

JESSICA Urban Development Funds Typologies & Governance Structures of UDFs

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AGENDA

1. Introduction

2. UDF-Prototypes

2.1 Energy efficiency funds

2.2 Infrastructure funds

2.3 Environment funds

2.4 “Smart city” investments funds

2.5 Area-based brownfield funds

3. Governance structures for selected UDF types

4. Outlook

1. Introduction

2. Prototypes

2.1 Energy efficiency funds

2.2 Infrastructure funds

2.3 Environment funds

2.4 "Smart city" investments funds

2.5 Area-based brownfield funds

3. Governance structures for selected UDF types

4. Outlook

Guidance for Managing Authorities for the implementation of UDFs:

Which fund types are applicable to finance different urban development projects?

What are the prerequisites for an efficient fund management?

Which governance models allow for fast implementation?

How can start-up UDFs be developed into long-term instruments?



UDF key dimensions

Business strategy

- relevance of integrated urban planning;
- urban asset types;
- specialization options (geographic/thematic);
- internal/external rate of return targets

Financial products and beneficiaries

- guarantees;
- investment loans;
- debt mezzanine;
- equity mezzanine;
- venture capital;
- later stage private equity

Governance structure

- parties involved ;
- refinancing sources;
- incentives and exit strategies;
- consequence for the UDF legal status

1. Introduction

2. Prototypes

2.1 Energy efficiency funds

2.2 Infrastructure funds

2.3 Environment funds

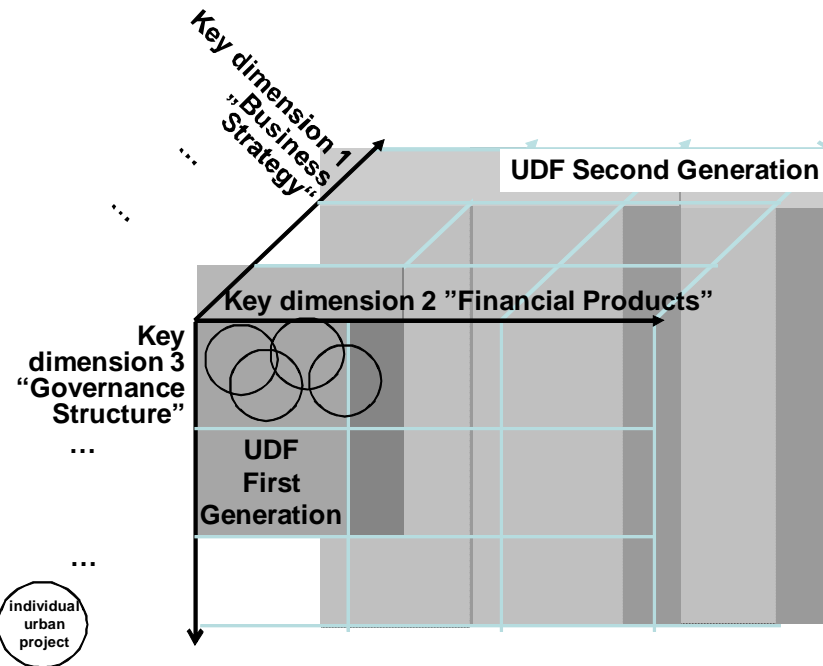
2.4 "Smart city" investments funds

2.5 Area-based brownfield funds

3. Governance structures for selected UDF types

4. Outlook

Combination of key dimensions to a UDF typology:



taking into account

- linkages between expected yields and costs in UDFs,
- linkages between financial products and projects,
- linkage between conditions offered by the UDF and necessary external rates of return

Result: 5 UDF prototypes

1. Introduction

2. Prototypes

2.1 Energy
efficiency funds

2.2 Infrastructure
funds

2.3 Environment funds

2.4 “Smart city”
investments funds

2.5 Area-based
brownfield funds

3. Governance
structures for selected
UDF types

4. Outlook

Business strategy:



- **(Energy efficient) renovation of (public and private) buildings**
- **Existing buildings at the operating stage**
- **Depending on OP: widest possible geographic scope (= national)**
- **Specialised theme fund**
- **Investment loans with lower interest rates; lower collateral requirements or longer periods of redemption for property owners**
- **Only public parties at the fund management level**
- **Moderate impact on urban development (low public leveraging; CO₂-reduction)**

