Comprehensive Financial Solutions for City Resilience Conference

Global Best Practices to Raise Capital Through Land Value Capture – Real Estate in PPPs

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November 2017

City Resilience Program

WORLD BANK GROUP

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

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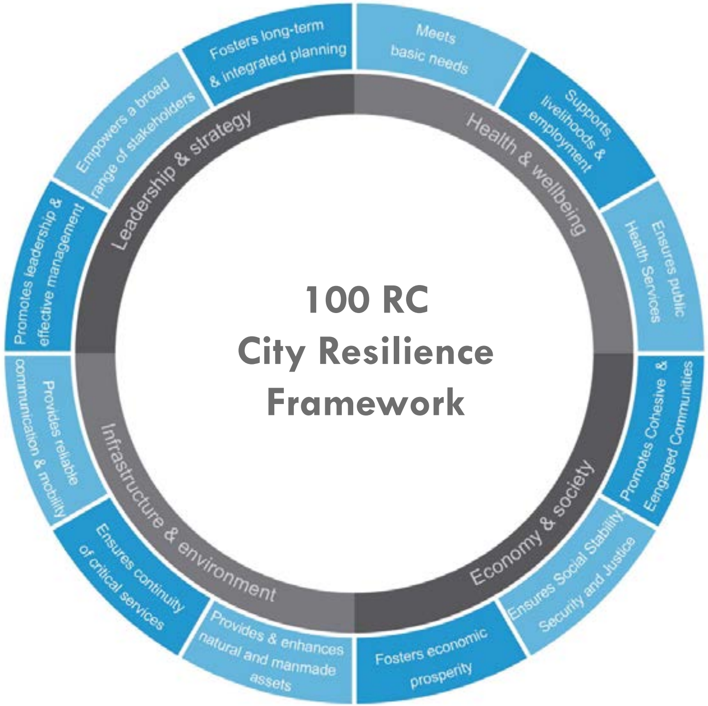
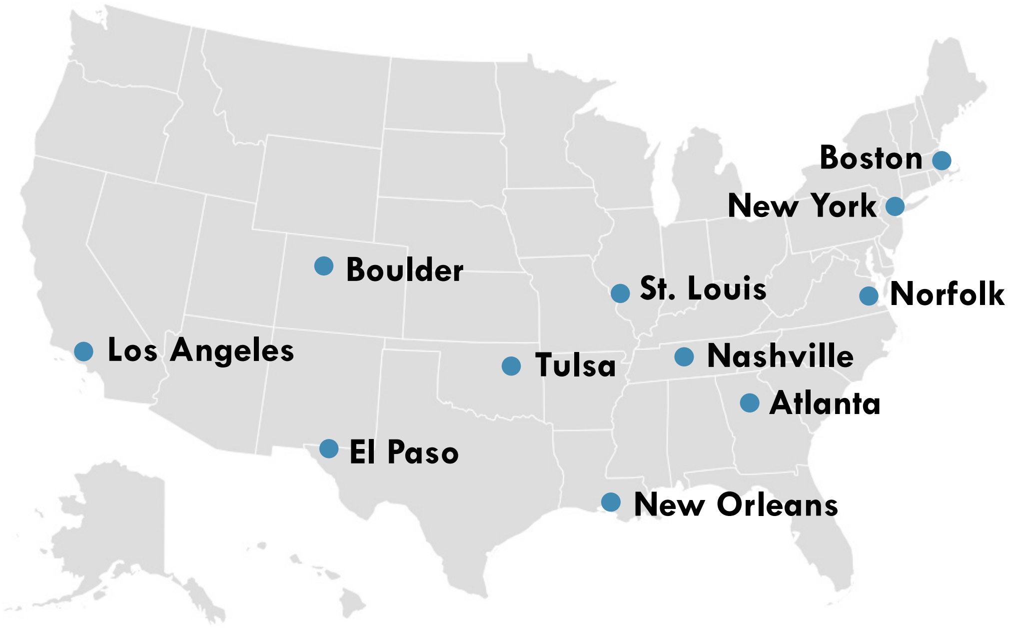
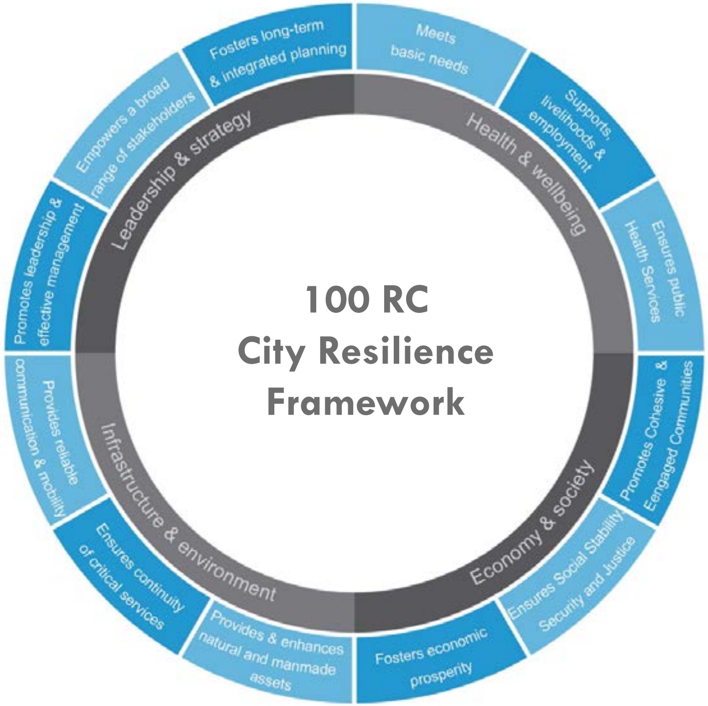
We have supported the Rockefeller Foundation's 100 Resilient Cities Program and led resilience strategies for cities across the U.S.



