

Stadtmitte am Fluss Saarbrücken, Germany

Financing Strategies for the Riverfront Redevelopment

10–12 July 2005
An Advisory Services Programme Report

ULI—the Urban Land Institute
1025 Thomas Jefferson Street, N.W.
Suite 500 West
Washington, D.C. 20007-5201

About ULI—the Urban Land Institute

ULI—the Urban Land Institute is a non-profit research and education organisation that promotes responsible leadership in the use of land in order to enhance the total environment.

The Institute maintains a membership representing a broad spectrum of interests and sponsors a wide variety of educational programmes and forums to encourage an open exchange of ideas and sharing of experience. ULI initiates research that anticipates emerging land use trends and issues and proposes creative solutions based on that research; provides advisory services; and publishes a wide variety of materials to disseminate information on land use and development.

Established in 1936, the Institute today has more than 28,000 members and associates from 80 countries, representing the entire spectrum of the land use and development disciplines. Professionals rep-

resented include developers, builders, property owners, investors, architects, public officials, planners, real estate brokers, appraisers, attorneys, engineers, financiers, academics, students, and librarians. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognised as one of America's most respected and widely quoted sources of objective information on urban planning, growth, and development.

This Advisory Services programme report is intended to further the objectives of the Institute and to make authoritative information generally available to those seeking knowledge in the field of urban land use.

Richard M. Rosan
President

©2005 by ULI—the Urban Land Institute
1025 Thomas Jefferson Street, N.W.
Suite 500 West
Washington, D.C. USA 20007-5201

All rights reserved. Reproduction or use of the whole or any part of the contents without written permission of the copyright holder is prohibited.

About ULI Advisory Services

The goal of ULI's Advisory Services Programme is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programmes, and policies. Since 1947, this programme has assembled well over 400 ULI-member teams to help sponsors find creative, practical solutions for issues such as downtown redevelopment, land management strategies, evaluation of development potential, growth management, community revitalisation, brownfields redevelopment, military base reuse, provision of low-cost and affordable housing, and asset management strategies, among other matters. A wide variety of public, private, and nonprofit organisations have contracted for ULI's Advisory Services.

Each panel team is composed of highly qualified professionals who volunteer their time to ULI. They are chosen for their knowledge of the panel topic and screened to ensure their objectivity. ULI's interdisciplinary panel teams provide a holistic look at development problems. A respected ULI member who has previous panel experience chairs each panel.

Because the sponsoring entities are responsible for significant preparation before the panel's visit, including sending extensive briefing materials to each member and arranging for the panel to meet with key local community members and stakeholders in the project under consideration, participants in ULI's panel assignments are able to make accurate assessments of a sponsor's issues and to provide recommendations in a compressed amount of time.

The agenda for a panel assignment is intensive. It includes an in-depth briefing composed of a tour of the site and meetings with sponsor representatives; interviews of key people within the community; and a day of formulating recommendations. On the final day on site, the panel makes an oral presentation of its findings and conclusions to the sponsor. At the request of the sponsor, a written report is prepared and published.

A major strength of the program is ULI's unique ability to draw on the knowledge and expertise of its members, including land developers and owners, public officials, academicians, representatives of financial institutions, and others. In fulfillment of the mission of the Urban Land Institute, this Advisory Services Programme report is intended to provide objective advice that will promote the responsible use of land to enhance the environment.

ULI Program Staff

Rachelle L. Levitt
Executive Vice President, Policy and Practice

Mary Beth Corrigan
Vice President, Advisory Services and
Policy Programs

Nicholas Gabel
Associate, Advisory Services

Carmen McCormick
Panel Coordinator, Advisory Services

Yvonne Stanton
Administrative Assistant

Nancy H. Stewart
Director, Book Program

Julie D. Stern
JDS Communications
Manuscript Editor

Betsy VanBuskirk
Art Director

Martha Loomis
Desktop Publishing Specialist/Graphics

Craig Chapman
Director, Publishing Operations

Acknowledgments

On behalf of ULI, the panel would like to thank its sponsor, ReUrbA². Significant efforts also were put forth by Gesellschaft für Innovation und Unternehmensförderung mbH (GIU). Without the support of these organisations, this panel would not have been possible. Their foresight in bringing a ULI panel to Saarbrücken should provide them with a clear financing strategy for moving the regeneration of the city's waterfront forward. In particular, the panel would like to thank Willemien Faling and Sophie Pauwels of ReUrbA² and Daniel Roos of GIU. Without their assistance, the panel would not have been able to do its work.

In addition, ULI would like to thank GIU for its support in this process, especially Mr D. Blasé, director, and his project team, Mr C. Bies, Mr A. Menzenbach, Ms J. Lessiotis, and Ms T. Eickhoff.

