



Making financial instruments work for cities

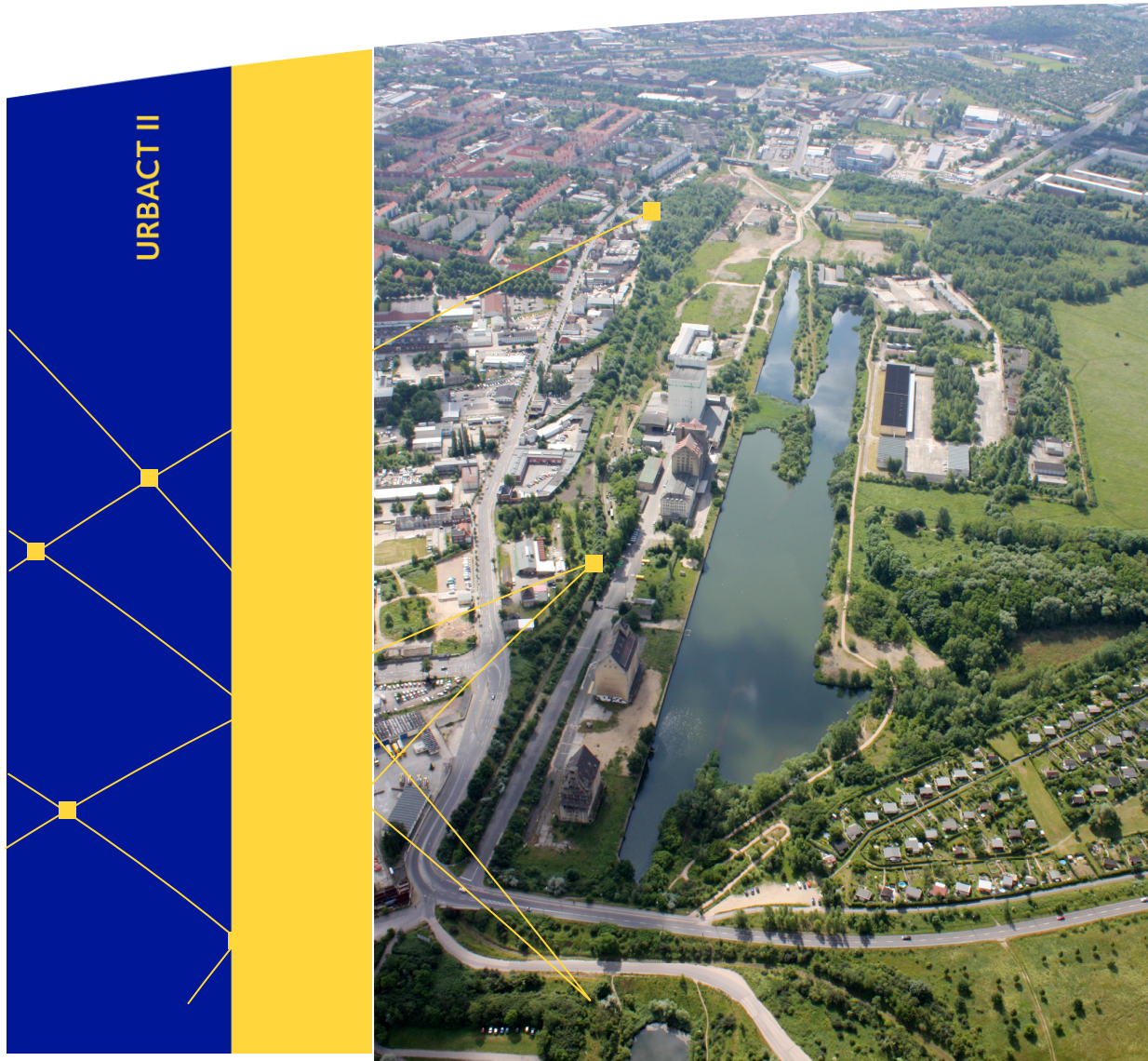
CSI Europe



Stadt Leipzig
Amt für Stadterneuerung
und Wohnungsbauförderung

Local Action Plan Leipzig

Executive Summary



1.) Urban context and initial challenges; policy issue

The Leipzig CSI Europe Local Action Plan aims to set up an Urban Development Fund in Leipzig. It is to be established at a local level and managed under local responsibility. Investments financed by the Urban Development Fund must correspond to the objectives and guidelines of the Integrated Urban Development Concept and also comply with the specific strategies and action plans for the individual boroughs concerned.

