

Urban Maestro

New governance strategies
for Urban Design

Citymaker- Fund

Financing done differently:
applying gentrification on the
funding of area development
projects (NL)

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UCL

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Hof van Cartesius, Utrecht, the first case funded by the Stadmakersfonds

The Citymaker-Fund (Stadmakersfonds in Dutch) is an investment fund for placemakers and citymakers. The fund is a matchmaker between placemakers, citymakers and investors, and actively contributes to a lively and inclusive city by investing in initiatives with a social and reasonable economic return.

The fund assists initiatives by buying property or land, or by helping to finance the construction or renewal of buildings. To enable a social return and sustain it in the city, this fund places a low interest rate on loans. Additionally, the fund advises placemakers and citymakers on setting up feasible business models.

PLACEMAKERS AND CITYMAKERS



Placemaking is a common cause, which brings people together to collectively reimagine and reinvent public spaces as the heart of their community. Strengthening the connection between people and the places they share, “placemaking” offers a collaborative process by which we can shape our public realm in order to maximize its value to everyone.

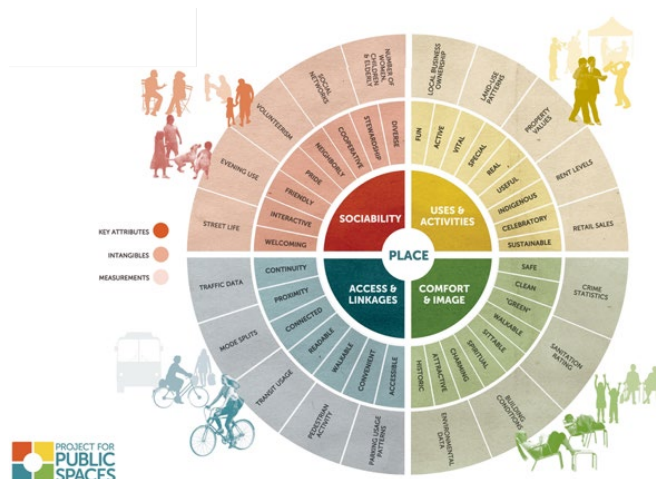
Placemaking taps into the fundamental principles espoused by William Whyte, Jane Jacobs, Fred Kent and Kathy Madden; the work of [Project for Public Spaces](#) over the past 40 years, and the work of global and regional networks such as [PlacemakingX](#) and [Placemaking Europe](#).

PlacemakingX (www.placemakingx.org) is the global network of leaders who together accelerate placemaking as a way to create healthy, inclusive, and beloved communities.

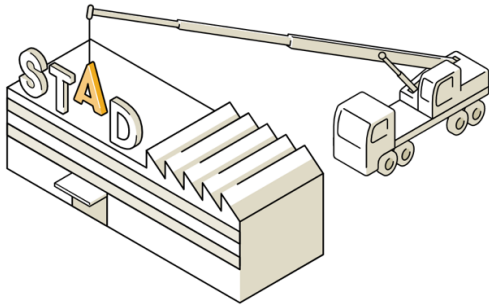
Placemaking Europe (www.placemaking-europe.eu) is a European network consisting of thousands of placemakers, connecting practitioners, academics, community leaders, market actors and policy makers throughout Europe when it comes to the field of placemaking, public space, social life, human scale and the city at eye level. The network cultivates and shares knowledge; develops, tests and uses tools; organizes the annual Placemaking Week Europe; exchanges ideas in working groups and through the leader networks; and actively shapes projects together.

Citymakers are placemakers with a social added value for the city and a financial model with a reasonable economic return. They combine the values of placemaking with areas and buildings that are under development.

