the short and long term, to reinforce the energy production capacity, in particular using renewable resources. Today, the plants which produce energy by means of a Sea Water Air Conditioning loop represent an interesting development potential in the PACA region. However, given the magnitude of these projects and the need to combine them with dense urban development operations, the setting up of these operations is unlikely to develop any further on the 2014-2020 programming period.

- **Financing needs identified**

The profitability of the operation is obtained on the basis of the billing for the service to users by the operator. For the local authority, the investments are gradually amortised by the fee collected from the operator. There are two types of financing needs:

- The obtaining of debt by the local authority to finance the transport network construction works
- The obtaining of guarantees by the operator to face potential risks

- **ESI Funds eligibility**

The project could fall within the scope of axis 4 "to support the transition to a low carbon economy": support for the production of renewable marine energies, actions in favour of the energy. The project appears all the more relevant in the light of the eligibility criteria, as the European funds will be allocated at 80% to the first four axes of the ESI Funds, and that 20% of this 80% will be dedicated to energy efficiency.

- **Projects identified in the PACA Region**

Project in Marseille in progress within the Euroméditerranée ONI. This project must have exemplary value to duplicate the model on all the coastal territories of the region.

Project envisage in Nice: the deployment is strongly encouraged and has been examined, but technical problems (and therefore extra costs to realise it) are currently delaying its implementation.

Project in Toulon: a first loop has been installed in the Seyne-sur-Mer and may be subject to improvement and extension.

### Demonstrator project - smart grid

- **Issues and financing difficulties**

The demonstrator project corresponds to the creation of a mixed neighbourhood (housing, businesses, offices, activities including workshops and logistics warehouses, for example) whose organisation and operation respond to the concept of "sustainable city". The establishment of a Smart Grid district therefore offers the dual opportunity to reduce energy consumptions, but also to optimise the daily functioning of energy uses (production and consumption) on the perimeter of a district. These two aspects are essential to obtain an optimal environmental balance sheet, increased energy independence and an optimised economic balance sheet. This development operation is particularly innovative and aims to be duplicated.

- The smart grids technologies allow to maintain the balance of supply/demand on the electrical network in a context of demand with major peaks of consumption and of an offer of production which is increasingly decentralised and intermittent.
- They allow you to rapidly and massively integrate new modes of production (photovoltaic energy in particular), whose activity (production of energy) varies depending on the climate.
- The innovative character of the project lies in the deployment of a smart grid on the scale of a district, i.e. on a scale which has never been carried out previously, except for the Issy Grid district.

The realisation of these projects implies the coming together of public and private partnerships to introduce solutions to steer all the energy uses of the district (use within and between buildings, public transport, individual mobility, lighting, signage, etc.).

- **Development trends**

In terms of energy consumption, the residential/tertiary consumption in the region has grown almost twice as rapidly as the population, thereby reflecting the evolution of individual habits. The requirements in terms of reduction of energy consumption and promotion of renewable energy require the implementation of urban models which are innovative and high-performing from an environmental point of view (intelligent energy distribution systems, in particular). This market segment is therefore very relevant in the light of these issues. Many operational hurdles must be overcome in the projects, but the desire to implement them is strong.

- **Financing needs identified**

Due to its innovative character, the project promoters are seeking investors. Under the Ecocité call for projects of the Programme of Investment for the Future, the CDC is positioned on these projects by investing in the capital (Euromed project and Nice Meridia Urban Technohub project). The business plans of these projects still have not been completed, and additional investments must be found. A JESSICA-type FI could support these projects either by investment, or by contribution of debt.

- **ESI Funds eligibility**

This type of project could be eligible for ERDF under axis 4: "To support the transformation toward an economy with low $CO_2$ content and promote the adaptation to climate change".

- **Projects identified in the PACA Region**

Two projects are in progress in the PACA region. They have been labelled Ecocité in the framework of a call for projects forming part of an investment programme launched by the CDC.

- Project relating to a demonstrator project located within the perimeter of Euroméditerranée in Marseille
- Nice Méridia urban technohub project

The smart grid model is intended to be duplicated on other development operations after validation and adaptation of the current experiment.

### Timber Industry

- **Issues and financing difficulties**

The availability of timber resources in the PACA region offers a great opportunity to develop this sector by actions of optimisation throughout the production cycle: **forestry, construction, industrial wood, wood energy**. Support to the development of this sector is part of the strategic actions supported by the PACA region (€5.54 M) and the State (€4.53 M) in the framework of the State-Region Project Contract. Europe participated for an amount of €2.1 M. The challenge is to develop a sustainable management of the forest resource and encourage the production and rational use of this resource. The support to this sector is in line with the national goal of diversification of the French energy mix. Various positive impacts for the territory are expected from these projects:

- From the point of view of economic activity and employment, the maintenance of employment in rural areas and the creation of new jobs on the innovative sectors such as biomass cogeneration will participate in limiting the rural exodus.

- From the environmental point of view, the protection of the forestry sector must allow to strengthen the protective role of forests on land degradation, and participate in the goal of reducing the greenhouse effect. The protection of the timber industry must encourage the production of renewable energy.
- The projects for the **production of energy** from wood and **wood construction** will participate in the growth of economic activity in respect of environmental issues.

Different biomass cogeneration projects are currently underway, or being contemplated in the PACA region. However, this development is faced with financing constraints due to the large upfront investment for the construction of the biomass cogeneration infrastructure (€1.7 M for a boiler of 2.1 MW in Cannes). In addition, the dispersion of the resource penalises the costs of collection, logistics and processing.

- **Development trends**

An increasing number of facilities for the production of energy from wood are in place: In 2011, the regional territory saw the installation of 27 plants using wood energy, i.e. 9 more than in 2010. A total of 184 wood-energy facilities are in the territory, but in a very uneven manner in terms of territorial distribution. Strong needs in terms of energy supply exist in the PACA region: energy consumption thus experienced an average annual increase of 1.5% between 1990 and 2008. Given the growth of demand, investment in this market segment appears relevant. The number of projects which could be supported could increase if awareness is raised among the economic actors and if synergies are put in place between the public willingness which is now present and these actors.

- **Financing needs identified**

The intervention of a FI could be carried out either at the level of the development of the sector, with different sub-projects such as the installation of a wood-heated plant, deployment of a heating network connected to this plant or support to producers in a close and generally urban environment subject to land constraints.

Biomass cogeneration unit projects could be financed through investment, or long-term debts allowing to provide the upfront investment. The revenues generated are related to the distribution of energy or to the sale of wood, depending on the sub projects realised.

- **ESI Funds eligibility**

These actions could be eligible under axis 3 "Strengthening the competitiveness of SMEs, that of the agricultural sector, that of the aquaculture sector and the fishing industry, and under axis 4 "to support the transition to an economy with low $CO_2$ emissions in all sectors" which promotes the innovative technologies in the field of renewable energies.

- **Projects identified in the PACA Region**

The interviews and questionnaires have allowed us to identify projects to optimise the wood resource:

**Projects to construct wood-boiler biomass cogeneration units**: in the areas of Toulon, Nice (ONI Plaine du Var), Marseille

**Wood Construction**: I wood project developed by the Caisse d'Epargne and closely studied by Nexity as a potential construction solution for their clients.
**Cabinet-making**: manufacture of contemporary furniture with local wood.

### Energy Efficiency retrofit of housing

- **Issues and financing difficulties**

In the same way as the Sea Water Air Conditioning loop projects, energy efficiency retrofit of buildings meet the challenge of energy control of the PACA Region. This reflection is, of course, specific to the Region, but it is also taken up at the national level, evidence of the importance of the stakes for the actors of the territory. In order to better control the energy on the territory, reducing costs appears as a major objective outlined in many strategic documents. The energy efficiency retrofit of buildings includes the projects to upgrade housing units to reduce their energy consumption. These works can either involve insulation or a change of heating system. Difficulties are observed on jointly-owned properties for decision making concerning the implementation of these works or even on the amounts to finance on degraded jointly-owned properties. Cities such as Marseille have a vast park of jointly-owned properties like that of the La Rouvière district (9th arrondissement) built by Xavier Arsène-Henry in 1960, (2,161 housing units and more than 8,000 inhabitants). This issue is therefore important in the regional territory.

- **Development trends**

In 2012, the direct emissions of GHG emissions related to energy consumption accounted for 85% of the total GHG emissions in the Provence-Alpes-Côte d'Azur region (source: Air PACA, regional inventory of emissions 2007). It was also suggested that the building sector holds a major place in energy consumption. With a population of 5 M inhabitants, the energy demand is high, and it is increased by the existence of a particularly high-consumption buildings. In view of the stakes involved and objectives in terms of energy efficiency already identified in advance, the energy renovation of housing is an important issue in the short, medium and long term.

- **Financing needs identified**

The regional energy operator which is in the process of structuring could position itself on the projects. The study carried out in September 2012 by the firm SP2000 indicates an identified need of:

- 1,5 M $m^3$ to renovate for private collective buildings for a necessary annual investment amount of 298 M Euros per year between 2011 and 2020.
- 400 000 $m^3$ to renovate for social housing buildings for a necessary annual investment amount of 83 M Euros per year between 2011 and 2020

The need is therefore substantial. In its development plan, the role of the operator will not be to entirely cover this need; its intervention focuses on a small share in relation to the needs identified, but sufficient to create a dynamic of large-scale development likely to give rise to the "industrialisation" of processes.

In this context, the energy operator is in the process of finalising the strategic positioning and reflecting on the possible funding partners. The intervention sought is rather at the level of

participation and assumption of debt necessary to make the investments. In the manner of the ESCOs, the initial investment will be repaid by energy savings.

- **ESI Funds eligibility**

The actions that could be carried out under axis 4 "to support the transition to an economy with low CO2 emissions in all sectors" which aims to "move towards a 20% increase in our energy efficiency". The actions of investment in a wide use of energy performance contracting in the housing sector are supported. In addition, Europe recently committed itself to support social housing.

- **Projects identified in the PACA Region**

Several actors encountered have indicated the need to intervene on the energy efficiency of housing and refer to the establishment of the energy operator to partially meet the need identified. The projects taken into account in the business plan of the energy operator therefore constitute the portfolio of potential projects for the 2014 – 2020 programming period.

### Photovoltaic

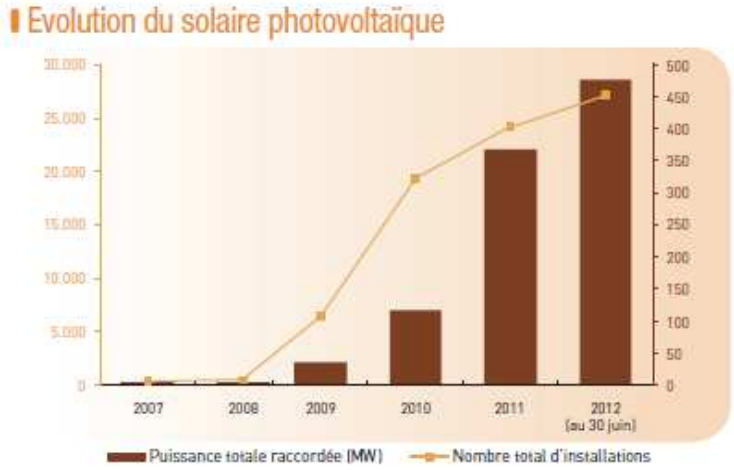
- **Issues and financing difficulties**

There are several types of photovoltaic projects: the development projects on the ground with the establishment of "trackers" which automatically follow the sunshine and the integration of panels on buildings. The second type of project has a greater influence on urban development projects than the first, often located in agricultural areas. It is the second type which is presented in this market segment.

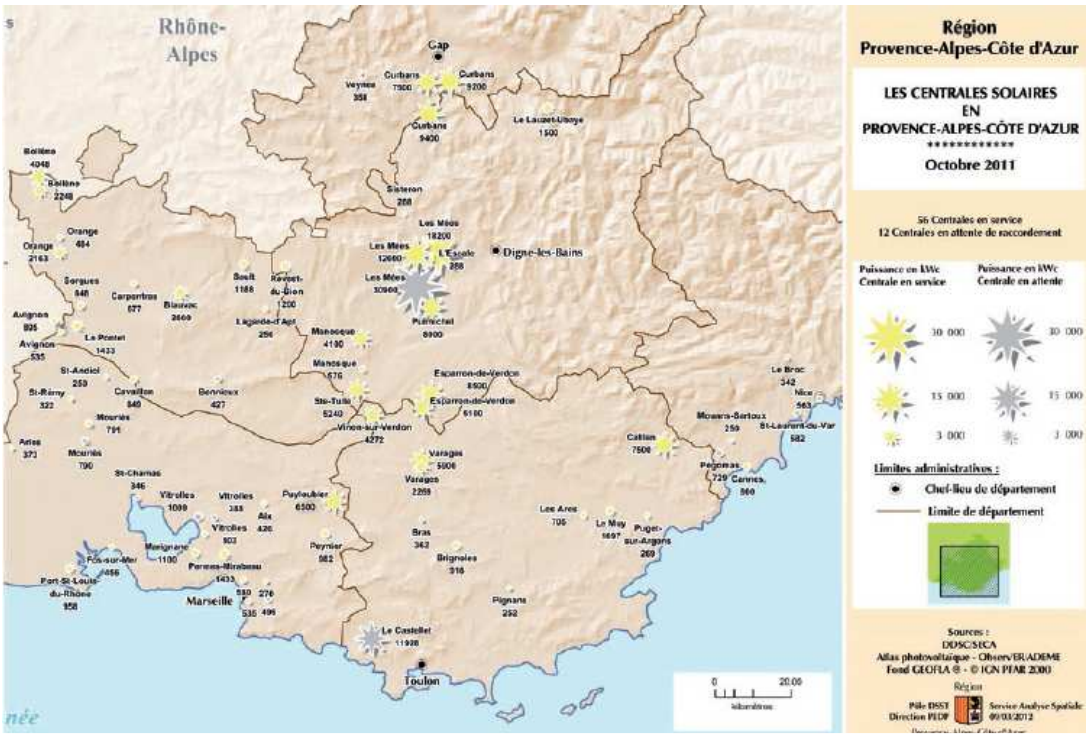
These projects, once launched, allow to consolidate a local sector and possibly to reduce the installation or construction prices. In the absence of a dynamic, no decrease in construction/installation costs is scheduled for 2013, thus blocking the dynamic on the territory.

- **Development trends**

As presented in the graph below, the solar photovoltaic sector shows results which have been increasing since 2007. In terms of power, the Alps de Haute Provence is the second French department after the Landes (142 MW) and just in front the Bouches du Rhône and the Var. Due to its sunny Mediterranean climate, the PACA region has a high potential for development on this market segment in the short and medium term.




Source: Energy Balance Sheet 2011 - Observatoire Régionale de l'Energie




Source: Energy Balance Sheet 2011 - Observatoire Régionale de l'Energie

The dynamics of the local economy could be consolidated by macroeconomic influences: the European Union has started to impose taxes on solar panels in particular from China, the costs of producing these panels, which were high, are starting to suffer from inflation of wages in China. The trend on this segment of the market is therefore to increase the number of projects.

- **Financing needs identified**

The needs identified in the study carried out by SP 2000 in September 2012 for the constitution of the energy operator amounted to 500 M Euros annually between 2011 and 2020 for projects of approximately 120 m² (average between the high estimate and the low estimate). This amount could allow the implementation of 30,000 projects per year.

On account of the decrease in the electricity feed-in rate for 2013, this very ambitious objective is not likely to be attained. It is even likely that there will be a lower number of projects than in 2012. Support on this type of project would allow to revive a dynamic and to profit an acceptable return attracting private co-investment.

- **ESI Funds eligibility**

The actions that could be carried out under axis 4 "to support the transition to a low carbon economy in all sectors" which aims to "bring the share of renewable energy sources in our final energy consumption to 20%". The actions of investment in the energy efficiency of buildings in particular zero emission and positive energy are encouraged.

- **Projects identified in the PACA Region**

The Region's 2012 call for projects, included provisions to finance a dozen projects. By extrapolation, a dozen projects in 2013 should have been submitted but have not yet been presented, given the low electricity feed-in rate.

## ECONOMIC AND AGRICULTURAL DEVELOPMENT

### Tertiary real estate assets

- **Issues and financing difficulties**

All the local actors identified constant need for real estate premises. There are 4 types of needs:

- Business incubators offering premises, joint services (reception, telephone, mail, etc.) to support business start-ups
- Business centres and premises adapted to businesses coming out of the “incubator/start-up” phase
- Tertiary real estate assets: offices
- Specialised assets according to economic sectors (technical laboratories, for example)

To attract new businesses, the territories must guarantee favourable conditions. The objective is to facilitate the sustainable installation of SMEs on the territory. The market segment identified thus brings together the projects for the establishment premises to support SMEs. **The development of such offer is a major challenge but it widely considered necessary in order to promote local employment.**

Local authorities are currently experience financing difficulties related to projects to support SMEs, as many are not supported by private actors for various reasons:

- For investors, the market has little attraction in "small towns" in comparison to the major French cities (Paris, Lyon, Bordeaux, Lille, Marseille…) which capture the majority of investments.
- In addition, the particularity of these real estate assets implies a high risk for investors, as cashflow may not be immediate. Furthermore, businesses are housed for short periods over one or two years, but rarely more. The stability of the income generated is therefore low for the investor. In addition, the management costs related to this constant turn-over constant are increased. The asset cannot be fully optimised.
- For even more specific projects such as those related to biotechnology, specific facilities (laboratories) must be included in the constitution of the real estate assets, which reinforces the difficulty of relocation in the event of departure of tenants.

- **Development trends**

The situation in terms of jobs in the region shows a high rate of unemployment: the gap with the national average is generally around 1.5 and 2 basis points higher. This situation implies developing an attractive policy for businesses in creation in order to encourage the growth of employment in the territory. It should also be noted that the economy of the PACA region is very oriented towards the tertiary sector: 80 % of current jobs fall within this sector, which implies a strong need for tertiary real estate. All these factors lead the public authorities to encourage the development of this type of projects for the 2014-2020 programming period.

- **Financing needs identified**

The profitability of operations can be analysed on two levels: sale of developed land by the public developer, sale or lease of premises by the real estate investor.

The financing needs are therefore situated at these two levels. Due to a high cost of land, and the reluctance of some real estate operators, the project promoters face a need for debt to finance investment in the development of land, a need for guarantees to cope with the high level of risk and to attract private investment on this type of project, and a need for equity investment to bring real estate developers.

- **ESI Funds eligibility**

Incubators could be eligible under axis 8 "To promote employment and support the mobility of the workforce", including one of the key actions of the ERDF concerning the "creation of business incubators".
The construction of business centres and offices does not directly fulfil the eligibility criteria. However these projects are consistent with the objective of the ERDF to support investment in infrastructures, particularly for the aid to SMEs (Axis 8).

- **Projects identified in the PACA Region**

**Toulon**: Technopôle de la Mer project: incubator, business centre and unfurnished offices on the same site
**Cannes**: CréaCannes incubator and business centre and digital imaging laboratory (fablab)
**Nice**: business incubator
**Avignon**: Créativa incubator in the Agropôle, and technical platforms adapted to incubator exits, technical agro-food incubator supported by the Centre technique pour la protection des aliments (technical centre for the protection of food "CTCPA").
**I Wood project**: modular real estate offer adapted to the needs of growing companies with high environmental performance. This project is developed in partnership with the Caisse d'Epargne and Nexity and allows to respond to the needs and issues identified above (see mini fact sheet).

### Peri-urban agriculture

- **Issues and financing difficulties**

This type of project aims to encourage and support the maintenance or the redeployment of agricultural activity in the peri-urban areas. The preservation of agricultural land included in planning documents requires the development of agricultural projects to encourage local production, and to promote the development of short circuits around urban areas (valorisation of local agricultural sectors : market gardening, bee-keeping, orchards, olive groves).

Agriculture is promoted as a management tool for natural spaces (protection of natural spaces and mitigating against natural disasters such as wildfires). The projects seek to promote agricultural employment on the outskirts of the city, and actively participates in the economic development by taking part in the AOC product labelling system. The image of the territory is therefore enhanced.

Projects for the creation or maintenance of an agricultural structure in peri-urban territory have therefore been identified in the Marseille urban area. They face certain difficulties which hinder their launch: few investors present, lack of available funds, difficulty in determining the economic model, absence of competition and banking proposal on this segment.

- **Development trends**

The phenomenon of peri-urbanisation is particularly marked in the large urban areas of the region, which increasingly aggravates the problems of preserving agricultural territories on the outskirts of the city. In terms of demographic growth, it is the outskirts of urban areas which have progressed the most: their population has tripled since 1962. Suburbanisation is significantly more marked in the PACA region than the national average. These population dynamics are consumers of space and endanger the agricultural land; from 1970 to 2000, the Productive Agricultural Surface declined by 20% in the region. In view of these challenges, this market segment appears relevant to maintain the agricultural activity on these suburban territories and maintain an environmental balance in these heavily urbanised territories.

- **Financing needs identified**

The economic model for this type of project allows the intervention of a JESSICA-type FI. The revenue generated comes from the sale of products on site and site visits in the framework of an agri-tourism activity. The financing needs correspond to the (loan) or to investment (repayable advances).

- **ESI Funds eligibility**

The market segment could be eligible under axis 3: To reinforce the competitiveness of SMEs and of the agricultural sector which aims, in particular, to accelerate "*the investment in the infrastructures necessary to the development and adaptation of agriculture*".

- **Projects identified in the PACA Region**

Various projects have been identified on the territory of the urban community of Marseille and are mentioned in the SCOT of MPM:

- A dairy goat farm on the Vallon de Valtrède in Chateauneuf-les-Martigues
- a sheep farm in the Plaine du Romaron and Régouvi on the communes of Ensuès-la-Redonne and Carry-le-Rouet,
- the installation of a sheep farm on the southern slopes of the Etoile, the Mûre plateau in Marseille,
- the installation of a honey farm on the commune of Septèmes-les-Vallon.

The actors identify a high potential of replicability of the project across the entire PACA region. In Cannes, a large development project concerning agriculture and leisure activities is being examined (freezing of the agricultural area to maintain the local productive activity, family gardens, educational farm, aqua-branche, etc.)

### SOCIAL INTEGRATION, HEALTH, EDUCATION

#### Social and health structures

- **Issues and financing difficulties**

The projects presented under this segment are primarily projects to develop neighbourhood blocks. This type of project is mainly promoted by the operator Amétis on the urban area of Marseille. The projects located in the Grey Area are projects which include a social element in their development, or which are linked to health. It may be that these projects are not located in the Grey Area and are part of traditional projects to develop an accommodation offer. However, a few of the projects studied demonstrate a veritable integrated social approach, with the aim to offer in a limited space (at the scale of the neighbourhood block). A diversity of services which will enable the inhabitants of areas often in difficulty, to benefit from better integrated health and social services.

- **Development trends**

More than 15 in 100 inhabitants of the PACA region are in a situation of poverty, or 772,300 persons in 2009. The projects of this type will respond to the problem of insecurity, and reduce existing social inequalities. Taking into account the needs, this type of project is intended to develop in the future, all the more given that the economic crisis has severely hit Europe and France has just announced its entry into recession.

- **Financing needs identified**

The provision of additional services implies additional funding. If the elements of a project are taken separately, the most profitable items will be funded by the private sector or the landlords (free access housing, trade, rental housing) and elements with a lower or even no profitability will not be funded, unless subsidies are found (orphanage, hostel for young workers, mini nursery, etc.).

The establishment of a project company can allow to have a comprehensive approach and to carry out the whole operation including all the elements, even if this means decreasing the profitability on some.

An investment or the provision of debt could promote the realisation of this type of project.

- **ESI Funds eligibility**

The market segment could be eligible under axis 8: promoting social inclusion and combating poverty. Through this axis, the ERDF to be used to set up the investment actions in health and social infrastructures in view of improving access to health and social services.

- **Projects identified in the PACA Region:**

The **Clos Fleuri** project is presented in the fact sheets below. This type of project can be replicated at the regional level. The promoter Amétis is likely to intervene across the entire Region to allow the realisation of projects. However, the involvement alongside Amétis of a project promoter, often an association, is often necessary to allow the realisation of projects.

#### OTHER MARKET SEGMENTS IDENTIFED WHICH FALL WITHIN THE SCOPE OF ERDF ELIGIBILITY

Certain needs expressed by the different actors encountered have been identified throughout the study, but cannot be taken into account for the future. At the time of producing this evaluation study, in effect, their eligibility for the ESI Funds is not yet confirmed and negotiations are still in progress, in particular at the national level with the consolidation of the consultation document on the 2014 - 2020 partnership agreement, changes of eligibility seem unlikely for these segments if the projects are founded on innovative bases.

### Treatment of waste

- **Issues and financing difficulties**

At the scale of the region, there are more than 1.6 M tonnes/year of so-called "non-hazardous" household and assimilated waste produced. This production is particularly concentrated in the heavily urbanised areas. The physical organisation of some cities in the PACA region such as Marseille for example, makes the operations to improve waste management difficult.

To respond to this problem, in 2010 Marseille set up a commission "For a policy of reduction of waste at source and of selective sorting - Project 2010-2015 ". The objective of this commission was to reflect and propose actions to reduce waste and improve performance in terms of sorting on the territory of Marseille Provence Métropole. One of the four axes of reflection put in place was to deploy an approach of exemplarity.

Today, certain actions of to raise awareness of sorting are in place, but the management of waste products is still as difficult. Actions for improvement and upgrading public waste management equipment are often necessary and costly.

- **Financing needs identified**

Financing needs have been identified, in particular by the City of Marseille, to set up companies which could take charge of the infrastructure works on the elements of urban waste management: waste transfer centres. In these project societies which would yet to be established, the identified needs relate to participation in the fund or even a provision of debt, as there is currently no proposal of the banking market to finance this type of project.

- **ESI Funds eligibility**

The eligibility is not proven, even if the project could correspond to axis 6: To protect the environment and promote the rational use of resources. Investments in waste management is not an eligible action for the developed regions. This type of project should be eligible (sub-condition of the agreement of the Commission) if they allow to innovate in the field of the environment and combat global warming, such as projects related to waste or energy efficiency.

- **Projects identified in the PACA Region**

This segment comprises an important project presented by the urban community of Marseille: the rationalisation of the waste management by intervention on the waste transfer centres. This project is presented in the fact sheets below.

### Water treatment plants

- **Issues and financing difficulties**

The sanitation facilities of certain regional agglomerations must be upgraded and funding in the general context presented above, is not always made available to perform the works.

It should be noted that the upgrading of sanitation equipment could be coupled with a heat recovery system. In April 2011, the regional energy observatory valued at 874,000 MWh/year the potential for recovery of thermal energy in wastewater. More than half of this potential is concentrated on the 8 largest regional urban areas.

- **Financing needs identified**

The financing needs are identified at the level of equity investment in project companies or the provision of debt.

- **ESI Funds eligibility**

The eligibility is not proven, even if the project could correspond to axis 6: To protect the environment and promote the rational use of resources. Investments in waste management is not an eligible action for the developed regions if the projects are not designed on the basis of innovative management of waste (capture and recycling of energy produced for example).

- **Projects identified in the PACA Region**

**Marseille**: A project portfolio has been identified by the Urban Community of Marseille with the need to upgrade several sewage treatment plants. This project is presented in the fact sheets below.

**Nice**: the Europe department has indicated a project for upgrading or installing equipment on the surrounding communes of Nice.

### Port facilities

- **Issues and financing difficulties**

The maritime activity (i.e. cruise, ferry) is a major issue of economic development for the PACA region, notably in Marseille, Toulon, Nice. Marseille welcomed 850,000 cruise passengers in 2010; Toulon is the starting point of the sea motorway towards Turkey; Nice is developing around connections for Corsica, cruises, the marina, the cargo of cement. To encourage more visitors and the activity of sea freight on the Mediterranean coast, the ports are carrying out large development operations with a view to:

- strengthening the reception capacities for vessels, ferries, cruise ships or other boats
- improving the quality of the urban fabric by significant development operations to connect city and port
- providing infrastructure and equipment that meets the level of demand of users of the port (shipowners, cruisers, yachters, etc.)

This presents a major challenge to remain competitive for these port towns (small or large) whose economy largely depends on the maritime activity. The ports are managed by public establishments of an industrial and commercial nature (EPIC) attached to a local supervisory authority: the exercise a public service mission of a commercial character. In this capacity, they collect revenue on the basis of the service performed. The ports of Toulon thus collect €20 M Euros of annual revenue. This can be repaid to finance the necessary investments for the modernisation of port infrastructures and other development operations. However, very often the balance of the development operation is not reached and developers have to use the subsidy. A JESSICA-type FI mechanism would be perfectly suited to this type of project and no doubt more relevant than a public intervention through a subsidy in view of the optimisation of public investment.

- **Financing needs identified**

Developers are seeking financing in the form of debt to carry out their operations (long-term loans at a subsidised rate).

- **ERDF eligibility**

The port development projects fall within the scope of axis 7 of the Joint Strategic Framework. "*As regards maritime transport, ports should be developed as effective points of entry and exit, by providing total integration with the land infrastructure. Priority should be given to projects concerning port access and connection with the subregion.*"

- **Projects identified in the PACA Region**

**Toulon**: major projects are underway: wharves for the creation of a marina, rehabilitation of the Vieux Port with a view to tourism, development of the Toulon Centre Terminal with a cruise ship terminal, creation of infrastructure for welcoming ferries outside of the city.
**Marseille**: major projects in progress

Other projects in the port sites of a smaller scale. Other examples are given, such as in Seyne sur Mer or on the Ile du Levant.

### Student housing

- **Issues and financing difficulties**

Student housing projects are often promoted by the private sector. There are 650 student residences on the entire territory, i.e. 100,000 furnished dwellings in the vicinity of universities and "grands écoles". In general, demand exceeds supply and the projects are therefore profitable. Among the major operators are Estudines (Réside Studies), Lamy Résidences under the responsibility of Nexity, Studelites.

However, in certain areas such as Nantes and Clermont-Ferrand, the offer is beginning to exceed the demand and the markets appear saturated. On the other hand, in certain regions, outside of urban areas, this type of project may support the economic development of the territory and not find sufficient financing as the interest of private actors is not present.

According to the study on the living conditions of the young in the PACA Region published in 2010 by the ministry of sustainable development and land use, students represent 19% of those in the 15 – 29 age group living in the Region with 180,000 persons, 64,000 of which not from the region. Among them, 22 % have been awarded a grant, 20% live below the poverty threshold and 25% benefit from housing assistance.

Among the entire population of 15 - 29 year olds, 315,000 live in independent housing (38 %) of which 15,000 in poor housing conditions; 24,000 (3 %) in accommodation structures, half of which are students housed by the CROUS; 70,000 (8 %) of young people have a housing problem (Insee RP 2006) and are housed or living with friends or other, cohabitants, mobile homes, squats, etc. At the scale of the Region, there are approximately 100,000 young people who are likely to have a housing problem. The existing housing offer is poorly adapted as it mainly includes large housing units, and the share of small one-room housing units is low, at 7% of main residences in the PACA Region.

These figures show the extent of the precariousness in this group and reinforces the need to add to the offer available to them, if the Region wants to keep these vital forces on its territory and if it wishes to maintain an equitable territorial distribution.

- **Financing needs identified**

In the case of less attractive areas, the costs of constructions are out of step with the rent which future students are likely to pay. Taking into account the rent necessary to operate the business model, the risk linked to the non-filling of programmes once they are built are higher. There are few studies of market which reassure investors and funding is difficult to find.

The fund could intervene in the form of investment in the project company, the provision of debt or event of guarantees in relation to the rent which could be collected.

- **ESI Funds eligibility**

The market segment could be eligible under axis 10: To invest in education, skills and on-going training. The aim of this axis is in particular to "bring to at least 40% the proportion of person aged between 30 and 34 having obtained a higher education certificate or reached an equivalent level of studies". In this framework, the ERDF supports investments in the education and training infrastructures in particular with a view to reducing territorial disparities. However, it appears that the ERDF eligibility is yet to be confirmed for the 2014-2020 programming period on this market segment since housing (apart from social housing) is not eligible as such for ERDF funding. The integration within a broader project allowing the maintenance of the local economy could serve as a basis for discussions on the eligibility.

- **Projects identified in the PACA Region**

The **Stud'Air** project is presented in the fact sheets below. Other projects could be developed to maintain the attractiveness of the less urban areas of the PACA region.

### Cultural facilities

Thanks to the dynamic launched by the project "Marseille European Capital of Culture 2013, " many project promoters have applied for European funding, without success in view of the eligibility of projects. There is no specific reference to cultural infrastructures in the joint strategic framework, and it therefore appears difficult to orient the ERDF funds towards this type of project.

### Commercial areas and offices

Projects to develop commercial areas and offices have been addressed. These projects were all the more highlighted given that two major developers are currently at work on important perimeters in the PACA Region: Euroméditerranée and the Plaine du Var. Even if these programmes are functioning well for the moment, they are subject to a constant need for investment to develop the attractiveness of the area in which the developments are taking place.

However, it appears difficult for the ERDF funds to directly finance the development of these areas, which already largely attract private funds. The joint strategic framework does not appear to indicate any action allowing to support, even partially, this type of project. The only exception could come from a commercial area located in an economically depressed area or possibly integrated with an urban renewal project.

## 3.2 Estimated project portfolio

This section provides a description of the sectors, alignment with the 11 thematic objectives, potential impact and examples of projects.

### 3.2.1 Initial estimate of financing needs

The analysis of projects by filtering through its eligibility and their financing difficulties has allowed us to identify the market segments which could be supported with FIs within a **multi-sectorial investment strategy**. These segments are represented on the diagram below and detailed hereafter. They have been divided into two categories: Energy - Environment and Economy and Employment and social inclusion.

The recommendation for the allocation of funds through the Priority Axes is based on the identification of the market gap to be financed. The amounts shown for each sector of activity represent the potential total to invest in the 2014-2020 programming period by FIs, i.e. ESI Funds and co-financing.

The methodology of calculation for each sector of activity was as follows:

i. Identification of volume of projects to be financed immediately or in the short term in the region
ii. Proportion of the average funding gap to fill (excluding co-investment)
iii. Projection of the volume of projects in the 2014-2020 programming period according to the anticipated market sector activities
iv. Feasibility type of projects considered (potential for implementation)

Taking into account the information provided by the local actors, an estimate of the project portfolio has been summarised in the table below.

## Summary table of costs and financing needs

| Segments de marché | Total project cost identified (M€) | Financing needs on identified projects (M€) | Multiplier | Total project costs at regional level before adjustment for feasibility (M€) | Financing needs on identified projects at regional level (M€) | Average feasibility | Total project costs at regional level after adjustment for feasibility (M€) | Financing needs at regional level (M€) | % of costs financed by IF | Financial structure suggested * |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sea Water Air Conditioning (SWAC)** | 88.00 | 20.00 | 6.00 | 528.00 | 120.00 | 50.00% | 264.00 | 60.00 | 23% | Equity |
| **Timber Industry** | 25.00 | 6.25 | 5.00 | 125.00 | 31.25 | 50.00% | 62.50 | 15.63 | 25% | Debt/Equity |
| **Photovoltaic** | 1.00 | 0.50 | 8.00 | 8.00 | 4.00 | 90.00% | 7.20 | 3.60 | 50% | Debt/Equity |
| **Smart grid / demonstration project** | 110.00 | 25.00 | 6.00 | 660.00 | 150.00 | 50.00% | 330.00 | 75.00 | 23% | Debt/Equity |
| **Water Treatment Station** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | - | 0.00 | 0.00 | 0% | Debt/Equity |
| **Treatment of waste** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | - | 0.00 | 0.00 | 0% | Debt/Equity |
| **Energy renovation** | 40.00 | 20.00 | 1.00 | 40.00 | 20.00 | 90.00% | 36.00 | 18.00 | 50% | Debt/Equity |
| **Micro-business & SME real estate assets**** | 10.00 | 4.00 | 10.00 | 100.00 | 40.00 | 80.00% | 80.00 | 32.00 | 40% | Debt/Equity |
| **Port development** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | - | 0.00 | 0.00 | 0% | Debt/Equity |
| **social and health structures** | 35.00 | 3.00 | 10.00 | 350.00 | 30.00 | 90.00% | 315.00 | 27.00 | 9% | Equity |
| **Student housing** | 2.00 | 1.50 | 8.00 | 16.00 | 12.00 | 90.00% | 14.40 | 10.80 | 75% | Debt/Equity |
| **Total** | **311.00** | **80.25** | | **1,827.00** | **407.25** | | **1,109.10** | **242.03** | **22%** | Debt/Equity |

*These amounts are to be confirmed with the aid of an ex-ante assessment specific to the establishment of FIs.*

***** Structure based on the projects studied for which information relating to the structure of funding is available. Depending on the structure of the financing provided by the promoters, the needs in debt and equity may vary from one project to another.

****** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation. *the eligibility of the construction of real estate infrastructures is under discussion at the national level and must be clarified in the partnership agreement.*

**Working assumptions for the estimation of the portfolio of projects**

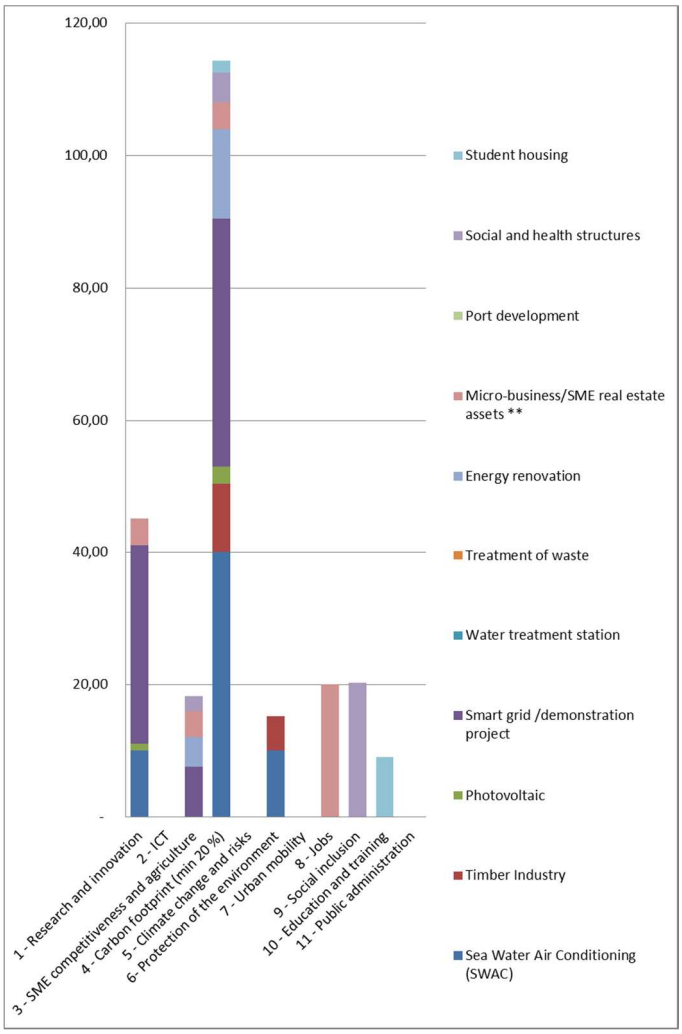
The basis of calculation was the needs expressed by the actors in each project, these needs have been multiplied by a coefficient described below to obtain a need for funding of projects at the regional level. The evaluation study weighted this potential need by a coefficient of average feasibility of projects which takes account of the innovative character of the project and of the size of its financing, in particular.

In order to estimate the potential at the regional level, the evaluation study estimated that the project presented in the standard fact sheets would be reproducible 1 to 10 times, depending on the market segments:

- **Sea Water Air Conditioning**: reproducible 6 times. Nice and Toulon are rather mature projects and other projects could be implemented on the model developed. But given the magnitude of the project and the necessary proximity to the sea, only 50% of the projects launched currently or which are being contemplated could be implemented.
- **Energy Renovation**: the segment already takes into account a number of important projects throughout the territory through the intervention of the energy operator; the evaluation study therefore considered that it represented the entire project portfolio at the regional scale. It is very likely that all the projects considered are realised, given the progress of the establishment of the energy operator
- **Timber Industry**: reproducible 5 times to consolidate a regional procurement, these projects are supported by the Region, and could multiply, with the support of a fund. The evaluation study have considered, in the absence of details from the project promoter, that funding needs of the project amounted to 25% of the costs presented. On all the projects that could be implemented, only 50% could be realised, as the constraints of provision of land, of interaction with an energy operator, could limit the realisation
- **Smart grid /demonstrator project**: reproducible 6 times, Marseille is already in the progress of establishing this type of project which could be implemented over the territory, in particular in Toulon and Avignon if the business model is confirmed. Given the magnitude of the project, the backdrop of dense urban development, it was assumed that 50% of projects might be realised
- **Photovoltaic**: reproducible 8 times given its nature which is rather easy to deploy if funding is found. For this segment, the financing needs are estimated at one third of the total costs of the project. 90% of projects could be realised as they are not complicated to set up once the investment plan has been developed. The needs are greater as indicated in the "market segments" section, but the energy operator who may be put in place by the Region wishes to position itself on a part of the need. The analysis followed this strategic positioning in the assumptions. The fund could however finance more projects if it was otherwise decided .
- **Real estate assets for Micro and SMEs businesses**: reproducible 10 times, this segment is a classical segment strongly supported by the local authorities, some geographical areas could benefit from a dynamic once the funding has been developed. The probability of realisation of projects is high at 80% but will depend all the same on local economic conditions.
- **Social and health infrastructure**: reproducible 10 times taking into account the needs analysed in the "context" section.
- **Student housing**: reproducible 8 times taking into account the needs analysed in the "context" section.

The following diagram allows to visualise the share of each sector of activity by thematic objective, the details of which are shown in the table below:

Distribution of costs per market segment and by Thematic Objective estimated for the Region




This methodology has enabled us to recommend the following allocation amounts (co-financing included) for each market segment and each Thematic Objective:

## Distribution of costs per market segment and by Thematic Objective estimated for the Region

| M€ | | | *Thematic Objectives* | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Market Segments | *Total market Segment* | 1 - Research and innovation | 2 - ICT | 3 - SME competitiveness and agriculture | 4 - Carbon footprint (min 20%) | 5 - Climate changes and risks | 6 - Protection of the environment | 7 - Urban mobility | 8 - Jobs | 9 - Social inclusion | 10 - Education and training | 11 - Public administration | Financing structure suggested | PT1 - sustainable development | PT2- equality between men and women |
| **Energy - Environment** | Sea Water Air Conditioning (SWAC) | 60.00 | 10.00 | - | - | 40.00 | - | 10.00 | - | - | - | - | - | *Equity* | ✓ | |
| | Timber Industry | 15.63 | - | - | - | 10.42 | - | 5.21 | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Photovoltaic | 3.60 | 1.03 | - | - | 2.57 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Smart grid / demonstration project | 75.00 | 30.00 | - | 7.50 | 37.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Water Treatment Station | - | - | - | - | - | - | * | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Treatment of waste | - | - | - | - | - | - | * | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Energy renovation | 18.00 | - | - | 4.50 | 13.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| **Jobs and social inclusion** | Micro-business & SME real estate assets** | 32.00 | 4.00 | - | 4.00 | 4.00 | - | - | - | 20.00 | - | - | - | *Debt/Equity* | | ✓ |
| | Port development | - | - | - | - | - | - | - | * | - | - | - | - | *Debt/Equity* | ✓ | |
| | social and health structures | 27.00 | - | - | 2.25 | 4.50 | - | - | - | - | 20.25 | - | - | *Equity* | | ✓ |
| | Student housing | 10.80 | - | - | - | 1.80 | - | - | - | - | - | 9.00 | - | *Debt/Equity* | | ✓ |
| | *Total to be invested by the FI per market segment* | 242.03 | **45.03** | **-** | **18.25** | **114.29** | **-** | **15.21** | **-** | **20.00** | **20.25** | **9.00** | **-** | | | |
| | *Total costs per market segment* **** | 1,109.10 | 193.16 | - | 114.02 | 644.14 | - | 74.86 | - | 34.55 | 31.10 | 17.28 | - | | | |
| | **ERDF OP Framework (Subsidy)** | **500.00** | 110.00 | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **-** | **-** | | | |
| | **ESIF OP Framework (Subsidy)** | **210.00** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **210.00** | **-** | | | |
| | **Total Framework (Subsidy)** | **710.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **210.00** | **-** | | | |
| | **Total OP envisaged ***** | **952.03** | **155.03** | **90.00** | **118.25** | **222.29** | **14.00** | **59.21** | **20.00** | **20.00** | **34.25** | **219.00** | **-** | | | |
| | **% Financial Instrument / Total OP** | **25.42%** | **4.73%** | **0.00%** | **1.92%** | **12.00%** | **0.00%** | **1.60%** | **0.00%** | **2.10%** | **2.13%** | **0.95%** | **0.00%** | | | |
| ***Cofinancing and ESI funds*** | | | | | | | | | | | | | | | | |
| 50% | ESIF | 121.01 | 22.51 | - | 9.13 | 57.14 | - | 7.60 | - | 10.00 | 10.13 | 4.50 | - | | | |
| 50% | Co-Financing | 121.01 | 22.51 | - | 9.13 | 57.14 | - | 7.60 | - | 10.00 | 10.13 | 4.50 | - | | | |
| ***Co-financing and ESIF (including the 10% bonus if PA dedicated to Fis)*** | | | | | | | | | | | | | | | | |
| 60% | ESIF | 121.01 | 22.51 | - | 9.13 | 57.14 | - | 7.60 | - | 10.00 | 10.13 | 4.50 | - | | | |
| 40% | Co-Financing | 80.68 | 15.01 | - | 6.08 | 38.10 | - | 5.07 | - | 6.67 | 6.75 | 3.00 | - | | | |

***** Eligibility to be confirmed within the framework of the current negotiations of the partnership agreement.

****** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

******* The sum of the amounts of subsidies granted for each thematic objective according to the Operational Programme Framework provided by the region (version of June 13, 2013)

## Distribution of project costs for the Region by Thematic Objective for the projects studied

| M€ | | | *Thematic Objectives* | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Market Segments | *Total market Segment* | 1 - Research and innovation | 2 - ICT | 3 - SME competitiveness and agriculture | 4 - Carbon footprint (min 20%) | 5 - Climate changes and risks | 6 - Protection of the environment | 7 - Urban mobility | 8 - Jobs | 9 - Social inclusion | 10 - Education and training | 11 - Public administration | Financing structure suggested | PT1 - sustainable development | PT2- equality between men and women |
| **Energy - Environment** | Sea Water Air Conditioning (SWAC) | 20.00 | 3.33 | - | - | 13.33 | - | 3.33 | - | - | - | - | - | *Equity* | ✓ | |
| | Timber Industry | 6.25 | - | - | - | 4.17 | - | 2.08 | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Photovoltaic | 0.50 | 0.14 | - | - | 0.36 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Smart grid / demonstration project | 25.00 | 10.00 | - | 2.50 | 12.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Water Treatment Station | - | - | - | - | - | - | * | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Treatment of waste | - | - | - | - | - | - | * | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Energy renovation | 20.00 | - | - | 5.00 | 15.00 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| **Jobs and social inclusion** | Micro-business & SME real estate assets** | 4.00 | 0.50 | - | 0.50 | 0.50 | - | - | - | 2.50 | - | - | - | *Debt/Equity* | | ✓ |
| | Port development | - | - | - | - | - | - | - | * | - | - | - | - | *Debt/Equity* | ✓ | |
| | social and health structures | 3.00 | - | - | 0.25 | 0.50 | - | - | - | - | 2.25 | - | - | *Equity* | | ✓ |
| | Student housing | 1.50 | - | - | - | 0.25 | - | - | - | - | - | 1.25 | - | *Debt/Equity* | | ✓ |
| | *Total to be invested by the FI per market segment* | 80.25 | **13.98** | **-** | **8.25** | **46.61** | **-** | **5.42** | **-** | **2.50** | **2.25** | **1.25** | **-** | | | |
| | *Total costs per market segment* **** | 1,109.10 | 193.16 | - | 114.02 | 644.14 | - | 74.86 | - | 34.55 | 31.10 | 17.28 | - | | | |
| | **ERDF OP Framework (Subsidy)** | **500.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **-** | **-** | | | |
| | **ESIF OP Framework (Subsidy)** | **210.00** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **210.00** | **-** | | | |
| | **Total Framework (Subsidy)** | **710.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **210.00** | **-** | | | |
| | **Total OP envisaged ***** | **790.25** | **123.98** | **90.00** | **108.25** | **154.61** | **14.00** | **49.42** | **20.00** | **2.50** | **16.25** | **211.25** | **-** | | | |
| | **% Financial Instrument / Total OP** | **10.16%** | **1.77%** | **0.00%** | **1.04%** | **5.90%** | **0.00%** | **0.69%** | **0.00%** | **0.32%** | **0.28%** | **0.16%** | **0.00%** | | | |
| ***Cofinancing and ESI funds*** | | | | | | | | | | | | | | | | |
| 50% | ESIF | 40.13 | 6.99 | - | 4.13 | 23.30 | - | 2.71 | - | 1.25 | 1.13 | 0.63 | - | | | |
| 50% | Co-Financing | 40.13 | 6.99 | - | 4.13 | 23.30 | - | 2.71 | - | 1.25 | 1.13 | 0.63 | - | | | |
| ***Co-financing and ESIF (including the 10% bonus if PA dedicated to Fis)*** | | | | | | | | | | | | | | | | |
| 60% | ESIF | 40.13 | 6.99 | - | 4.13 | 23.30 | - | 2.71 | - | 1.25 | 1.13 | 0.63 | - | | | |
| 40% | Co-Financing | 26.75 | 4.66 | - | 2.75 | 15.54 | - | 1.81 | - | 0.83 | 0.75 | 0.42 | - | | | |

***** Eligibility to be confirmed within the framework of the current negotiations of the partnership agreement.

****** Eligibility to be confirmed, although the use of infrastructures should be in perfect alignment with the objectives of job creation, support of the competitiveness of SMEs and innovation.

******* The sum of the amounts of subsidies granted for each thematic objective according to the Operational Programme Framework provided by the region (version of June 13, 2013)

These amounts are to be confirmed with the aid of an ex-ante assessment specific to the establishment of JESSICA-type FIs.

Some projects require a significant funding on the part of the Region according to the assumptions, running into seven figures, such as the Sea Water Air Conditioning loop, others are more diffuse such as the social integration projects or student residences. The majority of funding is concentrated on TO, taking into account the significant weight of the segments related to energy such as the smart grid or the Sea Water Air Conditioning loops. This approach allows for responding primarily to the energy challenges identified in the PACA region.
The issues related to transport, although identified as major for the Region, cannot be addressed through the deployment of FIs. No project has been identified by the local actors and a change of approach which is too far-reaching is to be implemented to be able to respond to these issues by the 2014-2020 programming period. However, raising awareness among actors can be carried out to change practices and begin to allow urban development projects to emerge which could take into account the added value created by the development of transport infrastructures and to better distribute it between the public and private sector through a more equitable public-private partnership.

The funding needs identified by this initial approach have been subject to criticism on the part of the Region because of the mismatch between the high amount of financing needs identified and the funds available to the Region. Because of this, the analysis adopted an approach which focuses on the pipeline of projects available which is more in line with the funds available.

### 3.2.2 Areas of intervention identified in PACA

The analysis of projects identified through the TOs of the ESI Funds and their financing difficulties has allowed us to identify the market segments which could be supported with FIs within a **multi-sectoral investment strategy**. These segments are represented on the diagram below. They have been divided into two categories: "Energy - Environment and Economy" and "Employment and social inclusion".

The recommendation for the allocation of funds through the partnership agreements resulting from Thematic Objectives is based on the identification of the market gap to be financed. **The amounts indicated for each sector of activity represent the potential total to invest in the 2014-2020 programming period by the FI,** by using **ESI Funds** in addition to **co-financing**[19], i.e. the resources of the Operational Programme without additional co-investments.

**These amounts are based on a concrete demonstration of the potential for absorption for each sector of activity, taking into account the feasibility of the projects considered. These amounts are therefore lower than the real need of the market.**

Also, these amounts indicate the recommended proportion of investment for the FI, which represents only a minority share in each project.

The methodology of calculation in three steps for each sector of activity was as follows:

a) Identification of projects to be financed immediately or in the short term in the region

b) Proportion of the average funding gap to fill (excluding co-investment)

c) Projection of the volume of projects in the 2014-2020 programming period according to the anticipated evolution of the sector of activity

This methodology has enabled us to recommend the following amounts of allocation of resources of the Operational Program for each market segment:

[19] EU regulation No. 1303/2013

Summary table of costs and financing needs

| Segments de marché | Total project cost identified (M€) | Financing needs on identified projects (M€) | Multiplier | Total project costs at regional level before adjustment for feasibility (M€) | Financing needs on identified projects at regional level (M€) | Average feasibility | Total project costs at regional level after adjustment for feasibility (M€) | Financing needs at regional level (M€) | %of costs financed by IF | Financial structure suggested * |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sea Water Air Conditioning (SWAC)** | 88.00 | 20.00 | 6.00 | 528.00 | 120.00 | 50.00% | 264.00 | 60.00 | 23% | Equity |
| **Timber Industry** | 25.00 | 6.25 | 5.00 | 125.00 | 31.25 | 50.00% | 62.50 | 15.63 | 25% | Debt/Equity |
| **Photovoltaic** | 1.00 | 0.50 | 8.00 | 8.00 | 4.00 | 90.00% | 7.20 | 3.60 | 50% | Debt/Equity |
| **Smart grid / demonstration project** | 110.00 | 25.00 | 6.00 | 660.00 | 150.00 | 50.00% | 330.00 | 75.00 | 23% | Debt/Equity |
| **Water Treatment Station** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | - | 0.00 | 0.00 | 0% | Debt/Equity |
| **Treatment of waste** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | - | 0.00 | 0.00 | 0% | Debt/Equity |
| **Energy renovation** | 40.00 | 20.00 | 1.00 | 40.00 | 20.00 | 90.00% | 36.00 | 18.00 | 50% | Debt/Equity |
| **Micro-business & SME real estate assets**** | 10.00 | 4.00 | 10.00 | 100.00 | 40.00 | 80.00% | 80.00 | 32.00 | 40% | Debt/Equity |
| **Port development** | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | - | 0.00 | 0.00 | 0% | Debt/Equity |
| **social and health structures** | 35.00 | 3.00 | 10.00 | 350.00 | 30.00 | 90.00% | 315.00 | 27.00 | 9% | Equity |
| **Student housing** | 2.00 | 1.50 | 8.00 | 16.00 | 12.00 | 90.00% | 14.40 | 10.80 | 75% | Debt/Equity |
| **Total** | **311.00** | **80.25** | | **1,827.00** | **407.25** | | **1,109.10** | **242.03** | **22%** | Debt/Equity |

*These amounts are to be confirmed with the aid of an ex-ante assessment specific to the establishment of JESSICA-type FIs.*

***** Structure based on the projects studied for which information relating to the structure of funding is available. Depending on the structure of the financing provided by the promoters, the needs in debt and equity may vary from one project to another.

****** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation; the eligibility of the construction of real estate infrastructures is under discussion at the national level and must be clarified in the partnership agreement.

Three sectors of activity identified as important for the region are not mentioned here: Sewage treatment plant, Waste treatment and Port development. It was not possible at this stage to identify projects that are compatible with the approach of FIs and achievable in the short-term.

**Because of the budgetary constraints of the Region, it is envisaged to provide the FI with an investment budget corresponding to the need for funding of projects identified as achievable in the short term. The deployment of the amount estimated between €80 M and €242 M in the FIs, if they are invested in the portfolio of projects identified and estimated will generate the following externalities: job creation, reduction of greenhouse gas emissions, improvement of the quality of life, improvement of social cohesion.**

This realistic and conservative approach will limit the risk of unused funds, but does not prevent, in case of success of the projects and of satisfactory performance of the FIs, to increase the capacity for funding from co-financing or co-investment in the long term.

On this basis of projection, three solutions are possible in terms of allocation of resources by TO within the Operational Programme:

a) A distribution of resources to the FI on seven TO

b) A distribution of resources to the FI on five TO

c) A distribution of resources to the FI on two TO

These three options are represented in the graphs below using the amounts estimated at the regional level through the methodology previously described on the one hand, and the amounts relating to the projects identified in the study. The absence of the ESF should be noted, which, being managed at the national level, should be subject to a separate consultation to possibly obtain a delegation of authority on part of the Funds usable via a FIs.

### 3.2.3 A distribution of resources to the FI on seven TO

This option is an interpretation based on the potential eligibility of expenditure incurred. The advantage of this option is to cover a maximum of PAs and investment priorities. The drawback will be the administrative burden attached to this breakdown (in terms of monitoring ESI Funds).