The main objective of ReUrbA² is to change the approach to urban regeneration in northwestern Europe from a supply approach to a demand-orientated one. On the basis of the experience of the five partners that make up ReUrbA², as well as

theoretical knowledge, external expertise, and best practices elsewhere, ReUrbA² is developing four practical strategies that also could be applied to other regeneration projects. These strategies are creative densification of the urban fabric, a lifestyle approach to planning, a shift from government to governance, and a shift from budget-orientated planning to value-orientated planning. The final strategy was the reason for the ULI panel's being invited to Saarbrücken. Funding for ReUrbA² is provided by the European Union.



Contents

ULI Panel and Project Staff	6
Introduction and Summary of Recommendations	7
Investor-Directed Branding	9
Programme and Implementation	11
Financing Strategies	15
Conclusion	18
About the Panel	19

ULI Panel and Project Staff

Panel Chair

Richard Ward
Chief Executive Officer
Development Strategies
St. Louis, Missouri, USA

ULI Project Director

Mary Beth Corrigan
Vice President, Advisory Services and
Policy Programs

Panel Members

Uwe Steven Brandes
Senior Advisor
Anacostia Waterfront Corporation
Washington, D.C., USA

Elizabeth Hill McLoughlin
London, United Kingdom

Rudy Stroink
Chief Executive Officer
TCN Property Projects
Nieuwegein, the Netherlands

Elena Wiezorek
Berlin, Germany

Introduction and Summary of Recommendations

Saarbrücken is a city of approximately 200,000 people located along the Saar River in southwestern Germany. It is the capital of Saarland, one of Germany's smallest states.

Historically, Saarbrücken has come under both French and German rule, and it was once part of the Holy Roman Empire. Heavily bombed in World War II, it came back as the industrial and transport centre of a great coal basin; it produces iron and steel, sugar, beer, pottery, optical instruments, machinery, and construction materials. During the post-World War II reconstruction, however, the city turned its back on the river.

Today, the city council is returning its attention to Saarbrücken's beautiful waterfront and has developed a plan for its redevelopment. This plan calls for some significant capital projects. These include submerging the road next to the west side of the river to develop the space into a recreational area and redeveloping the Berliner Promenade (a pedestrian mall) on the east side of the river. The city has named the entire regeneration project 'Stadtmitte am Fluss' (SmaF), 'City on the River.'

Although the regeneration is the responsibility of Gesellschaft für Innovation und Unternehmensförderung mbH (GIU), the city's development company, the city does not have all the funds necessary to pay for the project. No investors have been approached yet. GIU and the city council need advice on how to fund the regeneration, both internally and through outside investment. Private money will be needed to realise the different parts of the SmaF project.

ULI's Assignment

ReUrbA² and GIU asked ULI to identify ways that the SmaF project can be funded. While the focus of the questions they asked the panel was on attracting private investment, the panel also

looked at ways that the city could raise capital. Specific questions asked of the panel include the following:

- How can the city attract private investors to invest in SmaF, and how do investors benefit? Are they willing to invest in public improvements?
- What incentives, other than tax breaks or communal benefit payments—the city paying interest on money lent by private investors—can be given to investors?
- Why exactly do Dutch and other pension funds invest in long-term public profits? What do they get out of these investments?
- Will some private investors invest in such projects because they can easily profit from them? (For example, GIU is negotiating with a company that might be interested in developing and operating a car park underneath the Berliner Promenade.)

The ULI Process

Prior to coming to Saarbrücken, each of the panelists received and reviewed briefing materials prepared by the city. After it arrived in Saarbrücken, the panel received additional briefings by the sponsoring organisations, followed by a tour of the regeneration area. The panel also met with GIU managers, whose knowledge of and passion for Saarbrücken and its waterfront were as inspirational as they were informative. This input, as well as the panelists' best professional judgment, helped the panel to prepare its findings and recommendations, which were presented on 12 July 2005 to the sponsors and their invited guests. This report is a summary of those findings and recommendations and reflects the panel's presentation.

Overview of Recommendations

The panel found Saarbrücken to be a lovely city rich in history and natural assets. The city is to be applauded for realising the asset it has in its waterfront and for wanting to make it as wonderful as possible. The panel believes that the city is doing the right things in hoping to attract private investment.

The panel organised its presentation into three areas:

- Investor-directed branding;
- Programme and implementation; and
- Financing.

The panel believed that it needed to set a framework for discussing how to attract private investment. This is not just a matter of going out and asking for private investment. The city needs to do several things to show the private sector that it is serious about the regeneration and is willing to assume some of the risk. It also needs to recognise that most private investors are not just going to put money into a public project. They need to be part of the regeneration project, and must be able to realise some benefit from it. What that typically means is that they need to be part of the development process. To that end, the panel described three critical conditions for private investment to occur.

