



Comprehensive Financial Solutions for City Resilience Conference

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

November 2017
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November 2017



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Resilience
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WORLD BANK GROUP

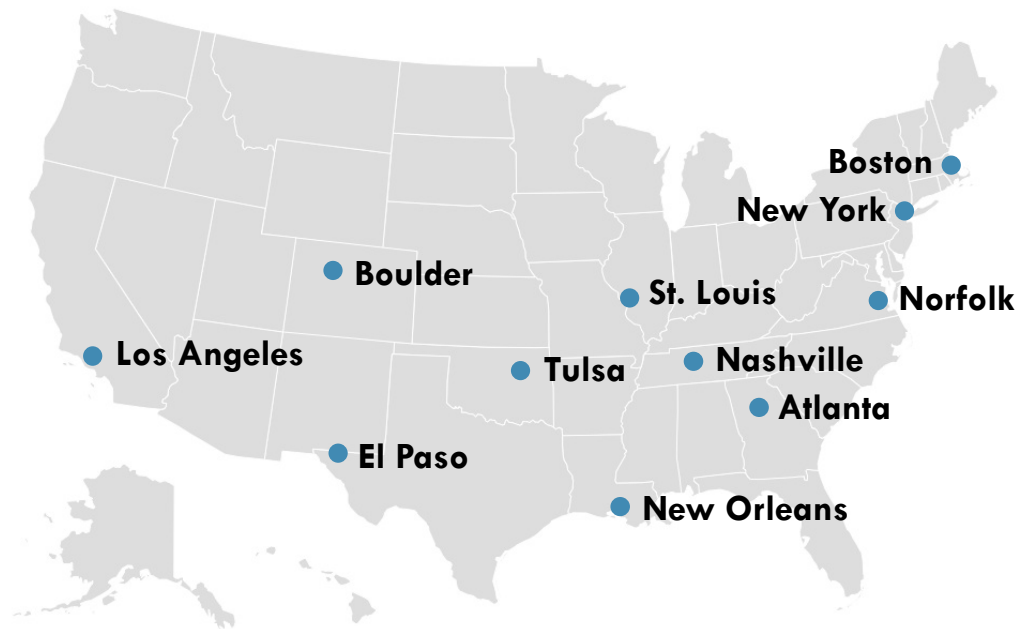
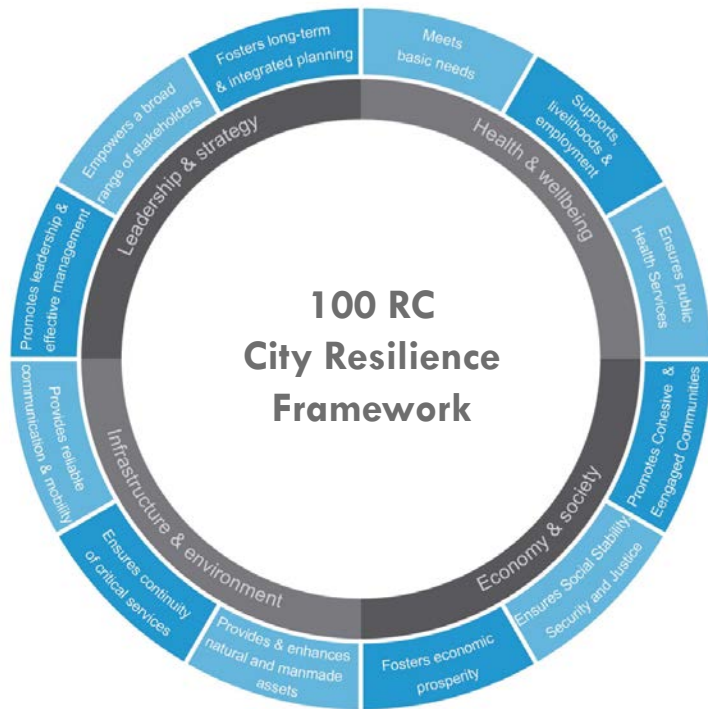
A nighttime photograph of a city skyline, likely Bangkok, featuring prominent skyscrapers like the King Power Mahavithayalai and the Crown Plaza. In the foreground, a large park with a lake and illuminated trees is visible. The text is overlaid on a semi-transparent dark band across the middle of the image.