What makes a great place? PPS.org



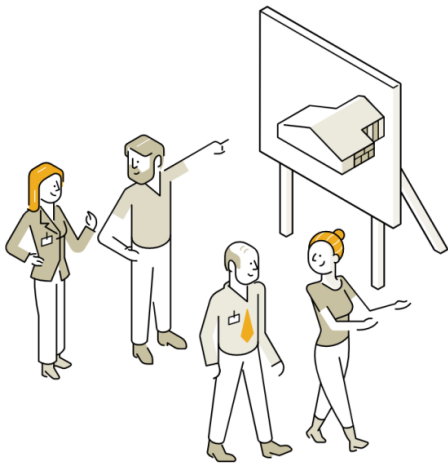
PLACEMAKERS AND CITYMAKERS HAVE AN IMPACT



Placemakers and citymakers confront major challenges to make cities sustainable, inclusive and attractive. They take action. They contribute to a better living and working environment. They start a circular hub, a public neighbourhood garden, an employment program for people excluded from the labour market, breathe new life into vacant property, or turn dull spaces into neighbourhood places.

Placemakers and citymakers are socially involved and include the community's participation. They create a diversity of values: social, sustainable, creative, artistic, but also urban, area and property. As such, they are passionate catalysts for new area development and placemaking.

CITYMAKER-FUND AS INVESTOR AND MATCHMAKER



With social impact as the key driver, a healthy financial model is necessary for the sustainable success of an initiative. However, for new players in the field, it is hard to obtain access to financing.

Placemakers, citymakers and funders who want to invest responsibly also find it difficult to find one another. As well, traditional banks and funders consider this small-scale and recent initiative to be vulnerable and are not immediately interested in a social return.

Furthermore, guidance and partial financial guarantees can help overcome concerns, alongside the increasing interest of private investors in initiatives that have an impact, so long as the investment is thoroughly guided. As one can see, the Citymaker-Fund is a matchmaker between citymakers and investors.

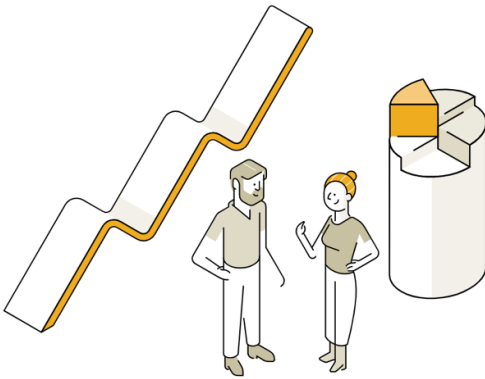
The fund actively pursues new impact investors through expanding its network, and these investors can choose to either invest in the whole fund and by doing so support its bigger goals or they can invest in specific regions and citymakers.

The fund is specifically targeted towards bottom-up driven area development by advising and guiding citymakers regarding a feasible business case. When a

citymaker has come to a business case that is approved by the Citymaker-fund, that 'stamp' can also be used to attract impact-investors.

We conclude that impact-investors are mostly driven by some sort of local attachment to the area where the citymaker is active. Once impact-investors have been identified, they can invest through the fund's infrastructure. As well, the fund's partnerships with other banks and funds make it easier to attract any missing equity.

FORMAL STATUS

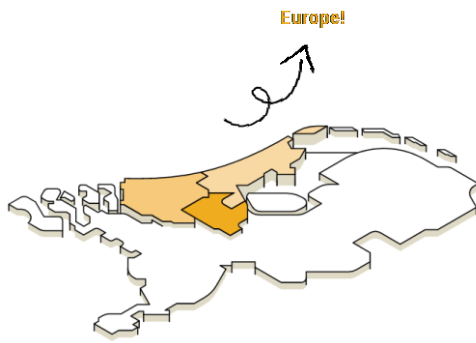


The Citymaker-Fund is an NGO ('stichting' in Dutch) with an independent board, having an advisory board with experts that represent the multiple disciplines that an urban-development fund must deal with.

Additionally, [STIPO](#) and [Stadkwadraat](#) are initiators that play an important role in the first phase of getting the fund started. They advise citymakers with the purpose of making them 'investment-ready.' Simultaneously, they judge citymakers' social impact and make that impact visible and measurable.

Most of the time the societal impact is the reason why it is not possible to pay commercial margins for citymakers. Making this impact visible and monitorable justifies having a socially responsible margin on the loans and helps sustain citymakers. Private and public investors are able to join the fund and invest along with private equity, thereby expanding the citymakers' scope. In this manner, it is possible to work together to ensure further social return in the city. As well, the initiators tend to help the Citymaker-fund grow to a fully independent organization.