## Distribution of costs on seven Thematic Objectives estimated for the Region

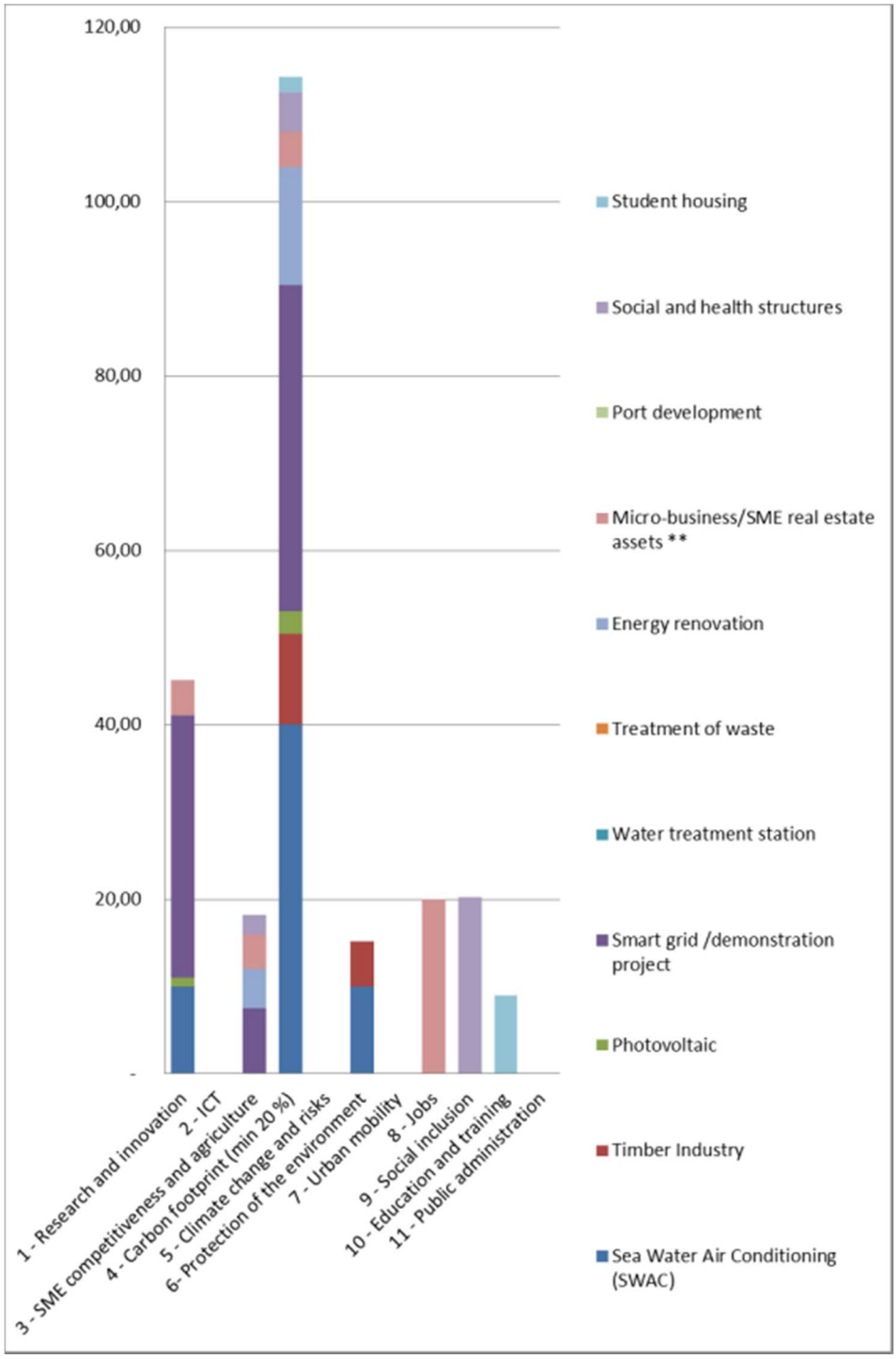
| | Market Segments | *Total market Segment* | 1 - Research and innovation | 2 - ICT | 3 - SME competitiveness and agriculture | 4 - Carbon footprint (min 20%) | 5 - Climate changes and risks | 6 - Protection of the environment | 7 - Urban mobility | 8 - Jobs | 9 - Social inclusion | 10 - Education and training | 11 - Public administration | Financing structure suggested | PT1 - sustainable development | PT2- equality between men and women |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Energy - Environment** | Sea Water Air Conditioning (SWAC) | 60.00 | 10.00 | - | - | 40.00 | - | 10.00 | - | - | - | - | - | *Equity* | ✓ | |
| | Timber Industry | 15.63 | - | - | - | 10.42 | - | 5.21 | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Photovoltaic | 3.60 | 1.03 | - | - | 2.57 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Smart grid / demonstration project | 75.00 | 30.00 | - | 7.50 | 37.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Water Treatment Station | - | - | - | - | - | - | * | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Treatment of waste | - | - | - | - | - | - | * | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Energy renovation | 18.00 | - | - | 4.50 | 13.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| **Jobs and social inclusion** | Micro-business & SME real estate assets** | 32.00 | 4.00 | - | 4.00 | 4.00 | - | - | - | 20.00 | - | - | - | *Debt/Equity* | | ✓ |
| | Port development | - | - | - | - | - | - | - | * | - | - | - | - | *Debt/Equity* | ✓ | |
| | social and health structures | 27.00 | - | - | 2.25 | 4.50 | - | - | - | - | 20.25 | - | - | *Equity* | | ✓ |
| | Student housing | 10.80 | - | - | - | 1.80 | - | - | - | - | - | 9.00 | - | *Debt/Equity* | | ✓ |
| | *Total to be invested by the FI per market segment* | 242.03 | **45.03** | **-** | **18.25** | **114.29** | **-** | **15.21** | **-** | **20.00** | **20.25** | **9.00** | **-** | | | |
| | *Total costs per market segment* **** | 1,109.10 | 193.16 | - | 114.02 | 644.14 | - | 74.86 | - | 34.55 | 31.10 | 17.28 | - | | | |
| | **ERDF OP Framework (Subsidy)** | **500.00** | 110.00 | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **-** | **-** | | | |
| | **ESIF OP Framework (Subsidy)** | **210.00** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **210.00** | **-** | | | |
| | **Total Framework (Subsidy)** | **710.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **210.00** | **-** | | | |
| | **Total OP envisaged ***** | **952.03** | **155.03** | **90.00** | **118.25** | **222.29** | **14.00** | **59.21** | **20.00** | **20.00** | **34.25** | **219.00** | **-** | | | |
| | **% Financial Instrument / Total OP** | **25.42%** | **4.73%** | **0.00%** | **1.92%** | **12.00%** | **0.00%** | **1.60%** | **0.00%** | **2.10%** | **2.13%** | **0.95%** | **0.00%** | | | |
| ***Cofinancing and ESI funds*** | | | | | | | | | | | | | | | | |
| 50% | ESIF | 121.01 | 22.51 | - | 9.13 | 57.14 | - | 7.60 | - | 10.00 | 10.13 | 4.50 | - | | | |
| 50% | Co-Financing | 121.01 | 22.51 | - | 9.13 | 57.14 | - | 7.60 | - | 10.00 | 10.13 | 4.50 | - | | | |
| ***Co-financing and ESIF (including the 10% bonus if PA dedicated to Fis)*** | | | | | | | | | | | | | | | | |
| 60% | ESIF | 121.01 | 22.51 | - | 9.13 | 57.14 | - | 7.60 | - | 10.00 | 10.13 | 4.50 | - | | | |
| 40% | Co-Financing | 80.68 | 15.01 | - | 6.08 | 38.10 | - | 5.07 | - | 6.67 | 6.75 | 3.00 | - | | | |

***** Eligibility to be confirmed within the framework of the current negotiations of the partnership agreement.

****** Eligibility to be confirmed, although the use of infrastructures should be in perfect alignment with the objectives of job creation, support of the competitiveness of SMEs and innovation.

******* The sum of the amounts allocated for each thematic objective according to the Operational Programme Framework provided by the region (version of June 13, 2013)

Graph showing the distribution of project costs on seven Thematic Objectives estimated for the Region



## Distribution of costs on seven Thematic Objectives for the projects studied

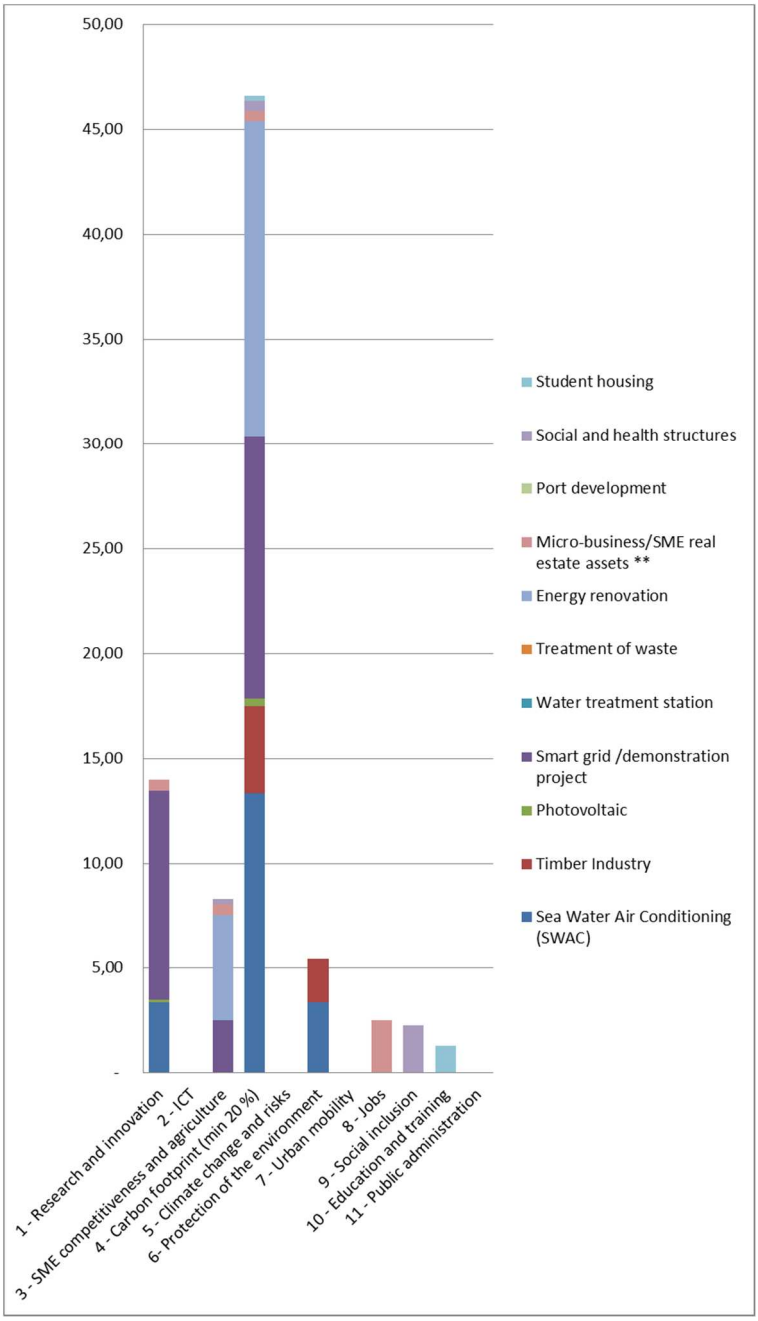
| M€ | | | *Thematic Objectives* | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Market Segments | *Total market Segment* | 1 - Research and innovation | 2 - ICT | 3 - SME competitiveness and agriculture | 4 - Carbon footprint (min 20%) | 5 - Climate changes and risks | 6 - Protection of the environment | 7 - Urban mobility | 8 - Jobs | 9 - Social inclusion | 10 - Education and training | 11 - Public administration | Financing structure suggested | PT1 - sustainable development | PT2- equality between men and women |
| **Energy - Environment** | Sea Water Air Conditioning (SWAC) | 20.00 | 3.33 | - | - | 13.33 | - | 3.33 | - | - | - | - | - | *Equity* | ✓ | |
| | Timber Industry | 6.25 | - | - | - | 4.17 | - | 2.08 | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Photovoltaic | 0.50 | 0.14 | - | - | 0.36 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Smart grid / demonstration project | 25.00 | 10.00 | - | 2.50 | 12.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Water Treatment Station | - | - | - | - | - | - | * | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Treatment of waste | - | - | - | - | - | - | * | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Energy renovation | 20.00 | - | - | 5.00 | 15.00 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| **Jobs and social inclusion** | Micro-business & SME real estate assets** | 4.00 | 0.50 | - | 0.50 | 0.50 | - | - | - | 2.50 | - | - | - | *Debt/Equity* | | ✓ |
| | Port development | - | - | - | - | - | - | - | * | - | - | - | - | *Debt/Equity* | ✓ | |
| | social and health structures | 3.00 | - | - | 0.25 | 0.50 | - | - | - | - | 2.25 | - | - | *Equity* | | ✓ |
| | Student housing | 1.50 | - | - | - | 0.25 | - | - | - | - | - | 1.25 | - | *Debt/Equity* | | ✓ |
| | *Total to be invested by the FI per market segment* | 80.25 | **13.98** | **-** | **8.25** | **46.61** | **-** | **5.42** | **-** | **2.50** | **2.25** | **1.25** | **-** | | | |
| | *Total costs per market segment* **** | 1,109.10 | 193.16 | - | 114.02 | 644.14 | - | 74.86 | - | 34.55 | 31.10 | 17.28 | - | | | |
| | **ERDF OP Framework (Subsidy)** | **500.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **-** | **-** | | | |
| | **ESIF OP Framework (Subsidy)** | **210.00** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **210.00** | **-** | | | |
| | **Total Framework (Subsidy)** | **710.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **210.00** | **-** | | | |
| | **Total OP envisaged** *** | **790.25** | **123.98** | **90.00** | **108.25** | **154.61** | **14.00** | **49.42** | **20.00** | **2.50** | **16.25** | **211.25** | **-** | | | |
| | **% Financial Instrument / Total OP** | **10.16%** | **1.77%** | **0.00%** | **1.04%** | **5.90%** | **0.00%** | **0.69%** | **0.00%** | **0.32%** | **0.28%** | **0.16%** | **0.00%** | | | |
| ***Cofinancing and ESI funds*** | | | | | | | | | | | | | | | | |
| 50% | ESIF | 40.13 | 6.99 | - | 4.13 | 23.30 | - | 2.71 | - | 1.25 | 1.13 | 0.63 | - | | | |
| 50% | Co-Financing | 40.13 | 6.99 | - | 4.13 | 23.30 | - | 2.71 | - | 1.25 | 1.13 | 0.63 | - | | | |
| ***Co-financing and ESIF (including the 10% bonus if PA dedicated to Fis)*** | | | | | | | | | | | | | | | | |
| 60% | ESIF | 40.13 | 6.99 | - | 4.13 | 23.30 | - | 2.71 | - | 1.25 | 1.13 | 0.63 | - | | | |
| 40% | Co-Financing | 26.75 | 4.66 | - | 2.75 | 15.54 | - | 1.81 | - | 0.83 | 0.75 | 0.42 | - | | | |

***** Eligibility to be confirmed within the framework of the current negotiations of the partnership agreement.

****** Eligibility to be confirmed, although the use of infrastructures should be in perfect alignment with the objectives of job creation, support of the competitiveness of SMEs and innovation.

******* The sum of the amounts of subsidies granted for each thematic objective according to the Operational Programme Framework provided by the region (version of June 13, 2013)

Graphic showing the distribution of costs on seven Thematic Objectives for the projects studied




### 3.2.4 A distribution of resources to the FI on five TO

This second option offers a distribution of costs on five TO. It offers a more focused approach and would alleviate the management of the FIs with more limited number of TO as presented below:

## Distribution of costs on five Thematic Objectives for the projects estimated on the region

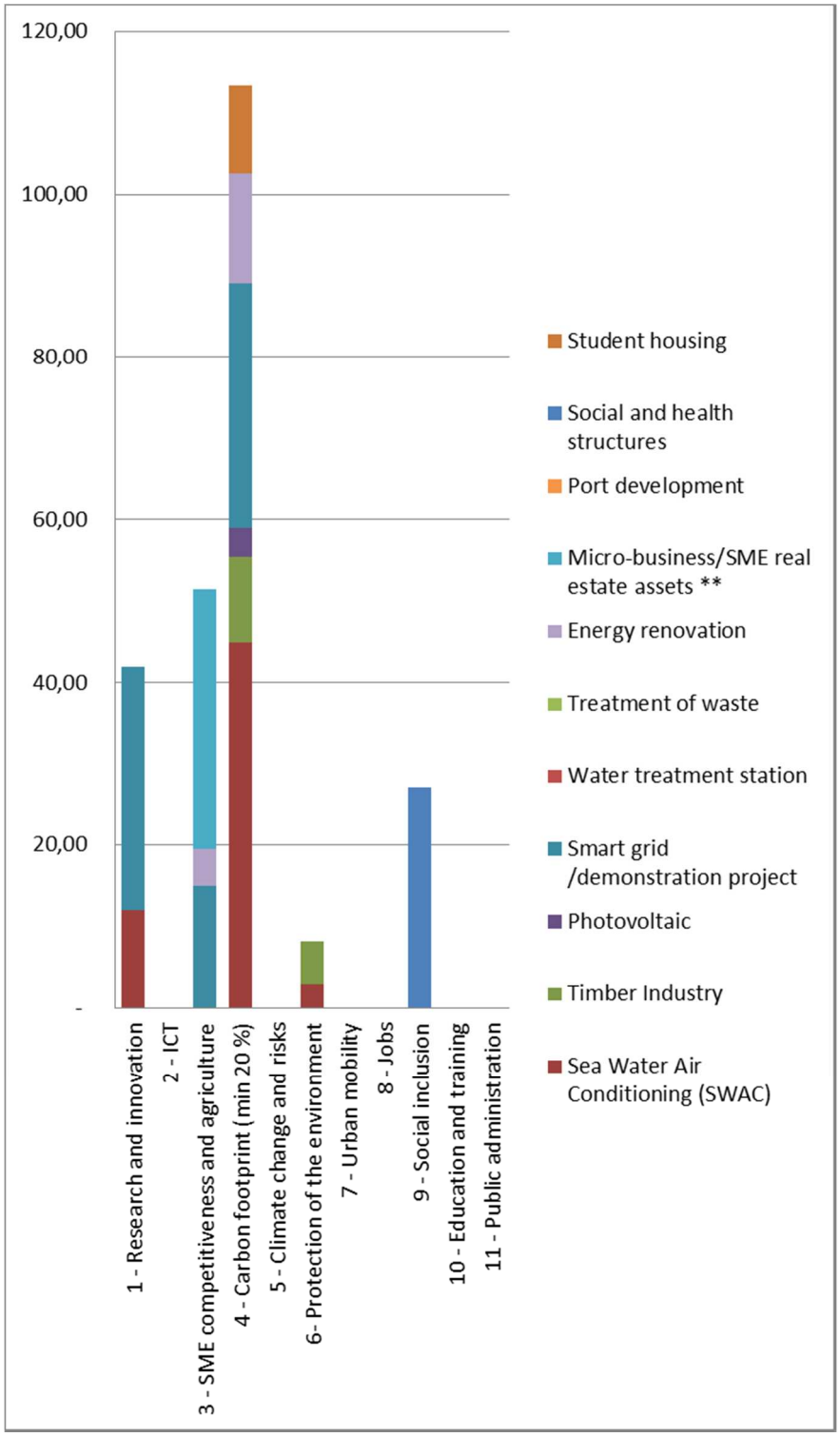
| M€ | | | *Thematic Objectives* | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Market Segments | *Total market Segment* | 1 - Research and innovation | 2 - ICT | 3 - SME competitiveness and agriculture | 4 - Carbon footprint (min 20%) | 5 - Climate changes and risks | 6 - Protection of the environment | 7 - Urban mobility | 8 - Jobs | 9 - Social inclusion | 10 - Education and training | 11 - Public administration | Financing structure suggested | PT1 - sustainable development | PT2- equality between men and women |
| **Energy - Environment** | Sea Water Air Conditioning (SWAC) | 60.00 | 12.00 | - | - | 45.00 | - | 3.00 | - | - | - | - | - | *Equity* | ✓ | |
| | Timber Industry | 15.63 | - | - | - | 10.42 | - | 5.21 | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Photovoltaic | 3.60 | - | - | - | 3.60 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Smart grid / demonstration project | 75.00 | 30.00 | - | 15.00 | 30.00 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Water Treatment Station | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Treatment of waste | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Energy renovation | 18.00 | - | - | 4.50 | 13.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| **Jobs and social inclusion** | Micro-business & SME real estate assets** | 32.00 | - | - | 32.00 | - | - | - | - | - | - | - | - | *Debt/Equity* | | ✓ |
| | Port development | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | social and health structures | 27.00 | - | - | - | - | - | - | - | - | 27.00 | - | - | *Equity* | | ✓ |
| | Student housing | 10.80 | - | - | - | 10.80 | - | - | - | - | - | - | - | *Debt/Equity* | | ✓ |
| | *Total to be invested by the FI per market segment* | 242.03 | 42.00 | - | 51.50 | 113.32 | - | 8.21 | - | - | 27.00 | - | - | | | |
| | *Total costs per market segment* **** | 1,109.10 | 184.80 | - | 155.00 | 420.27 | - | 34.03 | - | - | 315.00 | - | - | | | |
| | **ERDF OP Framework (Subsidy)** | **500.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **-** | **-** | | | |
| | **ESIF OP Framework (Subsidy)** | **210.00** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **210.00** | **-** | | | |
| | **Total Framework (Subsidy)** | **710.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **210.00** | **-** | | | |
| | **Total OP envisaged *** ** | **952.03** | **152.00** | **90.00** | **151.50** | **221.32** | **14.00** | **52.21** | **20.00** | **-** | **41.00** | **210.00** | **-** | | | |
| | **% Financial Instrument / Total OP** | **30.63%** | **5.31%** | **0.00%** | **6.52%** | **14.34%** | **0.00%** | **1.04%** | **0.00%** | **0.00%** | **3.42%** | **0.00%** | **0.00%** | | | |
| ***Cofinancing and ESI funds*** | | | | | | | | | | | | | | | | |
| 50% | ESIF | 121.01 | 21.00 | - | 25.75 | 56.66 | - | 4.10 | - | - | 13.50 | - | - | | | |
| 50% | Co-Financing | 121.01 | 21.00 | - | 25.75 | 56.66 | - | 4.10 | - | - | 13.50 | - | - | | | |
| ***Co-financing and ESIF (including the 10% bonus if PA dedicated to Fis)*** | | | | | | | | | | | | | | | | |
| 60% | ESIF | 121.01 | 21.00 | - | 25.75 | 56.66 | - | 4.10 | - | - | 13.50 | - | - | | | |
| 40% | Co-Financing | 80.68 | 14.00 | - | 17.17 | 37.77 | - | 2.74 | - | - | 9.00 | - | - | | | |

***** Eligibility to be confirmed within the framework of the current negotiations of the partnership agreement.

****** Eligibility to be confirmed, although the use of infrastructures should be in perfect alignment with the objectives of job creation, support of the competitiveness of SMEs and innovation.

******* The sum of the amounts of subsidies granted for each thematic objective according to the Operational Programme Framework provided by the region (version of June 13, 2013)

Graph showing the distribution of project costs on five Thematic Objectives estimated for the Region



## Distribution of costs on five Thematic Objectives for the projects studied

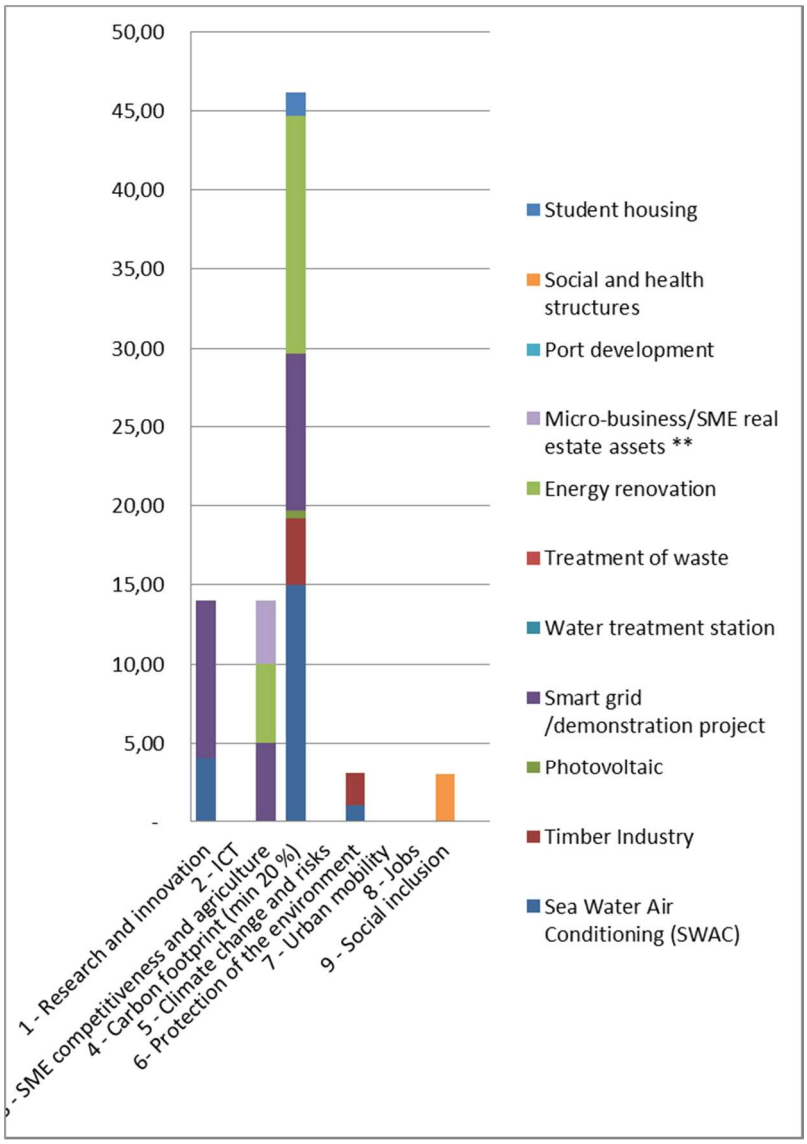
| M€ | | | *Thematic Objectives* | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Market Segments | *Total market Segment* | 1 - Research and innovation | 2 - ICT | 3 - SME competitiveness and agriculture | 4 - Carbon footprint (min 20%) | 5 - Climate changes and risks | 6 - Protection of the environment | 7 - Urban mobility | 8 - Jobs | 9 - Social inclusion | 10 - Education and training | 11 - Public administration | Financing structure suggested | PT1 - sustainable development | PT2- equality between men and women |
| **Energy - Environment** | Sea Water Air Conditioning (SWAC) | 20.00 | 4.00 | - | - | 15.00 | - | 1.00 | - | - | - | - | - | *Equity* | ✓ | |
| | Timber Industry | 6.25 | - | - | - | 4.17 | - | 2.08 | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Photovoltaic | 0.50 | - | - | - | 0.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Smart grid / demonstration project | 25.00 | 10.00 | - | 5.00 | 10.00 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Water Treatment Station | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Treatment of waste | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Energy renovation | 20.00 | - | - | 5.00 | 15.00 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| **Jobs and social inclusion** | Micro-business & SME real estate assets** | 4.00 | - | - | 4.00 | - | - | - | - | - | - | - | - | *Debt/Equity* | | ✓ |
| | Port development | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | social and health structures | 3.00 | - | - | - | - | - | - | - | - | 3.00 | - | - | *Equity* | | ✓ |
| | Student housing | 1.50 | - | - | - | 1.50 | - | - | - | - | - | - | - | *Debt/Equity* | | ✓ |
| | *Total to be invested by the FI per market segment* | 80.25 | 14.00 | - | 14.00 | 46.17 | - | 3.08 | - | - | 3.00 | - | - | | | |
| | *Total costs per market segment* **** | 1,109.10 | 184.80 | - | 155.00 | 420.27 | - | 34.03 | - | - | 315.00 | - | - | | | |
| | **ERDF OP Framework (Subsidy)** | **500.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **-** | **-** | | | |
| | **ESIF OP Framework (Subsidy)** | **210.00** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | | **210.00** | **-** | | | |
| | **Total Framework (Subsidy)** | **710.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **210.00** | **-** | | | |
| | **Total OP envisaged ***** | **790.25** | **124.00** | **90.00** | **114.00** | **154.17** | **14.00** | **47.08** | **20.00** | **-** | **17.00** | **210.00** | **-** | | | |
| | **% Financial Instrument / Total OP** | **10.16%** | **1.77%** | **0.00%** | **1.77%** | **5.84%** | **0.00%** | **0.39%** | **0.00%** | **0.00%** | **0.38%** | **0.00%** | **0.00%** | | | |
| ***Cofinancing and ESI funds*** | | | | | | | | | | | | | | | | |
| 50% | ESIF | 40.13 | 7.00 | - | 7.00 | 23.08 | - | 1.54 | - | - | 1.50 | - | - | | | |
| 50% | Co-Financing | 40.13 | 7.00 | - | 7.00 | 23.08 | - | 1.54 | - | - | 1.50 | - | - | | | |
| ***Co-financing and ESIF (including the 10% bonus if PA dedicated to Fis)*** | | | | | | | | | | | | | | | | |
| 60% | ESIF | 40.13 | 7.00 | - | 7.00 | 23.08 | - | 1.54 | - | - | 1.50 | - | - | | | |
| 40% | Co-Financing | 26.75 | 4.67 | - | 4.67 | 15.39 | - | 1.03 | - | - | 1.00 | - | - | | | |

***** Eligibility to be confirmed within the framework of the current negotiations of the partnership agreement.

****** Eligibility to be confirmed, although the use of infrastructures should be in perfect alignment with the objectives of job creation, support of the competitiveness of SMEs and innovation.

******* The sum of the amounts of subsidies granted for each thematic objective according to the Operational Programme Framework provided by the region (version of June 13, 2013)

Graphic showing the distribution of costs on five Thematic Objectives for the projects studied



### 3.2.5 A distribution of resources to the FI on two Thematic Objectives

This option is only retaining the costs relating to TOs 3 and 4, without taking into consideration the costs relating to other TOs. For practical reasons, the aim is to limit the number of TOs in order to maximise the flexibility of the allocation of resources within the FIs. In effect, in the event that the funds are not fungible, it appears advantageous to maximise the flexibility in the allocation of resources among the 11 TOs.

The advantage of this option is to cover a minimum number of TOs and therefore of investment priorities to simplify the establishment and management of ESI Funds allocated to the FIs.

The Operational Programme is being developed and the European regulations on this matter were under discussion at the time this study was carried out. This solution of grouping costs under a limited number of TOs would be a very practical alternative solution which would allow targeted market segments to enjoy the benefits of FIs.

However, it should be noted that the Region has the possibility to select only one of the two PAs mentioned above for the establishment of the FIs if the available funds proved insufficient, and the Region prefers choose a single PA.

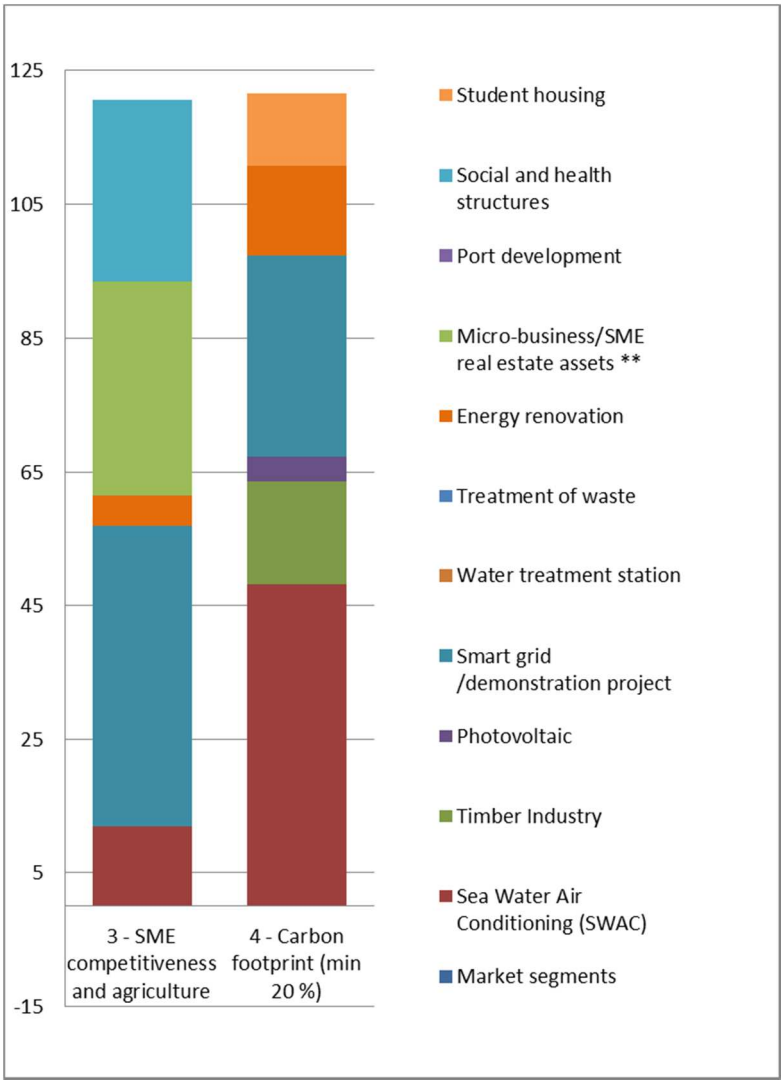
## Distribution of project costs on two Thematic Objectives for the projects estimated on the region

| M€ | | | Thematic Objectives | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Market Segments | Total market Segment | 1 - Research and innovation | 2 - ICT | 3 - SME competitiveness and agriculture | 4 - Carbon footprint (min 20%) | 5 - Climate changes and risks | 6 - Protection of the environment | 7 - Urban mobility | 8 - Jobs | 9 - Social inclusion | 10 - Education and training | 11 - Public administration | Financing structure suggested | PT1 - sustainable development | PT2- equality between men and women |
| Energy - Environment | Sea Water Air Conditioning (SWAC) | 60.00 | - | - | 12.00 | 48.00 | - | - | - | - | - | - | - | *Equity* | ✓ | |
| | Timber Industry | 15.63 | - | - | - | 15.63 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Photovoltaic | 3.60 | - | - | - | 3.60 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Smart grid / demonstration project | 75.00 | - | - | 45.00 | 30.00 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Water Treatment Station | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Treatment of waste | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Energy renovation | 18.00 | - | - | 4.50 | 13.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| Jobs and social inclusion | Micro-business & SME real estate assets** | 32.00 | - | - | 32.00 | - | - | - | - | - | - | - | - | *Debt/Equity* | | ✓ |
| | Port development | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | social and health structures | 27.00 | - | - | 27.00 | - | - | - | - | - | - | - | - | *Equity* | | ✓ |
| | Student housing | 10.80 | - | - | - | 10.80 | - | - | - | - | - | - | - | *Debt/Equity* | | ✓ |
| | *Total to be invested by the FI per market segment* | 242.03 | - | - | 120.50 | 121.53 | - | - | - | - | - | - | - | | | |
| | *Total costs per market segment* **** | 1,109.10 | - | - | **654.80** | **454.30** | - | - | - | - | - | - | - | | | |
| | **ERDF OP Framework (Subsidy)** | **500.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **-** | **-** | | | |
| | **ESIF OP Framework (Subsidy)** | **210.00** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **210.00** | **-** | | | |
| | **Total Framework (Subsidy)** | **710.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **210.00** | **-** | | | |
| | **Total OP envisaged** *** | **952.03** | **110.00** | **90.00** | **220.50** | **229.53** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **210.00** | **-** | | | |
| | **% Financial Instrument / Total OP** | **34.09%** | **0.00%** | **0.00%** | **16.97%** | **17.12%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | | | |
| ***Cofinancing and ESI funds*** | | | | | | | | | | | | | | | | |
| 50% | ESIF | 121.01 | - | - | 60.25 | 60.76 | - | - | - | - | - | - | - | | | |
| 50% | Co-Financing | 121.01 | - | - | 60.25 | 60.76 | - | - | - | - | - | - | - | | | |
| ***Co-financing and ESIF (including the 10% bonus if PA dedicated to Fis)*** | | | | | | | | | | | | | | | | |
| 60% | ESIF | 121.01 | - | - | 60.25 | 60.76 | - | - | - | - | - | - | - | | | |
| 40% | Co-Financing | 80.68 | - | - | 40.17 | 40.51 | - | - | - | - | - | - | - | | | |

***** Eligibility to be confirmed within the framework of the current negotiations of the partnership agreement.

****** Eligibility to be confirmed, although the use of infrastructures should be in perfect alignment with the objectives of job creation, support of the competitiveness of SMEs and innovation.******* The sum of the amounts of subsidies granted for each thematic objective according to the Operational Programme Framework provided by the region (version of June 13, 2013)

Graph showing the distribution of project costs on two Thematic Objectives estimated for the Region



## Distribution of project costs on two Thematic Objectives for the projects studied

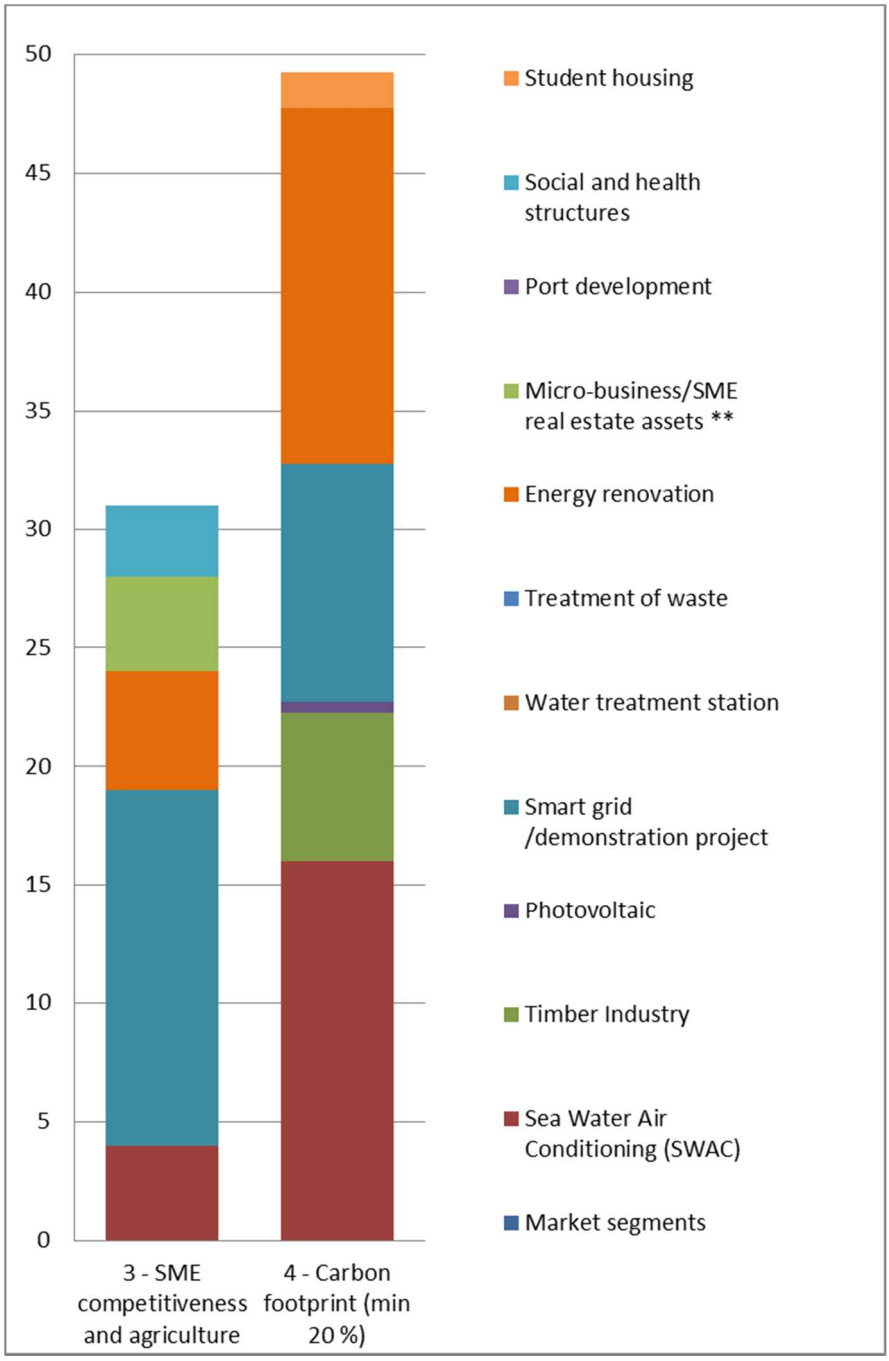
| M€ | | | Thematic Objectives | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Market Segments | *Total market Segment* | 1 - Research and innovation | 2 - ICT | 3 - SME competitiveness and agriculture | 4 - Carbon footprint (min 20%) | 5 - Climate changes and risks | 6 - Protection of the environment | 7 - Urban mobility | 8 - Jobs | 9 - Social inclusion | 10 - Education and training | 11 - Public administration | Financing structure suggested | PT1 - sustainable development | PT2- equality between men and women |
| **Energy - Environment** | Sea Water Air Conditioning (SWAC) | 20.00 | - | - | 4.00 | 16.00 | - | - | - | - | - | - | - | *Equity* | ✓ | |
| | Timber Industry | 6.25 | - | - | - | 6.25 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Photovoltaic | 0.50 | - | - | - | 0.50 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Smart grid / demonstration project | 25.00 | - | - | 15.00 | 10.00 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Water Treatment Station | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Treatment of waste | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | Energy renovation | 20.00 | - | - | 5.00 | 15.00 | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| **Jobs and social inclusion** | Micro-business & SME real estate assets** | 4.00 | - | - | 4.00 | - | - | - | - | - | - | - | - | *Debt/Equity* | | ✓ |
| | Port development | - | - | - | - | - | - | - | - | - | - | - | - | *Debt/Equity* | ✓ | |
| | social and health structures | 3.00 | - | - | 3.00 | - | - | - | - | - | - | - | - | *Equity* | | ✓ |
| | Student housing | 1.50 | - | - | - | 1.50 | - | - | - | - | - | - | - | *Debt/Equity* | | ✓ |
| | *Total to be invested by the FI per market segment* | 80.25 | - | - | 31.00 | 49.25 | - | - | - | - | - | - | - | | | |
| | *Total costs per market segment* **** | 1,109.10 | - | - | 654.80 | 454.30 | - | - | - | - | - | - | - | | | |
| | **ERDF OP Framework (Subsidy)** | **500.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **-** | **-** | | | |
| | **ESIF OP Framework (Subsidy)** | **210.00** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **210.00** | **-** | | | |
| | **Total Framework (Subsidy)** | **710.00** | **110.00** | **90.00** | **100.00** | **108.00** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **210.00** | **-** | | | |
| | **Total OP envisaged ***** | **790.25** | **110.00** | **90.00** | **131.00** | **157.25** | **14.00** | **44.00** | **20.00** | **-** | **14.00** | **210.00** | **-** | | | |
| | **% Financial Instrument / Total OP** | **10.16%** | **0.00%** | **0.00%** | **3.92%** | **6.23%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | **0.00%** | | | |
| ***Cofinancing and ESI funds*** | | | | | | | | | | | | | | | | |
| 50% | ESIF | 40.13 | - | - | 15.50 | 24.63 | - | - | - | - | - | - | - | | | |
| 50% | Co-Financing | 40.13 | - | - | 15.50 | 24.63 | - | - | - | - | - | - | - | | | |
| ***Co-financing and ESIF (including the 10% bonus if PA dedicated to Fis)*** | | | | | | | | | | | | | | | | |
| 60% | ESIF | 40.13 | - | - | 15.50 | 24.63 | - | - | - | - | - | - | - | | | |
| 40% | Co-Financing | 26.75 | - | - | 10.33 | 16.42 | - | - | - | - | - | - | - | | | |

***** Eligibility to be confirmed within the framework of the current negotiations of the partnership agreement.

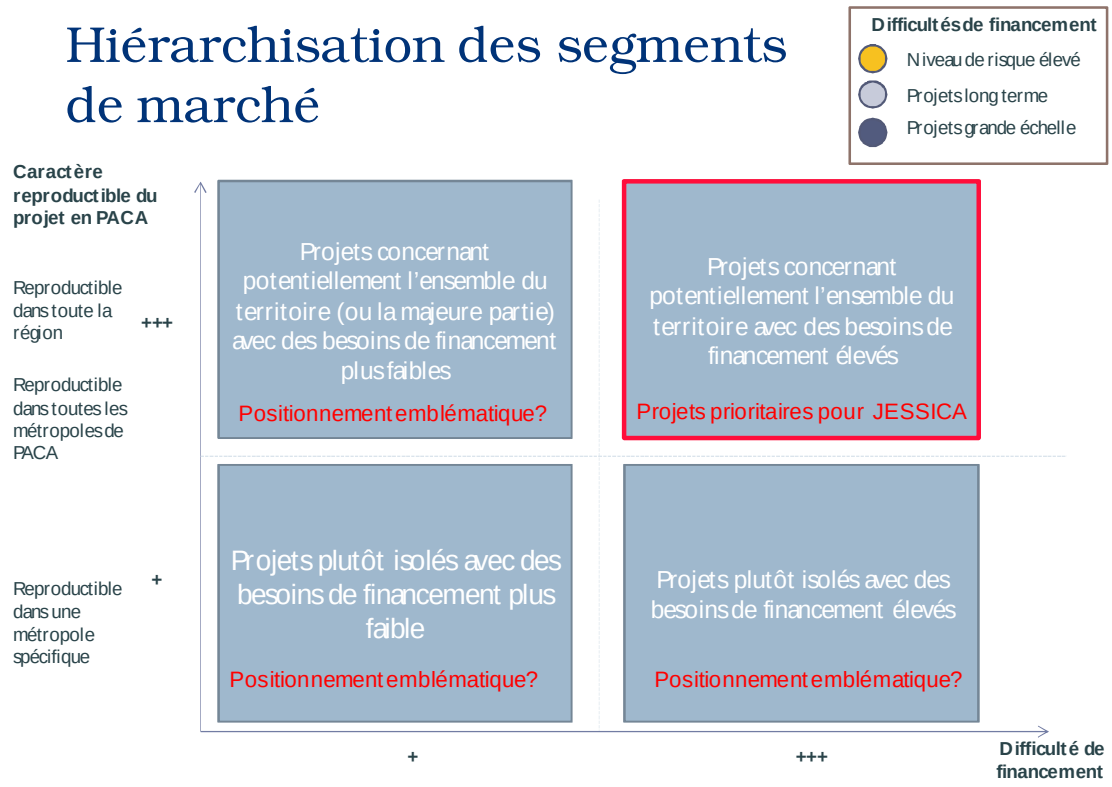
****** Eligibility to be confirmed, although the use of infrastructures should be in perfect alignment with the objectives of job creation, support of the competitiveness of SMEs and innovation.

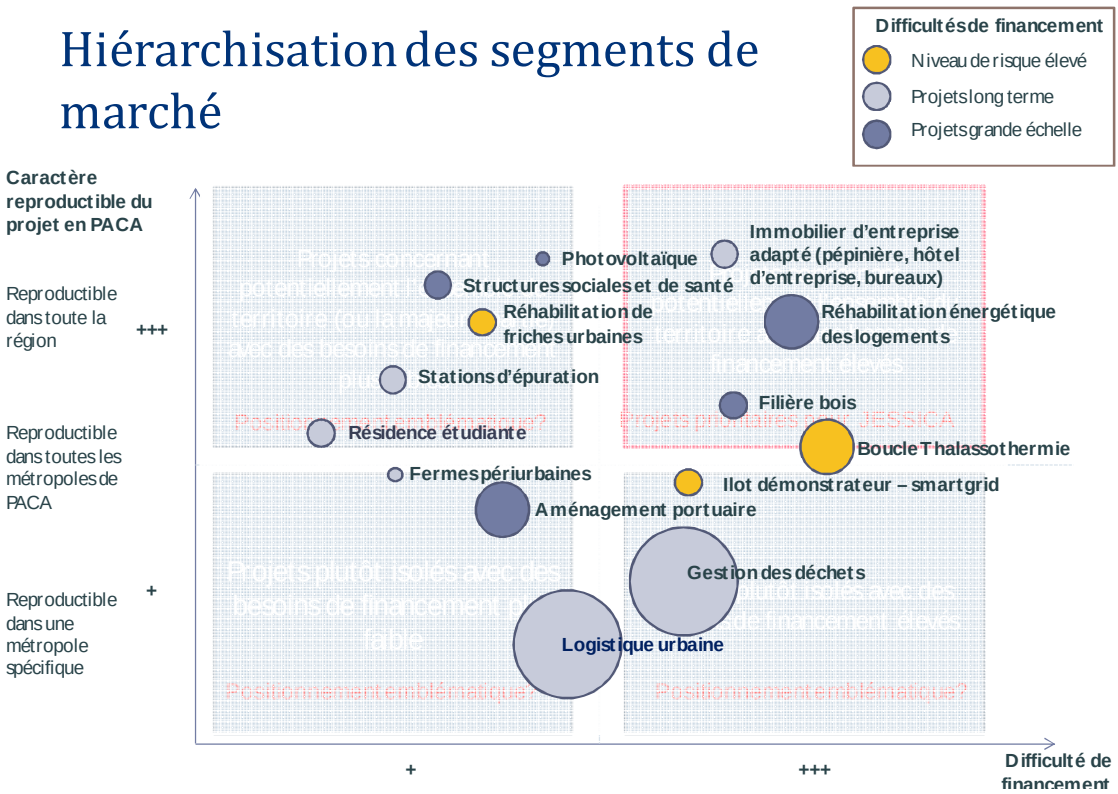
******* The sum of the amounts of subsidies granted for each thematic objective according to the Operational Programme Framework provided by the region (version of June 13, 2013)

Graphic showing the distribution of project costs on two Thematic Objectives for the projects studied



## 3.3 Impact generated and "Replicability" potential



Three main problems of deployment of projects were analysed across all the projects studied:

- A high level of risk presented by the projects
- A need for deployment of the project on the long term
- A need for development on a larger scale at the regional level, a necessary "industrialisation" of the process to cover the significant needs

Each type of problem can be resolved by the establishment of preferential FIs:

- The risk could be offset by the establishment of a guarantee , as long as there are a substantial number of projects to be funded.
- The need for deployment on the long term can be satisfied by the provision of debt over long periods.
- The needs of large-scale development may be filled by a provision of own funds or a provision of debt. One or the other of the solutions or the two at the same time can be envisaged.

This theoretical approach has been matched against the needs expressed by the actors and coincide in the majority of cases. However, some project promoters indicate additional demands as compared to the problem analysed:

- Sea Water Air Conditioning loop and demonstrator districts, the segments could also benefit from loans and equity participations.
- Adapted corporate real estate, urban logistics and suburban farms, the segments could also benefit from equity participations.

*NB: the market segments studied for which ERDF eligibility is yet to be confirmed have also be shown in the figures for the sake of information*

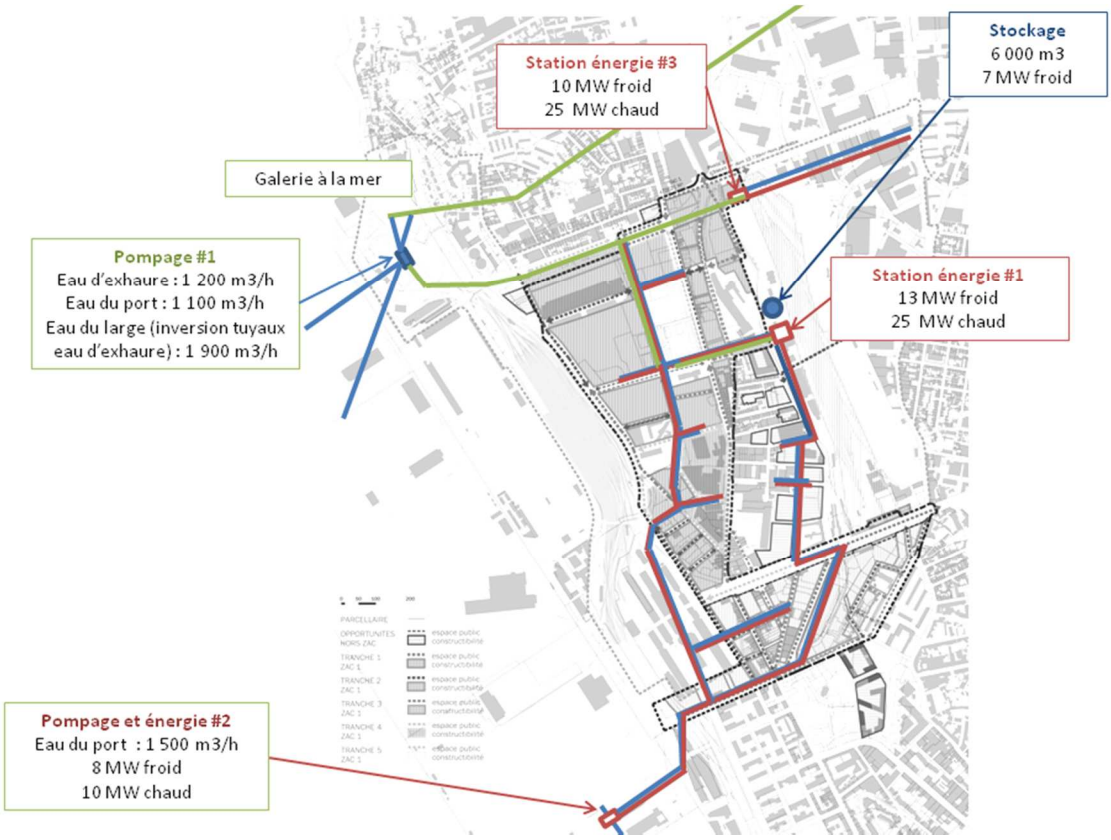
## 3.4 Summary of the two case studies

### 3.4.1 SEA WATER AIR CONDITIONING (SWAC)

#### Presentation of the project and its impact

Euroméditerranée, which arose from the initiative of the State and regional authorities in 1995, is an operation of national interest whose aim is to place Marseille among the major European cities. New infrastructures, public spaces, offices, housing, and cultural facilities are in the course of construction or rehabilitation, involving new energy needs to satisfy, especially in the area of the docks of Marseille and its surroundings. The extension of is part of urban projects responding to the EcoCité strategy.

The sea water loop project, launched in 2009 by Euroméditerranée in its energy strategy study has therefore been integrated in the EcoCité approach, and constitutes one of the major strategic projects selected by the future investments. It was taken over in 2011 by the City of Marseille, likely to organise its conduct and management within the framework of its territorial competences.




The energy loop project envisaged by the EAP Euroméditerranée relates to a hot and cold sale network, produced using a loop of temperate mine water from old mines (waters of the "gallery to the sea") and sea water. The network is designed to serve the building to be built, including the "Phase 1" development operation, which itself includes the "ZAC 1 " :

The network is intended to be operated by a public service delegate. The main risk of exploitation for the delegate is linked to the pace of realisation of connectable buildings.

In effect, the business volume of the delegate of the urban heating network depends directly on the surfaces that it could potentially connect to the urban hot/cold facilities. However, the delegate does not control the schedule for the realisation of buildings. It therefore appears difficult to ask it to entirely bear this risk.

In 2011-2012, along with BG, Finance Consult and AKLEA, Euroméditerranée carried out financial and legal feasibility studies which have now been completed. These studies have confirmed the findings of the preliminary studies of the energy strategy for the extension carried out by SETEC, namely that the economic and environmental interest of this project, if it is carried out on a large scale, is undeniable. But even in this new light, it remains a complex project, financially heavy to amortise and exposed to uncertainties: urban programming schedule, the speed at which connections are taken up by subscribers and their spatial distribution, cost of energy in the medium and long term, etc.

Recalling the energy strategy of December 2010, the Sea Water Air Conditioning loop is a temperate freshwater network. The water will be used to exchange calories or frigories with the sea water. A first plant enables the exchange of thermal energy between the primary network linked to the sea, and the second network delivers the energy.

Sub-stations equipped mainly with thermofrigopumps transform the energy contained in the secondary network into energy which can be used by the terminal equipment of buildings. A sub-station serves an area, consisting of housing, offices, facilities (diversity in programming) and allows to carry out transfers of energy.

The temperature of the loop is compatible with "free-cooling" type cooling, in offices.

One of the advantages of the sea water loop is to "spread" power peaks, i.e. the energy production equipment will have a structure of power curves to they will operate at their best performance: the maximum power peaks do not intervene at the same time between offices and housing units, for example.

The sea water loop allows, on the one hand, to decrease energy consumptions by performing energy transfers between buildings and by pooling equipment and, on the other hand, to have a renewable energy source (the sea), outside of the electric consumption of pumps and thermofrigopumps.

### Interest of the market and positioning in Grey Area

The sea water loop project constitutes one of the pillars of the EcoCité approach examined in 2010 by the EPAEM. The ZAC served by the sea water loop will include many buildings which meet the standards of low energy consumption. Apart from the certain economic advantage of supplying the zone in hot/cold at a controlled cost, the sea water loop participates in reducing in the carbon footprint of buildings by 20%.

This project requires an initial investment which is financially heavy to amortise, given the necessity to install the primary network before being able to generate hot and cold (the sub-stations by zone can be installed progressively according to connections). Although profitable once a sufficient number of buildings is connected to the network, the project is rendered vulnerable due to programmatic uncertainties. The high risk linked to this uncertainty places this project in Grey Area.

### Potential eligibility

This project is potentially eligible under the European priorities listed in the common strategic framework (2014-2020) for Axis 4: To support the transition towards a low CO2 consuming economy In fact, by reducing the carbon footprint of the buildings connected, it will facilitate the deployment of buildings to positive energy in the area.

In the urban area, the programme applies to the operational perimeter of the ONI and more widely to an expanded urban environment. It will benefit **30,000 residents and 20,000 jobs** of the future district of the extension of the OIN. It also integrates in an integrated development project must participate in the deployment of buildings to positive energy. It could also serve the surrounding districts (Docks Libres, Arnavaux, etc.).

In the field of renewable energy, the programme will allow:

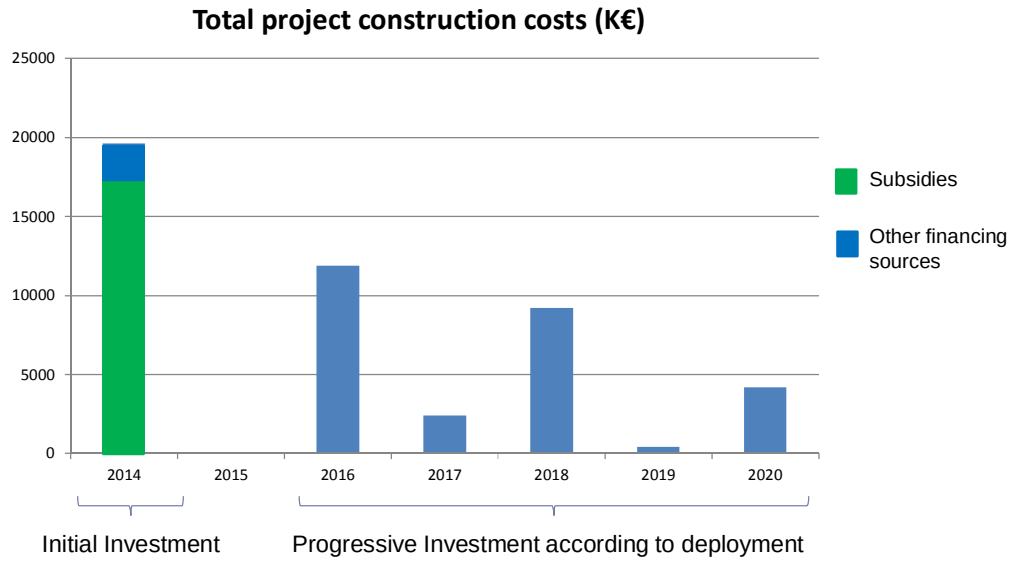
- **The optimisation of natural resources** through a hot/cold energy production by sea water air conditioning
- **The reduction of primary energy consumptions** by promoting the consumption of renewable energy.
- **The reduction of greenhouse gas emissions**: with primary energy consumptions of an average of 20% less than other technologies examined, and CO2 emissions divided by 3 (45gCO2/kWh in winter, 5.3gCO2/kWh in summer) as compared to a gas production system, the sea water loop fully participates in the objective of reducing CO2 emissions by 20%.