**At HR&A, we empower urban communities to
address pressing resilience challenges by
leveraging urban assets to create value.**

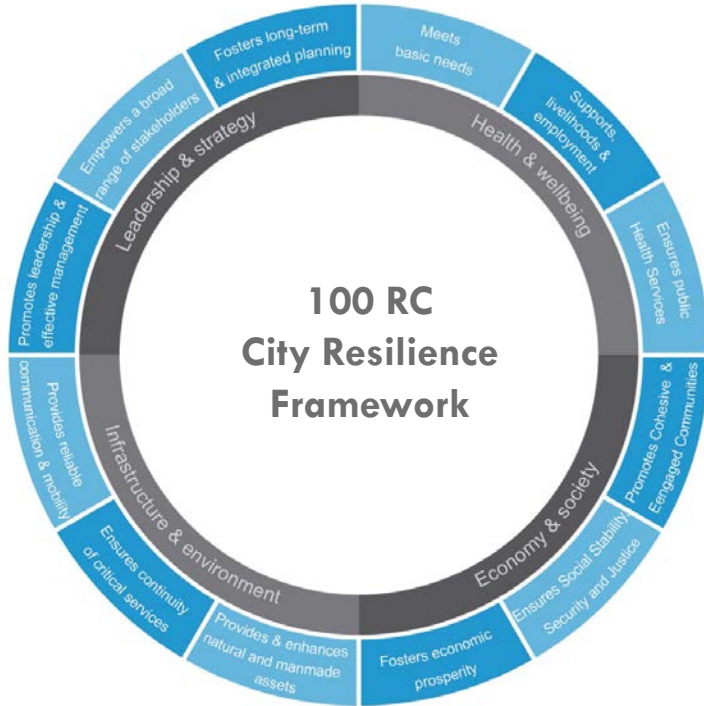


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We have supported the Rockefeller Foundation's 100 Resilient Cities Program and led resilience strategies for cities across the U.S.



The Infrastructure & Environment dimension represents many of the types of projects that cities at this conference are seeking to finance



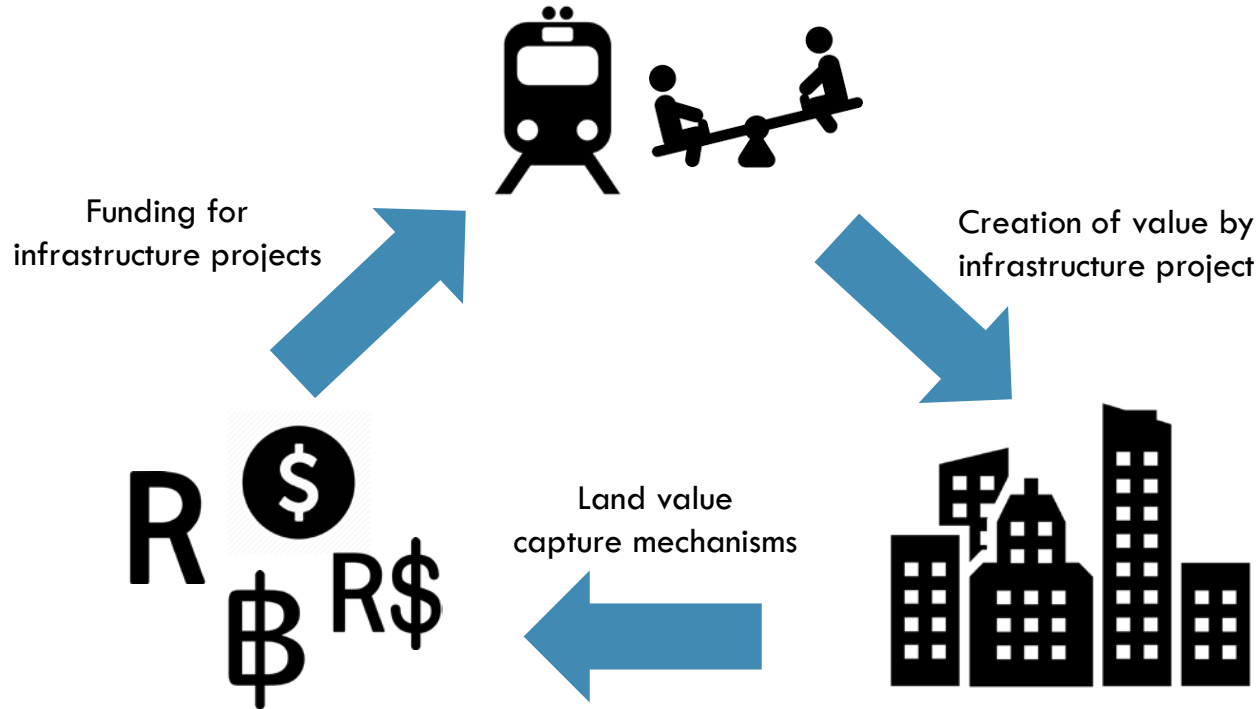
Infrastructure & Environment

Provide Reliable
Communication
and Mobility

Ensure
Continuity of
Critical Services

Provide and
Enhances
Protective
Natural and Man-
Made Assets

Many infrastructure projects can positively impact resilience, while also creating value that can be captured to finance these projects





