THE UNIVERSAL FORUM BARCELONA 2004
WORLD URBAN FORUM II

THE PUBLIC & PRIVATE PARTNERSHIPS: A TOOL FOR SUSTAINABLE URBAN REVITALISATION

THE EXEMPLE OF THE FORUM URBAN DEVELOPMENT OPERATION

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INFRASTRUCTURE PROVISION

BASIC ISSUES - A REMAINDER:
THE FIVE "W" RULE

- WHAT ???? QUÉ ????
- WHY ???? POR QUÈ ????
- WORTH ???? (HOW MUCH) CUANTO ????
- WHO ???? QUIÉN ????
- WHEN ???? CUÁNDO ????

- **PARTNERSHIPS RELATE WITH "WHO"**

BASIC ARGUMENTS

- "Partnerships" between the public and the private sectors are progressively common ways to produce new urban development in the Spanish cities, being the Local **Governments** the main "engines" of the operations.

- The role of the **Central Government** is also very important because the construction of infrastructure of national impact is currently associated with urban development.

- **Partnerships increase "planning gains"**. The partnerships are additionally a tool to increase **public infrastructure as well as housing for low income groups**, financed directly by the developers. In this respect, partnerships help to produce a **better and more sustainable urban development**.

- The **land prices are not increased** by these practices. The housing is not expensive because the land is expensive, but exactly the reverse: **the land is expensive because the housing is expansive**. The price of the land is a residual to the owners. Housing is expensive when the demand is high and the rates of interest low.

- Insofar as the market mechanism produces important social exclusions (20-30% of the demand of new family units in the Spanish cities), it is suggested **a more active role for the Local Governments in urban development using the "partnerships".**

- **The Forum 2004 urban development operation** (260 ha, 1,4 m sq.m, 13.000 residents, 14.000 jobs, 2.500 rehabilitated dwellings) in a **10 years program (2000-2010)** is a good example of the positive effects of public and private partnership.

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• WHAT ????

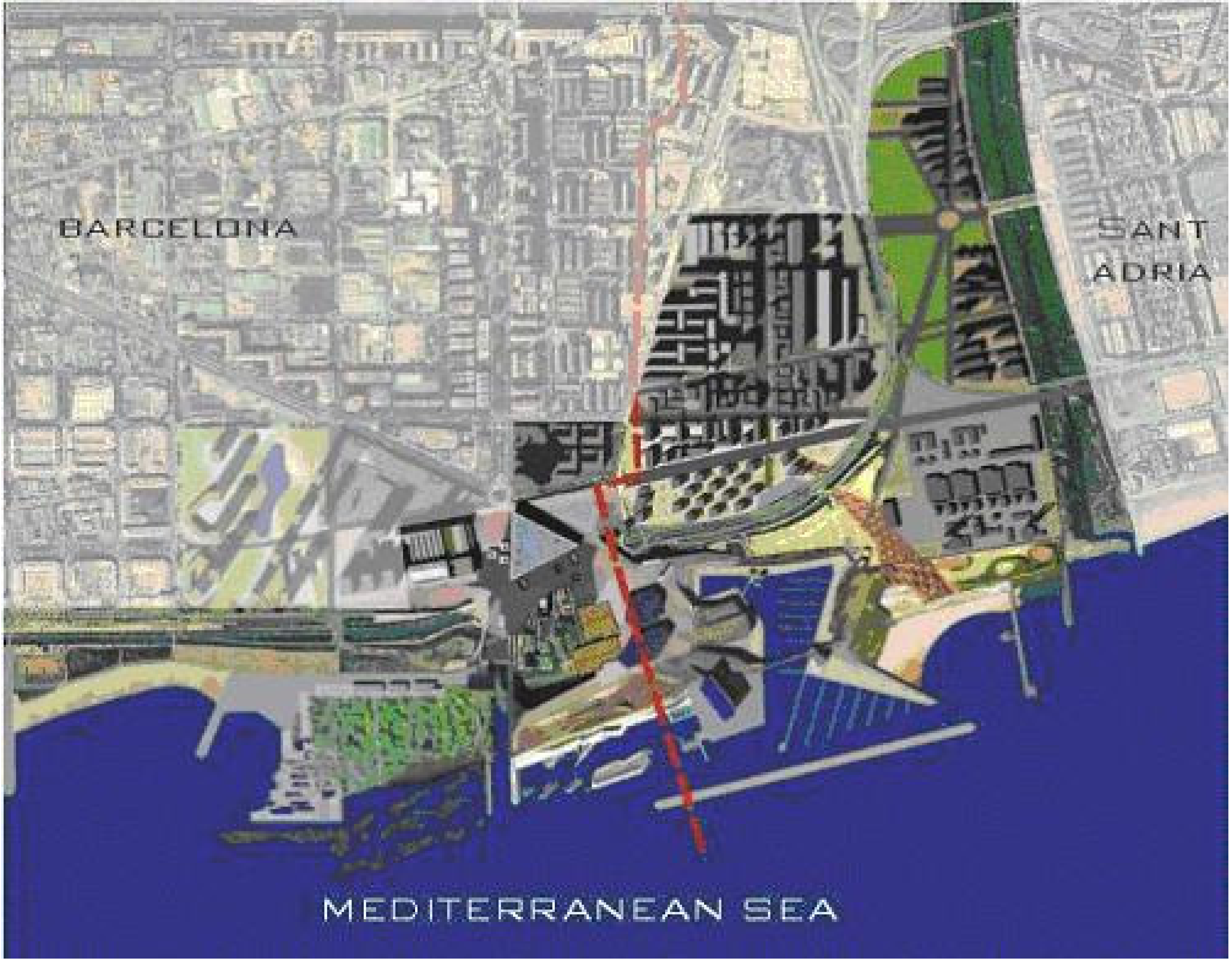
= THE PROJECT

- LAND DIMENSIONS -FLOORSPACE DIMENSIONS
- CAPACITY
- “COSTUMERS” SERVED
  ………………………

Example:FORUM 2004
IN THE BARCELONA NEW PROJECTS

BEFORE:
Situación en diciembre 1998

AFTER:
AN TWO MUNICIPALITIES OPERATION:
BARCELONA (1,5 m inhab.) – SANT ADRIÀ (35.000 inhabitants)



