

SUSTAINABILITY FINANCING

**– CHALLENGES AND OPPORTUNITIES
FOR THE DELIVERY AND FINANCING OF
SUSTAINABILITY PROJECTS**

LUISE NORING





WHO SHOULD FINANCE SUSTAINABILITY INVESTMENTS THAT BENEFIT “THE COMMONS”?

- When everybody benefits, who should be made accountable of financing investments?
- When everybody hurts, who should be made accountable of financing investments?
 - 20% of urban drinking water and 40% of all surface water is contaminated
 - 3.2 million people die prematurely each year due to air pollution
 - 80% of our resources are depleted within the next 80 years at a 2% global GDP growth rate



HOW DO WE RAISE CAPITAL FOR SUSTAINABILITY INVESTMENTS?

**IF SPENDING
PUBLIC MONEY
DOES NOT
COUNT – HOW
DO WE RAISE
CAPITAL FOR
SUSTAINABILITY
INVESTMENTS?**

Land Value Capture -
Copenhagen City & Port

3CDC – Cincinnati

Collective power - Sweden

Revolving funds model -
Denmark

LAND VALUE CAPTURE – COPENHAGEN CITY & PORT

TRANSFER

National and local governments transfer assets to City & Port

REZONE

Local government re-zones the land for residential and commercial use

REVALUE

The land increases in value

BORROW

City & Port borrows based on the increased value of the land

FINANCE

With the loans, City & Port matures and develops the land and buildings

SELL

Sales of new developments generate revenue to finance infrastructure investments, further developments and repaid the loans

CINCINNATI DEVELOPMENT CORPORATION

SOURCES

Four local funds have been established with patient investment capital from large Cincinnati corporations.

CAPITAL

The initial capital for most projects is provided by low-interest loans or lines of credit to 3CDC by the funds.

3CDC

Each fund is a separate legal entity with 3CDC serving as both the fund manager and its primary borrower.

PROJECT FINANCING

3CDC's loan funds provide the first money into a project and is subordinate to other lender's debt, but once performing, 3CDC refinances projects with conventional debt to **recycle the money back into the funds.**

KOMMUNINVEST - SWEDEN

POINT OF DEPARTURE



Each municipality was never sufficiently large in terms of borrowing capacity to negotiate favorable terms and conditions with the big banks



Smaller municipalities would often lack the dedicated human resources and skills to navigate the increasingly global financial market



The banks operated with low risk and high margins for municipal borrowing, while the municipalities remained understaffed and fiscally debilitated



In short, there was a severe power imbalance between the big banks and the smaller municipalities