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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

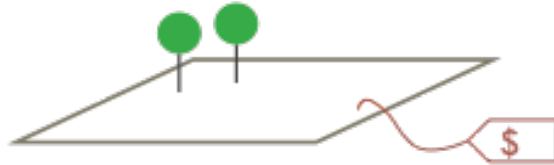
What drives land value?

Is it really 'Location', 'Location', 'Location' ?

Yes and No.....

Leveraging Public Assets

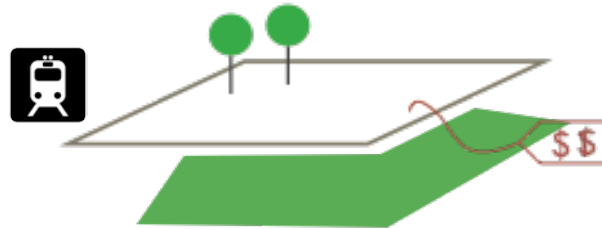
What drives land value?



Regional Location.....

Leveraging Public Assets

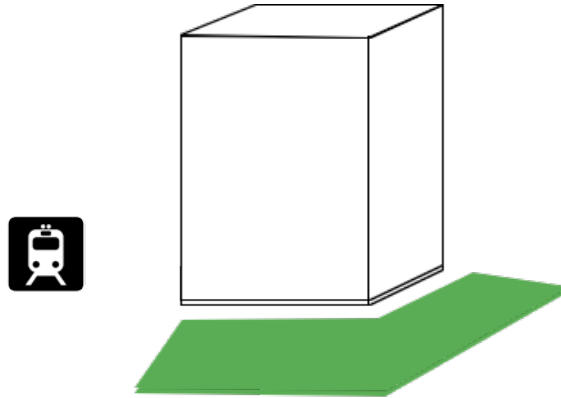
What drives land value?



Adjacency.....

Leveraging Public Assets

What drives land value ?



and Zoning.

LEVERAGING PUBLIC ASSETS



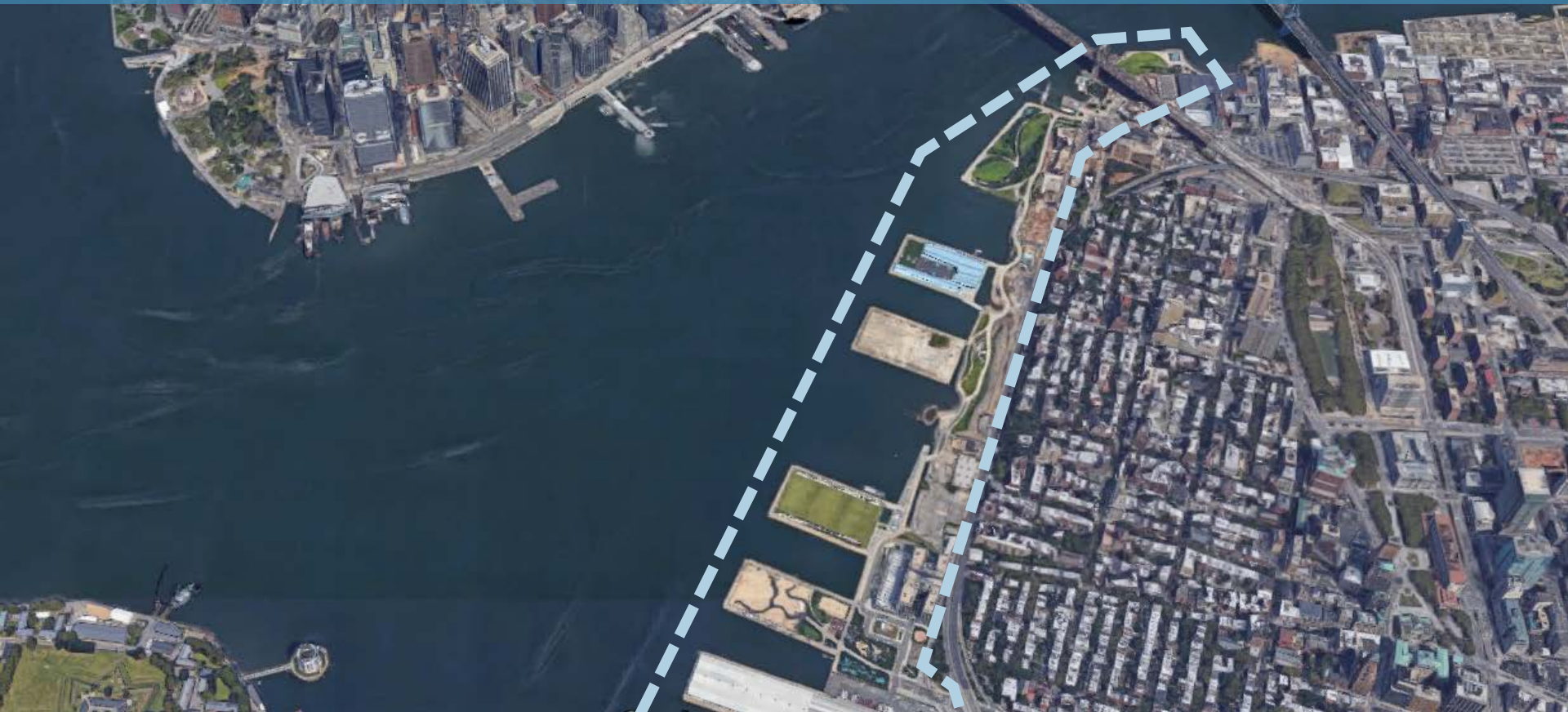
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Brooklyn Bridge Park