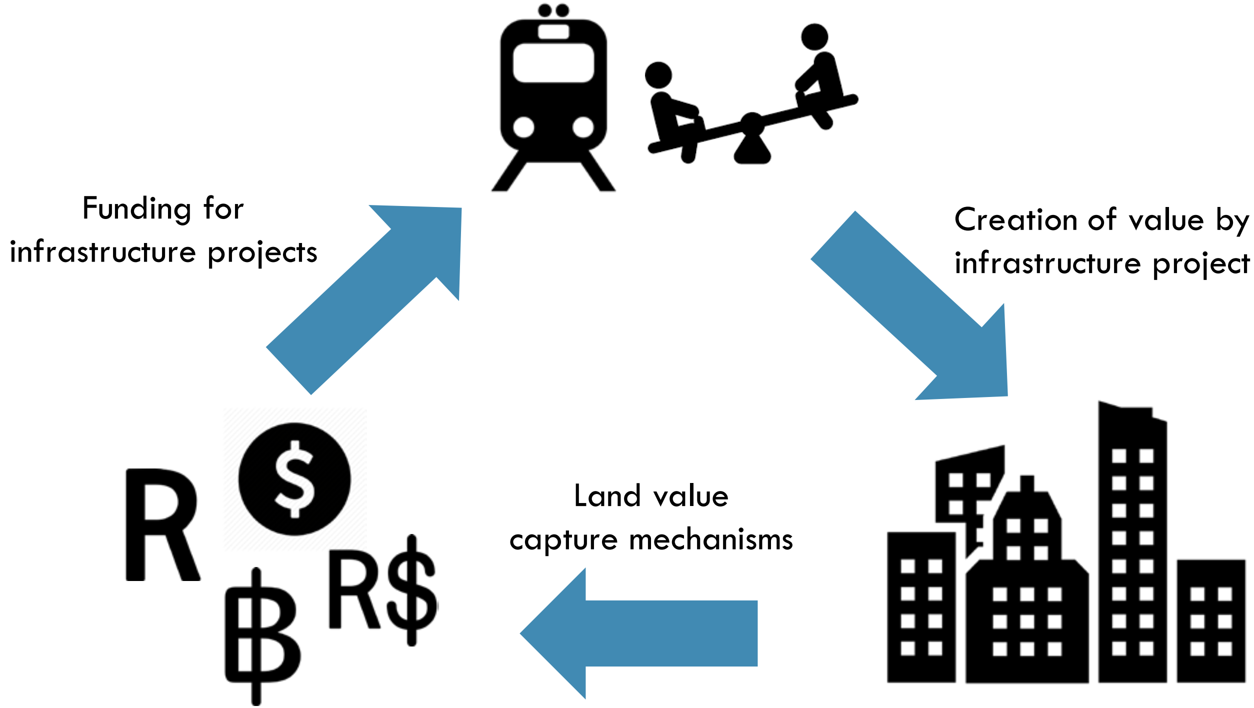


The Infrastructure & Environment dimension represents many of the types of projects that cities at this conference are seeking to finance



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



Real Estate Leveraged PPP

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Real Estate Leveraged PPP

Overview

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Partner with private sector entity, transfer risk of project development, financing, and management;

Minimize public cost by integrating land value capture

Municipalities and governments frequently shift development risk by transferring infrastructure delivery to a private partner under a variety of PPP structures such as Design-Build-Finance, or Design-Build-Finance-Operate-Maintain models. Land Value Capture can be integrated with these models to reduce public costs.

Real Estate Leveraged PPP

Benefits

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For municipalities that lack capacity to finance and operate public infrastructure projects, this approach offers a solution that:

- shifts construction and operation risk away from the public sector;
