

**WP 5 Financing**

# Conclusion Paper

**WP5 Seminar Lübeck, 19-20 April 2010**

Berlin, 22 April 2010

**Prepared by: Christian Borchard (B&SU) and Kamil Paszkiewicz (B&SU) on behalf of DV**



## Table of Contents

Introduction.....	3
1. Energy efficient and integrated urban development financed through a cooperation between state, city and Housing Association: The General Cooperation Agreement in Lübeck. ....	3
2. Urban development financed through private owners: Housing Improvement District: The Hamburg HID model. ....	4
3. Overview of European support programmes.....	5
4. The Urban Development Funds in the State of Brandenburg; .....	6
5. The Berlin Environmental Relief Programme Berlin/ERP - financing of energy efficient refurbishment of public buildings through ERDF .....	7

## Introduction

Despite of the fact that a volcanic eruption in Iceland affected air traffic over Europe and led to the absence of all project partners from Estonia, Latvia and Poland and of some partners in Lithuania Urb.Energy's WP5 seminar in Lübeck presented a number of interesting potential financing instruments for the integrated urban development in the partner countries. This conclusion paper serves as a summary of the Lübeck seminar and gives a short overview of the financial instruments that have been presented and the discussions on them.

*Monday 19 April 2010*

### 1. Energy efficient and integrated urban development financed through a cooperation between state, city and Housing Association: The General Cooperation Agreement in Lübeck.

#### Background:

Agreement based on the typical German subsidy:

- low interest loan (0.5% p.a) if rents are capped at 4.95 EUR/sqm (at present) and will be rent out to tenants with low income only.
- Duration of agreement: 30 years and longer
- Advantage of clear rules for both authorities and investors
- Subsidy is firmly connected to the assets.
- Successful since the 1950s.

#### Analysis:

- Disadvantage of poor social mixture/ typical social structure in the subsidised buildings; certain share of better equipped flats with higher rent/tenants with higher income
- Profits should be reinvested in the neighbourhood (playgrounds, greening, operational costs for neighbourhood/community center)
- Example Lübeck-St.Jürgen serves as a good example: Minor buildings (garages etc.) and minor quality residential buildings from the 1950's teared down, EER of residential buildings from the 1920's and 1960's. New buildings erected. Many families with young families have moved in after urban redevelopment and redensification. Community house is operated by Lübecker Bauverein and very popular among elderly residents.

Lübeck's cooperation agreement in the web:

[http://www.ib-sh.de/fileadmin/ibank/Immobilien/Kooperationsvertraege/Bsp.\\_Kooperationsvertrag.pdf](http://www.ib-sh.de/fileadmin/ibank/Immobilien/Kooperationsvertraege/Bsp._Kooperationsvertrag.pdf)

### Concept development

- Cooperation Agreement serves as a good basis
- allows certain flexibility in prices for rents (improves social mixture)
- reinvestment of profits to be discussed with Urban Planning Department
- profit to be reinvested into social measures, urban planning measures and energy efficiency measures

### Transnational conclusion

- Cooperation Agreement can be transferred into other countries
- Adaptation needed since owner structure is different (less tenants, more owners)
- Owners associations/cooperatives could take over the part of the housing associations, part of energy saving to be reinvested in integrated urban measures (social, greening, EE, RES)
- Integrated approach crucial

## 2. Urban development financed through private owners: Housing Improvement District: The Hamburg HID model.

### Background

Lack of financial means in local authorities:

City of Hamburg introduced legislation for “Innovation Neighbourhoods” for BID-Business Improvement Districts (2005) and HID/NID - Housing or Neighbourhood Improvement District (2007) First transfer of the legislative BID-model to residential neighbourhoods in Europe.

Little experience in Germany with direct private involvement

More information: [www.urban-improvement-districts.de](http://www.urban-improvement-districts.de)

### Analysis

- Joint financing via an obligatory levy (no free-riders)
- Private sector is more involved = self involvement of private stakeholders in the regeneration process of the city
- Different forms of private involvement:  
HID=Housing Improvement District  
UID = Urban Improvement District  
BID = Business Improvement District
- area based instrument, limited period of time (max 5 years), relatively new in Europe
- Management/Activities carried out by 3<sup>rd</sup> party
- Additionality (complementary services like street cleaning, marketing etc.)

- Self taxing funding mechanism of the proprietors
- Pilot project Hamburg-Steilshoop shows difficulty in finding appropriate legal basis for HID
- Unusual for Germany where citizens expect services like street cleaning, greening etc as a municipal duty (services for the public)

### Concept development

- Could serve as an additional tool, due to the tenant/owner structure better suited for Eastern European countries
- Clear definition which services should be provided by local administration and by HID
- Modell contract
- Credit balance (revenues/debts) of HID to be taken into account
- Interesting approach from similar model Neighbourhood Improvement Districts in Germany (Eigentümer-Standortgemeinschaften).

### Transnational conclusion

- Has been transferred from the US, England to the rest of Europe, more suitable in urban quarters with high share of owners, better income households.
- Urban Improvement can be extended to energy issues (Combined use of cogeneration, biomass, solar energy etc.)