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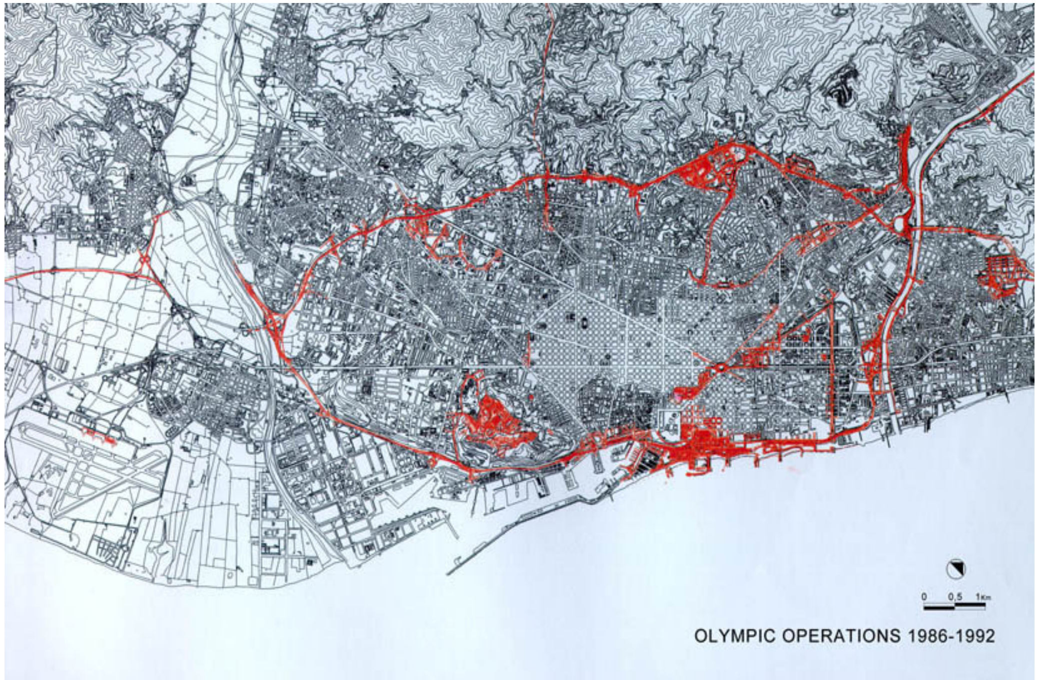
- # WHY ????

= JUSTIFICATIONS: Need, Growth, Deficit…….



- %INTERNAL RATE OF RETURN = A SUMMARY MEASURE BY COMPARING:
  - » "INITIAL INVESTMENTS"
  - » "NET PROFITS ALONG THE LIFE OF THE PROJECT
- %I.T.T. PER YEAR OF ALTERNATIVE PROJECTS FOR THE JUSTIFICATION OF PRIORITIES: SECTORS & SITES
- I.R.R.>10% (PRIVATE SECTOR) / > 5% (PUBLIC SECTOR)
- OTHER INDICATORS FOR DECIDING AMONG ALTERNATIVE PROJECTS:
  - » JOBS CREATED
  - » INCREASE IN REAL ESTATE VALUES
  - » INCOME INCREASE
- ……………………

The 1992 Barcelona Olympic Games as an "excuse" to invest 10 billion $

Sport Event was only 17% of the total spending

THE 1986-1992 OLYMPIC GAMES FINANCE OPERATION: A PIONEER EXAMPLE OF PARTNERSHIP

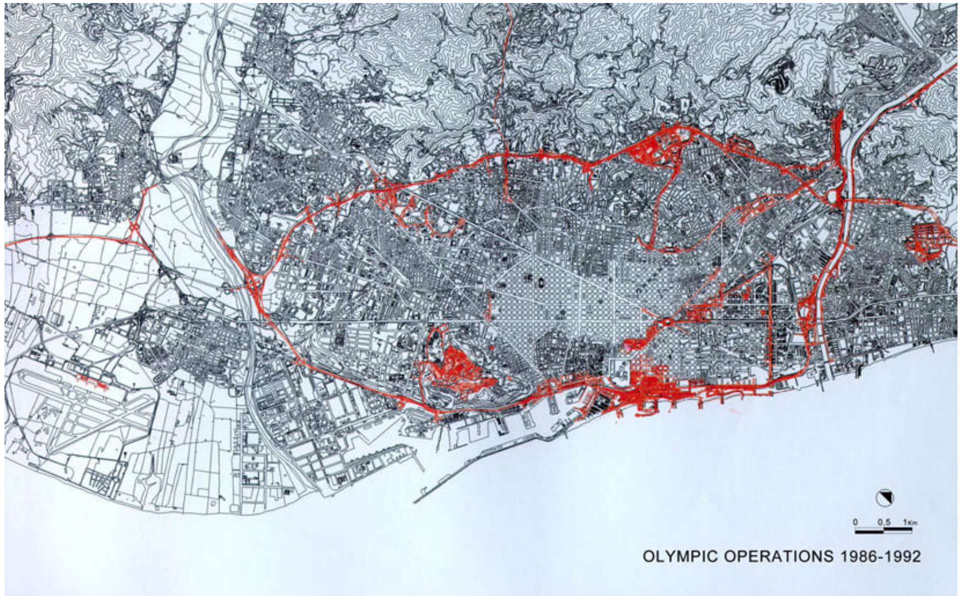
- An ambitious infrastructure program in roads, telecommunications, housing and strategic operations of urban centrality

- Equivalent to near 10% of the 1992 regional GDP.

