




Circular models Leveraging Investments
in Cultural heritage adaptive reuse

 Ref. Ares(2021)6709176 - 30/10/2021



D6.24

Final report of the Task
Force on Circular models
for cultural heritage
adaptive reuse in cities and
regions



This project has received funding from
the European Union's Horizon 2020
research and innovation programme
under grant agreement No 776758



**HORIZON 2020**

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Call H2020-SC5-2017-OneStageB submitted for H2020-SC5-22-2017 / 07 Mar 2017

Deliverable 6.24

Final report of the Task Force on Circular models for cultural heritage adaptive reuse in cities and regions

Version 1.0

Due date: 31/08/2021
Submission date: 30/10/2021
Deliverable leader: CNR IRISS
Type Report
Author list: Antonia Gravagnuolo (CNR IRISS)
Aliona Lupu, Chiara Palomba (Iniziativa)
Contributors: Tracy Pickerill (TUDublin)

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Abstract

This Deliverable describes the activities conducted under the CLIC project regarding the Task Force on “Circular models for cultural heritage adaptive reuse in cities and regions”.

The goal of the Task Force is to create a community of research and practice players focused on cultural heritage adaptive reuse as a strategy for the implementation of the circular economy in regions and cities, stimulating more effective dialogue and creating operational synergies between the cultural, social and environmental sectors. The Task Force promotes exchange of knowledge, tools and approaches fostering urban circularity, increasing regeneration and stimulating equitable, inclusive economic growth and people’s wellbeing. Members of the Task Force include several EU-funded research and innovation projects, UN agencies, European Commission representatives, international funding agencies and relevant stakeholders in the field of cultural heritage, sustainable urban regeneration and circular economy. The Task Force has been included in the European Framework for Action on Cultural Heritage, within the “CLUSTER OF ACTIONS 5: supporting the adaptive re-use of heritage buildings”. The Task Force launched with the support of the Horizon 2020 programme will provide expertise and advice on financing and managing the re-use of built heritage in cities in line with circular economy models.

This document aims to report the activities of the Task Force conducted within the Horizon 2020 CLIC project for the general public. Conclusions and next steps complete the report and provide insights for the next steps of the Task Force activities beyond CLIC.

The Task Force had an important role for the CLIC research, providing useful insights from other researchers and practitioners in the circular economy and cultural heritage sectors. Specifically, the feedback and suggestions received by organisations such as European Investment Bank, World Bank, Cultural Heritage Finance Alliance, Nesta, European Venture Philanthropy Association, OECD, and many others who participated in the meetings, were fundamental to orient the research analysis and the circular solutions proposed ensuring innovativeness, relevance and applicability.

As the results of the Task Force initiative were considered positive under many points of view, future perspectives of the Task Force were discussed and agreed, including the continuous process of building synergies and collaborations between diverse EU funded projects and stakeholders, also through new Horizon Europe research proposals.

Partners involved in the document

Participant No	Participant organisation name	Short Name	Check if involved
1 Coordinator	CONSIGLIO NAZIONALE DELLE RICERCHE	IRISS CNR	X
2	UPPSALA UNIVERSITET	UU	
3	HAUTE ÉCOLE ICHEC - ECAM - ISFSC	ICHEC	
5	TECHNISCHE UNIVERSITEIT EINDHOVEN	TU/e	
6	UNIVERSITY OF PORTSMOUTH HIGHER EDUCATION CORPORATION	UOP	
7	UNIVERZA V NOVI GORICI	ETCAEH	
8	WIRTSCHAFTSUNIVERSITAT WIEN	WU	
9	UNIwersytet Warszawski	UNIWARSA W	
10	ICLEI EUROPEAN SECRETARIAT GMBH	ICLEI	
11	FACILITYLIVE OPCO SRL	FacilityLive	
12	VASTRA GOTALANDS LANS LANDSTING	VGR	
13	GRAD RIJEKA-GRADSKO VIJECE	RIJ	
14	COMUNE DI SALERNO	SA	
15	STICHTING PAKHUIS DE ZWIJGER	PAK	
16	INIZIATIVA CUBE	INI	X
17	TECHNOLOGICAL UNIVERSITY DUBLIN	TU Dublin	X

Table of Contents

1	Description of the Project	1
1.1	CLIC Specific objectives	2
2	Introduction	4
2.1	Background of the Task Force	4
2.2	Aims of the Task Force	5
2.3	Document structure	6
3	Task Force summary of main activities	7
3.1	First Task Force meeting in 2018	7
3.2	Second Task Force meeting in 2019	7
3.3	Third Task Force meeting in 2021	8
3.3.1	Task Force meeting Agenda	9
3.3.2	Task Force meeting participants	11
3.3.3	Task Force meeting topics	11
3.3.4	Task Force meeting discussion	14
3.3.5	Task Force meeting feedback questionnaire	15
4	Conclusions	21
	Acronyms	22
	Annex 1 – Presentation “Hybrid Financial Instruments & Investment Leverage Enablers for Cultural Heritage Adaptive Reuse”, TUDublin	23
	Annex 2 – Presentation “CLIC Circular Financing Instruments”, INI	52



Figures Summary

Figure 1. CLIC Toolkit of Financial and Non-financial Instruments.....	12
Figure 2. CLIC circular financing instruments for ARCH	13

1 Description of the Project

The overarching goal of CLIC trans-disciplinary research project is to identify evaluation tools to test, implement, validate and share innovative "circular" financing, business and governance models for systemic adaptive reuse of cultural heritage and landscape, demonstrating the economic, social, environmental convenience, in terms of long lasting economic, cultural and environmental wealth.

The characteristics of cultural heritage and landscape pose significant challenges for its governance. Cultural heritage is a "common good", which enjoyment cannot be denied to citizens, although many buildings and landscape structures are privately owned. Furthermore, the large economic resources needed for recovery and maintenance of heritage goods are rarely available to the private owner, often charged of the additional cost of non-use due to limited degree of transformation allowed. The existing governance arrangements currently involve limited stakeholders concerning for the historic, aesthetic or religious sociocultural values, severely restricting the use of the heritage properties, and charge the central government of conservation costs. The approach of regulatory and planning tools throughout European countries has been to preserve cultural heritage by preventing transformation of buildings or areas having historic-cultural significance.

"The current monument-based, full protection, and government-financed approach that restricts the use of protected properties and relies almost entirely on public funds is incapable of tackling the vast urban heritage of most communities and of sustaining conservation efforts in the long term" (Rojas, 2016). To turn cultural heritage and landscape into a resource, instead of a cost for the community, the structures of authority, institutions and financial arrangements should be adjusted to ensure larger stakeholders' involvement in decision-making, attract private investments and facilitate cooperation between community actors, public institutions, property owners, informal users and producers (Rojas, 2016). The risk is that without financing channels the decay of European heritage and landscape will increase, until its irreversible loss.

Flexible, transparent and inclusive tools to manage change are required to leverage the potential of cultural heritage for Europe, fostering adaptive reuse of cultural heritage / landscape. Tools for management of change should consider costs and benefits at the local level and for all stakeholders, including future generations, and should take into account the cultural, social, environmental and economic costs of disrepair through neglect, compared to the benefits obtained through diverse scenarios of transformation / integrated conservation.

Costs and values of cultural heritage adaptive reuse have to be compared in a multidimensional space: the relationship between costs and "complex values" influences the willingness to invest in the functional recovery of cultural heritage and landscape. Therefore, it is necessary to clarify what is intended for the value of cultural heritage. The higher the perceived value for potential actors, the higher the willingness to take the risk of investment. This "complex value" of cultural heritage depends on the intrinsic characteristics, but also from extrinsic (context) characters.

Investment costs are related to the materials, technologies and techniques to be used to preserve the cultural value of the heritage / landscape, and to maintenance / management / operating costs. The willingness to invest, the same value done, increases with the reduction of costs. Then, the social cost of abandonment – and eventual irreversible loss of heritage – must be included in the investment choice.

The investment gap in cultural heritage and landscape regeneration can be addressed through careful evaluation of costs, complex values and impacts of adaptive reuse, providing critical evidence

of the wealth of jobs, social, cultural, environmental and economic returns on the investment in cultural heritage.

1.1 CLIC Specific objectives

The scopes of CLIC project will be achieved through a set of specific, measurable, achievable, realistic and time-constrained (SMART) specific objectives:

Objective 1 - To synthesize existing knowledge on best practices of cultural heritage adaptive reuse making it accessible to researchers, policy makers, entrepreneurs and civil society organizations, also with direct dialogue with their promoters;

Objective 2 - To provide a holistic ex-post evaluation of the economic, social, cultural and environmental impacts of cultural heritage adaptive reuse, stressing on the importance of appropriate conservation and maintenance approaches able to highlight the integrity and authenticity of heritage;

Objective 3 - To provide EU-wide participated policy guidelines to overcome existing cultural, social, economic, institutional, legal, regulatory and administrative barriers and bottlenecks for cultural heritage systemic adaptive reuse;

Objective 4 - To develop and test innovative governance models and a set of evidence-based, participative, usable, scalable and replicable decision support evaluation tools to improve policy and management options/choices on cultural heritage systemic adaptive reuse, in the perspective of the circular economy;

Objective 5 - To analyse hybrid financing and business models that promote circularity through shared value creation, and assess their feasibility, bankability and robustness for cultural heritage adaptive reuse;

Objective 6 - To validate the CLIC circular financing, business and governance practical tools in 4 European cities / territories representative of different geographic, historic, cultural and political contexts;

Objective 7 - To contribute to operationalise the management change of the cultural landscape also in implementing the UNESCO Recommendation on Historic Urban Landscape;

Objective 8 - To re-connect fragmented landscapes, through functions, infrastructures, visual relations at macro and micro scale;

Objective 9 - To design and implement a stakeholders-oriented Knowledge and Information Hub to make tools and information accessible, useful and usable and test them with policy-makers, entrepreneurs, investment funds and civil society organizations;

Objective 10 - To contribute to the creation of new jobs and skills in the circular economy through cultural heritage adaptive reuse, boosting startups and sustainable hybrid businesses and empowering local communities and stakeholders through public-private-social cooperation models.

Objective 11 - To contribute to the monitoring and implementation of SDGs (especially Target 11.4) and the New Urban Agenda, creating operational synergies with global initiatives of UN-Habitat, UNESCO/ICOMOS and the World Urban Campaign.

All partners have wide experience in developing and testing CLIC proposed tools, ensuring the effective and time-constrained achievement of all the above-mentioned specific goals. The integration of sectorial knowledge, tools and methods will be achieved through a trans-disciplinary

approach promoting partners and stakeholders' cooperation, co-creation of knowledge and co-delivery of outcomes.

The expected impacts of the project are the following:

- Validation of integrated approaches and strategies for cultural heritage adaptive re-use, comprising innovative finance with high leverage capacity, business models and institutional and governance arrangements that foster multi-stakeholder involvement, citizens' and communities' engagement and empowerment;
- New investments and market opportunities in adaptive re-use of cultural heritage, also stimulating the creation of start-ups;
- An enabling context for the development and wide deployment of new technologies, techniques and expertise enhancing industrial competitiveness and contributing to economic growth, new skills and jobs;
- Innovative adaptive re-use models that are culturally, socially and economically inclusive;
- Contribution to implementing the Sustainable Development Goals (SDGs) (Goals 1, 15, 11 particularly) and the United Nations New Urban Agenda.

2 Introduction

This Deliverable describes the activities conducted under the CLIC project regarding the Task Force on “Circular models for cultural heritage adaptive reuse in cities and regions”, jointly promoted by the European Commission Executive Agency for Small and Medium-sized Enterprises (EASME) and the DG Research & Innovation in line with CLIC’s approach.

The goal of the Task Force is to create a community of research and practice players focused on cultural heritage adaptive reuse as a strategy for the implementation of the circular economy in regions and cities, stimulating more effective dialogue and creating operational synergies between the cultural, social and environmental sectors. The Task Force promotes exchange of knowledge, tools and approaches fostering urban circularity, increasing regeneration and stimulating equitable, inclusive economic growth and people’s wellbeing. Members of the Task Force include several EU-funded research and innovation projects, UN agencies, European Commission representatives, international funding agencies and relevant stakeholders in the field of cultural heritage, sustainable urban regeneration and circular economy.

The Task Force has been included in the **European Framework for Action on Cultural Heritage¹, within the “CLUSTER OF ACTIONS 5: supporting the adaptive re-use of heritage buildings”**. The European Framework for Action on Cultural Heritage reflects the common set-up for heritage-related activities at European level, primarily in EU policies and programmes. It aims to capture and scale-up the success of the European Year of Cultural Heritage 2018, which aimed at encouraging more people to discover and engage with Europe’s cultural heritage, and to reinforce a sense of belonging to a common European space. The framework proposes around 60 actions to be implemented by the European Commission in 2019 and 2020, which focus on five main thematic areas: (1) Cultural heritage for an inclusive Europe: participation and access for all (2) Cultural heritage for a sustainable Europe: smart solutions for a cohesive and sustainable future (3) Cultural heritage for a resilient Europe: safeguarding endangered heritage (4) Cultural heritage for an innovative Europe: mobilizing knowledge and research (5) Cultural heritage for stronger global partnerships: reinforcing international cooperation.

This document aims to report the activities of the Task Force conducted within the Horizon 2020 CLIC project for the general public. Conclusions and next steps complete the report and provide insights for the next steps of the Task Force activities beyond CLIC.

2.1 Background of the Task Force

Cultural heritage is considered a resource for local sustainable development, although there are some contradictions/uncertainties. The sites recognized as cultural heritage are increasing; the costs for functional maintenance/reuse are growing, while public resources available are becoming scarcer, and private actors are increasingly focused on the short time for payback. The consequence is that there is a growing risk that the decay of heritage increases year by year, because of lack of funding support and viable business models. Cultural heritage is a non-renewable cultural capital and for this reason, heritage conservation is also an economic choice.

¹ See document published on: <https://op.europa.eu/en/publication-detail/-/publication/5a9c3144-80f1-11e9-9f05-01aa75ed71a1#>

The Task Force launched with the support of the Horizon 2020 programme will provide expertise and advice on financing and managing the re-use of built heritage in cities in line with circular economy models.

2.2 Aims of the Task Force

The Task Force on “Circular models for cultural heritage adaptive reuse in cities and regions” takes the cue from the Horizon 2020 project “CLIC – Circular models Leveraging Investments in Cultural heritage adaptive reuse”, sharing its overall objective and enlarging its scope to a wider community of innovators in cultural heritage.