START IN THE PROVINCE OF UTRECHT



The Citymaker-Fund has started funding its first initiative in December 2019 in the province of Utrecht. As the fund's first investor, the province of Utrecht provides the financial foundation for the Citymaker-Fund. As a result of investing in the city of Utrecht, the municipality also decided to cooperate as public investor. As well, the fund's partnership with the sustainability-oriented Triodos Bank has exponentially increased the amount of capital available for investment—the bank only invests in organisations that put people, the environment or culture at the core of their business. As such, collaboration with the Citymaker-Fund is in line with the bank's social goals.

The Citymaker-Fund has successfully funded its first three initiatives in 2020. After its launch in the province of Utrecht, the Citymaker-Fund now aims to expand to other provinces and cities in the Netherlands and grow into a national and European fund for Placemakers and citymakers.

FINANCING DONE DIFFERENTLY



An important problem within area development is the financing of projects, both with land and real estate projects as well as placemaking activities, and other initiatives focused on programming, activation and value creation in designated areas.

Whether it concerns residential or commercial activities, more economic interpretations or social, cultural and societal activities, the pressure on the housing- and real estate market is high. This has resulted in higher prices and fewer opportunities for parties to acquire a position or be part of a development.

Gentrification with a soft edge: is there a path for gentlyfication?

Is it possible to utilize contemporary economic processes in land-, real estate and area development, including gentrification, to realise new practical sustainable models and solutions for the inclusive city? In order to create places where everyone has a place to reside and to live, we must use our cities and spaces in an optimal and diverse manner, where value is created on many fronts: social, communal, cultural and ultimately on a financial level as well.

As opined by Theo Stauttner (in "[Our City](#), 2019"), the development of places necessitates both placemaking, and social, communal and cultural (societal) value creation, consolidated into healthy business cases for area transformation. By changing the way we view returns on area development, we can open up new forms of funding, financing and organisation in which a balance is sought between value creation and inclusiveness.

COMPARABLE FUNDS OUTSIDE OF THE NETHERLANDS

















Interesting and inspiring examples in other countries demonstrate that there are projects led by citymakers and the residents themselves that can be successful. Projects such as the [Holzmarkt](#) and the [ExRotaprintfabrik](#) (both in Berlin) have acquired new investors who pursue investments in which a balance is sought between financial and economic preconditions and an appreciation of societal revenue.

Considering the success of these funds ([Stiftung Trias](#) and [Edith Maryon Fund](#)), the Citymaker-Fund was established in 2019, which, in collaboration with Triodos Bank, funded the first projects in early 2020.

GOVERNANCE AND THE ROLE OF THE ADVISORY BOARD

We set up an NGO and chose this form since it is both non-profit and relatively independent. As well, due to its nature the financial benefits can be reinvested in order to strengthen the social objective of the organisation in question.

As well, an independent board cannot be reappointed by itself. This is why we decided to establish an Advisory Board, the members of which have the responsibility to elect the board members and appoint new ones. However, it is important to note that an Advisory Board is not the same as a Supervisory Board. The latter also includes a formal installation of members, whereas an Advisory Board is less restricted, thus allowing for the appointment of ambassadors, citymakers and area developers onto the board. The Advisory Board also fulfils an important inspirational role for the fund.

| Board | | Advisory Board | | |
|--|--|---|---|---|
|  BESTUUR | |  |  |  |
| Hans Karssenberg Voorzitter | | Gert-Joost Peek Eigenaar SPOT-ON Consulting | Bianca Seekles Directievoorzitter ERA Contour | Tom Daamen Directeur Stichting Kennis Gebiedsontwikkeling |
|  BESTUUR |  BESTUUR |  |  |  |
| Theo Staattener Penningmeester | Bert Hoek Secretaris | Egbert Fransen Oprichter Pakhuis de Zwijger | Najah Aouaki Founder Aouaki Concepts | Alexander Ramselaar Eigenaar Backing Grounds |
|  BESTUUR |  BESTUUR |  |  |  |
| Huib Arendse Bestuurslid | Joost Beunderman Bestuurslid | Ellen van der Lei Eigenaar Urban Patterns | Gerard Kohsiek Directeur Wonam | Beitske Boonstra Academic Researcher Erasmus Universiteit Rotterdam |