Resilient Waterfront Investment

Decades-long effort to realize resilient waterfront transformation

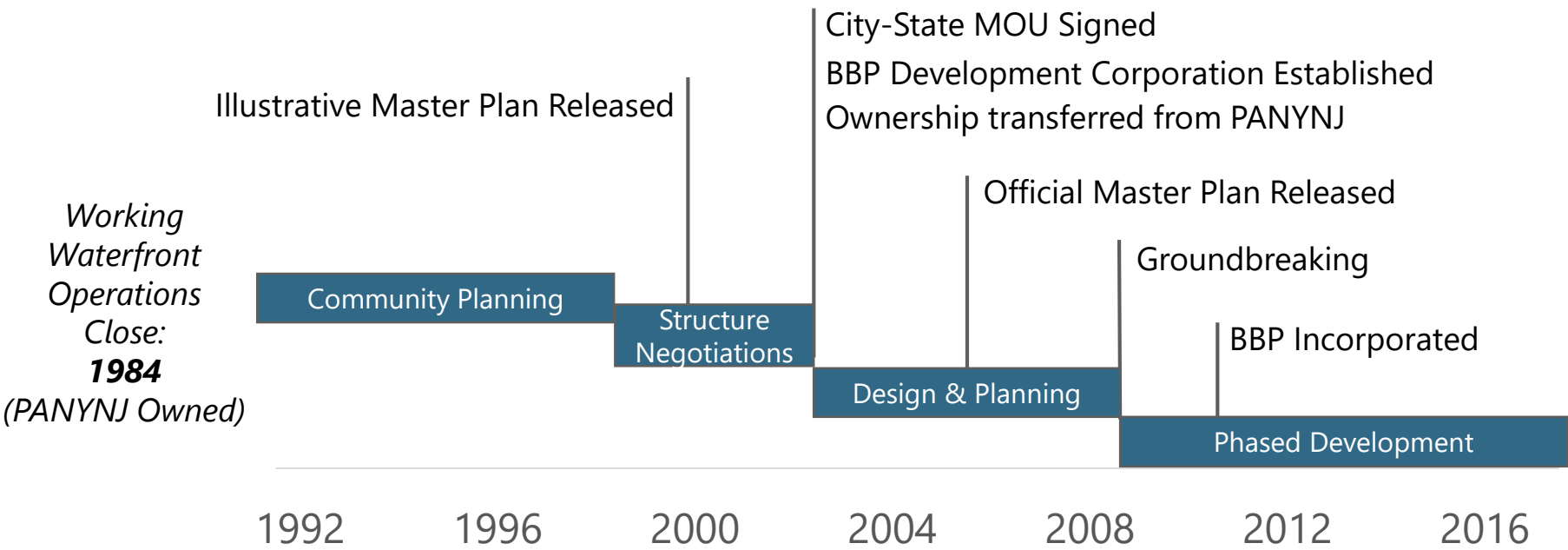
Location: Industrial waterfront across from lower Manhattan in New York City