The scope of participants to the Task Force is to share research results, as well as the innovative models and tools developed in many European research and innovation projects and cross-cutting EU/global organizations focused on cultural heritage conservation and circular economy implementation, fostering the adoption of innovative solutions by end-users and decision-makers. The aim is therefore to contribute to the implementation of creative practices of place-based and people-based regeneration (evoked in the Pact of Amsterdam, §12.3) within the polycentric framework of the circular city model.

The Task Force goal is to help to identify innovative “**circular**” **business and financial models** to place **cultural heritage adaptive reuse** as at the forefront for the implementation of a European model of **circular economy and circular city-region** centered on the **regeneration of cultural and natural capital**.

The Task Force builds on the legacy of the **European Year of Cultural Heritage 2018** that already brought together sectorial European institutions (DGs) to recognize the cross-cutting role of culture for sustainable development. It aims to contribute to the “paradigm-shift” proposed in the United Nations Agenda 2030 for Sustainable Development and Sustainable Development Goals, and in New Urban Agenda (NUA), towards the “**humanization**” of cities” (§ 26 of the NUA). This means in particular to contribute to:

- Regenerate the “connective infrastructure” of our city/society;
- Regenerate community bonds, through regenerating the collective memory;
- Overcome self-oriented approaches promoting cooperative thinking and thus symbioses.

The Task Force puts together three different elements:

- The circular economy approach;
- The circular city model;
- The adaptive reuse of cultural heritage in a triangle of reciprocal interdependence.

#CircularEconomy: is the economy that reduces entropy as in the natural bio eco/system, increases resilience and stimulates cooperation between components (it starts from the search of efficiency, but it is based and it stimulates cooperation/synergies. It is the economy of coevolution, co-operation, co-ordination of actions for a common interest

#CircularCity: it is the concept of city as a living complex dynamic circular system, characterized by circular metabolisms and ability to self-organize, self-manage, self-govern itself – it assumes the centrality of wellbeing of inhabitants as a value to be ensured in the long term

#CulturalHeritage: it is the memory itself of the urban living system; it is the heart of the city, its identity conserved over the centuries.

The above relationships can be created through the elaboration of innovative business, financing and governance models able to put together, in a reciprocal and circular flow of benefit, the three main players:

- The private sector, both the entrepreneurs and the owners;
- The public sector;
- The local community.

Task Force members focuses on the interdependence of these three elements for the identification of:

- New business models;
- New financing models;
- New governance tools for implementing the adaptive reuse of cultural heritage.

2.3 Document structure

The document is structured as follows:

- Section 1 introduced the CLIC project objectives and approach;
- Section 2 provided the general introduction to this document, highlighting the objectives of the Task Force;
- Section 3 presents information about the Task Force meetings between 2018 and 2021;
- Section 4 provides conclusions and next steps.

3 Task Force summary of main activities

The Task Force convened three times since its announcement, in 2018, 2019 and 2021.

3.1 First Task Force meeting in 2018

In November 2018, representatives of EU funded Research & Innovation projects on cultural heritage and circular economy convened in Brussels for the **first meeting of the CLIC Task Force**, discussing the challenges related to the implementation of a circular economy approach in the heritage sector, beyond the “wastes” perspective promoting a “cultural” circular paradigm. The main challenges identified were related to (1) the lack of coordination between diverse heritage-related research projects, (2) the lack of inter-sectorial dialogue and collaboration between the circular economy and the heritage sector, especially with regards to business and financing models, but also governance and evaluation tools, and (3) the “waste”-centric perspective in the circular economy sector. Thus, the Task Force guided by CLIC and made of representatives of diverse EU funded researches, as well as practitioners in diverse fields such as business, finance, industry, governments, could effectively address the specific challenges highlighted and explore the possibility of higher collaboration and cooperation adopting an inter-disciplinary and trans-disciplinary operational approach.

Participants in the first Task Force meeting included representatives from European Commission, DG EAC, CNR IRISS, Horizon 2020 ProGReg project, Horizon 2020 RURITAGE project, Eurocities / URBACT III Programme Culture for Cities & Regions, ICHEC Brussels, Uppsala University.

3.2 Second Task Force meeting in 2019

In November 2019, the **second meeting of the CLIC Task Force** was held in Brussels in occasion of the Breakfast @ Sustainability event organized by ICLEI, with CNR IRISS and ICHEC collaboration, within the CLIC project. The second meeting was focused on exploring circular financing instruments, circular business models and innovative evaluation methods and tools for the adaptive reuse of cultural heritage. A plenary session was held with almost 50 participants and interventions from international experts:

- Welcome | Christian Ost, ICHEC and Cristina Garzillo, ICLEI European Secretariat
- Introduction | Javier Peinado Lebrero, Head of Sector “Natural Resources & Ecosystems”, EASME Executive Agency for Small and Medium Enterprises of the European Commission
- Setting the stage - EU R&I for Innovating Cities | Maria Yeroyanni, Senior Expert “Innovating Cities”, Unit “Future Urban & Mobility Systems”, Directorate-General for Research and Innovation, European Commission
- Setting the stage - EU Framework for Action on Cultural Heritage | Hughes Becquart, Policy Officer, Unit “Creative Europe Programme”, Directorate-General for Education and Culture, European Commission
- The Task Force on Circular models for cultural heritage adaptive reuse in cities and regions | Luigi Fusco Girard, Horizon 2020 CLIC, IRISS CNR
- CLIC Knowledge and Information Hub | Gabriella Monteleone and Giuseppe Milani, FacilityLive

Three roundtables were organised to discuss key challenges and barriers in the implementation of the circular economy in the adaptive reuse of cultural heritage, with focus on (1) circular business models, (2) circular financing instruments, and (3) innovative evaluation methods and tools, including multidimensional indicators.

Participants in the second Task Force meeting included representatives of the European Commission, Horizon 2020 ROCK project, Horizon 2020 Open Heritage project, Horizon 2020 ILUCIDARE project, Horizon 2020 RURITAGE project, Horizon 2020 Pop Machina project, EUROCITIES, EU Study on Heritage Houses for Europe - SCI Miravel France, ICHEC Brussels, Iniziativa Cube, University College London, Nesta UK, European Investment Bank, ISTAT, University of Nova Gorica, Vienna University of Economics and Business, Västra Götaland Region, FacilityLive, University of Warsaw, Municipality of Rijeka, Technological University of Eindhoven, ICOMOS, University of Portsmouth.

Results highlighted that traditional loans are not successful in achieving sustainable finance in the heritage sector, thus there is a need to innovate but not being too innovative (experimental) for big finance institutions like the EIB. Mixed blended finance and hybrid investments can be the way forward. It was also highlighted the need to generate impact with financial returns, identifying a synthetic set of comparable/consistent and multidimensional indicators which can be understood and used by investors. As an example, Nesta UK presented a pilot project in London focusing on arts and culture domain, combining private and philanthropy plus public and foundations financial sources. The assessment process includes assessing the social impact, however in different contexts such as Eastern Europe the financing instruments linked with social impact assessment would need to be adapted. In a more general perspective, it emerged that as part of the due diligence process, focus is given to economic and green / environmental impact assessment, but social aspects are not equally addressed. Thus, policy wise, the social aspects need to be strengthened in the impacts assessment practices, to enhance financing instruments and models based on clear objectives and results, as well as circular business models focused on generating economic-financial, social and environmental benefit. In particular, business models need to consider what the community needs and wants, focusing on who are the stakeholders “generating” value and “using” value. Three strands were thus considered for the evaluation framework: stakeholder, objectives and indicators. Stakeholder mapping should be the starting point: differentiating between who should be involved, who should be consulted and who should be mobilised. Finally, it was highlighted the necessity to distinguish indicators at a global, national, regional and city level. Number of jobs created, but also a quality of jobs, is particularly relevant. Subjective indicators linked to well-being need to be included. Environmental indicators are very important to demonstrate the contribution of cultural heritage adaptive reuse to a climate-neutral Europe.

3.3 Third Task Force meeting in 2021

In July 2021, the **third meeting of the CLIC Task Force** was held through online conference means. The third meeting was focused on “Innovative circular financing instruments for cultural heritage adaptive reuse”. The meeting followed the initiative of the European Commission Expert Group on Cultural Heritage related to “Complementary sources of funding for cultural heritage”, in which the CLIC project provided its contribution through the participation in a series of workshops between October 2020 and January 2021², as well as written contribution in the Expert Group’s reports.

² See <https://ec.europa.eu/culture/document/background-paper-and-selected-good-practices-march-2021>

The Taskforce meeting objective of July 2021 was to **critically discuss with relevant stakeholders the ongoing results of CLIC study on financing instruments for cultural heritage adaptive reuse** and **get important feedback to enhance the CLIC results** in view of the project conclusion in September 2021.

The **Horizon 2020 CLIC research** (www.clicproject.eu) developed a **map of existing financing mechanisms** that can be implemented to launch and support cultural heritage adaptive reuse initiatives, and developed a **set of innovative circular financing instruments** that could support **the heritage sector as a key driver of sustainable and long-term development in European cities and regions**.

The Taskforce meeting opened with a presentation on the overview of financial instruments, allied enabling market players and the circular financial mechanisms designed under CLIC project (Part 1 and Part 2, as described below). Finally, it was foreseen the **discussion and feedback from Taskforce participants**. A **feedback questionnaire** was prepared and administered during the meeting, in order to collect useful comments and suggestions for enhanced financing mechanisms for cultural heritage adaptive reuse in the perspective of the circular economy.

Two sessions were held, one in the morning and one in the afternoon, to allow the participation of stakeholders overseas. Below the Agenda of the third Task Force event.

3.3.1 Task Force meeting Agenda

CLIC Taskforce meeting

Adaptive Reuse of Cultural Heritage (ARCH) circular financial mechanisms - mapping of financial mechanisms and discussion of CLIC circular financing instruments for ARCH

Agenda

Moderator: Antonia Gravagnuolo, CNR IRISS, CLIC co-Coordinator

Session 1 (9:30-11:30)

Welcome and introduction

Luigi Fusco Girard, CNR IRISS, CLIC Scientific Coordinator

Ugo Guarnacci, Research Executive Agency, European Commission

Hybrid Financial Instruments and Investment Leverage Enablers for Adaptive Reuse of Cultural Heritage

Tracy Pickerill, Technological University Dublin + Q&A

CLIC circular financing instruments

Aliona Lupu, Iniziativa Cube + Q&A

Feedback and discussion

Session 2 (15:30-17:30) Follow-up

Follow-up: summary of morning session (10 min)

Hybrid Financial Instruments and Investment Leverage Enablers for Adaptive Reuse of Cultural Heritage

Tracy Pickerill, Technological University Dublin + Q&A

CLIC circular financing instruments

Aliona Lupu, Iniziativa Cube + Q&A

Feedback and discussion

3.3.2 Task Force meeting participants

More than 20 stakeholders from important international organizations focused on financing and funding for cultural heritage participated in the Task Force meeting. Participants included: European Commission, Cultural Heritage Expert Group coordinator, EVPA European Venture Philanthropy Association, OECD, The World Bank, CHiFA Cultural Heritage Finance Alliance, European Investment Fund, Intesa SanPaolo Bank - Circular Economy project, CLIC Startup “Ya Amar”, Salerno municipality, ICLEI Local Governments for Sustainability, Uppsala University, Technological University of Eindhoven, University of Nova Gorica, University of Warsaw.

3.3.3 Task Force meeting topics

Part 1 | Mapping Hybrid Financial Instruments and Investment Leverage Enablers for the adaptive reuse of cultural heritage (Tracy Pickerill, TUDublin)

The development of funding strategies for the adaptive reuse of heritage assets of cultural significance strives to identify driving investment dynamics to maximise the leverage effect of limited public resources (if available) and enable private sector investment.

Four bodies of knowledge are critical to the choice of hybrid financial instruments (combinations of complementary financial and non-financial tools) designed to leverage investment flows for cultural heritage adaptive reuse, while remaining mindful of the physical, humanistic and ecological synergies that exist within complex cultural landscapes:

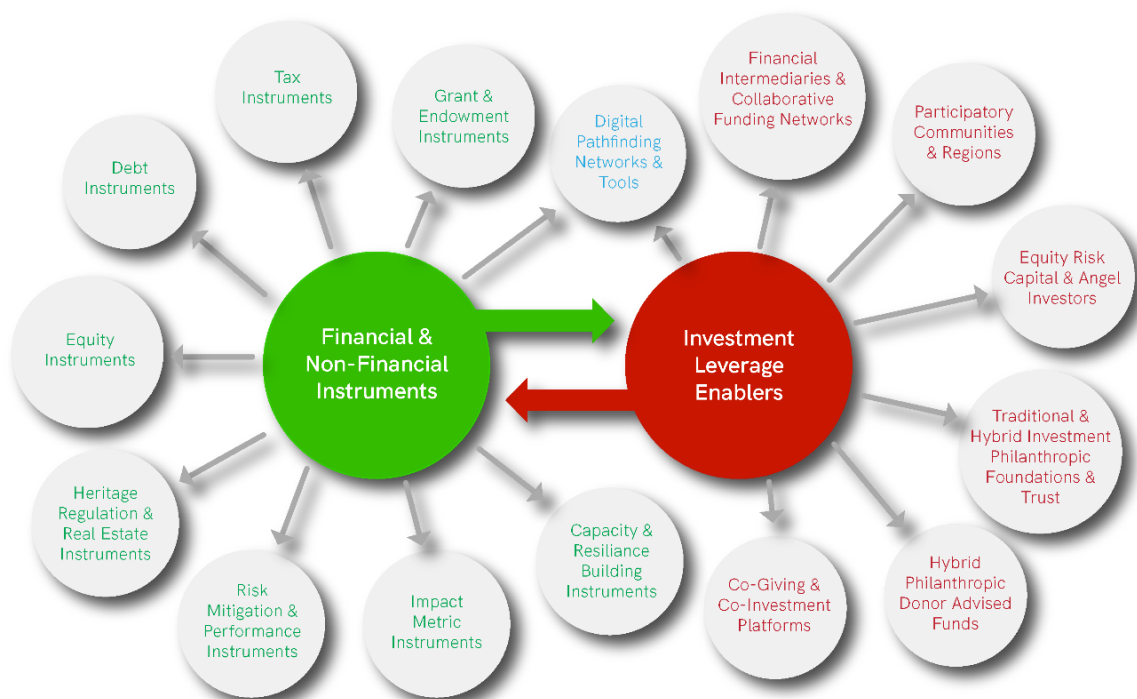
- (i) Tool Knowledge: to identify type and operational characteristics of financial tools;
- (ii) Design Knowledge: to facilitate targeted and tailored blending of financial tools to leverage circular investment streams, mitigate risk and avoid displacement;
- (iii) Stakeholder knowledge: to understand the motivations and behaviour traits of investors to participate in collaborative investment ventures;
- (iv) Impact knowledge: to pre-define strategic impact goals at the design stage.