- *Return on investment.* The private sector wants to know that it will not lose money on its investment and that the investment actually will generate revenue. Return on investment comes from two places: cash flow revenues and increased value (when the project is worth more at the end than at the start). In other words, an investor wants an increase in the value of the investment with minimal risk. The typical rate of return on such an investment is 15 percent.
- *Clear development targets.* Areas that are available for private development and investment need to be clearly identified and the acceptable types of development defined. An investor wants to know what it can build and how its project fits in with the overall vision and regeneration strategy.
- *Open and flexible permitting and entitlement process.* Private investors want to know that the development process is not cumbersome or unreasonable. While they recognise that they must obtain permits and approvals, they do not want to have spend a large part of their financial resources applying for and receiving development permits.

The following sections discuss the panel's recommendations in more detail.

Investor-Directed Branding

When investors are looking for opportunities, they think about the future. They think about what their investment will look like in the future and how it will make a difference in the community. They think about the brand. The panel thought about what Saarbrücken will look like in 15 years: what the city's 'brand' will be.

Based on their own professional judgment, as well as on their conversations with people in the city, the panelists believe that the city's brand will be a high-quality urban environment with appropriately scaled downtown housing—not high rises. The majority of the people living in Saarbrücken will be childless, a group that will include both young professionals as well as people whose children are no longer living at home. Saarbrücken will be a retail and entertainment destination in an urban setting. It also will contain a dense network of urban services, including commercial services for residents. In addition, strong cultural programmes will complement the city's physical attributes. In other words, Saarbrücken will be a place that is 'on the map.'

In order to achieve this vision of Saarbrücken, the city needs to establish goals and set out to meet those goals in a methodical and comprehensive fashion. The panel believes that the following are realistic goals for the city that will help it attract investors for the regeneration efforts.

Connect Public Money with Private Money

Before the private sector will invest in a city, public monies need to be committed. The public money will serve as a catalyst for private investment and will show that the public sector is willing to take a risk as well. The private sector will want to know what the public investment in the

project will be. It is important to show how private euros will be leveraged with public funds.

Work with a Small Group of Investors

The city and GIU should begin by identifying a small group of investors with whom they are comfortable working, and enter into some complex redevelopment programmes with them. In other words, they should not try to attract a large field of investors and developers all at once.

The private parties will have to show that they are capable of doing the job that the city wants done. This process also will minimise the risk for the private parties, since they will know they are not competing with a large group of potential developers.

Encourage Residential Development

Vibrant downtowns need people living in them. Residents prevent the downtown from emptying out after workers leave. The panel believes the city needs to encourage and, when necessary, provide incentives for appropriate downtown housing.

The city should identify, assemble, and market key sites for residential development. One potential incentive is to offer developers some of the prime sites for residential development at a reduced rate if they also are willing to regenerate more difficult sites. If areas outside the city currently are designated for residential development, it may be possible to transfer those development rights into the downtown.

In addition, a short and flexible permitting process can encourage developers to build downtown housing. When streamlining the permit process, however, the city must maintain the quality of development.

Target Strong Branding to Specific Groups

Most successful regeneration efforts occur when the public and private sectors know and pursue their target markets. Urban areas appeal to young professionals and ‘empty nesters,’ people without school-age children. These people do not want to take care of a garden and a house but like the convenience of urban living. The panel believes that this market—young professionals and people over the age of 55—can be targeted for Saarbrücken, and that the city can attract developers that will want to invest in the city and build projects for these target markets.

The panel believes that the city should identify three or four catalytic projects within four or five development zones, rather than spreading its resources all over town. The development zones include the shopping corridor along the Bahnhofstraße; the cultural and leisure zone along the east

side of the river identified in the SmaF plan; the Old City; the area along the new bridge, which the panel called ‘Neue Saar Brücke’; and the schloss-park on the west side of the river. The catalytic projects that make sense to the panel as anchors for these developments include a retail anchor at the edge of the downtown at the end of the Bahnhofstraße, the Karstadt project, the western downtown gateway on the west side of the Saar River, and the cultural facilities along the river south of the downtown. The panel believes that the development zones are where value can be added to attract additional investment in the city. These zones and projects will be discussed in more detail in the following section.

Programme and Implementation

It is important to remember that investors involved with urban regeneration projects are not just putting resources into a *project*, they are investing in a city itself. The city needs to prepare for overall regeneration so that it can benefit from the subsequent investment.

