

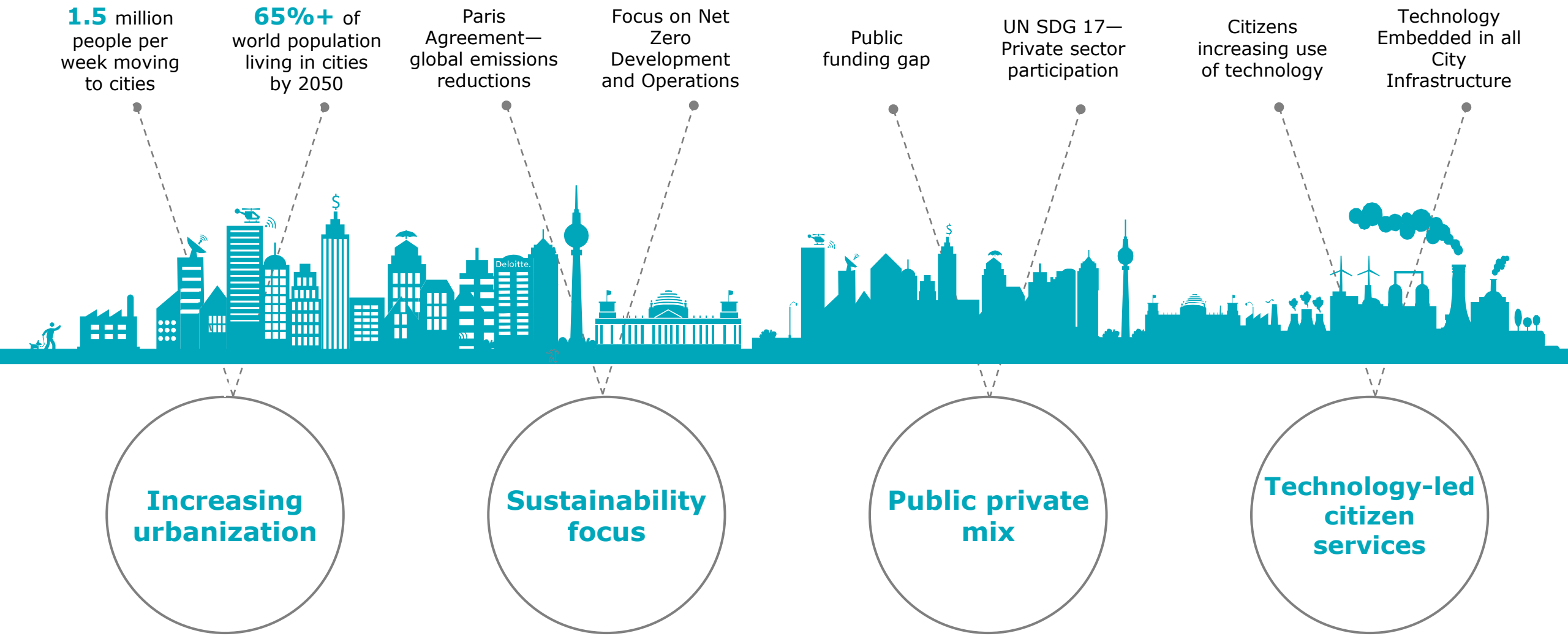


Funding & Financing for Urban Spaces

October 2024

Urban Development | Macro drivers—Urban development

Global drivers of urbanization

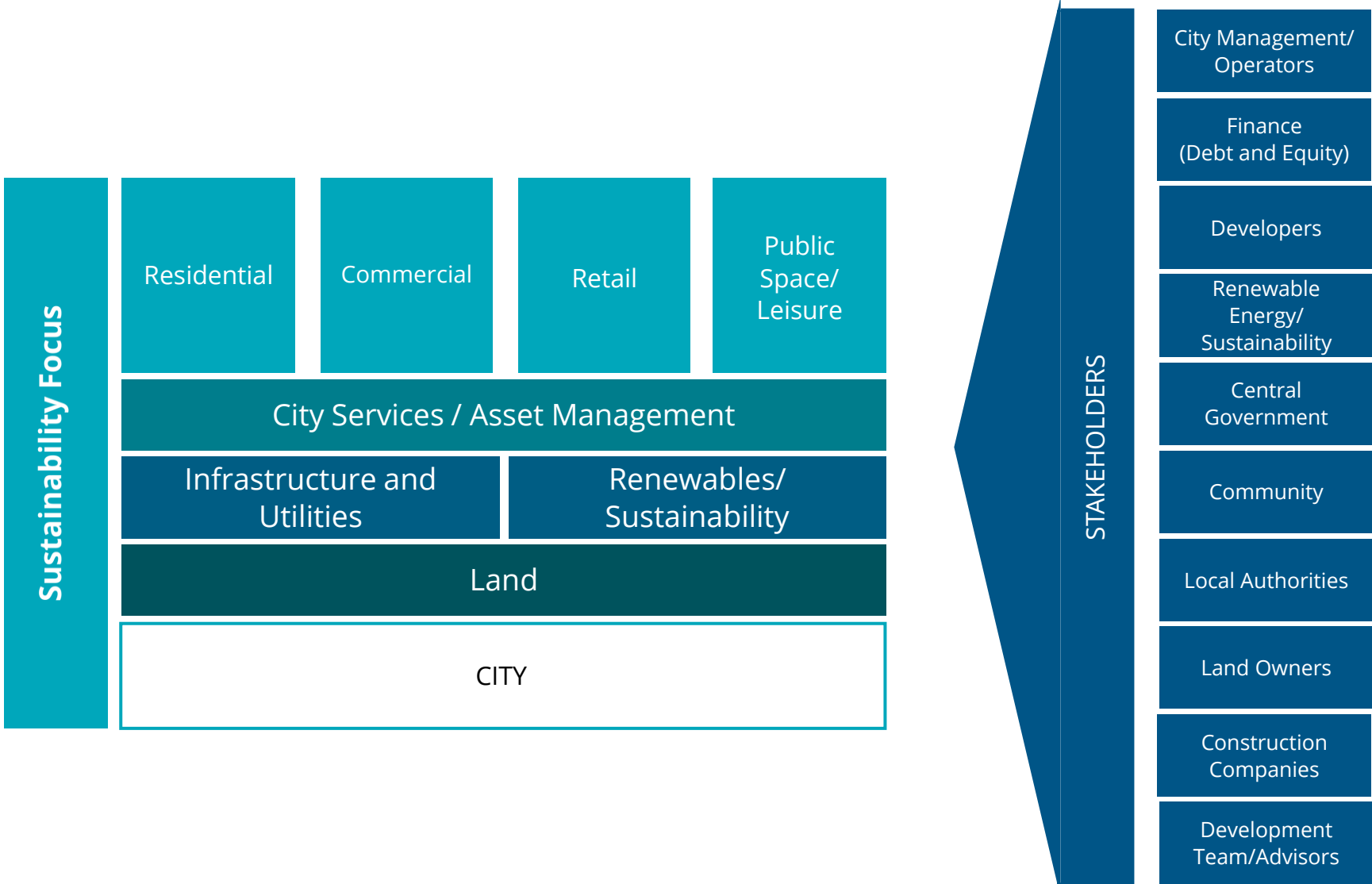


Multiple layers to develop Urban Spaces – each with own characteristics

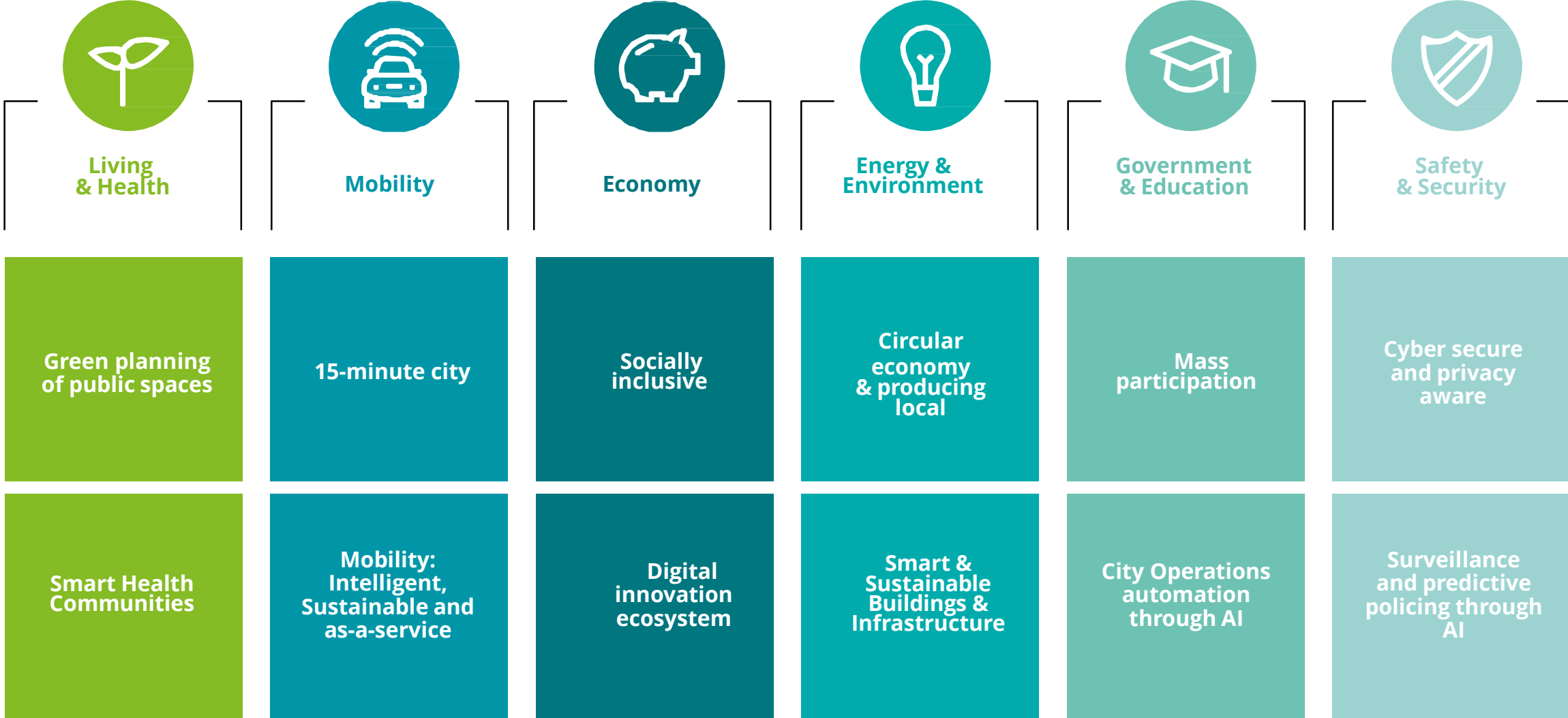


Balance the overall objectives with those of the Stakeholders

Creating a Destination
<ul style="list-style-type: none"> • Attract Community (residents/tenants) • Attract Business/Industry • Attract Investment
Commercial Viability
<ul style="list-style-type: none"> • Develop Business Model • Profit Vs Cost Centres • Defined Value Proposition • Manage risk
Community Involvement
<ul style="list-style-type: none"> • Positive impact for community • Positive community experience
Coherent Integrated Delivery Model