A DIFFERENT APPROACH TO REVENUES



The fund is engaged in financing projects by contributing equity in the form of subordinated loans. Since the first 20-30% of the financing requirement is covered by the fund, banks are less hesitant to lend the remaining capital for investment, usually coupled with reasonable conditions. Initially, the invested capital is a social investment for its members, which implies that the capital is fixed for 10 years and will be eventually lent with the precondition that the complete repayment obligation falls at the end of this period.

Additionally, banks often assume that in the event of a forced execution of investment, they will retrieve approximately 70% of the value of the sale, which is an important motivation as to why banks set an equity threshold of approximately 30%. This is because equity can only be recovered when all of the obligations concerning debts (borrowed capital) have been met. As a result, the risk of equity is considerably higher and the required return (the expected interest) is also higher, in fact often much higher at up to 8-12%.

If such interest were to be applied, the fund could perform well financially and economically, but it would have no investment options. This is because such a high-interest rate adds a lot of pressure on the business case of citymakers. Additionally, the realised societal revenue (for social investors who contribute to the fund) will not be reflected in the investment conditions. Therefore, the Citymaker-fund has chosen a different approach...

The revenue for impact investors in the fund is split between **societal** and **financial** revenue. The first represents the added value of the business case with regard to the social, communal and cultural aspects that are closely linked to placemaking. Thereby we distinguish the various societal motives and from that, we create measurable indicators and can consider how to monitor those over time.



An example of this way of impact mapping are the citymakers from '[Het Hof van Cartesius](#),' who strive towards a sustainable economy. They intend to build their new accommodation with at least 90% of reused materials. Together with the citymakers in question, we can come to agreements on how we quantify the societal revenue in their business case.

This is because the financial revenue will not be lower than the interest on debt, but in our primary investment, the financial revenue will neither be very different from the minimum (the interest on loans from the fund is almost equal to the interest of banks). As well, citymakers do not have to repay their loan until the end of the

contract. These conditions allow citymakers to build up a solid and responsible business.

As the number of financed citymakers increases, the number of indicators that we can measure and monitor increases as well. As such, we want to create a learning (adaptive) system that we will refer to as our **benchmark of societal revenue**.

From a purely financial/economic point of view, one could argue that the fund makes rather risky investments, especially considering the low-risk premium on the interest on loans. This requires extra care in financing the business cases and in the communications to influence investors. When assessing the business case, thorough research or a second opinion on the feasibility of the plan should be carried out. This is because banks and other investors like to keep their hands off these issues and will leave this to the applicant. This separation is also deemed conventional as these parties are compelled to be independent entities in the context of investment agreements.

The Citymaker-fund operates in closer proximity to the citymakers if necessary, as we can also assist them in the professionalization of their business case. Our involvement from the perspective of the investor is both **professional** and **indispensable**.

We know that if this 'gap' is not filled by our involvement, most initiatives will not be sustained. Through our approach, we would like to set up a roadmap for citymakers, who will eventually learn to do this by themselves, aided by our tools and knowledge.



FINANCING THROUGH OWNERSHIP – THE PRINCIPLES OF ‘FAIR-LEASE’

There is an important second form of financing: the fund buys land or real estate and rents or leases it out to the citymakers under the same conditions as it offers loans to them.

For the first land purchase, the fund has set up a separate company (a special purpose vehicle), something which was also suggested by the bank. The acquired land is then closed off from other loans and the separate company is the borrower of capital.



Of course, the NGO did have to participate in the financial obligations—especially in the starting phase of the fund, this seems like a desired certainty that we can offer the bank. In the future, we would desire that our separate companies be more independent and attract their own financing, which evidently limits the risks within the fund.

The land purchase was completed with 20% equity and a loan offered by Triodos Bank for the remaining 80% of the equity, with interest lying a fraction below the ground rent. This ground rent is the compensation we receive for making the use of the land possible for the citymakers.