The future of Saarbrücken lies with its river. It is the city's central asset and should be the main thing that people think about when they think about Saarbrücken. In order to help the city and GIU implement the SmaF plan and to attract appropriate investment, the panel developed the following general goals and principles:

- *Develop the river as the city's new 'river park.'* Financers and developers want an image in which they can feel comfortable investing. The panel believes that as the city embraces the river, it will show investors that it is serious about its redevelopment and about creating a brand.
- *Support the introduction of major retail anchors to the Bahnhofstraße.* The city should not be afraid of large-scale development with a regional draw in the downtown. The panel heard of one retail project at the mining building at the end of the Bahnhofstraße that could revitalise that end of the street as well as serve as a draw for the downtown. This project should be pursued since it will help bring people downtown and to the river.
- *Encourage the conversion of obsolete upper-story offices to residences.* As discussed earlier, residential development is a key component in the successful regeneration of downtown Saarbrücken and the waterfront. People living in the area will bring life beyond the workday. One way of achieving this—in addition to new construction—is by converting vacant upper stories of office buildings into residential units.

This is a trend that is happening in cities all over the world.

- *Improve access to and create a parking strategy for the river and associated districts.* All urban areas experience access and parking issues. As more people come to the riverfront area, they will need to be able to get around and park their cars. This issue is beyond the scope of the panel's assignment, and needs to be studied in detail. If people think it is difficult to get someplace, they may choose not to go there. The panel believes that the city should invest in a parking and circulation study to address this issue.

Implementation Process

The city and GIU have made great and fruitful efforts to develop a riverfront regeneration plan. Now it is time to think about how this vision and plan relate to attracting the investors who will help implement the plan. The panel developed the following 'next steps' for the city to take:

- *Plan for urban regeneration by identifying development sites, development capacity and building massing guidelines, and special design considerations.* When investors come to a city, they want to know what areas are available for development, how much development can occur, what the city is willing to accept in terms of massing—total square metres of development—and what design standards and criteria for development exist. Cities that successfully attract investors and developers have this information ready and available. They have analysed the available sites, identified investment opportunities for the private sector, and are ready to market these sites and opportunities to investors. Investors want to know what their options and liabilities are before they put resources into a city or a project.

- *Explore special economic districts and define their boundaries.* Cities often use economic districts as a tool to generate revenue for regeneration projects. Depending on the enabling legislation, several forms of economic districts may be used. Special taxing districts are the most common form and provide a way for cities to generate extra revenue to pay for location-specific improvements. Tax increment financing districts and business improvement districts, both of which are discussed in greater detail in the next section of this report, are additional types of economic districts. Specific boundaries must be defined for all of these types of districts, which usually incorporate areas that will benefit from the use of the funds.
- *Consolidate land assets and explore strategic regeneration partnerships.* GIU should not bear all the burden of the regeneration project. The federal government, as well as the private sector, also will benefit from it. All potential partners need to be identified and expected to assist in the overall regeneration project.

Strategic Actions

Investors want to see action. They want to know that they are putting their money where it will make a difference and that they will receive a return on their investment. The following recommendations are aimed at helping the city and GIU show investors that Saarbrücken is serious about its regeneration, and that it is doing more than just planning.

- *Move from planning to strategy and implementation.* Now that the plan has been developed and accepted, strategic steps for implementation need to be defined. A business plan for the project, a detailed budget, a strategy for attracting private investment—including a description of what the public sector will contribute—all are part of that effort. The city needs to develop the ‘story’ of what will happen next, so investors will know what to expect.
- *Enhance what you have.* As indicated earlier, the panel was impressed with the city’s existing assets and sees great potential for its future. Small things can be done *right now* to show that

the city is moving in a positive direction. Cleaning up the trash and landscaping along the Berliner Promenade, installing signage for the old town area, and encouraging and providing incentives for facade improvements along the Bahnhofstraße are just a few of the issues that can be addressed immediately. These small actions will help improve the perception and image of the downtown and riverfront.

- *Continue to sponsor events.* The more reasons there are for people to come to Saarbrücken, the better. These can be small local events or larger regional events. For example, when the panel was in Saarbrücken, the city was crowded with people attending an exciting in-line skating event. A strong promotional campaign to attract such events—and people—to Saarbrücken will help increase awareness of the city.
- *Improve connections and gateways to all parts of the project area.* People need to be able to get to the downtown and the waterfront. Making these areas as accessible as possible will encourage people to want to come down to the river and the downtown. In addition, it is critical that gateways to the area be well defined and improved. People want to know when they are arriving at their destination, and memorable gateways help achieve this.
- *Public sites represent an immediate opportunity.* Some key sites, such as the Finanzamt building, already are in the public control. This represents an opportunity to generate excitement about the downtown and start some key regeneration activity. These opportunities need to be actively pursued.

Project Subdistricts

In order to market the area as an investment opportunity, it should be organised into planning subdistricts. This will allow investors to understand what their opportunities are and where they can partner with the city in its regeneration. The panel organised the area into the following six subdistricts:

- Bahnhofstraße/Berliner Promenade;

- Finanzamt site;
- Theatre and cultural park;
- Regierungsviertel (Government) and Schloss;
- Neue Saar Brücke; and
- Schlosspark.

