Comprehensive Financial Solutions for City Resilience Conference

Global Best Practices to Raise Capital Through Land Value Capture – Use of Public Assets

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At HR&A, we empower urban communities to address pressing resilience challenges by leveraging urban assets to create value.
We have supported the Rockefeller Foundation’s 100 Resilient Cities Program and led resilience strategies for cities across the U.S.

100 RC
City Resilience Framework

- New York
- New Orleans
- Norfolk
- Boston
- Boulder
- St. Louis
- Nashville
- Atlanta
- Los Angeles
- Tulsa
- El Paso
- New Orleans
The Infrastructure & Environment dimension represents many of the types of projects that cities at this conference are seeking to finance.
Many infrastructure projects can positively impact resilience, while also creating value that can be captured to finance these projects.
Leveraging Public Assets to Create Value
Leveraging Public Assets

Overview

Direct sale, auction, lease, or conveyance of public assets, as a form of in-kind contribution to a project.

A publicly owned asset (i.e. land) may be disposed of in either “as is” condition or with some initial government investment.

The value from sale or lease of public assets can be leveraged to fund a wide range of public benefit projects.
Leveraging Public Assets
What drives land value?

Is it really ‘Location’, ‘Location’, ‘Location’?
Leveraging Public Assets
What drives land value?

Is it really ‘Location’, ‘Location’, ‘Location’? 

Yes and No…..
Leveraging Public Assets

What drives land value?

Regional Location......
Leveraging Public Assets

What drives land value?

Adjacency......
Leveraging Public Assets

What drives land value?

and Zoning.
Brooklyn Bridge Park

Resilient Waterfront Investment

Decades-long effort to realize resilient waterfront transformation
Location: Industrial waterfront across from lower Manhattan in New York City
Early Proposal: High-density residential construction on Port Authority-owned land
Timeline: Planning for Brooklyn Bridge Park began in the early 1990’s

- Illustrative Master Plan Released
- City-State MOU Signed
- Official Master Plan Released
- Groundbreaking
- BBP Incorporated
- Phased Development

Working Waterfront Operations Close: 1984 (PANYNJ Owned)

- Community Planning
- Structure Negotiations
- Design & Planning
- Ownership transferred from PANYNJ

Timeline:
- 1992
- 1996
- 2000
- 2004
- 2008
- 2012
- 2016
Governance: Entities established to manage, develop, operate, fundraise, and program

- **BROOKLYN BRIDGE PARK**
  - Development Corporation
  - Capacities: Initial park development, land use oversight

- **BROOKLYN BRIDGE PARK**
  - Capacities: Operations & maintenance, planning, construction

- **BROOKLYN BRIDGE PARK**
  - Private, community-led non-profit
  - Capacities: Fundraising, programming

**99 Yr Lease**
Redevelopment Plan: 90% of land dedicated to public space and infrastructure, up to 20% available for private development

- **30 hectares public space**
- **4 hectares development**
Park Capital Funding
$365M

- City of New York: 68%
- Port Authority of NY and NJ: 31%
- Individual Philanthropies: 1%
Before

After
Funding for Operations: Park almost entirely supported by real estate capture

Annual Operating Budget

$19M (2017)

- 5% - 10% Earned Income: Permits & Fees
- 90% - 95% Value Capture: Real Estate Rent & other payments

Park almost entirely supported by real estate capture
**Funding for Operations: Land value capture tools**

**Ground Leases**
- Base ground rent + participation rent

**Payments in lieu of taxes (PILOT)**
- Property taxes
- Sales taxes
- Mortgage recording taxes
Result: Iconic, self-funding gathering place for City’s diverse communities
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Brooklyn Bridge Park
Lessons Learned

- While capital funding is a critical element in delivering public infrastructure, thinking of **sustainable O&M funding early on is critical** for long term success.

- Political commitment for long term O&M is often a lower priority and **Land Value Capture can be a key tool in supporting O&M costs**.

- Value capture can include land leases as well as taxes generated

- **Participation rents** allow for capture of further ‘upside’

- **Community based design and development program** to advance toward a successful redevelopment.

- A governance entity with appropriate capacity is critical.
LEVERAGING PUBLIC ASSETS

Sabarmati Riverfront

The City of Ahmedabad, India sought to revitalize the degraded Sabarmati Riverfront into a resilient public amenity for residents.
Goal: Reclaim riverfront to realize long-time community vision for redevelopment

- Develop flood protection along the river
- Address environmental degradation
- Re-house existing informal settlements to safer, non-flood-prone areas
- Provide new, resilient public park space as well as cultural and social amenities

162 hectares
9km
Planning & Financing: Redevelopment authority established to carry out complex redevelopment

Sabarmati Riverfront Development Corporation Ltd. (SRFDCL)
An SPV (A company) and a wholly owned subsidiary of the Ahmedabad Municipal Corporation (AMC)

Source: Sabarmati Riverfront Development Corporation Limited
Goal: Resilient waterfront public amenity

Source: Sabarmati Riverfront Development Corporation Limited
Goal: Use land value capture financing by sale or lease of up to 20% of reclaimed land

Source: Sabarmati Riverfront Development Corporation Limited
### Sabarmati Riverfront Funding

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMC Loan</td>
<td>$55~ Million</td>
<td></td>
</tr>
<tr>
<td>HUDCO Loan*</td>
<td>$140~ Million</td>
<td>Drawn and approved</td>
</tr>
<tr>
<td>Share Capital</td>
<td>$35~ Million</td>
<td></td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$230~ Million</strong></td>
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*Housing and Urban Development Corporation loan against land holdings and serviced by AMC

Resettlement costs unbundled from project costs and largely financed with complementary State and Central sources.

*Source: World Bank; SRFDCL; HR&A*
Sabarmati Riverfront Governance

Source: SRFDCL
Sabarmati Riverfront

Governance

Source: SRFDCL
Results: Resilient waterfront public amenity and new land for development

Source: Sabamarti Riverfront Development Corporation Limited
Results: Resilient waterfront public amenity and new land for development

Source: Sabarmati Riverfront Development Corporation Limited
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Sabarmati Riverfront

**Critical Success Factors**

- Sophisticated and well capitalized Municipal Corporation sponsor
- Strong commitment from State leadership (particularly CM Modi)
- Engaged experts early on to ensure project success; built capacity as the project evolved
- Creative project financing that leveraged multiple public resources
- Strong, diverse, vocal Board of Directors
Sabarmati Riverfront

Cautionary Lessons

- **Project costs ballooned** and implementation has been slower than initially planned
- **Land disposition has been slow** as a result; missed market cycle
- Highly contentious and **litigatory resettlement process**
- Criticized for a ‘**top down’ approach** with respect to community engagement and resettlement – however, organized NGO sector activism provided some checks and balances
Thank You