If the land value changes within the upcoming years, let us say by an increase of an average of 2% per year for a period of 10 years, the collateral after this period will be of a higher value than the loan. If the value of the real estate develops positively and more than the average market inflation, then the relative financial risk of the land purchase decreases. Since money generally devaluates over time (inflation), it is important to take these effects into account.



As well, we often witness an increase in real estate value when citymakers can successfully proceed with their business. Land or real estate investment is therefore an interesting option, although the fund's primary focus is not financial revenue but realizing and perpetuating these important initiatives. As such, land, real estate and financing are used as resources, not as objective.

On the other hand, due to the special form of risk-bearing investment, such an increase in value is a necessity for the fund. It also enables the fund to allow the increase in value to be dispersed amongst the citymakers. After all, they are the ones who realize the increase in value through their efforts. Of course, the land- and real estate owner will benefit from this as well.

The Citymaker-fund wants to share that benefits; something that is not present in the current state of the economy and the relationships present within that economy: after all, the increase in value is for the owner, not the tenant.

For this purpose, the fund has introduced **FAIR-lease**, whereby an increase in value is shared between the fund and the citymakers. In advance, at the start of the lease, it is agreed upon that the citymakers can also buy the land or real estate in the long term and, in addition, the value distribution is settled. The land can then be bought for the first time after 10 years (although this option rests in the hands of the citymakers).

What we often see with real estate financing is that repayment results in an increase in equity, which leads to inflation alone being responsible for an increase in value. A positive change in value is when it is related to the size of the loan based on the

initial purchase price (because it retains the same absolute value); this means that after about 10 years, the financial situation surrounding the loan is considerably more favourable than at the start.

In addition, the business of the citymaker in question has often proven its worth (after several years), and financing is no longer a major problem. Refinancing can then lead to the land being purchased with an increase in value as a (justified) bonus. It is exactly these same citymakers who we hope to see after 10 to 15 years, not as borrowers of money, but as impact financiers helping other beginner citymakers.

In the Netherlands, Triodos Bank is an innovative bank in that finances organizations that put people and the planet first. In the era we live in, we hope that more (inter)national banks shift to a likewise mind-set so that it will be easier to obtain the 'remaining' 80% of the equity.



INVESTMENTS MADE POSSIBLE BY LARGE AND SMALL IMPACT INVESTORS

This fund has been established with the conviction that citymakers lack financial possibilities yet create a great deal of social opportunities. Meanwhile, numerous investors are looking for possibilities to make impact investments to do *good* or make a difference with their capital. These so-called impact investors pay special attention to societal value, so the Citymaker-fund wants to be a matchmaker between

the two groups and is therefore open to influence investors. For now, these investors can bring capital into the fund if they have at least a certain critical mass (for example, at least €50.000,-).

We want to offer the possibility of investing in specific citymakers, but also in the fund's objectives in general. The reason for the critical mass is the size of the fund's organization—when the fund grows, it wants to make it possible for the whole “crowd” to invest, so for now we are still working on this infrastructure.

An important aspect is the question of whether we can make it possible for people to invest in projects in “their neighbourhood” or in their direct vicinity. Special arrangements can also be considered when it comes to the use or shared use of facilities as a benefit for financing. We also investigate which structure the NGO should take with a private company (Ltd.) or several private companies in which projects are included. When looking at the various initiatives and plans, it is clear that there is both demand from and for the more long-term real estate financing as well as the short-term activation plans and placemaking programs.

In Anglophone countries, the real estate value of buildings is widely used as a basis for establishing investments into the public space. In the US, Tax Increment Financing (TIF) is based on the future appreciation of real estate and the associated increase in property tax. For example, a financial product is created by estimating the value and tax over several years based on the present value. Use of bonds for example generates room for investment by placing investments into the public space and other facilities (such as infrastructure) at the very forefront of the process. When this system is used as a thought experiment in placemaking, property owners could invest in placemaking in advance, as they will eventually earn their investment back with the increase in value of their property.