<ul style="list-style-type: none"> • Design/Planning • Construction • Operation • Integration with Business Model



Shaping the Future of Urban Spaces by 2030



Funding and Financing Challenges

Public infrastructure financing challenge

- Insufficient public capital budgets overall
- Revenue models required — beyond exchequer funding – is the citizen prepared to pay?
- Capture value generated by public investment
- Leveraging public funds to maximise investment
- Blending public and private funds
- Achieving value for money

Technology financing challenge

- Increased connectivity demanded by citizens with city assets / services
- Increased technology component — shorter-term infrastructure – how balance with long term infra-assets
- Varying attractiveness to lenders and investors
- Revenue models not clear
- Evolution from pilot to full roll out—different players required
- Determine value of data/IP asset created – who owns the value?
- Cyber risks – who keeps this risk?

Deloitte's Funding and Financing Methodology

Delivering a successful infrastructure project

1

Understanding project and value	
Understand business model	Understand value generated
Does funding gap exist	Direct value capture
Risk transfer potential	Indirect value capture
Return available	Asset recycling to fund investment

2

Consider funding & finance options
Public funding
Private financing
Monetize value

3

Determine relevant procurement & delivery method
Public provision
Operating contracts
Joint venture
Long-term lease
Public-private partnership
Franchising
Privatization

1 – Understanding Project and Value: Value capture

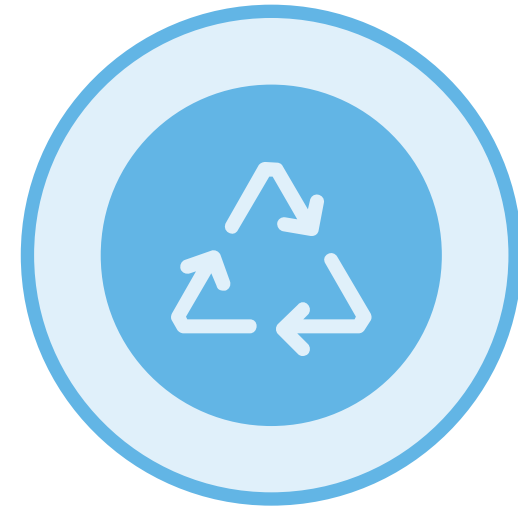
Capturing the value of gains from an infrastructure investment and directing those funds to infrastructure investment