- Two thirds of the investment were managed by the public sector (funds application)

- But 60% of the total was effectively financed by the real estate market and the service companies (funds origin).

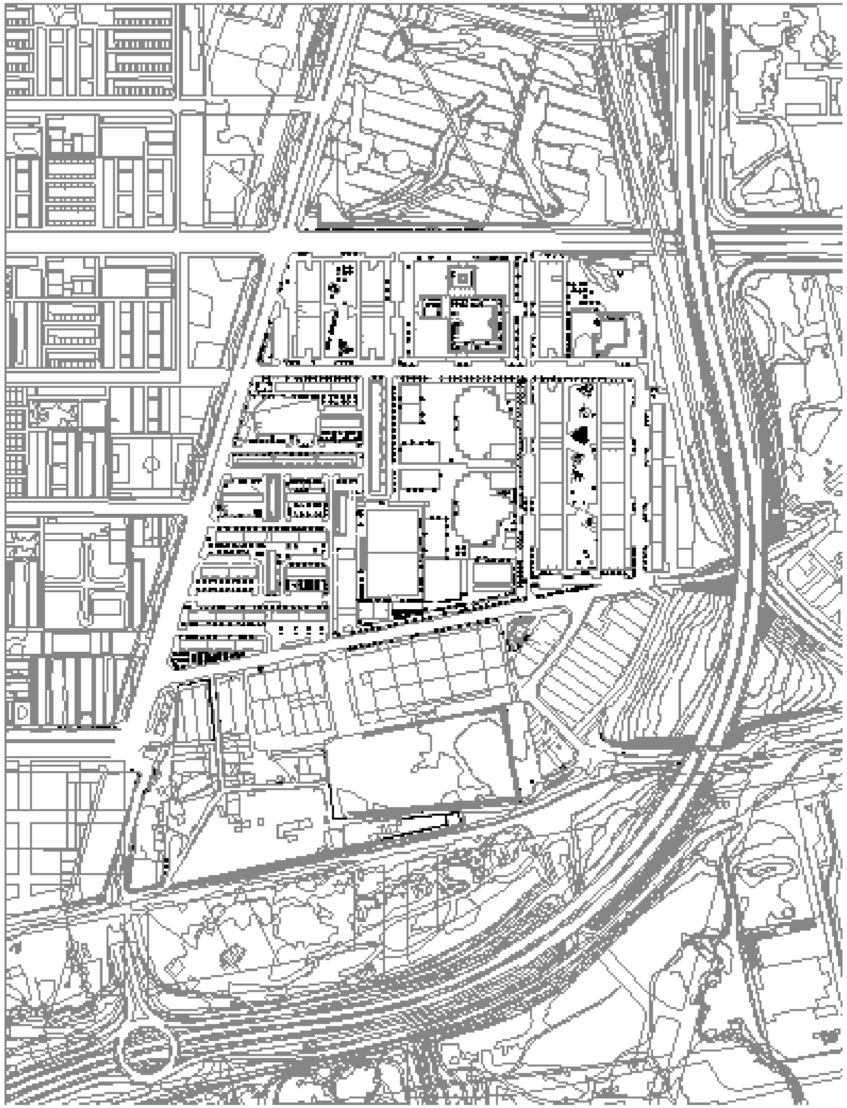
- The main source of the public finance came from the Central Government (16% of the total)



WHY?
PLANNING PRINCIPLES OF THE FORUM URBAN DEVELOPMENT OPERATION

- ✓ CRITICAL MASS OF PUBLIC INVESTMENT TO INDUCE AUTONOMOUS PRIVATE INVESTMENT
- ✓ TO GENERATE ECONOMIC ACTIVITY SUSTAINING FUTURE DEVELOPMENT
- ✓ TO INCORPORATE SUSTAINABLE URBAN CRITERIA FOR THE EXISTING INFRASTRUCTURE AND FOR THE ACTUAL RESIDENTS OF THE MARGINAL NEIGHBOURHOOD OF LA MINA

LA MINA :
10.000 RESIDENTS – 48% UNEMPLOYED



DADES GENERALS

POBLACIÓ	10.0000 hab.

TAXA D'ATUR : 48%	P. activa 4150 P. ocup. 2200 P. en atur 2020

Núm. Habitatges actuals	2727

Nivell d'instrucció	17,50% no saben llegir ni escriure 27,30% Primària incomplerta 32,90% Primària o EGB 1r. Cicle 4,80% FP1 1,90% FP2 0,50% Grau mig 0,22% Grau superior

1097 habitatges nous	400 règim especial 330 règim lliure	Públics
	367 règim lliure	Privats