After the end of the investment period studied, Euroméditerranée will continue to operate the sea water loop.

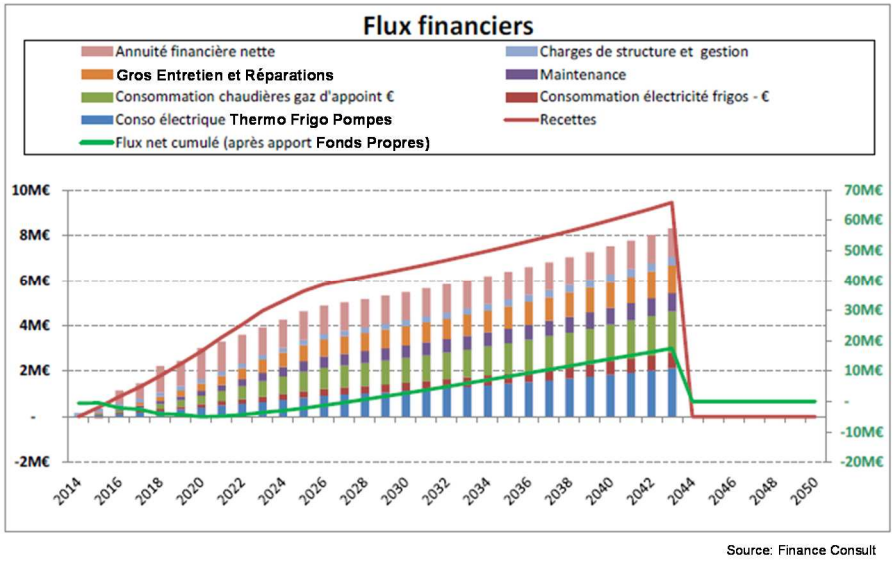
### Financial analysis and optimisation

The cost of phase 1 of the project analysed within the framework of this study amounts to 52 M Euros, including an initial investment of 19.6 M Euros to install the primary network. The following investments will consist in the installation of the energy sub-stations necessary to connect buildings at the pace of their construction, which will be spread over a period of fourteen years, including ten M presumed to be self-financed by the project.

The technical constraints of the project make it eligible for the future investment programme and will thus benefit from a subsidy of 5 to 10 M Euros. The local authorities involved in the project are prepared to subsidise it for an amount of 5 M Euros. The City of Marseille, taking part as project manager, will provide a subsidy of 5 M Euros to the project. It could also benefit from a subsidy from the ADEM of 3 to 4 M Euros via the heat fund. This gives an assumption of 18 M Euros in grants. The initial investment of 19.6 M Euros would therefore require a contribution of 1.6 M Euros. The construction of the second tranche of 11.8 M Euros would not begin before 2016, as represented in the diagram below.




The financial flows anticipated for the project are the following:




(Please see details of translation in the annexes)

This estimate is based on the assumptions of deployment retained during the study conducted by Finance Consult. The assumptions of costs and prices retained for the financial simulations are the following:

| | | | |
|---|---|---|---|
| Unit price electricity | 0.085 | €/kwh | |
| Unit price gas | 0.046 | €/kwh | |
| **Maintenance** | | | |
| Housing | 0.36 | €/m2/an | |
| Offices | 0.36 | €/m2/an | |
| Facilities | 0.36 | €/m2/an | |
| | | | |
| **GER** | | | |
| Housing, offices and facilities | 0.548 | €/m2/an | |
| | | | |
| **Management** | | | |
| Management, insurance | 150,000 | €/an | |
| | | | |
| **Connection entitlements** | | **Hot** | **Cold** |
| Housing | | 300 | 300 |
| Offices | | 300 | 300 |
| Facilities | | 300 | 300 |
| **Sale MWh** | | **Hot** | **Cold** |
| **Average price of Mwh (value 2013)** | | 70 € | 122 € |

The economic assumptions retained are:

| | |
|---|---|
| Works | 3% |
| | |
| Maintenance | 3% |
| GER | 3% |
| Electricity | 5% |
| Gas | 4% |
| Management charges | 3% |
| | |
| Fixing date for indexes | Jan-12 |

This project shows an IRR of 11.7% and therefore presents an IRR higher than the market requirements which is 11% for this type of project according to the study by the City of Marseille among industrial groups. However, the project promoters experience difficulties in finding the necessary financing to realise the first phase. In effect, although the technology has been tested on products in Switzerland and the Ile de France, no project of this magnitude using this technology has been realised, which makes potential investors reluctant.

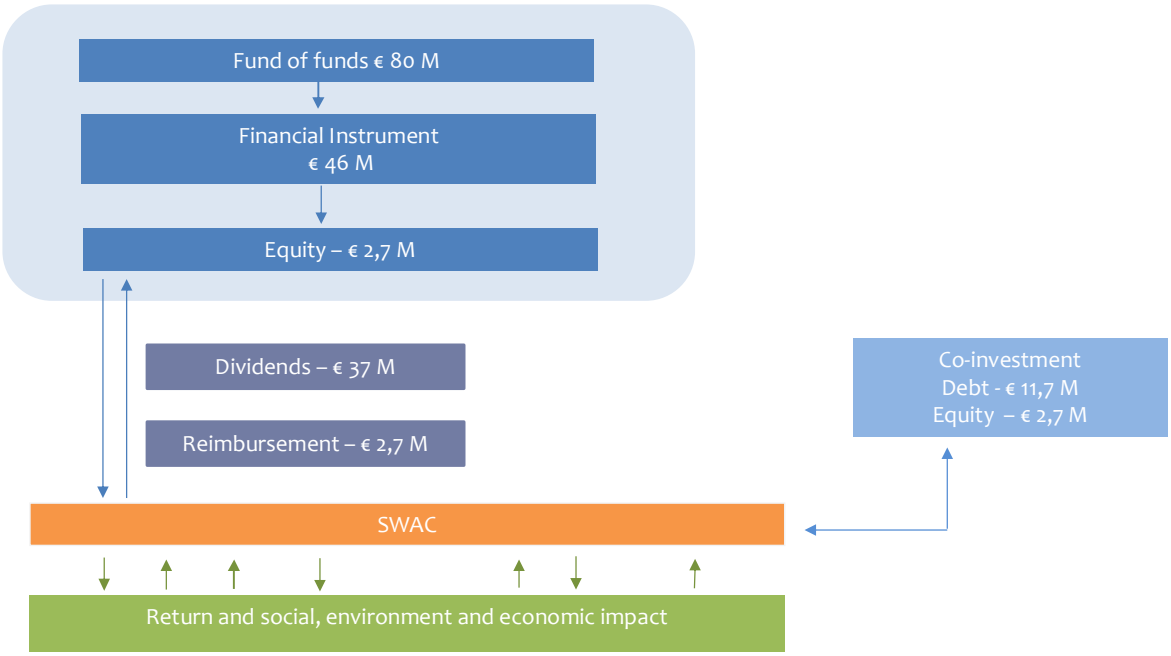
The need for this project is therefore more in terms of funds to launch the project than cheap funding. In fact, the return on investment for the capital provided by JESSICA is estimated at 15.6 %. The risk of state aid is therefore excluded since the conditions of financing granted by JESSICA are indeed at market conditions.

### Potential structuring within a FI

The 2014-2020 programming period should allow more flexibility in terms of investment and in particular clarify the application of the pari-passu rule within the requirements of permissible State Aid when deploying EU resources via Financial Instruments. Therefore, the JESSICA-type FI could cover the entire funding gap of the first phase. This would allow the deployment of the project before the need to appeal to private investors and thus have the first financial results and a more accurate estimate of the pace of deployment of the urban project on which are based the estimates of income, thereby reassuring private investors.

The pari-passu investment rule should be observed during the implementation of the second phase and the total amount of capital provided by private investors should be equal to the total amount of capital provided by the JESSICA-type FIs.

This project therefore requires the provision of 2.7 M Euros of capital structured within the FI as described in the diagram below:




The initial investment of € 2.7 M of ESI Funds in the form of equity capital will be repaid after 11 years of operation. The participation of the FIs in this project would therefore increase the investment capacity of the FIs to € 37 M Euros at the end of the investment cycle of a duration of 30 years.

### 3.4.2 CLOS FLEURI

#### Presentation of the project and its impact

In July 2002, the ANEF took over from the Congrégation Notre Dame de Charité Bon Pasteur to manage the social centre for children "Le Clos Fleuri", at 145 bis Bd Baille, 13005 Marseille. In 2008, the congregation of Bon Pasteur wished to sell the property and suggested to the ANEF to realise a project which would further enhance the property, while maintaining the place of the ANEF and, in particular, that of the children's centre. The ANEF then came together with AMETIS to realise the Clos Fleuri project, the intention of which is to promote real social and intergenerational diversity.

It is "social habitat village" programme, based on a reflection where ergonomics serves as a prism, as it takes lifestyles, cultural differences and the diversity of inhabitants into account. It therefore should not be read as the realisation of a simple real estate programme, as its objective is to reply to the expectations of categories of users, to the quality of life in homes and to consider collective places as spaces in which sociality and mutual assistance can be expressed through relations.

It is a **social cohesion** and **local urban management** as it is based on the fundamental levers of Social Cohesion which are:

- Solidarity,
- The link between the tenants and intergenerationals,
- The place of Institutions, through the missions of social interest entrusted to the ANEF by the DDCS, the General Council (Child Welfare) and the PJJ,
- Mediation,
- Educational actions directed towards children and adults with respect to cleanliness,
- Actions contributing to the social and professional inclusion of users and inhabitants,
- Social Life Advice mechanisms for users and associations for inhabitants.

**a) With respect to urban planning,**

A property of 17.000 m², located in the city centre, as detailed below:

**A Social Residence / Hostel for Young Workers – Building A**

A collective building on 10 floors with a usable surface area of 2,541 m², containing **95 housing units**. The ground floor of the Hostel opens on to a private garden of 90 m². Housing units: 2.215 m² habitable and common areas: Usable surface of 326 m². The Hostel will house the ASELL service. A 40-space car park in the basement allocated to these housing units.

**Social Rental Housing – PLAI – Building B and Part of Building C**

A collective building "B" on 10 floors containing **43 housing units** (17 one-bedroomed units, 23 two-bedroomed units, and 3 three-bedroomed units) for a habitable surface of 2,497 m², including a common basement with 43 parking spaces allocated to these housing units. A collective building "C" on 10 floors with **15 transitional housing units** for young people aged between 18 and 27 (5th, 6th and 7th floors) + **3 shared housing units** for "RMI pensioners" and UDAF, for a habitable surface of 840 m². In this same building, in the attics of the 8$^{th}$ and 9$^{th}$ floors, **2 shared apartments** for under-

age mothers, for a habitable surface of 400 m². The building has a common basement with 18 parking spaces allocated to these housing units.

**Social Rental Housing - PLS - Building D**

A collective building on 10 floors with **51 housing units** (14 one-bedroomed units, 32 two-bedroomed units and 5 three-bedroomed units) for a habitable surface of 3,215 m², with a common basement which has 51 parking spaces allocated to these housing units.

**A Social Children's Home - Building C**

A collective building providing accommodation for **36 places,** on 5 levels (from the ground floor to the 4th floor) for a habitable surface of 719 m² and a usable surface area of 773 m² for the common areas, including a common basement with 15 parking spaces allocated to the Home. The ground floor of the Home opens on to a private garden of 484 m².

**Offices for the Social Services of the ANEF - Building B and D**

The Open Environment Service is located on the ground floor of Building B. The Educative Assistance in Open Environment and Family Reception Services are located on the ground floor of Building D. The Services assigned to the Home are on the 8th and 9th floors of Building C. It has 10 parking places in the basement.

**Ownership Access Housing Units - Building E**

Ownership Access Housing Units (79) complete this project, in order to promote social diversity.

**A Garden Open to the Inhabitants of the Neighbourhood.**

With a surface area of nearly 2,000 m², it will be equipped, in particular, with an area for playing *boules*.

**b) With respect to associations:**

The project will house the offices of associations, including the headquarters of the ANEF.

It also includes the creation of a mini nursery and a training restaurant.

**c) With respect to the environment:**

This project is part of an environmental approach, the objectives of which are:

- To improve the comfort of the users by developing a bioclimatic architecture: an environmental ground plan, creation of shading devices, etc.
- To save energy: efficient lighting for outdoor spaces, collective installation of solar sanitary hot water, contribution to the optimised management of rainwater (water storage on the plot).
- To insulate buildings from noise disturbance.
- To use environment-friendly materials (wood, materials with environmental advice).
- To implement a landscaping project (promote common spaces).

In addition, the objective is to obtain the Low Consumption Building (BBC) label.

### Interest of the market and positioning in Grey Area

The ANEF called on AMETIS to realise this project of a value of 35 M Euros. The objective was to be able to meet the minimum expectations of the promoter in terms of profitability while minimising the cost prices for the social housing and the associations. To do so, the Bon Pasteur granted a discount of 750,000 Euros on land and AMETIS carried out the sale of the ownership access housing units to compensate for the losses on the rest of the project. Therefore, the Children's Home will carry out an operation of 2.8 M Euros and the rest of the buildings for a value of 25.2 M Euros will be managed by Sud Habitat, which specialises in the management of social housing.

By their nature, social housing units under PLUS, PLAI and PLS are eligible for loan guarantees from local authorities in return for the reservation of a share of housing units, but also eligible for the PLUS, PLAI and PLS granted by the French government and the CDC. Although the revenue of the Children's Home, the associations and PLAIs is covered by the daily allowances paid by the General Council, the other types of housing are exposed to the risk of unpaid rent and vacancy of rented housing. In addition, Sud Habitat needs a loan guarantee to cover the financing of premises for associations, which do not benefit from the same advantages as social housing.

The positioning in area originates in the social nature of the project whose purpose is to propose social rents, therefore which are a low as possible. For this reason, the margin of manoeuvre of Sud Habitat is very low and the accumulated net result of the project could be negative during certain years if the rate of unpaid rents and vacancies exceeds the estimates. To avoid placing the project in bankruptcy, Sud Habitat used its own funds to make up for this deficit whenever the project so requires. This momentarily limits its capacity to undertake social projects.

### Potential eligibility

This project is potentially eligible under the European priorities listed in the common strategic framework (2014-2020) for Axis 9: Promotion of social inclusion and the fight against poverty and Axis 4: To support the transition towards a low $CO_2$ consuming economy

This project will also allow the direct creation of around twenty jobs through associative activities, the training restaurant and the mini-nursery, and also promote the work of young people through the Hostel for Young Workers. Also, as its social character ensures the integration or reintegration of persons in difficulty, this will help in getting hundreds of people back to work.

The risk related to the selling price of the buildings is also limited by the fact that it takes place between two private operators each having constraints of profitability and a vast experience of this type of operation. The prices have also been the subject of approval by the local authorities involved in the project.

### Financial analysis and optimisation

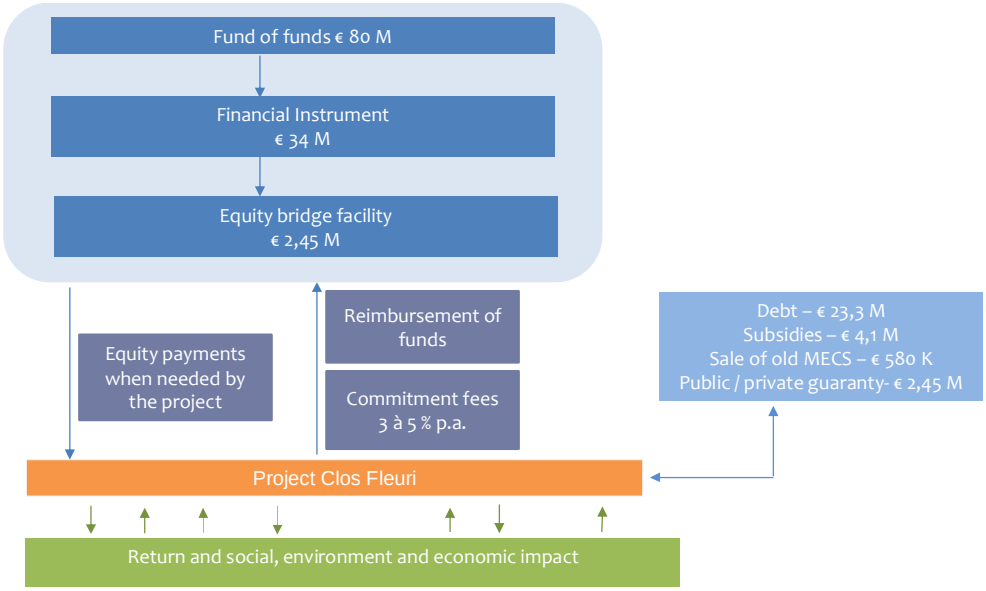
Due to its social character, we cannot think in terms of profitability because the majority of the revenues of the project are achieved by subsidies: the "daily rate" paid by the General Council. We must therefore think in terms of minimisation of the daily rate. To do so, the financial costs borne by the project must be minimised. For this purpose, the project promoter benefits from 4.1 M Euros in subsidies and 21.4 M Euros in CDC loans. However, to meet its financing plan, Sud Habitat needs a loan guarantee of an amount of 4.9 M Euros, which will enable it to obtain a loan at favourable rates and thereby reduce its financial burden.

As the establishment of a debt instrument is not possible for a single project, we propose the provision of own capital for half the amount to be covered, i.e. 2.45 M Euros within the FI, with the other half coming from local authorities or private institutions. To avoid the risk of State aid, the provision of equity capital will be paid at the market rate estimated between 3 and 5% per year.

It should be noted that, at the time of this study, the Children's Home had just taken the decision to resize its project and therefore occupy one floor less in Building C in order to reduce its costs; this floor will be used for associative activities. The balance sheets provided and analyses have not yet been updated to reflect this change. As well, the proposed values may be subject to change in the light of updated versions of the balance sheets. Nevertheless, the need expressed by Sud Habitat to complete this project is a provision of own capital.

### Potential structuring within a FI

This project therefore requires the provision of own capital of 2.45 M Euros within the FI, as described in the diagram below:




At the end of the investment cycle, the FI will recovery the funds made available for the guarantee.

### 3.4.3 Added value of a JESSICA-type FI

In the two cases presented, the intervention of JESSICA-type FIs allows to facilitate the realisation of projects which experience difficulties in finding the necessary funding. This difficulty results from the nature of projects and their technical characteristics, and not their lack of profitability. In addition to making these projects possible, the use of financial engineering allows to multiply the impact of the funds made available by the European Union in two ways:

- Through a Leverage Effect obtained through co-financing and co-investment
- Through a renewal of funds loaned or even an increase of the investment capacity at the end of the investment cycle (+37 M€ for the sea water air conditioning loop project, for example).

The mechanism therefore allows to increase the positive impact in the region in the medium and long term.

# 4. The implementation of Financial Instruments

At the time of producing this evaluation study, negotiation between the European and national bodies on the partnership agreements were still underway. This section provides a number of options for the establishment of FIs for the support of urban development in region of Provence-Alpes-Côte d'Azur.

The evaluation study allowed for the identification in the region a market failure in certain sectors of activity, consistent with the objectives of the 2014-2020 programming period. In response to the market failure, this evaluation study proposes an investment strategy as well as recommendations for the practical modalities of establishment of FIs within the 2014-2020 Operational Programme for the PACA region. The recommendations made in this study are subject to the evolution of the European regulations under discussion at the time of this study.

## 4.1 Definition and use of a Financial Instrument

*Concept, modalities of intervention, interest, complementarity, characteristics of projects*

The use of **FIs** is governed by Article 37 of the Common Provisions Regulation[20]. However, FIs are not directly defined in this document.

In preparation for the study of establishment of FIs for the support of urban development in the Provence-Alpes-Côte d'Azur region, the following definition will be retained: "FIs intend to give support to investment, in providing loans, guarantees, capital and other mechanisms supporting the risks, including guarantees for the European Social Funds (ESF) inspired by this same policy, possibly combined with interest rate subsidies or subsidies without guarantee within the framework of a single operation."[21]

FIs offer multiple advantages:

- A revolving nature (the funds are paid and reimbursed) eventually allowing to increase the investment capacity of the region
- A better structuring of projects which must offer a profitability and therefore present an economic, social and environmental interest according to the criteria determined by the region
- The response to a market failure (or **market gap** ) using the long-term financing tool which covers risks which prevent the financing of eligible projects
- Immediate availability of funds allocated to invest in the projects
- A Leverage Effect on resources by attracting additional resourcesin the projects financed
- A bonus for the region with the increase of the co-financing rate of ESI Funds of an additional 10 percentage points
- A co-financing rate of 100% if an OP contribution is made to an EU level Financial Instrument.

20 Regulation (EU) No 1303/2013 of the European Parliament and the Council of 17th December 2013, laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJEU, 20 December 2013). Herein referred to as "EU regulation No. 1303/2013"

21 Technical data sheet "The FIs of the 2014-2020 cohesion policy " - European Commission

The complementarity with the grants is widely emphasised in the draft regulations and presents a significant advantage for projects whose intrinsic characteristics do not allow to generate a sufficient income.

This ability to generate income is essential (i) to repay the investment and (ii) to attract **co-investment** with market practices. The objective of these FIs is in effect to boost the market and encourage local actors to invest in projects which have a strong economic, social and environmental impact.

A FI can be deployed at the European, national, regional, transnational and trans-regional level. It is interesting to note that standard instruments are being prepared by the European Commission for certain specific cases. These instruments would benefit from a facilitated implementation.

> *Considerations - (42)*[22] *"Managing authorities should have the flexibility to contribute resources from programmes to financial instruments set up at Union level and managed directly or indirectly by the Commission, or to instruments set up at national, regional, transnational or cross-border level and managed by or under the responsibility of the managing authority. Managing authorities should also have the possibility of implementing financial instruments directly, through existing or newly created funds or through funds of funds."*

The general provisions of the regulations provide for the flexibility to organise the FIs in the form of Funds of Funds.

> *Article 37 .1*[23] *"The ESI Funds may be used to support financial instruments under one or more programmes, including when organised through funds of funds, in order to contribute to the achievement of specific objectives set out under a priority."*
>
> *Article 37 .1*[24] *"Support of financial instruments shall be based on an ex ante assessment which has established evidence of market failures or suboptimal investment situations, and the estimated level and scope of public investment needs, including types of financial instruments to be supported."*

In all cases, the possibility of combining the use of a FI with the subsidy within the same project, subject to eligibility, compatibility with the aid of State and separate accounting should be recalled:

> *Article 37.8*[25] *"Final recipients supported by an ESI Fund financial instrument may also receive assistance from another ESI Funds priority or programme or from another instrument supported by the budget of the Union in accordance with applicable Union State aid rules. In that case, separate records shall be maintained for each source of assistance and the ESI Funds financial instrument support shall be part of an operation with eligible expenditure distinct from the other sources of assistance."*

[22] EU regulation No. 1303/2013
[23] EU regulation No. 1303/2013
[24] EU regulation No. 1303/2013
[25] EU regulation No. 1303/2013

## 4.2 Territorial diagnostic and market failure

*2014-2020 objectives, existing programming, analysis of supply and the demand, gap to finance*

A duplicate analysis is necessary to define the market failure in the region: the analysis of the strategy of the region and of the projects promoted by local actors.

The study of the Thematic Objectives for 2014-2020 of the cohesion policy will allow to determine a framework for the use of ESI Funds over this same period. Urban regeneration is influenced by the projects that will be put in place based on one or several of the 11 TO. In effect, these projects will have real estate, commercial or transport components which will have an impact on the urban organisation of the sites on which they are implemented.

The analysis of the offer has allowed us to identify a number of existing actors that can contribute to the establishment of FIs and to define their complementarity with existing tools, which is an integral part of the ex-ante evaluation necessary to their establishment. These potential partners are listed in the data sheets in the appendix.

Based on the various programming documents available[26], market sectors have been identified. This first census has been supplemented by a field survey aimed at listing the projects presenting the satisfactory criteria, both in terms of the 2014-2020 objectives and financial, economic, social and environmental expectations.

These projects were recognised as having financing problems, preventing them from being carried out with the use of only private funds. This aspect corresponds to the draft regulations:

> *Considerations - (35) [27] "Financial instruments supported by the ESI Funds should be used to address specific market needs in a cost effective way, in accordance with the objectives of the programmes, and should not crowd out private financing. The decision to finance support measures through financial instruments should be determined therefore on the basis of an ex ante assessment which has established evidence of market failures or sub- optimal investment situations and the estimated level and scope of public investment needs. The essential elements of the ex ante assessments should be clearly defined in this Regulation. Given the detailed nature of the ex ante assessment, provisions should be made allowing for the performance of the ex ante assessment in stages and also for reviewing and updating the ex ante assessment during implementation"*

These projects may have a single component - such as a building dedicated to the hosting of innovative businesses - or multiple components - such as an area consisting of public infrastructures, landscaped spaces and buildings dedicated to social tourism.

The difficulty of financing encountered by these projects which, however, are profitable, may be due to several factors:

[26] State-Region Project Contract 2007-2013, SRADT PACA, ERDF Operational Programme 2007-2013, PACA Regional Innovation Plan 2010-2013, SCOT of Marseille, POS of Marseille, PLU of Nice, SCOT of Toulon
[27] EU regulation No. 1303/2013

i. A **risk** factor often linked to the innovative nature of the projects, for example when they concern the development of new technologies (such as intelligent energy distribution networks), measuring the benefits of a technical evolution even if the latter is already controlled (for example in renovations aimed to decrease energy consumption) or the launch of new services whose commercial success is not demonstrated, such as tele-centres.

ii. An **economic** factor, for example when the investment requires a long period to be reimbursed, or when the profitability of the operation is present through the use of the infrastructure or service but makes it difficult to repay the initial investment (such as for the construction of a tram).

iii. A **scale** factor, for example in the case of pilot projects which must move on to an industrial dimension, with the contractual and cultural changes this implies (public-private partnerships, dedicated investment vehicles, rules relating to State aid, etc.).

These factors underlying the lack of financing for these projects characterise the need for the intervention of a FI and have allowed to identify the market sectors in need (demand) in the PACA region.

## 4.3 Co-Financing and co-investment

*Counterpart, bonus FI, Leverage Effect, development phases, interested actors*

The main objective of a FI is to support a sector of activity contributing to the European and regional development objectives, in responding to a market failure. By investing in projects using FIs, the region will respond to an immediate request for funding but will also encourage the private sector to co-invest.

The reasons for the market failure on the sectors of activity given (see 2. above) should fade with experience which will demonstrate the success of the projects funded and should facilitate their private financing in the future.

In order to generate private co-investment, the design of the FI must correspond to the practices of the private market and offer maximum flexibility:

> *Considerations - (36)*[28] *"FIs should be designed and implemented so as to promote substantial participation by private sector investors and financial institutions on an appropriate risk-sharing basis. To be sufficiently attractive to the private sector, it is essential that financial instruments are designed and implemented in a flexible manner. Managing authorities should therefore decide on the most appropriate forms for implementing financial instruments in order to address the specific needs of the target regions, in accordance with the objectives of the relevant programme, the results of the ex ante assessment and applicable State aid rules."*

The regulation provides that the regional co-financing may come from public or private funds, and just as co-investment, can be made at all levels of the organisation of the FI: Fund of Funds, Funds,

[28] EU regulation No. 1303/2013

project, in the form of capital or contribution in kind. The amount must be indicated in the Operational Programme in the form of an **indicative breakdown** (Article 87.g.ii[29]).

The possibility of benefiting, for the distribution of Funds / Co-financing, from the 10 percentage points "bonus" in the case of the creation of a FI and the organisation of the Operational Programme and its Priority Axes must be confirmed:

> *Article 120.5[30] "The maximum co-financing rate under paragraph 3 at the level of a priority axis shall be increased by ten percentage points, where the whole of a priority axis is delivered through financial instruments, or through community-led local development."*

A contribution in kind could also (i) be considered as co-financing or (ii) be regarded as eligible expenditure under the investment of the FI, on the condition that it concerns the provision of land or buildings and that their amount is less than 10% of the total expenses of the operation considered:

> *Article 37.10[31] "Contributions in kind shall not constitute eligible expenditure in respect of financial instruments, except for contributions of land or real estate in respect of investments with the objective of supporting rural development, urban development or urban regeneration, where the land or real estate forms part of the investment. Such contributions of land or real estate shall be eligible provided that the conditions laid down in Article 69(1) are met."*

In the context of a FI, it is important to note that the co-financing may be provided at a later stage and not at the time of the allocation of funds, in any case before the end of the eligibility period.

The ongoing discussions with potential co-investors (Caisse d'Epargne of Provence Alpes Corse, Arkéa, subsidiary of Crédit Mutuel and Alpha Finance, subsidiary of ACOFIs) suggest that an approach by phase and by typology of investor could be put in place in order to meet the different requirements of each actor:

i. Fund of Funds: it is confirmed that the ESI Funds and their counterpart (co-financing) would be ideally isolated in a fund of funds to assign the administrative task to the latter;

ii. Investment Fund: initially, an international or national financial institution could provide the long-term debt at the level of an Urban Development Fund-type FI. Then, private actors could invest at this level and further increase the Leverage Effect.

iii. Project: the main co-investment would be at the level of the project, in the framework of the common practices of "project financing" which include loans without recourse or investment in own equity.

In the case where the public authority would be the sole shareholder of the project companies, private debt could be used at a higher level, then taking the form of traditional financing by local authorities. As this approach is not consistent with the objective of JESSICA-type FIs (which is to

[29] EU regulation No. 1303/2013
[30] EU regulation No. 1303/2013
[31] EU regulation No. 1303/2013

stimulate the private contribution in market segments which could eventually operate without public support), it is not detailed here.

## 4.4 Eligibility, State aid and Article 37

The objective of this part is to present the project analysis process necessary to define the eligibility for the JESSICA-type FIs for the 2014-2020 programming period.

### 4.4.1 Eligibility of costs

The first question relates to the eligibility of the costs generated by the project in the light of policies and objectives in force with regard to the use of ESI Funds. It is not necessary that all of the costs of the project are eligible, but it is imperative that the amount of eligible costs is equal to the sum of the ESI Funds and the co-financing. Therefore, to be eligible for a total funding of €20 M Euros (or a commitment of 10 M Euros from the ESI Fund and 10 M Euros in co-financing[32] ), the project must generate €20 M Euros in eligible costs.

#### What costs are eligible?

This question must be addressed project by project, relying mostly on the respective Operational Programmes but also on other regulations and policies applicable. For the 2014-202 programming period , 11 Thematic Objectives [33] govern the use of ESI Funds and the FIs. The approach proposed by the European Commission is rather flexible:[34]the costs can cover multiple objectives and a same project can accumulate the subsidies attributable to different objectives. The 11 Thematic Objectives are the following:

(1) strengthening research, technological development and innovation;

(2) enhancing access to, and use and quality of, information and communication technologies;

(3) enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF);

(4) supporting the shift towards a low-carbon economy in all sectors;

(5) promoting climate change adaptation, risk prevention and management;

(6) protecting the environment and promoting resource efficiency;

(7) promoting sustainable transport and removing bottlenecks in key network infrastructures;

(8) promoting employment and supporting labour mobility;

[32] EU regulation No. 1303/2013 - , Article 120.5 - "The maximum co-financing rate under paragraph 3 at the level of a priority axis shall be increased by ten percentage points, where the whole of a priority axis is delivered through FIs, or through community-led local development."
[33] EU regulation No. 1303/2013
[34] EU regulation No. 1303/2013

(9) promoting social inclusion and combating poverty;

(10) investing in education, skills and lifelong learning;

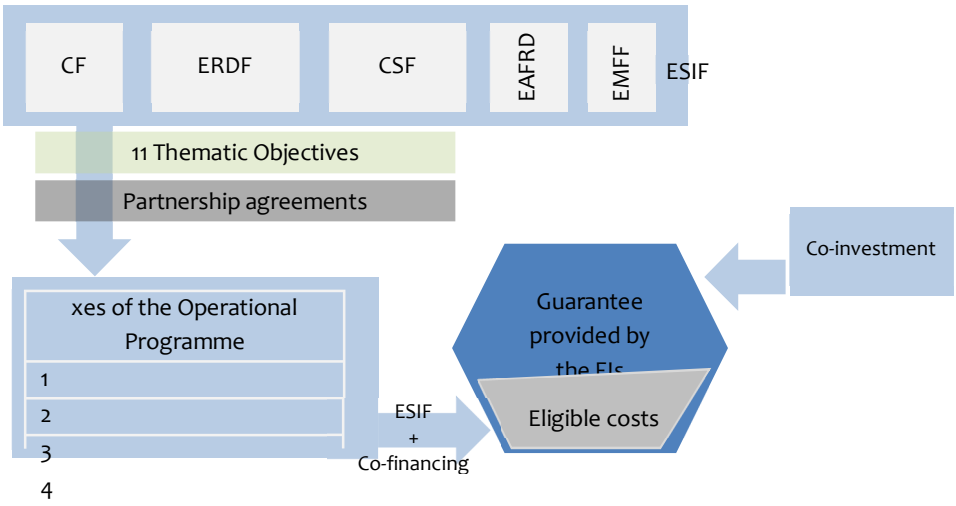
(11) enhancing institutional capacity and an efficient public administration.

The total eligibility of the costs of the project is therefore the sum of the costs eligible for at least one of the above objectives. A detailed justification will be required, but the eligibility audit process is well known among the MAs, and the funds necessary for the technical audit are always available.

The FIs may be constituted of funds from each of the 5 ESI Funds. The eligibility of costs could be analysed in consequence. The certification of payment of these costs is described below:

### Certification of payment

Article 42.1[35] defines eligible expenses as follows: "*At closure of a programme, the eligible expenditure of the FI shall be the total amount effectively paid or, in the case of guarantee funds committed, by the FI within the eligibility period…"*




> *Article 65.1[36] "The eligibility of expenditure shall be determined on the basis of national rules, except where specific rules are laid down in, or on the basis of, this Regulation or the Fund-specific rules."*
>
> *Article 69.3[37] "The following costs shall not be eligible for a contribution from the ESI Funds and from the amount of support transferred from the Cohesion Fund to the CEF as referred to in Article 92(6): (a) interest on debt, except in relation to grants given in the form of an interest rate subsidy or guarantee fee subsidy; (b) the purchase of land not built on and land built on in the amount exceeding 10 % of the total eligible expenditure for the operation concerned…"*

[35] EU regulation No. 1303/2013
[36] EU regulation No. 1303/2013
[37] EU regulation No. 1303/2013

### Contribution by phases

The Regulation of the European Parliament and of the Council (Article 41)[38] suggests that the requests for payment of expenses (or the disbursement of funds) are made in phases. The following contributions will then depend on expenditure for the previous contributions. The mechanism contemplated is as follows:

- 1st contribution: 25% maximum of the total of the contribution of the programme to FIs
- 2nd contribution: 25% maximum to the extent where at least 60% of the 1st contribution is spent
- 3rd and following contributions: 25% maximum on the condition of having spent at least 85% of the previous contributions

This mechanism is put in place to avoid having significant funds blocked in the FIs, with no or little disbursement for the projects.

## 4.4.2 Rules applicable to State aid

### General principles of State Aid[39]

The rules of the State aid are applicable only to those measures that meet all the criteria listed in Article 87 (1) of the Treaty[40] , and in particular:

a) **Transfer of State resources** including the national, regional or local authorities, the public banks and foundations. The financial transfers which constitute the aid may take different forms: not only grants or loans, but also guarantees, allocation of accelerated depreciation, capital injection, tax exemption, etc.
b) **Economic advantage:** the aid must constitute an economic advantage for which the recipient would not normally have been eligible.
c) **Selectivity:** the State aids must be selective and will therefore affect the competitive balance between certain companies.
d) **Effect on competition and trade**: State aid must have a potential effect on competition and trade between the Member States.

In some cases, State aids are considered acceptable. The assessment of the compatibility of the aid is essentially the analysis of the positive effect of the aid (in terms of contribution to the objectives of common interest predefined) compared to negative effects (mainly the disruption of competition and trade resulting from this aid): the "balancing test". To declare a type of support compatible, the aid must be necessary and proportionate to the effort necessary to achieve an objective of common interest. There are four methodologies to define the compatibility

1. No aid - *de minimis* (less than a certain amount)
2. General Block Exemption Regulation (GBER)
3. Standard evaluation
4. Detailed evaluation

[38] EU regulation No. 1303/2013
[39] Excerpt from "EC Directorate-General for Competition - Vademecum - Community law on State aid" - September 30, 2008
[40] "Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees" (Official Journal No C 155, 20.6.2008, p. 10-22 and corrigendum top. 15 in Official Journal No C 244, 25.9.2008, p. 32)

When the aid evaluations satisfy all the conditions defined in the "de minimis" exemption, there is no requirement to submit a notification to the European Commission (although the MAs have the obligation to monitor this aid in compliance with the "de minimis" regulation).

The measures of individual aid or aid programmes which meet all the conditions defined in the "General Block Exemption Regulation" (GBER) adopted by the EC do not need to be notified to the latter. The MA must submit to the Commission a summary describing the aid measures within 20 working days following the establishment of the measure. For the measures exempted from notification to the GBER, the MA has also the obligation to publish the full text of the measure on the internet and to make it available as long as the measure is in force.

The European Commission has adopted a communication on the modernisation of the State aid policy presenting the objectives of a set of ambitious reforms. In the broader context of EU actions to promote growth, the policy on State aid should aim above all to facilitate the processing of well-designed aid, focused on the European market failures and objectives of common interest. The reform has three objectives:

- To foster growth in an internal market which is reinforced, energised and competitive
- To promote the establishment of the mechanism by focusing on projects with the greatest impact on the internal market
- Standardised rules and faster decisions

The Commission also intends to concentrate its checks on matters having the highest impact on the internal market, by simplifying the rules and making faster decisions. The communication identifies a series of actions aimed to achieve these objectives. The main elements of the reform will be in place by the end of 2013 at the latest.

## 4.5 Governance and management of the Financial Instrument

*Procedures, performance monitoring*

It is recalled that the FIs are not considered as "major projects" within the meaning of the regulation (Article 100).[41]

A certain number of articles of the regulation govern the use of FIs:

### Payment of ESI Funds

The cash payment of ESI Funds to the FI corresponds to the need determined for financing over a maximum two-year period.

> *Considerations - (44)[42] "The amount of the resources paid at any time from the ESI Funds to financial instruments should correspond to the amount necessary to implement planned investments and payments to final recipients, including management costs and fees. Accordingly, applications for interim payments should be phased. The amount to be paid as an interim payment should be subject to a maximum ceiling of 25 % of the total amount of programme contributions committed to the financial instrument under the relevant funding*

[41] EU regulation No. 1303/2013
[42] EU regulation No. 1303/2013

> *agreement, with subsequent interim payments conditional on a minimum percentage of the actual amounts included in previous applications having been spent as eligible expenditure."*

The successive requests for the disbursement of ESI Funds to the FI must take account of the expenditure actually incurred on the previous requests for payment.

> *Article 41.1*[43] *"As regards financial instruments referred to in point (a) of Article 38(1) and financial instruments referred to in point (b) of Article 38(1) implemented in accordance with points (a) and (b) of Article 38(4), phased applications for interim payments shall be made for programme contributions paid to the financial instrument during the eligibility period laid down in Article 65(2) (the 'eligibility period')"*

The recipient of the ESI Funds considered as being the management company of the FI.

> *Article 2.10*[44] *"beneficiary" means a public or private body responsible for initiating or initiating and implementing operations. In the context of State aid, the term "beneficiary" means the body which receives the aid. In the context of FIs, the term "beneficiary" means the body that implements the FI.*

The modalities of payment of funds of the beneficiary (the management company) to the final beneficiary (the project) as well as the use of the funds received from projects (capital repayment, interest, commissions etc. ) must be specified in the contractual documentation of the FI.

> *Considerations - (45)*[45] *"It is necessary to lay down specific rules regarding the amounts to be accepted as eligible expenditure at closure of a programme, to ensure that the amounts, including the management costs and fees, paid from the ESI Funds to financial instruments are effectively used for investments in final recipients. The rules should be sufficiently flexible to make it possible to support equity- based instruments for the benefit of targeted enterprises and should, therefore, take into account certain characteristics specific to equity-based instruments for enterprises, such as market practices in relation to the provision of follow-on finance in the field of venture capital funds. Subject to the conditions laid down in this Regulation, targeted enterprises should be able to benefit from continued support from the ESI Funds to such instruments after the end of the eligibility period."*

The obligation to maintain the funds for a minimum period of five years in a project does not apply to FIs, which may therefore benefit from a return on investment or profitable transaction without restriction of time.

> *Considerations - (64)*[46] **"***To ensure the effectiveness, fairness and sustainable impact of the intervention of the ESI Funds, provisions guaranteeing that investments in businesses and infrastructures are long-lasting and prevent the ESI Funds from being used to undue advantage*

[43] EU regulation No. 1303/2013
[44] EU regulation No. 1303/2013
[45] EU regulation No. 1303/2013
[46] EU regulation No. 1303/2013

*should be in place. Experience has shown that a period of five years is an appropriate minimum period to be applied, except where State aid rules provide for a different period. Nevertheless, and in line with the principle of proportionality, it is possible that a more limited period of three years would be justified where the investment concerns the maintenance of investments or jobs created by SMEs."*

### Reuse of profits

The return on investment must be used in the eligibility criteria of the ESI Funds. The repayment of the capital of the debt or equity in the FI must be reused in projects in the form of investment via a FI.

*Article 43.1 - 2*[47] *"Support from the ESI Funds paid to financial instruments shall be placed in accounts domiciled within financial institutions in Member States and shall be invested on a temporary basis in accordance with the principles of sound financial management.2. Interest and other gains attributable to support from the ESI Funds paid to financial instruments shall be used for the same purposes, including the reimbursement of management costs incurred or payment of management fees of the financial instrument."*

The interests of loans, dividends, commissions or other income earned by the FI and generated by the investment can be used to pay the management costs or contribute to a preferential remuneration of some investors, or even be reinvested in other projects through other FIs. Flexibility therefore appears to be offered regarding the reuse of funds, from one Priority Axis to another and one Operational Programme to another.

*Article 44.1*[48] *"Resources paid back to financial instruments from investments or from the release of resources committed for guarantee contracts, including capital repayments and gains and other earnings or yields, such as interest, guarantee fees, dividends, capital gains or any other income generated by investments, which are attributable to the support from the ESI Funds, shall be re-used for the following purposes, up to the amounts necessary and in the order agreed in the relevant funding agreements:*
*(a) further investments through the same or other financial instruments, in accordance with the specific objectives set out under a priority;*
*(b) where applicable, preferential remuneration of private investors, or public investors operating under the market economy principle, who provide counterpart resources to the support from the ESI Funds to the financial instrument or who co-invest at the level of final recipients;*
*(c) where applicable, reimbursement of management costs incurred and payment of management fees of the financial instrument."*

[47] EU regulation No. 1303/2013
[48] EU regulation No. 1303/2013

The re-use of resources repaid to financial instruments will need to respect Article 45 of the Common Provisions Regulation.

*Article 45*[49] "Member States shall adopt the necessary measures to ensure that resources paid back to financial instruments, including capital repayments and gains and other earnings or yields generated during a period of at least eight years after the end of the eligibility period, which are attributable to the support from the ESI Funds to financial instruments pursuant to Article 37, are used in accordance with the aims of the programme or programmes, either within the same financial instrument or, following the exit of those resources from the financial instrument, in other financial instruments provided that, in both cases, an assessment of market conditions demonstrates a continuing need for such investment, or in other forms of support.

> "

Rules concerning the communication of information reports to the Commission or to the public provide a framework for the FIs.

[49] EU regulation No. 1303/2013

## 4.6 Return on investment, risk and impact

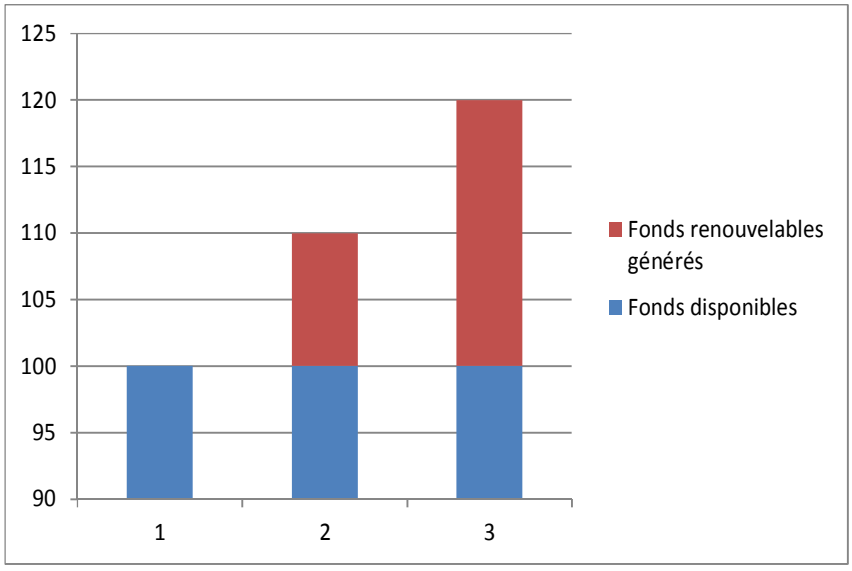
As demonstrated above, the setting up of JESSICA-type FIs demonstrates a certain capacity to facilitate the investment necessary to meet the operational objectives. In effect, the projects selected have positive externalities, including the overall reduction of energy consumption, improvement of the quality of life, or social cohesion. In the light of our study, it appears that these projects would be unable to find the necessary funding without the participation of JESSICA-type FIs.

To broach the subject of return on investment, the phased contribution element of JESSICA-type FIs should first be noted. It should be pointed out that the release of funds is carried out in phases according to the progress of the project in order to optimise the use of available funds (so as not to block funds on a project which is behind schedule, for example). Therefore, the release of funds for the JESSICA-type FIs is carried out according to the progress of projects.

The JESSICA-type FIs are intended to be recyclable funds, i.e. funds which are loaned and reimbursed. This allows to increase the positive effects to an even greater extent, as the reimbursed funds will be reinvested in new projects. However, it should be noted that these funds, by their nature, invest in relatively high-risk projects. For example, a project may be in default of payment. There is therefore a risk of loss of funds in the event where a project is in default of payment.

The chart below represents the evolution of available funds in a FI. It may be noted that after each financing cycle, the available funds invested are reimbursed and the investment capacity of the fund is increased due to the income generated by the investments.

Investment cycles




The JESSICA-type FIs should generate a very competitive financial performance, allowing to cover the operating costs of the programme. This means that the use of JESSICA-type FIs allows the realisation of projects which do not meet the market criteria to the extent where it can increase the attractiveness of projects by improving their profitability. Therefore, JESSICA-type FIs have a double positive effect by increasing the volume of funds available for projects on the one hand, and facilitating the mobilisation of private funds on the other.

# 5. Structure of Operational Programme and Implementation options

## 5.1 Possible structures for the Operational Programme

Based on the model of the Operational Programme supplied by the PACA region (version dated 13 June 2013), the below priority axes and investment allocations are under consideration during the summer of 2013:

- Priority Axis 1: SME, research & innovation - €105M
- Priority Axis 2: Information Communication Technology (ICT) - €45M
- Priority Axis 3: Transition to the low carbon economy and sustainable use of resources - €75M
- Priority Axis 4: Integrated Urban Issues - €25M
- Priority Axis 5: Education And Training (ESF) - €105M
- Priority Axis 6: Financial Instruments (ERDF/ESF) - TBC
- Priority Axis 7: Technical Assistance - TBC

Total: €355M

Taking into account the assessment of supply and demand as well as the analysis of the market segments, the following Operational Programme options for the programming period 2014-2020 are proposed. The first option includes several priority axes and thematic objectives to reflect both the Operational Programme and the specific needs for FIs in the PACA region. The second option includes a single priority axis fully implemented through FIs, reflecting the thematic objectives of the regional Operational Programme and as applicable to the FI context. However, it should be noted that the structures outlined here are proposals resulting from the analysis conducted and that the region will make its decision on the basis of the ex-ante assessment.

**Option 1: priority axis fit with regional Operational Programme model**

The Operational Programme could be structured around the following three priority axes which match those considered for the regional Operational Programme.

- Priority axis 1: SME research & innovation (TO1 and TO3)
- Priority axis 2: Transition to the low carbon economy and sustainable use of resources (TO4, TO5 and TO6)
- Priority axis 3: Integrated Urban Issues (TO6, TO7 and TO9)

Each priority axis could include one or several Thematic Objectives based on the regional Operational Programme. However, the structure of the Operational Programme applicable to FIs in the region could be considered differently in order to meet specific market needs linked to the implementation of the FIs. Based on the study carried out, it would therefore be possible to structure the Operational Programme around a reduced number of priority axes and thematic objectives. The proposed options are set out in the following tables:

## Option 1.1: Three Priority Axes Covering Seven Thematic Objectives

Based on the analysis of the region's financing needs, the following structure could be considered:

| PA | TO | Investment priorities | Total cost of projects | Total FIs | MF** | Expected results |
|---|---|---|---|---|---|---|
| SME Research & Innovation | TO 1 | a) enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest;<br>b) promoting business investment in R&I, in particular through product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies | 193.16 | 45.03 | 4.3 | Boosted investment in new technologies Innovation<br>Development of technology parks |
| | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;<br>b) developing and implementing new business models for SMEs, in particular with regard to internationalisation; | 114.02 | 18.25 | 6.2 | Business creation<br>Job creation |
| | TO 8 | a) supporting the development of business incubators and investment support for self-employment, microentreprises and business creation;<br>c supporting local development initiatives and aid for structures providing neighbourhood services to create jobs, where such actions are outside the scope of Regulation (EU) No 1304/2013 of the European Parliament and of the Council | 34.55 | 20.00 | 1.7 | Business creation<br>Job creation |
| | | **SME Research & Innovation total (in Ms of euros)** | **341.73** | **83.28** | **4.1** | |
| Energy transition & sustainable use of resources | TO 4 | a) promoting the production and distribution of energy derived from renewable sources;<br>b) promoting energy efficiency and renewable energy use in entreprises;<br>c) supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;<br>e) promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; | 644.14 | 114.29 | 5.6 | Reduction in carbon emissions<br>Reduction in energy consumption<br>Promotion of renewable energy use<br>Better use of natural resources |
| | TO 6 | b) investing in the water sector to meet the requirements of the Union's environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements;<br>d) protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure; | * | | | Reduction in carbon emissions<br>Reduction in energy consumption<br>Better use of natural resources |
| | | **Energy transition & sustainable use of resources total (in Ms of euros)** | **644.14** | **114.29** | **5.6** | |
| Integrated urban issues | TO 6 | e) taking action to improve the urban environment, to revitalise cities, regenerate and decontaminate brownfield sites (including conversion areas),reduceair pollution and promote noise-reduction measures; | 74.86 | 15.21 | 4.9 | Reduction in carbon emissions<br>Reduction in energy consumption<br>Best use of natural resources |
| | TO 9 | a) investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social cultural and recreational services and the transition from institutional to community-based services;<br>c) providing support for social enterprises | 31.1 | 20.25 | 1.5 | Improvement of social cohesion<br>Participation of different types of public and private stakeholders<br>Job creation |
| | TO 10 | investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure; | 17.28 | 9.00 | 1.9 | Improved access to training<br>Skill development |
| | | **Integrated urban issues total (in Ms of euros)** | **123.24** | **44.46** | **2.8** | |
| | | **Operational Programme option 1.1 TOTAL** | **1109.11** | **242.03** | **4.6** | |

***** Particularly related to Water Treatment and Waste Treatment segments.

****** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

MF = the Multiplying Factor represents the multiplier effect between the public funds provided and the cost of the projects funded. This factor is calculated as follows: Total Cost of Projects/Total FI

### Option 1.2: Three Priority Axes Covering Five Thematic Objectives

Based on an analysis of the projects and discussions with the Managing Authority, the following structure could be considered:

| PA | TO | Investment Priorities[51] | Total cost of projects | Total FIs | MF** | Expected results |
|---|---|---|---|---|---|---|
| SME Research & Innovation | TO 1 | a) enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest.<br>b) promoting business investment in R&I, in particular through product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation and<br>supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies | 184.8 | 42 | 4.4 | oosted investment in<br>ew technologies<br>nnovation<br>evelopment of technology parks |
| | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, incuding through business incubators;<br>b) developing and implementing new business models for SMEs, in particular with regard to internationalisation | 155 | 51.5 | 3.0 | usiness creation<br>ob creation |
| | | **SME Research & Innovation total (in Ms of euros)** | **339.8** | **93.5** | **3.6** | |
| Energy transition & sustainable use of resources | TO 4 | a) promoting the production and distribution of energy derived from renewable sources<br>b) promoting energy efficiency and renewable energy use in entreprises<br>c) supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector<br>e) promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; | 420.27 | 113.32 | 3.7 | eduction in carbon emissions<br>eduction in energy consumption<br>romotion of renewable energy use<br>etter use of natural resources |
| | TO 6 | b) investing in the water sector to meet the requirements of the Union's environmental acquis and to address needs, identified by Member States, for investment that goes beyond those requirements;<br>d) protecting and restoring biodiversity and soil, and promoting ecosystem services, incuding through Natura 2000, and green infrastructure | * | | | eduction in carbon emissions<br>eduction in energy consumption<br>etter use of natural resources |
| | | **Energy transition & sustainable use of resources total (in Ms of euros)** | **420.27** | **113.32** | **3.7** | |
| Integrated urban issues | TO 6 | e) taking action to improve the urban environment, to revitalise cities, regenerate and decontaminate brownfield sites (including conversion areas), reduce air pollution and promote noise-reduction measures; | 34.03 | 8.21 | 4.1 | eduction in carbon emissions<br>eduction in energy consumption<br>etter use of natural resources |
| | TO 9 | a) investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, and promoting social inclusion through improved access to social cultural and recreational services and the transition from institutional to community-based services;<br>c) providing support for social enterprises | 315 | 27 | 11.7 | mprovement of social cohesion<br>articipation of different types of ublic and private stakeholders<br>ob creation |
| | | **Integrated urban issues total (in Ms of euros)** | **349.03** | **35.21** | **9.9** | |
| | | **Operational Programme option 1.2 TOTAL** | **1109.10** | **242.03** | **4.6** | |

***** Particularly related to Water Treatment and Waste Treatment segments.

****** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

MF = the Multiplying Factor represents the multiplier effect between the public funds provided and the cost of the projects funded. This factor is calculated as follows: Total Cost of Projects/Total FI

[51] Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities

### Option 1.3: Two Priority Axes Covering Two Thematic Objectives

Based on the study carried out and the discussions with the Managing Authority regarding option 1.2, a more targeted approach could be considered, in which the allocations are merged into two thematic objectives for there is a strong demand for FIs in the PACA region.

| PA | TO | Investment priorities[52] | Total cost of projects | Total FIs | MF** | Expected results |
|---|---|---|---|---|---|---|
| SME Research & Innovation | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;<br>b) developing and implementing new business models for SMEs, in particular with regard to internationalisation | 654.80 | 120.50 | 5.43 | · Business creation<br>· Job creation |
| Energy transition & sustainable use of resources | TO4 | a) promoting the production and distribution of energy derived from renewable sources<br>b) promoting energy efficiency and renewable energy use in entreprises;<br>c) supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector<br>e) promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustaitnable urban mobility and mitigation-relevant adaptation measures; | 454.30 | 121.53 | 3.74 | · Reduction in carbon emissions<br>· Reduction in energy consumption<br>· Promotion of renewable energy use<br>· Better use of natural resources |
| | | **Operational Programme option 1.3 TOTAL** | **1109.10** | **242.03** | **4.58** | |

***** Particularly related to Water Treatment and Waste Treatment segments.

****** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

MF = the Multiplying Factor represents the multiplier effect between the public funds provided and the cost of the projects funded. This factor is calculated as follows: Total Cost of Projects/Total FI

Two priority axes are proposed under option 1.3 to reflect discussions held in June 2013 with the Managing Authority, which stated it only wanted to use FIs for two priority axes, in contrast to options 1.1 and 1.2.