Direct value capture



Indirect value capture



Asset recycling

1 – Understanding Project and Value: Revenue

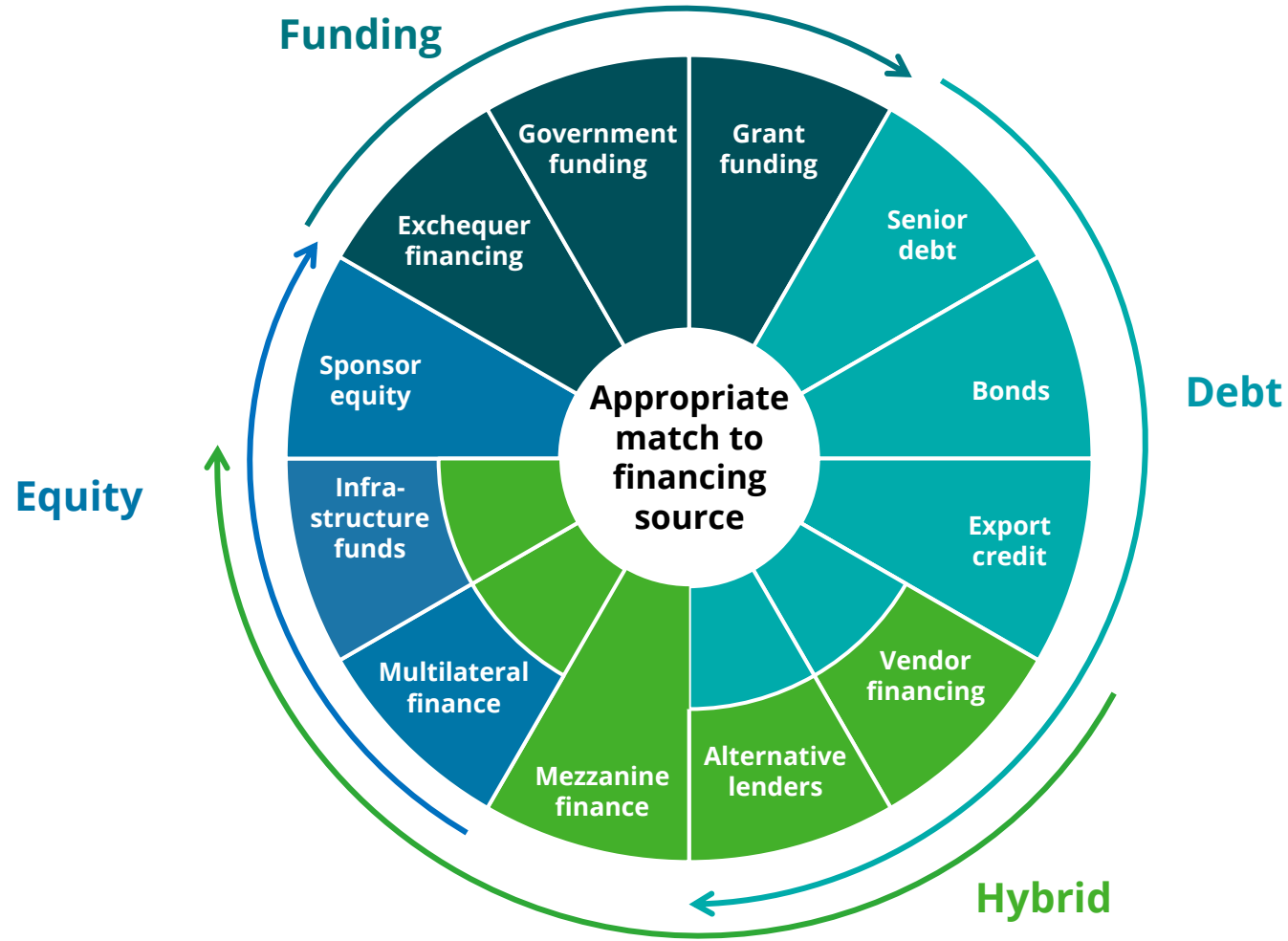
Starting with understanding the revenue model against which private sector investment can be leveraged is key

Revenue Type	Revenue Source	Description
Financing model payments	Public sector	Payments that match agreed cost (including finance), allowing full coverage of expenditure + returns
Availability payments	Public sector	Payments that are linked with the performance of the private sector operator and availability of the service/asset
Savings sharing	Public sector	Savings can generate a budget to help fund the associated assets/service
Shadow tolls	Public sector	Public sector makes payments to the private sector based on usage of the service/asset.
User fees/charges	Third parties	Users pay directly for services. This tends to be riskier than public sector payments due to direct risk
Rate-type payments	Third parties	Public sector collects revenues from the public and utilizes these to pay the private sector for specific services/assets
For more innovative PSP projects where greater levels of technology are involved and revenues are more service based, additional revenue models may apply.		
Recurring (“pay as you go”)	Third parties/public sector	Services are charged to users on either a recurring or ‘pay as you go’ basis
Subscription (“all you can eat”)	Third parties/public sector	User pays fixed amount for service irrespective of level of usage
Advertising based	Third-parties	This allows service providers to provide service free (or inexpensive) to users