There is **a “back yard” in the Forum operation, in positive terms**

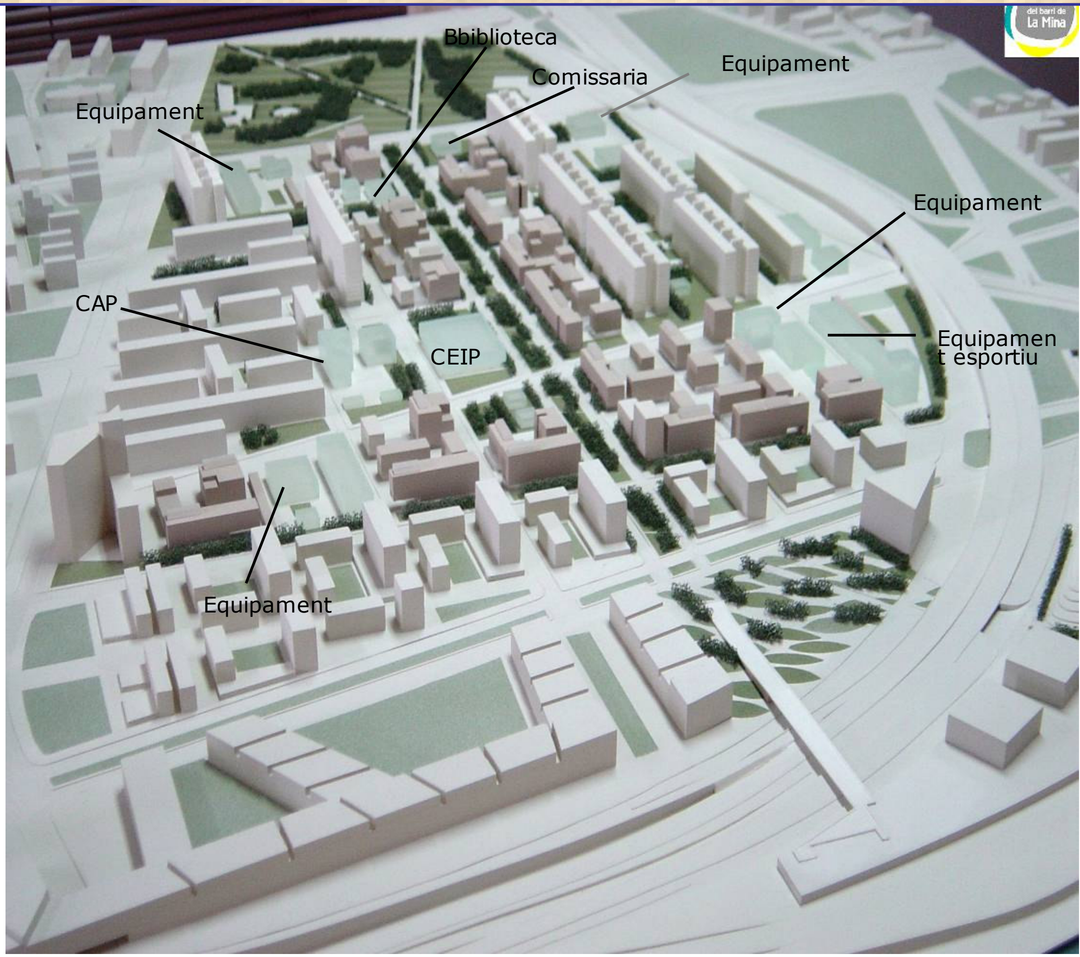
- Less than 500 m from here……
- One of the poorest neighbourhoods of the Barcelona Metropolitan Area of near 3000 old local council dwellings (“La Mina”),
- Built up in the late fifties, is being rehabilitated in a ten year programme.
- A renewal operation in the nearby obsolete industrial estate, with a private share of 48% of the land ownership, will produce not only the social integration of the area in the city but also the economic integration in the real estate market.
- The Forum operation has produced an **increase in the real estate value** of the dwellings, as it is clearly perceived by the residents.

NEW PLAN 2003- 2010:

An important social component of the Forum Project:

40% of low cost new housing

New activity and new housing pay urban infrastructure



Sup. ÀMBIT LA MINA : 212127 m2

LA MINA - UA1		
Superfície (m2)		140.460
Activitat potencial (m2/st)		57.000
Núm. Habitatges	lliure	697
	protegit	400

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• WORTH ???? = HOW MUCH

- INVESTMENT IN MONETARY UNITS
- CURRENT MAINTENANCE EXPENSES (AFTER INVESTMENT)
- LAND COSTS
- CONSTRUCTION COSTS
- PER UNIT COST
- ....

TOTAL INVESTMENT

INVERSIÓ TOTAL				
	Milions €			
Origen	Etapa Fòrum	Post-Fòrum	Total	(%)
Inversió Pública	1.155,8	228,0	1.383,8	42,4%
Inversió Privada	819,2	1.057,0	1.876,2	57,6%
TOTAL INVERSIÓ	**1.975,0**	**1.285,0**	**3.260,0**	**100,0%**

INVERSIÓN TOTAL: 3.260 M€ (K 2004) – 542.000 MPTA

COMPARATIVE FIGURES

- ✓ 2% OF THE REGIONAL GDP

- ✓45% OF THE 1986- 1992 OLYMPIC GAMES INVESTMENTS

TYPES OF INVESTMENT

DISTRIBUCIÓ DE LA INVERSIÓ EXECUTADA EN ETAPA FÒRUM				
	Milions €			
FINALITAT	Públics	Privats i Concessions	Total	(%)
Sostenibilitat	326,1	456,2	782,3	39,6%
Millora de l'accessibilitat	272,6	29,6	302,2	15,3%
Recuperació del litoral per a ús públic	188,7	2,6	191,3	9,7%
Nova activitat: econòmica, residencial i d'equipaments	368,4	330,8	699,2	35,4%
TOTAL INVERSIÓ EN ETAPA FÓRUM	**1.155,8**	**819,2**	**1.975,0**	**100,0%**
TOTAL INVERSIÓ EXECUTADA EN ETAPA FÒRUM (%)	**58,5%**	**41,5%**		

INVESTMENTS IN "SUSTAINABILITY" (INFRASTRUCTURE) : 40%

INVESTMENT IN NEW ECONOMIC ACTIVITY AND HOUSING: 35%

56% OF THE PRIVATE INVESTMENT ARE RELATED WITH SUSTAINABILITY

• WHO ????