- relies on private sector capacity to raise debt and equity;
- Could potentially use land value capture tools to minimize overall project costs;

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Long Beach Civic Center
Financially Sustainable Social Infra.

Through redevelopment of the city's Civic Center campus, the City of Long Beach, California aims to revitalize its downtown.

Existing

Vision

Rationale: Co-development of two agency facilities, public amenities, and commercial mixed-use

City Hall / Civic Plaza / Library / Park

- Seismic retrofit costs of existing facilities - $170M
- Current occupancy costs - $12.5M/Yr
- Need for new library and revitalize downtown
- Has available land

Port HQ Building

- Needs new consolidated facility
- Has financial resources but limited land
- Has adequate facility management capabilities


Port Authority
City Hall
Residential
Hotel
Market Place
Library
Lincoln Park
Civic Plaza Corridor

Project Structure: Co-development of two agency facilities, public amenities, and commercial mixed-use

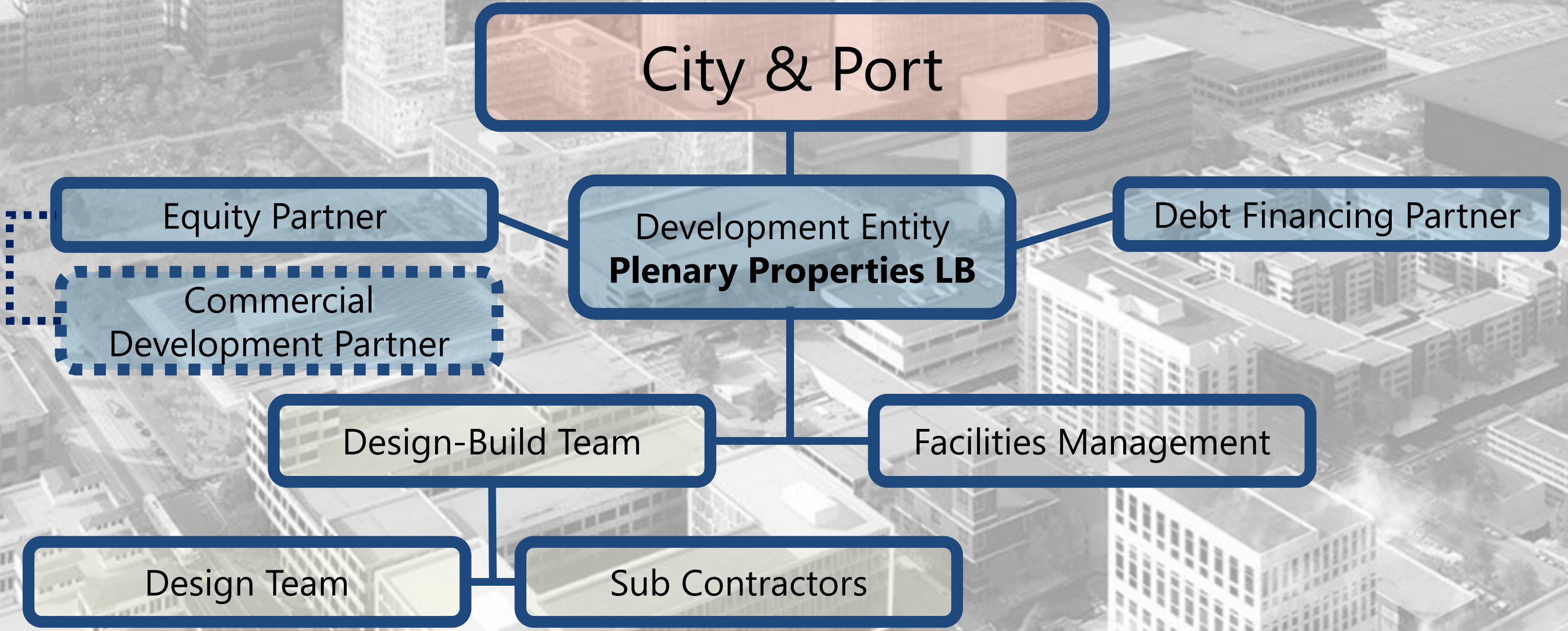
City Hall / Civic Plaza / Library / Park