1. Introduction

2. Prototypes

2.1 Energy efficiency
funds

2.2 Infrastructure
funds

2.3 Environment funds

2.4 "Smart city"
investments funds

2.5 Area-based
brownfield funds

3. Governance
structures for selected
UDF types

4. Outlook

Business strategy:



- **Development of economic or social infrastructure**
- **Land/project development *and* utilisation stage**
- **Depending on OP: widest possible geographic scope (= national)**
- **Specialised theme fund (e.g. telecommunication or school fund)**
- **Investment loans (or guarantees for commercial loans) with lower interest rates; lower collateral requirements or longer periods of redemption for private households and local economy**
- **Only public parties at the fund management level**
- **Medium to high impact on urban development (private financing leverage at project level; improvement of public transport or health or education or cultural life)**

1. Introduction

2. Prototypes

2.1 Energy efficiency
funds

2.2 Infrastructure
funds

2.3 Environment
funds

2.4 "Smart city"
investments funds

2.5 Area-based
brownfield funds

3. Governance
structures for selected
UDF types

4. Outlook

Business strategy:



- Development of (innovative) green energy facilities
- Land/project development *and* utilisation stage
- Depending on OP: widest possible geographic scope (= national)
- Specialised theme fund (e.g. solar fund or waste recycling fund)
- Mezzanine capital (no active project management) to reduce capital costs (through less private equity or IRR requirements)
- Only public parties at the fund management level
- **Medium impact on urban development (private financing leverage at project level; renewable energy production)**

1. Introduction

2. Prototypes

2.1 Energy efficiency funds

2.2 Infrastructure funds

2.3 Environment funds

2.4 "Smart city" investments funds

2.5 Area-based brownfield funds

3. Governance structures for selected UDF types

4. Outlook

Business strategy:



- **Redevelopment of public assets (land, infrastructure, buildings)**
- **Existing infrastructure/buildings in utilisation**
- **Working in a city or region (according to urban planning concept)**
- **Multi-purpose fund (open to all public assets)**
- **loans or later-stage equity capital (in case of planned asset sales) with lower interest rates or IRR requirements**
- **final recipients: households and local economy of relevant city**
- **Only public/local parties at the fund management level (contributions in cash and in kind)**
- **High impact on urban development (reduction in public expenses /costs and indebtedness; CO₂-reduction; improvement of location)**