= PROJECT FINANCE / PROJECT LEADERSHIP /PROJECT MANAGEMENT

- ONLY TWO POSSIBLE SOURCES OF INFRASTRUCTURE FINANCE:
  - THE MARKET ("PAY FOR USE" PRINCIPLE)-
    - » REAL ESTATE MARKET
    - » TOLLS ....
  - PUBLIC FUNDS
- MUNICIPALITIES COMPITE FOR NATIONAL AND REGIONAL FUNDS : THE I.R.R. OF PROJECTS CAN DECIDE
- PARTNERSHIP AMONG GOVERNMENT TIERS

- **"PARTNERSHIP" BETWEEN THE PUBLIC SECTOR AND PRIVATE SECTOR**

FINANCE:
THE POSITIVE EFFECTS OF THE PARTNERSHIP

INVERSIÓ TOTAL				
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PRIVATE INVESTMENT: 58%

PUBLIC INVESTMENT: 42%

PUBLIC INVESTMENT

INVERSIÓ PÚBLICA				
	Milions €			
Origen	Inversió Directa	Fons Europeus	Total	% executat en etapa Fòrum
Ajuntament de Barcelona	787,5	32,9	820,4	91%
Diputació (Al Consorci de la Mina: 12 M€)	42,0		42,0	74%
Generalitat (Al Consorci de la Mina: 30)	262,3		262,3	90%
Estat (Al Consorci de la Mina: 6)	29,1	115,5	144,6	96%
Universitat / Generalitat	82,0		82,0	
Equipaments públics (no adscrits)	32,5		32,5	11%
TOTAL INVERSIÓ PÚBLICA	**1.235,4**	**148,4**	**1.383,8**	**84%**

- **BARCELONA MUNICIPALITY: FINANCIAL “ENGINE” OF THE OPERATION**
- **25% OF THE TOTAL INVESTMENT**
- **59% OF THE PUBLIC INVESTMENT**

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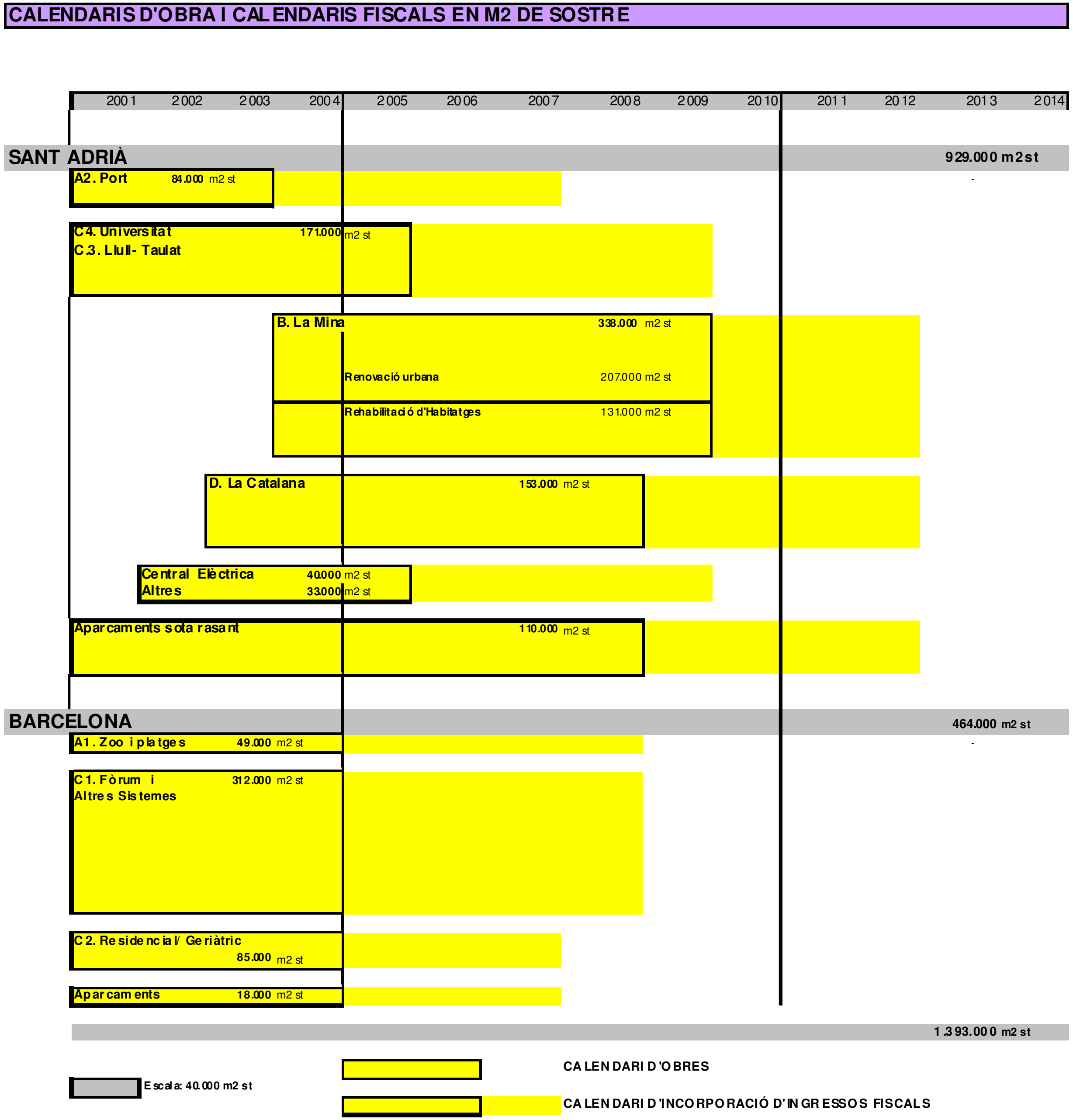
- **WHEN ????**

= TIME PRIORITIES

- **SCARCE RESOURCES FORCE PRIORITY DECISIONS ON TIME**
- **THE G.D.P. INCREASE ALLOWS TO ADVANCE FUTURE PROJECTS**
- **INFRASTRUCTURE PROJECTS NEED 5-10 YEAR PERIOD TO BE IMPLEMENTED**