Early Proposal: High-density residential construction on Port Authority-owned land



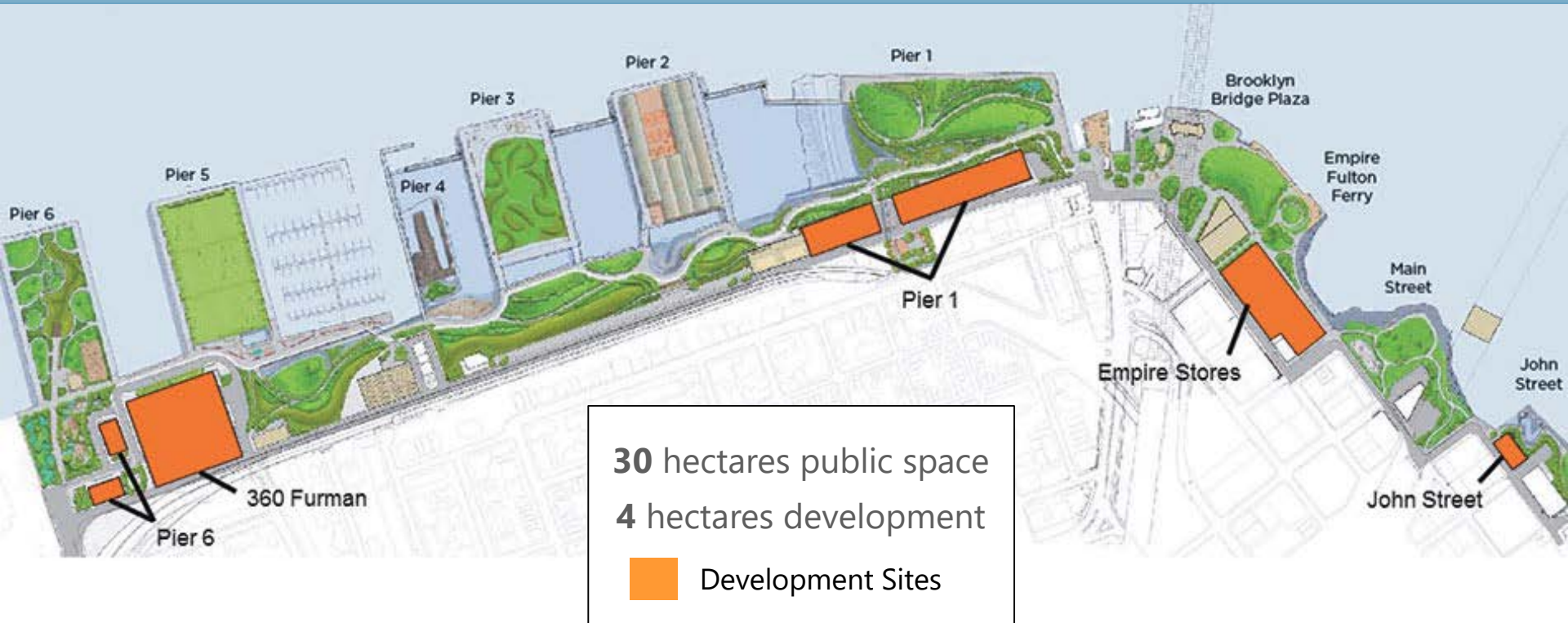
Timeline: Planning for Brooklyn Bridge Park began in the early 1990's



Governance: Entities established to manage, develop, operate, fundraise, and program