No ‘one-size-fits-all’ decision-making process is robust across all situations. Funding strategies need to remain flexible in local context and meaningful for a broad range of participatory stakeholders, taking motivations behind funding decisions into consideration. Stages or layers of analysis within a funding strategy should not be considered in a linear fashion, rather a holistic view should be taken encompassing all elements in unison. This strategy will allow key stakeholders driving the exploration for funding synergies to visualize both investment enablers and allied financing mechanisms in political and economic context.

The Taskforce meeting was organized around the CLIC knowledge on financing mechanisms and circular innovative financing that represented the starting point of a discussion about the interest and feasibility of proposed circular financing instruments from the point of view of key public and private stakeholders and practitioners at EU and national level.

More specifically, the CLIC toolkit highlights both traditional and evolving funding mechanisms including financial (Grant, Tax, Debt & Equity) and non-financial (Regulatory, Real estate, Risk mitigation, Capacity building & Impact metric) instruments within a set of ‘umbrella categories’ to aid decision making regarding individual and complementary blended funding options (see Figure 1):

Figure 1. CLIC Toolkit of Financial and Non-financial Instruments



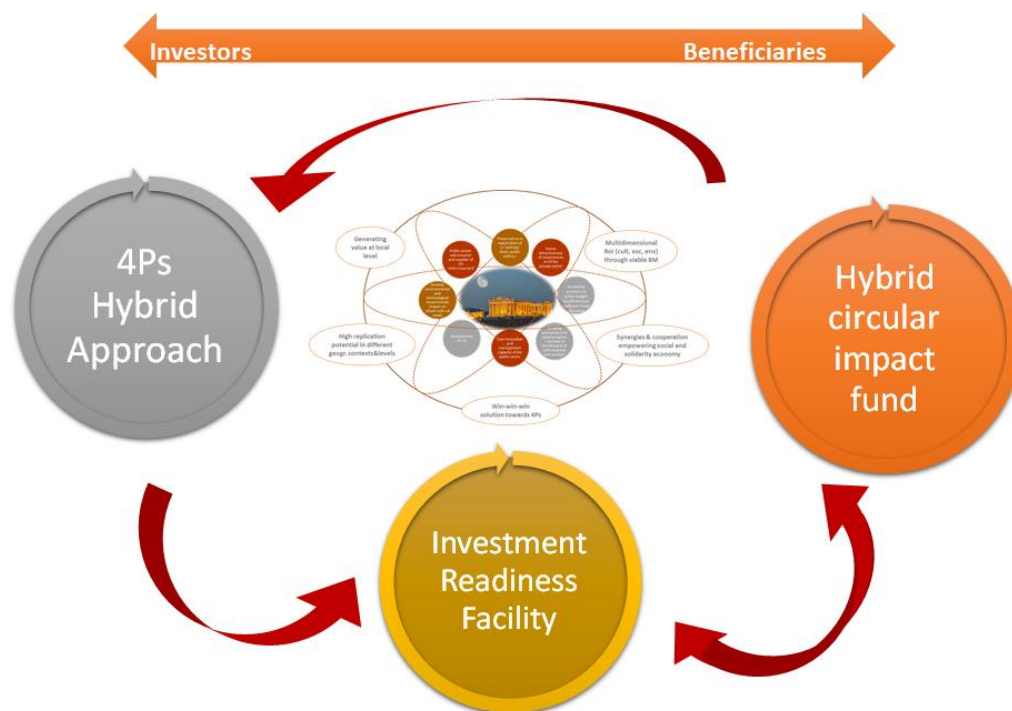
Source: CLIC Deliverable 4.1³

³ Full report available at CLIC project website: <https://www.clicproject.eu/wp-content/uploads/2021/06/D4.1-Overview-of-Hybrid-Financial-Instruments-and-Investment-Leverage-Enablers-for-Cultural-Heritage-Adaptive-Reuse.pdf>

Part 2 | CLIC circular financing instruments (Aliona Lupu, Ivo Allegro, INI)

Moreover, three innovative circular financing mechanisms, proposed in CLIC project, were presented during the workshop.

Figure 2. CLIC circular financing instruments for ARCH



Source: CLIC Deliverable 4.2

Hybrid approach to Public-Private-People Partnership including intentional impact generation

The first mechanism regard the development of a hybrid approach to Public-Private Partnership by including intentional impact measurement logics and the Fourth “P” (People). The final aim of this hybrid approach is ensuring the creation of cultural shared value: i.e. economic value meets social well-being. The Fourth “P”, in symmetry with the CLIC “human-centred” approach, takes into consideration citizen empowerment and involvement in co-design and co-creation of solutions for better inclusion and social integration.

Hybrid Circular Impact Fund featuring a revolving approach

The second circular financial mechanism is represented by the design of a Hybrid Circular Impact Fund model with features such as a revolving approach, impact measurement based on each single ARCH initiative and under the portfolio perspective, boosting complimentary instrument bundling and provision not only of equity/debt financing instruments, but also in-kind contributions (e.g. laboratories, work for equity, services, infrastructure, facilities etc.).

Investment Readiness Facility for ARCH

The third mechanism is represented by an Investment Readiness Facility, derived from the concepts behind the financial instruments used by the European Commission and the European Investment Bank to foster the energy efficiency market. Indeed, a frequent financing gap experienced by ARCH initiatives, is that they are not investment ready projects. In order to resolve this financing and investment readiness gap, a dedicated facility, potentially financed through public grants can be used. This instrument may enhance the investment maturity of ARCH initiatives and mobilize private investments.

Higher level synergies between CLIC circular financing instruments

The above three mentioned financing mechanisms can be used individually or in synergy for funding ARCH initiatives. However, the truly important Stage is understanding the possible mutual benefits and synergies of implementing identified funding, risk mitigation and capacity building strategies. This can only be achieved with the insight, knowledge and experience of stakeholders (the 4th P) working to secure a positive future for heritage sites and the local communities that can benefit from regenerating cultural heritage assets.

3.3.4 Task Force meeting discussion

The Task Force meeting discussion was focused on the actual relevance, feasibility and applicability of the financing instruments investigated by CLIC for the circular adaptive reuse of cultural heritage.

Following the interventions of CLIC partners presenting the work conducted on circular financing instruments for cultural heritage adaptive reuse, a debate began on the use of the financial instruments to enable the circular economy and the impact they have on rules and regulations, or legislation.

The discussion initially focused to quality aspects and criteria which should guide policies and programs and have a potential impact on cultural heritage through environmental, cultural, social and economic benefits resulting from the application of appropriate conservation measures. Particular focus was given to the European quality principles for EU-funded interventions with potential impact upon cultural heritage⁴. The document provides guidance on quality principles for all stakeholders directly or indirectly engaged in EU-funded heritage conservation and management (i.e. European institutions, managing authorities, international organisations, civil society and local communities, private sector, and experts). It focuses on the core issue of quality in EU-funded interventions that could impact on cultural heritage (mainly built heritage and cultural landscapes), providing a summary of key concepts, international charters, European and international conventions, and standards and changes in understanding and practice of heritage conservation. The adoption of quality measures was considered important by Task Force participants as it can raise awareness and strengthen the implementation of conservation principles and standards at every stage of a project, from conception to implementation.

⁴ <http://openarchive.icomos.org/id/eprint/2083/>

Further, the discussion focused on the sustainability of the lease model in case the ownership of cultural heritage is maintained at the same owner.

After the presentation of the financial instruments proposed in CLIC, the discussion focused on the opportunities and compatibility of the public-private-partnership (PPP) model with the support of the European Structural Investment Funds and on the importance of linking these financing instruments also with regulatory instruments. In fact, by leveraging European structural investment funds, it would be possible to respond to the market failure gap relating to projects not ready for investment in PPPs.

Another topic of discussion was the connection of the financing instruments with the business models. All instruments proposed are actually based on the “use of proceeds” approach, placing important focus on the impacts that financing can potentially generate, which creates a strong link with the activities conducted and thus to the circular business models also investigated in CLIC. Based on the criteria and characteristics of the financing instruments, it must be ensured that the circular business model related to the adaptive reuse of cultural heritage can be financed, therefore the proceeds should guarantee this aspect which is linked to the business models. In fact, it is necessary to take into account the externalities of the project and the impacts generated in terms not only of financial sustainability, but also of different environmental, social and cultural impacts, thus generating a multidimensional value.

The discussion continued in the afternoon with representatives of the World Bank and CHiFA Cultural Heritage Finance Alliance, reiterating the importance of governance, including government intervention and its regulatory approval process in the context of projects related to cultural heritage. It is important to consider that the issue of cultural heritage always has a risk, especially when substantial changes in use are foreseen, which require adaptation of the fabric.

The attention then shifted to the analysis of possible countries in which the financing instruments proposed can be potentially implemented, with a focus on the application of the proposed instruments in less developed countries, where there are less tools and capacities available and there is a general lack of support from the local governments. The assessment of impacts of cultural heritage adaptive reuse was considered an important aspect, even if less explored, as it can support substantially the implementation of financing instruments based on “pay for result” / “pay for success” model and “use of proceeds” approach, also in line with the EU Taxonomy and Sustainable Finance initiative of the European Commission.

3.3.5 Task Force meeting feedback questionnaire

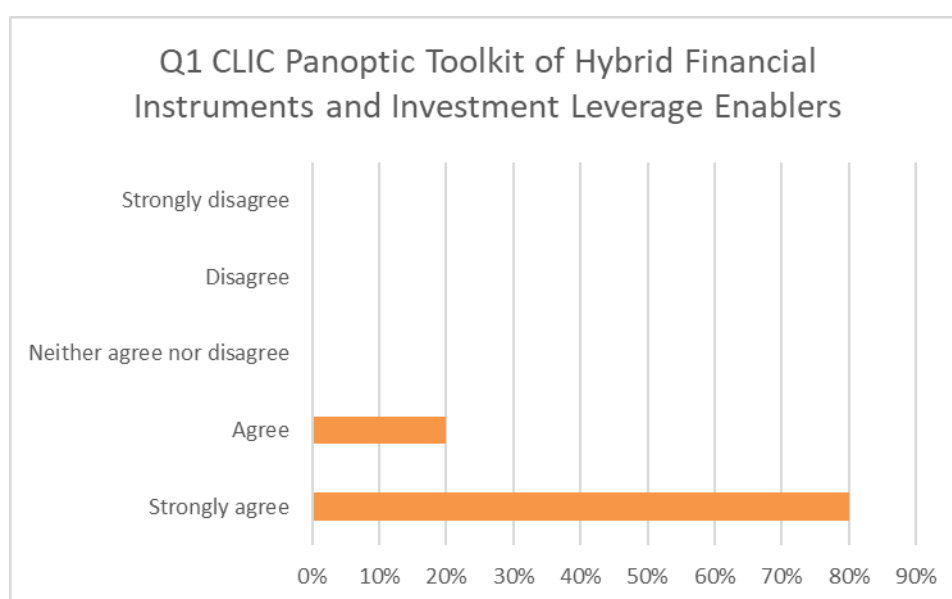
The feedback questionnaire was administered to obtain an overview of the clarity, relevance and applicability of the CLIC research and proposals on circular financing instruments and investment leverage enablers for cultural heritage adaptive reuse. Five organisations answered to the questionnaire: OECD, Ya Amar, Intesa SanPaolo Bank, CHiFA Cultural Heritage Finance Alliance, University of Nova Gorica. The feedback questions are reported below.

Feedback on CLIC approach and proposed solutions of innovative circular financing instruments for cultural heritage adaptive reuse

Q1 (part 1 - CLIC Panoptic Toolkit of Hybrid Financial Instruments and Investment Leverage Enablers)

The CLIC research analysed Hybrid financial and non-financial instruments and Investment Leverage Enablers for the adaptive reuse of cultural heritage, in the circular economy cultural perspective. The CLIC circular approach fosters collaboration and co-investment of diverse stakeholders, accounting for the externalities and impacts generated by investment projects, and a strong role of third sector actors positioned “between State and Market”.

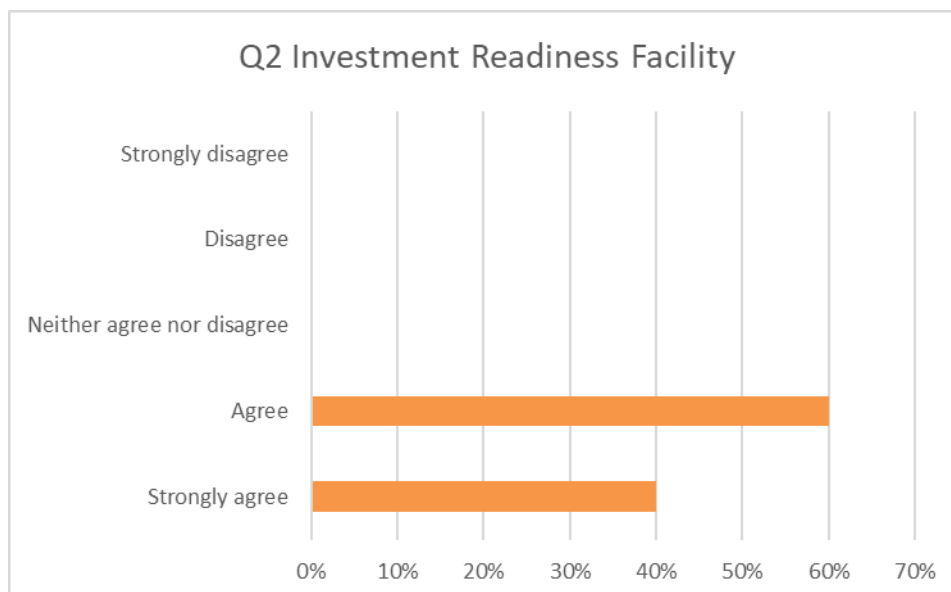
Do you agree that fostering this circular financing approach at local, national and European level can contribute to leverage more and effective investments from diverse sources in cultural heritage adaptive reuse?