TIMETABLE: 2001- 2010
DIFERENT TIMETABLE IN THE TWO MUNICIPALITIES: DIFFERENT FISCAL IMPACTS



SANT ADRIÀ
60% AFTER 2004

BARCELONA:
95% IN 2004

INVESTMENT AFTER 2004: 39%

INVERSIÓ TOTAL				
	Milions €			
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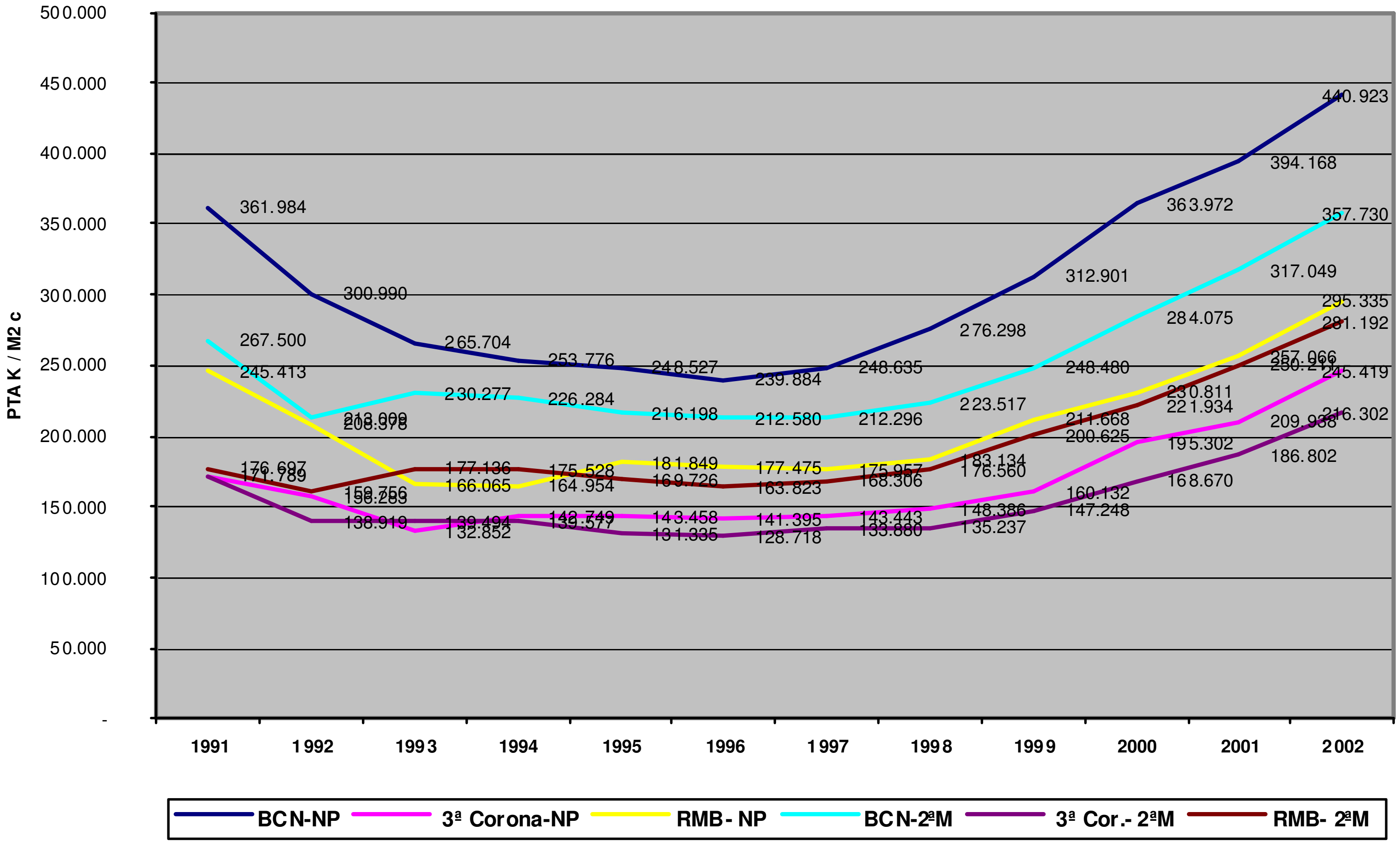
INVERSIÓ POST-FÒRUM 2004: 39% (LA MINA, LA CATALANA….)

