Global practices to raise capital through LVC

Comprehensive Financial Solutions for City Resilience Conference

Domingos Pires Case Study 1: São Paulo P3urb

November 2017



Outline



1. São Paulo overview

2. Does it work?

3. Which value?

4. How to do it?

5. The key to do it

6. Who are the stakeholders?



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São Paulo





São Paulo



If the city of São Paulo were a country, it would be...

- The 37th largest GDP in the world, larger than:
 - ✓ Finland
 - Malaysia
 - ✓ Singapore
 - ✓ Hong Kong
 - ✓ Chile
 - ✓ Peru
 - ✓ New Zealand
 - ✓ Kuwait

- The 74th most populated country in the world, larger than:
 - ✓ Cuba
 - ✓ Belgium
 - Bolivia
 - ✓ Sweden
 - Austria
 - ✓ United Arab Emirates



Statistics

São Paulo City

- ✓ Population: 11.2 mi
- ✓ Density: 73 inhab/ha
- ✓ Total GDP: US\$ 262.5 bi
- ✓ GDP per capita: US\$ 23,325
- ✓ 31 administrative districts and 96 sub districts
- ✓ 74.2 km of subway + 125.0 km of railways
- ✓ 170 km of bus corridors

SP Metropolitan Region

- ✓ Area: 7,947 km²
- ✓ Population: 19.7 mi
- ✓ Density: 25 inhab/ha
- ✓ Total GDP: US\$ 415.3 bi
- ✓ GDP per capita: US\$ 21,098
- ✓ 39 Municipalities
- ✓ 74.2 km of subway + 260.8 km of railways















































Land Value Capture: air rights



Source: CJ Arquitetura, 1977.





The example of São Paulo

- 2 different instruments: U\$ 4,304 MM since 1995
 - ✓ Urban Operations: U\$ 3,267 MM
 - ✓ Air rights (OODC): U\$ 1,037 MM

Proceeds used as investments, never curren oenses



Revenues from air rights in São Paulo



City Resilience Program

Revenues from air rights as a % of the city's investment budget





Current urban operations in São Paulo



City Resilience Program

Air rights (OODC) in São Paulo



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Land value: highest and best use

FLOOR AREA RATIO: 2,0

City

Resilience Program



Upzoning impact

City

Resilience Program

FLOOR AREA RATIO: 4,0



Upzoning impact

City

Resilience Program

FLOOR AREA RATIO: 4,0



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What are air rights?





Source: Maleronka, Furtado, 2013.

Air rights



Source: Furtado, Jorgensen, 2006



Urban Operation



Rationale for Urban Operations





Urban Operation

- Tool for implementation of large scale urban projects
- Municipal law that sets specific parameters and main interventions within a perimeter
- Funding is obtained through auction of CEPAC (Certificates of Additional Building Rights)



Centro (1997)

 First initiative in 1991 (Anhangabaú)



Água Branca (1995)

• Revision (2013)



Faria Lima (2004) First law from 1995



Agua Espraiada (2001) June 14th 2012: last CEPAC auction



CEPAC: How does it work?

 Securities sold in auctions are convertible into additional building area (m²) limited to the total additional square meters that the future urban infrastructure can support





CEPAC: the flow

Social housing _____





CEPAC: infrastructure finance – SP model





Source: Maleronka, 2015.

CEPAC: infrastructure finance – Rio model





Source: Maleronka, 2015.

The developer's cycle



Duration: 48 months IRR: 25%



Urban Operation Faria Lima





Faria Lima OUC : Real Estate Developments and Revenues



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Urban Operation Água Espraiada





Água Espraiada CUO: Real Estate Developments and Revenues



Where did the money go?

Public transport

Social housing

Drainage



Jardim Edite Social Housing Source: http://www.skyscrapercity.com/showthread.php?t=1508497





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Externalities





The economic cost of lack of planning





City budget vs GDP

Program



The story as told by the private sector



The Role of Urban Planning





Urban development policy: Creating Value





Urban planning in urban operations



Água Branca: Land Value Gradient





Água Branca CUO





Água Branca







SP master plan 2014: high density and public transport





Land Value Capture: air rights



Source: CJ Arquitetura, 1977.









The Resilient city





The players

Land owners	Opposition (value sharing)
Developers	Aligned by profits
Investors	See the future
Population	Understand the effects
Government	Develop capabilities



The challenge





The rules of the game

Reliable, functional public sector

Stable institutional environment

Incentives vs constraints

Catalytic investments to attract private capital

Structural vs private transformation

City and land market database



Value capture workbook

Program

Promote sustainable density	An efficient and inclusive city
Make it viable	Understand the economic drivers and attract the private sector
Go beyond urban design	Planning comprises economics, environmental and social
Anchor in the social	Social infrastructure, social housing and urban design working together
Engage the city	Project must be good for the city and not just the region
City Resilience	65

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