Q2 (part 2 – solution proposed: Investment Readiness Facility)

Many barriers prevent investment in adaptive reuse of cultural heritage in the perspective of circular economy. Investors require reliable information on costs, benefits and impacts for investment proofing and decision-making. According to UNECE, actions are urgently needed to develop pipelines of priority projects to speed up the achievement of Sustainable Development Goals.

Do you agree that the financial supporting mechanism “Investment Readiness Facility” can contribute to address barriers and challenges on projects readiness / bankability and improve the financial landscape for adaptive reuse of cultural heritage initiatives?



Open answers:

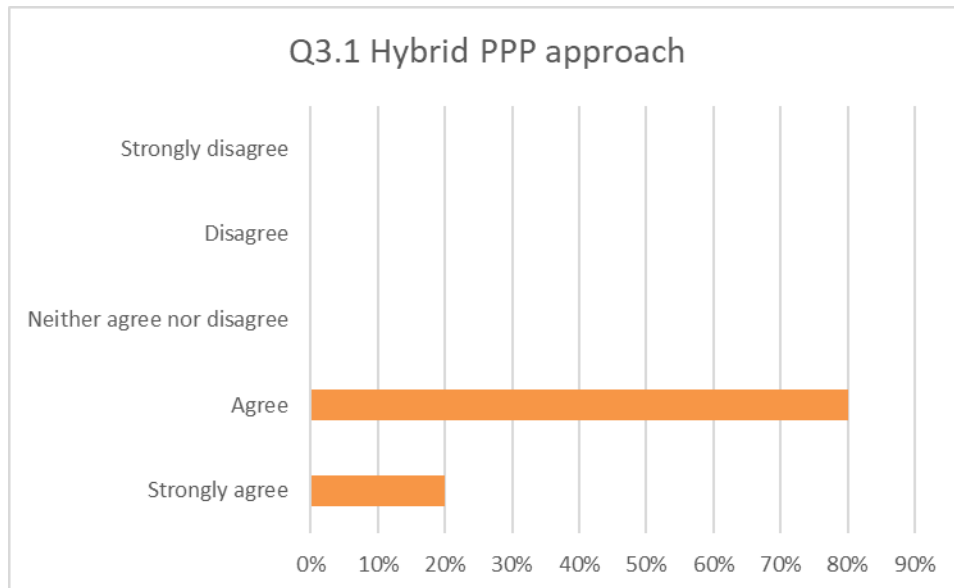
- Banks would very much appreciate all the activities done by the IRF, in order to receive requests ready to be financed.

Q3 (part 2 – solution proposed: Hybrid PPP approach)

Public-Private-Partnerships (PPPs) arrangements can represent a win-win solution between the exclusively public intervention and the recourse to the mere privatization of cultural heritage. However, the application of PPPs in cultural heritage sector presents several constraints linked to the obligation of public institutions to ensuring both financially viable projects and the achievement of the “public interest” prioritizing social and cultural outcomes. Many lessons learnt from the use of PPPs in more “traditional” fields (i.e. health, infrastructures, education) can be transferred to the cultural heritage arena with innovative sector-specific holistic adjustments.

Public-Private-“People” Partnerships (PPPP) may incorporate **citizenship/inhabitants participation**, creation of **shared value and mutually beneficial outcomes**, use of **innovative circular business models** and **predefined intentional impact metrics**.

Q3.1. Do you agree that the “Hybrid PPP” solution proposed, based on clear impacts assessment and “people” inclusion, has the potential to mobilise SDG and ESG (Environmental-Social-Governance impacts) compliant projects?

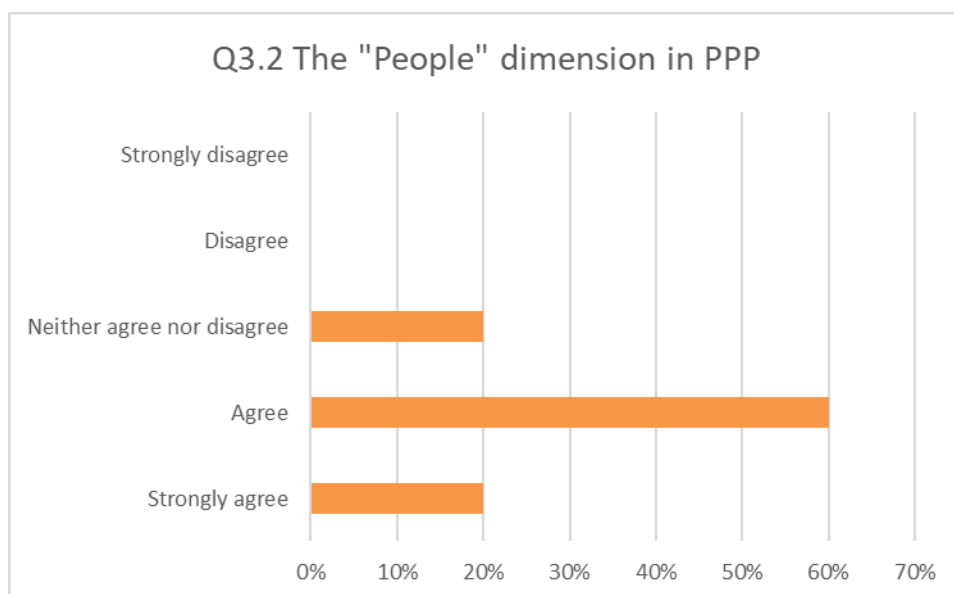


Open answers:

- Personally agree but I'm not sure that the financial institutions are ready to measure the impact on people.

The "People" dimension in PPPs would be oriented towards both **meeting the needs of people** as well as their **active involvement through co-creation and sharing processes** within the adaptive reuse of cultural heritage (ARCH) project life cycle.

Q3.2. *Do you agree that citizens/inhabitants participation (people) can be feasible at all the stages of PPPs (ex-ante and ex-post)?*



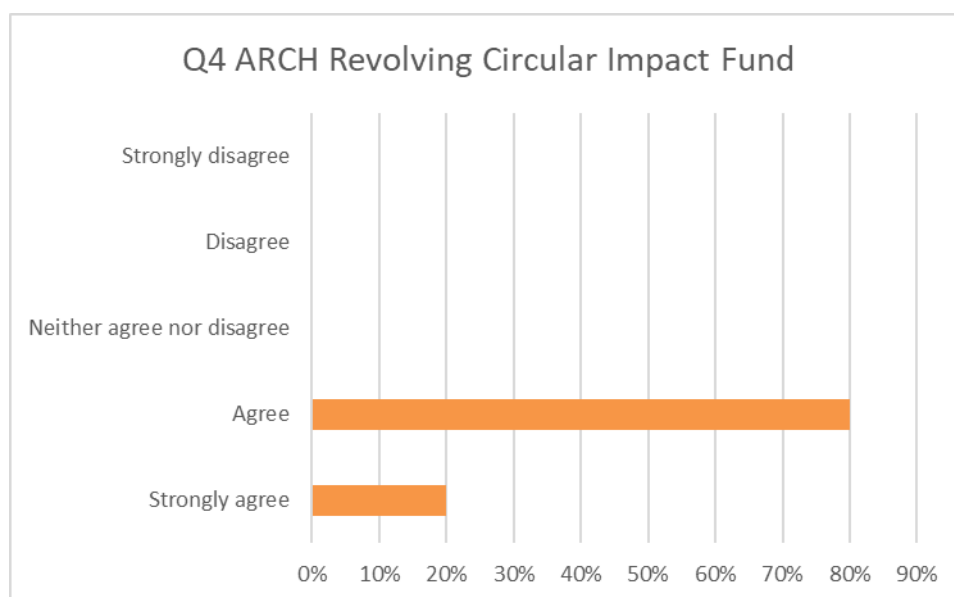
Open answers:

- I agree, but it is a point on which a lot of further work is needed. Stakeholders engagement in PPP is an area where much more can be done, so it might be useful to look at best practices in other sectors.

Q4 (part 2 – solution proposed: ARCH Revolving Circular Impact Fund)

The main features of the described “ARCH Revolving Circular Impact Fund” are represented by a **co-investment and revolving approach**, **blended finance** (blending financial and social return), **“use-of-proceeds” for circular ARCH** (ensuring the use of financial resources is linked to social outcomes), **impact and ESG investment approach**, **results-based financing** and **project bundling**.

Do you agree that the “ARCH Revolving Circular Impact Fund” is feasible to foster ARCH projects through the deployment of sustainable ARCH circular business models with environmental, cultural and social impacts?



Open answers:

- I find it very effective to consider both a co-investment and a revolving scheme, in order to increase the scale and the leverage effect.

General comments / suggestions

Q5 (relevance)

Assuming the point of view of your organization, are the solutions proposed relevant and useful to foster more and effective finance for cultural heritage adaptive reuse?

Open answers:

- Despite the initial difficulties in understanding and internalizing these solutions, I believe that the Bank would be interested in trying to put in place such innovative models
- Yes, they are very much in line with the goals of my organizations
- They can certainly facilitate CH financing

Q6 (barriers and challenges)

Which are the barriers and challenges that you see for the implementation of the circular approach in general, and the specific solutions proposed for ARCH investments?

Open answers:

- Legislation in Italy. Not mainstream thinking and slow process
- We are already engaged in circular economy finance but a barrier could be represented by the level of complexity of the solutions and the quantity of stakeholders involved
- The biggest barrier is the lack of familiarity of the public sector to work toward such integrated projects, and the obstacles of the legal regulatory process for approval of heritage conservation and restoration interventions in Europe.
- Any financial tool needs an application framework. We have seen that circular projects need facilities that cannot be included in the financial turn, but be guaranteed/provided/supported by the public (i.e. deposit areas for reused materials). Thus we need to work also on the governance and the legal frameworks.

Q7 (suggestions)

Do you have any suggestion to enhance the feasibility of the proposed solutions? Is there any other financing instrument / approach you find relevant for cultural heritage, which has not been mentioned?

Open answers:

- Give the advisory board more time to revise the material, and clearer guidance on how we can help.
- As expressed in the meeting, I feel that a less formal process than the highly structured Public Private Partnership, combined with strong and charismatic private-sector leadership by an established NGO would enhance the success and visibility of this program.

4 Conclusions

The Task Force on “Circular models for cultural heritage adaptive reuse in cities and regions” was started to join forces between different EU funded projects and initiatives for cultural heritage in the perspective of the circular economy model. After the first meeting held in Brussels in November 2018, the Task Force was included in the European Framework for Action on Cultural Heritage as it was considered a necessary action to strengthen European position internationally in the cultural heritage and circular economy scenario. The CLIC project had a key role in guiding the Task Force. The Task Force generated significant synergies between EU funded research projects, that were evident in the CLIC Final Conference with the participation of many Horizon 2020 projects.

The Task Force had an important role for the CLIC research, providing useful insights from other researchers and practitioners in the circular economy and cultural heritage sectors. Specifically, the feedback and suggestions received by organisations such as European Investment Bank, World Bank, Cultural Heritage Finance Alliance, Nesta, European Venture Philanthropy Association, OECD, and many others who participated in the meetings, were fundamental to orient the research analysis and the circular solutions proposed ensuring innovativeness, relevance and applicability.

Follow-up discussions were held with the World Bank, EVPA, Intesa SanPaolo, as well as other organisations at local, national and international level, also transferring the results of the Task Force discussions in the CLIC cities and regions (e.g. through the HIPs meetings in WP5).

As the results of the Task Force initiative were considered positive under many points of view, future perspectives of the Task Force were discussed and agreed, including the continuous process of building synergies and collaborations between diverse EU funded projects and stakeholders, also through new Horizon Europe research proposals. The Taskforce on “Circular models for cultural heritage adaptive reuse in cities and regions” will formally continue its activities beyond the CLIC project, through the Horizon 2020 project already funded “Be.CULTOUR – Beyond Cultural Tourism”⁵, led by CNR IRISS. Be.CULTOUR will take over the coordination of the Taskforce activities after the completion of the CLIC project. Finally, the recently founded “Research Laboratory on Human-centred, creative and circular cities” at CNR IRISS could support the coordination of the Task Force activities by engaging with researchers and practitioners in the diverse fields of circular economy and cultural heritage, towards more circular cities and regions.

⁵ <https://www.becultour.eu/>

Acronyms

[B@S]	[Breakfast at Sustainability's]
[NBS]	[Nature Based Solutions]
[NUA]	[New Urban Agenda]
[PO]	[Project Officer]
[PPP]	[Public Private Partnership]
[SDGs]	[Sustainable Development Goals]
[SIAs]	[Systemic Innovation Areas]
[SSS]	[Smart Specialisation Strategies]



Deliverable D6.24

Annex 1 – Presentation “Hybrid Financial Instruments & Investment Leverage Enablers for Cultural Heritage Adaptive Reuse”, TUDublin



CIRCULAR MODELS LEVERAGING INVESTMENTS
IN CULTURAL HERITAGE ADAPTIVE REUSE

Hybrid Financial Instruments & Investment Leverage Enablers for Cultural Heritage Adaptive Reuse

July 13^o 2021

Dr. Tracy Pickerill, Technical University Dublin

Email: tracy.pickerill@tudublin.ie



This project has received funding from
the European Union's Horizon 2020
research and innovation programme
under grant agreement No 776758



Circular models Leveraging Investment in Cultural heritage adaptive reuse

- ◆ Built Heritage Adaptive reuse
- ◆ Built Heritage Energy retrofit
- ◆ Protection of natural ecosystems
- ◆ Socio-cultural community enterprise activities

Critical investment barriers persist for many SDG & Paris aligned opportunities in disadvantaged urban & depopulated rural communities



Triskele:
Triple Spiral
(3300 BC)



Photo: Red Squirrel by Daniel Heap, Biodiversity Ireland Photo Competition 2021

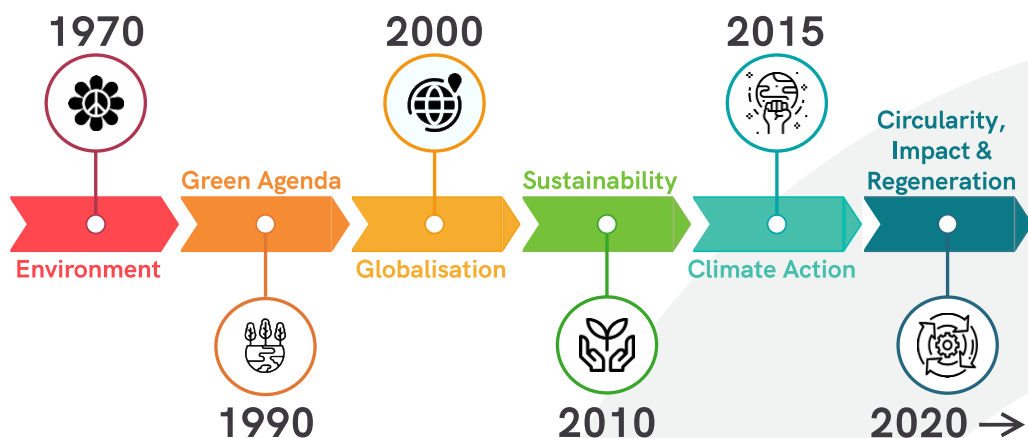
Work remains to foster tactical relationships btw 'G-local' initiatives & cash-rich investment markets

Quest: Circular financial instruments designed within mainstream capital markets to protect people and natural ecosystems in parallel with adaptive reuse of vulnerable cultural heritage resources?