KOMMUNINVEST - SWEDEN

COLLECTIVE POWER

KOMMUNINVEST IS
A COOPERATIVE
THAT IS OWNED
AND GOVERNED BY
292 VOLUNTARY
MEMBERS

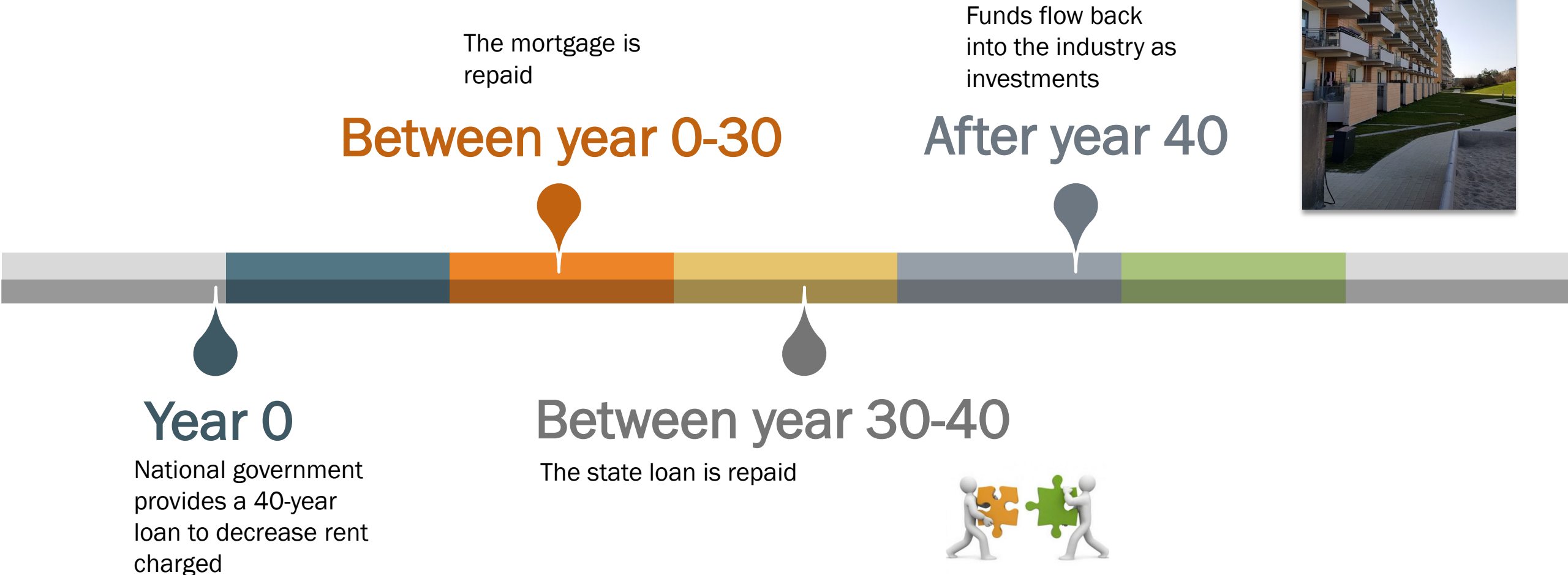
CAPITAL

KOMMUNINVEST
POOLS THE
FINANCIAL
BORROWING
NEEDS OF ITS
MEMBERS AND
CAN ACHIEVE
LOANS AT A LOWER
COST THAN WOULD
BE ATTAINABLE BY
EACH INDIVIDUAL
MEMBER

LOANS

THROUGH THE
INCREASED INFLUX
OF CHEAP CAPITAL
TO SMALLER CITIES
AND TOWNS,
INCREASED PUBLIC
INVESTMENTS HAVE
CREATED THE
LEEWAY FOR
BETTER LOCAL
SOCIETY AND MORE
SOLID FISCALITY

FINANCING FLOWS FOR DANISH AFFORDABLE AND SOCIAL HOUSING



HOW DO FUNDS FLOW BACK INTO AFFORDABLE AND SOCIAL HOUSING?

 **01**

After having paid the mortgage and repaid the state loan, tenants' rent is accumulated

 **02**

1/3 of the rent is allocated by the individual housing estates



 **03**

2/3 go towards The National Building Fund that accumulates all savings on behalf of the industry

 **04**

Funds flows back into the industry

A small green plant with several leaves is growing out of a crack in a dark, textured asphalt surface. The background is a blurred, light-colored sky with a faint orange glow, suggesting a sunrise or sunset. The text is overlaid on the image, centered horizontally.

**HOW DO WE MAKE SURE THAT WE ARE NOT USING
SCARCE PUBLIC MONEY TO FUND SUSTAINABILITY?**



REVOLVING FUNDS MODELS

- City & Port leverages their physical assets through further development, which permits the corporation to access cheap capital loans with which it can conduct further development.
- Cincinnati uses cheap philanthropic capital investments as the initial investment in all projects. It withdraws and reinvests the capital once projects perform, which permits the corporation to continuously reinvest the same money over and over again.
- KommunInvest bundles the needs of many smaller municipalities that would otherwise only be able to access expensive loans. Cheap loans permit the municipalities to make investments, which heighten their attractiveness vis-à-vis citizens and investors. The corporation permits the municipalities to go from a non-investable city to an attractive investable city.
- For affordable and social housing once loans are repaid, tenants' rent is accumulated and reinvested into the affordable and social housing sector.



CINCINNATI'S OVER-THE-RHINE

A PRIVATE-LED MODEL FOR
REVITALIZING URBAN NEIGHBORHOODS

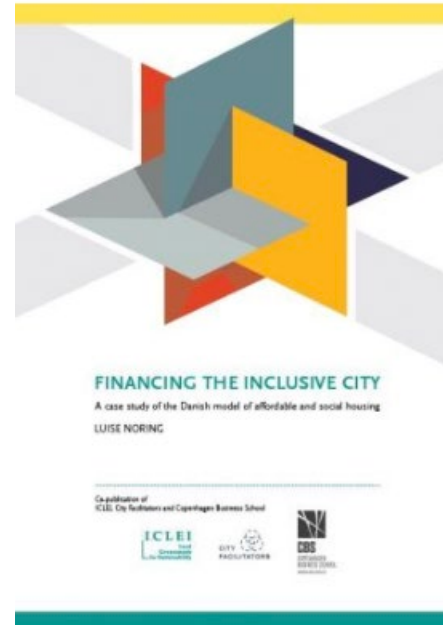
KATZ, BLACK, & NORING

Urban Enterprise
Network Metro Finance Lab
City Building Office Research

ACCELERATOR
AMERICA

ICLEI
Local Government
Leadership Initiative

William
W. Graham
Foundation



THE COPENHAGEN CITY AND PORT DEVELOPMENT CORPORATION:

A Model for Regenerating Cities

BRUCE KATZ | LUISE NORING

B Centennial Scholar Initiative
at URBANLABS

FURTHER READINGS
WWW.CITYFACILITATORS.COM
CITY SOLUTIONS CATALOGUE