Like many European cities, some major challenges lie ahead for Leipzig. The discontinuation of financial subsidies is accompanied by the city's expansion. These new circumstances require a rethink and a sea change in the way the local authority acts – for example, new financial instruments need to be developed and trialled. The aim of a Leipzig Urban Development Fund is to support projects which, although having a substantial positive impact on the urban development of Leipzig ('urban benefit'), are expected to have low financial returns and may even entail high risks, meaning funding will not be forthcoming from banks. With the help of loans, guarantees and equity investments, an Urban Development Fund can help to ensure that such projects can be realized despite these obstacles. Financing via the fund is especially suitable for projects involving small-scale property development, innovative infrastructure projects and complex urban development projects.

2.) Setting of Leipzig focus and objectives

- Establishment of a Local Urban Development Fund
- Examination of a variety of financial sources to find appropriate governance structures
- Development of a project structure suitable for a UDF
- Reinvestment from the JESSICA 2007–13 funding period
- Prompting discussion on a political level
- Integrating the UDF into other instruments such as the interim purchase of buildings, a network of consultants, etc.

3.) Action schedule; description of the process

The first step was to found a network to debate the characteristics of an Urban Development Fund – which, after all, is a new venture for the local authority. This was done with the help of the URBACT Local Support Group. Six meetings were held with them between September 2013 and March 2015. During this time, the LAP was developed. Parallel to this, meetings took place with local politicians and the Managing Authority concerning the use of reimbursed JESSICA money.

The Leipzig CSI Europe Local Action Plan was drawn up in close collaboration with the URBACT Local Support Group, which is made up as follows:

- Kreditanstalt für Wiederaufbau, Markus Schönborn
- Sächsische Aufbaubank, Katrin Zilliges
- GLS Bank, Werner Landwehr
- Sparkasse Leipzig, Dietmar Boriesosdick
- Leipzig City Treasury, Yvonne Hlubek and Michael Tirpitz
- Leipzig Office for Urban Regeneration and Residential Development, Karsten Gerken, Ute Gläser, Ortrud Diemer and Margrit Beier

On the basis of various problems formulated as questions, the experts' comments were collated and included in the LAP. Using a problem tree and permanent self-assessment by means of the URBACT LAP self-assessment instrument, in the end a common understanding and agreement on the future steps were reached.