'Circular Economy is about Design Process - Innovation and Skills'; Joss Bleriot, EMF Executive Lead Institutions, Governments & Cities, UN ECE Conference 12th July 2021

Deliverable 4.1 <https://www.clicproject.eu/wp-content/uploads/2021/06/D4.1-Overview-of-Hybrid-Financial-Instruments-and-Investment-Leverage-Enablers-for-Cultural-Heritage-Adaptive-Reuse.pdf>

Waves of Societal Awareness



Regenerative Capital relies on an investment rationale that nurtures **Responsibility, Resilience and Regeneration** activities additional to the **Triple Bottom Line** - Social Environmental Financial [People Planet Profit] (John Elkington)

To achieve Exponential Human Prosperity:

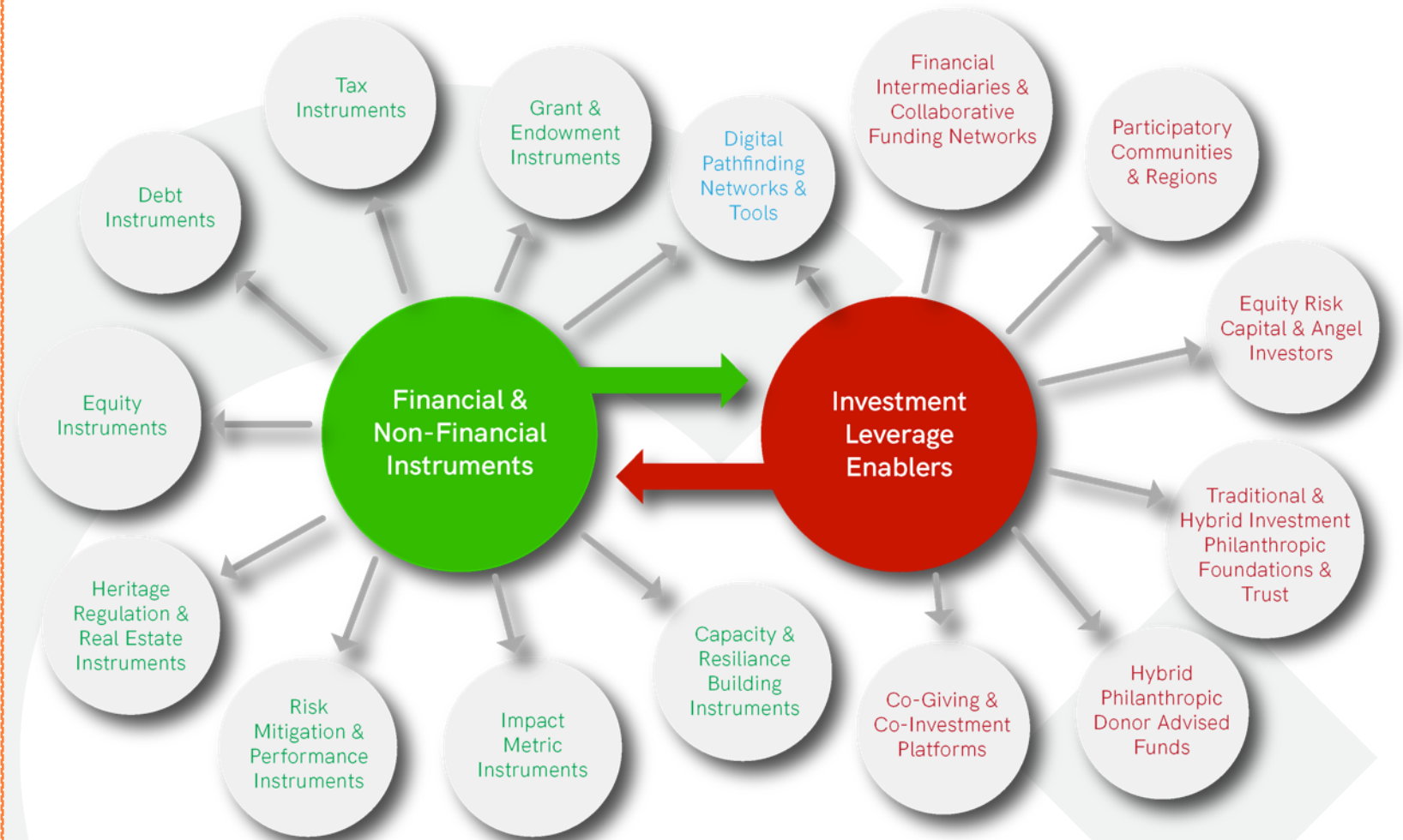
- ◆ Re-design hybrid financial & non-financial instruments [Circularity and sharing mutual benefits & risks]
- ◆ Recycle Capital in 'patient' revolving funds for exponential benefit
- ◆ Refine intentional Impact Performance and benchmarking metrics (IMM)
- ◆ Evolve mainstream financial appraisal & benchmarking to assist capital allocation decision-making – [BM's, ESG, DCF, EU Taxonomy]
- ◆ Enable multi-disciplinary connective networking infrastructures for matchmaking & goal alignment
- ◆ Build capacity of Citizens, Communities & Regions
- ◆ Mainstream Circular Business Models

Panoptic Toolkit provides a blueprint of umbrella categories to designed to aid decision making in ARCH

Pooling diverse investment leverage enablers into **multi-disciplinary collaborative fund structures**

Blending financial & non-financial instruments

Intentional & Measurable Impact Returns



◆ **Tool Choice & Design:** (i) Tool Knowledge: Operating characteristics (ii) Design Knowledge: Target, tailor & time to leverage circular flows (iii) Stakeholder Knowledge: Motivation & risk tolerance (iv) Impact Knowledge Predefined IMM at design stage (Choice varies from community to community, region to region)

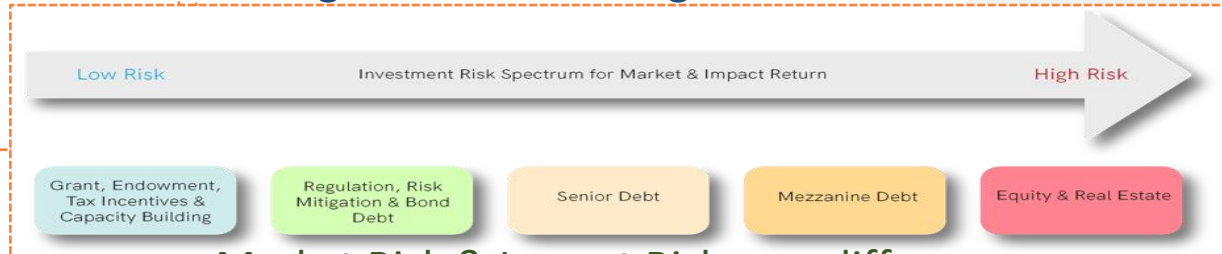
Hybrid Financial & Non-financial Instruments

- ◆ Grant & Endowment Instruments
- ◆ Tax Instruments
- ◆ Debt Instruments (Bonds/Loans)
- ◆ Equity Instruments
- ◆ Heritage Regulation & Real Estate Instruments
- ◆ Risk Mitigation & Performance Instruments
- ◆ Impact Metric Instruments
- ◆ Capacity & Resilience Building Instruments
- ◆ Digital Pathfinding Tools (IoT)



Investment Leverage Enablers

- ◆ Financial Intermediaries & Collaborative Funding Networks
- ◆ Participatory Communities & Regions
- ◆ Equity Risk Capital & Angel Investors
- ◆ Traditional & Hybrid Investment Philanthropic Foundations & Trusts
- ◆ Hybrid Philanthropic Donor Advised Funds
- ◆ Co-Giving & Co-Investment Platforms: Lottery Funds & Crowd Funding
- ◆ Digital Pathfinding Networks



Market Risk & Impact Risk may differ

Total Return = Risk adj. Market Return + Impact Return

$$TR = IRR + IMM$$

- ◆ UN SDGs
- ◆ EU Taxonomy Regs & principles
- ◆ UN Environment Programme Finance Initiative (Network and Tools)
- ◆ Glasgow Financial Alliance (Banking, Asset owners, Asset managers & Insurance (pending))
- ◆ EIT Climate KIC (European Institute of Innovation & Technology – Climate Knowledge & Innovation Community)
- ◆ International Valuation Standards IVSC 'ESG Value Creation'
- ◆ EVPA Toolkit & Guidance
- ◆ GIIN Metrics
 - ◆ IRIS, IRIS +, IMP5, Compass benchmark
- ◆ Volans 'Tomorrows Capital' (John Elkington)
- ◆ Dark Matter Labs 'Civic Capital project'
- ◆ Harvard BS weighted accounts
- ◆ Morgan Stanley Capital (MSCI) carbon footprint index
- ◆ Real Estate (GRESB, Nzeb, WGBC, IEED, BREEAM..)



IRR: Internal Rate of Return

IMM: Impact Measurement & Management

Market Fund Structures (For Profit)



Real Estate Investment Fund (REIF): IPUT plc., Ireland

Unlisted Real Estate investment & development Fund

Real Estate, Equity & Debt Instruments

Portfolio Value €2.7 bn
NAV (Q4 2020)

Capital Leverage

◆ Institutional Equity Shareholders

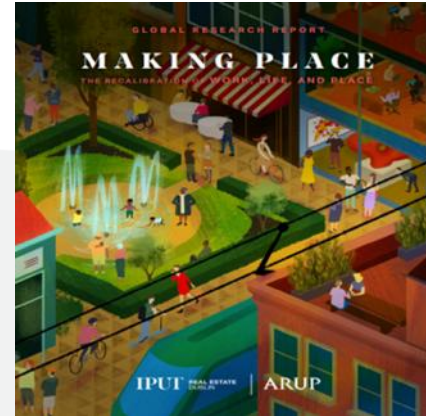
- ◆ Taxable dividend returns as % of net profits

◆ US Private Placement Market (UPPM)

- ◆ Fixed Rate Bond Debt €200 million (2020)

◆ Revolving Credit Facility (RCF)

- ◆ €300 million from Wells Fargo Bank, including €200 million Green Financing



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 776758



Photo: Tropical Fruit Market



Equity & Debt Instruments

◆ Capital Leverage

- ◆ Individual & Institutional Equity Shareholders
 - ◆ Taxable dividend returns as % of net profits
- ◆ Modest Debt Financing
 - ◆ 20-30% LoanToValue

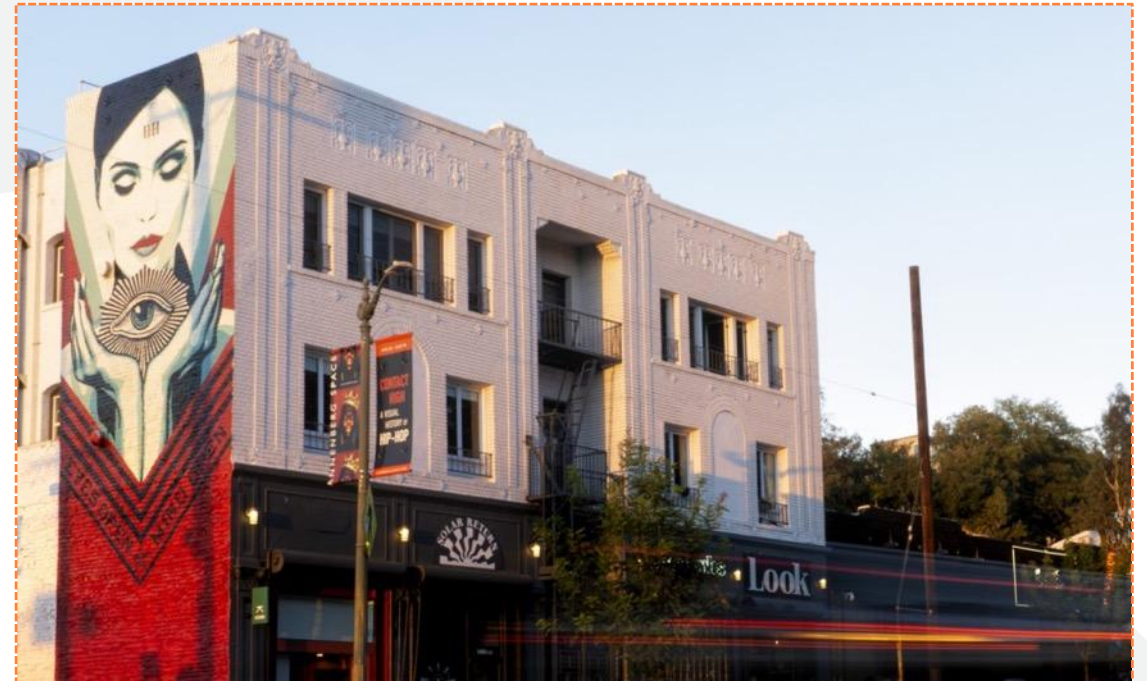


◆ 1-6 Sir John Rogerson's Quay, Dublin

Neighbourhood REIT (Real Estate Investment Trust) and B Corporation (Public Benefit) Portfolio Approach

- ◆ Nico Echo Park Neighborhood (REIT) investment company, Los Angeles
- ◆ (REIT): Portfolio of income producing properties
- ◆ B Corporation: Public benefit for-profit company
- ◆ Private equity shareholders: a financial stake in creating a thriving community
 - ◆ Community stake in rental revenues and underlying portfolio value over time
 - ◆ Shares open to residents and wider community
 - ◆ One time or recurring monthly investment (min. \$100)
 - ◆ Earn quarterly dividends or reinvest earnings