Revenue models will also impact available funding and financing sources









2 – Consider Funding and Finance Options

Multiple sources and types of finance available

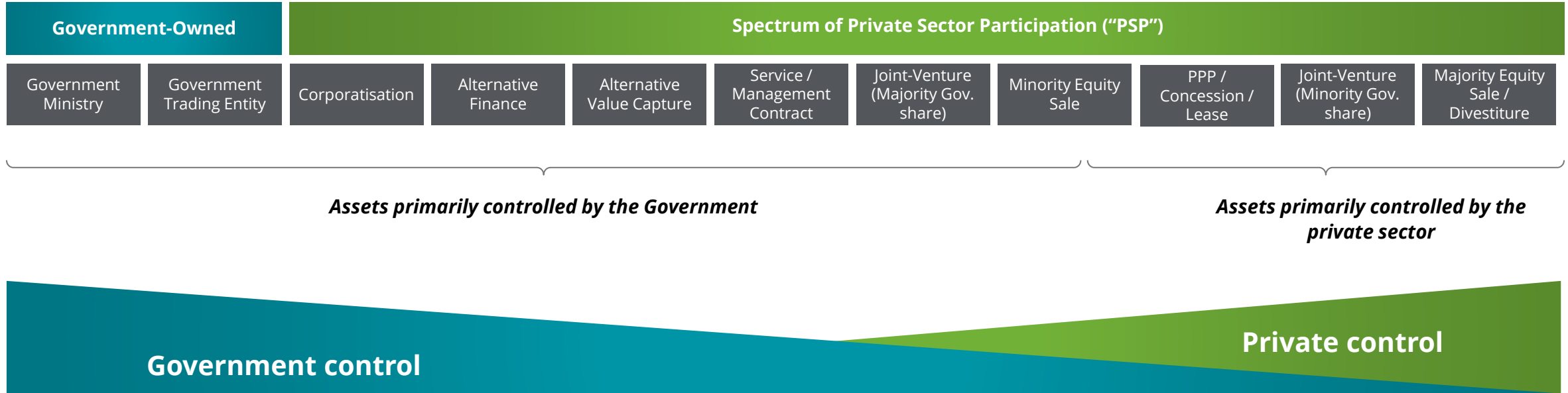


2 – Consider Funding and Finance Options

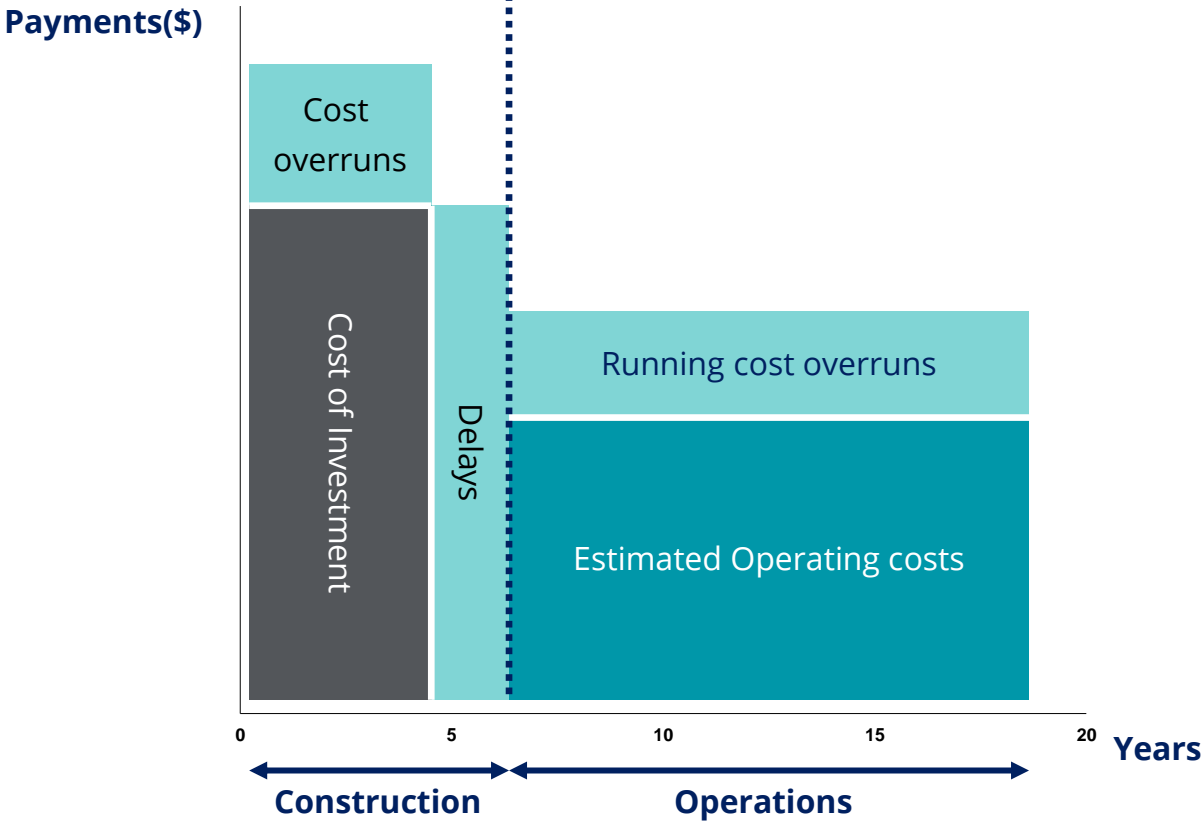
Leveraging public capital

-  Scale up investment in project preparation and pipeline development - Project-preparation facilities and technical assistance to increase the “bankability” of projects
-  Partial revenue support
-  Finance incremental cost support
-  Increase of grants—emerging technologies, non-public retrofit
-  Use of guarantees—revenue, loans
-  Create secondary market for infrastructure projects—anchor syndicated loans
-  Public policy insurance
-  Public equity/subordinated equity fund