Fig. 1: Local Support Group Meeting no.3, 21 March 2014

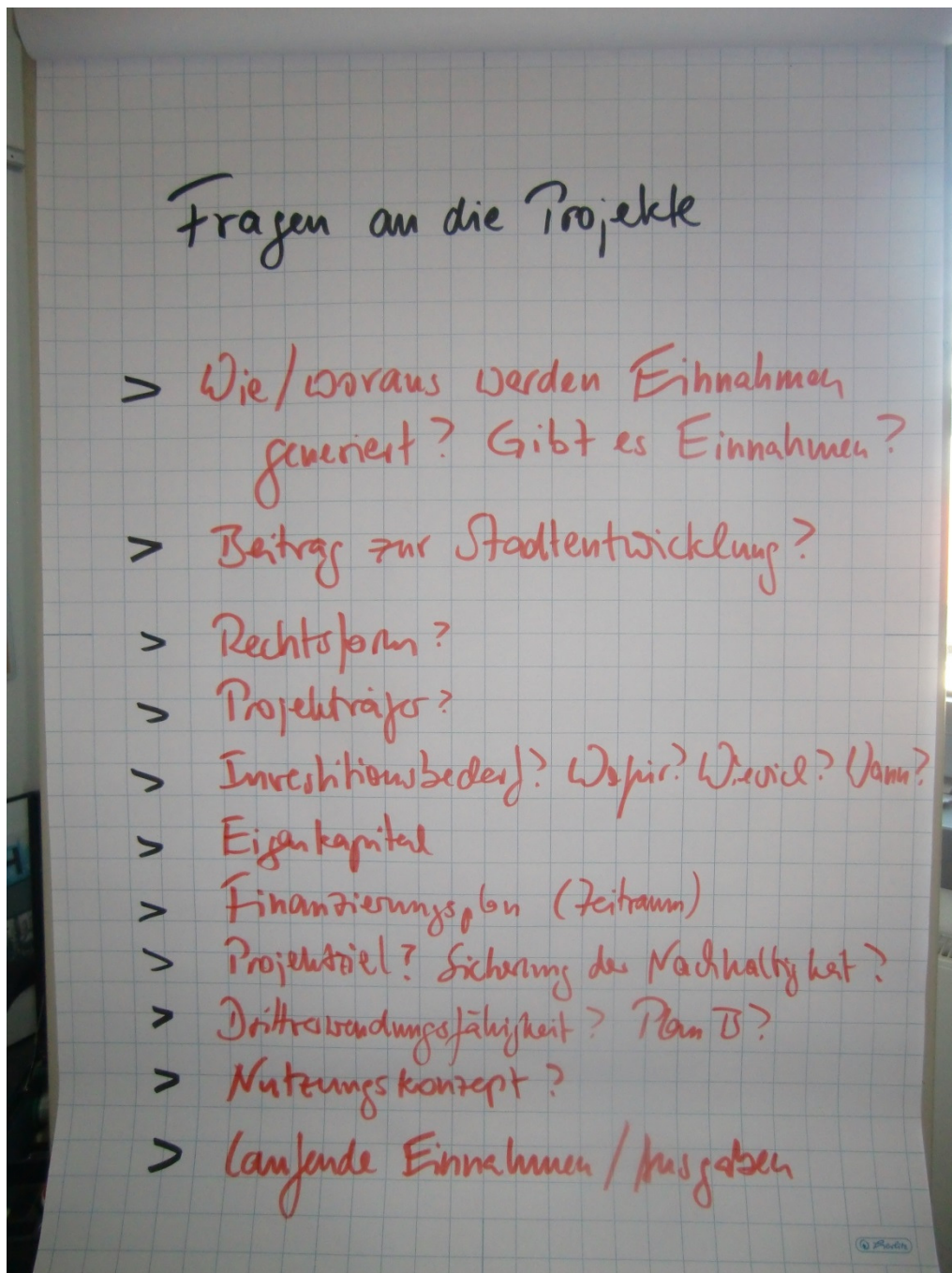


Fig. 2: Status of questions regarding the projects

4. Framework for delivery

Steps on the road to the UDF

- Creation of a project **structure** for the development and implementation of a fund
- Debate to determine the **goals**, definition of the role of the **local authority**

- Development of packages of measures, filling the project pipeline
- Negotiations on **obtaining funding** and laying the legal **groundwork** for e.g.:
 - The use of **new** and the **reinvestment** of **reimbursed JESSICA** funding
 - The use of model funding from **central and regional government**
 - Contributions from **private investors**
- The creation of a sustainable **fund and financial concept**, and the selection of an appropriate **legal form**
- Devising additional **risk mitigation** for the fund's operating business
- Preparation of the appointment of the fund manager
- Involvement of banks in setting up the fund management system
- Setting up an initiative group for a local ethical fund

All the above measures and necessary clarification work were carried out during the course of 2015. Solely the debate about using JESSICA funds for refinancing will only be continued and finalized in 2016. Responsibility for the above-mentioned measures rests with the City of Leipzig's Office for Urban Regeneration and Residential Development.

Assuming the individual steps are successful, the route outlined in Table 1 could be taken.

Action Table

| Action Title and Short Description (e.g. to be implemented in parallel) | Lead Actor or Agency | Key Partners | Intended Outputs | Timescale | Resources |
|---|--|---|--|--------------------------|---|
| <p>Debate to determine the aims, definition of the role of the local authority, qualification of potential projects and measures for the fund</p> <p>Basis: Local Action Plan</p> <p>Goal: To reach a decision about the fund</p> | <p>Leipzig Local authority (Office for Urban Regeneration and Residential Development, Finance Department)</p> | <p>Local politicians (councillors)</p> <p>Local Support Group members</p> <p>Project developer</p> <p>External experts, e.g. Sparkasse, redevelopment banks, legal experts</p> | <p>Resolution by the City Council to establish an Urban Development Fund in Leipzig ('green light' for the foundation process) →</p> <p>Deciding on</p> <ul style="list-style-type: none"> • Work and project structure • Project plan and schedule • Resource planning | <p>II/2015 – IV/2015</p> | <p>Local authority personnel</p> <p>Municipal funds</p> <p>Possibly subsidies from model project funding or research projects</p> |
| <p>Negotiations on obtaining funding and laying the groundwork (content, legal) e.g.:</p> <ul style="list-style-type: none"> • The use of the municipal budget • The use of model funding from central and regional government • The use of new and the reinvestment of reimbursed JESSICA funding | <p>Leipzig Local Authority (Office for Urban Regeneration and Residential Development, Finance Department)</p> | <p>Other local authority departments</p> <p>City council</p> <p>Free State of Saxony as administrative body</p> <p>Central (federal) government, BBSR¹</p> <p>Experts</p> <p>Private investors</p> | <p>Securing financial contributions</p> <p>Formulation of the source-dependent framework conditions and guidelines for the fund</p> | <p>II/2015 – II/2016</p> | <p>Local authority personnel</p> <p>Municipal funds</p> <p>Possibly subsidies from model project funding or research projects</p> |