[52] Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities

**Option 2: priority axis fully implemented through FIs**

The priority axis fully implemented through FIs could include multiple thematic objectives in order to finance projects that do not generate enough profit but which create economic and social benefits in terms of environmental protection and which thereby help to meet the strategic objectives set out in the Operational Programme. As a result, the co-financing rate would be increased by 10 percentage points for the Managing Authority. This priority axis could cover 7, 5 or two thematic objectives, as outlined below:

## Option 2.1: One Priority Axis Covering Seven Thematic Objectives

| PA | TO | Priority investments[53] | Total cost of projects | Total FIs | MF** | Expected results |
|---|---|---|---|---|---|---|
| Priority axis fully implemented through FIs | TO 1 | a) enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest.<br>b) promoting business investment in R&I, in particular through product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation and<br>supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies | 193.16 | 45.03 | 4.29 | · Boosted investment in new technologies<br>· Innovation<br>· Development of technology parks |
| | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;<br>b) developing and implementing new business models for SMEs, in particular with regard to internationalisation; | 114.02 | 18.25 | 6.25 | · Business creation<br>· Job creation |
| | TO 4 | a) promoting the production and distribution of energy derived from renewable sources;<br>b) promoting energy efficiency and renewable energy use in entreprises;<br>c) supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;<br>e) promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustaitnable urban mobility and mitigation-relevant adaptation measures; | 644.14 | 114.29 | 5.64 | · Reduction in carbon emissions<br>· Reduction in energy consumption<br>· Promotion of renewable energy use<br>· Better use of natural resources |
| | TO 6* | b) investing in the water sector to meet the requirements of the Union's environmental acquis and to address needs, identified by the Member States, for investment that goes beyond those requirements;<br>d) protecting and restoring biodiversity and soil, and promoting ecosystem services, including through Natura 2000 and green infrastructure; | 74.86 | 15.21 | 4.92 | · Reduction in carbon emissions<br>· Reduction in energy consumption<br>· Better use of natural resources |
| | TO 8 | a) supporting the development of business incubators and investment support for self-employment, microentreprises and business creation;<br>c) supporting local development initiatives and aid for structures providing neighbourhood services to create jobs, where such actions are outside the scope of Regulation (EU) No 1304/2013 of the European Parliament and of the Council | 34.55 | 20 | 1.73 | · Business creation<br>· Job creation |
| | TO 9 | a) investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social cultural and recreational services and the transition from institutional to community-based services;<br>c) providing support for social enterprises | 31.1 | 20.25 | 1.54 | · Improvement of social cohesion<br>· Participation of different types of public and private stakeholders<br>· Job creation |
| | TO 10 | investing in education. training and vocational training for skills and lifelong learning by developing education and training infrastructure. | 17.28 | 9.00 | 1.92 | · Improved access to training<br>· Skill development |
| | | **Operational Programme option 2.1 TOTAL** | **1109.11** | **242.03** | **4.58** | |

***** TO 6 is only counted once as a single priority axis fully implemented through FIs, in contrast to options 1.1, 1.2 and 1.3

***** Particularly related to Water Treatment and Waste Treatment segments.

****** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

MF = the Multiplying Factor represents the multiplier effect between the public funds provided and the cost of the projects funded. This factor is calculated as follows: Total Cost of Projects/Total FI

[53] Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities

## Option 2.2: One Priority Axis Covering Five Thematic Objectives

| PA | TO | Priority investments[54] | Total cost of projects | Total FI | MF** | Expected results |
|---|---|---|---|---|---|---|
| Priority axis fully implemented through FIs | TO 1 | a) enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest.<br>b) promoting business investment in R&I, in particular through product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies | 184.80 | 42.00 | 4.40 | · Boosted investment in new technologies<br>· Innovation<br>· Development of technology parks |
| | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;<br>b) developing and implementing new business models for SMEs, in particular with regard to internationalisation; | 155.00 | 51.50 | 3.01 | · Business creation<br>· Job creation |
| | TO 4 | a) promoting the production and distribution of energy derived from renewable sources<br>b) promoting energy efficiency and renewable energy use in entreprises;<br>c) supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector;<br>e) promoting low-carbon strategies for all types of territories in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures; | 420.27 | 113.32 | 3.71 | · Reduction in carbon emissions<br>· Reduction in energy consumption<br>· Promotion of renewable energy use<br>· Better use of natural resources |
| | TO 6* | b) investing in the water sector to meet the requirements of the Union's environmental acquis and to addredd needs, identified by Member States, for investment that goes beyond those requirements;<br>d) protecting and restoring biodiversity and soil, and promoting ecosystem services, including through Natura 2000, and green infrastructure; | 34.02 | 8.21 | 4.14 | · Reduction in carbon emissions<br>· Reduction in energy consumption<br>· Better use of natural resources |
| | TO 9 | a) investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social cultural and recreational services and the transition from institutional to community-based services;<br>c) providing support for social enterprises; | 315.00 | 27.00 | 11.67 | · Improvement of social cohesion<br>· Participation of different types of public and private stakeholders<br>· Job creation |
| | | **Operational Programme option 2.2 TOTAL** | **1109.11** | **242.03** | **4.58** | |

***** TO 6 is only counted once as a single priority axis fully implemented through FIs, in contrast to options 1.1, 1.2 and 1.3

***** Particularly related to Water Treatment and Waste Treatment segments.

****** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

MF = the Multiplying Factor represents the multiplier effect between the public funds provided and the cost of the projects funded. This factor is calculated as follows: Total Cost of Projects/Total FI

[54] Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities

## Option 2.3: One Priority Axis Covering Two Thematic Objectives

Based on the study carried out and the comments of the Managing Authority, a more targeted approach could be considered, covering only two thematic objectives for which there is a strong demand for FIs in the PACA region,

| PA | TO | Investment priorities[55] | Total cost of projects | Total FIs | MF** | Expected results |
|---|---|---|---|---|---|---|
| Priority axis fully implemented through FIs | TO 3 | a) promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;<br>b) developing and implementing new business models for SMEs, in particular with regard to internationalisation; | 654.80 | 120.50 | 5.43 | · Business creation<br>· Job creation |
| | TO 4 | a) promoting the production and distribution of energy derived from renewable sources<br>b) promoting energy efficiency and renewable energy use in entreprises<br>c) supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings and in the housing sector<br>e) promoting low-carbon strategies for all types of territorites, in particular for urban areas, including the promotion of multimodan urban mobility and mitigation-relevant adaptation measures; | 454.30 | 121.53 | 3.74 | · Reduction in carbon emissions<br>· Reduction in energy consumption<br>· Promotion of renewable energy use<br>· Better use of natural resources |
| | | **Operational Programme option 2.3 TOTAL** | **1109.11** | **242.03** | **4.58** | |

** Eligibility to be confirmed, although the use of such infrastructure should be in alignment with Thematic Objectives supporting job creation, the competitiveness of SMEs and innovation.

MF = the Multiplying Factor represents the multiplier effect between the public funds provided and the cost of the projects funded. This factor is calculated as follows: Total Cost of Projects/Total FI

[55] Regulation (EU) No 1301/2013 of the European Parliament and the Council, Article 5: Investment priorities

## 5.2 Implementation Routes

According to the Common Provision Regulation (finalised in December 2013), several Operational Programmes linked to a number of different ESI Funds can feed into the same FI, provided separate accounts are held.

Two main routes are available to the region in terms of how a FI can be implemented within an Operational Programme:

a) The creation of a **FI set up at EU level** with a separate priority axis fully financed by ESI Funds. The priority axis could include one or several of the thematic objectives for which this study identified financing needs, such as energy efficiency, housing and social cohesion. The exact arrangements for allocating funds and defining investment priorities are still to be established. This option could potentially lead to synergies with existing instruments at European level (Creative Europe, Erasmus for all, Programme for Social Change & Innovation, Horizon 2020, COSME and Connecting Europe Facility). However, support for the investment priorities covered by this separate axis may not be implemented under any of the Operational Programme's other axes (see Article 120)[56]

b) The creation of a **FI set up at regional level which could comprise one or several priority axes and which could potentially include a priority axis fully implemented through FIs.** Whichever solution is chosen, the objective is to meet the identified financing needs and to maximise the positive effects of the investment. It should be noted that a priority axis delivered fully through FIs would benefit from an increase of 10 percentage points in the co-financing rate. The duplication of priority investments to be funded through FIs under this axis would require a fixed budget allocation. An allocation would therefore be set for investment priority "A" under the "FI" priority axis, while a different allocation would be set under a different priority axis for the same investment priority "A" but operating as a grant. Priority axes that may be considered under this scenario include "Competitiveness in SMEs and the agricultural sector" and "carbon footprint". A mechanism will need to be examined to ensure that the model can be adapted to reflect changing market conditions and potential co-investment, which may require the re-adjustment of budget allocations depending on needs. However, this option will require EC approval prior to implementation.

The creation of a FI managed by the region, whose resources come from an Integrated Territorial Investment (ITI), was considered but shall not be outlined due to its inconsistency with the Operational Programme's structuring strategy.

In the absence of specific information regarding the operation of the first solution (FI under European Commission management), and unless requested by the region, this option shall not be outlined at this stage. Only option b) shall be reviewed.

The FI will be supported by a clearly defined **investment strategy,** covering project selection criteria, expected investment volumes and expected financial and non-financial benefits.

[56] EU regulation No. 1303/2013

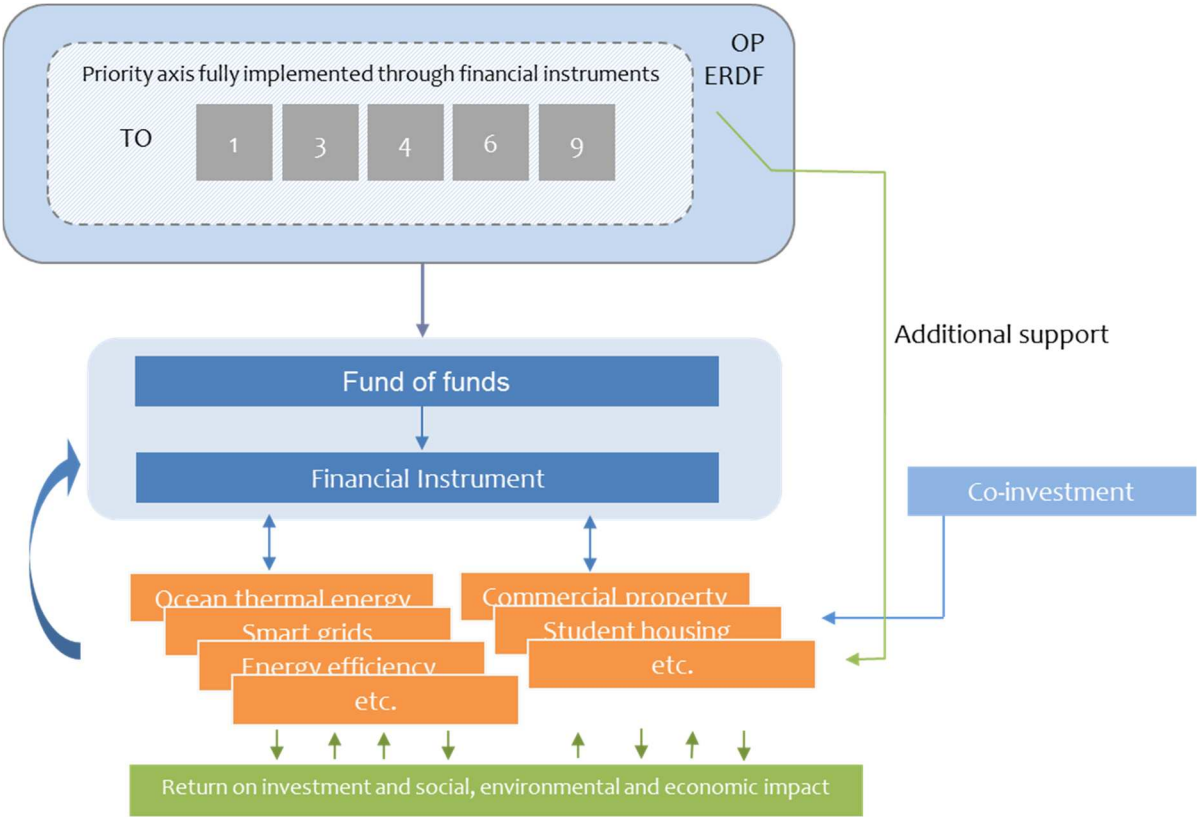
However, the value of such a scheme would also lie in the possibility of allocating funds to the priority axis being fully implemented through FIs and in then being able to re-allocate funds as needs change. This option is not covered in the draft regulations and could therefore be discussed with a view to ensuring **the scheme offers the highest degree of flexibility.**

Finally, the axis fully delivered through FIs could include funds allocated to the "urban policy" strategy for which the region must earmark a minimum of 10% of the ERDF and ESF funds.

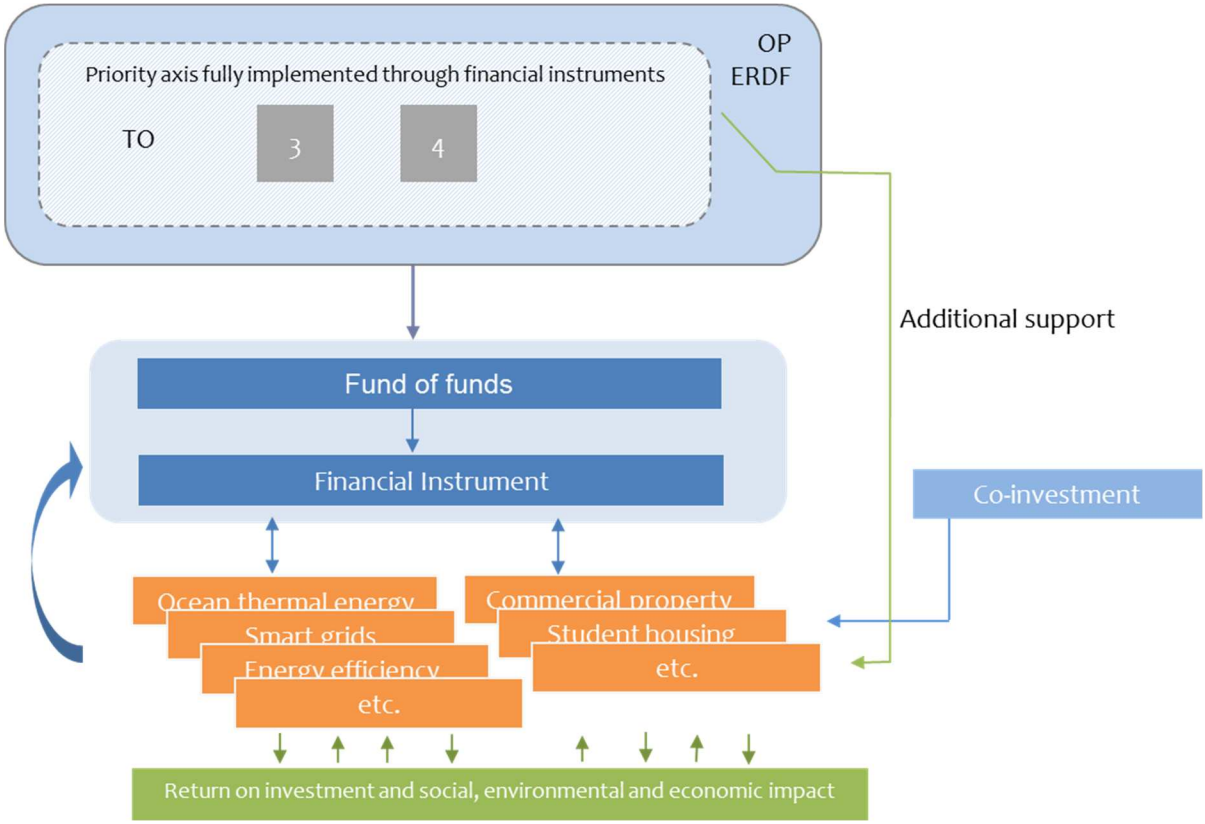
### Creation of a FI managed by the region

As outlined in section 3.2, this option requires a limited number of priority axes in order to operate effectively and minimise cumbersome administrative procedures (see point 4). For instance, if a priority axis that is fully implemented through FIs is selected along with five or two thematic objectives and if a fund of funds is created, the FI would be structured as follows within the Operational Programme:

Structure of FI under a priority axis fully implemented through FIs, covering 5 Thematic Objectives



Structure of FI under a priority axis fully implemented through FIs, covering 2 Thematic Objectives




These options, which include a separate priority axis and several thematic objectives, would limit the following disadvantages of a FI covering several priority axes:

- the lack of flexibility in ESI Fund allocations to each priority axis if they are stipulated in the Operational Programme;
- the eligibility of costs incurred by the projects being restricted to the priority axes concerned;
- the detailed accounting records needed to track the use of each priority axis's budget allocation.

A further advantage of these options seems to be their ease and speed of implementation, as well as the simplicity of managing the ESI Funds allocated to the FIs and their adaptability to the Operational Programme.

**The use of a priority axis fully implemented through FIs would help to enhance the urban dimension within the Operational Programme, strengthen an integrated approach combining several thematic objectives and encourage the involvement of local stakeholders through specified business sectors.**

In general, the implementation of a priority axis that is fully delivered through FIs can be based on one of the three following approaches:

- A **cross-cutting, integrated approach** underpinned, in particular, by the three principles of sustainable development. For example, an "eco-neighbourhood" projects seeks to generate positive externalities in terms of economic development, social cohesion and environmental balance in urban environments;

- A **territorial approach** that combines various different institutional and geographic levels and that facilitates the implementation of strategies aimed at reducing disparities between certain neighbourhoods. (NB: this approach would help to meet the objectives set out in the EU 2020 strategy on the reduction of inequality between regions);
- A **strategic approach** guaranteeing that each funded project is part of a coherent and coordinated set of initiatives, to avoid the risk of inefficiency which occurs when independent and disconnected initiatives are combined. It is a question of bringing the project into line with and incorporating it into one or several local or regional strategic documents.

An **increase of 10 percentage points in the co-financing rate** will apply to the funds allocated to this separate axis, without the distribution needing to be matched by other funds. The overall model of ESI Funds would therefore have an average co-financing rate of over 50%.

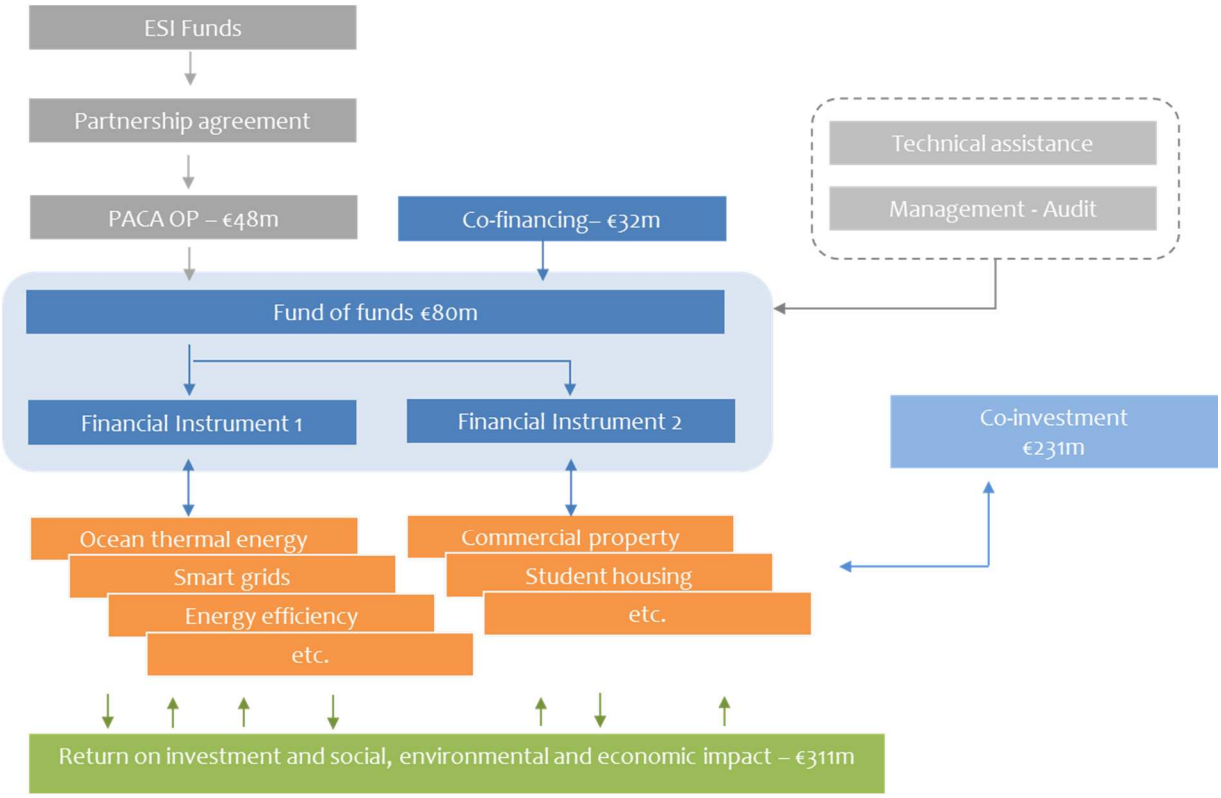
## 5.3 Structure of Financial Instruments

### Proposed structure

The projects identified within the specified business sectors require investment in the form of **equity or long-term debt**. Issuing financial guarantees has not been identified as a significant requirement at this stage. Both equity and debt investment may generate interest from the same kind of private investors, therefore it does not seem relevant to split these two components (debt and equity) into two separate vehicles. Based on the analysis, the FI's total investment volume within these business sectors is estimated at between €80M and €242 M euros for the 2014-2020 programming period, potentially spread out between different priority axes, according to the region's choices. This amount justifies the creation of a dedicated investment vehicle, since the volume is large enough to cover **Management Fees**.

This total sum of €80M to €242M euros represents the **market gap** to be funded, based on the projects identified within the specific market segments and the assessment of potential needs. The total project cost is estimated at between €311M and €1,109M euros, and the difference of $231M to $867M euros is made up of funds from the private sector, referred to as **co-investment**. This bottom-up approach therefore excludes the possibility of securing funds from the private sector for co-financing purposes, co-investment being at its maximum level. Although **co-financing** is applicable at every level (i.e. fund of funds, FI, project) and funds can be brought by both the private and public sector, it is assumed in this case, that the contribution will **solely come from the public sector** and will be allocated through the fund of funds structure to simplify administration. The creation of a **fund of funds** offers the benefit of being able to break down the administration, follow-up and control of ESI Funds. Budgets and expenditure relating to ESI Funds are subject to relatively complex administrative procedures in the eyes of a potential private co-investor. Delegating administration to a higher level would relieve the FIs of a task which might hold back private co-investors.

Assuming there is a financing requirement of €80M  euros, it would be possible to implement a FI according to the following diagram:



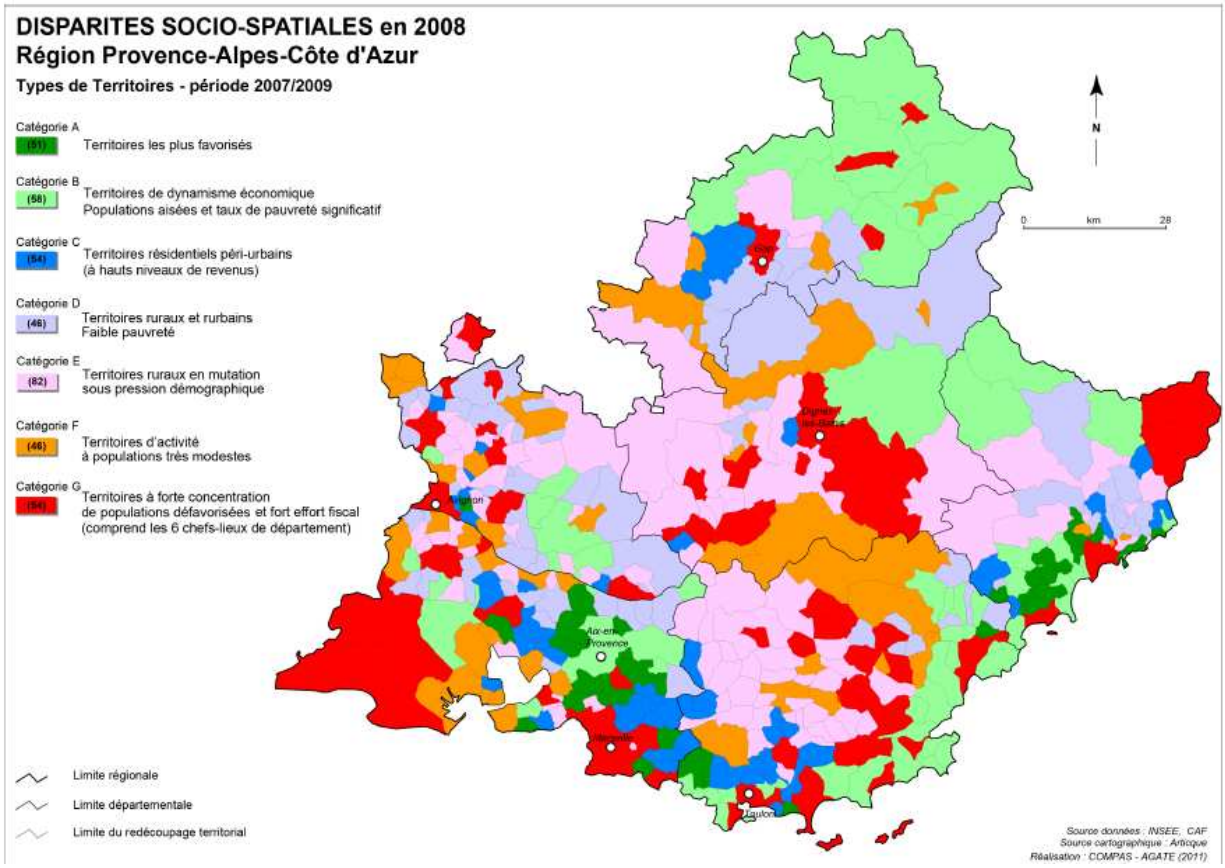

This diagram is solely provided for illustrative purposes; the participation of each vehicle in the projects will need to be examined in detail during the ex-ante assessment along with the scheme's conformity with state aid rules, in particular. The consistency of the abovementioned figures should also be analysed against the total ESI Funds allocated to the region. The composition of the FI and the allocated funds may therefore differ from this illustration, depending on the decisions taken by the Managing Authority. At this stage, it is proposed that pari-passu investments are set up, or, failing that, an equity investment with **preferential remuneration for private investors** (see Article 44.1.b[57]) or a debt investment with a preferential rate or an extended capital depreciation period, subject to state aid ceilings.

[57] EU regulation No. 1303/2013

## 5.4 Investment Strategy

This evaluation study has identified investment opportunities and market gaps and clarified the PACA region's co-financing and co-investment capacities. Firstly, the evaluation study focused on demand for FIs by determining the funding needed to carry out a range of projects aimed at meeting the operational objectives defined by the European Commission. Next, the study analysed the financing options available for these projects and established the market gaps that are impeding projects from getting off the ground. The evaluation study examined various solutions to overcome these market failures by securing available European funds to support the investment drive in the PACA region.

Market research highlighted the disparities between different areas in the region, as shown on the below map, and the investment strategy aims to limit these.




The FI's investment strategy should be clearly defined and should help to meet the strategic objectives set out in the PACA region's Operational Programme. It should include investment selection criteria, such as geographic prioritisation, expected impacts (jobs, environment, social cohesion) and a mix of different priority axes.

# 6. Conclusion

After analyzing the scope for action offered by FIs in terms addressing market needs and contributing towards the objectives set out by the Managing Authority of the ESI Funds, this study concludes by providing the Managing Authority with the following recommendations and by highlighting the likely need to establish technical assistance to help implement and manage these funds effectively.

## 6.1 Opportunities and added value

The public and private sectors complement each in helping to address **market failures in financing projects**: the public sector needs to leverage private sector's capital and expertise, while the private sector needs to gain cost-efficient access to public funds to de-risk projects that may otherwise be too risky to finance by the private sector along. Together, through PPP, both parties benefit from **advantageous long-term funding arrangements** to help address the market gaps.

At its most basic level, the economic model of these market failure projects is characterised by a need for investment and by poor revenue generation. The public sector can help to reduce the impact of poor revenue by contributing to long-term financing at preferential rates.

In order to offset the initial need for investment, semi-public companies (operating as public-private partnerships) can offer a viable solution, whereby the public sector contributes part of the capital by providing assets to be developed (for example a plot of land) in exchange for a share in the companies, while the private sector supplies equity to finance all or part of the construction or development works. Under this kind of scheme, a FI could help to support these works for example through a long-term loan. There are several **advantages** to this model:

- The need for capital and other financial streams is limited by an optimal financial structure;
- Economic benefit and market risk is shared between the public and the private sectors (take the traditional situation in which a developer sells land at the bottom of the market to another developer who reaps all the benefits, several years later, from a rise in prices in this kind of asset);
- Public interests are safeguarded in the long term (the public sector takes part in the project management and in decisions affecting strategy and performance);
- Investment exit scenarios are controlled (future onward sale, transformation, etc.)

To ensure that this kind of model can be developed, clarification of the Common Provision Regulations and more flexibility in their allocation seems to be needed.

## 6.2 Communication and information

Communicating on the ground with all the public bodies concerned, the project initiators and the private sector in general will have a **significant impact** on the capacity of a FI to identify investment opportunities and, thereby, to fulfil its role. Securing the support of business networks, financial intermediaries, agents and the media will help to boost the number of funding propositions. However, communication should always be accompanied by technical explanations, for example in the form of an application guide (as mentioned above), to maximise the eligibility of applications submitted.

Events such as conferences and meetings between market players may be a useful addition to a publicly-available documentary database (including specific examples or pilot project studies). Steps need to be taken by the private sector, on the one hand, to change its perception of public financing tools, and by the public sector, on the other hand, to familiarise itself with FIs, their advantages and the challenges to be overcome in order to ensure they are successful.

Identifying projects that match the eligibility criteria for FIs like JESSICA should be one of the fund manager's goals and could be linked to its remuneration.

### 6.3 Further work required

In order to implement a FI, the region should launch an **ex-ante assessment**, specific to Article 37(2)[58] (separate from the ex-ante evaluation as described by article 55[59] carried out to prepare the next Operational Programme), as well as a study showing how support can be combined with existing instruments at regional, national and European level, and it should produce a clear definition of the eligibility criteria and selection process for projects.

**Management contracts** for the FI, cash agreements and other contractual documents to be listed in the on-going feasibility study should also be established.

**This documentation is not required prior to the validation of the Operational Programme, but only once the FIs have been created.**

**Management** of the FIs can be entrusted without a tender procedure to the European Commission, the European Investment Bank or the Caisse des dépôts et Consignations. It can also be entrusted to any eligible private company subject to a tender procedure that is in line with current national and European Union regulations.

In order to outline the FI's cash flow needs over a 2-year period (a requirement for the payment of ESI Funds), **business plans** based on the projects preselected for investment at launch stage should be drafted for the projects, FIs and funds of funds, then adjusted as and when the portfolio of potential projects is updated and the projects are selected by the investment committee.

A **communication campaign** should be organised to ensure that (i) project initiators understand the concept of the FI and that projects identified are eligible for investment, (ii) projects or FIs dedicated to specific business sectors are attractive for potential co-investors.

### 6.4 Technical assistance

It is proposed that the region set up **technical assistance** to support with the implementation of FIs, including the preparation of all necessary documentation. **It is also proposed that this technical assistance take the form of a mono-fund priority axis within each operational programme and that the amount of funds allocated to it be limited to 4% of the total budget allocation of ESI Funds (see Article119[60]).** This is of particular importance when the FIs are launched, the first investment projects are prepared and the necessary tools to monitor the performance of the Funds are created.

[58] EU Regulation 1303/2013
[59] EU Regulation 1303/2013
[60] EU Regulation 1303/2013

Supplying the Managing Authority and project initiators with technical assistance would offer several advantages in terms of guaranteeing the successful implementation of a JESSICA-type FI and of investment programmes.

### For the Managing Authority

This technical assistance, which may include staff within the Managing Authority that specialises in FIs, EIB representatives or external consultants, would be responsible for:

- guiding the Managing Authority through the steps involved in creating and managing the funds, and supervising studies (ex-ante and legal),
- helping the Managing Authority with tender procedures,
- supporting the Managing Authority in negotiations with public and private investors,
- proposing an investment programme for each FIs in cooperation with the fund managers,
- developing a project evaluation methodology,
- providing a periodic review of the project financing process based on the performance of the ESI Funds and the pace of investment.

The allocation for technical assistance from ESI Funds[61] should not exceed 10% of the total funds allocated to the FI, including co-financing. In order for this comprehensive mechanism to work successfully, the technical assistance must ensure a fit between three different areas of expertise: project financing, management of structural funds and state aid issues.

[61] Article 119(2) of the EU Regulation 1303/2013 (CPR)

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| Documents | Date de publication | Hyperlink |
|---|---|---|
| Second Simplification Scoreboard for the MFF 2014-2020 | February 2013 | Click here |
| MONITORING AND EVALUATION OF EUROPEAN COHESION POLICY Guidance document on ex-ante evaluation | January 2013 | Click here |
| REGULATION (EU, EURATOM) No 966/2012 on the financial rules applicable to the general budget of the Union | October 2012 | Click here |
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| COUNCIL OF THE EUROEAN UNION - Cohesion Policy legislative package - Presidency compromise on FIs | June 2012 | Click here |
| COUNCIL OF THE EUROPEAN UNION - Cohesion Policy legislative package - Presidency compromise on net revenue generating operations and public private partnerships | June 2012 | Click here |
| COUNCIL OF THE EUROPEAN UNION - Cohesion Policy legislative package - Presidency compromise on thematic concentration | June 2012 | Click here |
| COUNCIL OF THE EUROPEAN UNION - Cohesion Policy legislative package - Presidency compromise on Programming | Avril 2012 | Click here |
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| COMMISSION STAFF WORKING DOCUMENT FIs in Cohesion Policy | February 2012 | Click here |
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| Reference and discount rates (in %) since 01.08.1997 | - | Click here |

# Addendum: Translation Guide to Image files

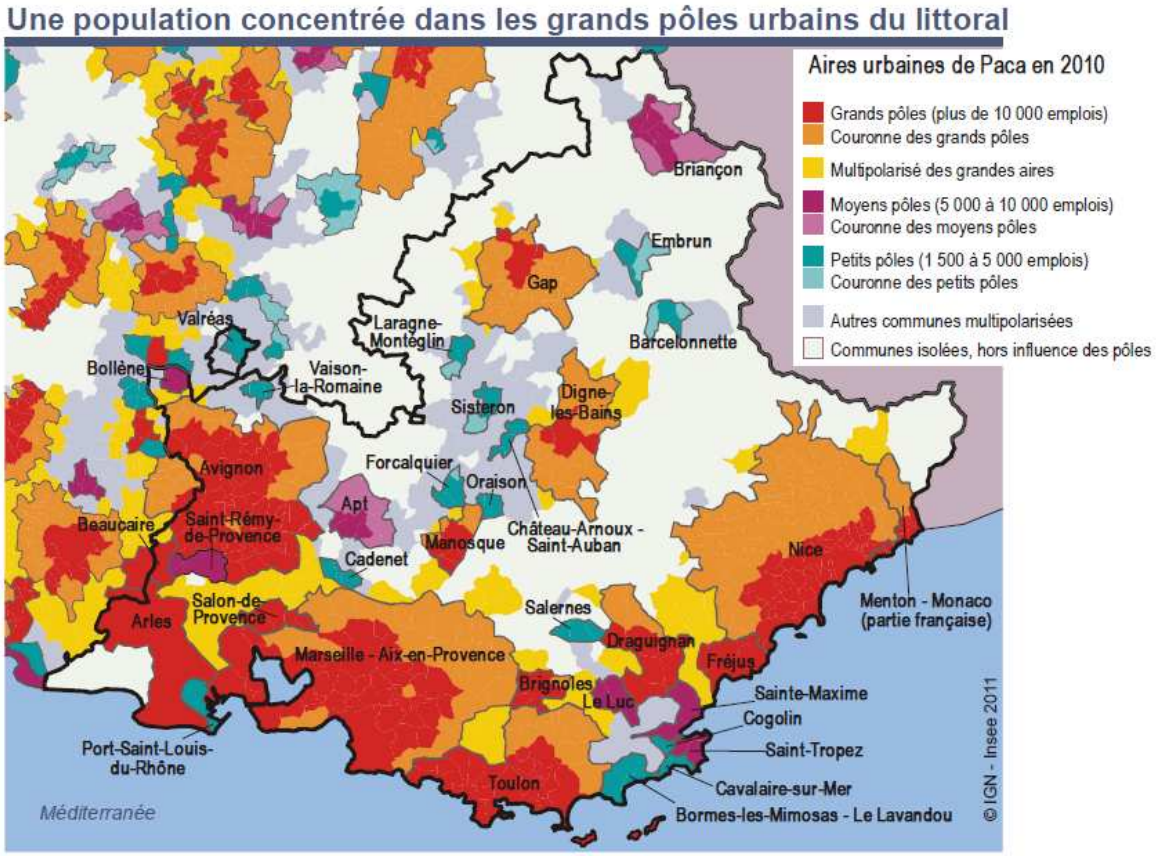
## Chapter one: Regional strategy for urban development

### 1.1 Development and spatial planning in the PACA region

#### a. A population concentrated in the major urban centres of the coastline

Urban areas of PACA in 2010:
Red: Major centres (over 10,000 jobs)
Orange: Outskirts of major centres
Yellow: multi-polarised parts of large geographical areas
Dark pink: Medium-sized urban centres (5,000 to 10,000 jobs)
Light pink: Outskirts of medium-sized urban centres
Green: Small urban centres (1,500 to 5,000 jobs)
Light green: Outskirts of small urban centres
Light grey: Other multi-polarised communes
White: isolated communes, outside of the influence of urban centres

Source: INSEE, zoning of urban areas 2010, 2008 population census

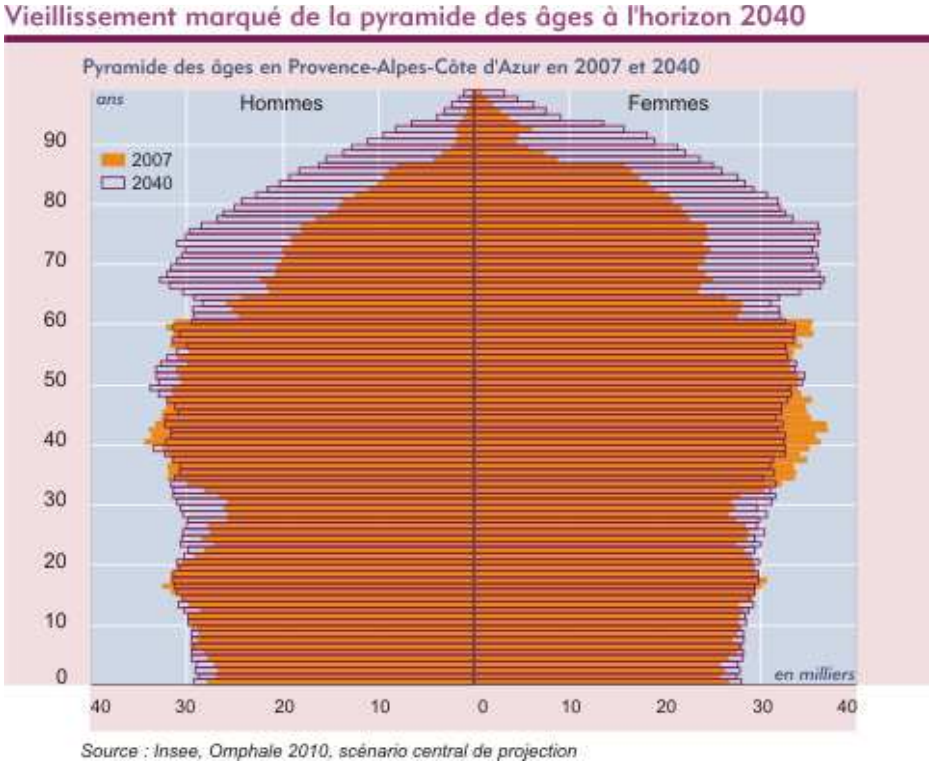


*Source : Insee, zonage en aires urbaines 2010, recensement de la population 2008*

### b. Aging of the age pyramid expected for 2040

Age pyramid in Provence-Alpes-Côte d'Azur in 2007 and 2040

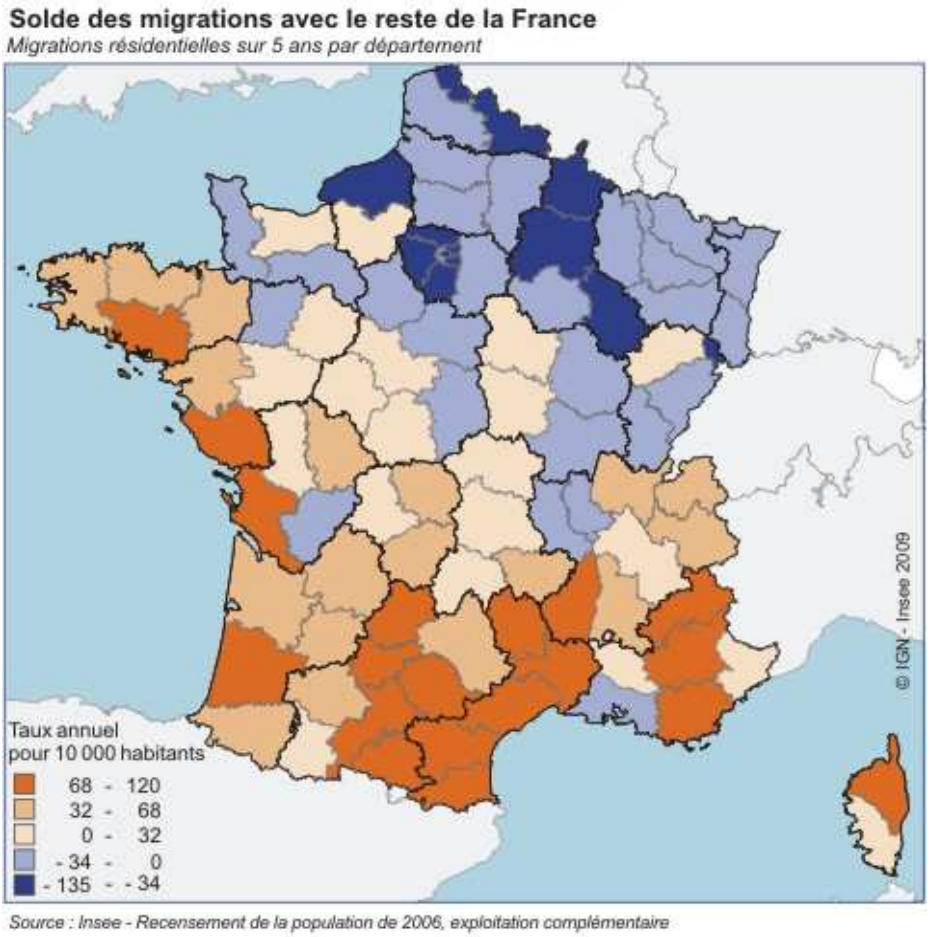
Years Men Women




Source: INSEE Omphale 2010, central projection scenario

### c. Migration balance with the rest of France

Residential migrations over 5 years per department
Annual rate for 10,000 inhabitants




Source: INSEE, 2006 population census, additional exploitation

### d. Reinforced attractiveness of Alpine departments

*Residential migrations per department*

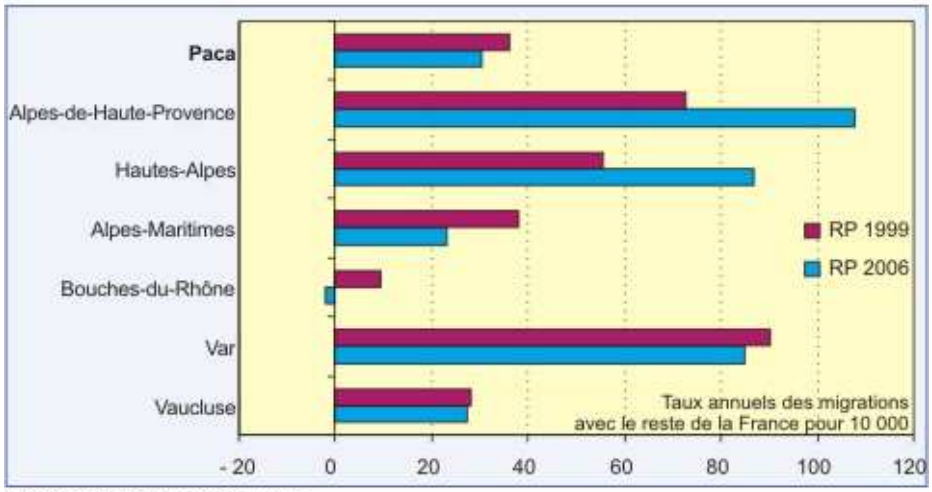
PC 1999
PC 2006

Annual rates of migrations
With the rest of France for 10,000

Field: population of 5 years or more
Reading note: for the PC 2006, by the difference of migrations between the French regions, the region had annually increased, over the last 5 years, by 29.1 inhabitants for 10,000 inhabitants present.

**Une attractivité renforcée des départements alpins**

*Migrations résidentielles par département*




Champ : population de 5 ans ou plus
Note de lecture : au RP 2006, par le jeu des migrations entre régions françaises, la région a gagné annuellement depuis 5 ans 29,1 habitants pour 10 000 habitants présents.
*Source : Insee - Recensement de la population de 1999 et 2006, exploitation complémentaire*

Source: INSEE – Population census 1999 and 2006, additional exploitation

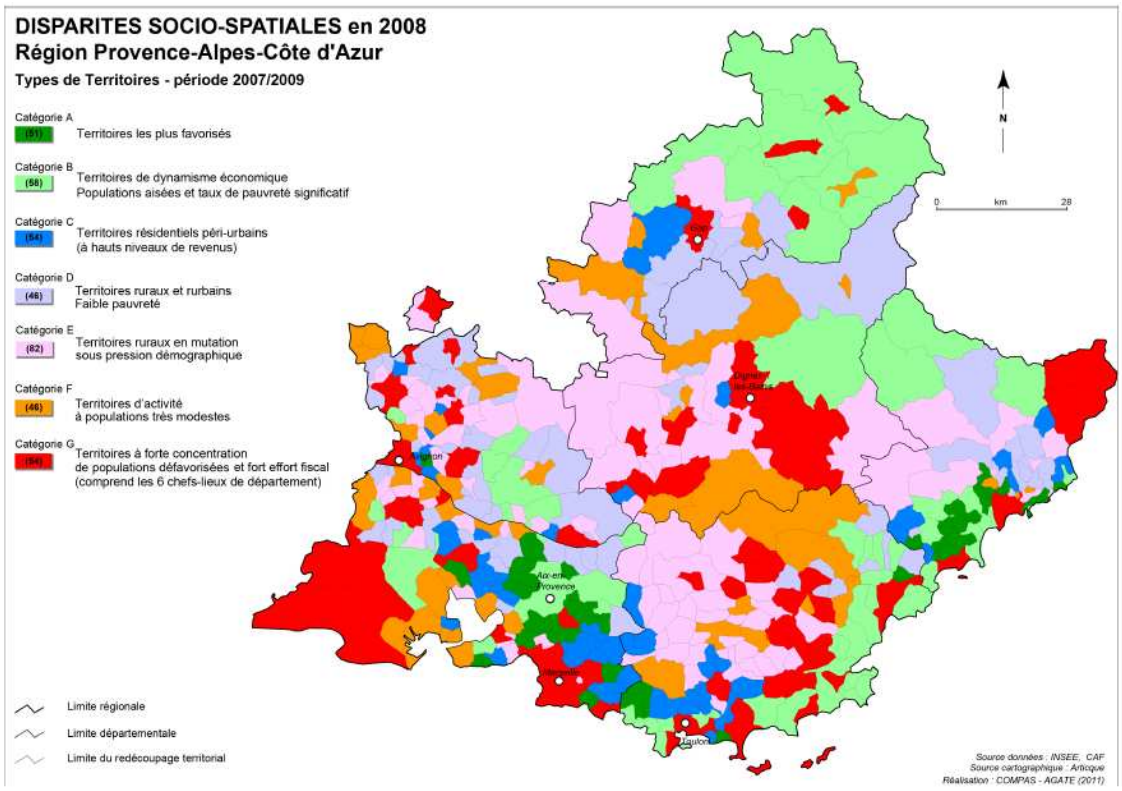
### e. SOCIAL-SPATIAL DISPARITIES in 2008

Provence-Alpes-Côte d'Azur Region
Types of Territories – period 2007/2009

Category A: Most privileged territories
Category B: Territories of economic dynamism
Well-off populations and significant poverty rate
Category C: Suburban residential territories
(with a high level of income)
Category D: Rural and rurban territories
Low poverty
Category E: Rural territories undergoing change
under demographic pressure
Category F: Territories of activity
with a very modest population
Category G: Territories with a high concentration of
under-privileged populations and strong tax effort
(includes 6 principal towns of the department)

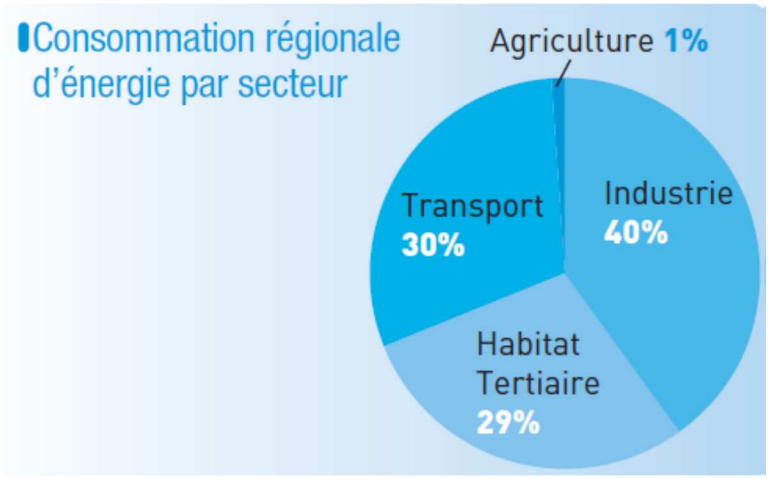
Regional border
Departmental border
Border of the territorial redistribution

Date source: INSEE
Map source: Articque
Realised by: COMPAS-AGATE 2011



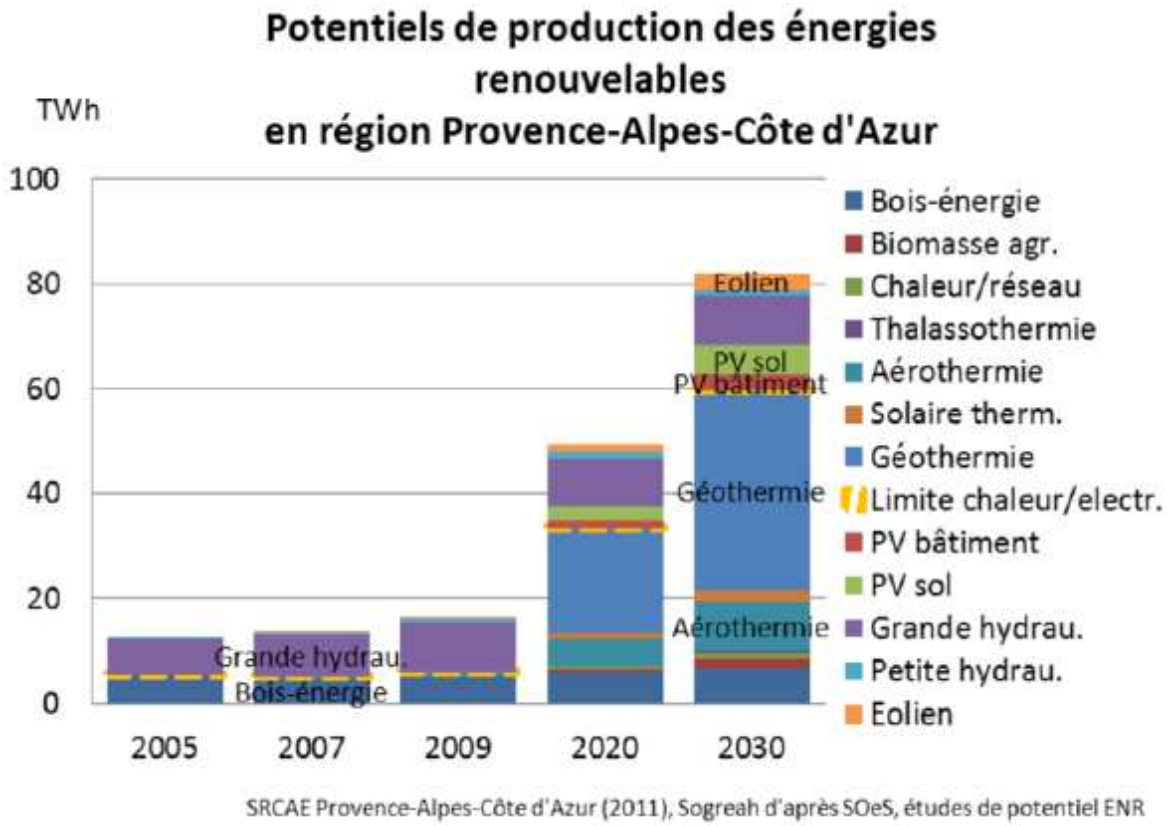
### f. Regional consumption of energy by sector

Agriculture 1%
Industry 40%
Transport 30%
Habitat/Tertiary 29%



### g. Renewable energy production potentials in the Provence-Alpes-Côte d'Azur region

Wood-energy
Agricultural biomass
Heat/network
Sea Water Air Conditioning
Aerothermal power
Solar thermal power
Geothermal power
Heat/electricity limit
Building energy
Ground energy
Large-scale hydro power
Small-scale hydro power
Wind power

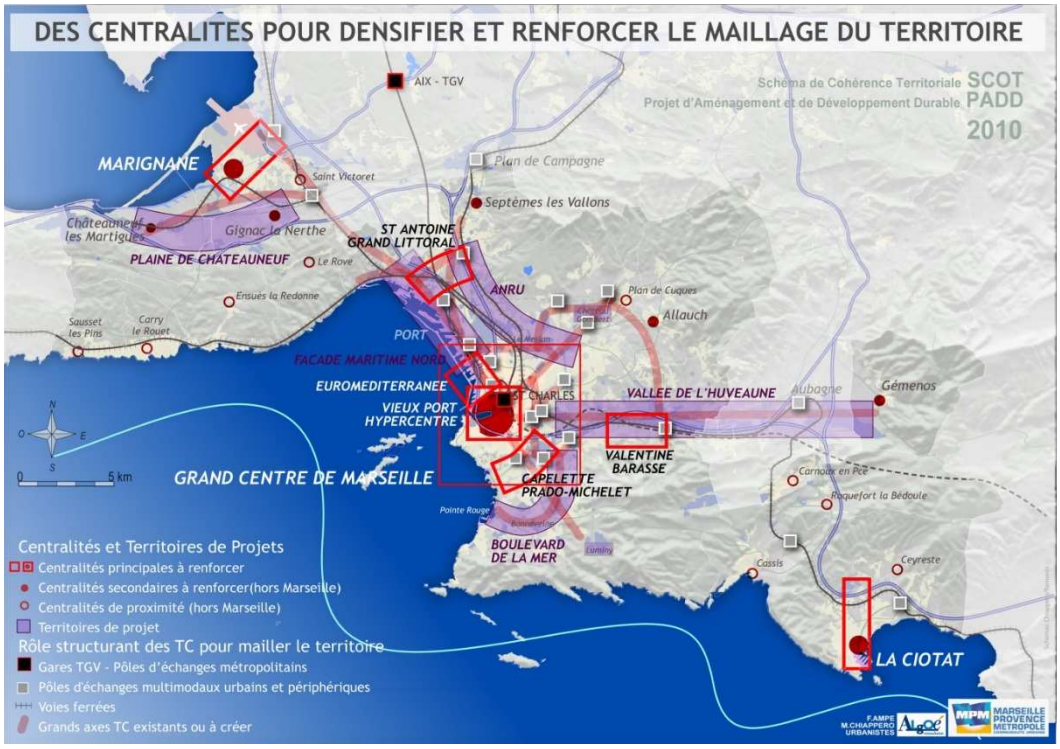



SRCAE Provence-Alpes-Côte d'Azur (2011), Sogreah according to SOes, renewable energy potential studies

### h. Central structures to increase and reinforce the networks of the territory

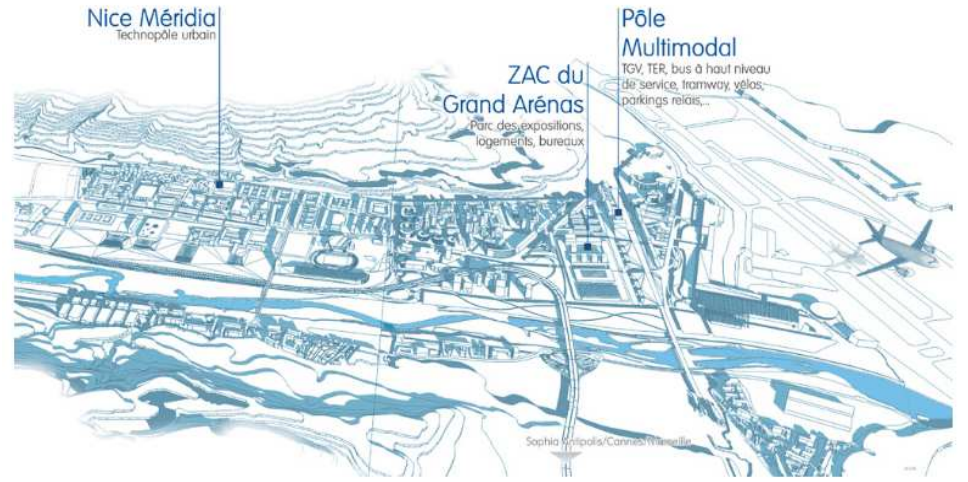
Territorial coherence plan SCOT
Land use and sustainable development plan PADD
2010

*Central Structures and Project Territories*
Main central structures to be reinforced
Secondary central structures to be reinforced (excluding Marseille)
Project territories
*Structuring role of public transport to create a network throughout the territory*
TGV stations – hubs of exchange between urban centres
Urban and peripheral multimodal hubs of exchange
Railways
Major public transport networks existing or to be created



### i. Nice Méridia – Urban technohub

ZAC du Grand Arénas - exhibition centre, housing, offices
Multimodal Hub – TGV, TER, high service-level bus, tram, bikes, relay car parks, etc.