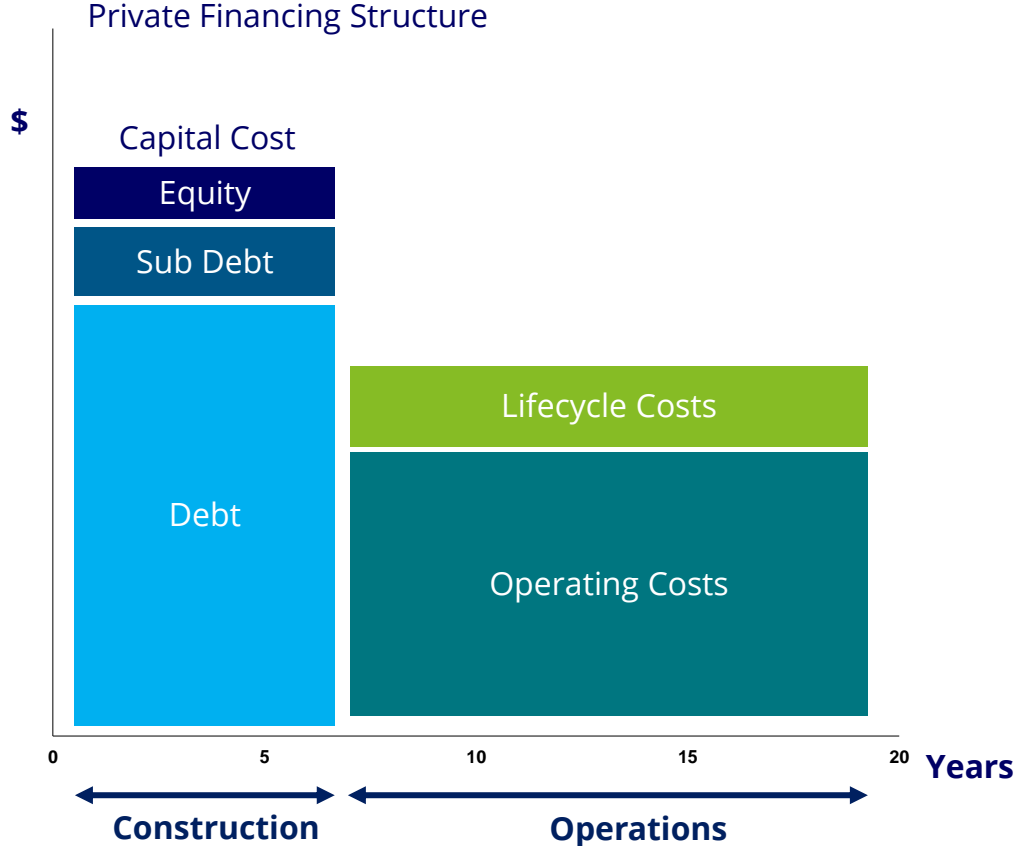
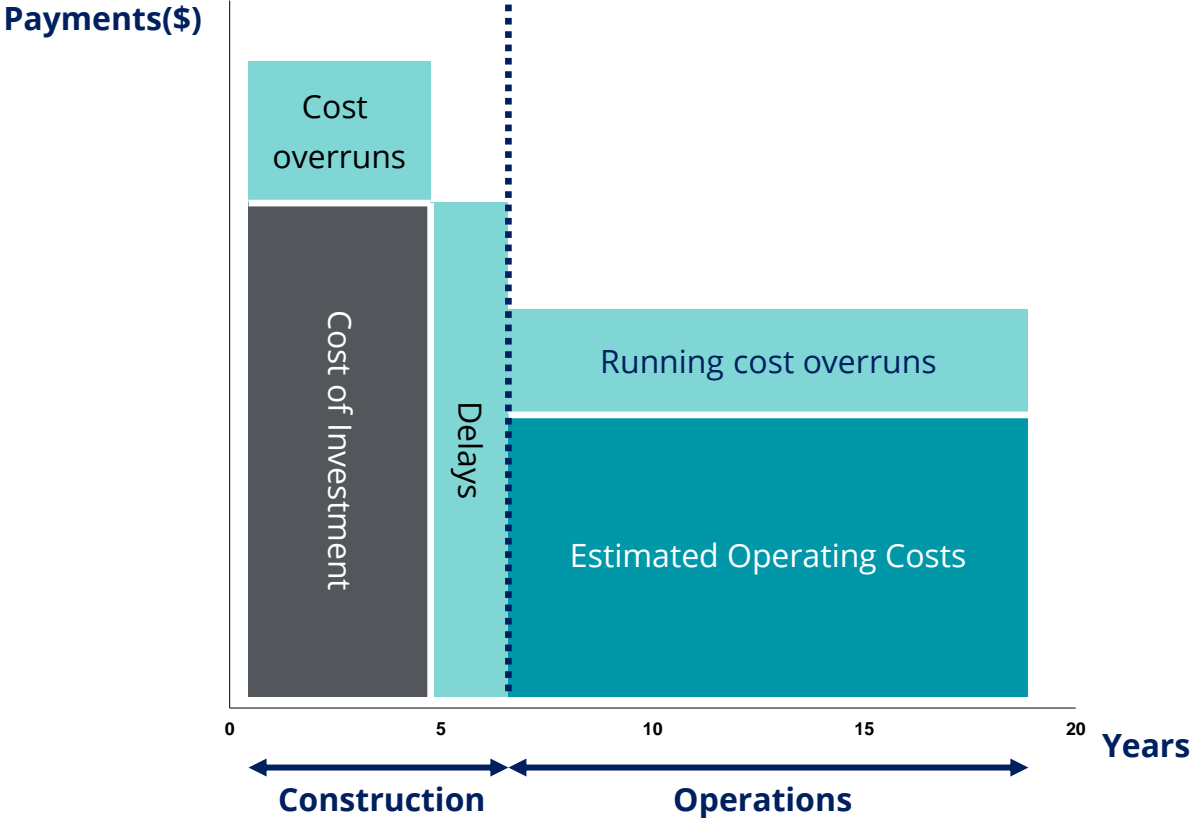
3- Multiple Delivery Options with Public and Private sector