Bahnhofstraße/Berliner Promenade

The Bahnhofstraße/Berliner Promenade is the largest subdistrict. It has three components: the Eurobahnhof/Saarland Gallerie retail anchor, the Bahnhofstraße/Berliner Promenade spine, and the Karstadt/Neue Saar Brücke anchor.

This area features various types of stores, ranging from small, family-owned businesses to large chain stores. The city needs to work to upgrade the area's retail experiences by maintaining the streetscape and improving the retail mix. The area must be cleaned up and existing businesses should be encouraged to upgrade their building facades. The city needs to put some resources into this area to attract the right types of investors. It should commission a retail study and market catchment analysis in order to define market opportunities in the area.

The panel supports the redevelopment of the Saar Gallerie/Miners building into an anchor for the district. This is also an area where the city should promote conversion of the upper levels of office buildings to residential use.

The proposed public investment in the Berliner Promenade can be an attractive tool to show investors that the city is serious about its regeneration. It also is a way to get existing business owners to buy into the regeneration effort and provide money for incentives to improve their properties. The panel recommends forming a committee of business owners along the Bahnhofstraße and Berliner Promenade to ensure their buy-in and support of the project. The committee could help develop design and management guidelines for businesses in the area and define necessary incentives for business and property owners to upgrade their buildings. In addition, the committee could help put civic pressure on the 'Mallorca' owners to clean up their businesses.

The Karstadt building is a big opportunity and has the potential to be a very strategic development location at the base of the river connection to the west side. Development in this area will enable the city to make the public environment more attractive and connected as well as create an exciting location at the new bridge. The city should strongly encourage and, wherever possible, provide incentives for street-level retail in this area.

Finanzamt Site

The panel saw this site as critical to the regeneration effort. The existing building closes part of the Old City off from the river. The city needs to make all possible efforts to gain control of this building and the land, because redevelopment of the site will be a catalyst in the regeneration effort. The city should approach the Saarland government and explain to it that this site is key to the city's efforts. The city could, perhaps, give the state space for a tourist center on the ground floor along the river in return for the site. Once the city has control, it should find a private developer willing to redevelop the site and open it up to the river. The area would be appropriate for residential development above ground-floor cultural and retail services, such as a fitness and recreational center or the visitor center mentioned above. The site also offers a way to connect the river to the St. Johanner Markt across the Bahnhofstraße.

Theatre and Cultural Park

Although the panel saw great potential in this area, it is too large to be a purely public venture. The panel believes that the city and GIU should explore opportunities for themed cultural development, with the possibility of an upscale residential component near the waterfront park. One of the first steps should be to explore the development of a catalyst project such as a new museum to foster interest in the area. Because this area contains sufficient land, it may be possible to engage the University of Saarbrücken in a strategic partnership to create a downtown presence, such as a technological museum, ecology museum, aquarium, innovation museum, or children's museum. The panel believes that GIU should develop buildings and landscaping in this area with a unique identity as a destination, possibly including public gardens. The panel also suggests that the city and

GIU explore the possibility of establishing high-end museum restaurants with a regional wine theme that would remain open after the museums close. Outdoor sculpture expositions and performance venues also could be located here. To help finance this part of the project area, the city should explore the feasibility of naming rights, as has been done in other cities throughout the world.

Neue Saar Brücke

The panel named the area at the north end of the project area the Neue Saar Brücke because of the iconic bridge that is planned for this area. Regeneration, however, should not stop with the bridge, since opportunities for regeneration exist on both sides of it. Entertainment and retail development could be located here, since the area serves as a gateway into the city. This is another area where the city should encourage the conversion of office buildings to residences. Commercial pavilions along the bridge could serve as economic generators. New development in this area should be carried out by the private sector and could help spur additional development and redevelopment.

Regierungsviertel (Government) and Schloss

The schlosspark and government buildings on the west side of the river are another key redevelopment opportunity. The panel believes, however, that this regeneration can start before the tunnel is built and that plans for this area need to move forward. The city should explore the feasibility of placing a boathouse for rowboats, canoes, and

kayaks along the riverfront as part of the initial phase of development. In addition, the schloss is a wonderful historic resource and ways to improve wayfinding as part of a walking tour of the river should be explored.

Summary of Approach

In summary, the panel believes that it is now time to take the plans and turn them into actions. The lead projects should be the transformation of the Berliner Promenade and the Bahnhofstraße. Two specific development sites that should be made ready for private developers—by gaining control of the property and determining development expectations—are the Finanzamt building site and the Karstadt property.