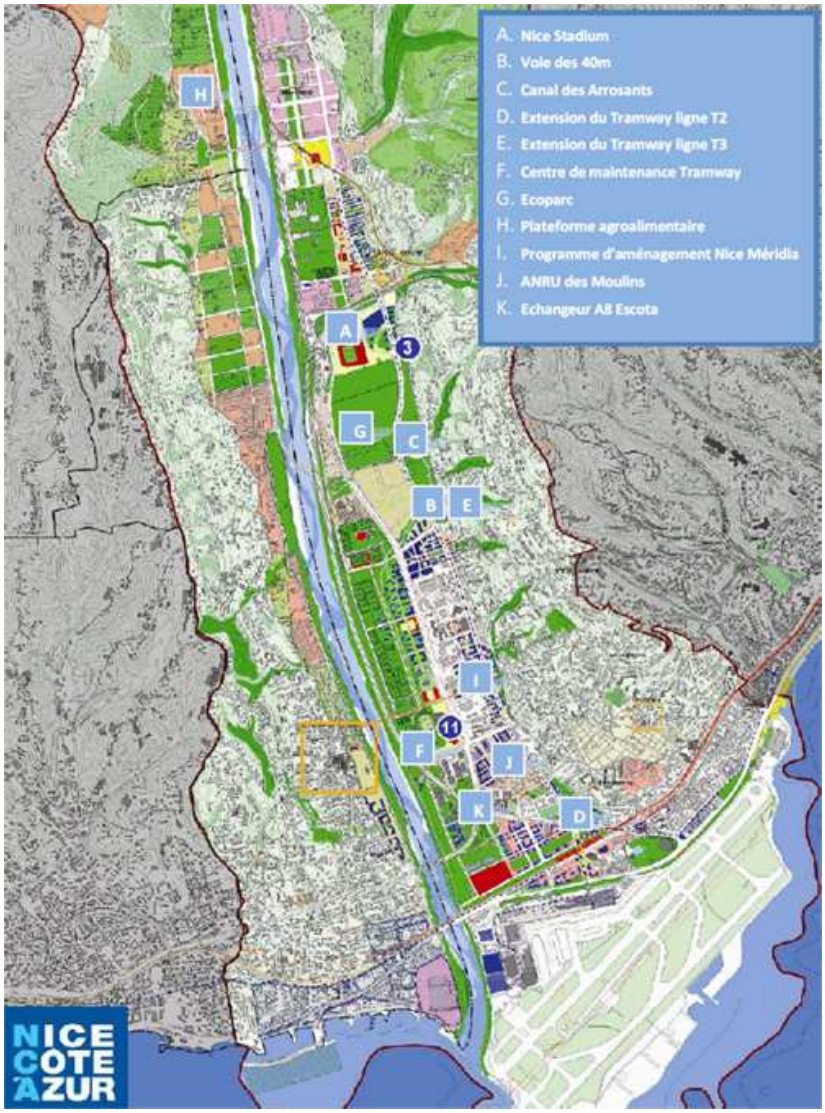



**Premières opérations de l'EPA ©EPA**

First operations of the EPA

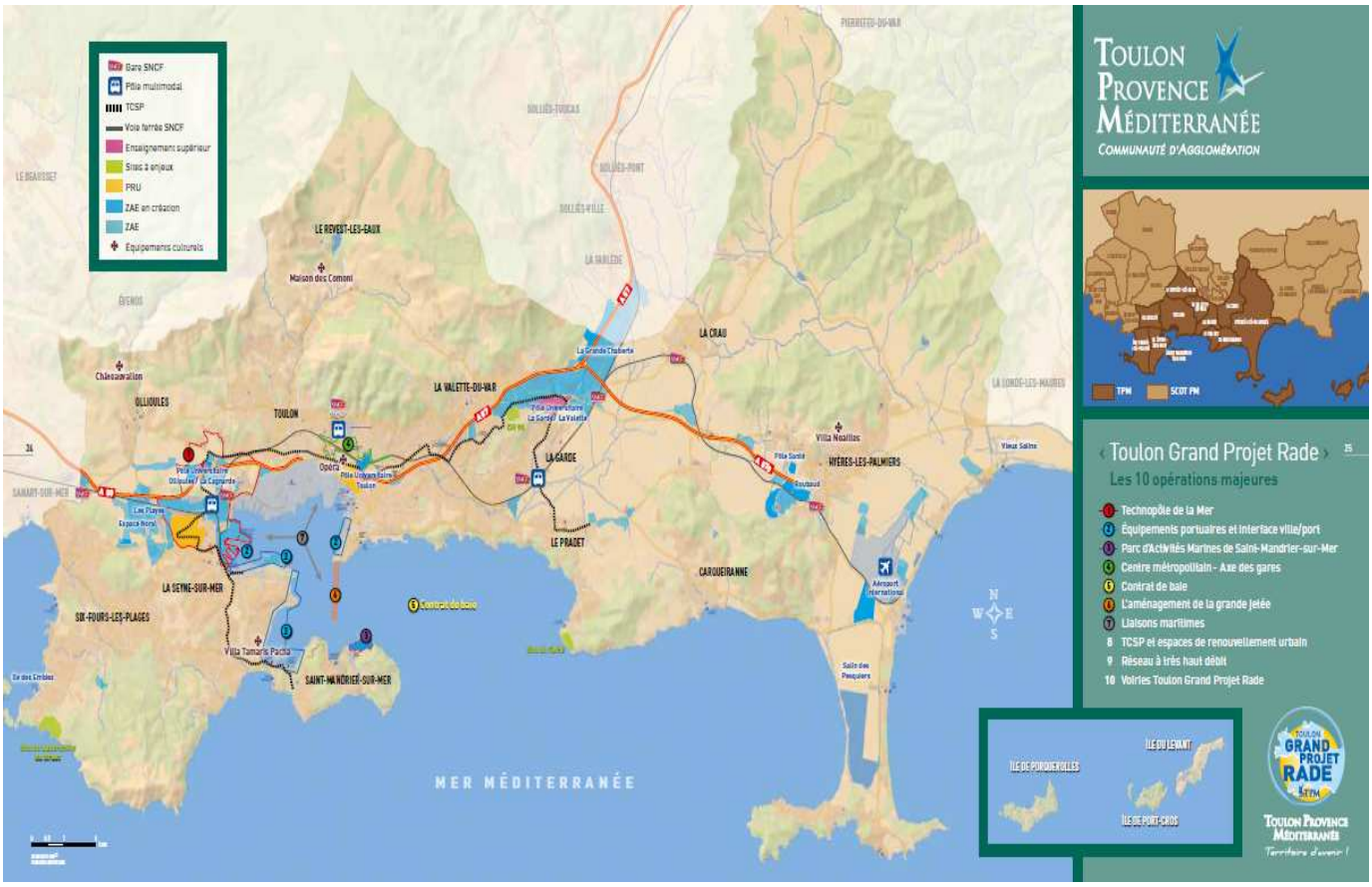
### j. Nice Territory

A. Nice Stadium
B. 40-metre road
C. Canal des Arrosants
D. Extension of the line T2 Tramway
E. Extension of the line T3 Tramway
F. Tramway maintenance centre
G. Ecoparc
H. Agri-food platform
I. Nice Méridia development programme
J. ANRU des Moulins
K. A8 Escota exchanger



### k. Map of Toulon

| | |
|---|---|
| SNCF Station<br>Multimodal hub<br>TCSP<br>SNCF Railway<br>Higher education<br>Sites which concern important issues<br>Urban Renovation Plan (PRU)<br>ZAE (economic activity zone) under creation<br>ZAE<br>Cultural facilities | TOULON PROVENCE MEDITERRANEE<br>Urban community<br><br>Toulon Great Bay Project<br>Technopole de la Mer<br>Port facilities and town/port interface<br>Saint-Mandrier-sur-Mer Marine Activities Park<br>Urban centre – railway routes<br>Bay contract<br>Development of the large jetty<br>Sea connections<br>TCSP and urban renewal spaces<br>High-speed network<br>Toulon Great Bay Project roads |



## 1.2 Instituional Framework for urban planning

### a. Chart of urban planning in France

<table>
<tr><td>Level of documents</td><td>European</td><td>National</td><td>Regional</td><td>Departmental</td><td>Local</td></tr>
<tr><td rowspan="2">European and national orientations</td><td colspan="5">Lisbon Strategy</td></tr>
<tr><td colspan="5">National Strategic Reference Framework (CRSN)</td></tr>
<tr><td rowspan="6">Urban development thematic plans</td><td>Habitat</td><td>Economy</td><td>Environment</td><td>Transports</td><td>ICT</td></tr>
<tr><td rowspan="5">PLH</td><td rowspan="2">SRDE</td><td>Climate Plan</td><td rowspan="3">SRT</td><td rowspan="3">SDTAN</td></tr>
<tr><td>Green and blue belt</td></tr>
<tr><td rowspan="4">Economic development plan for the urban area</td><td>Agenda 21</td></tr>
<tr><td>SAGE</td><td rowspan="2">PDU</td><td rowspan="2"></td></tr>
<tr><td>PEDMA</td></tr>
<tr><td rowspan="3">Urban development integrated plans</td><td colspan="5">SRADT</td></tr>
<tr><td colspan="5">SCOT</td></tr>
<tr><td colspan="5">PLU</td></tr>
</table>

### b. Progress of the PACA SCoT – January 2011

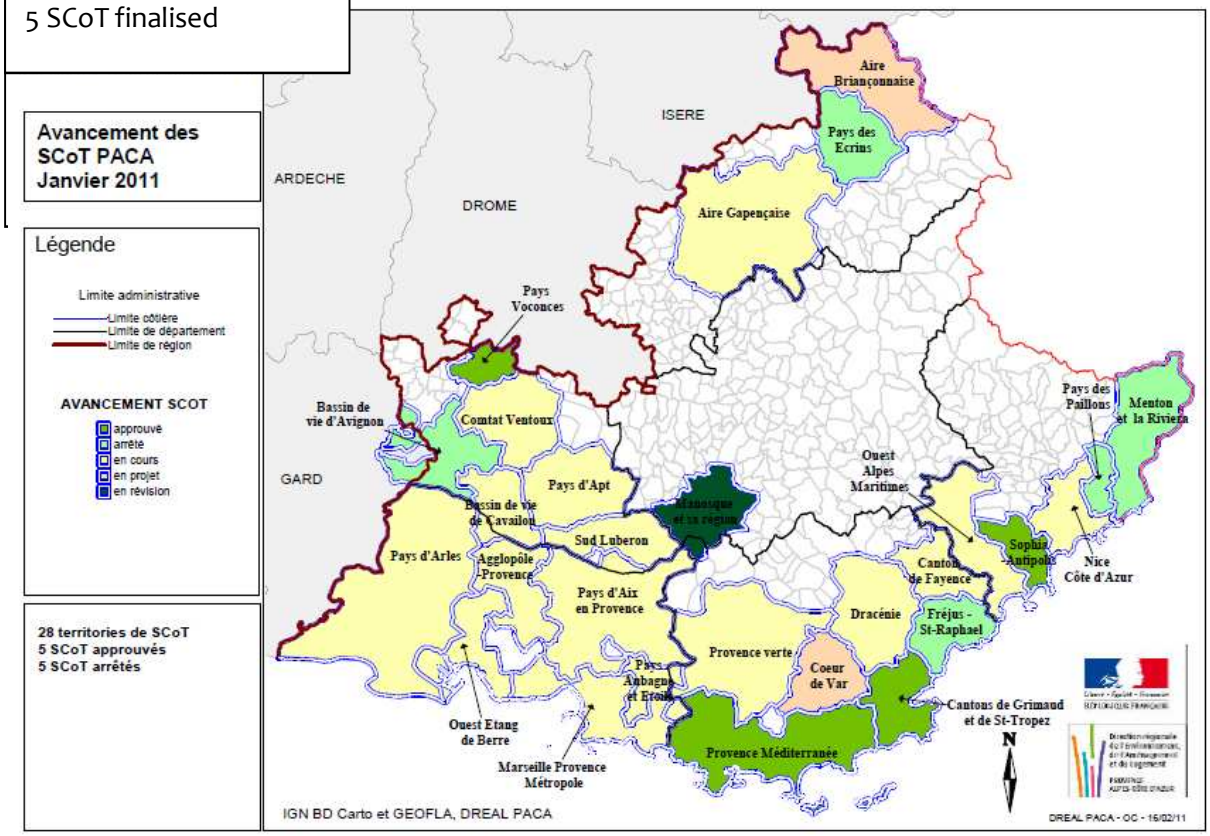
Legend:

Administrative border
Coastal border
Departmental border
Regional border

28 SCoT territories

5 SCoT approved

5 SCoT finalised

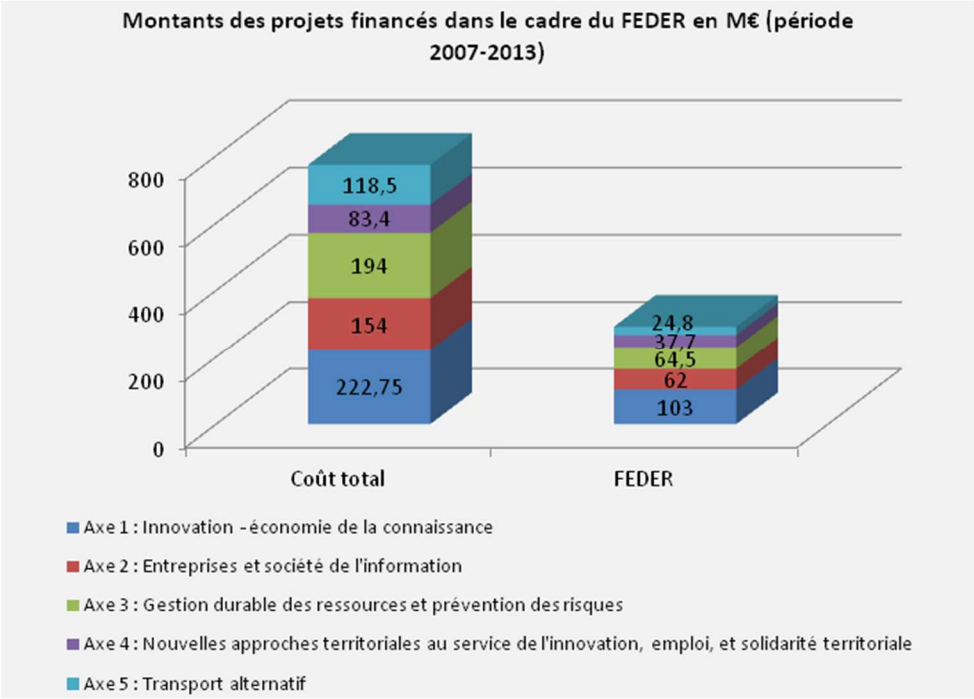


## 1.3 Review of the previous 2007 – 2013 programming period

### a. Amounts of projects financed with the framework of the ERDF in M€ (period 2007-2013)

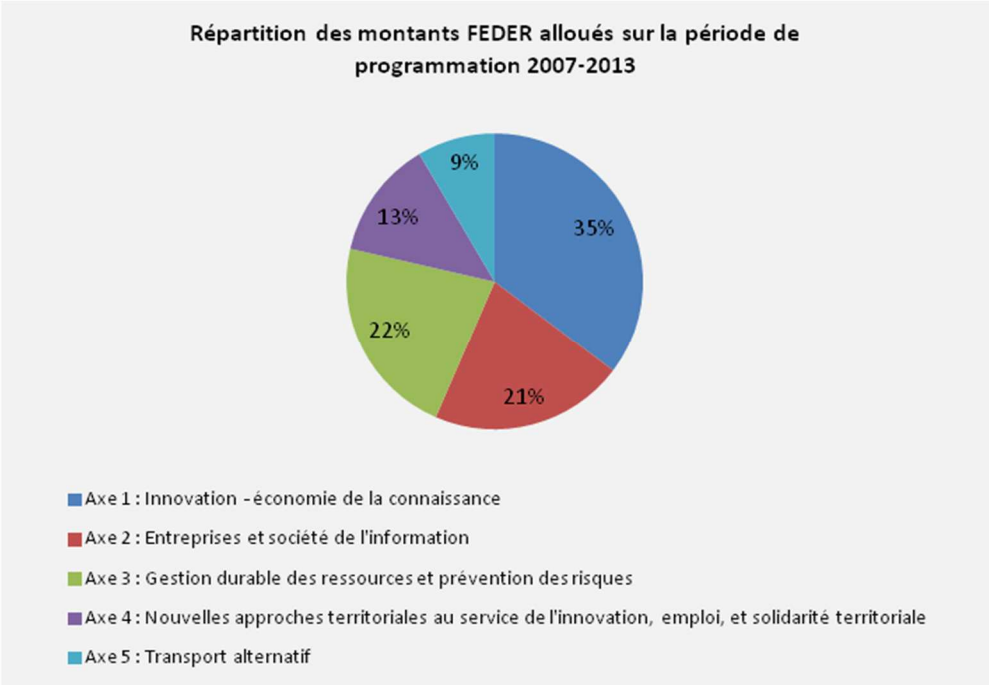
Total cost, ERDF

Axis 1: Innovation – knowledge economy
Axis 2: Businesses and the information society
Axis 3: Sustainable development of resources and prevention of risks
Axis 4: New territorial approaches at the service of innovation, employment and territorial solidarity
Axis 5: Alternative transport



### b. Distribution of ERDF amounts allocated during the 2007-2013 programming period

Axis 1: Innovation – knowledge economy
Axis 2: Businesses and the information society
Axis 3: Sustainable development of resources and prevention of risks
Axis 4: New territorial approaches at the service of innovation, employment and territorial solidarity
Axis 5: Alternative transport



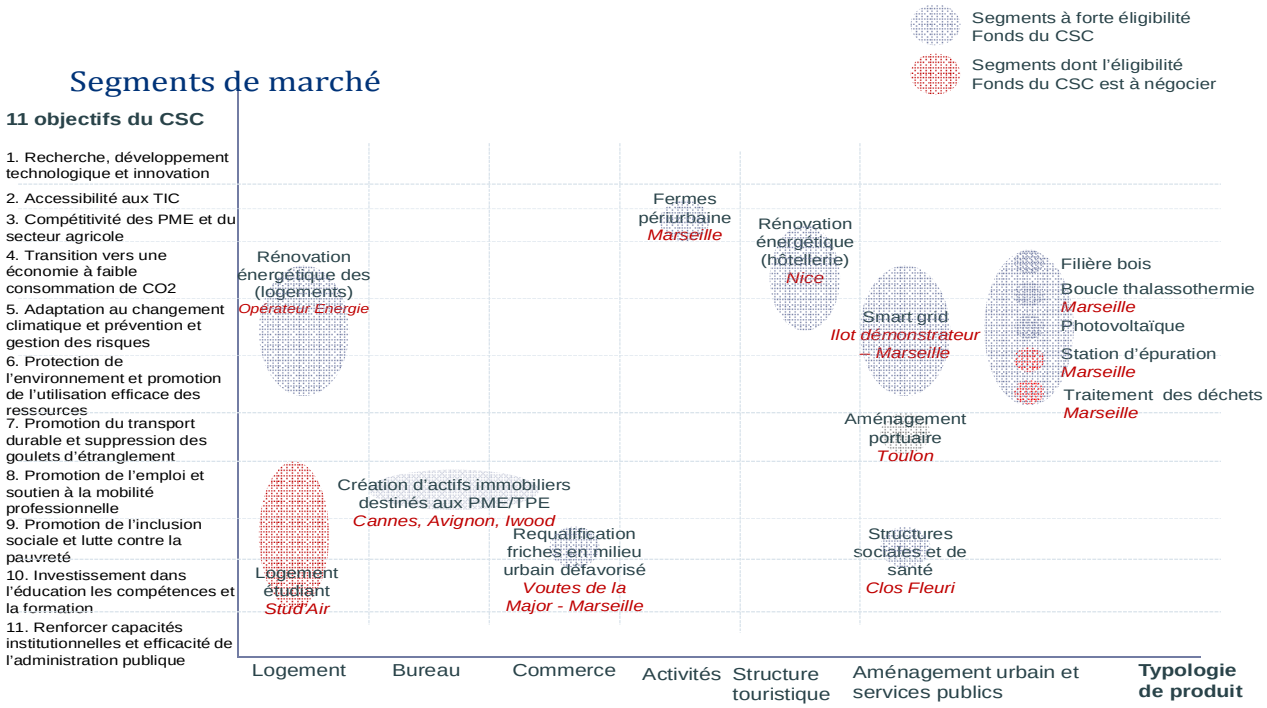
## Chapter Three: Market analysis and project portfolio

### 3.1 The market segments identified in "Grey Zone"

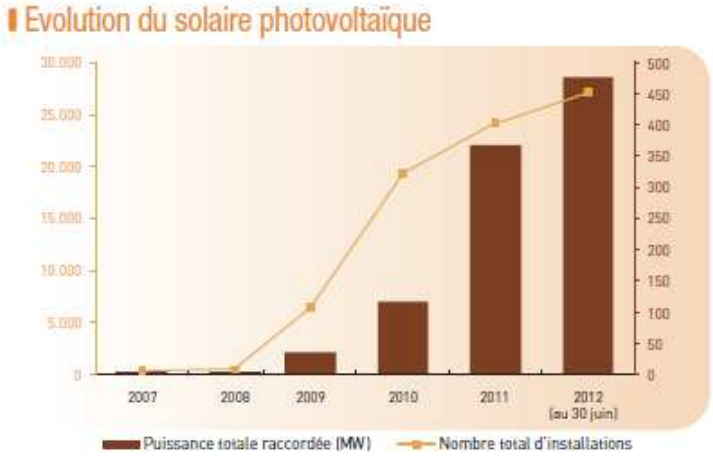
#### a. Market Segments

| Market segments | | | | Blue: Segments with high eligibility for CSC Funds<br>Pink: Segments whose eligibility for CSC Funds is to be negotiated | | |
|---|---|---|---|---|---|---|
| 11 objectives of the CSC | | | | | | |
| 1. Research, development technology and innovation | | | Suburban farms Marseille | | | |
| 2. Accessibility to ICT | | | | | | |
| 3. Competitiveness of SMEs and of the agricultural sector | | | | Energy renovation (hotels) Nice | | |
| 4. Transition towards a low $CO_2$ consumption economy | Energy renovation (housing) Energy operator | | | | | Timber industry Sea Water loop Marseille Photovoltaic |
| 5. Adaptation to climatic change and prevention of risks | | | | Smart grid Demonstrator project - Marseille | | Water treatment plan Marseiile |
| 6. Protection of the environment and promotion of the efficient use of resources | | | | | | Waste treatment Marseille |
| 7. Promotion of sustainable transport and removal of bottlenecks | | | | Port development Toulon | | |
| 8. Promotion of employment and support to professional mobility | | Creation of real estate assets for SMEs/Micro-businesses Cannes, Avignon, I wood | | | | |
| 9. Promotion of social inclusion and fight against poverty | | | Requalification of brownfield | Social and health structures | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | in disadvantaged urban environments Voutes de la Major - Marseille | Clos Fleuri | | |
| 10. Investment in education, skills and training | Student housing Stud'Air | | | | | |
| 11. Reinforcing institutional capacities and efficiency of the public administration | | | | | | |
| | Housing Offices Trade Activities Tourist structure Urban development and public services. Type of product | | | | | |



### b. Evolution of solar photovoltaic




Total power connected (MW) Total number of installations

### c. Provence-Alpes-Côte d'Azur Region

The Solar Power Plants in Provence-Alpes-Côtes d'Azur Region

October 2011

56 power plants in service

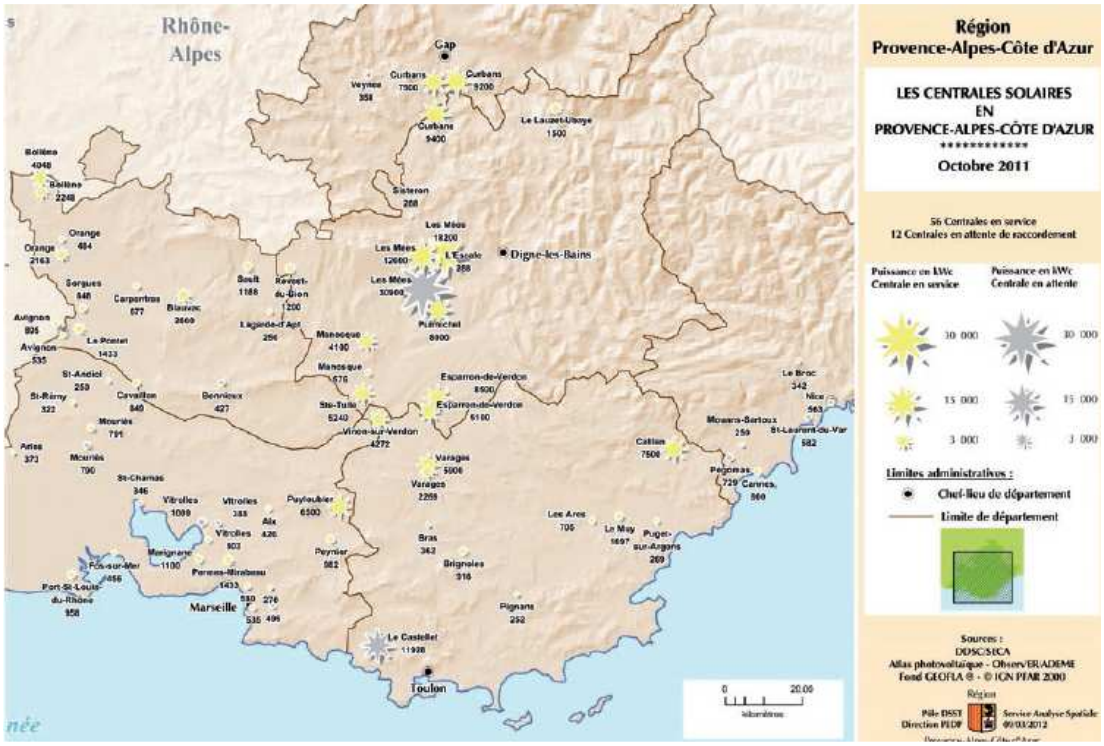
12 power plants waiting to be connected

Power in KWe
Plant in service

Power in KWe
Plant waiting to be connected

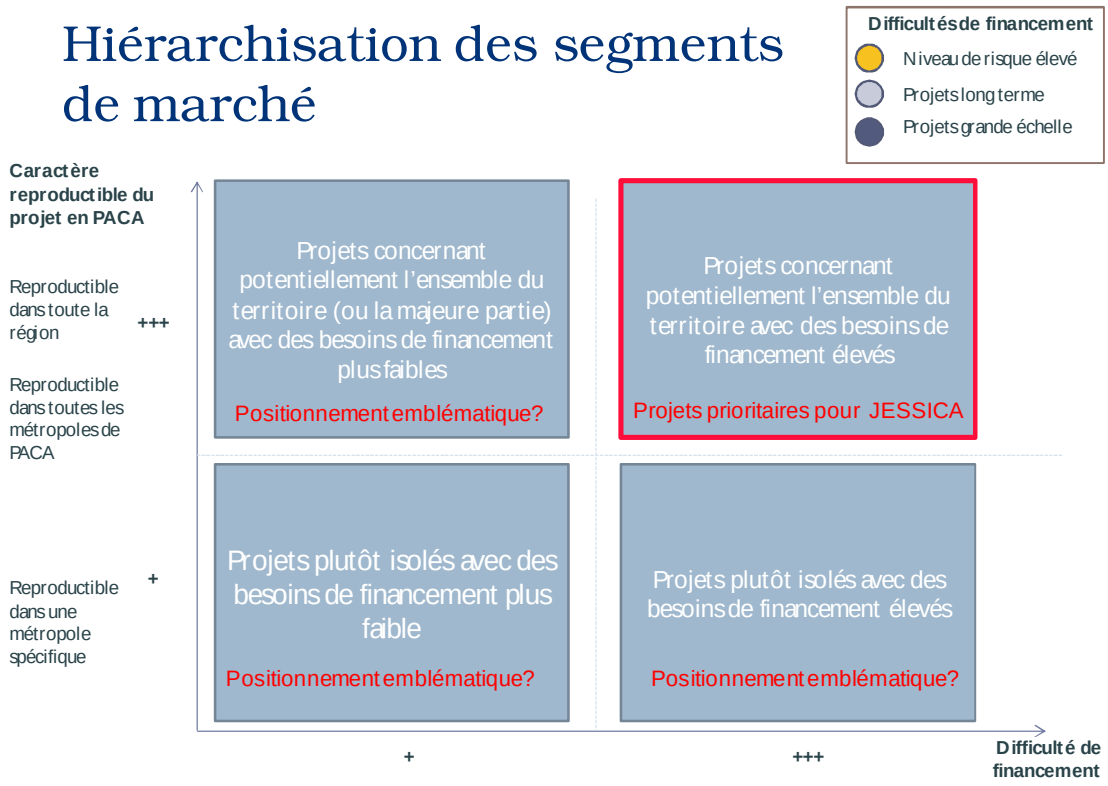
Administrative boundaries

- Principal city of the department
  Department boundary



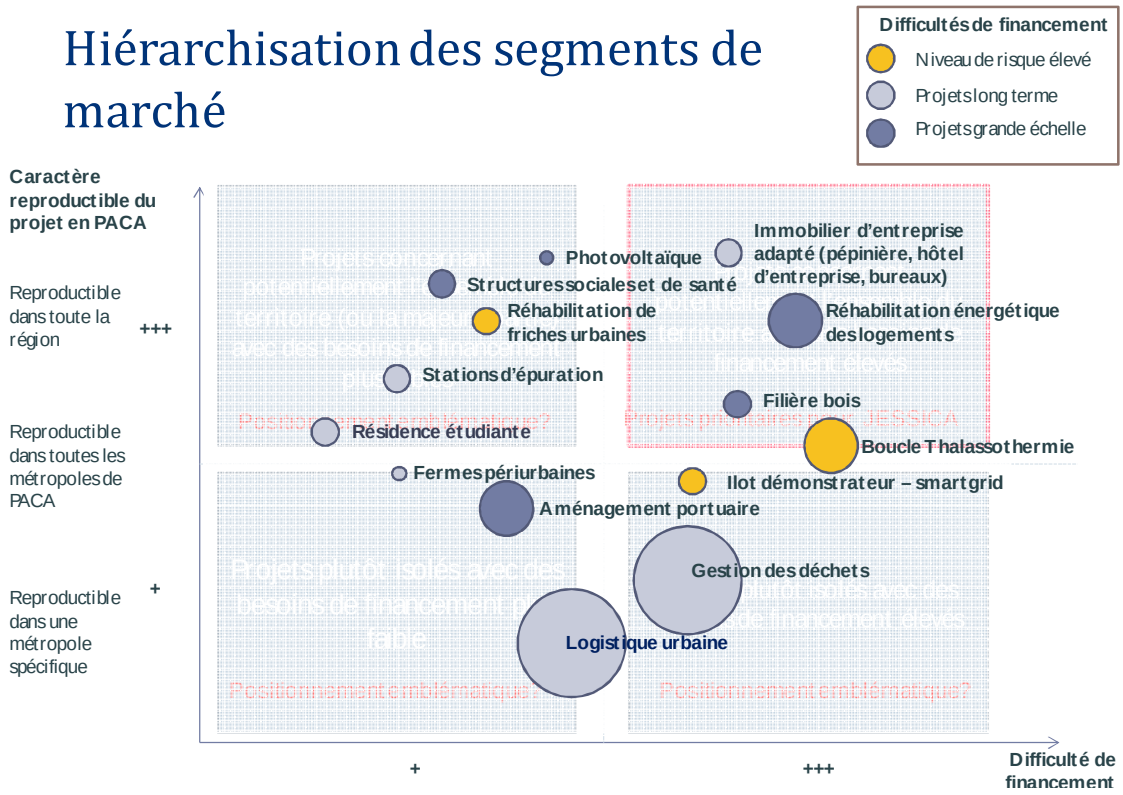
## 3.3 Impact generated and "Replicability" potential

| Prioritisation of market segments | | Financing difficulties<br>Yellow: high risk<br>Light grey: Long term projects<br>Dark grey: Large-scale projects |
|---|---|---|
| Reproducible nature of the project in PACA | Project potentially concerning the entire territory (or the major part) with lower financing needs<br><br>Emblematic positioning? | Projects potentially concerning the entire territory with high financing needs<br><br>Priority projects for JESSICA |
| Reproducible in the entire region +++ | | |
| Reproducible in all the PACA urban areas | | |
| Reproducible in a specific urban area | Rather isolated projects with lower financing needs<br>Emblematic positioning? | Rather isolated projects with high financing needs<br>Emblematic positioning? |
| | + | +++ |
| | | Financing difficulty |



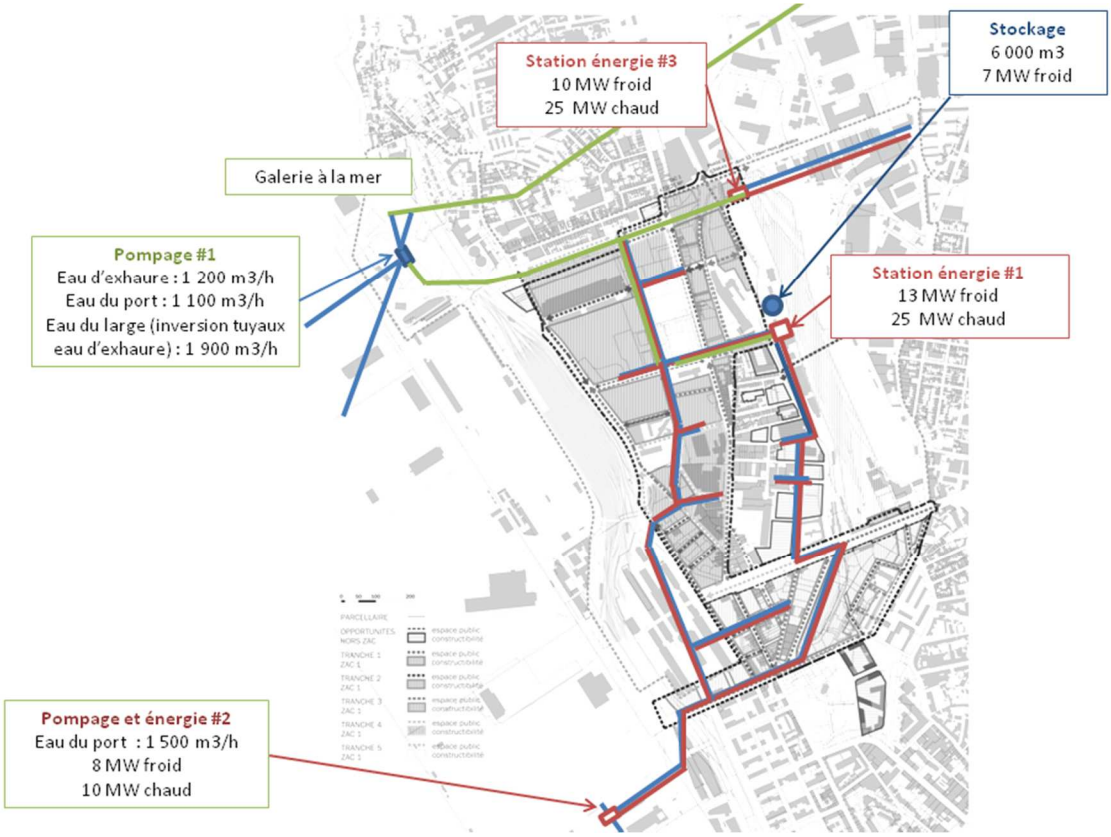
| Prioritisation of market segments | | Financing difficulties<br>Yellow: high risk<br>Light grey: Long term projects<br>Dark grey: Large-scale projects |
|---|---|---|
| Reproducible nature of the project in PACA<br>Reproducible in the entire region +++<br>Reproducible in all the PACA urban areas<br>Reproducible in a specific urban area | Adapted corporate real estate (incubator, business centre, offices)<br>Photovoltaic<br>Social and health structures<br>Rehabilitation of urban brownfield<br>Energy rehabilitation of housing<br>Water treatment plants<br>Timber industry<br>Student housing<br>Sea water loo<br>Suburban farms<br>Demonstrator project – smartgrid<br>Port development<br>Waste management<br>Urban logistics | |
| | + | +++ |
| | | Financing difficulty |

# Hiérarchisation des segments de marché



## 3.4 Summary of the two case studies

### 3.4.1 *Sea Water Air Conditioning (SWAC)*




Power station #3
10 MW cold
25 MW hot

Storage
6,000 $m^3$
7 MW cold

*"Galerie à la mer"*
Gallery in the sea

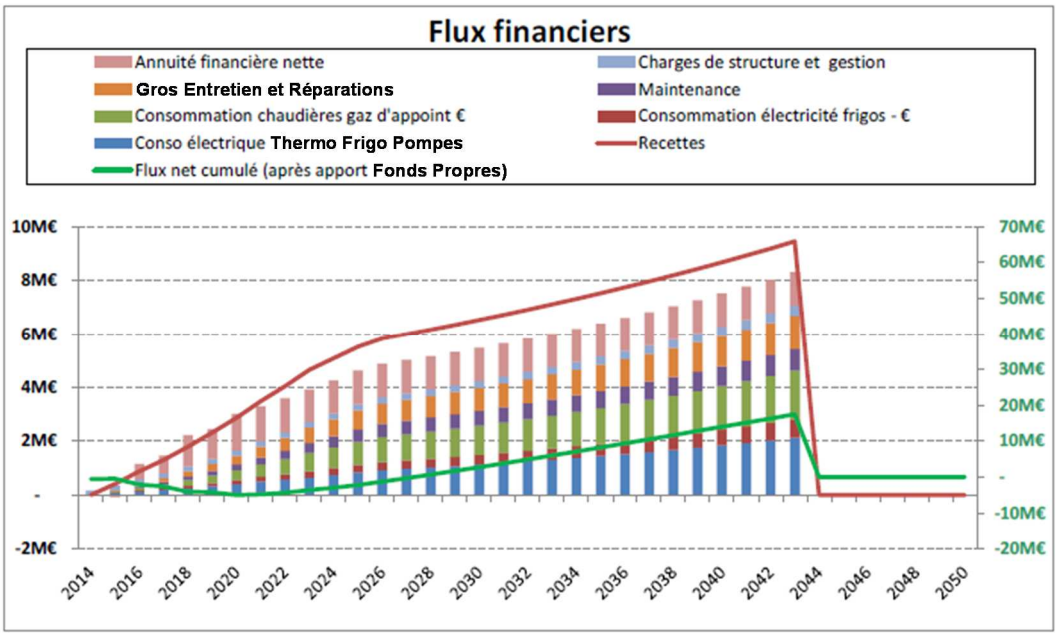
Pumping station #1
Mine water: 1,200 $m^3/h$
Harbour water: 1,100 $m^3/h$
Sea water (mine water pipe reversal): 1,900 $m^3/h$

Power station #1
13 MW cold
25 MW hot

Pumping and power station #2
8 MW cold
10 MW hot

## a. Financial flows

| | |
|---|---|
| Net financial annuity | Structure and management costs |
| Major maintenance and repairs | Maintenance |
| Consumption gas boilers € | Electricity consumption refrigerators - € |
| Electricity consumption Thermofigopumps | Income |
| Accumulated net flow (after contribution of own funds) | |




Source: Finance Consult

# Annex 1: Review of strategic instruments

| PACA Region |
| --- |
| ▪ Operational Programme ERDF 2007-2013<br>▪ Strategic priorities of the Provence Alpes Côte d'Azur region for the programming of European funds 2014-2020<br>▪ CPER 2007-2013<br>▪ PACA Regional Innovation Schema 2010-2013<br>▪ State of the PACA Industrial Environment |
| **Marseille** |
| ▪ PADD MPM Territorial development plan (SCOT)<br>▪ PADD Marseille POS (urban planning)<br>▪ MPM project strategy "a conurbation dynamic for sensitive urban areas". |
| **Nice** |
| ▪ PADD Nice Local Urbanism Plan (PLU) |
| **Toulon** |
| ▪ PADD SCOT Toulon |

| Name of the Document | Strategic axes mentioned in the document | Strategic axes in the document related to the JESSICA study | Scope / strategic projects<br>Projects or geographical areas |
|---|---|---|---|
| **Regional strategy document** | | | |
| **PACA CPER 2007-2013**<br>Region / State Project Agreement It sets out the commitments by the State in relation to the programming and the multi-year funding of major projects.<br><br>***3 objectives:***<br>• competitiveness and attractiveness of the regions<br>• promotion of sustainable development<br>• social and regional cohesion<br><br>State and Regional Investment: 1.7 billion euros | 1. Improve the accessibility of the region and facilitate internal relations<br>• Develop the regional railway services in urban and peri-urban areas<br>• Develop the regional services for irrigation of the regional territory<br>• Improve the accessibility of the region<br>• Improve regional rail services<br>• Support the development of traffic in the Marseille-Fos gateway<br>• Promote intermodality for goods and travellers<br>*Development of the whole of the regional rail network (increase in rail capacity Marseille-Aubagne-Toulon), regeneration of the Alps line, and construction of a 3rd track between Antibes and Cagnes Sur Mer, improved capacity between Cannes and Grasses.*<br>*Expansion of sea and river freight*<br>*Completion of the FOS container terminal with sea and river container traffic*<br>*Development of logistics and multimodal platforms* | Logistics and multimodal platforms: development of intermodal logistics surfaces. | Toulon<br>The Harbour Project (maritime and underwater technologies) +public transport+habitat<br>La Seyne-sur-Mer theatrical centre<br><br>Marseille<br>Euromed<br><br>Côte d'Azur metropolitan area<br>Plaine du Var planning<br>Non-polluting public transport and cultural projects |

| | | | |
|---|---|---|---|
| | 2. Strengthen and promote the attractiveness of the region, innovation and job creation<br>• Strengthen skills centres for ESR (higher education)<br>• Boost business clusters and networks<br>• Make ICT an essential driver for economic development<br>Accessibility to ICT for all, access for SMEs to the most powerful ICT<br>Creation of a regional "digital territory" platform.<br>• Support economic, demographic and social change<br>• Adapt and modernise agriculture<br>Strengthen the wood sector | Projects to support the creation of business activities and jobs in areas affected by restructuring: redevelopment of brownfield sites and development sites. | |
| | 3. A region which optimises the management of resources and risks<br>• Optimise the management of resources<br>Develop and manage the Durance watershed<br>Optimise the use of water resources<br>Redevelop the Etang de Berre<br>Adapt the means of combating domestic pollution to the specific character of the Mediterranean environment<br>Manage the coastline, tourism, FIshery resources<br>Protect biodiversity | High energy and environmental performance buildings (new and renovated properties)<br><br>Energy efficiency projects energy control of the demand for electricity, especially in the public sector and social housing. (additional costs incurred particularly by preliminary studies) | |

| | | | |
|---|---|---|---|
| | 4. Take advantage of the process of metropolisation and ensure development, planning, and solidarity in rural regions<br>• Develop urban and metropolitan regions in a sustainable way<br>New urban services, Euro-Mediterranean, cultural facilities of metropolitan interest<br>Improvement in student living conditions<br>Promote the advantages and attractions of rural areas | • Diversity in sensitive districts: enrichment of the commercial and craft fabric<br>• Student accommodation: renovation of the existing facilities and creation of new housing<br>• Facilities for older and disabled people<br>• Euromed projects<br>• Cultural facilities: redevelopment of the existing heritage (Palais des Festivals of Cannes, MUCEM - Museum of Europe and European Civilisation, etc.) | Areas of importance: Etang de Berre, Plaine du Var, ITER area, Avignon-Carpentras axis, centre Est Var, Toulon Harbour. |
| **PACA Regional Innovation Schema 2010-2013** | Guideline 1: Innovation through centres<br>Support for platforms, promotion of research, "use", "design" approaches | | |
| | Guideline 2: Support all businesses<br>Make sure that they have the necessary resources,<br>work on the culture of innovation | | |

| | | | |
|---|---|---|---|
| | Guideline 3: Creative economy and sustainable Mediterranean<br>• Creative economy<br>Combine the cultural economy with the digital economy and its new media<br>"Marseille Provence 2013" major project<br>Structure the stakeholder networks (PRIDES)<br>• Sustainable Mediterranean<br>-Sustainable building and urban ecology: eco building renovation of housing, infrastructure and public facilities, management of business sites, sustainable neighbourhood and city<br>-Transport sustainable mobility: eco design, multimodal transportation solutions<br>-Risk management: protection of critical infrastructure, risk prevention<br>-New energies<br>-Management of the resources of the Mediterranean ecosystems<br>-Digital technologies: complex systems of management applied to the energy networks, intelligent building, and environment. | -Sustainable building and urban ecology: eco building renovation of housing, infrastructure and public facilities, management of business sites, sustainable neighbourhood and city<br>-Transport sustainable mobility: eco design, multimodal transportation solutions<br>-New energies<br>-Management of the resources of the Mediterranean ecosystems<br>• -Digital technologies: complex systems of management applied to the energy networks, intelligent building, and environment. | Belle de Mai centre: 120,000 m² dedicated to creativity: incubator, filming studios, offices, technical facilities... |
| | Guideline 4: Open up the concept of innovation | | |
| **State of the PACA Industrial Environment** | Control the impacts on health and the environment<br>Reduce industrial discharges in the air<br>Reduce industrial discharges in the water<br>Rehabilitate contaminated sites and soils<br>Manage and process waste<br>Reduce pollution related to the livestock sectors<br>Prevent and reduce accidental risks (industrial and mining)<br>Manage mineral resources<br>Keep the public informed | | |

| Name of the Document | Strategic axes mentioned in the document | Strategic axes in the document related to the JESSICA study | Scope / strategic projects Projects or geographical areas |
|---|---|---|---|
| **ERDF European Operational Programme 2007-2013**<br>The document sets out the investment priorities for European funds in the PACA region | Axis 1: To promote innovation and the knowledge economy:<br>• Strengthen research methods for the benefit of the economy<br>• Strengthen partnership and shared platforms<br>• Develop major strategic R&D projects<br>• Support the innovation projects of SMEs and VSEs<br>• Financial engineering<br><br>Axis 2: Develop businesses and the information society to improve regional competitiveness:<br>• Promote a dynamic for the development of innovation in companies through a network structure and through cooperation projects<br>• Develop the creative economy and the information society<br>• Develop shared high-speed electronic communication infrastructures to enhance the attractiveness and economic competitiveness of the region<br><br>Axis 3: Sustainable management of resources and prevention of risk:<br>• Promote the rational use of energy and the development of renewable energy sectors<br>• Ensure the sustainable management of water resources and aquatic and coastal environments<br>• Protect, manage and promote biodiversity and landscape<br>• Establish a dynamic for development adopting sustainable methods of consumption and production<br>• Prevention and management of risks<br><br>Axis 4: New urban and rural approaches to innovation, employment, regional solidarity and accessibility:<br>• Make allowance for sensitive urban areas in the overall approach to the town in order to contribute to and benefit from the economic dynamism | Focus area 4-1: Make allowance for sensitive urban areas in the overall approach to the town in order to contribute to and benefit from the economic dynamism | Forward support services for companies and groups of companies<br><br>Urban transport<br><br>Development of cultural infrastructures<br><br>Aid for the improvement of cultural services<br><br>Integrated projects for urban/ rural redevelopment<br><br>Support for the self-employed and for business creation<br><br>A process for the integration and reintegration of disadvantaged people into employment |

| | | | |
|---|---|---|---|
| | • Increase the contribution of rural areas to regional competitiveness<br><br><u>Axis 5:</u> <u>Develop modes of transport which provide alternatives to roads for individuals and business activities</u><br>• Promote clean urban and peri-urban transportation and modes of travel which provide alternatives to roads<br>• Strengthen the trend towards freight transportation by railway and river<br>• Promote passenger travel from outlying areas through the modernisation and improvement of high potential rail lines | | Infrastructures for healthcare<br><br>Infrastructures for early childhood<br><br>Other social infrastructures<br><br>Evaluation and studies, information and communication |
| **Strategic Priorities of the Provence Alpes Côte d'Azur region for the programming of European funds 2014-2020** | TO 1 – Strengthen research, technological development and innovation<br>TO 2 — Improve access to information and communication technology (ICT), their use and their quality<br>TO 3 - Improve the competitiveness of SMEs and the agricultural sector<br>TO 4 - Support the transition to a low-carbon economy<br>TOs 5 - Promote the adaptation to climate change and the prevention and management of risks and 6 - Protect the environment and promote the efficient use of resources<br>TO 7 - Promote sustainable transport and get rid of bottlenecks in key transport networks<br>TO 8 - Promotion of employment and support for professional mobility<br>TO 9 - Promotion of social inclusion and the fight against poverty | Development of ICT<br><br>Reduce the demand for energy (support innovative initiatives in the area of eco-mobility)<br><br>Support for sustainable logistics, especially in towns, modal shift on the railways<br><br>Management of waste, creation of industrial ecology courses | |

| Name of the Document | Strategic axes mentioned in the document | Strategic axes in the document related to the JESSICA study | Scope / strategic projects Projects or geographical areas |
|---|---|---|---|
| **Strategic documents of the Marseille region** | | | |
| **PADD SCOT MPM October 2011** | 1. <u>A metropolis with a global and Euro-Mediterranean vocation</u><br>• Affirm the expansion of a Metropolis as a crossroads and a trade hub.<br>*Make MPM a great port for pleasure, cruises and ship repairs.*<br>• Integrate the Metropolis into the knowledge economy<br>• Place culture, the sea, the environment and the leisure economy at the heart of Marseille's message | Logistical projects to ensure the final steps are achieved<br>Tourism: redevelopment of urban heritage, notable buildings / Great facilities: the MUCEM, the Silo (theatre), the CRM (Regional Centre of the Mediterranean), the FRAC (contemporary art centre) | The City-Port: commercial and industrial vocation of the basins from east of l'Estaque to the passe Sainte Marie via Mourepiane and Arenc. La Joliette and l'Estaque sectors. |
| | 2. <u>A metropolitan reality nourished by the multipolar reality</u><br>• Support metropolitan development beginning with Marseille city centre<br>• Assume the central role in the organisation of the metropolitan area from Fos to Carache<br>• Synergise and optimise the organisation of economic development areas<br>• Optimise links between metropolitan centres and make public transport a priority.<br>• Organise the interfaces with other metropolitan areas | East port areas: spatial optimisation<br>Commercial areas: urban logistics platforms, realignment of existing zones with sustainable development objectives.<br>Areas of activity: redevelopment of industrial sites in the Huveaune Valley / Valentine Vallée Verte (Green Valley) Business Park / Façade Maritime Nord and the Calanques site at la Ciotat.<br>Sustainable links between the major MPM centres | Development of Marseille city centre Euro-Mediterranean, Prado-Michelet-Capelettee, Vieux Port…<br>**<u>Euromed:</u>**<br>Improve the city/port/sea relationship<br>Creation of a park<br>Mix of housing, offices, public facilities, including cultural<br>**<u>Logistical and trade centre</u>** with GOS, Port of Marseille, combined transport zones of Mouprepiane, ZAC des Aiguilles (integrated development zone), |

| | | | |
|---|---|---|---|
| | | | development of ship repairs in la Ciotat and Marseille |
| Name of the Document | Strategic axes mentioned in the document | Strategic axes in the document related to the JESSICA study | Scope / strategic projects Projects or geographical areas |
| | 3. <u>A spatial organisation which engages MPM in sustainable development</u><br>• Build on the centralities, strengthen them to solidify and organise the urban network<br>• Organise urban transformations in the context of high-intensity renewal<br>• Manage the growth of the habitat<br>• Produce major community facilities<br>• Control resource risks<br>• Aim for urban sustainability (control of energy) | Urban logistics: areas of innovation, freight-tramway. Integration of the logistical dimension in urban projects and in the very centre of Marseille.<br>Development of infra-urban logistical platform. | Project regions<br>**Marseille Façade Maritime Nord** and the port/harbour and surrounding area; Euromed and extension to the centres of Saint Antoine, districts of Saint-Louis, Bougainville, St. Mauront, La Cabucelle.<br>**ANRU and GPV operations**: northern quarter, and south of Septèmes-les-Vallons<br>**Boulevard de la Mer area:** between Saint Loup and the Pointe Rouge district and the port project with a view to consolidation and urban renewal of the infrastructure. |
| | 4. <u>MPM, a region of solidarity and proximity</u><br>• Arrange proximities<br>• Create a city for living together<br>• Between sea and hills, protect landscapes<br>• Maintain agricultural functions, develop nature in the city | Eco-neighbourhoods integrating regulatory changes in energy efficiency, the quest for social diversity, water management (storm water),<br>Euro-Mediterranean Ecocity: objectives of affordable prices, sustainable construction, efficient management of resources<br>Supply of social housing (20 to 30% | |

| | | | |
|---|---|---|---|
| | | social housing in operations involving significant development) | |
| **MPM project strategy "a conurbation dynamic for sensitive urban areas"**<br><br>This was the MPM response to the call for projects of the "Operational Programme EDRF - Axis 4.1"<br><br>With the help of the European Funds the strategy should allow additional resources to be provided for these areas.<br>- to promote economic development and job creation<br>- to seek social and territorial cohesion for a better integration of the regions and populations | Axis 1: Economic development to boost employment<br>• Assistance with the creation and sustainability of local businesses<br>Actions on two urban free zones and enhancement of the business fabric<br>Redevelopment of certain brownfield sites<br>Revitalisation of business clusters<br>Anticipation of projects to strengthen economic roots (project priming services)<br><br>• Improving access to employment for people experiencing difficulties<br>Support for entrepreneurship, vocational training for residents of underprivileged neighbourhoods for jobs that are difficult to fill<br>Reintegration projects<br>Childcare centres for young children<br>Premises adapted for integration into the workforce | Revitalisation of business clusters in the 2 urban free zones<br>Redevelopment of industrial brownfield sites in the area known as "Façade Maritime Nord" (the area behind the airport) into business sites | **MPM project strategy "a conurbation dynamic for sensitive urban areas"**<br><br>This was the MPM response to the call for projects of the "Operational Programme EDRF - Axis 4.1"<br><br>With the help of the European Funds the strategy should allow additional resources to be provided for these areas.<br>- to promote economic development and job creation<br>- to seek social and territorial cohesion for a better integration of the regions and populations |
| | Axis 2: The search for greater social and regional cohesion<br>• Strengthening district accessibility<br>Establishment of mobility centres<br>• Development of services to the population<br>Relocate theatre companies to the Arenc district, restructuring of a mixed area located in the heart of the 2nd urban fee zone<br>Promotion of the provision of services to individuals<br>• Urban transformation of certain selected sites<br>Redevelopment operations, GUP | | |
| **PADD-POS Marseille review of POS (urban** | 1. Marseille, maritime city<br>• Reaffirm the industrial and commercial vocation of the central | Develop the area behind the port (East basins) with industrial, production and | Combined logistical and transportation project site at |

| | | | |
|---|---|---|---|
| **planning)**<br>**October 2011** | part of the East basins of the port of Marseille-Fos and develop the city–port relationship priority Euro-Mediterranean and l'Estaque.<br>• Protect and enhance the exceptional natural coastal and maritime heritage, the richness of its biodiversity, within an integrated management framework.<br>• Promote the urban, cultural and landscape heritage of the Marseille coast and make it more accessible.<br>• Structure the coastline leisure and tourist centres.<br>• Become an iconic Mediterranean metropolis for water sports and diving.<br>• Restructuring of careers and of abandoned industrial sites in the Nerthe/Estaque sector<br>Develop the capacity for tourist accommodation especially in relation to the coast | logistical activities linked directly to the port.<br><br>Projects related to tourism capacities (accommodation, hotel industry) | Mourepiane |
| | 2. <u>Marseille, attractive Euro-Mediterranean capital: working for an employment creation dynamic for all Marseille citizens</u><br>• Continue to develop the heart of the metropolis and its three priority sectors<br>*The old centre*: redevelopment of districts (Noailles, Belsunce), diversification of the housing supply in order to reduce the number of unfit houses<br>Extension of the commercial proposition, multi-functional<br>*Development of Euromed*<br>*Structuring of the major operations* in the Prado-Marseille Grand Est sector<br>• Organise technoparks and educational campuses<br>Develop student accommodation, social housing in the old centres<br>• Increase the capacity of dedicated economic areas: redevelopment/reuse/densification<br>*Façade Maritime Nord* : transformation of the areas around the TCSP corridors into more concentrated business sites and offices.<br>*The Huveaune Valley*: concentration and redevelopment of areas dedicated to craft/industrial/logistical activities | Densification of the development zones along the TCSP corridors<br>Intensification of the other areas of activity by integrating the current activities, urban logistics, outsourced activities with Euromed | <u>Projects related to the strategy of increasing attractiveness</u><br>Euromed, Grand-centre Ville Project, the Port, Marseille-Provence European Capital, Union pour la Méditerranée, LGV PACA |

| | | | |
|---|---|---|---|
| | • Promote service activities in diverse areas (central areas, along urban boulevards)<br>• Increase commercial attractiveness<br>Development of the commercial centre of the Grand Centre-Ville between the Terrasses du Port and Place Castellane<br>Consolidate the 2 centres (Valentine and Grand Littoral)<br><br>Promote the change and reorganisation of other business centres<br>• Improve the metropolitan amenities<br>Increase residential mobility (+60,000 dwellings) (fight sub-standard housing, improve the quality and energy performance of housing) | | |
| | 3. <u>Marseille, a city which respects its environment and its heritage</u><br>Take into account the risks: develop innovative approaches to the management of risks; treatment and clean-up of polluted sites (Nerthe/Escalette/Boues Rouges) / infiltration onto plots in urban areas for new construction | | |
| | 4. <u>Marseille, a convenient city: a residential proposition and a good level of urban services for all Marseille citizens</u><br>• Develop a residential proposition in terms of facilities, shops and services at all levels: metropolitan centralities, Marseille sector centres, main urban centres, and district centres.<br>Redevelopment of the old centre, renewal of the Prato-Marseille Grand Est sector<br>• Build a calm city favouring pedestrians, cyclists and redevelop public area<br>Adapt parking arrangements<br>• Make housing available for all Marseille citizens<br>• Optimise waste management and sanitation and make the water supply secure<br>• Develop a "smart and connected" city through the use of ITC | Housing projects for vulnerable or disadvantaged populations<br>Projects for economic development in disadvantaged neighbourhoods | |

| | | | |
|---|---|---|---|
| | . <u>Marseille, on course for urban renewal: a city which is economical with land and energy, and promotes eco-mobility</u><br>• Develop a more urban and multimodal road network adapted to the sustainable development of Marseille<br>Build a comprehensive TCSP network | | |