1. Introduction

2. Prototypes

2.1 Energy efficiency
funds

2.2 Infrastructure
funds

2.3 Environment funds

2.4 “Smart city”
investments funds

**2.5 Area-based
brownfield funds**

3. Governance
structures for selected
UDF types

4. Outlook

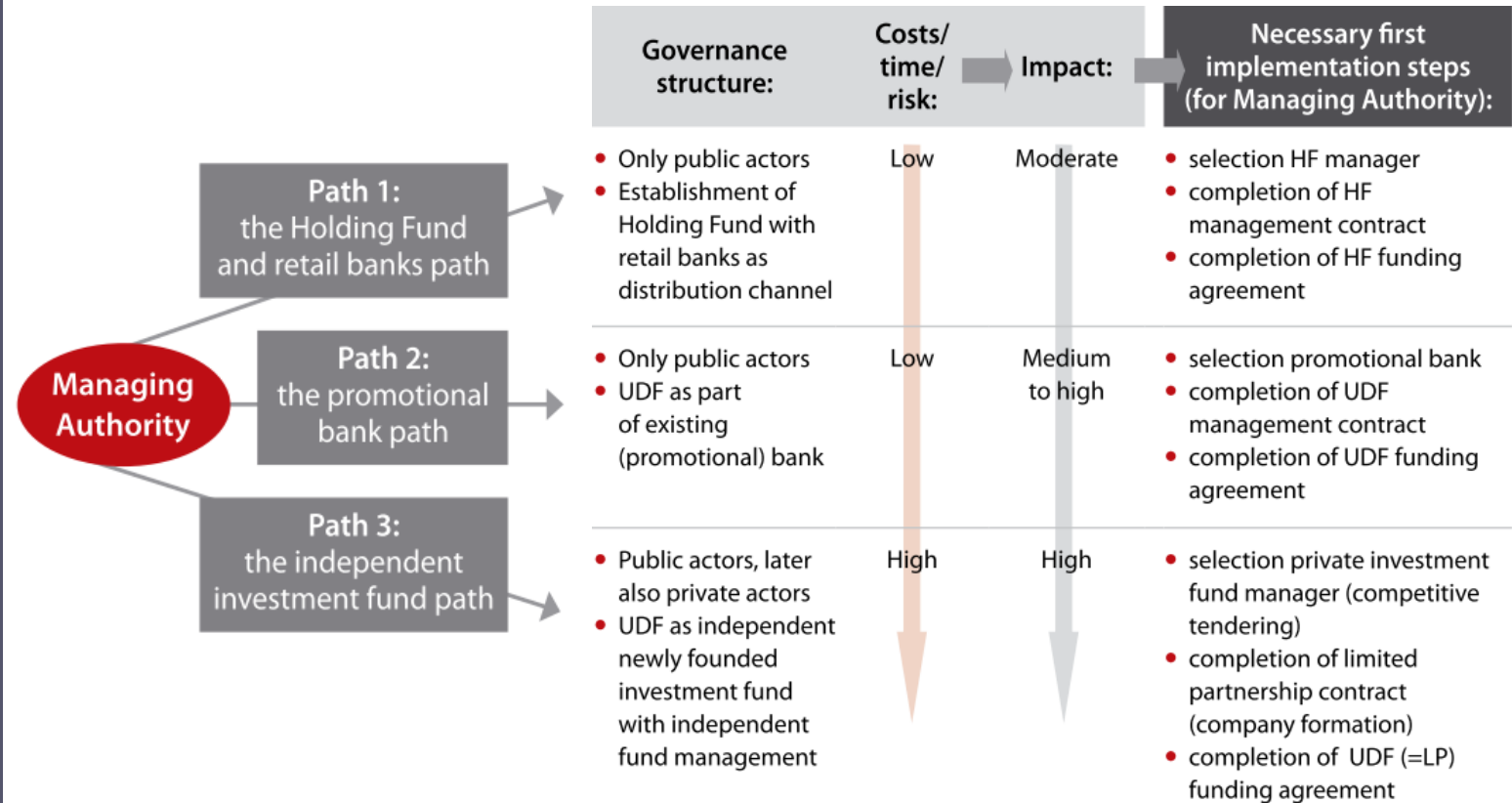
Business strategy:



- Intermediary asset purchase for refurbishment/redevelopment of existing buildings at the vacancy/non-operating stage
- Depending on OP: working on city-level in certain urban areas
- Multi-purpose fund (combination of multiple asset utilisations)
- Venture/equity capital (with active project management) to reduce capital costs (through less private equity or IRR requirements)
- Public parties at the fund management level (PPP and contributions in kind possible because of separate legal entity)
- **High impact on urban development (high public leveraging; brownfield land recycled; key investment in deprived areas; revaluation effects on area property; jobs)**

Alternative decision paths for the UDF implementation

For the five UDF prototypes (with different business strategies and financial products) we developed **three alternative structures for the governance** by Managing Authorities:



Each governance path consists of a model for the **organizational** structure and for the **operational** structure!

1. Introduction

2. Prototypes

2.1 Energy efficiency
funds

2.2 Infrastructure
funds

2.3 Environment funds

2.4 "Smart city"
investments funds

2.5 Area-based
brownfield funds

3. Governance
structures for selected
UDF types

4. Outlook

More details can be found in the published study:
“**UDF Typologies and Governance Structures in the context
of JESSICA implementation**”

Next steps:

1. UDF Handbook (by the beginning of 2011)

**2. EIBURS: Empirical research on JESSICA instruments in
all Member States (November 2010 - 2013):**

**Academic publications, conferences for Managing Authori-
ties and fund manager, on-site research at your HFs/UDFs
in operation in 2011**

Thank you very much for your attention!

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Additional Information:

Path 1: Holding funds and retail banks path (e.g. for energy efficiency funds)