River enhancements that should be undertaken include public art/cultural amenities along the riverfront park south of the downtown and boating facilities on both sides of the river. One way to help fund these activities is to sell small-scale advertising on benches and pavilions along the waterfront.

Once the implementation strategy is in place, the city's economic development department needs to develop a 'roadshow' to take to potential investors as well as to real estate development fairs such as MIPIM and EXPO REAL.

Financing Strategies

The primary reason the panel was asked to come to Saarbrücken was to assist GIU and the city in identifying feasible funding mechanisms for the SmaF plan. The previous sections put the redevelopment strategy into context; this section will discuss financing options for the regeneration project. It is divided into three subsections: the tunnel project, tax increment financing (TIF), and business improvement districts (BIDs). The tunnel project discussion addresses the feasibility of private investment in the project as well as the appropriate local and federal roles in its realisation. The TIF and BID sections discuss two tools that can generate a revenue stream, a critical component for realising the SmaF project. This project will not happen with a one-time infusion of money; rather, it will require long-term and ongoing sources of funding.

The Tunnel

The submersion of the highway on the west side of the river—the tunnel—is the single most expensive item in the regeneration project. There are several reasons to construct the tunnel, including noise mitigation, problems with roadway flooding, and opening the river to the west side of the city. The city should not expect a private investor to finance the tunnel; it is not the type of project that the private sector will fund directly. The panel could not determine if a detailed financial analysis has been completed for the tunnel project. If it has not, one should be done now, to determine the appropriate federal and local cost shares.

The panel believes that the federal government should be the primary funder of this project. The highway is a federal road, and the tunnel will alleviate many hazards to public safety as well as resolve flooding and noise mitigation issues. The federal government should be thought of as an investor in the tunnel. Its funding will result in increased federal tax revenue because the tunnel

will allow the area to regenerate, thus generating more taxes.

The federal government may well expect some local cost sharing for the tunnel, since the city will benefit from it as well. Two ways the city can offset these local costs are incremental revenue from investment in the area after the tunnel is complete and general revenue bonds—loans the local government will take to pay for its share of the road.

Tax Increment Financing

The principle behind tax increment financing (TIF) is that a city can capture net new property taxes that will be generated by development or regeneration. TIF is most often used to pay the debt on bonds—loans—that a city takes to pay for public investment and debt. The assumption is that the project will not happen if the public investment is not made. The theory is that there will be new private investment in real estate in the area and that the value of all real estate in the TIF district will rise. Items that typically are paid for by TIF include land assembly, roads, parking garages, and other public infrastructure.

A fairly substantial property tax rate is needed to make TIF work. The following is an example of how TIF would be applied in Saarbrücken, compared with U.S. cities. Assuming a €500 million investment programme for the project, a tax increment would yield a €100 million bondable public investment in the project if it were in a typical U.S. community, given the rate at which property is taxed in the United States. Using Saarbrücken's current property tax rates, however, the tax increment would yield only €12 million.

This is not a significant rate of return. TIF would yield too little revenue to justify its use in project financing. Beyond direct city revenue generation, TIF assessment can be the basis of negotiation with other taxing jurisdictions to justify

their investments in the project, and that is not feasible here.

Business Improvement District (BID)

The panel believes that implementation of a business improvement district (BID) is a more feasible way to generate a revenue stream for Saarbrücken. A BID is a special taxing district that is established to tax businesses in the district in order to generate revenue to improve the value of the district. Its size and taxation rate are determined by the jurisdiction, and depend on how large an area the jurisdiction wants to influence and how large a tax rate businesses are willing to accept. For example, with a 2,5 percent tax rate on taxable property value, a 15-hectare district will be needed to fund €115 million in capitalised value. With a 1,0 percent tax rate, 40 hectares will be needed to provide the same amount of funding. The panel believes that a smaller, focused district with a low revenue target is most feasible in Saarbrücken.

The panel thinks the target revenue for the BID should be €3 million per year. Half of this should be applied to finance the reported public improvements of €12,5 million. The other half should be used to finance the €1,5 million annual maintenance and management of the BID district. This will require 4,8 hectares of taxable improved land in the downtown at a tax rate of €2.500 per square metre. This assumption of €2.500 per square metre appears to be reasonable to the panel, but it needs to be tested.

The panel learned that new federal BID legislation in Germany is being applied in some cities. This appears to be a promising option for a dedicated revenue source to implement the SmaF plan and should be seriously considered by the city. The critical next steps in securing a BID in Saarbrücken include the following:

- *Refine a 'case for a BID' statement.* The assumptions stated above need to be refined, to demonstrate to the city and community leaders that a BID is a feasible and reasonable source of long-term revenue.
- *Engage community leadership.* BID legislation will not pass without the backing of community

leaders. It is especially important that property owners and investors be involved. Establishing a steering committee of stakeholders to work through the process to get legislation in place will create community-wide ownership and acceptance of the legislation and the process. This steering committee can help campaign to obtain support of a proposition.