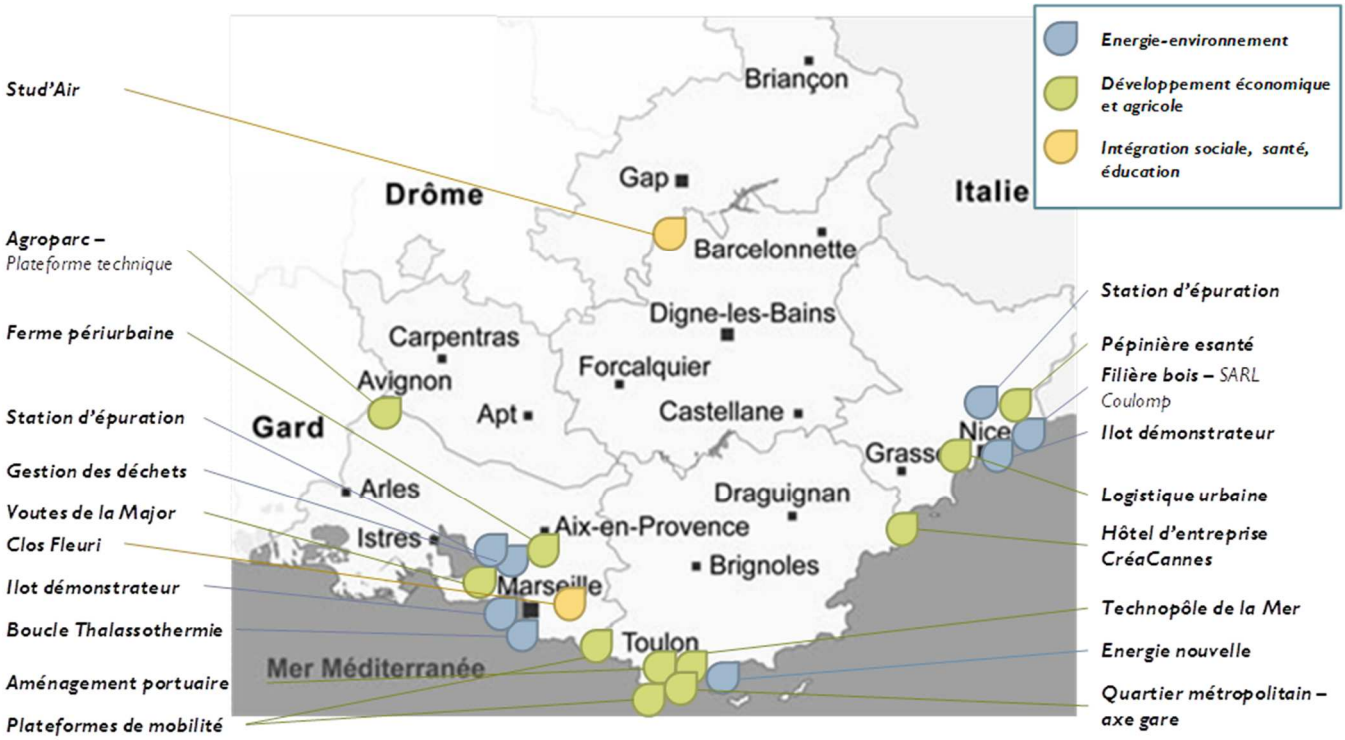
| Name of the Document | Strategic axes mentioned in the document | Strategic axes in the document related to the JESSICA study | Scope / strategic projects Projects or geographical areas |
|---|---|---|---|
| **Strategic documents of the Nice region** | | | |
| **PADD Nice Local Urbanism Plan (PLU)**<br>**Planning and Sustainable Development Project for the Nice PLU** | <u>Protect and enhance an exemplary landscape</u>:<br>• Restore and enhance green infrastructure<br>• Recognise and promote the particular landscape character of the districts<br>• Protect and promote architectural and urban heritage<br>• Consolidate and enhance the image of the Baie des Anges<br>• Restore rivers and water to their rightful place in the city<br>• Take account of and support agricultural activities<br>• Engage with the entire city with regard to energy policy<br>• Control risks and reduce pollution | • Take account of the use of energy in development projects (develop pilot experiments in the Plaine du Var and throughout the City)<br>• Create energy-efficient or even energy-producing districts (construction techniques, management of networks)<br>• Improve the energy performance of buildings<br>• Improve and develop waste treatment methods | • Eco-Valley |
| | <u>Find accommodation, live together</u>:<br>• Create an adequate and good quality accommodation proposition<br>• Rebuild the city over the city (urban intensity and prevention of urban sprawl)<br>• Mobilise and optimise the City's land resources<br>• Promote a policy of proximity<br>• Support the development of crafts and small businesses<br>• Promote a balanced distribution of local businesses | • Promote the establishment of activities or businesses to enable jobs to be created or maintained<br>• Anticipate the modalities for the management of economic activities in the sprawl or in specific economic zones<br>• Support trade and crafts in the various districts | • Three ANRU projects: the Ariane, Pasteur, and Moulins districts<br>• Quartiers Est, urban free zone extending from l'Ariane, |
| | <u>Get around easier and in different ways</u> | • | • |

| | | | |
|---|---|---|---|
| | • Link urban development with a sustainable transport policy<br>• Develop a transport policy which favours modes of transport other than the car<br>• Create a new secure sharing of the public space<br>Adapt the place of vehicles in the city | | |
| | <u>Affirm Nice as an international metropolis</u>:<br>• Promote Nice as a national metropolis in the service of employment<br>• Strengthen the development of higher education and research<br>• Develop major infrastructures to improve living facilities<br>• Promote major events<br>Bring about the successful development and exemplary management of the eco-valley of la Plaine du Var | • Orientate the economy towards the sectors of the future (environmental and life sciences, biotechnologies, space observation, image/cinema/artistic creation) by creating the necessary facilities (conference centre, logistics centre, incubator)<br>• Create housing for students and researchers<br>• Development of business tourism (Acropolis, Palais des expositions...)<br>• Redevelop the port of Nice and the port district<br>• All the urban blocks of the eco-valley will have to be converted into sustainable neighbourhoods | • The City Centre (facilities, accommodation, activities, shops, etc.)<br>• The Paillon Valley (Hospital, University, centre of culture)<br>• Plaine du Var |

| Name of the Document | Strategic axes mentioned in the document | Strategic axes in the document related to the JESSICA study | Scope / strategic projects Projects or geographical areas |
|---|---|---|---|
| **Strategic documents of the Toulon region** | | | |
| **SCOT PADD Toulon (approved 16/10/2009)** | <u>Frame and structure development for the good of the region</u>:<br>• Preserve the natural and agricultural framework<br>• Organise and control the development of the Toulon area | • Development through urban renewal (more complex and sometimes more expensive projects)<br>• Priority for well serviced projects (which in fact will cost more)<br>• Refocus development in the harbour of Toulon and the major centres (centres already consolidated where costs are more significant)<br>• Implement a land policy? (land is expensive) | Four centres identified:<br>• Western (centre of la Seyne sur Mer, Ollioules activities, la Seyne sur Mer and Six Fours les Plages<br>• Heart of Toulon town centre<br>• Eastern (La Valette, la Garde)<br>• Heart of Hyères town centre<br>Cross-cutting projects<br>• Redevelopment of housing |
| | <u>State the axes for the development of the Toulon area</u><br>• Assert a strategy for the metropolis<br>• Develop a strategy for economic development<br>• Meet housing needs<br>• Promote an efficient public transport service | • Consolidate the metropolitan multiplier effect of Defence activities (significant costs)<br>• Ensure a good level of digital services (significant costs)<br>• Focus primarily on the logistics which are needed in the Toulon area (few economic stakeholders)<br>• Improve the performance of economic areas (no stakeholders identified)<br>Increase and improve distribution of the supply of social housing | |

| | | | |
|---|---|---|---|
| | | (significant costs)<br>• Design housing suitable for a certain category of the population (no stakeholders identified)<br>• Reduce and better organise the flow of transport and goods (no stakeholders identified) | |
| | <u>Promote a framework for quality living</u>:<br>• Calm the city<br>• Maintain the quality of landscapes within urban areas<br>• Design a development strategy which manages the natural and technological risks<br>Manage the territory's resources in a sustainable way and minimise the impact of human activities | • Promote environmental management operations (higher costs)<br>• Reduce energy consumption<br>• Develop the production of renewable energies<br>• | |

# Annex 2: Project sheets




Stud'Air
Agroparc – Technical platform
Periurban farm
Purification station
Waste management
Voûtes de la Major
Clos Fleuri
Sea)
Demonstration islet
Seawater loop
Port development
Mobility platforms
Mediterranean Sea Italy

Energy and the environment
Economic and farming development
Social integration, health and education

Purification station
E-health nursery
Wood / timber industry – SARL Coulomp
Urban development quarter
Urban logistics
Enterprise Hotel – CréaCannes
Technopôle de la Mer (Technopole of the

New energy
Metropolitan quarter – train station line

| Project Sheet: Seawater Air conditioning Loop | | | | |
|---|---|---|---|---|
| City(-ies) | Marseille | | | |
| Project owner | City of Marseille with delegation at EPAEM | | | |
| Context of the project | The project is part of the "Ecocité Marseille" initiative. | | | |
| Presentation of the Project | | | | |
| General description (including perimeter, scheduling of equipment and office spaces, accommodation services or other preparations) | The project consists of developing a hot and cold water production and distribution cycle around several heated seawater springs and one hydro-thermal spring (Gardanne mine waters, opening into a subterranean gallery in the Port at Cape Pinede) for the heating and cooling of buildings, using turbo-refrigeration pumps.<br>The innovative nature of the project is due to the fact that the system is to be used throughout the whole district. The programme invites a more global reflection on the contribution of the marine environment in energy production.<br>The programme is integrated into the urban area of Marseille's Northern Coastline where many development programmes have been launched.<br>Therefore, these different programmes could become interested in the launch of the seawater loop: OIN Euroméditerranée (311 hectares and 169 hectares connected to the extension of the operation), Libres Docks Island (7 hectares). | | | |
| Level of maturity of the project | History | The feasibility study has already been performed.<br>2012: administrative procedure<br>2013: AAP or DSP launch for phase 1, in several sections<br>2014 -2016: works of the first section of the first phase of production<br>2017-2026: staggering of the following sections<br>2024-2026: works of the second phase | | |
| | Level of maturity | **Level 3**: Mature but funding still to be found<br>Sub-contractors chosen? no<br>Business plan implemented? yes<br>Spatial planning geographically localised? yes<br>Administrative authorisations obtained? no<br>Land control? yes | | |
| Project progress | Phasing | The execution will take place in two phases, the first phase by 2016 for a short- and medium-term launch, the second phase by 2025. The two phases correspond to the two major steps of the OIN extension, the first of which is to be funded through a protocol between the State and the communities signed in 2011.<br>The two phases of the cycle project will also be able to run into the original Mediterranean boundary.<br>The first phase of the project has been divided into several sections, to be launched in succession. | | |
| | Construction time or project execution | Phase 1: 24 months<br>Phase 2: 24 months | Estimated time period before the project generates revenue | In the first years subject to subsidising the transportation network |
| Project stakeholders | Project Manager: City of Marseille | | | |

| Project Sheet: Seawater Air conditioning Loop | |
|---|---|
| | Investors: City of Marseille, MPM Urban Community, Regional Council, General Council, Ecocité investment funds<br>Partners: ADEME, EDF, Cap énergie, City of Marseille, MPM Urban Community |
| Characteristics of the development | |
| Location criteria | The project is integrated into the **urban area of Marseille's Northern Coastline** where ambitious urban re-development programmes have been launched and will be launched.<br>- The OIN Euroméditerranée under the governance of the EPAEM, was launched in 1995, and expanded in 2007. This extension located to the North of the initial perimeter covers an urban surface area of 169 hectares bounded to the west by the territory of the Grand Port Maritime of Marseille and the A7 highway to the East.<br>- The Libres Docks project led by the city of Marseille for the urban renewal initiative of the northern coastline launched in 2003. |
| Integration of the project into the strategic territorial documents (OP) and into the urbanism documents (SCOT, PLU, etc.) | The launch of this industrial process must comply with the **national objective on renewable energy** (23% of final energy consumption by 2020).<br>The project is integrated into the 3rd objective of the MPM SCOT defined in the PADD, and into the 5th objective of the POS of Marseille. It also meets the short-term objective of the Euroméditerranée energy strategy which is the application of the RT 2020.<br>The project is responding to the energy challenges specific to the PACA region: tackling energy overconsumption related to climate (significant cooling needs, infiltration of air in dwellings, etc.). |
| Reproducibility of the project throughout the entire PACA region and conditions of reproducibility | The project can be replicated in Nice, on the perimeter of the OIN of the Plaine du Var.<br>A recent study by the Regional Council also shows the amount of interest in this technology for the vast majority of the coastal cities of Bouches du Rhône. |
| Identified development restrictions. | Specific technical restrictions are related to the exploitable oil deposit, sea temperature, conditions for exploitation of the resource (exploitable oil deposit, sea temperature) and to the connection methods for the buildings. |
| Expected non-financial externalities | |
| In the urban domain | The programme is applicable to the operational perimeter of the OIN and more broadly to a wider urban environment. It should have **30,000 residents and 20,000 employees** of the future district of the OIN extension. It is also integrated into an integrated development project and must participate in the opening of energy-positive buildings. It could also serve the surrounding neighbourhoods (Docks Libres, Arnavaux, etc.) |
| In the energy domain | **Optimum use of natural resources** using hot-cold seawater energy production<br>**Reduction of primary energy consumption** by favouring consumption of renewable energy.<br>**Reduction of greenhouse gas emissions**:<br>With primary energy consumption 50% lower on average than the other technologies studied, and a third of the $CO_2$ emissions (45g$CO_2$/kWh in winter, 5.3g$CO_2$/kWh in summer) compared to a Gas production system, the seawater loop is fully meeting the objective to reduce $CO_2$ emissions by 20%. |
| From an economic standpoint | The production costs appear to be very competitive (average cost of hot or cold kWh of €0.101 in the first phase). This should facilitate the opening of energy-positive buildings. |

## Project Sheet: Seawater Air conditioning Loop

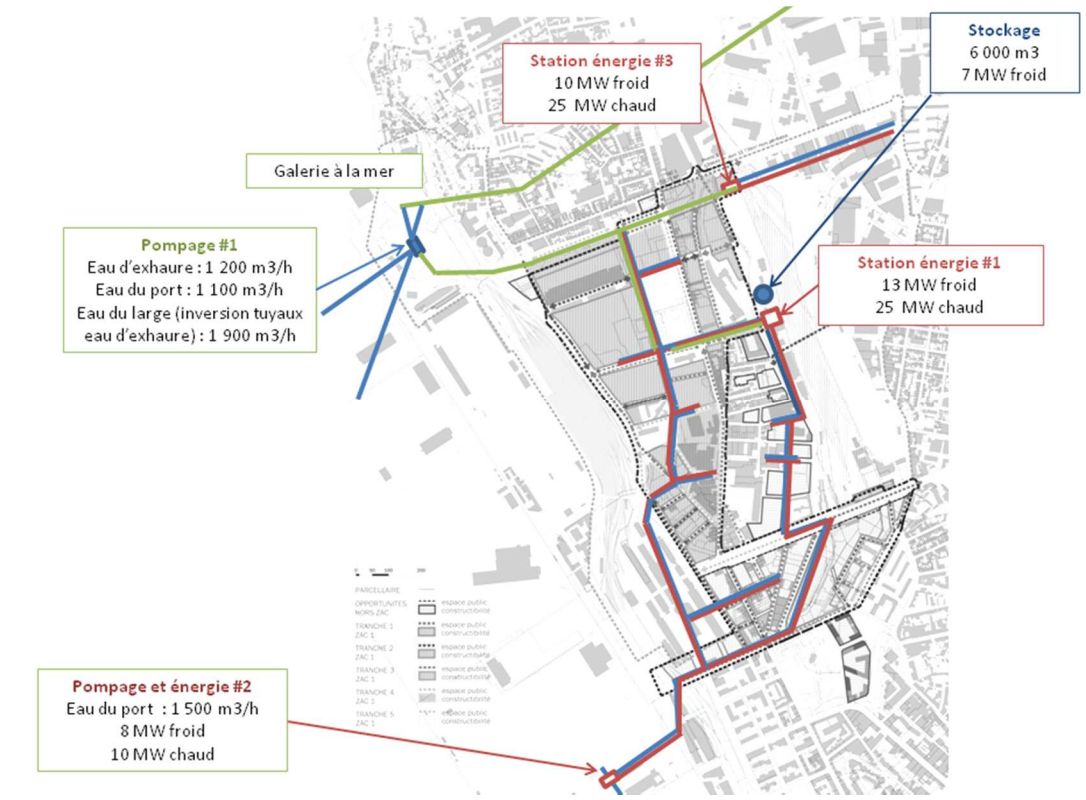
| Eligibility regarding European priorities stipulated in the Common Strategic Framework (2014-2020) | |
|---|---|
| Guideline 4: Supporting the transition towards an economy with low $CO_2$ consumption | "Supporting the production of renewable marine energy, actions promoting energy" |

| Project funding | | | |
|---|---|---|---|
| Project revenue sources | **Because phase 2 of the project is not yet operational, nor is it funded by the EPAEM partners, the financial simulations were only established on phase 1. Highly comparable results should be obtained for phase 2.**<br><br>**The investments are divided as follows:**<br>All the primary investments in pumping, hot and cold production and energy distribution are at the expense of the **operator** in charge of selling this energy to the final consumer. They include the inlet and discharge pipes of the marine resource, the pumping station and the turbo-refrigeration pumps as well as the sub-stations of the buildings comprising the exchangers (civil engineering adaptation and exchangers).<br>**The heat transport network** (the backbone of the network) will be funded and built by the **public authority** within the framework of their development work on roads and public spaces.<br>The project's revenue sources may depend on the adopted financial set-up: in principle, it would consist of one or more DSPs with a charging system paid by the operator(s), who then bill the promoters for connection rights, and the end users for subscriptions and consumptions.<br><br>The hot and cold network including its depreciation, operating, and maintenance costs and the consumption of the Pumps for providing "hot and cold" will be profitable in the first years (based on a DSP of 35 years), more specifically once the connection of approximately 150,000 m² GFA is made using a €20 million subsidy for the transportation network over phase 1. | | |
| Total initial investment | **Phase 1:** €**43.8M** value 2011<br>Section 1 of phase 1: €20M<br>Phase 2: €**44M** value 2011 | Annual maintenance cost | Variable, see Business Plan |
| Output value | | Annual revenue | Variable, see Business Plan |
| Average rate of return | | Internal profitability | 11% |
| Planned funding (shares, debts, guarantees, etc.) | Equity financing | | |
| | Size of stake of the project owner | For the execution of phase 1 (€43.8 million), subsidy of €20 million borne by the territorial partners of the EPAEM: City, CUMPM, CR, CG | |
| | Size of stake of the capital sought from other financing structures | An acquisition of equity from the EcoCité Future Investment fund at 49% of the equity capital is planned. The level of intervention remains to be determined: DSP operator, or project owner? | |
| | Type of investment sought | Private DSP operator(s) | |
| | Debt | | |
| | Amount of debt sought | €20 million subsidy for phase 1: No debt for the project owner. | |

| Project Sheet: Seawater Air conditioning Loop | | |
|---|---|---|
| | | For the DSP operator, funding of €24 million (2011 value) to be found over all the sections of phase 1, to be recovered over 35 years. |
| | Level of contribution of the debt by the project owner: | |
| | Minimum value of the loan | |
| | Planned price level of the debt | |
| | Guarantee | |
| | Type of guarantee | Data not available today |
| | Risks to be limited in the project | |
| | Beneficiary of the guarantee | |
| | Cost level of the guarantee | |
| Funding difficulties identified for this project that justify resorting to alternative funds | By dividing the project into several thermal sources implemented successively, the launch of the project will be done in various more easily depreciable sections. The first section represents an investment of €20 million on the €43.8 million of the first phase.<br>By distributing the roles among public stakeholders, in charge of the urban planning, the launch of the sections, and the construction on subsidy of the transportation network, on the one hand, and to private stakeholders in charge of energy production through successive sections, the construction of the distribution network and sales, the risks are divided and optimised according to professions and skills.<br><br>The simulations and sensitivity tests performed have shown that it is sufficient to find a guarantee for the first section of approximately 150,000 m² of GFA to be connected in order to launch and stabilise the project as of that first section. The inherent risks to this innovative project require the acquisition of the guarantee for the launch of this first section. | |
| Quality of information given | The forecasts performed in the Ecocité case are consolidated | |
| Perspectives of an urban development funding mechanism | | |
| Potential intervention of an FI | Debt intervention from the public stakeholder or by guarantee from the operator in order to manage the risks. | |

# Project Sheet: Seawater Air conditioning Loop

View of the site




Power station #3
10 MW cold
25 MW hot

Storage
6,000 $m^3$
7 MW cold

*"Galerie à la mer"*
Gallery in the sea

Pumping station #1
Mine water: 1,200 $m^3/h$
Harbour water: 1,100 $m^3/h$
Sea water (mine water pipe reversal): 1,900 $m^3/h$

Power station #1
13 MW cold
25 MW hot

Pumping and power station #2
8 MW cold
10 MW hot

## Mini project sheet: New energy - Toulon Agglomeration

| | |
|---|---|
| Project owner | *To be determined* |

### Presentation of the Project

The project is not yet established, but in view of the challenges and requirements, the TPM Agglomeration is willing to develop a related energy project. The context and the challenges are explained below:

The population in the Var and Toulon Provence Méditerranée Agglomeration is increasing by about +1% annually i.e. by +10,000 persons annually in the Var, +4,000 of whom are in the TPM Agglomeration. At the same time, energy consumption is increasing +3% annually while the electricity distribution network in the southeast of the PACA Region is showing the limits of its electricity distribution with a real and bi-annual risk of "electrical blackout" at each consumption peak (in winter at times of great cold/heating and now in summer at times of great heat/Air Conditioning). This situation is penalising and will continue to further penalise local development.

This situation, if it is not planned for, will be compensated by "bailout" solutions that would not be efficient under the criteria for Sustainable Development

The project objective consists of preparing the short-term distribution for a significant share of energy, i.e. +60 to +90 MVA, through the construction of an efficient system. This may involve the **development of waste-to-energy projects**, the extension of the **seawater heat pump** device, or the **cultivation of the timber resources** of the Var department.

- There are many energy companies in the territory of the Agglomeration that may be supporters of development, whether technical or technical and financial (investment)
- FEDER performed a pre-study presenting these future needs that cannot be ignored.
- EDF signed an agreement for energy modernisation and a search for low-carbon solutions.
- The Agglomeration signed a new Public Service Delegation Contract for the treatment of waste, of which the current heads of the plant are interested in making better use of the waste from the agglomeration in order to produce energy (hot and cold) which may quickly represent between 15 and 20 MVA
- The Agglomeration in the town of Seyne-sur-mer already has a seawater heat pump (although modest in comparison to the identified requirements, but still very real)
- The Department of Var has considerable timber reserves for heating.
- The competitiveness cluster, Cap énergie, would be mobilised.

FSIE Eligibility: eligibility for guideline 4: "Supporting the transition towards a low-energy-consumption economy"

### Economic model

| | |
|---|---|
| Funding | • **Setting up the operation:** Private or private-public<br>• **Funding need:** Contribution of capital (investment), debt and loan guarantee<br>• **Cost of investment:** between €30 and 40 million for 60MVA |
| Economic model | The revenue will be generated by the re-sale of energy (hot and cold) and through a subscription system |
| Identified funding difficulties | Funding difficulties specific to this type of project arise, related to the innovative nature of the project and the high investment costs which require an initial public impetus |

| Project sheet: Demonstration islet - Smart grid | | | | |
|---|---|---|---|---|
| City(-ies) | Marseille | | | |
| Project owner | Etablissement Public d'aménagement d'Euroméditerranée (EPAEM) | | | |
| Context of the project | The project is part of the "Ecocité Marseille" initiative. | | | |
| Presentation of the Project | | | | |
| General description (including perimeter, scheduling of equipment and office spaces, accommodation services or other preparations) | Experimentation of an **innovative and sustainable Mediterranean habitat** at the Macro Lot scale (58,000 m² GFA on 2.4 hectares of land). The project seeks to meet the following objectives:<br>• Density/compactness (Cos 3.4)<br>• Social (25% social housing,), generational (15% first-time buyers), and functional mix (50% offices and 50% housing).<br>• Planning innovation<br>• Quality of architecture, usage, and services (shared services and NICT)<br>• Environmental performance (EPB, LEB/2),<br>• Relationship to public space<br>• Operating and management costs<br>The project will focus on a large panel of innovative green technologies: energy-positive buildings, **smart grid energy network**, water recycling, exemplary management of waste, services and e-services<br>Panels representative of the populations must be associated with the project. The islet will be the object of special monitoring to evaluate the effectiveness of the mechanisms in the areas of management, environmental performance, satisfaction of inhabitants and users, in order to organise the necessary readjustments.<br>The dreaded topic in the framework of the study specifically concerns the launch of the Smartgrid intelligent network for electricity distribution. | | | |
| Level of maturity of the project | History | | | |
| | Level of maturity | **Level 3**:<br>Eiffage Construction will be tasked with the entire operation.<br>The division of plots is in progress. The permits for islets A and C are up for filing during summer 2013, and must be signed between May and June 2013<br>The future occupants:<br>**Eiffage Construction** will take 3,000 m² of office space in the first phase of the operation<br>**The BB chain** is managing the hotel<br>**Odelia** is managing the senior residence<br>Funding: the ADEME is participating in the funding of pollution clean-up. For the moment, Eiffage Immobilier is gradually selling the objects to be built. Eiffage and EDF are looking at the possibility of creating an operating company for a joint power plant in the district which will be connected to the seawater loop. | | |
| Project progress | Phasing | Division of the projects into 4 lots released by phase:<br>3rd quarter 2015: delivery of lot A and C<br>2nd quarter 2016: delivery of lot D<br>4th quarter 2015: delivery of lot B | | |
| | Construction time or project execution | 2.5 years from the 2nd quarter 2014.<br>Delivery from 2015 to 2016 | Estimated time period before the project generates revenue: As soon as the completed works are leased. | |
| Project stakeholders | Project Manager: Eiffage in partnership with Euroméditerranée<br>Investors: Institutional stakeholders (10,000 m² of offices wishing to remain | | | |

| Project sheet: Demonstration islet - Smart grid | |
|---|---|
| | discreet, ANF for the hotel, Viveris REIM in final negotiations for the residence).<br>Partners: Eiffage/Phosphore, property operator, EDF, Vivacoeur, social network start-up, PRIDES Bâtiments Durables Méditerranéens, competitive clusters Capénergies and Solutions Communicantes Sécurisées, and the CDC. Orange for information technology |
| Characteristics of the development | |
| Location criteria | The project is integrated into the **urban area of Marseille's Northern Coastline** where ambitious urban re-development programmes have been launched and will be launched.<br>- The OIN Euroméditerranée under the governance of the EPAEM, was launched in 1995, and expanded in 2007. This extension located to the North of the initial perimeter covers an urban surface area of 169 hectares bounded to the west by the territory of the Grand Port Maritime of Marseille and the A7 highway to the East.<br>- The Libres Docks project led by the city of Marseille for the urban renewal initiative of the northern coastline launched in 2003. |
| Integration of the project into the strategic territorial documents (OP) and into the urbanism documents (SCOT, PLU, etc.) | The ambitions of SCoT are focused on Euroméditerranée and make up 20% of their objectives.<br>• Create 20,000 new jobs (SCOT 80,000)<br>• Build 14,000 new homes (SCOT 80,000)<br>• Welcome 30,000 new inhabitants (SCOT and PLH 80 – 100,000)<br>• Bring together the downtown social housing areas (SCOT, PDU) |
| Reproducibility of the project throughout the entire PACA region and conditions of reproducibility | The project must have **new applications** in the OIN perimeter in 2011, especially on the ZAC St. Charles near the train station on the ZAC Cité de la Méditerranée. This innovative project must be a model operation in terms of sustainable Mediterranean habitat and designed to be replicated on the coastal region. |
| Identified development restrictions. | The challenges are:<br>- Creating a building complex very quickly while achieving a critical mass that is sufficient for suburban life in a difficult urban environment.<br>- The shift between the arrival of urban transportation and execution of the work requires the setting-up of shared electrical transportation (between the district and the existing tram)<br>- The project must be integrated into the urban scheme for modifying the architectural framework which plans to remove the 3 meter area over a part of the district complicating the development of the district.<br>- The parking spaces with regard to the regulations on major traffic areas will not be sufficient with the arrival of the occupants but sufficient when all the means of transportation are in place. An additional car parking facility must be built that must have the ability to be transformed into either offices or housing. |
| Expected non-financial externalities | |
| In the urban domain | The project is in the midst of an urban renewal approach (building the city on the city), and must enhance the spaces and connections between the downtown and northern districts. |
| In the energy domain | Energy solidarity between the different types of works (e.g. air-conditioning of the offices will enable the provision of hot, clean water to houses). The launch of the smart grid will make energy savings possible in the districts. |
| From a social standpoint | Meeting the objective of social cohesion and area attractiveness |
| From an economic standpoint | Revitalisation of a district will make it possible for small business owners to set up shop and hire people in struggling districts |
| In the environmental domain | Rehabilitation of a brownfield site |

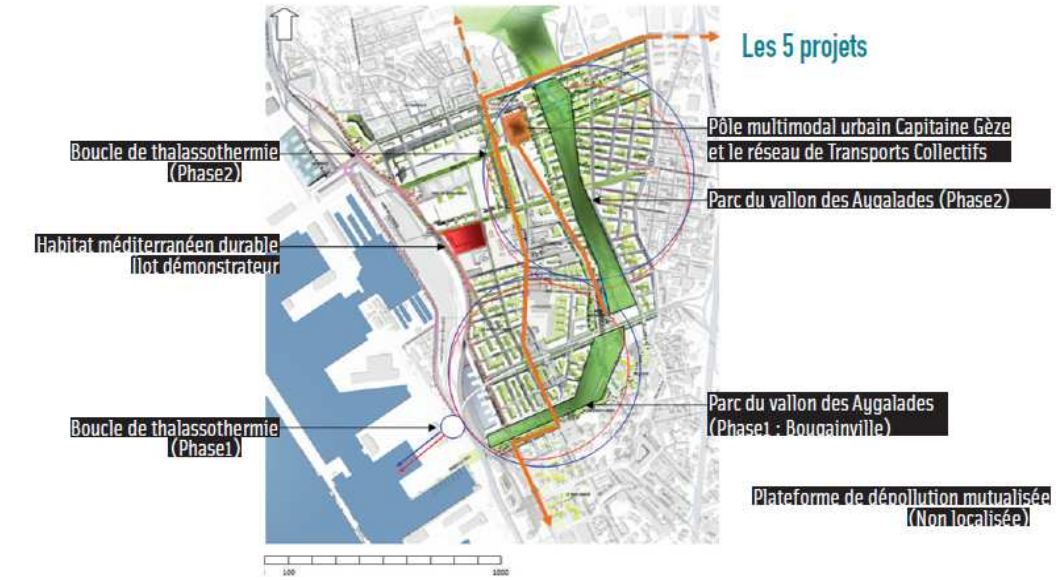
## Project sheet: Demonstration islet - Smart grid

| Eligibility regarding European priorities stipulated in the Common Strategic Framework (2014-2020) | |
|---|---|
| Guideline 1: Strengthening research, technological development and innovation | It is a project to demonstrate innovative energy services |
| Guideline 4: Supporting the transition towards an economy with low $CO_2$ consumption | The creation of a sustainable urban district falls within the objective of energy efficiency |
| Guideline 6: Protecting the environment and promoting the efficient use of resources | The project falls within the logic of "sustainable development integrated into the urban environment" |

| Project funding | | | |
|---|---|---|---|
| Project revenue sources | Sale of completed projects to investors for sale en bloc and to individuals for the sale of apartments.<br>EDF OS should draw revenue from the sale of heating and cooling from the energy plant.<br>Vivacoeur will draw revenue from services offered to the occupants. | | |
| Total initial investment | 113 million Euros | Annual maintenance cost | In design phase |
| Output value | | Annual revenue | Private investor |
| Average rate of return | | Internal profitability | 6.5% (investor) |
| Planned funding (shares, debts, guarantees, etc.) (distinguishing from funding already validated) | Equity financing | | |
| | Size of stake of the project owner | Planned financial partnership:<br>The operating statement proposed by Eiffage and the CDC proposes a 40% stake by CDC and Eiffage, i.e. €42.4 million, the difference being received in loans.<br>A needed contribution of €22 to €25 million must be mobilised for the creation of a company bearmade within the framework of the PIA. | |
| | Size of stake of the capital sought from other financing structures | | |
| | Type of investment sought | Private land type for offices<br>Social housing landlords for social housing<br>Company (investor + occupant) | |
| | Debt | | |
| | Amount of debt sought | | |
| | Level of contribution of the debt by the project owner: | | |
| | Minimum value of the loan | | |
| | Planned price level of the debt | | |
| | Guarantee | | |
| | Type of guarantee | | |
| | Risks to be limited in the project | | |
| | Beneficiary of the guarantee | | |
| | Cost level of the guarantee | | |
| Funding difficulties identified for this project that justify resorting to alternative funds | Risk over the marketing of free housing in the first phase of the project (difficult urban context) | | |

| Project sheet: Demonstration islet - Smart grid | |
|---|---|
| Quality of information given | Project structured and data given for Ecocité dossier. |
| Perspectives of an urban development funding mechanism | |
| Potential intervention of an FI | An FI could take the form of **equity participation** in the project companies with different operators, including the operating company EDF or Viva Cœur. |

View of the site




Seawater loop (Phase 2)
Collective
Sustainable Mediterranean housing
Demonstration islet
Seawater loop (Phase 1)

## The 5 projects

Capitaine Gèze urban multimodal hub and the

Transportation network
Parc du vallon des Aygalades (Phase 1: Bougainville)
Shared environmental remediation platform (Not localised)

| Project Sheet: Model for establishment of a sawmill combined with a cogeneration unit<br>Wood/Timber Industry | |
|---|---|
| Community | Nice |
| Project Promoter | SARL Coulomp & Fils and by EDF Optimal Solutions |
| Specific context of the project | OIN Plaine du Var |
| Presentation of the Project | |
| General description (includes overall scope, scheduling and implementation of equipment and office space, as well as housing and other planned services) | The project consists of combining on the same site, a saw mill and a biomass cogeneration unit which will produce the steam used for heating purposes and electric power to be fed into the network.<br><br>This wood energy unit which is used in a complex variety of activities related to working with wood, firstly allows for a direct recovery of by-products of timber manufacturing such as, (bark, sawdust, etc.), and secondly allows for the production of fuels (pellets), and transformed energy (electricity, heat).<br><br>This project covering the numerous activities based around wood, will contribute significantly to the departmental structure of the timber industry, while remaining consistent with the legitimate and historical ambitions at the local level, as well as current energy policy at the national and regional level.<br><br>The centre, which extends over 6 hectares, includes the following elements:<br>- **a platform (loading area) for receiving, manufacture and storage** of biomass material, allowing for the preparation, crushing and mixing of the timber: approximately **75,000 tons of wood chips** will be **processed each year,** two-thirds of which will come from the residues of the sawmills of Paul Coulomp & Fils, which in turn federates the sawyers of the region.<br>- **a** modern **sawmill** comprising a manufacturing unit, for sawing and drying timber, which will be powered by the steam from the biomass cogeneration, in compliance with the future European standards as set forth in 2013.<br>- **a wood pellet production unit** (approximately 16,000 tonnes per year) for small boiler installations<br>- **a biomass cogeneration energy unit** with a set of automated handling, conveyor and extractor systems, is fed directly from the platform on site without use of transfer vehicles. The unit will be coupled with the saw mill, which alone guarantees through its by-products, over half of the annual requirements of the installation (more than 35,000 T/year) with an estimated requirement of between 50,000 and 70,000 t/year for this project.<br><br>**Objectives of the project**<br>- Modernize existing operations and diversify opportunities for the local timber industry;<br>- Provide innovation, by placing local dried and granulated timber products on the market, products which have been imported previously;<br>- Consolidate two existing saw mills in the town of Broc (06510) within the scope of the Operation of National interest of the Plaine du Var,<br>- Release land in the urban areas of Biot and Drap (where the two mills are currently located) for a more appropriate use. |

| Project Sheet: Model for establishment of a sawmill combined with a cogeneration unit<br>Wood/Timber Industry | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| Completion level of the project | History | Discussion of the project since 2009 | | | |
| | Completion level | **Level 2:** intermediate development (planning and funding to be specified), | | | |
| Time scale of the project | Time of construction or completion of the project | Not available | Estimated time before the project generates revenue | Not available | |
| Parties involved in the Project | General Contractor : SARL Coulomb et Fils<br>Investors: EDF<br>Partners: EPA Plaine du Var, Nice, Côte d'Azur | | | | |
| Characteristics in terms of development | | | | | |
| Location criteria | The project must have significant land rights-of-way. The location should strike a balance between the proximity to forests, to limit the movement of heavy vehicles, and proximity to electricity consumers, to reduce the transport of electricity. | | | | |
| Project integration with territorial strategic documents (OP) and town planning documents (SCOT, PLU - Local Urban Plans, etc...) | The project is part of the regional SRCAE and will contribute to meeting the objectives of control of energy expenditure as described in this document with a target of deployment of assets by 2020. | | | | |
| Reproducibility of the project throughout the PACA region and conditions for reproducibility | The project and its derived attributes are reproducible throughout the whole of the PACA Region, subject to land availability and supply | | | | |
| Identified development constraints | Availability of land to accommodate the structure and commence the project | | | | |
| Expected non-financial externalities | | | | | |
| In the urban domain | Decreased movement of material within the territory, recovery, enhancement and sustainability of forests surrounding the urban spaces | | | | |
| In the energy sector | Use of renewable energies (wood) for heating and energy production<br>The project falls within the general framework for implementation of a regional energy operator whose objective is to develop the production of energy from the timber industry (from 1800 to 2600 MW at a cost of between 800 and €1400 HT / MW estimated at between 250 and 340 M€ / year).<br><br>Timber cogeneration answers the very specific problem faced by the east of the PACA region, and in particular the Department of the Alpes Maritimes, an electrical peninsula which only produces 10% of its overall electricity consumption and the strong local desire to pre-empt the Grenelle commitments and increase the proportion of ENR to 25% by 2020.<br><br>Establishment of a short circuit, 100% of incoming products recovered on site, recovery of waste, global assessment of GHG emissions is largely positive | | | | |

| Project Sheet: Model for establishment of a sawmill combined with a cogeneration unit<br>Wood/Timber Industry | |
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| | especially on the costs saved for transportation of material, contributes to the development of construction using dried local timber.<br><br>The project contributes to the energy security of the Alpes-Maritime region through the production of electricity, steam and wood fuels from renewable energy.<br><br>The heat produced as well as timber energy may be used by enterprises located near the production site replacing the significant quantities of electricity or gas that are currently consumed.<br><br>The project contributes to good forest management (through systematic exploitation of scrap timber and a detection system in the saw mill, prevention of the risk of fire and aiding in the fight against ageing forests) |
| From an economic point of view | Contribution to the structuring and the development of the timber industry, upstream (logging, timber transport, sawmills… ) and downstream (carpenters, builders) in particular through the provision of treated dried timber for structural frame houses (currently imported)<br>Development of the local energy industry through the production of wood chips and pellets<br>This project will enable the creation of 30 new direct jobs and 50 indirect jobs as well as aiding in developments related to local timber supply markets that might benefit from this project. The project also helps to sustain the primary processing activity of the two saw mills, and therefore the jobs in the Biot and Drap enterprises. |
| Eligibility under the EU priorities set out in the Common Strategic Framework (2014-2020) | |
| Guideline 4: Support the transition to an economy with low $CO_2$ consumption | 50% |
| Guideline 6: Protect the environment and promote the efficient use of resources | 10% |
| Financing the project | |
| Sources of revenue for the project and envisaged funding arrangements | A grant application has been submitted to the Regional Commission of Energy in regards to the project. The estimated realised costs are 25.3 M€, which includes 15 M€ for the cogeneration unit and 10.3 M€ for buildings and structures |
| Funding difficulties identified for this project which justify the use of alternative funding (AIFs) | According to the objectives of the SP 2000 study on the timber energy sector, approximately 40 replacement projects per year for heating networks must be set up by 2020 |
| Quality of supplied information | Specific planning but lack of detailed funding forecasts |
| Prospects for a funding mechanism through urban development funds | |
| Potential intervention of an FI | The JESSICA Fund could be used to support a part of the project (cogeneration unit, receiving platform, wood pellet manufacturing unit). The cogeneration unit could be a priority for JESSICA if it were associated with the creation of a heating network that would generate revenue. |

| Project Sheet: Model for establishment of a sawmill combined with a cogeneration unit<br>Wood/Timber Industry | |
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| | However, other units are also likely to generate revenue and as such, JESSICA could also act in regard to the financing of their construction. |

## Mini Project sheet : Iwood - PACA Region

**Sustainable and adaptable business enterprise - Timber Industry**

| Project Promoter | Nexity (Investor: Caisse d'Epargne) |
|---|---|

### Presentation of the Project

Iwood offers a supply of property offices which are characterized by two logical attributes:

- **Modularity:** ability to continuously respond to the changing needs of the business (growing). The placing of premises on the market is carried out in record time (4 to 6 months) far surpassing the usual construction completion times of nurseries, business hotels and other commercial property. The construction design concepts also allow for the creation of modular/reconvertible spaces which allows for adaptability depending on the evolution of the company.
  The objective is to respond to the specific requirements of the local economy in terms of property development and thus maintain the consistent establishment of business growth within the region.
- **Environmental performance:** the frame is entirely made of wood. In addition to positive externalities from the environmental point of view, the specific design of the building allows for switching to an industrial mode of production, and therefore shortening the implementation time.

Ongoing and completed projects

- Iwood l'Ensoleillé in Aix-en-Provence: 6650 sq. m area total living space, 5 office buildings R + 2
- Iwood Docks Libre in Marseille, 3848 sq. m. area total living space, 1 building R + 5
- The Iwood project has provided turnkey business solutions for the Impika company, a local start up seeing strong growth, specializing in inkjet printing.

ESI Funds Eligibility

**Guideline 3**: enhance the competitiveness of SMEs

**Guideline 4**: Support the transition to an economy with lower $CO_2$ emissions

The proposed construction in wood allows for heating savings of at least 30% compared to an equivalent structure made of concrete. In addition, wood has the advantage of absorbing $CO_2$ and its conversion is more energy efficient.

### Economic model

| Envisaged Financing | The project is based on a mutual trust where the Caisse d'Epargne and Nexity are joint stakeholders. Project revenues are generated by the rental payments made by the operating companies.<br>The mutual trust allows the specially created investment company to act with relative autonomy: whilst scrupulously respecting the choices of the shareholders' investment criteria, allowing for decision-making processes that are fast and adapted |
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| | to the responsiveness required by the project leaders. Also, the profits are reinvested in other projects, making this tool a type of revolving fund that would be particularly compatible with the JESSICA concept. |
| Identified financing difficulties | The economic model is typical of a promoter: turnkey construction with resale to the user (the most frequent).<br><br>However, debt financing runs into difficulties when the localization of the assets does not offer a satisfactory guarantee for the bank, i.e. when the asset is located outside the recognised area of activity of large cities. Yet many companies have operations in the outer regions of PACA, and in medium-sized cities such as Gap, Briançon, etc. The employment situation there is fragile and there is very limited office space. In order to assist local companies in their development, the supplier, Iwood has a perfect relationship between reactivity (extremely short completion times), quality (strong environmental standards) and price (pre-machining of the elements makes for a simple structure which is less expensive to assemble).<br><br>This concept is new and is ideally suited to small and medium sized companies going through critical phases of development and whose local impact in terms of employment and economic fallout is extremely strong. **Further investment in the region is therefore essential to encourage the private banking sector to support these initiatives, once their efficacy has been proven.** |

| Project sheet: Nice Merida Urban Technopolis - Smart Grid<br>Renovation of housing energy | | | | |
|---|---|---|---|---|
| Community | Nice | | | |
| Project Promoter | EPA Plaine du Var as part of Nice Méridia | | | |
| Specific context of the project | (ONI) Operation of National Interest - Plaine du Var | | | |
| Presentation of the Project | | | | |
| General description (includes overall scope, scheduling and implementation of equipment and office space, as well as housing and other planned services) | Nice Méridia (200 Ha with a starting operational sector of 26 Ha) will be a mixed urban community focused upon local job creation and innovation (creation of incubators for companies, hotels for business, etc.).<br><br>The first operational area encompasses the completion of 160,000 sq. m. for habitat, approximately 2,100 homes, 38,000 sq. m. of training facilities, 100,000 sq. mm of tertiary offices, comprising labs and R & D activities (incubators, nurseries, business', hotels and business centres), as well as 22,000 sq. m. of services and shops, encompassing a total of 320,000 square meters<br><br>The equipment to be put in place (hardware in the buildings or software for the control of distribution of energy) is currently being defined<br><br>The concept of the "urban technopolis", seeks to combine the advantages specific to science parks and urban areas (R & D, higher education, "cross fertilization", creation of new businesses...) with the revenue from localization in a truly dense urban fabric: combining a mix of functions (housing, shops, services, activities), access through public transport, reduction of commuting distances, urban vitality outside office hours, proximity and quality of commercial offerings, sports and entertainment.<br><br>One of the main areas of development is the efficient use of energy. In this context, EPA Plaine de Var aims to deploy a Smart Grid throughout this new urban community, of a scale never achieved until now.<br><br>The establishment of an eco-community Smart Grid offers the dual opportunity of reducing energy consumption while optimizing the daily operation of the energy uses (production and consumption) throughout an area.<br><br>This objective is achieved through engagement and implementation of public private partnerships (interior and exterior use of buildings, public transport and individual mobility and sharing of infrastructure, such as lighting and signage, etc...) | | | |
| Completion level of the project | History | The action was initially brought by the city of Nice, Côte d'Azur with a general approach to the whole metropolis. The project is specifically located in the area of Nice Méridia.<br><br>Marketing and construction projects planned from 2013. | | |
| | Completion level | **Level 2**: intermediate development (planning and funding to be specified), subcontractors to be selected. Establishment of business plan but localized spatial plan in the area of Méridia with real estate controlled by the project contractor.<br>An AMO has been selected to help the project manager with the drafting of the specifications which involve a technical study office in regard to the implementation of the smart grid. The consultation will commence in June 2013. | | |
| Time scale of the project | Time of construction and completion of the project | 2014 - 2020, for the development and completion of the Nice Méridia operation | Estimated time before the project generates revenue | The revenues will be generated through energy savings during the implementation phase between 2014 |

| Project sheet: Nice Merida Urban Technopolis - Smart Grid<br>Renovation of housing energy | | | | |
|---|---|---|---|---|
| | | | | and 2020 |
| Parties involved in the Project | General Contractor : EPA Plaine du VAR<br>Investors: CDC, private energy companies, private developers<br>Partners: The French State, Métropole Nice Côte d'Azur, ADEME, large groups or SME's positioned in the innovation sector | | | |
| Characteristics in terms of development | | | | |
| Location criteria | Development in a new area of minimum importance for establishment of a network | | | |
| Project integration with territorial strategic documents (OP) and town planning documents (SCOT, PLU Local Urban Plans, etc...) | The operation is considered as a priority by the EPA and is supported by its partners. The theme corresponds to orientation 1.7 of the PADD of Nice: "engage the whole of the city in an energy policy".<br>Integration into the Nice Eco-City Project | | | |
| Reproducibility of the project throughout the PACA region and reproducibility conditions | The project is reproducible for large cities such as Marseille, Toulon, and Avignon, and is already planned within the scope of Euromed in Marseille | | | |
| Identified developmental constraints | It requires a commitment on the part of private players to follow the smart grid strategy so that all the constructions can interact among themeselves | | | |
| Expected non-financial externalities | | | | |
| In the energy sector | Control of energy expenditure | | | |
| From a social point of view | Increased thermal comfort for users | | | |
| From an economic point of view | Decrease in the users' expenditure on energy consumption | | | |
| Eligibility under the EU priorities set out in the Common Strategic Framework (2014-2020) | | | | |
| Guideline 2: Improve access to information and communication technologies, their use and their quality | Investment in integrated ITC solutions for "smart cities". | | | |
| Guideline 4: support the transition to an economy with low $CO_2$ consumption | Management of the consumption of energy in an integrated manner on a district scale that should ultimately minimize the carbon footprint of the district. Reduction in energy consumption and eventually connecting to a network producing renewable energy (seawater loop, timber industry). | | | |
| Total Eligibility | Undetermined | | | |
| Financing the project | | | | |
| Sources of revenue for the project | | | | |
| Total initial investment | An assistance mission for the contracting authorities is ongoing (€15,000), it will set up a consultation to select a design | Annual cost of maintenance | Undetermined at this stage but will be specified by the end of 2013 | |

| Project sheet: Nice Merida Urban Technopolis - Smart Grid<br>Renovation of housing energy | | | |
|---|---|---|---|
| | firm specializing in smart grids (amount assessed at 70 k€).<br><br>Based on the results obtained (the current report provided for the second half of 2013), the quantification of investment action can be determined. | | |
| Value to output | | Annual revenues | |
| Average yield | | Internal profitability | |
| Proposed funding (participation, debts, guarantees, etc..) differentiate from already approved funding | Capital Equity | | |
| | Level of participation for the project | Undetermined at this stage but will be specified by the end of 2013 | |
| | Level of capital equity sought from other financing structures | | |
| | Types of investor sought | | |
| Funding difficulties identified for this project justify the use of alternative funding (AIFs) | Currently, energy optimisation remains at the research stage. There is currently no community smart grid fully operational in France; however, the risk is therefore significant due to the innovative aspects of the project.<br><br>Significant risk associated with the innovative aspects of the project<br><br>Exchanges between several partners in order to coordinate: public players, private owners, supplier networks. | | |
| Quality of supplied information | Forecast data to be consolidated on the basis of studies that are not yet underway | | |
| Prospects for a funding mechanism through urban development funds | | | |
| Potential intervention of an FI | The fund could act as a unifying strategy and common denominator for the various players. The economic model of the Smart Grid is difficult to consolidate at the present time. The integration of the project within the fund would allow for a consolidation of the commitments. Financial supplements are necessary for the development across the district. | | |

## Project sheet: Nice Merida Urban Technopolis - Smart Grid

**Renovation of housing energy**

View of the site

| Project sheet: Regional energy operator<br>Solar | | | | |
|---|---|---|---|---|
| Community | Jonquière 84 | | | |
| Project Promoter | Vaucluse Lodement (social housing) | | | |
| Specific context of the project | Support for the Solar sector | | | |
| Presentation of the Project | | | | |
| General description (includes overall scope, scheduling and implementation of equipment and office space, as well as housing and other planned services) | Three positive energy buildings (social housing) fully covered by solar panels, using modules of French origin. Eligibility at the rate of: €0.2137 / kWh,<br><br>CO2 balance and energy payback time provided | | | |
| Completion level of the project | History | Dossier approved in June 2012 subsidised by the Region in the sum of €149 k | | |
| | Completion level | Achieved | | |
| Time scale of the project | Time of construction and completion of the project | From July 2011 to March 2012 | Estimated time before project generates revenue | Immediate (Production of electricity from the roof) |
| Parties involved in the Project | Contractor: Vaucluse Logement<br>Contractor and Enterprise: Fonroche Energy<br>Financiers: Equity, loans and grants from the Region | | | |
| Characteristics in terms of development | | | | |
| Location criteria | Types of projects to be introduced more widely on roofs of buildings in the Region | | | |
| Project integration with strategic territorial documents and town planning documents (SCOT, PLU - Local Urban Plans, etc...) | The project is part of the regional SRCAE and will contribute to meeting the objectives in terms of development of the solar industry by generating 900 MW by 2020 | | | |
| Reproducibility of the project throughout the PACA region and associated conditions | Many solar projects should be proposed in the PACA Region. The current trend for the emergence of projects is not in line with the targeted objective. The establishment of a financial mechanism is needed to encourage their emergence. | | | |
| Identified developmental constraints | There are no development constraints identified at this level (based on location, ABF validation may be required). | | | |
| Expected non-financial externalities | | | | |
| In the energy sector | Development of the energy produced by Solar panel as of today equals 523 MW (September 2012 source SOeS) with an increase to 1800 MW expected by 2020 | | | |
| From an economic point of view | The development of the sector contributes to economic development and therefore to the creation of businesses and jobs | | | |

| Project sheet: Regional energy operator<br>Solar | | | |
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| Eligibility under the European priorities set out in the Common Strategic Framework (2014-2020) | | | |
| Guideline 4: Supporting the transition towards a low $CO_2$ consumption economy. | The project is aimed at developing innovative technologies in the field of renewable energies. | | |
| Total Eligibility | The whole project (including structure modifications in order to support PV installation) | | |
| Project Funding | | | |
| Sources of project income | Proprietary funds (including loans) and subsidies | | |
| Initial total investment | €435,000 | Annual maintenance cost | On average, 1% of the investment |
| Output value | The projects have an average life of 20 years. Value at the end of 20 years? | Annual revenues | If the 2013 tariff is €0.17/kWh that amounts to €25,000 (see chart) |
| Average output | | Internal profitability | |
| Projected funding (participation, debts, guarantees… ) (differentiate already validated funding) | Equity participation | | |
| | Level of participation of the project promoter | About 66%. Regional subsidies will account for the rest | |
| | Level of capital participation obtained from other financing institutions | | |
| | Type of investor sought | To be determined | |
| | Debt | | |
| | Sought debt amount | In this project, the photovoltaic aspect constitutes a lot among the other lots relative to the construction of the building ; it is therefore difficult to isolate the debt and the other elements related to the funding | |
| | Project promoter 's level of contribution to the debt : | Varies according to projects | |
| | Minimum duration of the loan | | |
| | Desired price level of the debt | | |
| | Guarantee | | |
| | Type of guarantee sought | | |
| | Risks that should be controlled within the project | Make sure that the project manager is dependable; business risks are low; the potential product is very stable by region; and the feed-in tariff and panel output are guaranteed for 20 years from the date the purchase contract is signed. | |

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| | Guarantee beneficiary | |
| | Guarantee cost level | |
| Funding challenges identified for this project which justify resorting to alternative funding | The business model for these projects depends on the electricity feed-in tariff, which decreased at the beginning of 2013. Certain projects will probably not be feasible given these new tariffs. | |
| Quality of information provided | Projections consolidated (project is being commercialized) | |

Perspectives for a financing instrument to create an urban development fund

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| Possible intervention of a FI | The intervention of an additional investor should allow the project to be launched in spite of the low repurchase fee. Given the 2013 tariffs, the return periods for 10 to 100 kWc projects will vary between 13 and 20 years. The financing instruments should help bring those periods down to less than 10 years (see attached Excel table). In the long run, the creation of a sector could guarantee economies of scale on this type of project. |

View of the site

| Project sheet: Technopôle de la Mer - hosting of enterprises<br>Very Small Enterprise and SME Real Estate Assets | |
|---|---|
| District(s) | Ollioules, Toulon Provence Méditerranée Region |
| Project promoter | TPM Aménagement |
| Specific Project Site | Toulon Projet Grande Rade |
| Project Presentation | |
| General description (including scope, equipment programming and office surfaces, accommodation services and others) | The **nursery**, enterprise hotel and offices project is part of a large urban operation aimed at economic development: the "Technopôle de la Mer". The objective is to develop a centre for technological excellence based on **maritime safety-security, and on sustainable development of the sea and coastline through state-of-the-art marine and submarine technologies.** The *technopôle* is especially designed for the competitive and international sea development Mer PACA cluster.<br><br>The spaces and services offered at the future Technopôle de la Mer will be dedicated to hosting and developing innovative enterprises, labs and education centres revolving around five strategic domains: maritime safety and security, marine biological resources, marine power resources, environment and coastal landscaping, as well as naval and marine sports development.<br>The *technopôle* is divided into a "land base" in Ollioules and a "sea base" in La Seyne-sur-Mer, and is built around the following guidelines: Research and Development, education and support for the creation of enterprises.<br><br>Ollioules: 35 hectares for service industries and innovation, 210,000 m²<br>• Construction by DCNS of a 30,000 m² service industry complex. The construction work is expected to begin during the second quarter of 2013, and should last two (2) years. The DCNS group will move in in 2015. This represents 1300 employees, around 400 of which will be newly created jobs.<br>• Construction of a 3,000 m² office complex that will include an incubator-nursery, enterprise hotel, accommodation and showroom.<br>• Construction of several office complexes, research centres and production areas.<br>• Construction of a parking lot for common use.<br>• Construction of a hotel residence.<br>• Construction of an inter-company restaurant.<br>• Construction of a services complex near the different company headquarters.<br>• Construction of a crèche, kindergarten.<br>• Construction of research and education centres for Euromed Management<br>**Urban development operation**: 35 hectares to be purchased and developed<br>**The nursery:**<br>- surface area of about 1,600 m²<br>- rent about 15% lower than the current market average<br>- main tenant: Very Small Enterprise cluster that will guarantee direct management or management through an external service provider<br>- sub-tenants: enterprises that are in the creation phase<br>- Size of sub-lots: up to 20m² minimum<br><br>**Enterprise hotel:**<br>- surface area of about 1,600 m² ,<br>- market-level rentals, |

<table>
<tr><th colspan="6">Project sheet: Technopôle de la Mer - hosting of enterprises<br>Very Small Enterprise and SME Real Estate Assets</th></tr>
<tr><td></td><td colspan="5">- Services on demand depending on company needs.<br>Provider to be determined.<br><br>Unfurnished offices:<br>- 3,000 to 7,000 m² surface area within the next four (4) years depending on market dynamics, up to a maximum of 52,000 m² during phase 1.</td></tr>
<tr><td rowspan="2">Level of maturity of the project</td><td>Historical</td><td colspan="4">TPM Aménagement has been a concessionaire for the development of Technopôle de la Mer since August 2011.<br>TPM Aménagement carries out the work previously contracted by the Toulon Provence Méditerranée Region.</td></tr>
<tr><td>Level of maturity</td><td colspan="4">Level 3: project is mature but funding still needs to be found.<br>The project seems well secured, and the complete programme is geographically located.<br>TPM Aménagement is supported by the EPF as far as land holding is concerned (acquisitions made)</td></tr>
<tr><td>Project duration</td><td>Time for construction or completion of the project</td><td>Building permit, 2013<br>First structures put up, 2014<br>Construction time for nursery + enterprise hotel + 1st phase for unfurnished offices, 18 months</td><td>Delays estimated before the project starts generating income</td><td>Immediate for the nursery (Agglomération TPM tenant), progressive for the enterprise hotel and the offices</td></tr>
<tr><td>Participating parties</td><td colspan="5">Developer: TPM Aménagement<br>Real estate promoters: Altarea Cogedim / Icade<br>First investors: Immo retail, possible CDC (private funds) to be completed.<br>DCNS for its own 30,000 m² property. (ABCD promoter with Jacques Ferrier Architectures)</td></tr>
<tr><td colspan="6">Characteristics in terms of urban development</td></tr>
<tr><td>Location criteria</td><td colspan="5">The project will be built on the former site of the Ollioules flower market (35 hectare land base) located on the north-west periphery of Toulon. The technopôle also includes a marine base located in Brégaillon, in the district of La Seyne sur Mer.</td></tr>
<tr><td>Integration of the project with territorial strategic documents and urban planning documents (SCOT, PLU, … )</td><td colspan="5">Technopôle de la Mer is one of the ten (10) major operations of the “Toulon Grand Projet Rade”. It is integrated into the SCOT, which identifies the West cluster as one of the four (4) major development clusters in the Toulon region.<br>The land occupation plan for the Ollioules district has been revised and modified accordingly.</td></tr>
<tr><td>Feasibility of reproducing the project on the PACA region and present conditions</td><td colspan="5">Other technopôle and enterprise nursery projects in the PACA region: Cannes, Marseille, Nice, Avignon</td></tr>
<tr><td>Identified limitations on development</td><td colspan="5">High cost of land holding in PACA<br>Nursery eviction costs</td></tr>
</table>

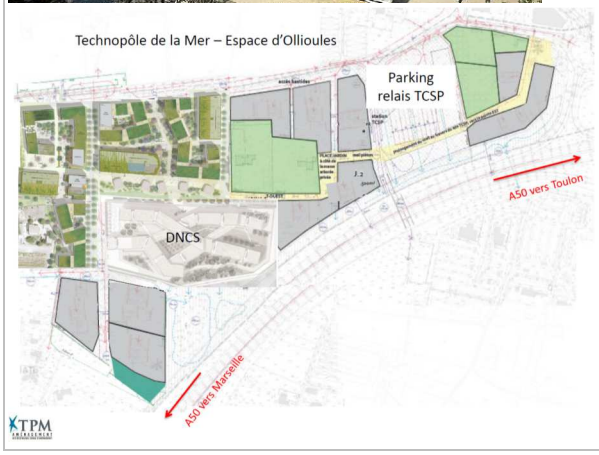
| Project sheet: Technopôle de la Mer - hosting of enterprises<br>Very Small Enterprise and SME Real Estate Assets | | | |
|---|---|---|---|
| | Context of economic crisis<br>Timidity of certain real estate operators<br>Significant funding needs | | |
| Expected non-financial factors | | | |
| In the urban context | The project is part of an urban development operation located in the West periphery of the region: urban functions will be developed here: accommodation, equipment, high-quality public spaces, transport systems, landscape areas, and flood prevention. The Technopôle will be served by a very high output digital loop designed for businesses. | | |
| Regarding the energy sector | Agreement aimed at power consumption moderation and study of a carbon solution with EDF<br>Mixed energy agreement with GDRF | | |
| From a social point of view | Mixture of Research and Development (R&D) / Education centre / Support for the creation of enterprises with the aim of building a real Technopôle + enterprise services + accommodation/hotel residence | | |
| From an economic point of view | The project should increase the economic attraction of Toulon, which is currently the most important economic centre of the Var region, by emphasizing local excellence in the above-mentioned sectors. The nursery, enterprise hotel and unfurnished offices project will offer optimal conditions for the development of *technopôle* activities, proposing a complete residential offer to the enterprise involved. In terms of employment, it is estimated that 5,000 to 6,000 new jobs will be created within the first ten (10) years. | | |
| **Eligibility under the European priorities set out in the Common Strategic Framework (2014-2020)** | | | |
| Guideline 8: Employment promotion and professional mobility support | One of the key actions of the ERDF concerns the "creation of enterprise nurseries".<br>The construction of enterprise hotels and offices does not respond directly to the eligibility criteria. However, these projects are coherent with the ERDF funds reserved to support investment in infrastructures, especially in order to help SMEs (Guideline 8). | | |
| Project financing | | | |
| Project income sources | For development: Sale of developed plots<br>For real estate: Sale of studios and rentals | | |
| Total initial investment | €650M, €57M of which corresponds to TPM Aménagement<br>Multiplier effect > 10 over the €650M nursery, enterprise hotel: €4M, first office after nursery €4 M, DCNS €60M | Annual maintenance cost | Not available |
| Output value | Not available | Annual revenues | Not available |
| Average net profit | Not available | Internal profitability | Internal profitability rate +/- 7% (real estate) |

| Project sheet: Technopôle de la Mer - hosting of enterprises<br>Very Small Enterprise and SME Real Estate Assets | | |
|---|---|---|
| Estimated financing (participation, debts, guarantees… ) (differentiate already validated funding) | Equity participation | |
| | Level of participation of the project promoter | Development: 100%<br>Real estate: 0% |
| | Level of participation of capital obtained from other financing institutions | Real estate: 100%<br>Medium and long term land holding for the following phases, if possible |
| | Type of investor sought | Debt financing (for development)<br>Short, medium, and long term investors (for real estate)<br>Research foundation with recognised public utility |
| | Debt (short term cash management, for development) | |
| | Sought amount for the debt | €12M |
| | Level of debt contribution by the project promoter: | 20% |
| | Minimum duration of the loan | 5 years |
| | Desired price level of the debt | 1.5% |
| | Guarantee | |
| | Type of guarantee sought | Debt guarantee |
| | Risks that should be controlled within the project | |
| | Guarantee beneficiary | Banking institutions |
| | Guarantee cost level | To be determined |
| Funding challenges identified for this project which justify resorting to alternative funding | Today the investment made by TPM Aménagement across the whole of the "Technopôle de la Mer" project amounts to **57 million euros**. The operation's deficit today is between **7 and 12 million euros**.<br>The Toulon market is not very attractive to private investors, and this causes serious financing difficulties.<br>The financing difficulties with regard to the nursery, but especially to the unfurnished offices (which are to host the companies that leave the nursery in order to build a residential route for enterprise creators with high added value) | |
| Quality of information provided | Dependable projections | |
| Perspectives for a financing instrument to create an urban development fund | | |
| Possible intervention of a FI | The market is not attractive enough for private investors; therefore there is a need for support aside from public investors in order to stimulate the | |

## Project sheet: Technopôle de la Mer - hosting of enterprises
### Very Small Enterprise and SME Real Estate Assets

| | |
|---|---|
| | Leverage Effect.<br>The FI can intervene by proposing either a co-investment in real estate, and/or through the development debt guarantee, and/or through the debt (for the development aspect). |

View of the site



## Mini project sheet: Technical platform – Agroparc in Avignon

**Very Small Enterprise and SME Real Estate Assets**

| Project promoter | Communauté d'Agglomération Grand Avignon - CITADIS |
|---|---|

### Project Presentation

The "Technical platform" project is part of the CREATIVA enterprise nursery project, currently under expansion. It aims at supporting the Very Small Enterprises (TPE) that wish to be able to count on spaces within the Agroparc site that are adapted to their growth, once they leave the "nursery" (especially the BET, "intelligent providers for the food processing industry"). The idea is to propose an intermediary rental programme for these enterprises. The project aims to:

- Foster economic development projects on the Agroparc,
- Conceive a high-quality architectural project and offer workspaces "keys in hand" to the different holders,
- Allow investors to make investments in property,
- Benefit the investors through the common services provided.