¹ Federal Institute for Research on Building, Urban Affairs and Spatial Development

| | | | | | |
|---|---|--|--|------------------------------|---|
| <ul style="list-style-type: none"> Contributions by private investors | | | | | |
| <p>Creating a (project) structure to prepare and establish a local, revolving Urban Development Fund: Implementation of the project with the following structure:</p> <ul style="list-style-type: none"> All groundwork Designing the fund model, including financial strategy, investment guidelines, decision-making structures Creation of a sustainable fund and financial concept and selection of an appropriate legal form Devising additional risk mitigation for the fund's operating business Filling the project pipeline Setup and development of support structures (e.g. centre of excellence, advisory board) PR <p>Steering of the foundation process and initial support, monitoring,</p> | <p>Leipzig Local Authority Project management</p> | <p>Workgroups Local Support Group members Project developer Local Support Group members External experts e.g. Sparkasse, other financial experts, redevelopment banks, legal experts Municipal supervision (Saxony District Administration Office) Free State of Saxony (Managing Authority) City Council etc.</p> | <p>Decision on the fund model City Council Resolution Tendering for and award of fund management</p> | <p>IV/2015 – IV/2016</p> | <p>Local authority personnel Municipal funds for training and external personnel Possibly subsidies from model project funding or research projects</p> |

| | | | | | |
|---|---|---|--|-----------------------------|---|
| evaluation and if necessary additional controlling of the fund | | | | | |
| Establishment of the fund – probably with one or two partial funds (modules within a holding company) Appointment of the fund management team Start of the first UDF projects | Local authority Project management Possibly also the advisory board | Advisory board Investors City council Experts Project developer Centre of excellence (see above) etc. | Leipzig Urban Development fund | Between III/2016 and I/2017 | Sources of finance for the fund (see above) |
| Launch of an Initiative Group for a local 'Ethical Fund' | Private initiators | Leipzig Local Authority Private sector Private citizens Experts | Foundation of the Initiative Group Work of the Initiative Group | Starting from IV/2015 | |

Table 1: Implementation steps for setting up a local Urban Development Fund in Leipzig

5.) Funding scheme

Financing of actions in the LAP

All measures under no. 4.) will be carried out and coordinated under the overall control of the City of Leipzig. The City of Leipzig will use the working time of its own employees for this purpose. The costs for carrying out the actions will therefore be financed by the City of Leipzig in the form of working hours. In addition, external expertise will be sought; this, too, will be financed out of the municipal budget. In addition, the members of the URBACT Local Support Group will continue to provide their expertise on project financing and the development of financial instruments.

Assuming that the Urban Development Fund is established, there are several sources of funding which can be transferred to the UDF. Listed below, they are expected to become available for the UDF in the following order:

- 1.) Municipal budget
- 2.) National funding
- 3.) Private funds
- 4.) EU funding

Three routes will be taken in parallel. In the first, municipal budget funds will be transferred to the UDF starting in 2016. Parallel to this, negotiations will be conducted with the Managing Authority to see whether monies from JESSICA from the current funding period or from the 2007–13 period following its reimbursement can be used. In the third approach, funding from other sources such as the EU (e.g. EIB, Horizon 2020), central government, regional government (Saxony) and private investors can be acquired and transferred to the UDF. There is still much to examine in this regard and the success of this approach is not yet certain.

URBACT II

URBACT is a European exchange and learning programme promoting sustainable urban development.

It enables cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal challenges. It helps them to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. It enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe. URBACT is 181 cities, 29 countries, and 5,000 active participants



www.urbact.eu/csieurope