- *Referendum/city government approval.* The city will need to approve the BID legislation. If all the 'lobbying' has been done ahead of time, this should not be difficult.

Additional Financing Concepts

The panel identified several other smaller sources of revenue that can be applied to the regeneration project. While none of these will generate large amounts of money on its own, cumulatively they might be able to fill a void in funding.

- *Development impact fees.* A fee can be assessed to help offset the city's cost of any private development or redevelopment project, including hard costs—road improvements, sidewalk enhancement, and so forth—and soft costs, such as staff time.
- *Fundraising.* Several fundraising techniques can be used to generate revenues. Programmes such as a 'Buy a Brick' scheme—in which people pledge small amounts of money to dedicate a brick in a sidewalk—are popular and help members of the community feel that they are part of the regeneration effort.
- *Capital campaigns for cultural facilities.* Most cultural facilities are managed by nonprofit organisations, and the funds to support them are raised through capital campaigns in which people pledge money to support the development, pay for new buildings, and so forth.
- *Naming rights.* For a fee, a company can have its name put on a facility. Most athletic facilities in the United States are paid for this way, and several cultural facilities around the world also have been named by entities that have paid fees for this privilege.

- *Other advertising opportunities.* Some revenue can be raised by selling advertising space in locations around the project area, such as park benches, banners, small billboards, and so forth. The key to this process is to make sure there are guidelines for these advertisements and that they are done in a tasteful, not garish, manner.
- *Corporate philanthropy.* In several cities around the world, corporations with a significant presence in the community have created a trust or fund to help pay for certain community assets, such as museums, parks, and other cultural facilities. This is done in a variety of ways, including the establishment of a trust or endowment, the provision of matching funds, and direct giving.
- *Sale of surplus public property.* If the city or GIU has any property it is not using or anticipates needing in the future, this land can be sold to raise capital for the regeneration project. This should be done only after all property is inventoried, so that no assets are sold without careful consideration of future needs.

Conclusion

The panel was very impressed with Saarbrücken's planning efforts to date and believes that the city needs to move on to implementation in order to keep the momentum going. The citizens embrace the plan, and it is now time for the investment community to be made aware of the possibilities in Saarbrücken. The panel believes that the city should begin to work on some efforts immediately. These include the following:

- *Brand the plan and inform the investment community.* Investors can only become interested in the plan and the city's efforts if they know about them. The plan already has a logo and image. These need to be presented to the investment community to create interest and excitement.
- *Start value-controlled construction of infrastructure.* Some key infrastructure—including the tunnel—will be the government's responsibility. Infrastructure improvements that will increase the value of the area to investors need to be identified and begun as soon as possible.
- *Leverage public funds.* The city should begin looking for ways that it can leverage its scarce and valuable resources to attract private money. The city should use its money to jump-start several projects, not to invest in a single project.
- *Create a stable income stream.* The city needs to identify one or two ways that it can generate consistent revenue over the 20- to 30-year term

of the project. This commitment is necessary to attract private investors to the area. The panel recommends a business improvement district (BID) as the most feasible way to do this at this point.

- *Show the federal government how value is created.* Completing a cost/benefit analysis, especially for the tunnel project, will enable the city to approach the federal government for funding. The federal government needs to see that its investment will be beneficial for it in the long run.
- *Begin to get control of the Finanzamt building.* The panel sees this site as a key parcel in the waterfront redevelopment. The city needs to begin negotiations with the state right away so that it can gain control of this property.

The most important thing for the city to remember as it begins to implement its plan for the waterfront is that it must have a revenue stream and a sustainable source of public or private funding. Investors will not just put money into a project without some commitment by the city to fund part of the regeneration effort. To that end, this project is not just about raising money or attracting private investment; it is about having a vision of where value will be created to attract private investment. The city needs to *show* private investors that it is committed to the city's regeneration, that it is willing to assume some of the risk, and that it is looking for strong, stable, committed partners to realise the rebirth of the Saarbrücken waterfront.

About the Panel

Richard Ward

Panel Chair

St. Louis, Missouri, USA

Ward is the principal owner and chief executive officer of Development Strategies, national consultants in real estate and economic and community development. His personal consulting experience has focused on questions of market and economic feasibility; real estate counseling pursuant to optimising the benefits of land use and investment decisions; and expert testimony in support of litigation relative to condemnation, highest and best use, tax increment financing, and zoning.

Ward's recent consulting assignments have addressed the economic feasibility and implementation of the Augusta (Maine) Capital and Riverfront District; the Capital Gateway East District of Des Moines, Iowa; the Downtown Revitalization Strategy for St. Louis; the Lower Peninsula/Downtown Charleston (South Carolina) District; a retail market strategy for downtown Greenville, South Carolina; a downtown reinvestment plan for central Chicago Heights, Illinois; and plans for downtown Royal Oak, Michigan, and the Jackson (Mississippi) Medical/Education District.