The proposed technical platforms will have to allow for the completion of the offer on Agroparc, which is currently marked by strong third sector developments that do not fulfil all the project promoter's expectations.

A medium surface real estate offer with shared, free-access spaces is ideal for enterprises that are in the transition and development phases since, for them, staying on the territory is essential.

ESI Funds Eligibility

- ***Guideline 8: Promoting employment***

The project must allow and support the creation of employment in the Avignon territory by offering young growing enterprises spaces adapted to their needs.

- ***Guideline 3: Reinforcing the competitiveness of SMEs***

The project is in line with the European objective of making *"interventions adapted to the needs of SMEs and to their different stages of development."*

Plans

- Total land surface: 7,384 m²
- Total built space: 3,330 m²
- 18.80 m² workspaces at ground floor level and 55 m² on the mezzanine, that is 135 m² of space with two private parking spaces
- 1 office building and common shared spaces on the ground floor: 900 m²
- 83 car parking spaces, 36 bicycle parking spaces

| Mini project sheet: Technical platform – Agroparc in Avignon<br>Very Small Enterprise and SME Real Estate Assets | |
|---|---|
| Economic model | |
| Financing | • **Operation setup**: creation of a SAS with the participation of the local CITADIS SEM and in association with the CDC, which intervenes with the debt. This real estate company is aimed at supporting other economic development projects: fragile projects located in areas that are not attractive enough for private investors and that face financing challenges. A positive energy building project on the Agroparc must be included in the programme structure.<br>• **Financing needs**: The European funds could intervene within the SAS through participation in order to support this type of project and to stimulate the Leverage Effect of the CDC. |
| Economic model | Revenues generated through space rental or through the sale of premises. Both models are currently being considered. |
| Identified financing challenges | Financing limitations require the intervention of a JESSICA-type FI, or the risks associated to the project will not allow access to the private market:<br>- Absence of private investors in the project (zones are not attractive enough for private investment outside large French urban areas)<br>JESSICA could intervene by acquiring a stake or through guarantees. |

| Project sheet: Diversification of agricultural activity - Community honey factory | | | | |
|---|---|---|---|---|
| District(s) | MPM west | | | |
| Project promoter | MPM | | | |
| Specific project framework | Nature and biodiversity | | | |
| Project Presentation | | | | |
| General description (including scope, equipment programming and office surfaces, accommodation services and others) | In the context of carrying out the urban area contract and its competencies in economic development and the development of community spaces, the Urban Community of Marseille Provence Métropole has undertaken a course of action specifically aimed at reaching a diagnosis which will allow the interested parties to clarify the situation of agricultural activities on its territory.<br>This course of action is also in line and concomitant with current discussions aimed at drafting a Territorial Coherence Scheme (PADD or Sustainable Development Project), which is now in its Orientation and Objectives Document phase (*DOO*).<br>In this context, apart from its economic dimension, agriculture contributes to an efficient management of natural spaces and landscapes, and is an integral part of the living environment. Today, it represents less than 3% of the territory and in this context; it has therefore been considered important to define the place and role that we want to attribute to agriculture.<br>Today, the operational deployment of this study, at the level of the three community sectors and their massifs, has now entered its active phase.<br>In fact, it comprises different projects at various levels that are compatible with the potentialities of our territory. It defines the necessary equipment and the evaluation of the investments, the aid sought by different communities and by our EPCI, the regulatory limitations, and the necessary contracts to be established between the site owners and the breeders.<br>Four of them have already been defined: (1) dairy goat breeding located on the Vallon de Valtrède in Châteauneuf-les-Martigues, (2) ovine meat breeding on the Romaron and Régouvi plains, in the d'Ensuès-la-Redonne and Carry-le-Rouet districts, (3) installation of an ovine meat breeding station on the South slope of the Mûre plateau in Marseille, and finally (4) installation of a honey factory in the Septèmes-les-vallon district.<br>These only concern the creation of jobs for the spring season.<br>If sylvopastoral experiences are developed with the different local communities within the *département*, these projects located on our territory will correspond to similar stakes related to natural space management, fire risk prevention, and economic activities such as AOC and AOP production of the "Brousse du Rove" type; this is the image of our territory that is valued. | | | | |
| Level of maturity of the project | Historical | 2010: date on which the development contract was drafted with the Regional Council, first document stating the financing principle for these projects | | |
| | Level of maturity | Level 3: mature, financing found for the 1st stage, financing still to be found for the 2nd stage<br>Subcontractors chosen: no subcontracting done a priori<br>Business plan in place: done for the 1st stage, still being developed for the 2nd stage<br>Geographically localized spatial planning: MPM West (geographic sector specified as agricultural area – deliberation relative to keeping a part of the MPM territory for agriculture and forestry)<br>Administrative permits obtained: in process<br>Land holding control: yes – territory belongs to MPM<br>Other: sponsorship linked to developers | | | |
| Duration of the project | Time estimated | 5 years starting | Delays estimated | From 2015 |

## Project sheet: Diversification of agricultural activity - Community honey factory

| | | | | |
|---|---|---|---|---|
| | for building the project | from 2010 | before the project starts generating income | onwards |
| Participating parties | Project management: MPM<br>Investors: regional council and others to be determined<br>Associates: regional council | | | |
| Characteristics in terms of accommodation | | | | |
| Location criteria | | | | |
| Project integration with the strategic territorial documents (OP) and the urban planning documents (SCOT, PLU, … ) | MPM: PADD relative to SCOT (Guideline 4 – Preserving agricultural and forest areas and to develop green spaces within the cities)<br>Regional council: SRADT (regional development plan) | | | |
| Feasibility of reproducing the project on the PACA region and present conditions | Multiple possibilities for reproduction in the PACA region (no concrete examples), but only in the MPM territory. | | | |
| Identified limitations on development | To be integrated within the agricultural territory | | | |
| Expected non-financial factors | | | | |
| In the urban context | Junction between urban and rural areas | | | |
| Regarding the energy sector | Depending on the activities (caprine, bovine, and honey factory), sustainable eco-production incentive that seeks to respect biodiversity and the environment (ecological building structure, use of bio products… ) | | | |
| From a social point of view | To preserve and encourage the disappearing agricultural activity in a very urbanized area | | | |
| From an economic point of view | Revenue to be consolidated through wholesale sales of products, retail sales directly to the consumers, and also through the development of farm tourism.<br>There is a job in each activity, and reinforcements will be made possible through an increase in revenue | | | |
| Other(s) | Transfer of skills to future generations for preservation of the activity | | | |
| Eligibility under the European priorities set out in the Common Strategic Framework (2014-2020) | | | | |
| Guideline 3: Improving the competitiveness of SMEs and the agricultural sector | €836,120 (1st stage) | | | |
| Total Eligibility | €836,120 + 2nd stage | | | |
| Project financing | | | | |
| Project income sources | Visits to site + in situ sales of produce | | | |
| Total initial investment | €836,120 (1st stage) | Annual maintenance cost | | |
| Output value | | Annual revenues | | |
| Average net profit | | Internal profitability | | |
| Estimated financing (participation, debts, guarantees… ) (differentiate already validated funding) | Equity participation | | | |
| | Level of participation of the project promoter | 80% | | |
| | Level of participation of capital obtained from | 2nd stage | | |

| Project sheet: Diversification of agricultural activity - Community honey factory | | |
|---|---|---|
| | other financing institutions | |
| | Type of investor sought | Loans or redeemable advances |
| | Debt | |
| | Sought amount for the debt | 2nd stage |
| | Level of contribution to the debt by the project promoter: | 80% maximum |
| | Minimum duration of the loan | In order to maintain a healthy balance in assets-liabilities (ALM), the duration will have to be adapted to the amortization of the investments made, and at the very least compassed according to the expected payback or recovery delay expected for the project. |
| | Desired price level of the debt | In relation to the rates normally established for this type of project, and, if possible, with reference to the 12-month Euribor (periodicity to be determined) |
| | Guarantee | |
| | Type of guarantee sought | |
| | Risks that should be controlled within the project | |
| | Guarantee beneficiary | |
| | Guarantee cost level | |
| Funding challenges identified for this project which justify resorting to alternative funding | Few investors, little funds available, economic model difficult to determine, absence of competitors and bank propositions for this segment (short-term loans: 5 to 7 years). | |
| Quality of information provided | Estimated projections – 1st stage consolidated | |
| Prospects for a financing instrument to create an urban development fund | | |
| Possible intervention of a FI | Interest perceived and intended mechanism: without the intervention of the FI, MPM cannot assure the preservation and transmission of this type of activity | |

## Project sheet: Agricultural redevelopment of the Lower Siagne Valley (Cannes)
**Peri-urban agriculture**

| | |
|---|---|
| Municipal area(s) | Cannes (the project could extend as far as these areas in the Siagne valley: Mandelieu, La Roquette, Auribeau, Pégomas) |
| Project sponsor | City of Cannes<br>Deputy Directorate-General for Intercommunality |
| Specific framework of the project | Integrated Regional Development Planning project |

### Presentation of the Project

| | | |
|---|---|---|
| General description (including perimeter, programming of facilities and office areas, housing services or other planned services) | The development project for the Lower Siagne Valley is an innovative and proactive project to develop natural spaces and redevelop agriculture in the region. The project is located on a part of the lower valley which has been abandoned, but does however still have a few functioning farms (market gardening, cultivation of flowers for perfume). The site has always been farmed. The "granaries" farmed by the monks of Lérins were abandoned in favour of urban expansion. The municipality has seen in this abandoned yet still preserved space, an opportunity for a project to develop agricultural land.<br>The objective is to encourage the cultivation of this area with 250 ha given over to agriculture (out of the 500 ha of land in the lower valley).<br>The Cannes area of the Lower Siagne Valley must accommodate:<br>- To the north: fertile land to be re-cultivated (48 ha given over to agriculture)<br>- To the south: a site to introduce the general public to cultural practices, and spaces for sport, recreation and relaxation.<br>- A landscaped area called "Promenade du Béal" running alongside the waterway for low impact transport.<br><br>**Programming includes:**<br>**Educational farm** created in the farm buildings for extracurricular activities, and also for professional events (seminars). There may also be a restaurant area. An examination of the existing farm buildings is in progress.<br>**Family gardens** (one hundred)<br>**20 ha given over to natural spaces** , especially in the wetlands<br>**2 ha for leisure and relaxation spaces:** open air games, treetop adventure park etc. The first zone will be open to the public by the end of 2013.<br>**5 ha for sports grounds** (football, horse riding, table tennis etc. ) without heavy equipment | |
| Level of maturity of the project | History | 2004: Registration with Local Urban Planning (PLU) for the sports field in the Lower Siagne Valley<br>2007: Purchase of land<br>2010: Definition of the concept and the potential of the site<br>2012: Launch of operational feasibility study and installation of the first farmers with lease agreements (leases of 6 years)<br>2013: Work starts on the family gardens and the recreation areas, including the installation of a treetop adventure trail<br>Proposed programming of at least 6 more years (including administrative procedures to relocate businesses on the site) |
| | Level of maturity | **Level 2**: intermediate development (programming and funding to be specified),<br>Economic model not fixed: the question of the site being managed by a private operator remains open. Several options will be considered: lease, Public Service Delegation (DSP), management by an association, mixed modes of management.<br>Business plan under consideration<br>Geographically localised spatial planning<br>Land ownership up to 60% |

| Project sheet: Agricultural redevelopment of the Lower Siagne Valley (Cannes)<br>Peri-urban agriculture | | | | |
|---|---|---|---|---|
| Time frame for the project | Time for construction or realisation of the project | Completion in 2020 (if there are no administrative hold ups!) | Estimated time before the project starts generating income | From this year onwards, the project is expected to generate revenue through the treetop adventure park |
| Project stakeholders | Project manager: City of Cannes, Private operator<br>Investors: the operator of the treetop adventure park is already known (EVOLUTION 2)<br>Partners: SAFER (Society of Land Development and Rural Settlement), EPF (Public Real Estate Office) | | | |
| Specifications in terms of development | | | | |
| Location criteria | The geographical sector affected by the project in the Cannes area, is located within the municipal boundary, to the west and crossed by the Béal, a channel from the Siagne River. It is bounded on the south by the A8 motorway, on the east by an urban strip (the neighbourhoods of Ranchito and Ranguin - run by the National Agency for Urban Regeneration (ANRU)) and the Abadie cemetery, on the west by the old Siagne river and the greenhouses servicing the green spaces of the city. | | | |
| Integration of the project with strategic regional documents and urban planning documents (Regional Development Plan, Local Urban Plan, etc.) | Project conforms with Regional Development Directives,<br>Project conforms with the Regional Development Plan and is integrated in the Local Urban Plan | | | |
| Reproducibility of the project throughout the whole of the PACA region and conditions of reproducibility | Reproducibility of the project in the municipal areas affected by the Siagne valley. The project is reproducible in itself but its asset remains its location in an urban area and on the coastal fringes.<br>Other projects for maintaining agricultural activity have been identified in the Marseilles region. This issue affects all the major urban areas on the Mediterranean coastline in the PACA region. | | | |
| Development constraints identified | Flood Risk Management Plan (mainly red zone) and Plan for Prevention of Predictable Natural Risks (PPR) for forest fires (blue zone)<br>Use of existing buildings only<br>The development must be planned in collaboration with the Inter-communal Syndicate of the Siagne River and its tributaries (SISA) and will be defined in the context of the Programme of Actions for Flood Prevention II (PAPI II). | | | |
| Potential non financial externalities | | | | |
| From an environmental point of view | The project must be involved in maintaining agricultural activity and preserving biodiversity in peri-urban environments, since it must allow for abandoned spaces to be cultivated. The City of Cannes will demand high-quality farming, which respects the environment and will favour integrated or organic farming. The project also seeks to protect the wetlands | | | |
| From a social point of view | The project will have an impact on the quality of life offered to the inhabitants by providing recreational spaces and areas for play and education. Family gardens will allow children and their families to eat healthily from the fruits of their labour. | | | |
| From an economic point of view | Agricultural jobs must be maintained, as well as local production with a view to developing short production circuits for agricultural and food products. Four farmers have already been able to set themselves up. | | | |
| Other(s) | | | | |
| Eligibility under the European priorities listed in the Common Strategic Framework (2014-2020) | | | | |
| Axis 3: Improve the competitiveness of SMEs and the | The project contributes to the action for | | | |

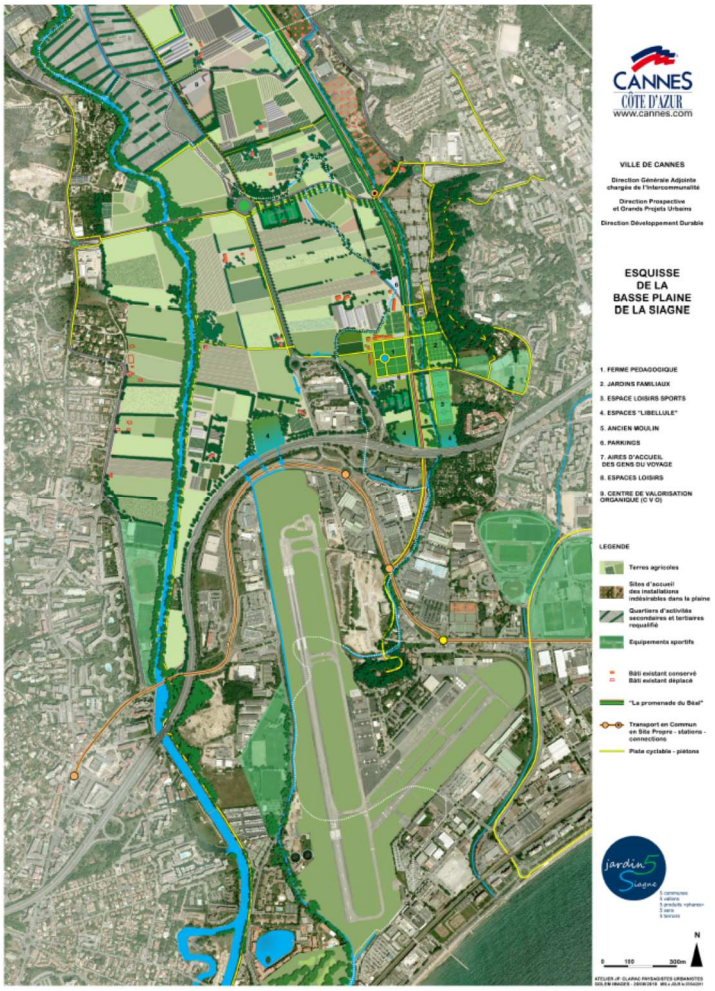
| Project sheet: Agricultural redevelopment of the Lower Siagne Valley (Cannes)<br>Peri-urban agriculture | |
|---|---|
| agricultural sector | "investments in necessary infrastructure for the development and adaptation of agriculture" |
| Axis 6: Protect the environment and promote the efficient use of resources | The project contributes to the protection of wetlands. It contributes to the action "investment in the diversification of local economies by the preservation and enhancement of cultural heritage and natural sites". |
| Comments: The overall project also adheres to axis 9 (Promotion of social inclusion and the fight against poverty) since it is planned to provide a kitchen garden for an integration association called "Parcours de femmes" (which supports women affected by cancer). In addition, the project for the educational farm could be viewed in the dynamic of supporting education. | |
| Financing for the project | |
| Sources of income for the project | Everything will depend on the economic model used. It will be a mix of public / private income with the exact share from each yet to be defined.<br>The income will focus particularly on paying leisure activities, restaurants and the rents paid by the farmers. |
| Initial total investment | Expenditure by the City of Cannes: 2.2 Million Euro already spent (purchase of land) +<br>800,000€ in 2013<br>(about 13 million in total) |

| | | | |
|---|---|---|---|
| Output value | Not available | Annual revenue | Not available |
| Average yield | Not available | Internal profitability | Not available |

| | |
|---|---|
| Planned financing (participation, debts, guarantees etc.) (differentiate from financing already in place) | Data not available at this time |
| Financing difficulties identified for this project that justify the use of alternative funding | The particular nature of the project requires additional funding, since the community alone cannot bear the entire cost of the project. |
| Quality of information provided | Estimated forecast. The project is at the development stage. |
| Prospects for a financing mechanism from an urban development fund | |
| Potential use of an FI (FI) | The positioning of certain private operators on the project makes it possible for a finance structure or a JESSICA type FI to be used. As the project is still in the development stage, different types of intervention from an FI are to be considered (debt or equity participation). |

## Project sheet: Agricultural redevelopment of the Lower Siagne Valley (Cannes)
**Peri-urban agriculture**

**Visuals of the site:** General plan of the site (outline 2010)



| Project sheet: Clos Fleuri<br>Social Facilities | | |
|---|---|---|
| Municipal area(s) | Marseille | |
| Project sponsor | Amétis/Association ANEF | |
| Specific framework of the project | Sale on Completion (VEFA) | |
| Presentation of the Project | | |
| General description (including perimeter, programming of equipment and office areas, housing services or other planned services) | Programme of construction and refurbishment<br><br>Housing:<br>- 200 Rented social housing units<br>- Rental housing for people in employment<br>- 100 Privately owned housing units<br>Social activities managed by ANEF (a social charity):<br>- A social children's home with approximately 33 places<br>- The services of the Integration Network (REPI): a centre for Accommodation and<br>Social Reintegration, Open Environment, provision for Accommodation and Welcome for<br>Families and Socio-educational Support related to Housing (ASELL)<br>- The service of Educational Assistance in an Open Environment<br>- The headquarters of ANEF<br>In total an operation of approximately 17,480 sq. m of Net Floor Area.<br><br>The project aims to:<br>1. keep on-site and increase the capacity of the "Saint Vincent-le Clos Fleuri Home" (social children's home or MECS) which currently has a capacity of 14 beds, and to develop services dedicated to the protection of children. "The Saint Vincent Home" (the social children's home currently on the site) is a mixed structure that houses children of 3 to 18 years with a capacity of 14 beds. Its purpose is to restore the material, social and psychological conditions, required by the children who are placed there so as to promote their return to a so called "standard" life (or return to their family). Thus the objective of the proposed programme is to significantly increase the capacity of the Saint Vincent - Le Clos Fleuri Home to 33 beds, to improve the quality of care for the children in terms of comfort in the place where they live within a dedicated structure (designed by a specialist educational team), and where appropriate to be able to accommodate siblings.<br>2. to support the current social children's home structure, as it evolves, incorporating special facilities for children and setting up premises housing "Educational Assistance in an Open Environment" (AEMO)<br>3. to provide social housing aimed at households falling within the Departmental Plan of Action for the Housing of the Most Disadvantaged Communities (PDALPD) with so called Shared Habitat accommodation. | |
| Level of maturity of the project | History | 01/07/2002, ANEF manages "Le Clos Fleuri " social children's home, located at 145 bis Bd Baille, 13005 Marseille.<br><br>In 2008, the Good Shepherd Sisters charity wanted to sell the property, and suggested that ANEF carry out a project |

| | | | | |
|---|---|---|---|---|
| | | to increase the value of the property, while keeping a place for ANEF and in particular, for the children's home.<br><br>ANEF then approached AMETIS to prepare a number of proposals to submit to the Good Shepherd Sisters charity.<br><br>This programme has been the subject of a wide ranging consultation between the main partners (ANEF, AMETIS and the Good Shepherd Sisters) but it was also presented to the relevant elected representatives and the administrative authorities. In addition, it has taken advice from a group of "experts" (24 March 2009), which highlighted the importance of there being a true social mix and an intergenerational aspect, which the project takes into account.<br><br>On 30 October 2010, the Mother Superior of the Good Shepherd Sisters gave her agreement to ANEF and to AMETIS "*in order to begin the steps necessary to carry out this project*". | | |
| | Level of maturity | Level 3: programming fixed but funding to be found | | |
| Time frame for the project | Time for construction or realisation of the project | 2.5 years from when the works start | Estimated time before the project starts generating income | Possible sales after obtaining the building permit<br>Possible rents after completion |
| Project stakeholders | Project manager: ANEF / AMETIS<br>Investors: Housing Associations<br>Partners: associated communities | | | |
| Specifications in terms of development | | | | |
| Location criteria | Integration of the operation around social amenities | | | |
| Integration of the project with strategic regional documents (Operational Programme) and urban planning documents (Regional Development Plan, Local Urban Plan, etc.) | The project complies with the regulations of the Local Urban Plan | | | |
| Reproducibility of the project throughout the whole of the PACA region and conditions of reproducibility | This type of project could see the day throughout the region's urban areas subject to the availability of land | | | |
| Development constraints identified | Need to organize the project around social amenities | | | |
| Potential non financial externalities | | | | |
| In the urban domain | Integration of a fully developed social offer supported by the need for housing in the city | | | |
| In the field of energy | Energy savings by assigning a Low Consumption Building label to the | | | |

| Project sheet: Clos Fleuri<br>Social Facilities | | | |
|---|---|---|---|
| | buildings | | |
| From a social point of view | Complementary social services are proposed in the immediate environment | | |
| From an economic point of view | With regards to the creation of a Young Workers Shelter (FJT), a micro crèche and a training restaurant, the Social Charity ANEF, should contribute to the creation of more than twenty jobs | | |
| Eligibility under the European priorities listed in the Common Strategic Framework (2014-2020) (leave only the objectives concerned and find out about the eligible amounts and % of total if known) | | | |
| Axis 9: Promotion of social inclusion and the fight against poverty | 50% | | |
| Financing of the project | | | |
| Sources of income for the project | | | |
| Initial total investment | 35 M€ | Annual cost of maintenance | |
| Output value | | Annual revenue | |
| Average yield | | Internal profitability | |
| Planned financing (participation, debts, guarantees etc.) (differentiate from financing already in place) | Equity participations | | |
| | Level of participation by the project sponsor | 3 M€ | |
| | Level of equity participation sought in other financing structures | | |
| | Type of investor sought | | |
| | Debt | | |
| | Amount of debt sought | Possible if the business plan for the operation is re-examined | |
| | Level of contribution to the debt by the project sponsor: | | |
| | Minimum duration of the loan | | |
| | Price level of the envisaged debt | | |
| Financing difficulties identified for this project that justify the use of alternative funding | The amount of expenditure, for the Social Charity ANEF, is limited to the purchase of the social children's home (MECS).<br><br>The social children's home is at the heart of this initiative for urban solidarity and innovative social habitats. However, with regard to the construction of a social children's home, there is no special financial assistance, so that if "Sud Habitat" (owner of the buildings with the exception of the children's home) was to purchase it, the rent that we would be charged would be well beyond the budgetary constraints of the association. | | |

| Project sheet: Clos Fleuri<br>Social Facilities | |
|---|---|
| | 3 M€ are required for the purchase of the children's home |
| Quality of information provided | Reliable forecasts |
| Prospects for a financing mechanism from an urban development fund | |
| Potential use of an FI (FI) | The Project manager Amétis will sell the project off plan once the financing is complete. Sales of housing will finance the loss making operations with regards to the welcome centre in the case of intervention from a fund |

Visuals of the site:

## Project Sheets on the segments of the market judged to be ineligible for the European Regional Development Fund

| Project sheet: Streamlining the management of household waste (Transfer Centre in Marseille) | | | | |
|---|---|---|---|---|
| Municipal area(s) | All the municipal areas within the Marseille Provence Metropolitan area | | | |
| Project sponsor | Marseille Provence Métropole (MPM) | | | |
| Specific framework of the project | Waste, Environment | | | |
| Presentation of the Project | | | | |
| General description (including perimeter, programming of equipment and office areas, housing services or other planned services) | As the treatment sites for household waste are relatively distant from the places of collection, transfer operations are essential.<br>Two transfer centres are planned including one which already exists, the Northern Transfer Centre (CTN).<br>The Northern Transfer Centre is located on avenue des Aygalades, 13015 Marseille. It is currently the subject of two lease agreements with the SNCF, which come to term on 31 July 2015. This Transfer Centre currently allows for the transfer of 220,000 tonnes of waste per year, sent by railway to the Waste Treatment Centre (CTD) in Fos-sur-Mer, and its central location in the area compared to the collection routes is a major issue.<br>MPM will therefore acquire this site from SNCF, carry out works to separate the SNCF/Private rail networks, and make environmental improvements, including an area for cleaning the road sweeping machines, a maintenance area for the chambers and a water drainage system.<br>The cost of these investments is estimated at 10 M€ excluding tax.<br>The Southern Transfer Centre<br>Project cost evaluated between 80 and 140 M€<br>The investment programme concerning the Transfer Centre for waste in the "South" includes:<br>- a platform, a waste handling centre, a washing area, a dedicated fuel station , workshops, garages, premises for collection,<br>- a railway link integrating works of art,<br>- and an interchange hub with the tram including car parks and offices.<br>Planned completion in 2014-2015<br>Lifetime of the actual investments: a priori 30 years | | | |
| Level of maturity of the project | History | 2010 for the Northern TC and 2014 for the Southern | | |
| | Level of maturity | Level 3 for the Northern TC<br>Level 2 for the Southern TC<br>Subcontractors selected: no sub-contracting initially<br>Business plan put in place: prepared for the Northern TC, in preparation for Southern TC<br>Geographically localised spatial planning: Marseille 15th district for the Northern TC, not defined for the Southern TC<br>Administrative permissions obtained: acquired for Northern TC, in progress for Southern TC<br>Land ownership: yes - MPM region<br>Other: private operator linked to operators | | | |
| Time frame for the project | Time for construction or realisation of the project | 5 years minimum from the start of each project | Estimated time before the project starts generating income | 3 years minimum after starting operations |
| Other elements regarding | Lifetime of investments made = a priori 30 years, therefore profitability of the | | | |

| Project sheet: Streamlining the management of household waste (Transfer Centre in Marseille) | | | |
|---|---|---|---|
| the time frame of project | investment for a duration greater than 20 years | | |
| Project stakeholders | Project manager: Marseille Provence Métropole (MPM)<br>Investors: Regional Council and others to be determined<br>Partners: State, Regional Council, Departmental Council, Municipal areas | | |
| Specifications in terms of development | | | |
| Location criteria | | | |
| Integration of the project with strategic regional documents (Operational Programme) and urban planning documents (Regional Development Plan, Local Urban Plan, etc.) | Marseille Provence Métropole (MPM): Regional Development Plan and Local Urban Plan<br>Regional Council: Regional Development Plan (SRAT) | | |
| Reproducibility of the project throughout the whole of the PACA region and conditions of reproducibility | No reproducibility at the level of the PACA region, as the Marseille area is the most dense in PACA, the problem is less pressing elsewhere | | |
| Development constraints identified | Respond to the needs and volumes to be treated whilst integrating it into the environment | | |
| Potential non financial externalities | | | |
| In the urban domain | Link between urban and rural | | |
| In the field of energy | As the project concerns the sorting of household waste before either recycling, storage or destruction, many environmental constraints apply. | | |
| From a social point of view | Impact on the quality of life and the health of fellow citizens | | |
| From an economic point of view | Significantly improve the sorting process thus shortening the time needed for total waste treatment<br>Reduce transport time very significantly | | |
| Other(s) | Creation of jobs | | |
| Eligibility under the European priorities listed in the Common Strategic Framework (2014-2020) | | | |
| Axis 6: Protect the environment and promote the efficient use of resources | Investments in waste management (120,000,000 €) | | |
| Eligible Total | Between 90 M€ and 150 M€ | | |
| Financing of the project | | | |
| Sources of income for the project | | | |
| Initial total investment | 10 M€ on the Northern TC | Annual cost of maintenance | |
| Output value | | Annual revenue | |
| Average yield | | Internal profitability | |
| Planned financing (participation, debts, guarantees etc.) (differentiate from financing already in place) | Equity participations | | |
| | Level of participation by the project sponsor | 20% | |
| | Level of equity participation sought in other financing structures | 80% | |

| Project sheet: Streamlining the management of household waste (Transfer Centre in Marseille) | | |
|---|---|---|
| | Type of investor sought | Loans, repayable advances or investment funds |
| | Debt | |
| | Amount of debt sought | 88 M€ |
| | Level of contribution to the debt by the project sponsor: | 22 M€ |
| | Minimum duration of the loan | 20 years minimum in accordance with the lifetime of the investment: asset liability matching between assets (investment) and liabilities (debt) and therefore ideally 30 years duration for the investment concerned |
| | Price level of the envisaged debt | 12 months Euribor rate or equivalent |
| | Guarantee | |
| | Type of guarantee sought | |
| | Risks to be limited in the project | |
| | Recipient of the guarantee | |
| | Level of the cost of the guarantee | |
| Financing difficulties identified for this project that justify the use of alternative funding | Lack of investors and available funds, non-defined economic model difficult to determine, lack of competition and banking proposals on these maturities | |
| Quality of information provided | Estimated forecasts. | |
| Prospects for a financing mechanism from an urban development fund | | |
| Potential use of an FI (FI) | Interest received and proposed mechanism: without the intervention of an FI, MPM alone cannot ensure the creation and operation of this type of activity | |

## Project sheet: Streamlining the management of household waste (Transfer Centre in Marseille)

Visuals of the site:

## Project sheet: Creation of a new cruise jetty in the port of Toulon
**Port Development**

| | | |
|---|---|---|
| Municipal area(s) | Toulon | |
| Project sponsor | Syndicat Mixte Ports Toulon Provence | |
| Specific framework of the project | Port of Toulon Masterplan | |
| Port of Toulon Masterplan, which is based on 5 axes of development:<br>1. Links with ferries to Corsica and Mediterranean countries<br>2. Transport of RO-RO freight (motorway of the sea) with piggyback transport in particular<br>3. Cruises<br>4. Maritime Technology Park using the existing naval base<br>5. Hosting and maintaining the large marina | | |
| General description (including perimeter, programming of equipment and office areas, housing services or other planned services) | In order to respond to the growing demand for cruises in the Mediterranean, the Joint Syndicate intends to build a **new jetty** on the site of the Toulon Côte d'Azur port. The 400 meter long structure will be a vector of development for tourism and economic sustainability in one of the region's urban areas. It will be able to accommodate larger cruise ships than at present.<br><br>This operation is one of the most important in the Toulon Grand Harbour Project in terms of economic benefits for the municipal area, the city and also for the region. Dredging work will also be carried out in order to create a draught of 11 meters, which is necessary for the larger ships.<br><br>At the same time as creating the cruise jetty, a 3,000 sq. m **shared use building** will be built. This building will house the **port services** such as the harbour master's office, piloting and mooring services as well the Port Authority services.<br><br>Finally, the work to refurbish the basins will be managed by the Var Chamber of Commerce and Industry. | |
| Level of maturity of the project | History | • The operation is part of the Port of Toulon Masterplan and studies which were co-financed by the State under the National Fund for Regional Development were completed in November 2011.<br>• The project for the new quay for cruise ships was agreed in 2011 by the pilots, the French Navy, the Var Chamber of Commerce and Industry and the harbour master.<br>• The project was approved by the National Nautical Commission in 2012.<br>• Additional studies for the cruise jetty (surveys, assistance to the project manager, technical control / coordination of safety and health protection) are scheduled for the first half of 2013.<br>• Once the regulatory procedures are completed (2014), the works will begin. |
| | Level of maturity | **Level 3**: Mature but the financing plan has not yet been fixed<br>In the interest of the interface between the City and the Port being managed by the local authorities fully public funding of the operation was favoured.<br>Following the refusal of the PACA Region to participate, the operation has not been integrated in the PACA Region - CA Toulon Provence Mediterranean development contract |

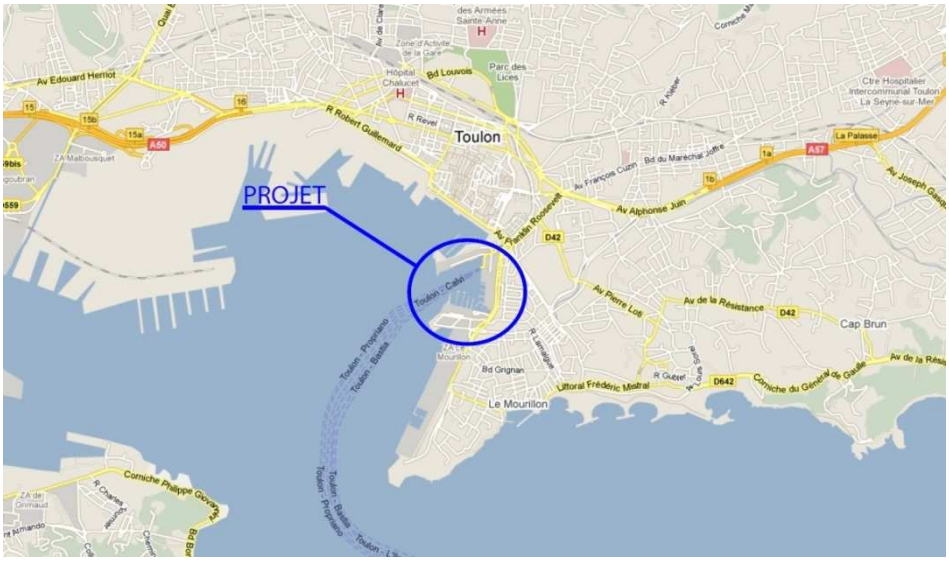
| Project sheet: Creation of a new cruise jetty in the port of Toulon<br>Port Development | | | | |
|---|---|---|---|---|
| | | for 2013-2016. In view of the current economic context, a new financing plan is under consideration and waiting to be validated by the political authorities. | | |
| Time frame for the project | Time for construction or realisation of the project | 18 months | Estimated time before the project starts generating income | 18 months |
| Project stakeholders | • Project manager: Syndicat Mixte Ports Toulon Provence<br>• A steering committee and a technical committee will be set up with a view to preparing a comprehensive development project: Toulon Municipality, Toulon Provence Méditerranée Community of Urban Areas, Var Departmental Council and the Var Chamber of Commerce and Industry (2013/2014).<br>• In partnership with the French Navy and the State. | | | |
| Specifications in terms of development | | | | |
| Location criteria | No specific criteria to report | | | |
| Integration of the project with strategic regional documents (Operational Programme) and urban planning documents (Regional Development Plan, Local Urban Plan, etc.) | • Taken into account in the guidelines for development and in a project constraint (P4) in the Local Urban Plan approved in July 2012 in conformity with the Regional Development Plan<br>• Incorporation of the project by modification of the Local Urban Plan at the end of 2014 | | | |
| Reproducibility of the project throughout the whole of the PACA region and conditions of reproducibility | Projects for port development are identified for other Mediterranean ports. | | | |
| Development | No particular constraints identified | | | |
| Potential non financial externalities | | | | |
| In the urban domain | Renewal of urban areas around Toulon harbour<br>City-Port Links | | | |
| In the field of energy | Reduction in the consumption of $CO^2$ resulting from clustering the key players on the same site (shared use building) | | | |
| From a social point of view | Creation of jobs on a regional scale. | | | |
| From an economic point of view | Increasing the capacity of the port infrastructure to boost the economic fabric of urban areas and the region as a whole. | | | |
| Eligibility under the European priorities listed in the Common Strategic Framework (2014-2020) | | | | |
| Axis 7: Promote sustainable transport and remove bottlenecks in key transport networks | The project is not directly eligible.<br>It could potentially come under axis 7 of the ESI Funds which specifies "With regard to maritime transport, ports should be developed as efficient points of entry and exit, by ensuring total integration with the land based infrastructure. Priority should be given to projects concerning access to ports and links with the hinterland". | | | |

## Project sheet: Creation of a new cruise jetty in the port of Toulon
**Port Development**

| Financing of the project | | | |
|---|---|---|---|
| Sources of income for the project | Two financing plans are envisaged for **the cruise jetty:**<br>• Financing plan involving the use of public funds and borrowing: State (30%), Regional Council (20%), Departmental Council (15%), Metropolitan Community (15%), borrowing (20 %)<br>• Financing plan does not provide for assistance from the State and the Region but incorporates increased participation from the founding communities and an option for higher borrowing.<br><br>The **shared use building**, with an estimated cost of 7.5 million Euro excluding tax, will be financed by a loan and the annuities will be reimbursed through rental income. | | |
| Initial total investment | 30,000,000 € excluding tax for the cruise jetty<br>7,500,000 € excluding tax for the shared use building | Annual cost of maintenance | |
| Output value | | Annual revenue<br><br>Initial Income<br><br>Annual revenue | **Cruise jetty:**<br>480,000 € per year (60 stopovers at 8 000 € per stay)<br><br>5 customary guarantees over 20 years at 2,000,000 €<br><br>**Shared use building :**<br>Low case scenario: Rents: 360,000 € per year (1,800 sq. m at 200 € per sq. m excluding tax)<br>High case scenario: Rents: 440,000 € per year (2,000 sq. m at 220 € per sq. m excluding tax)<br>+ for each of the scenarios 150,000 € per year excluding tax tied to savings on the current rent paid by the Joint Syndicate |
| Average yield | | Internal profitability | |
| Planned financing (participation, debts, guarantees etc.) (differentiate from financing already in place) | **Equity participations** | | |
| | Level of participation by the project sponsor | Cruise Jetty: 18,000,000 €<br>Shared use building: 7,500,000 €<br>**25,500,000 € in total** | |
| | Level of equity participation sought in other financing structures | Cruise jetty: **12,000,000 €** (2,000,000 € per year and per community for 3 years) | |

| Project sheet: Creation of a new cruise jetty in the port of Toulon<br>Port Development | | |
|---|---|---|
| | Type of investor sought | Public investor: founding communities (Toulon Provence Méditerranée Metropolitan Community and Var Departmental Council) |
| | **Debt** | |
| | Amount of debt sought | 8,000,000 € excluding tax for the cruise jetty<br>7,500,000 € excluding tax for the shared use building<br>**15,500,000 € excluding tax in total** |
| | Level of contribution to the debt by the project sponsor: | **15,500,000 € excluding tax** |
| | Minimum duration of the loan | 30 years for the cruise jetty<br>20 years for the shared use building |
| | Price level of the envisaged debt | 3% |
| Financing difficulties identified for this project that justify the use of alternative funding | The financing plan originally considered which provided for the use of public aid is compromised because of the refusal of the PACA Region to participate and the limited investment capacity of the other public partners in view of the current economic climate.<br>**Higher borrowing** is therefore necessary. Taking into account the amount of the envisaged loan, the **price of the debt** will be a decisive element in the viability of the project. | |
| Quality of information provided | Consolidated forecast | |
| Prospects for a financing mechanism from an urban development fund | | |
| Potential use of an FI (FI) | An FI could be used in the form of debt (subsidised loan) | |

Visuals of the site:



## Mini Project sheet: Deepening and dredging the port of St Elme
**La Seyne-sur-Mer**

| | |
|---|---|
| Project sponsor | Syndicat Mixte Ports Toulon Provence |

### Presentation of the Project

Creation of a clearing channel in order to restore the current patterns in the port and dredging.
These two inseparable actions will ensure that the port can be operated correctly again. The problems caused by the current silting in the port will cause a significant loss of revenue.

### Economic Model

| | |
|---|---|
| Planned financing | Total Cost: 3,180,000 €<br><br><u>Financiers:</u><br>State: 954,000 €<br>Regional Council: 636,000 €<br>City of La Seyne: 795,000 €<br>Borrowing: 795,000 € |
| Financing difficulties identified | Obtaining public funding via grants is not guaranteed in view of the current economic climate.<br>The funding constraints therefore require the intervention of a public financier. The economic model for operating the port makes it possible for a JESSICA type FI to be used. |

## Mini Project sheet: Strengthening the breakwater and the pier of the port of Ayguade-du-Levant

| | |
|---|---|
| Project sponsor | Syndicat Mixte Ports Toulon Provence |

### Presentation of the Project

The objective of the project is to make the port safe by removing a wreck, constructing a dike and constructing a tenon.
These works will enable the transport authorities to ensure regional continuity in safe conditions.
From an economic point of view, they will allow the quay to be developed for RO-RO shipping.

### Economic Model

| | |
|---|---|
| Planned financing | 2,500,000 €<br><br>State: 750,000 €<br>Region: 500,000 €<br>Town of Hyères: 500,000 €<br>Borrowing: 750,000 € (annuities reimbursed by the founding communities) |
| Financing difficulties identified | Obtaining public funding via grants is not guaranteed in view of the current economic climate.<br>The funding constraints therefore require the intervention of a public financier. The economic model for operating the port makes it possible for a JESSICA type FI to be used. |

| Project sheet: Metropolitan Centre - Axis of Toulon Train Stations<br>Rehabilitation of brownfield sites for tertiary economic activity | |
|---|---|
| Municipal area(s) | Toulon, Toulon Provence Méditerranée Metropolitan Area |
| Project sponsor | TPM Development |
| Specific framework of the project | Toulon Major Harbour Project |
| Presentation of the Project | |
| General description (including perimeter, programming of equipment and office areas, housing services or other planned services) | The project is to develop, along the axis of the train stations in Toulon, an area of economic and urban development in the heart of the Toulon Provence Méditerranée Metropolitan Area, near the transport hub which is shared with the Var department.<br><br>Within the axis of train stations the economic Metropolitan Centre totals approximately **116,000 sq. m of offices and services** on sectors currently **on brownfield sites** at La Loubière and the station serving the Nice to Toulon line. Other developments, for other major destinations, would be carried out on the sites at Chalucet, Montéty, Descours and Cabaud. The axis of train stations extends over an area of approximately **42 hectares** located on either side of the network of railway tracks, in the immediate vicinity of the Interchange Hub. At its centre the axis of train stations is adjacent to the city centre but also to the east of the University development adjoining the port which is itself the site of ambitious projects. These projects are designed to reinforce each other.<br>Three sub-sectors are more advanced than the others and work should begin during the period 2014-2020: the Cour de Nice site (railway brownfield site), the Montety site (urban brownfield site) and possibly the Chalucet site (hospital brownfield site)<br><br>**The objectives of the metropolitan centre axis of train stations**<br><br>• Create a new sustainable neighbourhood in place of industrial, railway and hospital brownfield sites,<br>• Allow public and private businesses, regional headquarters and management and training institutes to set up in the centre of the TPM metropolitan area in the heart of decision making spaces: NATO Base, civil and maritime Prefectures, regional management of the PACA Region, headquarters of the Department of the Var and the Toulon Provence Méditerranée Metropolitan Area, the Town Hall of Toulon, headquarters of the University of Toulon, the Var Chamber of Commerce and Industry are close to many private establishments specializing in the areas of marine security and safety in particular,<br>• Offer businesses the option of choosing Toulon when they make strategic decisions about location or reorganisation,<br><br>**The axis of train stations projects**<br><br>Several projects are already in the implementation phase while others are in preparation:<br><br>1. SNCF and the City of Toulon in partnership with the PACA Region, the Var Department, the Toulon Provence Méditerranée Metropolitan Area and the French Rail Network are sponsoring the second modernisation phase of the Multimodal Interchange Hub,<br>2. Vinci Immobilier are developing the 1st tranche in the metropolitan |

| | |
|---|---|
| | centre with the construction of 8,400 sq. m of offices and services. The building permit is pending.<br>3. The Toulon Provence Méditerranée Metropolitan Area is examining the technical and financial conditions for the realisation of a second tranche of offices and services on the site called Cour de Nice. This second tranche would house approximately 25,000 sq. m of offices, training centres and services for businesses and the population,<br>4. The City of Toulon is acquiring the dilapidated buildings in Montéty "on a continuous basis" with the aim of contributing to the urban renewal on the axis of train stations<br>5. PACA real estate office has acquired on behalf of the City of Toulon the site of Chalucet which is now a brownfield hospital site (since the delivery of the new Sainte Musse hospital) and is preparing for its facilities, accommodation and services to be reused,<br>6. Descours and Cabaud, is a sector dedicated to facilities and housing,<br>7. The Toulon Provence Méditerranée Metropolitan Area has started to look for an operator to renovate the Town Hall and convert it into a hotel and retail space. |

| | | | | |
|---|---|---|---|---|
| Level of maturity of the project | History | | | |
| | Level of maturity | **Level 3** for the **Cour de Nice** sector: project is mature but funding still needs to be found<br>The project seems well put together and all of the programming is geographically located.<br>TPM Development, the TPM Metropolitan Area, the City of Toulon and SNCF who owns the land are in favour of changing the site in accordance with the agreed principles<br>**Level 2** for the other sub-sectors: project to be agreed but there is a need for land transfer and/or financing of short-term debt (cost of land transfer, cost of preparatory works: demolition, possible remediation works, additional studies) | | |
| Time frame for the project | Time for construction or realisation of the project | Cour de Nice: from 2015 | Estimated time before the project starts generating income | 2015, first land sales or property charges |
| Project stakeholders | Project management is ensured by TPM Development for the development section<br>The project managers for the real estate section will be selected by consultation in 2014. | | | |

Specifications in terms of development

| | |
|---|---|
| Location criteria | The railway brownfield site at Cour de Nice in Toulon, the urban brownfield site at Montety and the hospital brownfield site at Chalucet are all located in the immediate vicinity of the Multimodal Interchange Hub (PEM) at Toulon central train station. This will be the first transport interchange in the Var department (4 million train passengers - 2 million from the Regional Express Trains and 2 million from the TGV which connects to Paris in 3hrs 45, 85% of the lines on the regional bus network, 90% of the lines on the city bus network, access to the boat bus network in the metropolitan area). The Marseille to Nice motorway and its exits for the city centre pass underground 300m away and connect the site to the 2 international airports at Nice and |

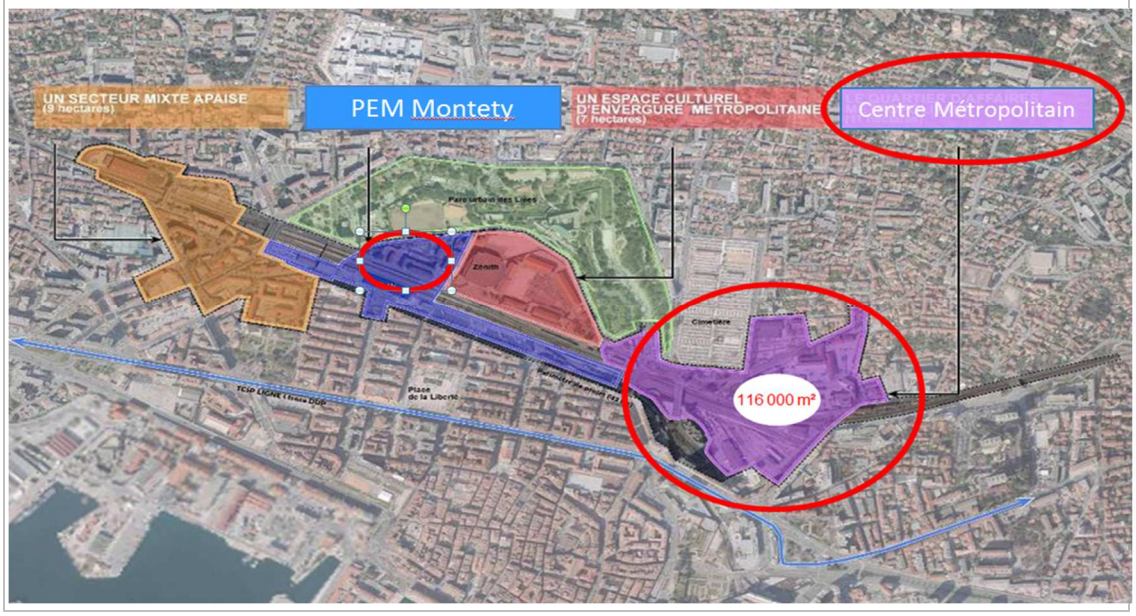
| Project sheet: Metropolitan Centre - Axis of Toulon Train Stations<br>Rehabilitation of brownfield sites for tertiary economic activity | | | |
|---|---|---|---|
| | Marseilles and the 2 national airports of Toulon Hyères and Le Castellet which are both of 30 minutes away. These brownfield sites are adjacent to the city centre and its historical centre and are 600m away from the Mediterranean (Port of Toulon) which constitutes an exceptional location for real estate (offices, accommodation, facilities etc.). | | |
| Integration of the project with strategic regional documents and urban planning documents (Regional Development Plan (SCOT), Local Urban Plan (PLU), etc.) | The project for the Maritime Technology Park is one of the 10 major operations of the "Toulon Major Harbour Project". It is integrated in the Regional Development Plan that identifies the central area of Toulon as one of 4 major areas for development in the Toulon metropolitan area. The Local Urban Plan for the Toulon region has been revised and amended accordingly. | | |
| Reproducibility of the project throughout the whole of the PACA region and conditions of reproducibility | Development near to the Marseille Saint Charles central railway station. | | |
| Development constraints identified | There are constraints related to interventions in the city centre during the works phase. | | |
| Potential non financial externalities | | | |
| In the urban domain | The project is an urban development operation in the heart of the Toulon Provence Méditerranée Metropolitan Area which includes developing urban facilities: offices, housing, facilities, high quality public spaces. | | |
| In the field of energy | Energy saving agreement and research into low carbon solutions with EDF | | |
| From a social point of view | Diverse functions linked to the location in the city centre<br>Joint study between the State, the TPM Metropolitan Area and the City of Toulon for the consolidation of certain State services within the Cour de Nice (different missions in progress with some completed) | | |
| From an economic point of view | The project must stimulate the economic attractiveness of Toulon, the TPM Metropolitan Area and the Var and capitalise on strengthening management facilities: head offices for public and private companies. It will help to create a dynamic employment sector. | | |
| Eligibility under the European priorities listed in the Common Strategic Framework (2014-2020) | | | |
| *The project does not directly conform to the eligibility criteria of the ESI Funds. However it is involved in the renewal of brownfield spaces and must stimulate local economic activity. It therefore complies with Objective 2: improve the competitiveness of SMEs and the agricultural sector and with Objective 8: promote social inclusion and the fight against poverty.* | | | |
| Funding for the project (Cour de Nice sub-sector in Toulon) | | | |
| Sources of income for the project | For the development: Sale of developed land<br>For real estate: Sale and/or rental of flats | | |
| Initial total investment | 100 M€ including 10M€ investment by TPM Development | Annual cost of maintenance | |
| Output value | | Annual revenue | |
| Average yield | | Internal profitability | Internal rate of return +/- 7% (real estate) |

| Project sheet: Metropolitan Centre - Axis of Toulon Train Stations<br>Rehabilitation of brownfield sites for tertiary economic activity | | |
|---|---|---|
| Planned financing (participation, debts, guarantees etc.) (differentiate from financing already in place) | Equity participations | |
| | Level of participation by the project sponsor | Development: 50%<br>Real estate: 0% |
| | Level of equity participation sought in other financing structures | Development: 50%<br>Real estate: 100%<br>Mid and long term real estate for the following phases if possible |
| | Type of investor sought | Land transfer and/or financing of real estate debt and development<br>Short, medium and long term investor for real estate |
| | Debt (short-term cash, for the development) | |
| | Amount of debt sought | 5 M€ + 1M€ (Montety) |
| | Level of contribution to the debt by the project sponsor: | 5M€ |
| | Minimum duration of the loan | 5 Years |
| | Price level of the envisaged debt | 1.5% |
| | Guarantee | |
| | Type of guarantee sought | Loan guarantee |
| | Risks to be limited in the project | |
| | Recipient of the guarantee | Banking organisations |
| | Cost of the guarantee | To be determined |
| Financing difficulties identified for this project that justify the use of alternative funding | Today public investment for the Metropolitan Centre Axis of train stations would be between 0 and 4M € according to the constructibility review and would represent the deficit of the operation. The review will be confirmed in late 2013 based on the assignments currently in progress.<br>The financing difficulties are linked<br>- to the launch of an innovative real estate project for the Toulon Metropolitan Area and the city of Toulon<br>- to the Toulon market's lack of attractiveness for private investors, which generates real financing difficulties | |
| Quality of information provided | Reliable forecasts for the Cour de Nice (and Montety) | |
| Prospects for a financing mechanism from an urban development fund | | |
| Potential intervention of an FI (FI) | The market is insufficiently attractive to private investors, therefore there is a need for support from public investors to stimulate the Leverage Effect.<br>A FI may be used by proposing either co-investment for the real estate and/or through the loan warranty for the development, and/or from the financing of the debt (for the development) | |

## Project sheet: Metropolitan Centre - Axis of Toulon Train Stations

**Rehabilitation of brownfield sites for tertiary economic activity**

Visuals of the site:




AREA OF DIVERSE SETTLEMENT (6 hectares)

Montety Multimodal Interchange Hub

LARGE SCALE METROPOLITAN CULTURAL SPACE (7 hectares)

Metropolitan Centre

| Project sheet: Bastide Rouge Business Incubator<br>Business Centre | |
|---|---|
| Municipal area(s) | City of Cannes |
| Project sponsor | City of Cannes |
| Presentation of the Project | |
| General description (including perimeter, programming of equipment and office areas, housing services or other planned services) | The City of Cannes has decided to initiate an ambitious policy of economic development, whose dynamic is based on the growth of existing businesses, the creation of new businesses and the relocation of businesses from outside the area.<br><br>To this end, the Municipal Council has approved for a Technology Park to be created in the Cannes-Roubine neighbourhood, with an area of 32 hectares, based on digital imaging, the creative economy and aerospace technology.<br><br>The spearhead of this Technology Park will be the multiple use complex called **"BASTIDE ROUGE"**, the digital imaging business incubator.<br><br>In effect, **the BASTIDE ROUGE project,** which is a high priority for the community, is the expression of several ambitions: economic, social, cultural and urban.<br><br>**From an economic point of view,** the City of Cannes hopes to diversify its activity which is currently recognised as business tourism and the construction of satellites with Thales Alénia Space. In synergy with the satellite image specialist, the ambition of Bastide Rouge is to create the first seeds of a "cluster" in the digital domain, grouping together firms from the same sector in order to marry the skills of designers, researchers and artists.<br>**From a social point of view**, with its geographical location, the Bastide Rouge project will boost a very working class neighbourhood in Cannes by creating permanent activity there.<br>It will also allow for the commercial area to the west of Cannes to be upgraded, while making the neighbourhood more attractive.<br>From a cultural point of view, thanks to La Bastide Rouge, the city of the International Film Festival would have a multiplex built to the latest technical standards in terms of 3D projection and sound.<br>**From an urban perspective** finally, the western entrance to the city would be totally redesigned and qualitatively improved. Beyond the aesthetic aspect, this operation will regenerate polluted land (a former gas plant) which is therefore unsuitable for the construction of housing.<br>**BASTIDE ROUGE** is conceived as a place for living where, with the same quality, people can learn, work, shop and be entertained.<br>This project is therefore a real anti-crisis project to ensure the future prosperity not only of Cannes, but of the whole economic basin in the Cannes region.<br><br>It includes, on an area of four hectares:<br>• a university campus designed in partnership with Nice Sophia Antipolis University;<br>• office premises;<br>• shops and services;<br>• places of entertainment such as a cinema multiplex and restaurants;<br>• the Business Incubator and its places dedicated to innovation.<br><br>The aim of the Business Incubator is to become a place to welcome, support, meet, innovate and collaborate, in order to facilitate the creation of wealth and values in the Cannes region. |

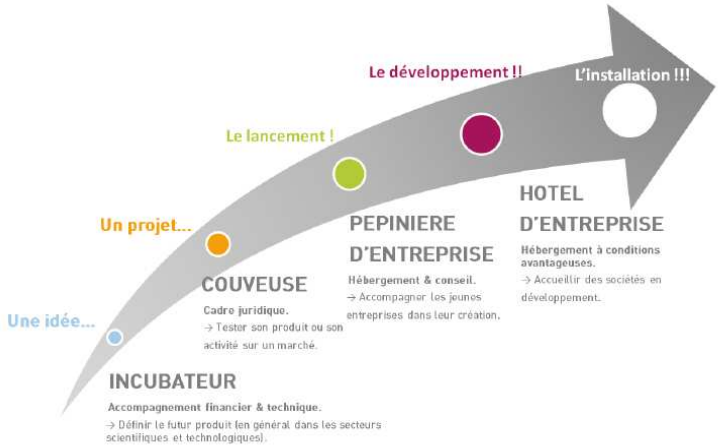
It involves facilitating the exchange and therefore the cross-fertilisation between the members of the incubator, project sponsors, students, citizens, local entrepreneurs and investors.