THE FORUM IN THE REAL ESTATE MARKET

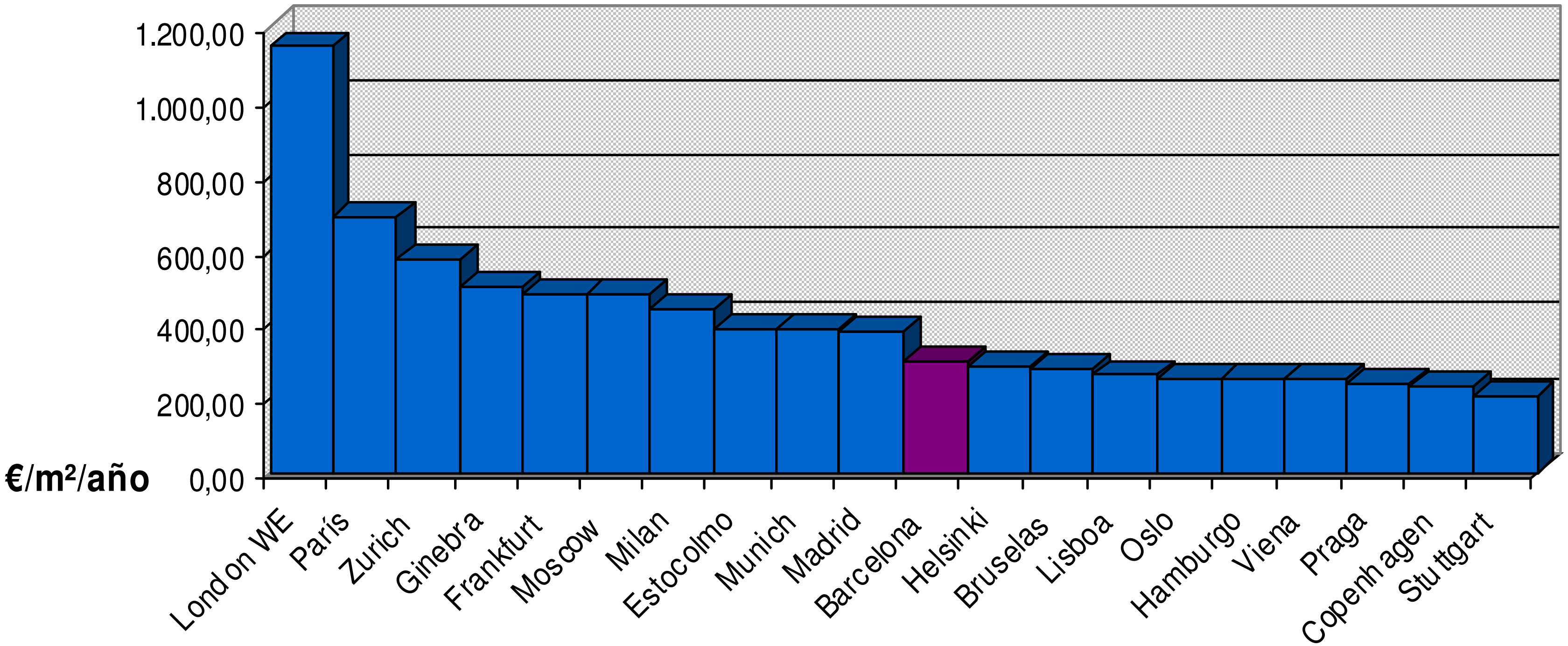
"PLANNING GAINS" FOR THE ACTUAL RESIDENTS, NOW AND IN THE FUTURE

THE REAL ESTATE CYCLES IN THE BARCELONA METROPOLITAN AREA:
2004: THE END OF THE “BUBLE” AFTER THE 1996-2004 “BOOM”?

PREUS DE L'HABITATGE NOU I DE SEGONA MÀ EN PTA/M2c /Valors K 2003 / 1991- 2002



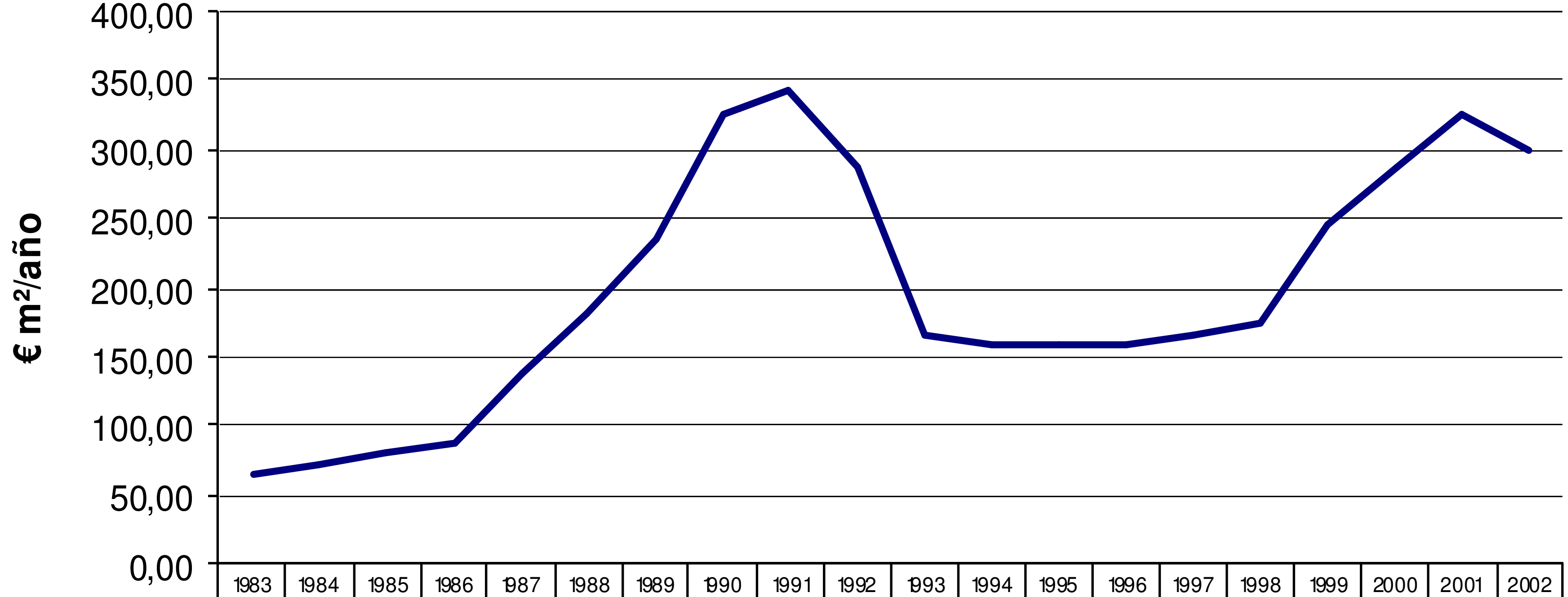
REAL ESTATE PRICES, GDP AND DEMAND:
BARCELONA IN A INTERMEDIATE POSITION



Fuente : CB Richard Ellis

THE 1983 – 2002 REAL ESTATES CYCLES:

Offices rents: 2001 = 1991
Rent decreases since 2002

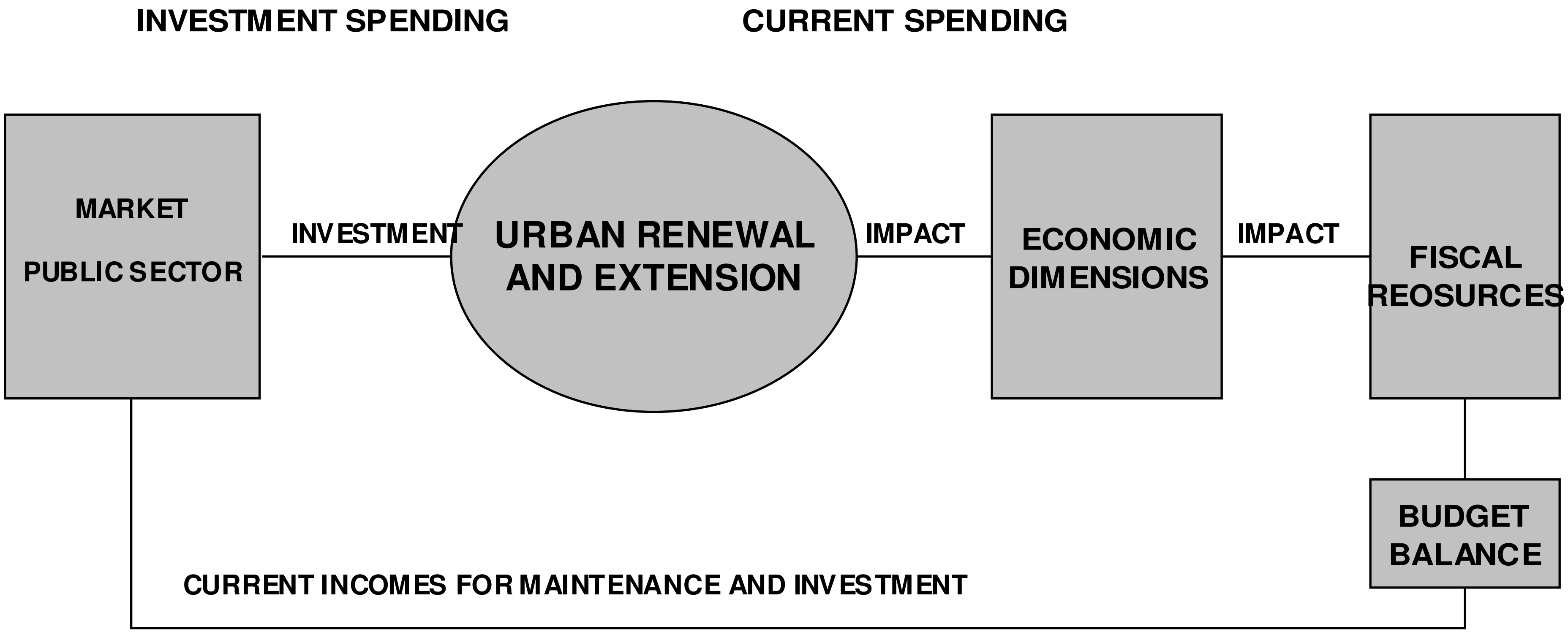


	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
€m²/año	64,92	72,12	79,32	86,52	137,04	180,36	234,36	324,60	342,60	288,48	165,84	158,64	158,64	158,64	165,84	173,04	245,16	288,48	324,60	300,00

Año

Fuente : CB Richard Ellis

FISCAL FINANCE SCHEME OF THE MUNICIPALITY



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ECONOMIC SUSTAINABILITY CRITERIA:

THE MUNICIPAL INVESTMENT PRODUCES "ADEQUATE" ANNUAL INCOMES TO THE MUNICIPAL BUDGET

¿HOW IMPORTANT IS IMPORTANT?:

INTERNAL RATE OF RETURN OF THE URBAN DEVELOPMENT OPERATION TO THE MUNICIPAL BUDGET: 5% FOR THE LOCAL IMPACT INVESTMENTS.

CONCLUSIONS

- 1. Es una operación sostenible porque, junto a las nuevas infraestructuras metropolitanas y la rehabilitación-renovación del barrio marginal de La Mina, tendrá tantos residentes de noche como de día (13.000 aprox.). SUSTAINABLE OPERATION IN TERMS OF THE BALANCE “NEW RESIDENTS – JOBS”.

- 2. Los impactos en las Haciendas Municipales son positivos y Sant Adrià puede garantizar los estándares de servicios municipales de Barcelona y absorber déficits históricos. La Mina produce también un balance fiscal positivo a partir del 2005. THE NEW CITY CAN PAY HIGH MUNICIPAL SERVICE STANDARDS, BUT NOT THE METROPOLITAN INVESTMENTS.

- 3. Fiscalidad municipal versus fiscalidad metropolitana: los “spillovers” generados abren posibilidades futuras a la gestión del Consorcio inter-municipal. THE SPILLOVERS OF THE OPERATION DEMAND A METROPOLITAN FINANCE.

- 4. Es una operación impulsada por el Ayuntamiento Barcelona (25% de la inversió) y las otras Administraciones (17%), que arrastra a la inversión privada majoritària del 58%. POSITIVE EFFECTS OF THE MUNICIPAL GOVERNMENT LEADERSHIP AND THE PUBLIC-PRIVATE PARTNERSHIP.

- 5. A more active role for the Local Governments in urban development is needed using the “partnerships”. The increase of “planning gains” and its application to infrastructure and low cost housing will improve the quality of the cities for both residents and economic activity. PARTNERSHIPS FOR BETTER CITIES.