Real Estate & Equity (Community Share) Instrument



Certified B Corporations: Verified social and environmental performance, public transparency, and legal accountability for profit with purpose <https://bcorporation.net/>

Hybrid Fund Structures

Debt (Revolving Loan) Equity (Note), Impact & Capacity Building Instruments

Funding Community & Affordable Housing Projects & Developments, SMEs, Entrepreneurs

◆ Capital Leverage

- ◆ **Community Investment Note**
\$20 min. investment (\$2 billion since 1995)
- ◆ **Syndication Revolving Loan Service** (\$300 million since 2017)
- ◆ **Onward Lending** (In \$108 million created \$5 billion additional leverage in 2019)

◆ Assets \$575 million (CIC 2020)

Investment Returns [Inclusive Patient Capital]

- ◆ Risk adjusted Patient Market Returns (IRR)
Funds Recycled
- ◆ Intentional Impact Measurement (IMM)
 - ◆ SDG Mapping
 - ◆ IRIS+
 - ◆ IMP 5 Dimensions



Hybrid Investment Entity: Stadsherstel, Amsterdam (1956)

Hybrid private for-profit & non-profit



- ◆ Hybrid For-Profit & Non-Profit Foundation
 - ◆ For-profit limited-liability company
 - ◆ Non-profit public housing corporation
- ◆ Annual dividend to shareholders fixed at 5% (tax exempt) social return
 - ◆ Investors: Dutch banks, insurance companies
- ◆ Association of **2500 Friends** of Stadsherstel (1981) Public Benefit Organisation (ANBI) making donations tax deductible
- ◆ On dissolution, shareholders would receive their initial capital outlay plus dividend

Real Estate Instruments

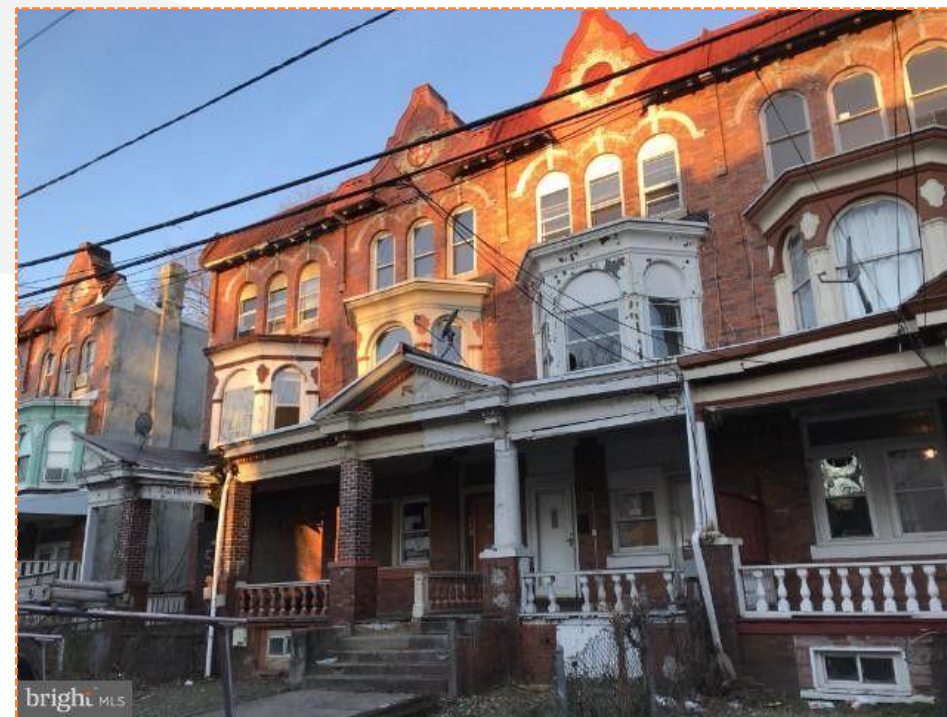


Photo: 18 Ormond Quay (DCT) Wicklow Lighthouse (ILT)

- ◆ Dublin Civic Trust: Private non-profit trust, purchases and undertakes restoration and adaptive reuse works to heritage buildings at risk of demolition, using a revolving fund structure
 - ◆ Completed projects sold to **recapitalise revolving fund** + charitable donations
 - ◆ Heritage skills training (<http://www.dublincivictrust.ie/>)
- ◆ Irish Landmark Trust: Private non-profit trust that leases abandoned heritage assets (such as lighthouses, castles and gate lodges) and carries out restoration and adaptive reuse works, for letting as self-catering holiday accommodation
 - ◆ After **50 years lease term** expires, the heritage asset reverts to the original owner (<https://www.irishlandmark.com/>)

Government Led Fund Structures

- ◆ New Jersey Historic Preservation Revolving Loan Programme enabled via State Bond Issue
- ◆ Corporate Business Tax Fund (5%) for farmland, open space and heritage preservation
 - ◆ 3:1 matching Grants, including in-kind' volunteering
 - ◆ Capacity Building assistance
 - ◆ Conservation easement donation safeguarding public investment



Real Estate Instrument



Photo: Waltham Forest, London

- ◆ **Social Value Leases (SVL):** Using public assets to 'add value' to local communities by enabling rental levels to reflect the social values
- ◆ **Community Wealth Building Leases:**
 - ◆ Funding rent reductions based on IMM
 - ◆ Piloted by Haringey London Borough Council
 - ◆ Letting public property on favourable lease terms based on IMM
 - ◆ Piloted by London Boroughs of Waltham Forest & Islington
- ◆ IMM funded by local government

- ◆ Architectural Heritage Fund (AHF): **Blended State, Lottery & Crowd funding**
- Revolving Loan Fund
- Heritage Impact Loan Fund
- **Grants** - 'Transforming Places through Heritage' (TPTH) Led by local authorities, neighborhood or community groups
 - ◆ **Viability grants** up to £15,000 (100% of costs);
 - ◆ **Development grants** up to £100,000 (90%);
 - ◆ **Matching crowdfunding** grants up to £25,000;
 - ◆ **Repair & adaptation reuse** grants up to £350,000 for (80%);
- ◆ **Community 'Equity Share' grant** up to £10,000
 - ◆ **Sale of shares to community investors** for an equity share (ownership stake) in project or enterprise

Debt (Revolving loans), Impact, Equity (Community share), Grant (Crowdfunding) Instruments



Photo: Burges High Street, Coventry

Master Planning: Land Value Capture & Collaborative Partnership

Voluntary Planning Agreements: City of Sydney, Australia

Real estate Instruments PPP & Land Value Capture (Planning Bonus)



Photo: Calton United Brewery Social Housing

- ◆ Voluntary Planning Agreement (VPAs): Planning Bonus for private developer in exchange for public benefit infrastructure and public amenity
 - ◆ Land Value Capture generated via planning bonus
- ◆ The Carlton United Brewery: Social housing VPA, Chippendale
- ◆ 115 Bathurst Street: Greenland Australia developer provided 2,000 sq/m mixed-use **community creative hub**, valued at Aus \$25 million, which is rented back to the city at a nominal rent for 99 years



Public Asset Corporation (PAC): Copenhagen City & Port, Denmark via PPP & Land Value Capture (incl. Metro Revenue)

PAC Partnership via PPP & LVC
Private Investment Leverage



(<https://byoghavn.dk/>)

- ◆ **PAC: Publicly Owned Privately Managed urban development PPP**, with statutory mandate to maximize revenues (Blended FIs)
- ◆ **Land Value Capture (LVC) by Rezoning Public Land (Sharing Risk & Return)**
 - ◆ Increased tax revenues
 - ◆ Rising land values
 - ◆ Additional property tax on land-owners within 50 metre radius of Metro station
 - ◆ Debt finance (loans from Denmark National Bank) against the future increased value of the rezoned land assets

Grangegorman Development Agency (GDA) (GDA Act 2005) Autonomous legal entity

Inner City Urban Regeneration: 29ha (73 acres) with c. 40 buildings

- Previously Asylum (1814) & Penitentiary (1816) designed by Francis Johnson
- Infirmarys & laundry (1846-1900), Catholic (1850) & Church of Ireland (1860) chapels



(<https://www.ggda.ie>)

Photo: TU Dublin City Campus Grangegorman



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 776758



- ◆ **De Risking Master Plan** (2008) integrating heritage & new build for University campus, Community healthcare, school & childcare facilities
 - ◆ **Sustainability:** Adaptive Reuse, Public Realm & District Heating Centre (Renewable energy– in progress)
 - ◆ **Risk Mitigation:** Strategic Regeneration Zone & Pre-planning Scheme (2012)
 - ◆ **Community Participation:** Employment & Supply chain Charter, Grangegorman Histories initiative (RIA)
- ◆ **Blended Procurement:** Traditional, Joint Venture & PPP (Design, Build, Finance & Maintain 25 years)
- ◆ **Blended Finance:** PPP finance, Debt finance via LVC, Real estate asset sales, Heritage grants, Corporate donations, TU Dublin Foundation (non-profit)

Urban & Rural GHG Mitigation

- ◆ District Network Energy Supply: Waste heat from nearby Amazon Data Centre providing space heat and hot water
- ◆ PPP Partnership:
 - ◆ South Dublin County Council: Local Authority (LA), Heat Works: Non-profit Energy Agency, Codema: Technical, Procurement & Project Management + Philip Lee (Legals), Amazon Web Services: Data Centre heat supply, Fortum eNext: Energy Service Co. (ESCo) Design, Build, Operate & Maintain, **TU Dublin**: (Customer / on board of Heat works)
- ◆ Reduced Carbon Emissions: saving 1,500 tonnes of CO₂ per annum
- ◆ Phase 1: LA buildings & TU Dublin South City Campus (May 2021)
- ◆ Phase 2: Commercial & Affordable Housing (**Fuel poverty alleviation**)
- ◆ Funding €4.5 Million
 - ◆ National Climate Action, HeatNet NEW project (Interreg North-west Europe), Sustainable Energy Authority Ireland



FundCodema: www.codema.ie Dublin District Heating System: (DDHS) www.ddhs.ie

◆ Slane Castle & Whiskey Distillery in Partnership: Conyngham family (Mount Charles) & Brown Forman (Jack Daniels...)



- ◆ Whiskey Distillery on Slane Castle Estate (c. 1703) & Farm (90 acre) in Partnership Brown Forman (Jack Daniels)
- ◆ Adaptive reuse of abandoned stables
- ◆ River water extraction use, treatment & return
- ◆ Energy Recovery via Anaerobic Digestion of Distillery effluents - UASB (Upflow Anaerobic Sludge Blanket)
 - ◆ Renewable biogas for boilers
 - ◆ Aerobic Biological Nutrient Removal (BNR) process (water treatment)
- ◆ Byproducts used to fertilizer grain crops
- ◆ Rebuilding Atlantic Salmon Ladder
- ◆ Bat Houses

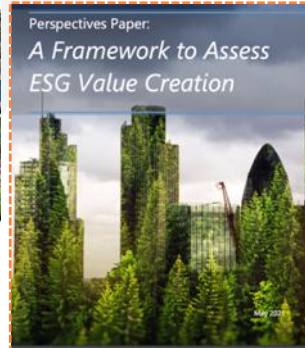
<https://wewengineering.ie>



ARUP

SUSTAINABLE
DEVELOPMENT
GOALSVALUATION OF
UNREGISTERED LAND
A PRACTICE MANUAL

A world in which everyone enjoys secure tenure rights

Perspectives Paper:
A Framework to Assess ESG
Value Creation

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 776758



Deep structural reform will require:

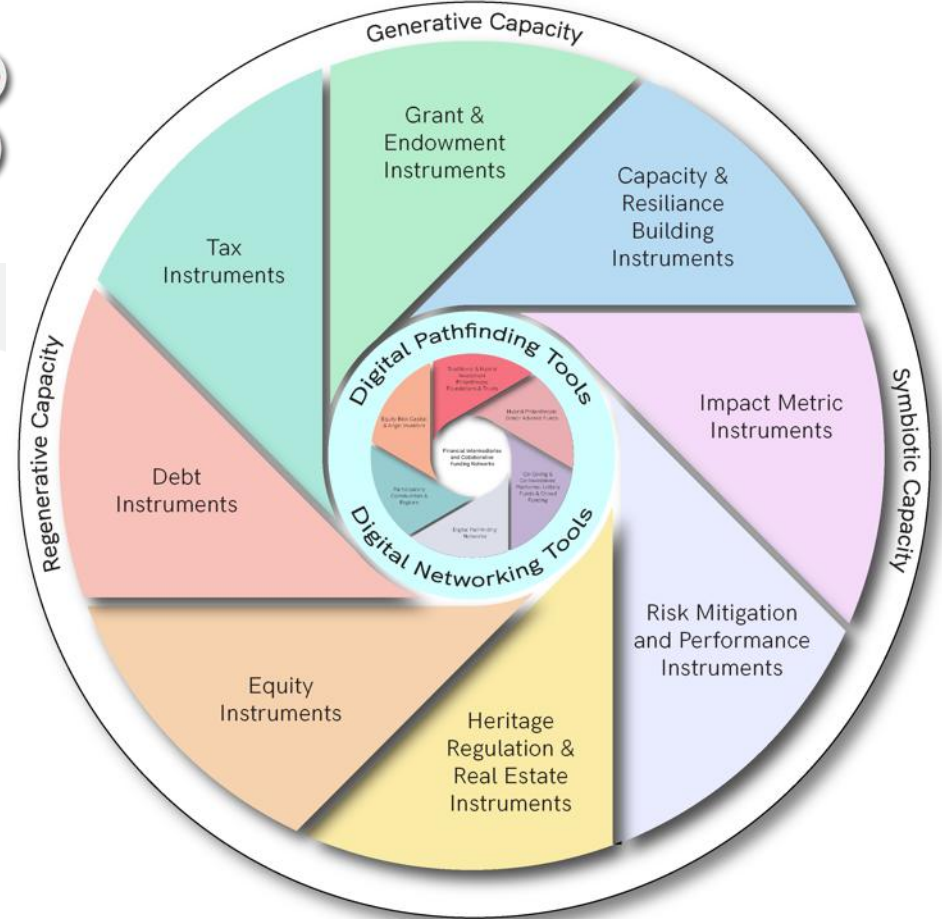
- ◆ Constant flow of private mainstream investment funds directly to 'real world' activities (Not secondary markets)
- ◆ Greater Fund Structure Design Knowledge
- ◆ Connective Infrastructure to matchmake & aligning shared Risk & Return Goals
- ◆ Cultural Heritage as an Asset Class to enable benchmarking Impact progress