Typical Cost Cashflow for Asset Investments

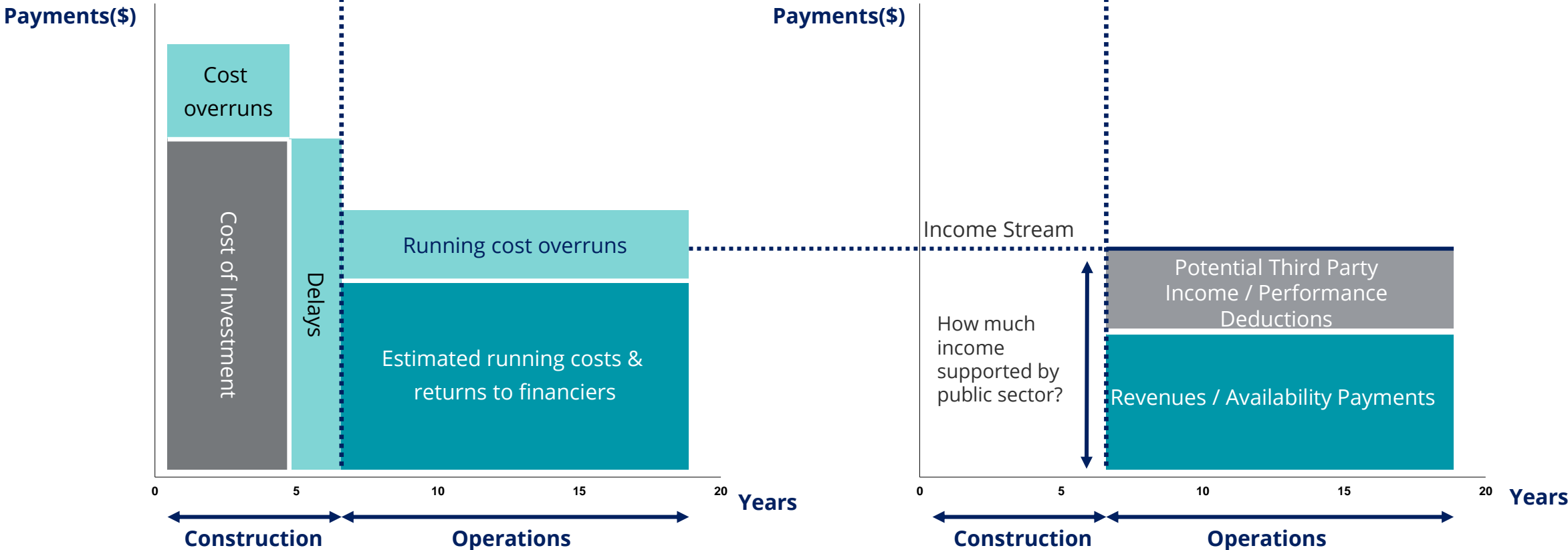


Private Finance can match against Capital Costs

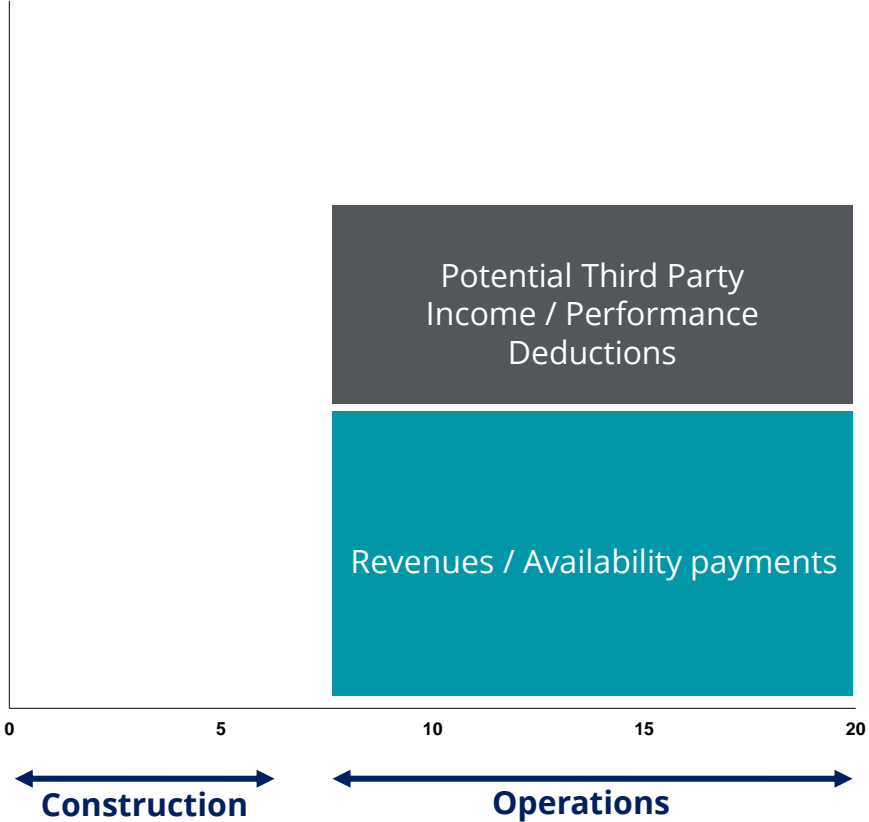


Private Finance needs to be repaid – but by whom?

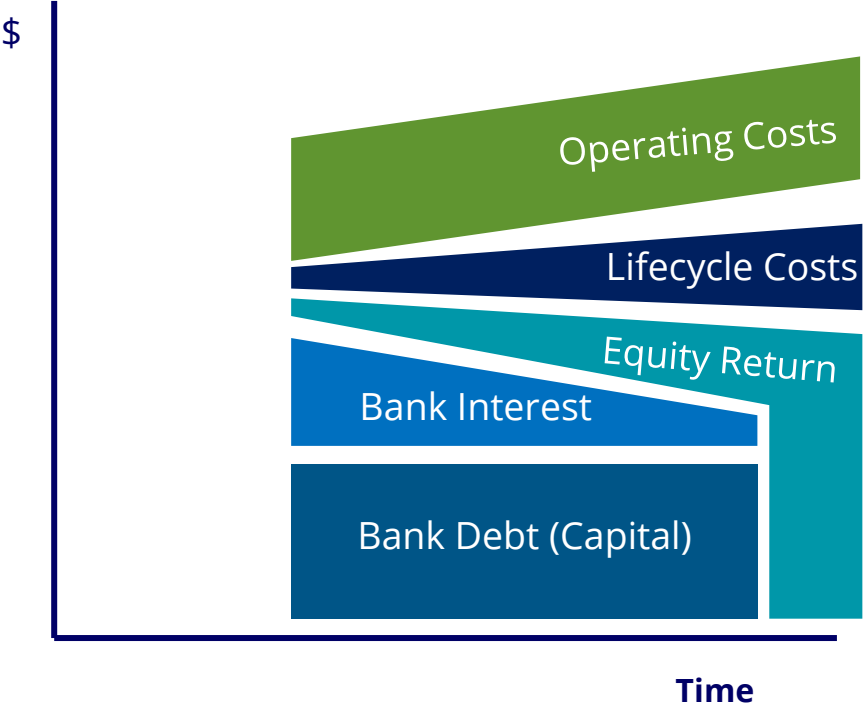
Different models require different levels of income from public sector



Revenues used to pay costs and investment costs



Private Sector Allocation of Income



Urban Development Critical to Delivering Growth

**Attractive
Asset
Class**

**Private
Capital
Available**

**Income
Stream/
Cashflows
Key**

**Technology/
Sustainability
Brings
Complexity**

**Public /
Private Mix
Required for
Success**



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