**Tuesday, 20 April**

## 3. Overview of European support programmes

### EIB - European Investment Bank

- Created by the Treaty of Rome in 1958 as long-term lending bank of the EU
- Task: contribution towards integration, balanced development and economic and social cohesion of EU Member States
- EIB raises volumes of funds on capital markets which it lends to favourable terms to projects furthering EU policy objectives
- additionally EIB supports investments in future EU Member States and EU partner countries
- EIB operates on non-profit maximising basis and lends close to own borrowing costs
- Volume raised by EIB in 2009: € 79.4 billion

### ELENA - European Local ENergy Assistance

- Program for facilitation of mobilisation of investments in sustainable energy at local level
- Program is financed through Intelligent Energy-Europe program
- ELENA covers a share of costs for technical support (preparation, implementation and financing of investment) such as e.g. market studies, business plans, energy audits, preparation of tendering procedures etc.
- ELENA is managed by EIB

### JESSICA - Joint European Support for Sustainable Investment in City Areas

- Initiative developed by EC and EIB in collaboration with Council of European Development Bank (CEB)
- Aim: create investments in sustainable urban development
- Option for Member States of using some of their EU grant funding (Structural Funds) to create repayable investments

### JASPERS - Joint Assistance to Support Projects in European Regions

- Aims:
  - Improve of quality of technical advice available to project promoters
  - Enhancement of economic growth and job creation
- Proposal:
  - Technical assistance on critical path for project development
  - Technical assistance to submit high quality applications for EU grants
- JASPERS managed by EIB
- JASPERS co-sponsored by EC, European Bank for Reconstruction and Development (EBRD) and Kreditanstalt für Wiederaufbau (KfW)

## 4. The Urban Development Funds in the State of Brandenburg;

### Background

The directive of the state of Brandenburg “Sustainable Urban Development“ has set up grants and loans for 15 cities in Brandenburg. 115m EUR from ERDF are available in 2007-2013: 100m EUR for grants; 15m EUR for loans. Funding scope: elimination of deficits in urban planning, improvement of the city traffic, city management etc.; all those measures can be combined with energy efficiency measures.

### Analysis

- Fund mostly envisaged for the time after the funding period 2007-2013 due to a sharp fall of Structural funds for the next period.
- Programme has just been changed in 2010, now companies with a majority of public shareholders can also get funding, but have to pay at least 2% interest rate (municipalities: 1,5%)

- Until now there was a strict separation of grants and loans acc to Art.55 but last week the state of BB will allow a combined approach of both.
- JESSICA is too focused on cities with >100,000 people, however in BB many cities are btw. 30-40,000 inhabitants
- Loans have not much used in the last years due to world financial crisis and better conditions from other government programmes (e.g. Investitionspakt)

### Concept development

- For Germany: less structural funds are foreseen for the next funding period, so revolving fund should be used to build up reserves and to foster investment at low interest rates
- Bodies with a majority of public shareholders (such as housing associates, public utilities tec.) should be included
- Energy should be part of the integrated approach

### Transnational conclusion

- No feedback from EU support programmes in EE,LT,LV and PL during this seminar
- Interest rates have to be adapted to national needs but should be significantly better than loans offered by ordinary banks in order to foster investment.

## 5. The Berlin Environmental Relief Programme Berlin/ERP - financing of energy efficient refurbishment of public buildings through ERDF

### Background

The Environmental Relief Programme (ERP) has been part of Berlin's Operational Programme for Structural Funds 2000-2006 and 2007-2013. It was developed in the late 1990's for the priority Environment within the Operational Programme. It is a funding programme which is 50% co-financed by ERDF and up to 50% by the state of Berlin.

Areas of funding:

- Restoration of damages caused to the environment (e.g. improvement of quality of water, accidents)
- R&D on climate change
- Research on effects of climate change in Berlin
- Renewable energies and improvement of energy efficiency (e.g. energy efficient refurbishment of buildings)
- Environmental management systems
- Mitigation of emissions caused by traffic
- Nature and landscape protection

ERP has a total of 160m EUR (thereof 80m EUR ERDF) for projects under these areas, more than 50% are allocated for climate protection projects (incl. EER measures).

ERP is a programme for non-residential buildings.

More information: [www.uep-berlin.de](http://www.uep-berlin.de)

### Analysis

- In the area ‘Renewable energies and improvement of energy efficiency’ around 113 buildings have been refurbished in the period 2000-2006, 90 buildings are expected for the period 2007-2013.
- Intense application process and monitoring leads to remarkable energy savings and CO<sub>2</sub> reduction
- Set up as a funding programme for ‘flagship projects’, shining examples with very high energy savings and innovative technology. Not intended to fund as many projects as possible.
- Lessons learnt: In the second programme period a so-called ERP efficiency value was introduced: max. 5.000 EUR (total refurbishment costs) to save 1 MWh per year. This value is a central selection criteria for the approval of projects
- All programme funds have been used

### Concept development

- Can be transferred as a funding programme for residential buildings as well as long as ERDF 4% threshold for member state is respected.
- TA and partner countries should compile priorities in their integrated urban development concepts that can be introduced in the next Operational Programme at an early stage
- Programme can be used to finance EER in all buildings, however integrated approach (job creation, social aspects, urban development) is crucial for an integrated urban approach and to meet EU requirements (e.g. Lisbon-Gothenburg Strategies)
- Monitoring must be included

### Transnational conclusion

- Since EE, PL, LT and LV will most likely remain structural funds beneficiaries in the next funding period can be easily transferred to partner countries
- TA cannot set up programmes but become beneficiaries of national Environmental Programmes (incl. EER, RES and modernization of energy supply infrastructure)

TA and partner countries should communicate priorities from their Integrated Urban Development Concepts to their ERDF Managing Authorities



## Imprint

Christian Borchard and Kamil Paszkiewicz

**B&SU mbH Berlin**  
Saarbrücker Str. 38 A  
10405 Berlin  
Germany

Fon +(49) 303904267

Fax +(49) 303904231

[cborchard@bsu-berlin.de](mailto:cborchard@bsu-berlin.de)  
<http://www.urbenergy.eu>



Part-financed by the European Union (European Regional Development Fund and European Neighbourhood and Partnership Instrument).