Creating Virtuous Investment Circles using the CLIC Toolkit

Matchmaking, Pooling, Blending, Recycling, De-Risking



‘Regenerative Capital’ within a ‘VIC’ is searching for human centric solutions to dysfunctional ecosystems





Deliverable D6.24

Annex 2 – Presentation “CLIC Circular Financing Instruments”, INI



CIRCULAR MODELS LEVERAGING INVESTMENTS
IN CULTURAL HERITAGE ADAPTIVE REUSE

CLIC Circular Financing Instruments

Iniziativa Cube | Aliona Lupu
CLIC Taskforce meeting | 13 July 2021

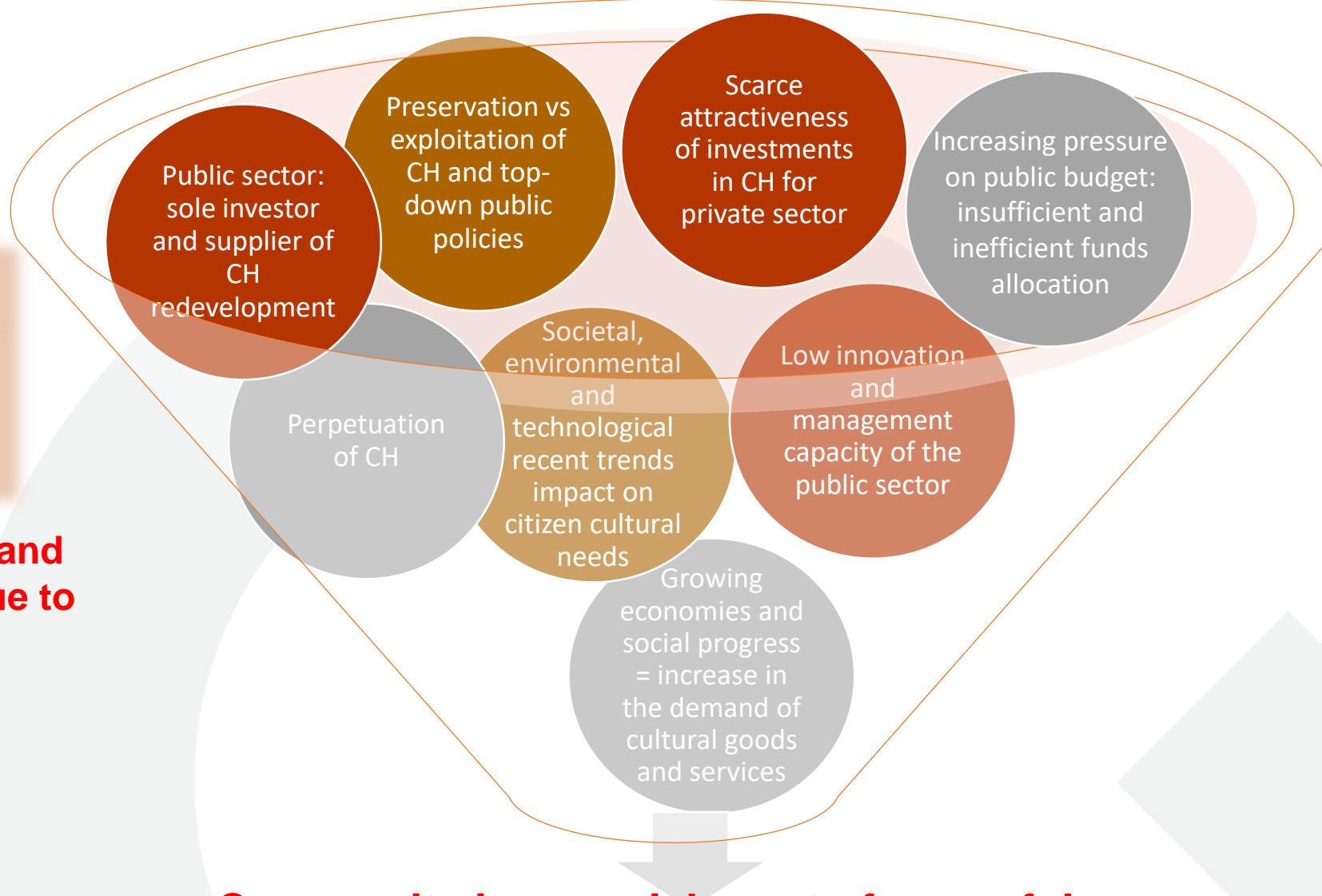


This project has received funding from
the European Union's Horizon 2020
research and innovation programme
under grant agreement No 776758



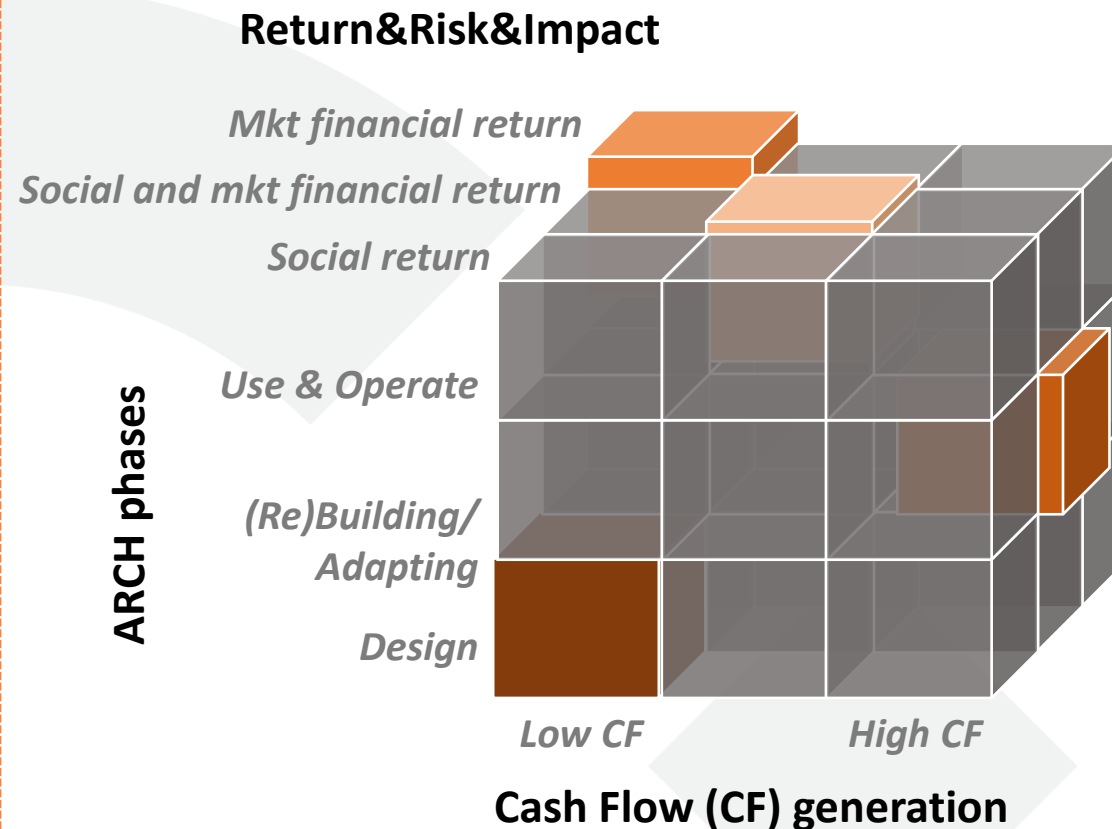


Over 7 million of cultural and creative jobs are at risk due to the crisis



Community impoverishment of powerful tools of collective memory and identity

- ◆ The Value Proposition of our proposal of circular financial mechanisms should foster 5 principals:
 - ◆ generation of value at local level
 - ◆ high replication potential in different contexts
 - ◆ win-win-win solutions towards «People» dimension;
 - ◆ synergies and cooperation empowering social and solidarity economy
 - ◆ multidimensional RoI (ESG+C) through viable business models
- ◆ Several key definitions have been used as guidance when structuring circular finance mechanisms under CLIC project: *circular, sustainable, green, social, impact and ESG finance, EU Taxonomy, blended finance and leverage concept.*



◆ Higher investments costs in ARCH

◆ Higher running costs

◆ Financial return linked to **systemic factors or dimensional scale**

Reasons:

- Preserve valuable elements
- Use sector specific construction techniques
- Use expensive or rare materials

Reasons:

- Economic potential of the area
- Recovery value
- Value of the asset
- Management sustainability

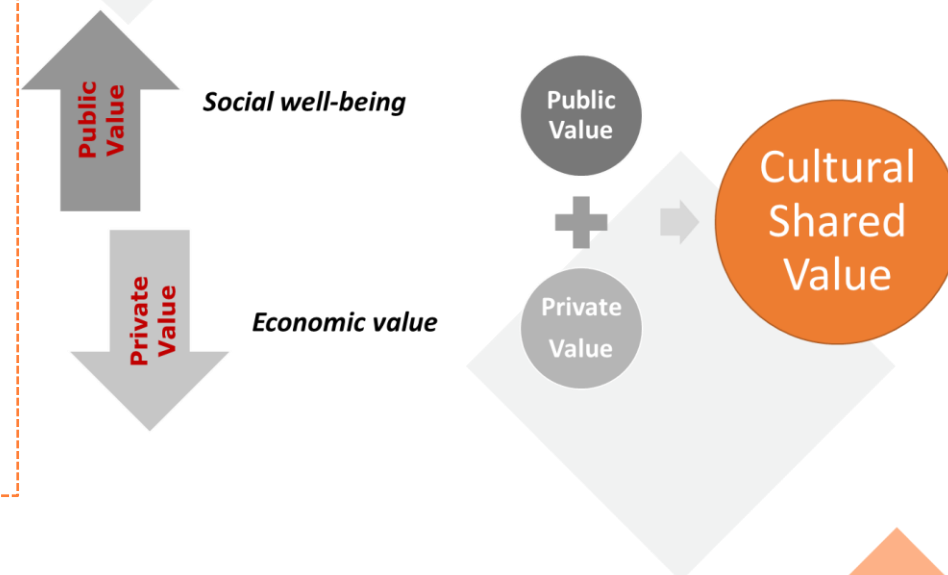
«Project Bundling»
concept

«Financial warming»:
cover running costs & investments, considering “place-based” factors

Generate economic resources for sustainable investments (ski lift opening in summer)



- ◆ SDG 17 states that «*effective public, public-private and civil society partnerships*» will be required to strengthen the means of implementing the SGDs.
- ◆ In a PPP it is expected a perfect alignment of public and private interests in deploying the best value for money (VfM) for the public sector and ultimately the end user. The effectiveness of the alignment of public and private interests depends on the appropriate risk sharing between the parties.
- ◆ There are different **benefits** thanks to the inclusion of the private partner such as additional capital, alternative efficient management and implementation skills, value added to the public, better identification of needs, optimal use of resources and risk sharing etc.
- ◆ Opposite to the undoubted advantages of PPPs, **information asymmetries and knowledge gaps** may enable phenomena of moral hazard and adverse selection (e.g. «cherry picking» selection processes where private party select the projects with higher RoI).



- ◆ The involvement of citizens as individuals in the definition of priorities of an ARCH PPP is of particular relevance for the role of cultural heritage as “common good”.
- ◆ “People-first PPPs” approach by UNECE (2015 and ongoing) focuses on five outcomes:
 - ◆ access and equality
 - ◆ environmental sustainability
 - ◆ economic effectiveness and sustainability
 - ◆ replicability
 - ◆ stakeholder engagement
- ◆ Our approach includes the measurement of People-first outcomes and impacts, but also focuses on the empowerment of civil partnerships.
- ◆ For successful ARCH PPPs, it is **mandatory to involve communities** (citizens but also associations, social enterprises/third sector that represent them) e.g. through public consultations, citizen surveys, web-based forums **at different stages of the process** (i.e. project selection and prioritization; achievement of the cultural shared value by balancing between social vs economic value; at project level, ensuring inclusiveness, equality, gender sensitivity, environment and other socially impactful aspects etc.)



- ◆ Several **key characteristics of impact investing** can be mutualised to the cultural heritage projects and investments under a PPP scheme:
 - ◆ the intention of the investor to generate cultural, social and/or environmental impacts;
 - ◆ the expected return (social, impact or financial) on investment by the entrepreneur.
- ◆ Despite recent growing interest of stakeholders in contributing to achieving impacts, there is currently no mechanism to monitor the impact of ARCH investments. The need of such mechanisms are however fostered by two driving forces:
 - ◆ **prioritize investments by public authority in ARCH projects that meet SDGs and generate ESG impacts**
 - ◆ **allow mobilize private financing and innovation capabilities in SDG and ESG-compliant projects**
- ◆ One of the crucial aspects of the proposed PPP hybrid approach is to boost the need to assess the extent to which an ARCH PPP initiative leads to positive, measurable, intentional and tangible impacts under each of the expected development stages (e.g. design, adaptive reuse (re)building, operations and maintenance).
- ◆ The impact assessment methodology/framework shall assist public authorities, financial intermediaries, private companies and non-profit organisations.

- ◆ The design of this methodology takes origins from the framework developed under WP2 of the CLIC project and other methodologies (including UNECE Impact Assessment Tool).
- ◆ The first version of the framework, which will be applied on the CLIC case study “Edifici Mondo” (Salerno-Italy) is based on a set of **criteria** (addressing cultural, economic, social and environmental dimensions), **selected outcomes** and **SMART indicators** and the application of **a weighting mechanism for each indicator for the calculation of a rating index**.
- ◆ The environmental dimension will be based on the principles underpinning the **EU Green Deal and Taxonomy**: the private party that provide activities under a PPP agreement shall give evidence of (substantial) contribution towards one or more Taxonomy’s objectives and *do not significant harm* to the other one.
- ◆ The framework can be feasible for the **integration into the procurement specifications** under an ARCH PPP, but we also envisage the application for ARCH proposals/projects evaluation under the other two CLIC financial mechanisms developed.