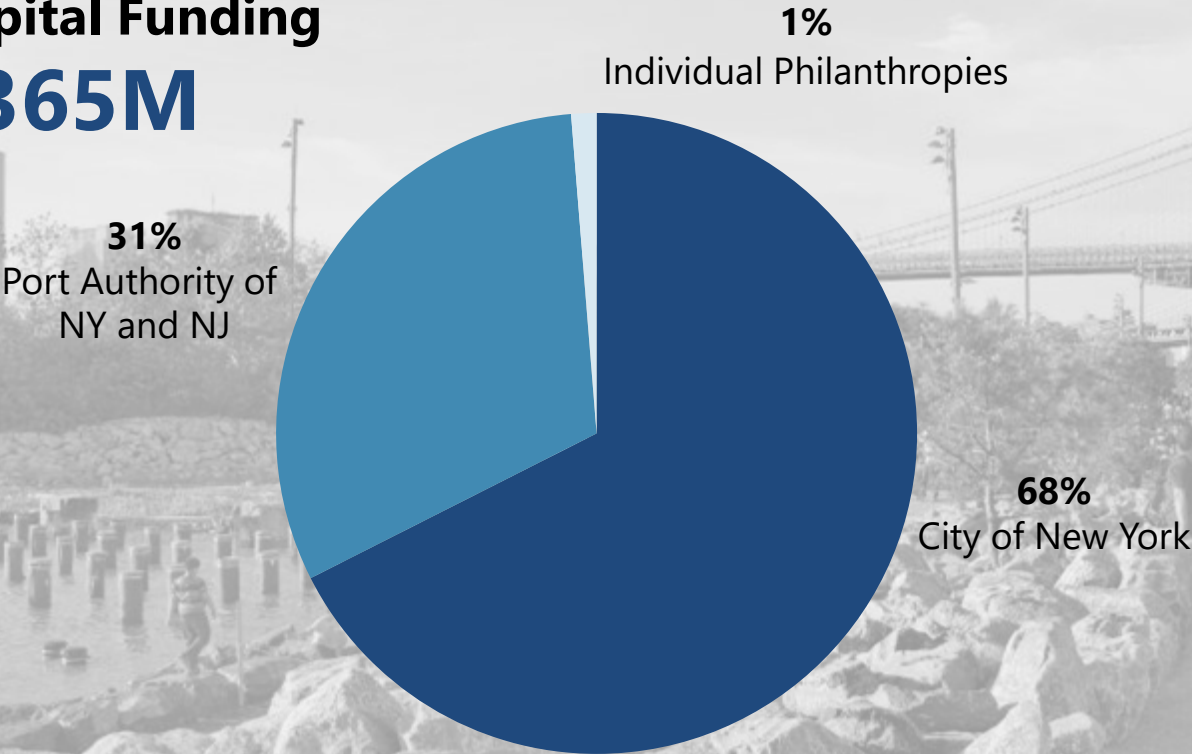


Redevelopment Plan: 90% of land dedicated to public space and infrastructure, up to 20% available for private development



Capital Funding: Public commitment was secured for redevelopment

Park Capital Funding
\$365M





Before



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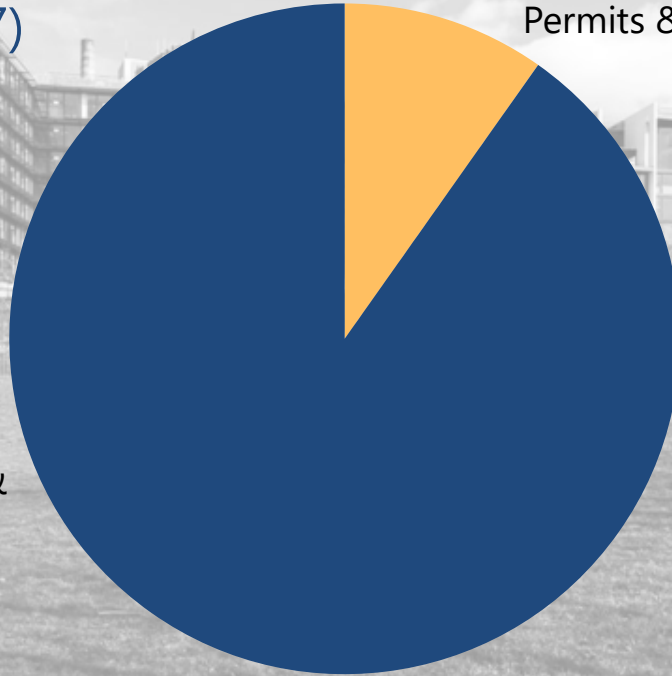
After

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

Annual Operating Budget
\$19M (2017)

90% - 95%
Value Capture:
Real Estate Rent &
other payments

5% - 10%
Earned Income:
Permits & Fees



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



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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