An appointment in advance, with payment afterwards, is also a possibility. Suppose a party finances (at risk) certain placemaking programs in the public space in a certain area. Agreements on the goals to be achieved will be made in advance, including agreements on the goals for the increase in value of the property. When this increase in value occurs, the profit-making party pays, which will generate income for the fund. This can include:

- A. The compensation for the investment since there is no (financial) business case behind the placemaking;
- B. A partial compensation for risk, as placemaking activities on the short-term generally have limited income;
- C. Additional incomes, which allow the fund and its buffer for risks to grow.

ROLE OF THE GOVERNMENT

The government is a highly direct beneficiary of this system. This is because value creation from placemaking leads to higher real estate values and therefore to higher property taxes. It is true that the property owner will possess more value, but this is mainly on paper only. In addition, the property owner needs to pay higher taxes—when the municipality will partake in financing placemaking through the extra property tax, it will become more attractive for property owners. When the municipality is responsible for 50% of the increase in value, both the property owner and the government will benefit. This lowers the threshold for both to start the financing of placemaking.



Funded initiative 1: [Het Hof van Cartesius](#)

The initiative *Het Hof van Cartesius* is a sustainable and green (co-)working place in the former industrial 'Werkspoorkwartier' area of the city of Utrecht. Creative and sustainable entrepreneurs have built their own circular working-spaces around a new public courtyard, with this cooperation creating a green space that boosts the liveability and quality of the surrounding areas, which had formerly been dominated by heavy industry. The Citymaker-fund finances this site's further development, helping the initiative to grow three times as large.

Impact Citymaker-fund

- Scale-up of the initiative creating 60 new affordable circular working places;
- Helping the initiative and its impact grow three times as large;
- From a temporary to a permanent initiative.

Facts & figures

- Stadmakersfonds' investment: **€ 323.000,-**
- Total investment generated with the fund's partition: **€ 2.240.000,-**



Funded initiative 2: [Parkhuis Amersfoort](#)

The dream of *het Parkhuis* is to create lively third places where people with different backgrounds feel welcome and can meet each other.

They are located in an old boiler house that was part of a hospital surrounding the building. This hospital made way for a qualitative park and the boiler house now offers space for an inclusive day-care for children, welcoming every child so as to promote inclusivity in the youngest members of this planet. Parkhuis is a nature-inclusive meeting place, bringing together heritage, diversity and social value. They rent 50% of their places for a low rental price to organizations that put impact first.

Impact Citymaker-fund

- 50% affordable spaces for socially responsible tenants;
- Maintaining a national monument and setting it in motion;
- Creating a permanent meeting-place for the community.

Facts & Figures

- Stadmakersfonds' investment: **€ 300.000,-**
- Total investment generated with the fund's partition: **€ 2.285.000,-**



Funded initiative 3: Stadsbrouwerij Rood Noot

The initiative *Rood Noot* will become a meeting place for the neighbourhood where they can enjoy great beers brewed by people that might feel distant or ostracized from society and its job market.

Apart from that, they will facilitate free spaces for cultural and artistic expositions at their monumental farm in Utrecht, working together with local museums and art schools. They will become a franchise of the widely known brewery '[de Prael](#)' that once started with the same mission in Amsterdam. This initiative is partially funded by crowdfunding and will open their doors from 2022 onwards.

Impact Citymaker-fund

- At least 60% of the employers are (psychologically) distant or disconnected from the job market;
- Maintaining a local monument and setting it in motion;
- Creating a permanent meeting-place for the community.

Facts & Figures

- Stadmakersfonds' investment: € 160.000,-
- Total investment generated with the fund's partition: € 2.141.000,-

KEY ONLINE RESOURCES



Stadkwadraat & STIPO innovate in area development, financing and value creation and has, from this perspective, launched the concept of Gentlyfication (2019), Area Investment Zone (2014/2015) and the financing of Collective Living (2020).

Stadmakersfonds: www.stadmakersfonds.nl

Stadkwadraat: www.stadkwadraat.nl

Stipo: www.stipo.nl

Placemaking Europe: www.placemaking-europe.eu

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URBAN MAESTRO

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www.urbanmaestro.org

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STADMAKERS
FONDS