1. Introduction

2. Prototypes

2.1 Energy efficiency funds

2.2 Infrastructure funds

2.3 Environment funds

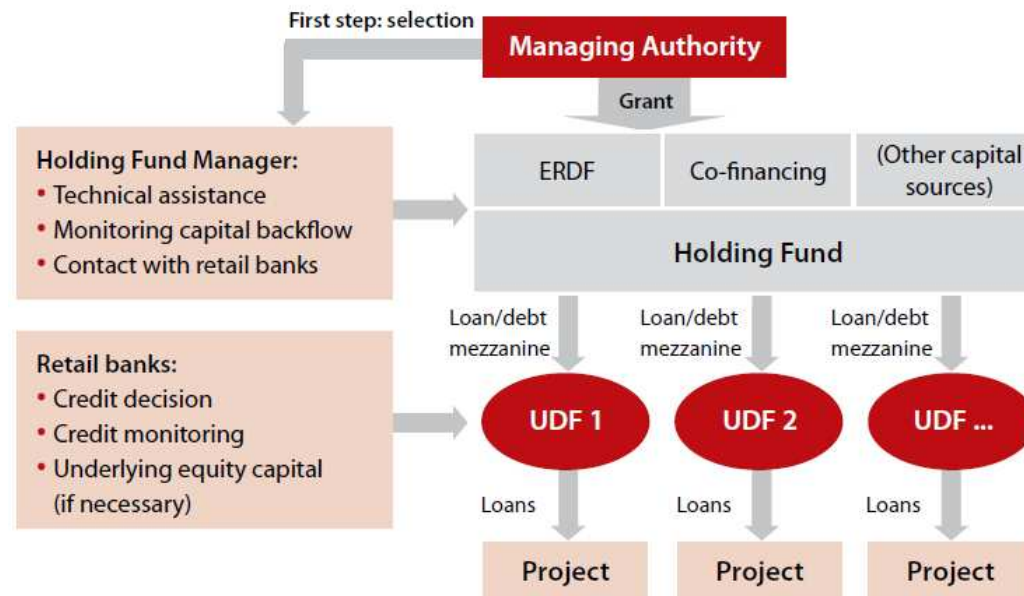
2.4 "Smart city" investments funds

2.5 Area-based brownfield funds

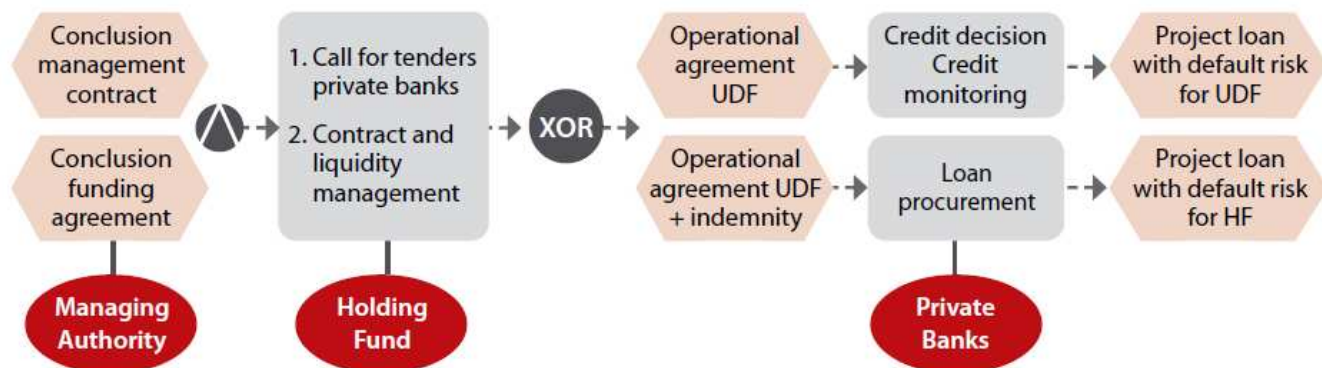
3. Governance structures for selected UDF types

4. Outlook

Organizational Structure:



Operational Structure:



Path 2: Promotional bank path (e.g. for infrastructure funds, "smart city" funds)