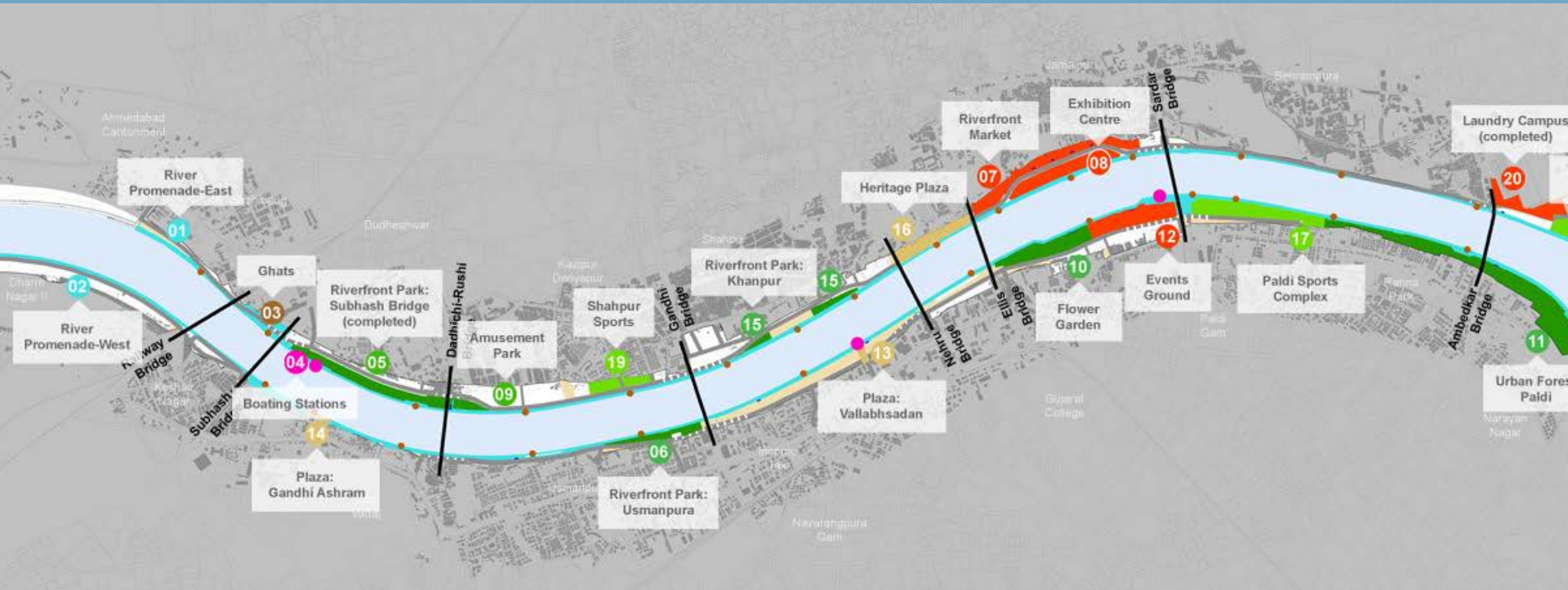


Planning & Financing: Redevelopment authority established to carryout complex redevelopment

An aerial photograph of the Sabarmati Riverfront in Ahmedabad, India. The image shows the river winding through the city, with a large, modern development project highlighted in red and green. The project includes a long, curved promenade, a bridge, and various green spaces and buildings. The surrounding urban area is densely packed with buildings and roads.

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

Goal: Resilient waterfront public amenity



Source: Sabamarti Riverfront Development Corporation Limited

This aerial map of the Yamuna River in Delhi highlights several development sites along its banks, marked with blue and purple polygons. A central box labeled "Development Sites" points to these areas. The map also identifies several bridges crossing the river: Railway Bridge, Subhash Bridge, Daulatpuri-Rishi Bridge, Ganga Bridge, Kirti Bridge, Ellis Bridge, Sardar Bridge, and Ambekar Bridge. Other labeled locations include Ahmedabad Cantonment, Durgam Chowk, Rajpur Khosla, Old Delhi, Chhatrapati, Ferozpur, Jangpura, Connaught Place, and various colleges and markets like Ganga Market, Connaught Place, and Jangpura Market. The river is shown in light blue, and the surrounding urban area is in grey.