- **DBFOM:** Design-Build-Finance-Operate-Maintain (40 years)
- **Availability Payment:** no more than cost to maintain existing facilities
- **Complementary Private Development** (subsidy)

Port HQ Building

- **Coordinated development**
- **DBF:** Design-Build-Finance
- **Limited FM:** facility management services

Deal Structure: Full-capacity development and management team



Deal Structure: Land value capture fills critical gap in the capital stack

Sources of Funds (City Facilities)	Amount
Private Financing	$236M
City Payments	$11M
Equity (Plenary)	$21M
Real Estate Payments	**$30M**
Total	**$298M**

Port facilities ($213M) were financed by a separate construction loan with cost of construction borne by the Port Authority

Deal Rationale: Attractive City option to reduce risk and minimize out-of-pocket expense

- **Deal structure customized to Port and City needs**
- **Complete transfer of development and operational risk for the City; Transfer of development risk for the Port**
- **No change in City’s current occupancy costs**
- **Real estate value, although small, contributed to project as means of lowering out-of-pocket expenses from the City**

RISK TRANSFER APPROACH

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Delhi International Airport

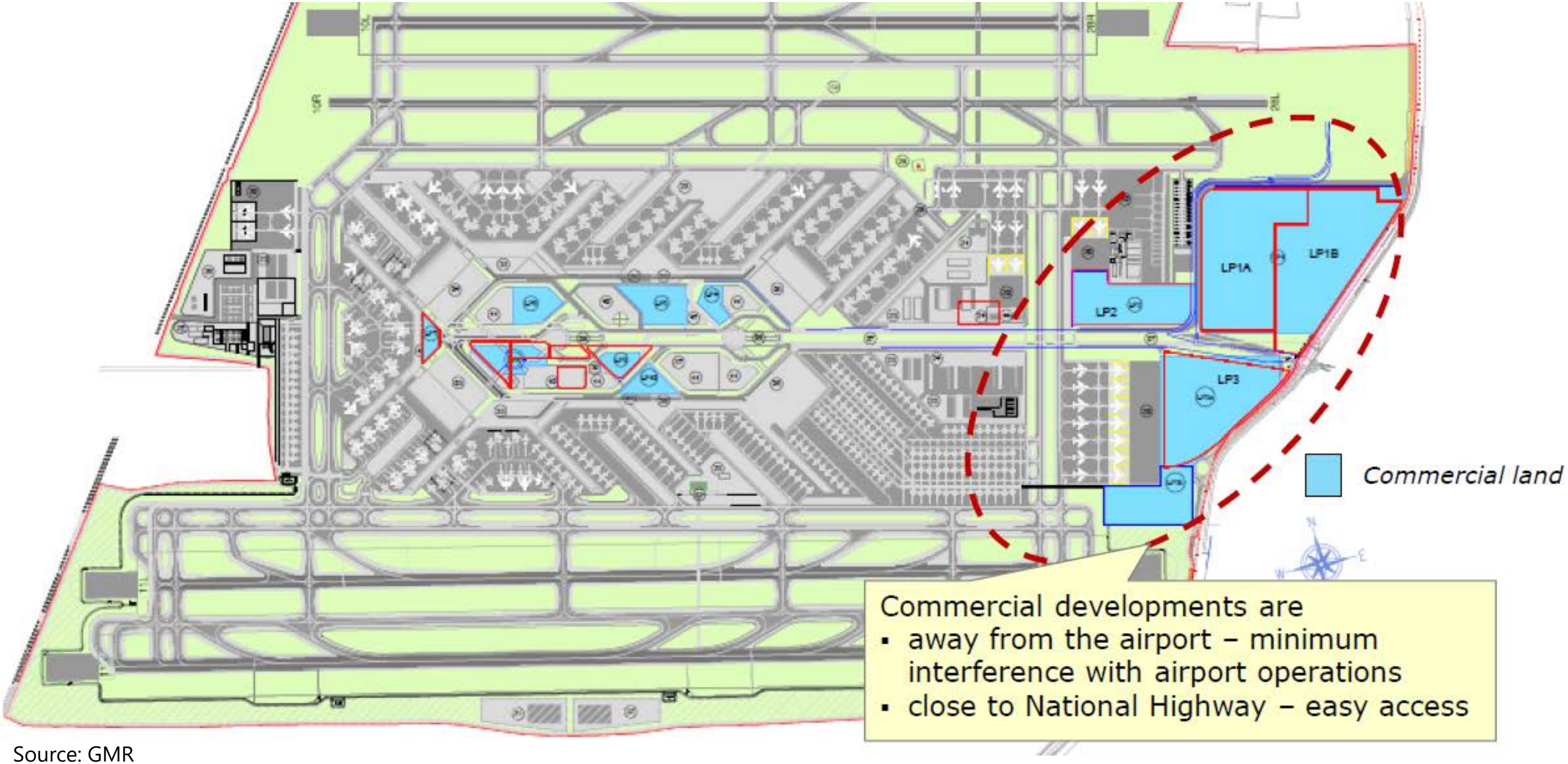
Leveraging Real Estate in PPPs

The Delhi Airport concession packaged with commercial and non-aviation use opportunities

Goal: Use commercial development to cross-subsidize infrastructure

- **Need for a world class terminal facility for India's Capital city**
- **Government invited competitive bidding for private development airport infrastructure**
- **Complete transfer of construction and long term operational risk**
- **Granted long term concessions (30 – 60 years)**
- **Excess airport land offered for commercial development (with use restrictions)**
- **Govt. holds minority shares in the operating company**

Implementation: Master Plan allows for 250 Acres of Commercial Development



Source: GMR

Implementation: Project timeline

2006
Bidder (GMR) Selected

2008
3rd Runway Open

2010
Terminal 3 Open

2013
Aerocity Open

Implementation: New Terminal 3 Delivered as a world class facility

Source: GMR

Implementation: Adjoining Aerocity developed as one of the largest hospitality clusters in Delhi

Source: GMR

Delhi International Airport
Lessons Learned

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- **While there was an established PPP Policy nationally, Specifics were evolving and created uncertainty in the bidding process**

- **Lack of clarity on public sector capability and legal authority on land development caused some false starts**

- **Project commencement aligned with global real estate recession, significantly delaying real estate development and value capture; Airport Authority had to step in to mitigate cash flow risks.**

- **Strong long term market opportunity presents a significant upside in the future**

Thank You

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