- ◆ The embracing of cultural shared value concept and adoption of the impact methodology can represent a way forward for wider deployment of PPP in CH by:
 - ◆ **linking public sector's remuneration of the private partner (if expected) to the broader impacts it generates**
 - ◆ in a very advanced hybrid logic, **the remuneration of the private partner can include** (spontaneously or not) **contributions from the civil partnership** (not as charity or philanthropy) **in relation to the impacts achieved by the private partner**
- ◆ **Next steps** for the effective adoption of the ARCH PPP impact methodology:
 - ◆ data gathering and knowledge sharing (also through knowledge sharing platforms)
 - ◆ deployment of the methodology in several flagship ARCH projects, ensuring reporting of outcomes and impacts
 - ◆ design and dissemination of an implementation guide, training materials, capacity building activities

- ◆ The **Investment Readiness Facility for ARCH** will have the aim to bridge the financing gap for circular ARCH initiatives by supporting all activities necessary to prepare viable projects and mobilise the necessary investments.
- ◆ The IRF can be implemented at **EU level and/or in local context** (national or regional level).
- ◆ The instrument aims at supporting the following **goals**:
 - ◆ design circular business models and organisational innovation
 - ◆ build technical, economic, financial, impact measurement and legal expertise
 - ◆ ensure high degree of replicability of similar initiatives
 - ◆ remove existing barriers (administrative, financial, market failures etc.)
 - ◆ mobilize private investments
 - ◆ bundle projects and mix interventions to reach critical size
- ◆ The **beneficiaries** of the IRF may be both public authorities as well as private for-profit and non-profit organisation.
- ◆ A potential first list of **activities supported by the IRF** may be: feasibility studies, executive design of the works, financial and economic analysis, cost-benefit and impact analysis, environmental assessment, ex-ante socio-cultural impacts assessment, energy audits, risk analysis, legal support, procurement phase designing, financial structuring, capacity building, assessment of new value chains in coherence with the circular economy approach, co-design in participatory logic in order to contain the risk of commissioning and the onset of syndromes related to “not invented here” and to “not in my backyard” etc.

PROJECT
DEVELOPMENT
ASSISTANCE

URBIS

Circular Economy

- ◆ The project proposals shall demonstrated organisational innovation, in particular through:
 - ◆ innovation in the mobilisation of the investment programme – bundling, pooling, stakeholder engagement, community finance etc.
 - ◆ innovation in the financial engineering: alternatives to traditional financing etc.
- ◆ The impact measurement framework (in an ex-ante perspective) can be also applied for the selection of circular ARCH proposal to be supported by the IRF instrument. At a later stage, the investment contracts will be enhanced with the impact framework and the impact baseline from IRF supported proposal, to be then monitored during the whole investment period at least on annual basis and adjusted when necessary.
- ◆ The IRF can be managed as an instrument on two levels: for small project (\leq € 5 million) and large projects ($>$ € 5 million).
- ◆ Moreover, similar to the other technical assistance facilities, it is recommended to have the instrument bind to the successful implementation of the supported investments. For this reason, the IRF can be enhanced by the application of a **leverage factor** – for example, of at least 15 for small projects and of at least 20 for large projects. This mean that for each euro invested in the technical assistance for ARCH initiatives, there should be mobilize respectively at least 15 and 20 euros in terms of investments.

◆ Many ARCH initiatives are not «investment ready»

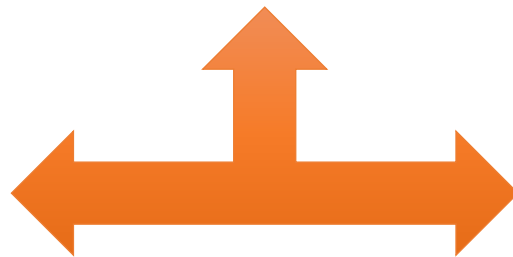


«project readiness gap»

**Independent instrument,
but can be mixed with a
two-fold application**

Investment
Readiness
Facility

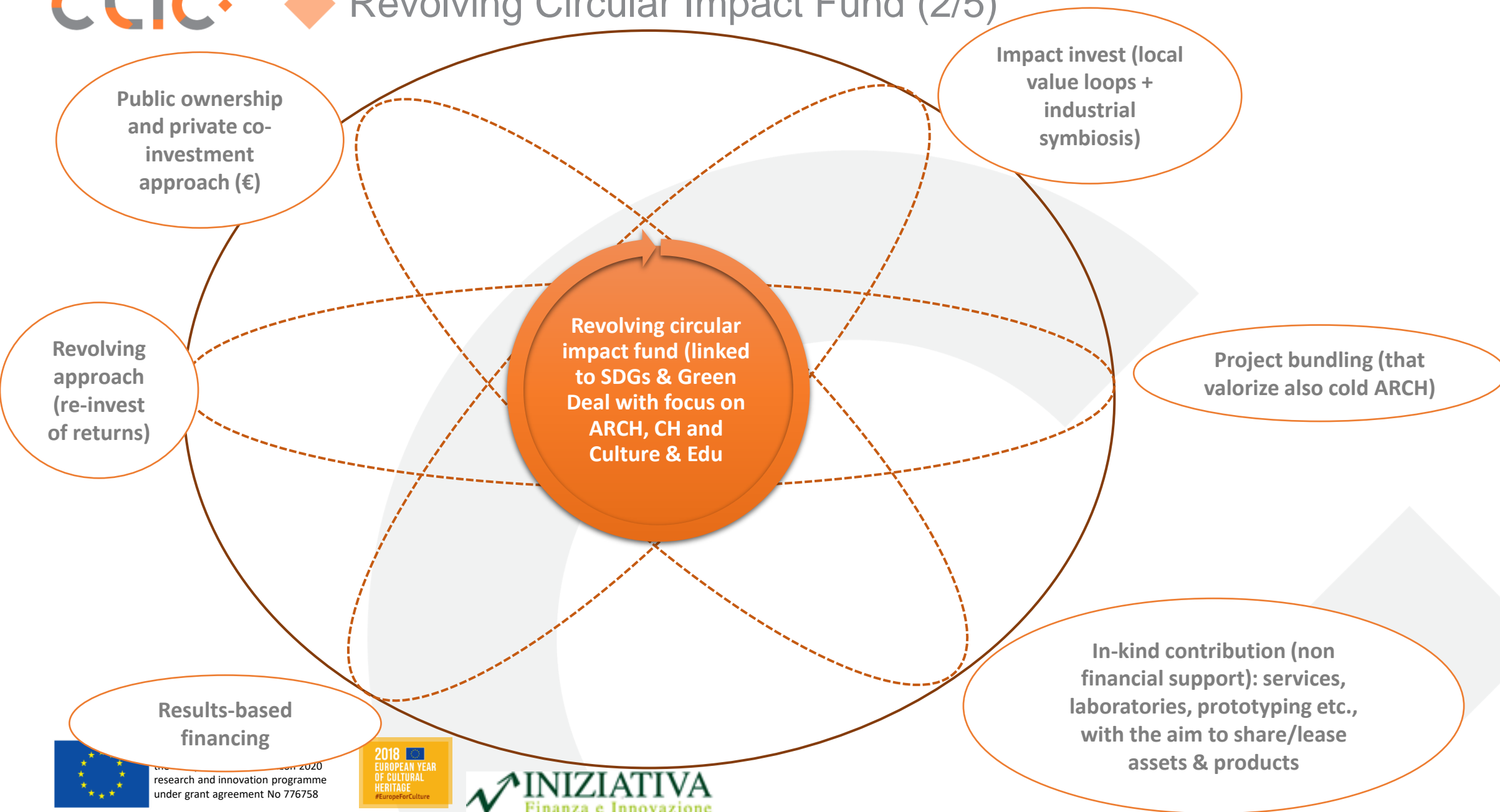
Large scale
For initiatives
under 4PPPs
Hybrid
Approach



Small scale
For initiatives
under
Revolving
Circular
Impact Fund

- ◆ The proposal of an **ARCH Revolving Circular Impact Fund** (also “the Fund”) aims at fostering the valorization of cultural heritage through sustainable adaptive reuse and circular business models with cultural and social impacts and financing valuable initiatives for people and environment.
- ◆ In accordance with CLIC project objectives, the main impact areas of the Fund investments are cultural and natural heritage protection and safeguard, social inclusion and integration, culture and education, health and well-being, resilient and sustainable cities and human settlements, sustainable use of terrestrial ecosystems, directly linked to the SDGs.
- ◆ The ARCH Hybrid Circular Fund has been designed based on the following main features:
 - ◆ publicly owned with private co-investment requirement or only privately owned
 - ◆ revolving approach
 - ◆ blended finance
 - ◆ use of investments/proceeds for the circular economy initiatives
 - ◆ impact and/or ESG invest
 - ◆ results-based financing
 - ◆ project bundling





◆ Criteria for selection of initiatives:

- ◆ CH valorisation & preservation potential
- ◆ degree of innovation (BM, services, products etc.)
- ◆ employment generation
- ◆ social impact
- ◆ scalability/replication

◆ Impacts of the fund:

- ◆ wealth (economic, social, environment, cultural) generation
- ◆ creation of stable employment in a territory
- ◆ entrepreneurship creation
- ◆ social impacts

- ◆ Lazio Innova, an in-house entity of Lazio Region (Italy) has designed and deployed INNOVA Venture, an investment fund aimed at co-investing, alongside private and retail investors, in innovative start-ups in the territory.

INNOVA Venture, Lazio (IT), 2018

Public amounts committed

EUR 20 million

Links with regional OP, ESIF TOs and Investment Priorities

The INNOVA Venture Fund is primarily composed of ERDF resources coming from TO 3, Competitiveness, and TO 1, Research and Innovation, of the regional OP.

Actors involved

Regione Lazio (MA), Lazio Innova (IB) and 5 Italian equity crowdfunding platforms: MamaCrowd, 200Crowd, WeAreStarting, Backtowork24, Starsup and Doorway.

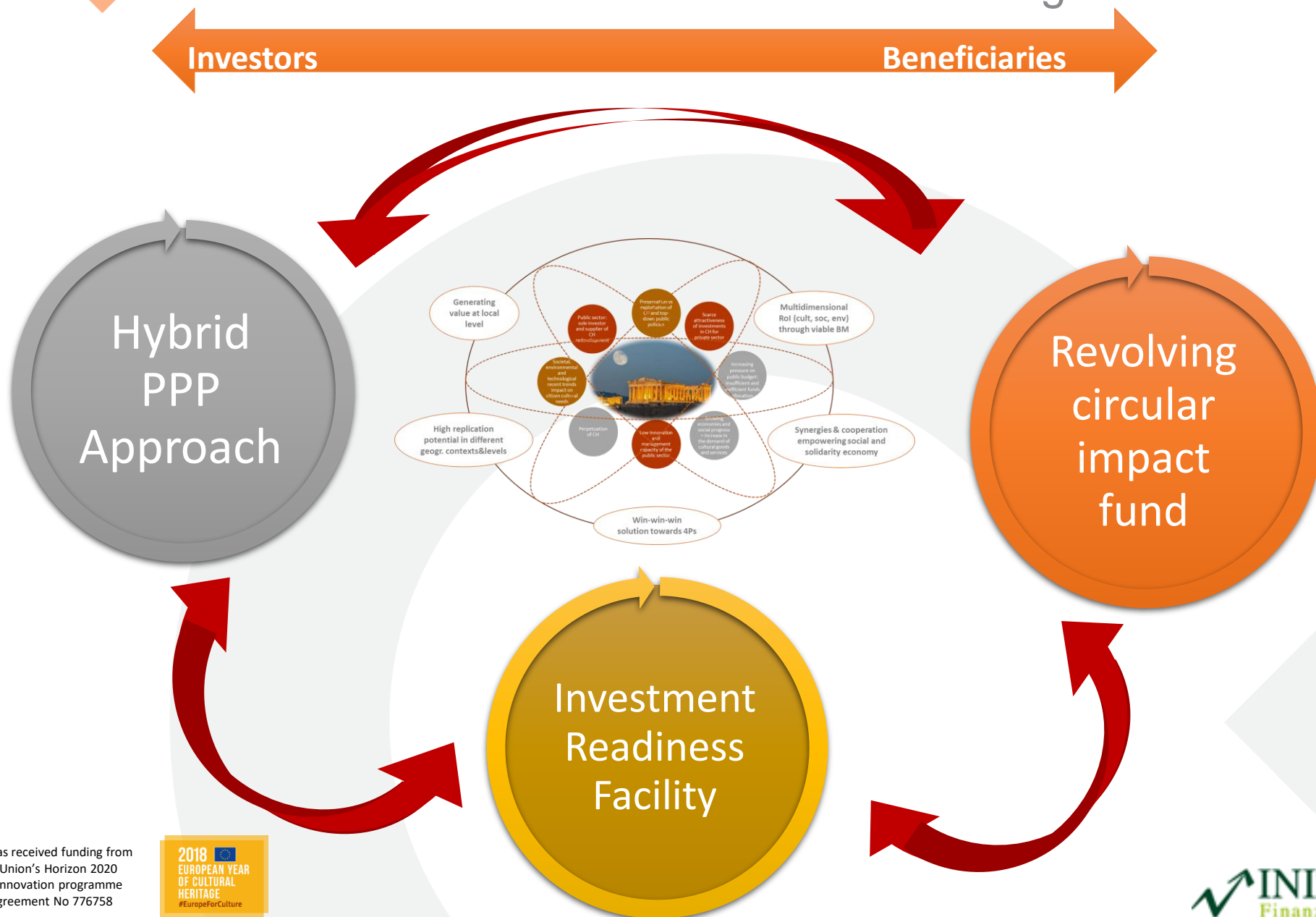
Mechanism

Lazio Innova implements partnership agreements with equity crowdfunding platforms, who can then host campaigns launched by previously selected projects. The minimum private co-investment ranges from 30% to 60%

- ◆ Tonnara dell'Orsa – an abandoned XIV century cultural heritage site owned by the municipality of Cinisi in Palermo province.
- ◆ The heritage have been requalified and valorized by Tonnara dell'Orsa and today is a cultural, entertainment and catering center inspired by the maritime tradition and the territory. It also houses the museum of the sea.
- ◆ The organization of the operation did not allowed the equity provision, but a minibond of euros 340,000 has been issued by the company and underwritten by the Fund SI, a closed-end fund, EuVECA labeled and managed by Sefea Impact.
- ◆ This was considered an inclusive financing by the main stakeholders of the operation



◆ Overview of the three CLIC circular financing mechanisms





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THANKS FOR YOUR ATTENTION!!!

Aliona Lupu
aliona.lupu@iniziativa.cc
www.iniziativa.cc



This project has received funding from
the European Union's Horizon 2020
research and innovation programme
under grant agreement No 776758