Its main objectives are to assist and strengthen the chances of success for the project sponsors and for the businesses established there, from their creation until their insertion into the local economic fabric, by providing cost sharing benefits such as accommodation, services, advice and support.

To do this, the community has decided to use the Third Place concept (a place for living and working) by clustering together all the components necessary to create or develop businesses: the infrastructures for nurturing are essential for local development; they create new wealth, they are involved in the creation of new businesses and contribute to professional and social integration.

They allow for a genuine offer to be promoted and therefore a real capacity for nurturing businesses.

The notion of speed must also be taken into account. When a project sponsor is brought on board, they can quickly be accommodated by one of the tools below.




All of these solutions are limited in time, in the long term, a specific real estate offer will be proposed to businesses (such as ECOCENTRE supported by the CDC, CISCO, REGUS, ORANGE).

This offer specifically for project sponsors will be complemented by shops, a top of the range cinema multiplex, a university campus, places dedicated to innovation and aimed at citizens (University, consular chambers, private partners, etc.).

There are multiple issues at stake:

- Diversification of activities in Cannes
- Increased employment in a working class neighbourhood
- Urban renewal in the west of the community
- Development of a "cluster" in the fields of digital technology and the creative and cultural economy
- Giving people a taste for enterprise
- Cross-fertilisation between students, residents and entrepreneurs (a place to live and work)
- Position Cannes as a key player in the fields of innovation, digital technology and

| | | | | | |
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| | the creative economy<br>- Developing partnerships<br>- Finding financing<br>- Uptake of investors<br>- Integration of public transport to specific sites (TCSP) which is efficient, quick and accessible and establish a High Frequency Bus service (BHNS) | | | | |
| Level of maturity of the project | History | Initially assigned to Compagnie de Phalsbourg via a construction lease, signed in 2008, the Bastide Rouge programme has undergone several administrative appeals which were all completed in 2011 and have all failed, which ultimately validates the project proposed by the municipality and its developer.<br><br>These unavoidable delays related to legal procedures have delayed commitment to the operation. While all the legal obstacles were finally lifted in 2011, the international financial crisis destabilised the financial balance of the operation, in particular due to the very significant increase in interest rates for borrowing and the increasing scarcity of liquidity.<br><br>Compagnie de Phalsbourg was therefore no longer in a position to ensure the development that had been initially planned. The City of Cannes wished to continue with the Bastide Rouge project and took it over in June 2012. | | | |
| | Level of maturity | Level 3: mature but funding to be found<br><br>Finalised ground plan<br><br>Business plan under consideration<br><br>Property ownership (belongs to the community)<br><br>Administrative authorisations obtained or being sought | | | |
| Time frame for the project | Time for construction or realisation of the project | 3 years | Estimated time before the project starts generating income | 3 years | |
| Project stakeholders | Project manager: City of Cannes<br><br>Potential Investors: City of Cannes - Departmental Council -Regional Council - Europe - private investors<br><br>Potential partners: The French Institute for Research in Computer Science and Automation (INRIA), Chambers of Commerce and Industry (CCI), PACA Est business incubator, Creactive06 business hothouse | | | | |
| Specifications in terms of development | | | | | |
| Location criteria | The project is situated to the west of Cannes, in the heart of the district of La Bocca:<br>♦ 10 minutes from the Cannes Palais des Festivals and the city centre<br>♦ Facing the 2nd largest private airport in France,<br>♦ 2 minutes from the A8 motorway,<br>♦ 5 minutes from the SNCF train station at La Bocca,<br>♦ 20 minutes from Nice airport (2nd largest in France),<br>♦ 20 minutes from Sophia Antipolis,<br>♦ Close to Thalès Alenia Space<br>♦ Integrated into the High Frequency Bus service (BHNS) project<br>♦ Offering a car park with 1,000 places | | | | |
| Integration of the project with strategic regional | The Bastide Rouge project is a priority for the community.<br>In order to translate this project into the Local Urban Plan, the City of Cannes has decided to | | | | |

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| documents (Operational Programme) and urban planning documents (Regional Development Plan (SCOT), Local Urban Plan (PLU), etc.) | create a UKbr specific sub-sector, aimed at the realisation of the Technology Park which will allow for all its components to be integrated. |
| Reproducibility of the project throughout the whole of the PACA region and conditions of reproducibility | Many regions are faced with needs in terms of corporate real estate. |
| Expected non financial externalities | |
| In the urban domain | From an urban perspective, the western entrance to the city is totally redesigned and qualitatively improved. Beyond the aesthetic aspect, this operation will regenerate polluted land (a former gas plant) which is therefore unsuitable for the construction of housing. |
| In the field of energy | The buildings will be built or renovated respecting High Environmental Quality standards:<br>✓ Integration in the environment<br>✓ Energy Management<br>✓ Waste Management<br>✓ Maintenance Management<br>✓ Hygrothermal Comfort<br>✓ Visual Comfort<br>✓ Sanitary quality of the spaces |
| From a social point of view | From a social point of view, because of its geographical location, the Bastide Rouge project will boost a very working class neighbourhood in Cannes by creating permanent activities with the Cinema multiplex, the Laboratory of Digital Imaging and the theatre. |
| From an economic point of view | From an economic point of view, the City of Cannes hopes to diversify its activity which is currently recognised as business tourism and the construction of satellites with Thales Alénia Space.<br><br>In synergy with the satellite image specialist, the aim of Bastide Rouge is to create the first seeds of a "cluster" in the digital domain, grouping together firms from the same sector in order to marry the skills of designers, researchers and artists. |

Eligibility under the European priorities listed in the Common Strategic Framework (2014-2020) (leave only the objectives concerned and find out about the eligible amounts and % of total if known)

| | |
|---|---|
| 1. Strengthen research, technological development and innovation | 40 |
| 2. Improve accessibility to information and communication technologies (ICT) their use and quality | 20 |
| 3. Improve the competitiveness of SMEs and the agricultural sector | 10 |
| 4. Support the transition to an economy with low $CO_2$ consumption | 0 |
| 5. Promote adaptation to climate change and risk prevention and management | / |
| 6. Protect the environment and promote the efficient use of resources | / |
| 7. Promote sustainable transport and remove bottlenecks in key transport networks | 10 |
| 8. Promote employment and support for professional mobility | 20 |
| 9. Promote social inclusion and the fight against poverty | / |
| 10. Investment in life long education, skills and training | / |

<table>
<tr><td colspan="3">11. Strengthen institutional capacity and the efficiency of public administration</td><td>/</td></tr>
<tr><td colspan="4">Financing of the project</td></tr>
<tr><td>Sources of income for the project</td><td colspan="3">Rents from offices and places of innovation<br>Local entertainment</td></tr>
<tr><td>Initial total investment</td><td>36,725 M€ excluding tax (construction)<br>5,5 M€ excluding tax (facilities = 15% construction)</td><td>Annual cost of maintenance</td><td>3 M€ excluding tax (8% construction)</td></tr>
<tr><td>Output value</td><td></td><td>Annual revenue</td><td>800,000 € excluding tax</td></tr>
<tr><td>Average yield</td><td></td><td>Internal profitability</td><td></td></tr>
<tr><td rowspan="4">Planned financing (participation, debts, guarantees etc.) (differentiate from financing already in place)</td><td colspan="3">Equity participations</td></tr>
<tr><td>Level of participation by the project sponsor</td><td colspan="2">60%</td></tr>
<tr><td>Level of equity participation sought in other financing structures</td><td colspan="2">40%</td></tr>
<tr><td>Type of investor sought</td><td colspan="2">Construction: real estate developers and investors<br>Facilities in the buildings: public and private investors / partners</td></tr>
<tr><td>Financing difficulties identified for this project that justify the use of alternative funding</td><td colspan="3">Initially, the project was financed exclusively by a private operator. The various appeals have lead to delays. The negotiations that followed have not resulted in an agreement being reached between the private operator and the community.<br>The Bastide Rouge project has therefore been staggered over several years. It was taken over by the community in the midst of an economic crisis, less than a year ago, and potential partners or those who were identified at the start of the project need to be reassured.<br>The use of a FI would allow the community to propose a legal and financial package to these sponsors as well as a mode of controlled management.</td></tr>
<tr><td>Quality of information provided</td><td colspan="3">Estimated construction figures based on costs per sq. m from the relevant department of the City, the project leader of the operation.</td></tr>
<tr><td colspan="4">Prospects for a financing mechanism from an urban development fund</td></tr>
<tr><td>Potential intervention of an FI (FI)</td><td colspan="3">The attraction of Bastide Rouge will be linked to the high profile that the digital imaging Technology Park must have at the level of research and development.<br><br>This comprehensive offer allows us to respond to the definition of innovation by the OECD which goes well beyond research and development: far from being limited to research laboratories, the field of innovation encompasses the whole spectrum of users, suppliers and consumers - be it in public administrations, businesses or non-profit organisations - and it transcends the borders between countries, sectors and institutions.<br><br>The Innovation Strategy will therefore hinge around five priorities for action which together may constitute the basis of a strategic approach to the promotion of innovation:<br><br>• Equip individuals with the capability to innovate<br>• Release innovation in businesses<br>• Create knowledge and put it into practice<br>• Rely on innovation to meet global and social challenges</td></tr>
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| | • Improve the governance of policies in favour of innovation<br><br>Adapt, this is the key challenge and the challenge that must be faced by a region wishing to develop a fertile environment for its economic development: the culture of working together and mobilising collective intelligence are the watchwords.<br><br>In this context, the City of Cannes has approached several different potential partners:<br><br>- The French Institute for Research in Computer Science and Automation (which develops eco-systems for digital imaging and develops specific industries)<br>- PACA EST Business Incubator (to complete the offer with local support)<br>- Creactive06 business hothouse<br>- The Pégase innovation cluster (development of regional aerospace projects + works with European Space Agency Business Incubation Centre)<br>- Innovation Networks (RETIS (The French Network for Innovation) and EBAN (European Business Angel Network),etc.)<br>- Search for public funding (State-Region Plan Contract, Regional Council, Departmental Council, State, French Public Investment Bank etc.)<br>- Search for investors (Association of Business Angels, Investors' Club, crowdfunding,etc.)<br>- An association of private enterprises (Thalès Alenia Space, EON Reality, CISCO/REGUS/ORANGE/NEXITY consortium ,etc.)<br>- The Chamber of Commerce and Industry (audiovisual industries)<br>- The Ministry for Industrial Recovery (qualifies as a Local Digital Neighbourhood)<br>- The University<br>- Regional Centres for Innovation and Social and Economic Development / Competitive Clusters<br><br>By setting up a management and animation structure this partnership could be translated into a public/private collaboration dedicated to economic development and innovation, in the form of a Local Public Enterprise for example, in which the different public bodies would be represented (State, Region, Department, etc. ).<br><br>This structure could be developed with the Micro and Nanotechnologies Innovation Campus (MINATEC) in Grenoble, the reference point for innovation in France. The region would thus have a powerful, responsive and agile tool capable of unhooking European funding which is complementary to the Sophia Antipolis offer in particular. This would lead to the powerful tools necessary for the emergence of innovative enterprises in the fields of digital imaging and aerospace being available in the region. |

Visuals of the site:

Mapping

Site plan

| Project sheet: Voûtes de la Major - Rehabilitation of urban brownfield sites | | | | | |
|---|---|---|---|---|---|
| Municipal area(s) | Marseille | | | | |
| Project sponsor | Caisse d'Epargne | | | | |
| Presentation of the Project | | | | | |
| General description (including perimeter, programming of equipment and office areas, housing services or other planned services) | In the context of urban regeneration of the northern coastline, incorporating, in particular, the realisation of the MUCEM museum, the City of Marseille has initiated an operation **to restructure and renovate the old shops** located at the base of Sainte Marie Cathedral.<br>The City of Marseille has given an administrative emphyteutic lease with a duration of 50 years for the purpose of: **commercial activity with restaurants and bars**.<br>The operation depends on the acquisition of all the securities of La Cathédrale Sainte Marie la Majeure Limited as well as on a Property Development Contract:<br>• Surface area: 7,356 sq. m usable area and 10,449 sq. m gross floor area<br>• Classification in a tourist area with Sunday opening.<br><u>The concept</u><br>Voutes de la Major is a commercial offer grouping together restaurant / bar/ café activities and shopping focussing on creation, art and design thus targeting cruise passengers and local residents thanks to its 24hr opening and local target brands.<br>There will be 22 divisible spaces in total. | | | | |
| Level of maturity of the project | History | In March 2013: 6 spaces were marketed, that is 2614 sq. m GFA. Delivery must take place in late 2013, for activity to start in the first quarter of 2014. | | | |
| | Level of maturity | **Level 4**: mature project. A first financing round has already been carried out which included La Caisse d'Epargne and a consortium of local private investors.<br>The works have already started. | | | |
| Time frame for the project | Time for construction or realisation of the project | Delivery at the end of 2013 | Estimated time before the project starts generating income | Rents collected in 2014 (1st quarter) | |
| Project stakeholders | La Caisse d'Epargne is committed to a level of 63%, alongside private regional investors - Midi Foncière (30%), and local private investors - Majoritem (6%) | | | | |
| Specifications in terms of development | | | | | |
| Location criteria | The project is located in an **urban revitalization zone** near the perimeter of the Euro Méditerranée Operation of National Interest. The project benefits from being near to cultural centres of great importance to Marseille: within a radius of 500 m, there is the Cathedral, the Hôtel Dieu, the Vieille Charité, and also the MUCEM and the Villa Méditerranée. The project is located in an area with great tourist potential, which is still marked by precariousness. The location criteria involve two elements to be taken into consideration:<br>• It is a **project of general interest** which is part of an integrated urban project intended to improve the quality of life in a fragile region,<br>• Its realisation involves a **high risk factor** based on the fact that the | | | | |

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| | current characteristics of the region do not allow us to predict with certainty the chances of the project succeeding, |
| Integration of the project with strategic regional documents and urban planning documents (Regional Development Plan (SCOT), Local Urban Plan (PLU), etc.) | The project responds to the overall ambition of the authorities to increase the attractiveness of Marseille, its quality of life, and its tourist quota by engaging in a broad programme of urban renewal in the grand centre of Marseille: Euro-méditerranéen, Prado-Michelet -Capelettee, Old Port etc.<br>It is in keeping with several strategic orientations of Urban Planning in Marseille (Axis 2)<br>- Reclassification of the role of industry and commerce and development of the relationship between the city and the port<br>- Strengthen commercial attractiveness, promote functional diversity in the old town |
| Reproducibility of the project throughout the whole of the PACA region and conditions of reproducibility | Many projects for the rehabilitation of brownfield sites are in progress in Marseille, and in other cities of the PACA region.<br>It is interesting to consider that La Caisse d'Epargne has a policy of intervening on this type of project, and that Jessica could be used to support the action of La Caisse d'Epargne to stimulate the Leverage Effect. |
| Development constraints identified | The specific nature of these old port side workshops which are being redeveloped involves multiple planning constraints: concrete tanks to be cleared from brownfield sites, construction of a mezzanine, etc. |
| Expected non financial externalities | |
| In the urban domain | Urban renewal of a brownfield site in a port area , functional diversity of places, improvement of the living environment and promotion of historic buildings (Cathedral). |
| From a social point of view | Fight against the precariousness of some urban regions |
| From an economic point of view | Development of employment in a fragile area |
| Eligibility under the European priorities listed in the Common Strategic Framework (2014-2020) | |
| The project does not directly meet the eligibility criteria of the ERDF, since it is a commercial operation. However it could comply with Axis 9: Promotion of social inclusion and the fight against poverty which refers to "*the physical and economic revitalisation of deprived urban and rural communities*". If this type of project was reproduced in sensitive urban neighbourhoods, it would be eligible. | |
| **Financing of the project** | |
| Sources of income for the project | Revenues from rental |

| | | | |
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| Total initial investment | CPI amount: € 22.9 million | Annual maintenance cost | 272K |
| Output value | € 31M (estimated sale price) | Annual revenues | € 2.6 million (base rent on delivery) |

| Project sheet: Voûtes de la Major - Rehabilitation of urban brownfield sites | | | |
|---|---|---|---|
| Average yield | 9.00% | Internal profitability | 11.13% |
| Proposed funding (shareholding, debts, guaranties...) (differentiate already approved funding) | **Capital Equity** | | |
| | Project developer's holding | 70% of the capital held by the Caisse d'Epargne | |
| | Level of interest in the share capital sought from other financing structures | To be defined around the current 9M | |
| | Type of investor sought | Real estate. Public or private. Compatible with the conditions already in place. | |
| | **Debt** | | |
| | Amount of debt sought | € 17.15M already identified | |
| | Debt contribution level from the project developer: | 100% | |
| | Minimum loan term | In fine 8 years | |
| | Price level of proposed debt | 3.6% fixed + 4% VAT bridge loan + 0.6% arrangement fee | |
| | **Guaranty** | | |
| | Type of guaranty sought | Mortgage (€ 2,330 / m²)<br>+ Autonomous first-call guaranty on CPI | |
| | Risks to be limited in the project | Rental income to sustain | |
| | Beneficiary of the guaranty | Bank | |
| | Level of guaranty costs | Mortgage included in the price of debt<br>1% autonomous first-call guaranty on implementation | |
| Financing difficulties identified for this project which justify the use of an alternative fund | This project, which forms part of an integrated development project (new shopping and tourist area for Marseille), has been initiated by the public authorities. No private operators, however, have been able to position themselves on the project given the risks and constraints of the project:<br>- Risks of marketing future premises on urban recovery land (former wasteland). The location of the project in an urban renewal area offers uncertain guarantees as to its success.<br>- Technical requirements for the redevelopment of the former harbour workshops, which involve additional operational costs (removal of concrete vats, working round mezzanines...)<br>- Risks linked to the duration of the emphyteutic lease limited to 50 years.<br>The Caisse d'Epargne has therefore come to support a public interest development and make up for the lack of private investors, in order to boost market dynamics in an undeveloped area. | | |
| Quality of information | Consolidated forecast (draft currently being marketed) | | |

## Project sheet: Voûtes de la Major - Rehabilitation of urban brownfield sites

### Prospects for a funding mechanism through urban development funds

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| Potential intervention of an FI | Intervention by an additional investor should make it possible to launch the project, despite the low rate of pre-marketing due to the uncertain development of the project in a neglected area.<br>The advantage here of JESSICA is twofold:<br>• to allow this type of high-impact project to be developed in a specific urban context,<br>• to support the Caisse d'Epargne by investing alongside in order to encourage such operations. |

### Picture of the site

Project location

| Project sheet: Stud'Air<br>Student residences | | | | |
|---|---|---|---|---|
| Municipality/municipalities | Tallard | | | |
| Project developer | Société Stud'Air | | | |
| Specific framework of the project | Establishment of the Polyaéro campus | | | |
| **Presentation of the Project** | | | | |
| General description (including scope, scheduling of equipment and office space, housing or other services to be provided) | Construction and operation of a student residence within the larger project of creating on the aerodrome the "POLYAERO" campus, designed for training students for careers in aviation.<br><br>945 sq.m. or 40 units (5 buildings with 8 studio apartments each) | | | |
| Maturity level of project | Background | Call for project from the Regional Council of the Hautes-Alpes département in July 2012.<br>Authorisation to submit planning permission on 06/12/2012 | | |
| | Maturity level | Level 3: planning approved, planning permission filed.<br>Application for planning permission filed on 26/12/2012 and financing to be specified<br>Feasibility study conducted<br>Choice of subcontractors in progress<br>The project could be developed within one to two years | | |
| Project timeframe | Time to build or complete the project | 2 years | Estimated time before the project generates revenue | 1 year after the first new academic year (estimated 2015-2016) |
| Project stakeholders | Project ownership: Stud'Air<br>Investors: to be defined. Private governance in synergy with the University of Aix-Marseille | | | |
| **Specifications in terms of development** | | | | |
| Location criteria | Projects located in low demand areas | | | |
| Integration of project to local strategy documents (OP) and planning documents (SCOT, PLU, ...) | The project forms part of the municipal PLU | | | |
| Replicability of the project throughout the PACA region and replicability conditions | The project is described as isolated by the project leader, but it would seem that similar needs are apparent throughout the area | | | |
| Development constraints identified | No particular issues identified | | | |
| **Non-financial externalities anticipated** | | | | |
| In the sphere of urban planning | Offer of student housing consolidated when offered together with training, architectural harmony with the neighbouring school | | | |
| In the sphere of energy | Placing solar panels on the residence<br>Students' movements limited on a site located 300 m from the training centre | | | |

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| | Estimated consumption calculated at 65kWhPE/m² and less than that imposed by the energy regulation for buildings, RT2012, in the designated area.<br>Solar heating representing 60 to 70% of requirements | | |
| From a social point of view | Creation of approximately 3,000 m² of green areas<br>Potential housing for about 450 students on campus | | |
| From an economic point of view | Sandwich courses possible with the economic operators of the Gap-Tallard aerodrome and aeropole.<br>Development of local economic activity | | |
| **Eligibility under the EU priorities set out in the Common Strategic Framework (2014-2020)** | | | |
| 12. Promoting employment and supporting professional mobility | 50% | | |
| Eligible Total | Not specified but estimated at € 600K | | |
| **Financing of the project** | | | |
| Sources of income for the project | | | |
| Total initial investment | € 1.5 million | Annual maintenance cost | € 72K |
| Output value | Nil as construction on State land (AOT 30 years) | Annual revenues | Rents paid by students (€ 120,000) |
| Average yield | | Internal profitability | |
| Proposed funding (shareholding, debts, guaranties...) (differentiate already approved funding) | Capital Equity | | |
| | Project developer's holding | € 300K | |
| | Level of interest in the share capital sought from other financing structures | | |
| | Type of investor sought | | |
| | Debt | | |
| | Amount of debt sought | € 1.2 million | |
| | Debt contribution level from the project developer: | | |
| | Minimum loan term | | |
| | Price level of proposed debt | | |
| | Guaranty | | |
| | Type of guaranty sought | | |
| | Risks to be limited in the project | | |
| | Beneficiary of the guaranty | | |
| | Level of guaranty costs | | |

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| Financing difficulties identified for this project which justify the use of an alternative fund | € 1.2 million remaining to be financed over a period of 30 years to reach monthly rents that are compatible with the financial capacities of students.<br>Difficulty of finding funding over a period of 30 years with a mortgage guaranty without ownership of the land.<br>An outside investor has not yet been approached. |
| Quality of information | Reliable forecasts |

**Prospects for a funding mechanism through urban development funds**

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| Potential FI intervention | Intervention in the form of loans to afford the initial investment and repayments over a longer period. |

**Picture of the site**

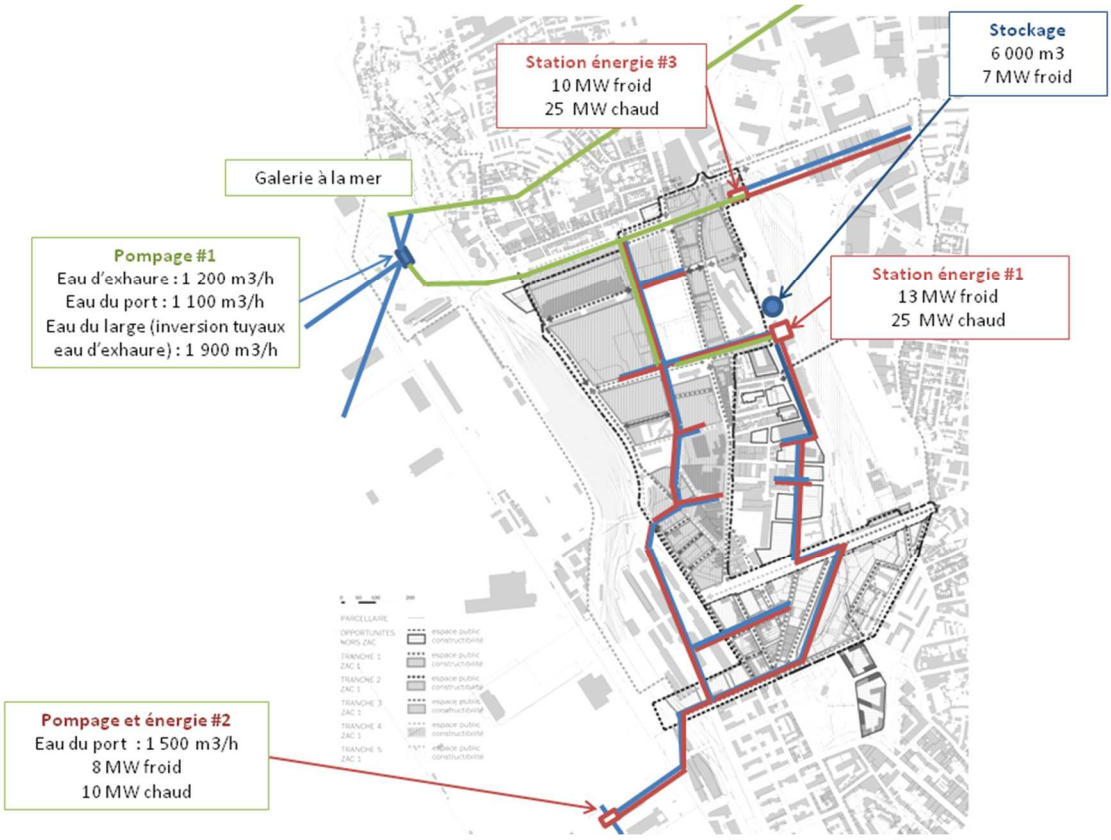
# Annex 3: Case study - Seawater heating

## Seawater heating

### Presentation of the Project and its impact

The Euroméditerranée programme, born from an initiative of the state and local authorities in 1995 is a national interest operation which aims to make Marseille one of the major European cities. New infrastructures, public spaces, offices, housing and cultural facilities are under construction or being restored, involving new energy requirements to be met, particularly in the area of the docs of Marseille and its surroundings. The expansion of Euroméditerranée is one of the urban projects meeting the EcoCité strategy.

The seawater circuit project, launched in 2009 by Euroméditerranée in its study of energy strategy was thus integrated into the EcoCité initiative, and constitutes one of the structural projects selected for future investments. It was taken up in 2011 by the City of Marseille, as able to organise the execution and management of the project under its local government responsibilities.




Power station #3
10 MW cold
25 MW hot

Storage
6,000 $m^3$
7 MW cold

*"Galerie à la mer"*
Gallery in the sea

Pumping station #1
Mine water: 1,200 $m^3$/h
Harbour water: 1,100 $m^3$/h
Sea water (mine water pipe reversal): 1,900 $m^3$/h

Power station #1
13 MW cold
25 MW hot

Pumping and power station #2
8 MW cold
10 MW hot

The energy circuit project envisaged by the Euroméditerranée EAP provides a system of hot and cold air, produced using a circuit of warm water coming from water pumped out of the old mines (waters from the "gallery in the sea") and seawater. The network is intended to serve new buildings included in the "Phase 1" development project", which itself includes the "ZAC 1":

The network is designed a priori to be operated by a public service agent. The main operational risk for the agent is linked to the pace of completion of the buildings to be connected.

In fact, the volume of business for the district heating network agent is directly dependent on the areas that he can potentially connect to the district hot & cold facilities. However, the agent does not have control over the completion schedule of the buildings. It therefore appears difficult to ask him to fully bear this risk.

In 2011-2012, together with BG, Finance Consult and Aklea, Euroméditerranée conducted some financial and legal feasibility studies that are now completed. These studies have confirmed the findings of preliminary energy strategy studies for expansion conducted by SETEC, namely that the economic and environmental benefits of this project, if conducted on a large scale, are undeniable. But even with this new insight, it remains a complex project, financially burdensome to recoup and exposed to uncertainties: urban programming schedule, rate of setting up the connections for subscribers and the spatial distribution, energy costs in the medium and long term, etc..

Like the energy strategy of December 2010, the seawater circuit is a network of temperate freshwater. The water will be used to exchange calories or frigories with seawater. A first station will enable the exchange of thermal energy between the primary network linked to the sea, and the secondary network delivering energy.

Substations primarily equipped with thermorefrigerating pumps convert the energy contained in the secondary network into energy that can be used by the terminal equipment in the buildings. One substation serves one area, consisting of dwellings, offices and facilities (programmatic mix) and makes energy transfer possible.

The temperature of the circuit is suitable for a direct free-cooling type of cooling in offices.

One of the advantages of the seawater circuit is having "abundant" power demand, in other words, the energy production equipment will have a power demand curve structure so it functions at top efficiency; maximum power demand not occurring for example at the same time between offices and homes.

On the one hand, the seawater circuit enables a reduction of energy consumption by making energy transfers between buildings and by pooling equipment, and on the other hand, provides energy from a renewable source (the sea), apart from the electricity consumed by the pumps and thermorefrigerating pumps.

### Market interest and positioning in the Grey Area

The seawater heating project is one of the cornerstones of the EcoCité initiatives appraised in 2010 by the EPAEM. The ZAC served by the seawater circuit will include numerous buildings that meet low energy consumption standards. In addition to the clear economic advantage of ensuring the area's heating/cooling supply at a controlled cost, the seawater circuit will help to reduce the carbon footprint of the buildings by 20%.

This project requires an initial investment that is financially burdensome to recoup in view of the need to install the primary network before being able to generate heat and cold (area substations can be installed gradually as connections are made). Although profitable once a sufficient number of buildings are connected to the network, the project is vulnerable to programmatic uncertainties. The high risk associated with this uncertainty puts the project in the Grey Area.

### Potential eligibility

This project is potentially eligible under the EU priorities set out in the Common Strategic Framework (2014 - 2020) for Thematic objective 4: Supporting the shift towards a low carbon economy. In fact, by reducing the carbon footprint of the buildings connected, the deployment of energy positive buildings in the area will be facilitated.

In the sphere of urban planning, the scheme comes under the operational scope of the OIN and more generally covers a wider urban environment. It should benefit 30,000 residents and create 20,000 jobs in the future OIN expansion district. It is also part of an integrated development project and should contribute to the deployment of energy positive buildings. It could also serve neighbouring districts (Docks Libres, Arnavaux...)

In the sphere of renewable energy, the scheme will enable:

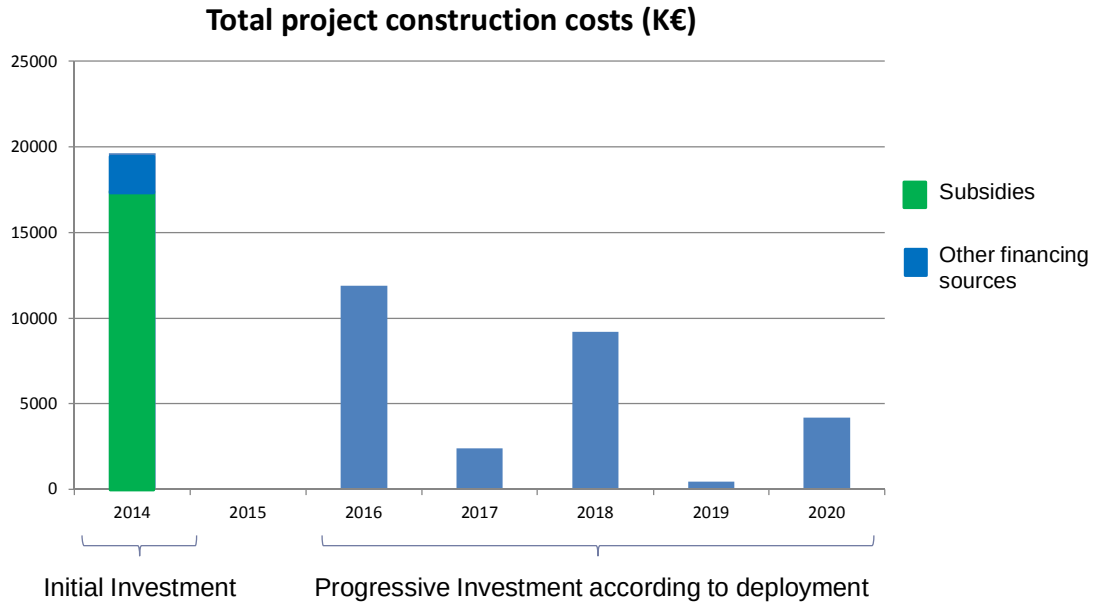
- The **best use of natural resources** thanks to a heating/cooling energy production using seawater heating
- **The reduction of primary energy consumption** through the promotion of renewable energy consumption.
- **The reduction of greenhouse gas emissions:** with primary energy consumption lower by 20% on average than other technologies studied, and CO2 emissions divided by 3 (45g CO2/kWh in winter, 5.3g CO2/kWh in summer) compared to a gas production system, the seawater circuit fully complies with the objective of reducing Co2 emissions by 20%.

When the envisaged investment period is over, Euroméditerranée will continue to operate the seawater heating circuit.

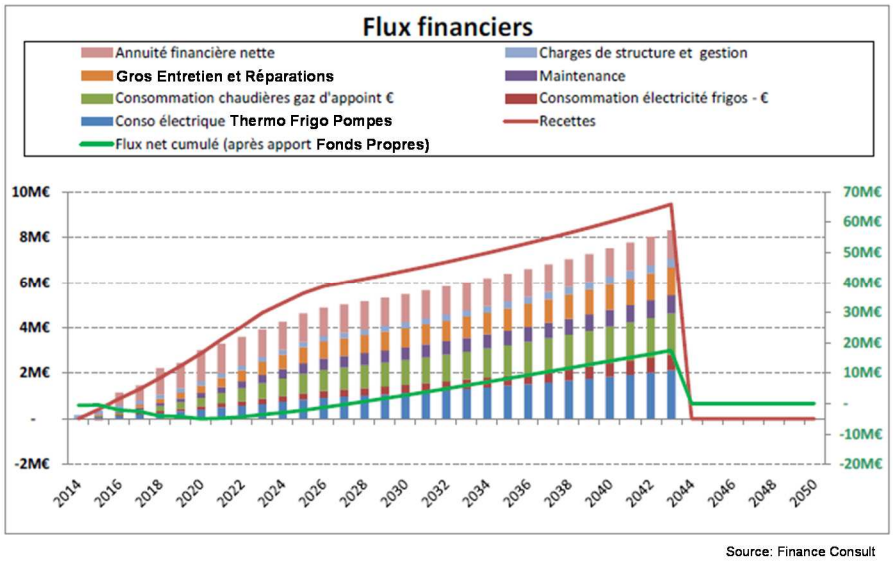
### Financial analysis and optimisation

The cost of Phase 1 of the project examined in the context of this study amounts to 52 million euros, with an initial investment of 19.6 million euros to install the primary network. The following investments will be for the installation of the energy substations required for connecting buildings as these are built, which will be spread over a period of fourteen years, including ten million which are assumed to be self-financed by the project.

The technical constraints of the project make it eligible for the investment programme for the future and it could therefore receive a grant of between 5 to 10 million euros. The local authorities involved in the project are willing to subsidise it by up to 5 million. The City of Marseille, in its role as prime contractor, will provide a grant of 5 million for the project. It may also receive a grant from the ADEME of between 3 to 4 million euros via their renewable heat fund. So, a possible 18 million euros in subsidies. The initial investment of 19.6 million would therefore require an injection of 1.6 million euros. The construction of the second tranche of 11.8 million euros would not commence before 2016, as shown in the diagram below.




The financial flows anticipated for the project are as follows:




**Financial flows**

| | |
|---|---|
| Net annual financial repayment | Overheads and management costs |
| Major maintenance and repairs | Maintenance |
| Additional gas boilers consumption € | Refrigeration electricity consumption - € |
| Electricity consumption Thermorefrigerating Pumps | Income |
| Cumulative net flow (after Own funds contribution) | |

This estimate is based on the deployment assumptions made during the study conducted by Finance Consult. The cost and price assumptions used for the financial simulations are as follows:

| | | |
|---|---|---|
| Prix unitaire électricité | 0,085 | €/kwh |
| Prix unitaire gaz | 0,046 | €/kwh |

**Maintenance**

| | | |
|---|---|---|
| Logement | 0,36 | €/m²/an |
| Bureaux | 0,36 | €/m²/an |
| Equipements | 0,36 | €/m²/an |

**GER**

| | | |
|---|---|---|
| Logement, bureaux et équipements | 0,548 | €/m²/an |

**Gestion**

| | | |
|---|---|---|
| Gestion, assurance | 150 000 | €/an |

| Doits de raccordement | Chaud | Froid | |
|---|---|---|---|
| Logement | 300 | 300 | €/kw |
| Bureaux | 300 | 300 | €/kw |
| Equipements | 300 | 300 | €/kw |

| Vente MWh | Chaud | Froid |
|---|---|---|
| Prix moyen du Mwh (valeur 2013) | 70 € | 122 € |

| | | |
|---|---|---|
| Electricity price per unit | 0.085 | €/kwh |
| Gas price per unit | 0.046 | €/kwh |

**Maintenance**

| | | |
|---|---|---|
| Housing | 0.36 | € / m²/p.a. |
| Offices | 0.36 | € / m²/p.a. |
| Facilities | 0.36 | € / m²/p.a. |

**Major Maintenance and Repairs**

| | | |
|---|---|---|
| Housing, offices and facilities | 0.548 | € / m²/p.a. |

**Management**

| | | |
|---|---|---|
| Management, insurance | 150,000 | € / p.a. |

| **Service connection charges** | **Hot** | **Cold** | |
|---|---|---|---|
| Housing | 300 | 300 | €/kwh |
| Offices | 300 | 300 | €/kwh |
| Facilities | 300 | 300 | €/kwh |

| **Sale MWh** | Hot | Cold |
|---|---|---|
| Average price of Mwh (2013 value) | 70 € | 122 € |

The economic assumptions used are:

| | |
|---|---|
| Travaux | 3,00% |

| | |
|---|---|
| Maintenance | 3,00% |
| GER | 3,00% |
| Electricité | 5,00% |
| Gaz | 4,00% |
| Charges de gestion | 3,00% |

| | |
|---|---|
| Date ancrage des index | janv.-12 |

| | |
|---|---|
| Works | 3.00% |

| | |
|---|---|
| Maintenance | 3.00% |
| Major Maintenance and Repairs | 3.00% |
| Electricity | 5.00% |
| Gas | 4.00% |
| Management expenses | 3.00% |

| | |
|---|---|
| Date of fixing indices | Jan. -12 |

This project has an IRR of 11.7% and therefore one that is higher than market requirements which is 11% for this type of project, according to the study carried out by the City of Marseille among industry groups. However, the project developers are experiencing difficulties in finding adequate funding to implement the first phase. Indeed, although the technology has been tested on projects in Switzerland and the Ile de France, no project of this magnitude using such technology has been brought to completion, something which is putting potential investors off.

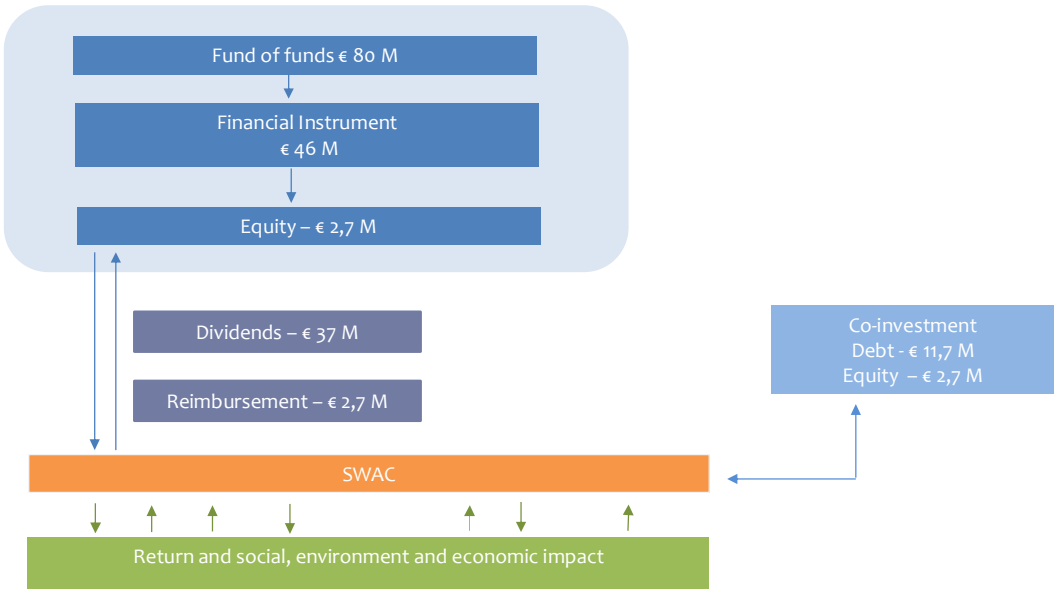
What this project really needs therefore are funds to initiate the project rather than low-cost financing. In fact, the return on investment for the capital provided by JESSICA is estimated at 15.6%. The likelihood of government aid is therefore excluded since the financing terms granted by JESSICA are in tune with market conditions.

### Potential structuring in a FI

The next planning period should provide more flexibility in terms of investment and in particular should relax the pari passu rule of investment. Thus, the JESSICA fund could take care of the entire first phase financing gap. This would allow the project to be rolled out before having to appeal to private investors and therefore to have the first financial results and a more accurate assessment of the deployment rate of the urban project, upon which rest the estimated revenues, and hence be able to reassure the private investors.

The pari passu investment rule should be complied with when the second phase is implemented and the total amount of capital provided by private investors should equal the total amount of capital from JESSICA.

This project therefore requires that structured capital worth 2.7 million euros be made available within the FI, as described in the diagram below:




The initial investment will be repaid after 11 years of operation. The involvement of JESSICA in this project would therefore increase the investment capacity of the FI by 37 million euros at the end of the investment cycle lasting 30 years.

# Annex 4: Case study - Clos Fleuri

### Clos Fleuri

#### Presentation of the Project and its impact

In July 2002, the ANEF took over the management, from the Congregation of Notre Dame de Charité Bon Pasteur, of the children's home "Le Clos Fleuri", at 145 bis Bd Baille, 13005 Marseille. In 2008, the Congregation of Bon Pasteur, having decided they wanted to sell the land with its buildings, suggested that ANEF initiate a project to develop the estate, while maintaining ANEF's place there, and especially that of the Children's Home. So ANEF went to the company AMETIS to implement the Clos Fleuri project, whose objective was to promote real social and intergenerational integration.

The scheme is for a "social housing village", stemming from reflections in which ergonomics served as a lens, because it takes into account lifestyles, cultural differences and the diversity of residents. It is not to be seen as a simple property development scheme because its aim is to meet the needs of different categories of users, to ensure a good quality of life in the dwellings and to regard the common areas as spaces where sociality and mutual care can be expressed through the forming of relationships.

It is a **social cohesion** and **local urban management** scheme because it is based on the key drivers of Social Cohesion, which are:

- Solidarity
- The relationship between tenants, and intergenerational relationships
- An active role for Agencies, via the social interest missions entrusted to ANEF by the DDCS [Directorate for Social Cohesion at *Département* level], the Regional Council (Child Welfare) and the PJJ [Legal Protection of Minors department]
- Mediation
- Educational initiatives directed at children and adults concerning urban waste management and looking after the neighbourhood
- Initiatives promoting the social and professional integration of users and residents
- Provisions for *Conseils de la Vie Sociale* (CVS) [community forums/councils] for scheme users and provisions for residents' associations.

### d) Urban development

A site of 17,000 m² in the city centre, apportioned as follows:

**Social housing units / Foyer De Jeunes Travailleurs (FJT) - Building A**

A multi-unit building of ground floor plus 9 floors, 2,541 m² of floor area, and **95 apartments.** The ground floor where the FJT is opens onto a private garden of 90 m². Housing: 2,215 m² of living space, and 326 m² of usable communal areas. The FJT will host the ASELL service [Social & Educational Housing Support service]. A shared basement level with 40 parking spaces allocated to these apartments.

**Social Housing for PLAI Tenants - Building B and Part of Building C**

A multi-unit building "B" of ground floor plus 9 floors, with **43 apartments** (17 with 2 rooms excl. kitchen & bathroom, 23 with 3 rooms excl. kitchen & bathroom, and 3 with 4 rooms excl. kitchen & bathroom), covering a total usable floor area of 2,497 m², also featuring a shared basement level with 43 allocated parking spaces for these apartments. A multi-unit building "C" of ground floor plus 9 floors, with **15 units providing temporary accommodation** for young people aged 18 to 27 years (5th, 6th and 7th floors), plus **3 units of shared accommodation** for people in receipt of the minimum income allowance (RMI) and assistance from the UDAF [Union of Family Associations at *département* level], covering a total usable floor area of 840 m². Also in this building, at roof level on the 8th and 9th floors, with a usable floor area of 400 m², **2 shared apartments** for teenage mothers. This building also has a shared basement level with 18 allocated parking spaces for the accommodation units.

**Social Housing for PLS Tenants - Building D**

A multi-unit building of ground floor plus 9 floors, with **51 apartments** (14 with 2 rooms excl. kitchen & bathroom, 32 with 3 rooms excl. kitchen & bathroom, and 5 with 4 rooms excl. kitchen & bathroom), covering a total usable floor area of 3,215 m², also featuring a shared basement level with 51 allocated parking spaces for the apartments.

**A Maison D'enfants A Caractère Social (MECS) [Children's Home] - Building C**

A multi-unit building with capacity to provide accommodation for 36 people, built over 5 levels (from the ground floor to the 4th floor) and covering a usable floor area of 719 m², plus 773 m² of accessible communal areas. There is also a shared basement level with 15 allocated parking spaces for the MECS. The ground floor of the MECS opens onto a private garden of 484 m².

**Offices for the ANEF Social Welfare Services - Buildings B and D**

The *Milieu Ouvert* office is situated at ground floor level of Building B. The *Services d'Aide Educative en Milieu Ouvert* (AEMO) [Educative aid initiatives arranged for vulnerable minors in their own local surroundings] and the *Accueil Familial* (AF) offices are located on the ground floor of Building D. The MECS admin spaces are on the 8th and 9th floors of Building C and it will have 10 underground parking spaces.

**Housing for Home Owners taking out mortgages - Building E**

Housing for people buying their own home (79) will complete this scheme in order to encourage social diversity.

**A Garden open to Local Residents**

The garden will be almost 2,000 square metres and, amongst other things, will have facilities for people to play *boules*

**e) Charities and Voluntary Organisations:**

The scheme will house the offices of charitable organisations, including the head office of ANEF.

There are also plans for setting up cosy childcare facilities and a training restaurant for student chefs.

**f) Environment:**

This project is part of an environmental initiative whose objectives are:

- To improve users' experience by developing bio-climatic architecture: an environmentally friendly block plan, solar shading devices...
- To save energy: efficient lighting for outdoor areas, block system for solar-heated domestic hot water, effective storm water management (water storage on the plot).
- To fit the buildings with insulation against noise.
- To use environmentally friendly materials (wood, materials with environmental credentials).
- To put in place a landscaping project (to promote the communal areas).

In addition, it is the aim to get the Low Energy Building (LEB) label.

### Market interest and positioning in the Grey Area

The ANEF called upon the company AMETIS to implement this project worth 35 million euros. The goal was to be able to meet the minimum expectations of the promoter in terms of profitability while minimizing the cost price for the social housing and charitable organisations. To this end, the Bon Pasteur congregation sold the land at a reduced price, offering a discount of 750,000 euros, and AMETIS is managing the sales of the homeownership apartments to offset the losses on the rest of the project. Thus on the MECS there will be a transaction of 2.8 million euros and the remainder of the buildings, valued at 25.2 million euros, will be administered by the company Sud Habitat, who specialise in the management of social housing.

By nature, social housing under PLUS, PLAI and PLS schemes are eligible for loan guaranties from local authorities in consideration for reserving a quota of housing, but they are also eligible for the PLUS, PLAI and PLS loans granted by the French Government and the CDC. Though the income from the MECS, charitable organisations and PLAI is assured by the daily rates paid by the Regional Council, the other types of housing are exposed to the risk of payment default and of rental properties being left unoccupied. In addition, Sud Habitat needs a loan guaranty for the financing of the premises for the organisations who do not receive the same advantages as the social housing structures.

The positioning in the area comes from the nature of the social interest project whose aim is to provide rented social housing, therefore offering the lowest possible rents. For this reason, Sud Habitat's leeway is very limited and the aggregate net income of the project could be negative in some years if payment default and occupancy rates exceed forecasts. To avoid putting the scheme into bankruptcy, Sud Habitat is using its own funds to compensate for this deficit as and when the project requires it. This will temporarily limit its capacity to undertake social projects.

### Potential eligibility

This project is potentially eligible under the EU priorities set out in the Common Strategic Framework (2014 - 2020) for Thematic objective 9: Promoting social inclusion and combating poverty, and Thematic objective 4: Supporting the shift towards a low carbon economy.

Twenty or so new jobs will also be created directly via this project, in the work of the voluntary organisations, the training restaurant and the small day nursery, and youth employment will also be promoted via the FJT. Furthermore, the socially useful nature of the scheme which ensures the integration or reintegration of persons in difficulty, will see hundreds of people being helped back to the job market.

Moreover, the risk associated with the selling price of the buildings is limited by the fact that it is shared between two private operators, each with requirement to make profits and each with plenty of experience in this type of operation. The prices have also been approved by the local authorities involved in the project.

### Financial analysis and optimisation

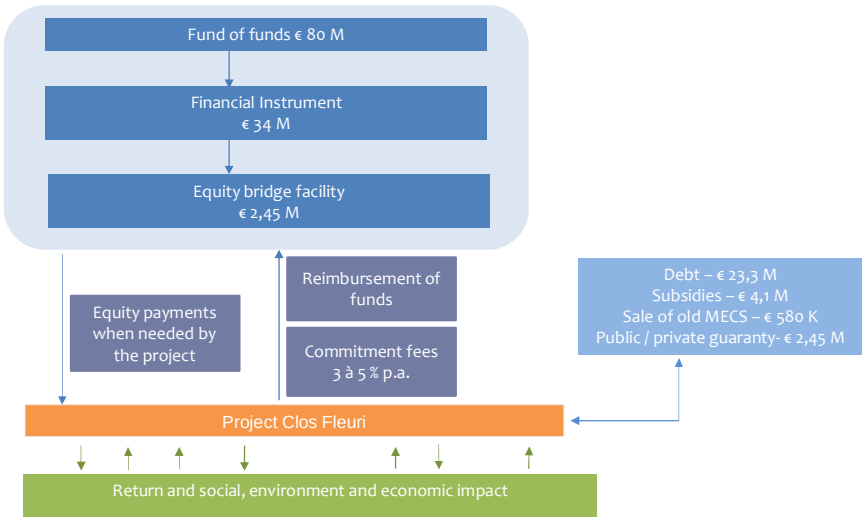
Given the social nature of the project, one cannot think in terms of rate of return as most of the project revenues are obtained through grants: the "daily rate" paid by the Regional Council. One should therefore think in terms of minimising the daily rate. To do this, it is necessary to minimise the financial costs incurred by the scheme. So for this purpose, the project proponent is receiving 4.1 million euros in grants and 21.4 million euros in CDC loans. However, to complete its financing plan, Sud Habitat needs a loan guaranty to the tune of 4.9 million euros, which would enable it to obtain a loan at attractive rates and thereby reduce its financial charge.

Since setting up a debt instrument is not possible for one project alone, we propose securing equity capital equalling about half of the sum to be covered, i.e. € 2.45 million within the FI, with the other half perhaps coming from the local authorities or private institutions. In order to avoid having to ask for state aid, the equity that is provided should yield a market rate return estimated at between 3 and 5% per year.

It should be noted that at the time this study was being conducted, the MECS had just decided to resize its project, occupying one floor less in Building C, in order to reduce its costs; the floor that the MECS has decided not to use will be used instead for the work of the community voluntary organisations. The reports provided and analysed have not yet been updated to reflect this change. In fact, the values proposed may be liable to change in the light of the updated versions of the reports. Nevertheless, the need expressed by Sud Habitat to complete this project is that equity is made available.

### Potential structuring in a FI

This project therefore requires that equity worth 2.45 million euros be made available in the FI, as described in the diagram below.




At the end of the investment cycle, the FI will recover the funds made available for the guaranty.