Source: Sabamarti Riverfront Development Corporation Limited

Sabarmati Riverfront

Funding



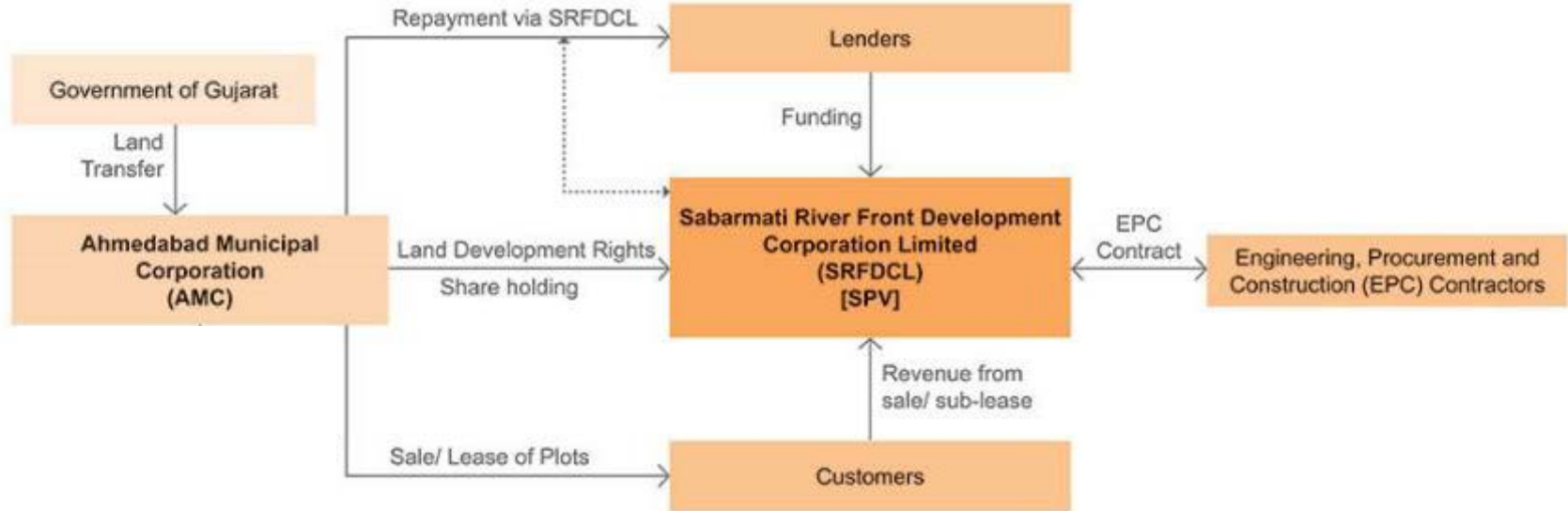
AMC Loan	\$ 55~ Million
HUDCO Loan*	\$ 140~ Million (Drawn and approved)
Share Capital	\$ 35~ Million

Total Sources	\$ 230~ Million
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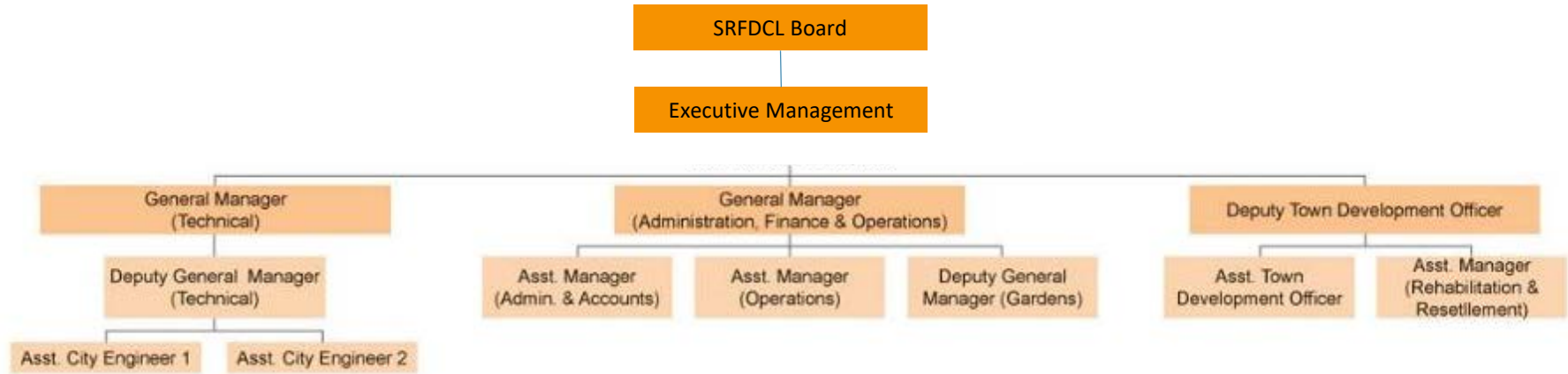
*Housing and Urban Development Corporation loan against land holdings and serviced by AMC

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

Sabarmati Riverfront Governance



Sabarmati Riverfront Governance





Before



After

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: Sabamarti Riverfront Development Corporation Limited

Results: Resilient waterfront public amenity and new land for development



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Results: Resilient waterfront public amenity and new land for development



Source: Sabamarti Riverfront Development Corporation Limited

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