Ward has assisted various communities and public/private partnerships relative to strategic planning for economic development, including the cities of Charlotte, North Carolina, and West Des Moines, Iowa; the St. Louis County Economic Council; and the Greater St. Louis Economic Development Council.

An active member of ULI since 1979, Ward has served as chair of the Small Scale Development Council, Silver Flight, and as chair of the St. Louis District Council. He is currently assistant chair of the Public/Private Partnership Council, Blue Flight. Ward also has also served on many previous ULI Advisory Services Panels, and is a silver

member of the Panel Advisory Service Honorary Association (PASHA). He is a certified economic developer, a designation of the International Council of Economic Development (ICED); a counselor of real estate (CRE); a member of the American Institute of Certified Planners (AICP); and a licensed real estate broker in the state of Missouri. He serves on the board of directors of the International Economic Development Council (IEDC). Ward holds graduate degrees in business administration and urban design from Washington University in St. Louis and in urban planning from Virginia Tech.

Uwe Steven Brandes

Washington, D.C., USA

Brandes currently serves as senior advisor to the Anacostia Waterfront Corporation in Washington, D.C. From 2000 to 2004, he was associate director of the District of Columbia Office of Planning, where he was responsible for the Anacostia Waterfront Initiative, a multiagency federal/city planning effort to revitalise the shores of the Anacostia River. The project has received awards from the American Institute of Architects, the American Planning Association, and the American Society of Landscape Architects.

Brandes has more than 15 years of experience in the planning, design, and construction of waterfront projects in urban and natural settings. Prior to joining the D.C. Office of Planning, he practiced architecture and urban design in New York City, specialising in the creation of new public spaces associated with major transportation and waterfront construction projects. He holds an undergraduate degree in engineering from Dartmouth College and a master of architecture degree from Harvard University. Brandes has lectured and taught widely. In 1989, he was a Fulbright Scholar

at the Institute für Raumplanung at the Technical University Dortmund.

Elizabeth Hill McLoughlin

London, United Kingdom

McLoughlin is a senior real estate professional with 20 years' experience in project management, acquisitions and development, new business development, financial analysis, research, and strategic planning. Until recently, she was managing director for AIG Global Real Estate Investment, Ltd., a European opportunity fund for the investment and development of property in western, central, and eastern Europe. With AIG, McLoughlin's duties included developing business strategies and budgets for the fund, raising capital and marketing, and oversight of all investment and development activities.

Before joining AIG, McLoughlin held senior management positions with Trizec Hahn Europe, Copley Real Estate Advisors, and Renaissance Properties. She also was the founding partner of Boston-based Bluestone Associates, a firm that provides real estate planning and consulting services, including site and financial analysis, project management, and marketing/feasibility studies. McLoughlin received a BA and an MBA from Harvard University.

Rudy Stroink

Nieuwegein, The Netherlands

Stroink founded TCN Property Projects in 1993 and has been the company's chief executive officer ever since. TCN is part of an international family of companies that initiates, develops, and manages projects worldwide. TCN, an independent partner in this network, operates in the European market, with additional offices in Düsseldorf, Lisbon, Budapest, and Brussels. The company is active as a consultant, developer, manager, and long-term

owner of most of its projects. TCN has a management portfolio of more than 500 million square metres of property in the Netherlands, Germany, and Belgium.

TCN's projects have included the Home Trade Center Nieuwegein, a business-to-business home furnishings centre; Home Boxx Exhibition Center Nieuwegein; Sports Business Center Leusden; Ekkersrijt Eindhoven; Hengelo Westermaat Retail Park; the mixed-use Outdoor & Nature Center in the Hague; Shopping Center Voorburg; Headquarters Reebok; Home and Furnishing Trade Mart Limburg; and the headquarters of Ogilvy & Mather in Amsterdam. Stroink graduated from the Polytechnical University of Delft in 1982.

Elena Wiezorek

Berlin, Germany

Wiezorek specialises in the revitalisation of business districts, cooperation between the public and private sectors, marketing for city and business districts, and open space and public art, as well as general strategies for urban renewal and strategic planning. She is the author of *Business Improvement Districts—Revitalisation of Traditional Business Improvement Districts by Implementation of the North American Instrument in Germany*.

In 2003, Wiezorek was employed by the New York City Department of Small Business Services in the field of neighbourhood development. Previously, she was an assistant professor at the Technical University of Berlin and was employed by the city of Berlin's Department of Urban Development from 1999 to 2000. Wiezorek received a degree in urban and regional planning at the Technical University of Berlin.