1. Introduction

2. Prototypes

2.1 Energy efficiency funds

2.2 Infrastructure funds

2.3 Environment funds

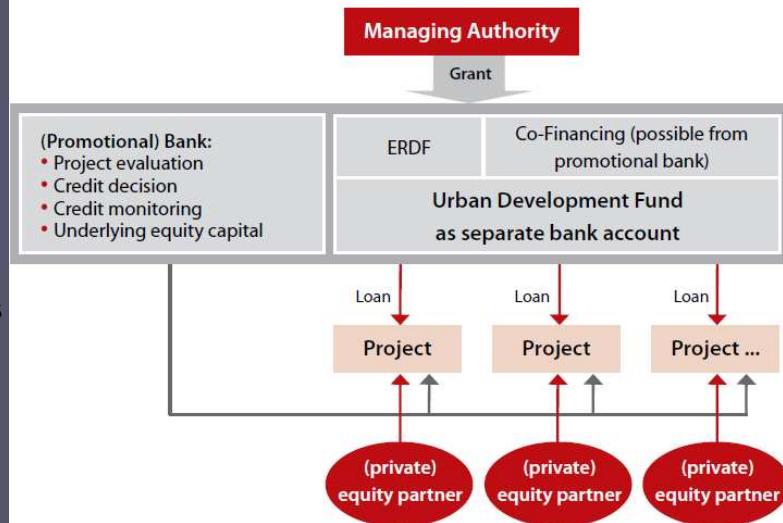
2.4 "Smart city" investments funds

2.5 Area-based brownfield funds

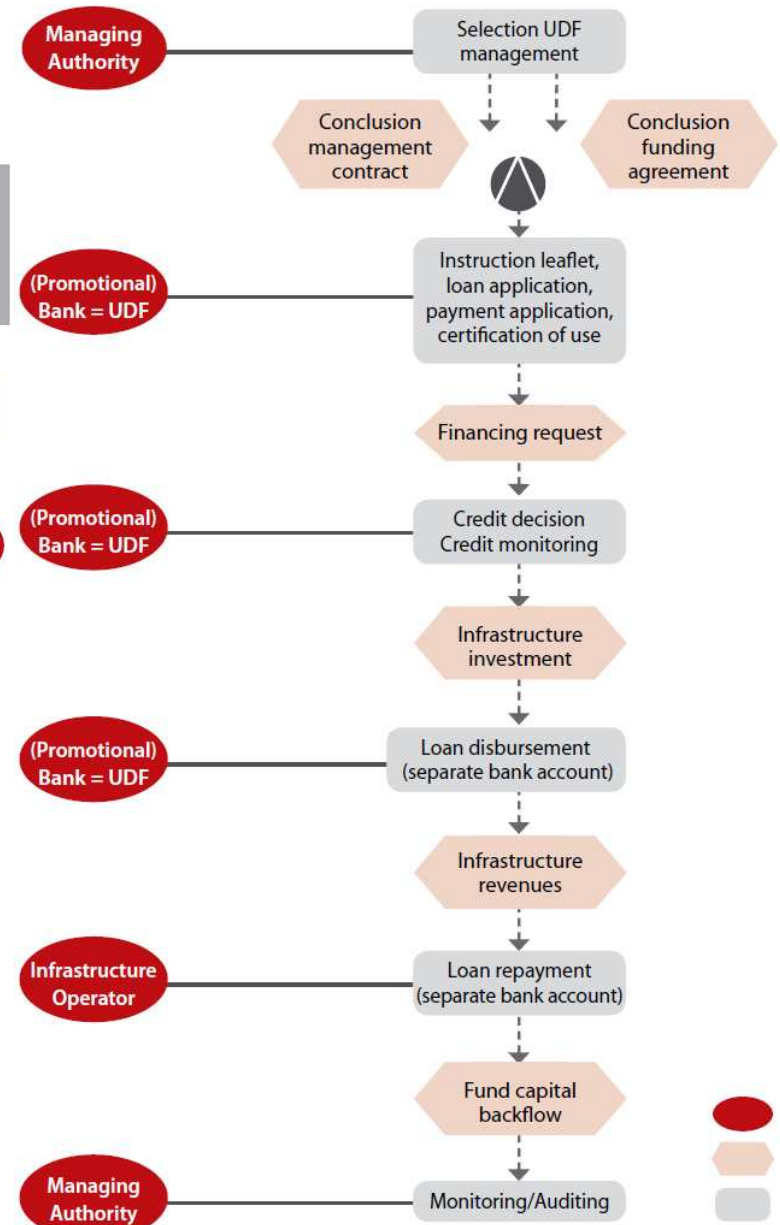
3. Governance structures for selected UDF types

4. Outlook

Organizational Structure:

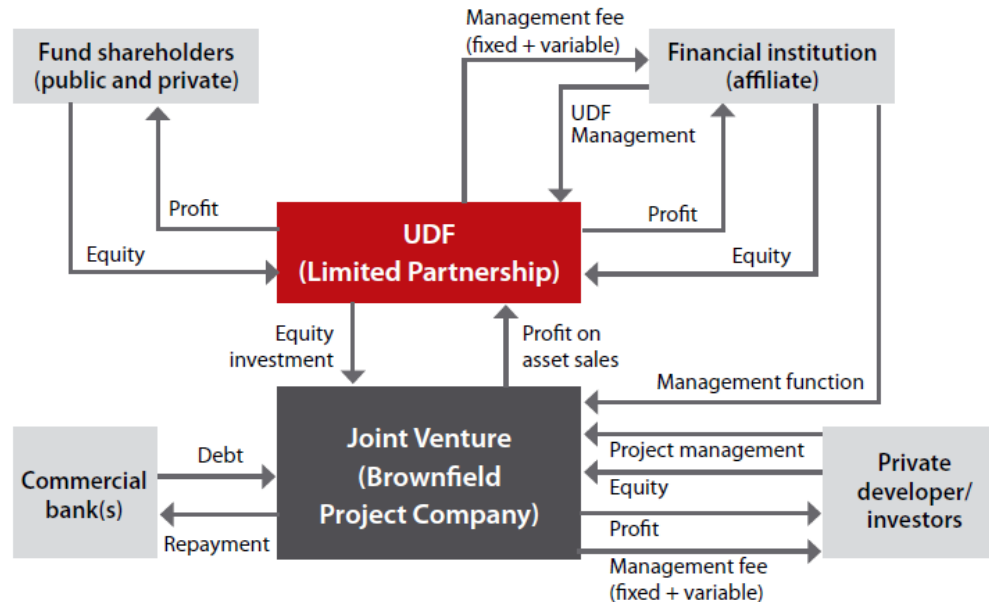
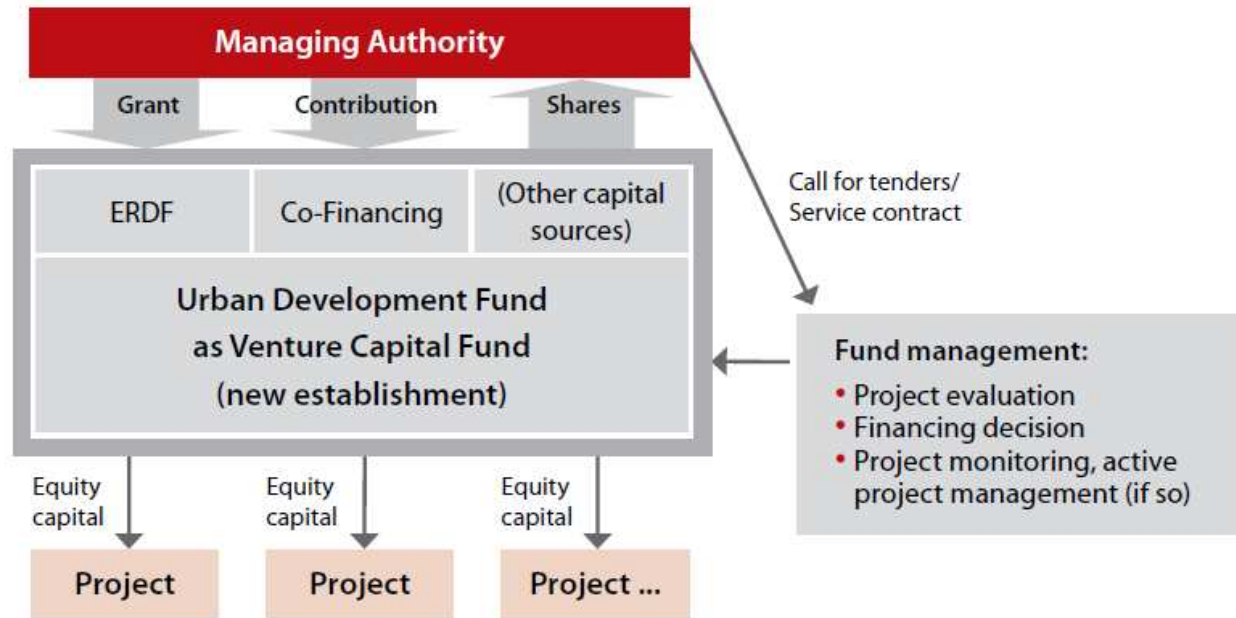


Operational Structure:



Path 3: Investment fund path (e.g. for environment funds, brownfield funds)

Organizational Structure:



1. Introduction

2. Prototypes

2.1 Energy efficiency funds

2.2 Infrastructure funds

2.3 Environment funds

2.4 "Smart city" investments funds

2.5 Area-based brownfield funds

3. Governance structures for selected UDF types

4. Outlook

Path 3: Investment fund path (e.g. for environment funds, brownfield funds)

1. Introduction

2. Prototypes

2.1 Energy efficiency funds

2.2 Infrastructure funds

2.3 Environment funds

2.4 "Smart city" investments funds

2.5 Area-based brownfield funds

3. Governance structures for selected UDF types

4. Outlook

Operational Structure:

