


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

DATE: August 12, 2019

TO: Honorable Mayor Eric Garcetti
Honorable Members of the City Council

FROM: Ron Galperin,
Los Angeles City Controller 

SUBJECT: Real Estate Asset Management - Proposed Los Angeles Municipal Development Corporation (LAMDC)

INTRODUCTION

The City of Los Angeles owns more than 7,500 parcels within its boundaries and many more in Los Angeles County and beyond, making it one of the largest municipal real estate asset managers in the country. Among these properties, the City owns a vast array of real estate assets such as: commercial, residential, and industrial properties; parks; municipal facilities; police and fire stations; and even vacant land. While many of these City-owned parcels have preexisting uses, a significant number of those properties that are underutilized present a tremendous economic opportunity for the City to realize greater value from its real estate assets.

The City must seize this opportunity for community and economic development, housing, and much more. The dissolution of the Community Redevelopment Agency of the City of Los Angeles in 2012 left the City in need of more economic development initiatives; it is now time we create a new paradigm to better utilize our most vital real estate assets.

As a result of the City Council's (Council) deliberation of the Mayor's 2018-19 FY Proposed Budget, the Council requested a number of departments, including the Office of the Controller, to report on the feasibility of the creation of a Citywide Chief Asset Manager (CF 18-0600-S27). In consideration of this request, and as follow-up to a previous Controller audit relative to the City's asset management, herein is proposed the creation of a new entity called the Los Angeles Municipal Development Corporation (LAMDC). This organization would function as a nonprofit corporation that would streamline the City's current fragmented approach to the management of its real estate assets. Organizations like the proposed LAMDC have been a proven model for cities across the nation and around the world, and their strengths are manifest.

The LAMDC would, in concept, be delegated various responsibilities, leveraging industry expertise, with the input of the Council and Mayor. The options for delegation of responsibilities would be a policy decision, subject to Council and Mayor consideration. Based on best practices of other jurisdictions and consideration of the unique aspects of the City, the LAMDC could be tasked with a number of responsibilities, including:

- strategic management of the City's real estate portfolio, including proposal development to revitalize underutilized City-owned properties;
- land/real estate acquisition;
- disposition of existing real estate assets;
- leveraging certain economic development bonds, in partnership with City departments;

- leveraging underutilized City finance incentives and services, in partnership with City departments such as the Economic and Workforce Development Department;
- partnering with respective City Council Districts in performing community outreach on prospective proposals; and
- associated real estate negotiations.

Our office believes that the recommendations contained within this white paper, and the potential responsibilities of the LAMDC, would not result in the displacement of personnel at various departments which currently maintain real estate asset management related positions. For instance, the General Services Department could continue to oversee leasing and building management, and the CAO's Asset Management Group could oversee the contract with the LAMDC and all activity/project proposals under development by LAMDC.

The advantages to establishing LAMDC as the chief strategic manager of the City's real estate assets include:

1. Providing a central starting point for the development of City-owned property;
2. Combining public goals with private sector expertise;
3. Offering a more proactive approach to development;
4. Leveraging some of the City's economic development financing tools;
5. Creating a platform for cross-sector collaboration;
6. Reinvesting revenue from transactions into new projects; and
7. Supporting the development of proprietary assets and infrastructure.

Should the Council and Mayor decide that it would prefer to rollout LAMDC real estate management in phases, or begin with a small number of projects from the City's portfolio, it could use its prerogative to implement such a program on a pilot basis. Subsequently, the Council and Mayor could seek an evaluation after the pilot period from the City Administrative Officer (CAO) and/or Chief Legislative Analyst (CLA) as to whether to continue the rollout and expand the portfolio LAMDC manages, or to reform or eliminate its contractual relationship with the LAMDC. With or without the LAMDC, the City would continue to maintain its authority to have final approval over the uses of its real estate assets, whether those responsibilities are delegated temporarily or on a long-term basis.

This white paper is research-based, and considers the City's unique operation and management structure related to real estate asset management. Therefore, any substantial details on the impacts of the adoption of the enclosed recommendations will require "report backs" from the City Administrative Officer, the Chief Legislative Analyst, and the City Attorney.

Herein are the background, supporting information, and accompanying research for our recommendations.

RECOMMENDATIONS

That the Council, subject to the concurrence of the Mayor:

1. Instruct the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA) to report with a proposal to create the Los Angeles Municipal Development Corporation (LAMDC) to manage the City's real estate portfolio and leverage certain economic development financing tools, incorporating the following details:
 - a. Prepare and issue a request for proposals (RFP) for the proposed creation of and contract with LAMDC;
 - b. Options for the CAO to both oversee and administer the contract with LAMDC;
 - c. A proposed budget (seed funding) for LAMDC based in part on the January 2013 budget estimate of \$5 million, adjusting for time elapsed since initial estimate and differences between 2013 and present recommendations; and
 - d. Options for performance metrics for LAMDC to be included in the RFP and subsequent contract.

2. Request the City Attorney, with the assistance of the CAO and CLA, to report with options to establish the governing board for LAMDC, including:
 - a. A board structure for LAMDC consisting of approximately half City staff and half representatives with prescribed experience and expertise (as detailed in Recommendation 2b) with one additional member from the latter;
 - i. City representatives on the board of LAMDC, comprised of 1 member at the General Manager or Assistant General Manager level from each of the following offices/departments, for a total of 8 City members:
 1. The Mayor's Office, City Attorney, CAO, CLA, General Services Department (GSD), Economic and Workforce Development Department (EWDD), the Los Angeles Housing and Community Investment Department (HCIDLA), and the Department of City Planning;
 - ii. Non-City representatives - Appointed representatives on the board of LAMDC via the following board appointment structure, for a total of 9 appointed members:
 1. 5 members are appointed by the Mayor; 1 member to be appointed by the President of the City Council; 1 member to be appointed by the Chair of the Information, Technology, and General Services Committee; 1 member to be appointed by the Chair of the Budget and Finance Committee; 1 member to be appointed by the Chair of the Economic Development Committee;
 - b. A list of prescribed experience, expertise, and qualifications for non-City staff board appointments in areas such as real estate development, finance, business administration, law, portfolio management, and/or architecture; and
 - c. Options to mitigate potential risks of conflicts of interest involving non-City board members.

3. Instruct the CAO and CLA to report back with an analysis of allowing LAMDC to leverage certain economic development financing tools. These financing tools should relate to LAMDC's operations in real estate development.

4. Instruct the CAO and CLA to report on an appropriate time frame for City reimbursement of seed funding and on methods utilized by cities such as New York and Philadelphia for revenue sharing between the City and LAMDC for management of the City's real estate assets and financing tools.
5. Request the City Attorney, with the assistance of the CLA and CAO, to report on options to include specific provisions in the contract with LAMDC, including:
 - a. A provision requiring that LAMDC provide an annual comprehensive report, which would include details of all projects from the previous Fiscal Year and projects slated for the upcoming Fiscal Year with detailed performance metrics for the economic and community impacts of each project and the relevant Council policy goals supported by said projects;
 - b. A provision for Council to retain the ability to assert jurisdiction over LAMDC's real estate asset management related decisions pursuant to Charter Section 245;
 - c. A provision to ensure that the board of LAMDC and all public meetings are subject to all Brown Act provisions and that formal documents be subject to California Public Records Act requirements; and
 - d. A provision requiring that financial information of LAMDC and all relevant documentation including annual comprehensive reports be posted transparently on LAMDC's website for public access.

SUMMARY

For more than 20 years, numerous studies, audits, and reports have been issued in an effort to maximize the value of the City's real estate portfolio. Recently, the progress of an updated system of portfolio management has accelerated over the last several years. In October 2016, after calls for a consolidated, accurate, and accessible database of the City's real estate portfolio, our Office released PropertyPanel.LA, a public-facing map detailing all of the City's real estate assets. The most comprehensive map of City-owned properties, PropertyPanel.LA provides vital information for the City to begin to realize the value of its real estate holdings. Also, the Mayor's Office and the Department of General Services, in August 2017, launched an internal database with a public-facing portal of the City's real estate assets that consolidates data from various lists of City-owned property.

With the release of these online tools, a first step was taken toward a more modern and strategic system of portfolio management for the City. The question remains, however, how the City and its stakeholders should now use this data to maximize the value of these important real estate assets. Through a more strategic system, the City can simultaneously increase revenue for needed City services and meet urgent policy objectives on issues such as poverty and homelessness, job creation, and housing affordability.

The City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) upon recommendation from consultants in April 2012, proposed an economic development model for the City that would have two individual but interdependent components. While the City carried out the first component of the recommendations by establishing the Economic and Workforce Development Department (EWDD) in 2013, the other critical feature of the proposed model was never adopted: the creation of a new, citywide economic development nonprofit corporation. This entity was proposed to be a

transaction-oriented service provider under contract with the City, tasked with meeting certain economic development and financial objectives. In particular, the nonprofit corporation was to act as the chief real estate asset management arm of the City, governed by a majority appointed board of directors. An independent entity with industry experts dedicated to the City's economic development would provide an easily identifiable entry-point for stakeholders and streamline the process for public-private partnerships, real estate financing and entitlements, and the reuse, revitalization, and disposition of City-owned properties.

In the process of developing this white paper, our Office performed a comprehensive review of all relevant documents, audits, consultant reports, and Council files, including Council actions pertaining to and affecting the City's management of its real estate assets. Our Office has also conducted a comparative analysis of best practices of other municipalities through interviews and analyses of model organizations and included a series of recommendations that enhances those of the CAO and CLA through strengthened reporting and transparency requirements and a proposed appointment structure for the board of directors. Our Office believes that in consideration of the collective work that the City has done, as well as the benchmarking studies performed, it is in the best interest of the City to create a citywide economic development nonprofit corporation, the Los Angeles Municipal Development Corporation (LAMDC). The LAMDC is modeled in part on leading entities in other jurisdictions, while incorporating features unique to the City of Los Angeles to best serve the needs of the City, stakeholders and residents.

Included in this white paper are recommendations for further action, background detailing the history of audits, reviews, and Council actions on the City's asset management functions, and analysis of key features of LAMDC and case studies of model cities.

BACKGROUND

The following outlines the history of the City's efforts to improve its real estate asset management functions and highlights the Council files, audits, reports, and miscellaneous documents pertaining to these efforts:

June 1996 – The Controller's Office issued an audit entitled "Survey of Office Space Management." The purpose of the audit was twofold: 1) to identify whether the City had any vacant space that was resulting in unnecessary costs; and 2) to examine whether the General Services Department (GSD) had an adequate oversight mechanism to minimize the City's cost for vacant space. The audit found that the City was indeed incurring costs from vacant space and that GSD had neither the sufficient staff nor system to ensure that unused space was reported and resolved early enough to prevent said costs. The audit recommended that GSD devise a sustainable system for reporting underutilized City property and encouraged the development of an electronic database that would track the City's long- and short-term real estate assets.

June 2000 – The Controller's Office subsequently transmitted a report conducted by the audit firm of Marcias, Gini and Company, LLP that reviewed GSD's Asset Management System ([CF No. 00-1110](#)). The review sought to determine whether the system was functional, whether GSD staff and users were utilizing the database to effectively manage City real estate assets, and whether the portfolio of City properties was accurately inputted into the system. The audit concluded that the Asset Management System (AMS) failed to meet its objectives in several ways. These included:

incomplete data; irregular and infrequent data entry; and an inadequate system by which asset information is updated by user departments and distributed to City stakeholders.

August 2003 – The Controller’s Office released a performance audit conducted by KH Consulting Group of GSD’s Asset Management Division ([CF No. 03-1860](#)). The audit’s key finding was that GSD lacked a coherent and strategic approach to its management of the City’s real estate assets. The audit reiterated the need for a central database cataloguing the City’s portfolio, proposed a more rigorous methodology for assessing costs and benefits of owned and leased property, and highlighted the inefficiencies in GSD’s existing system for surplus property disposition and nonprofit leases.

July 2004 – The Controller’s Office released “A Vision and Strategy for the City’s Real Estate,” a proposal for a comprehensive restructuring of the City’s real estate management practices ([CF No. 04-1419](#)). The four overarching recommendations the Controller made were: 1) to establish a set of governing principles that would guide the City’s future property decisions; 2) to implement a strategic approach to real estate asset management; 3) to ensure elected City officials further the City’s portfolio management goals; and 4) to maximize the return on and/or financial value of properties. Relative to the recommendation for a strategic system of real estate asset management, the Controller proposed creating a lease management program, a preventive maintenance program, and a building management program, and recommended a central property database.

March 2008 – The Controller’s Office followed up on its 2003 audit of the GSD Asset Management Division with updates on GSD’s implementation of audit recommendations ([CF No. 08-0614](#)). The follow up found that while GSD had begun implementation of a few of the audit’s recommendations, the audit’s key findings remained outstanding. Among these, no Citywide portfolio management strategy had been created, the process for the sale of surplus properties remained the same, and a comprehensive property database had not been created.

April 2012 – The City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) released a joint report proposing a new model for the City’s economic development in the wake of the dissolution of the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) in February 2012 ([CF No. 08-3050](#)). The CAO and CLA recommended establishing a new economic development department that would work in coordination with a nonprofit economic development corporation, comparable to those found in other municipalities such as the City of New York.

September 2012 – The CAO issued a report proposing the establishment of an Asset Management Strategic Planning unit (AMSP) in the CAO ([CF No. 12-1549](#)). The CAO’s recommendation was contemporaneous with the proposed establishment of an economic development nonprofit entity and was conceived “as a precursor to this new entity” to “make it easier to facilitate a transfer of function to a new Economic Development Department, should it ultimately be created.” Council took official action to authorize the creation of the CAO’s AMSP on December 17, 2012.

January 2013 – The CAO and CLA released a follow-up report regarding the establishment of a City economic development department and nonprofit corporation. Expanding on a commissioned report from December 2012 by HR&A Advisors, the nonprofit entity was proposed to be under contract with the City and to strategically manage the City’s real estate portfolio, seeking out economic and real estate development opportunities and negotiating and executing development transactions on the City’s behalf. Although the first recommendation to establish the City department was ultimately

carried out in April 2013 in the form of the Economic and Workforce Development Department (EWDD), no further Council action was taken toward establishing an economic development nonprofit corporation. The CAO and CLA drafted a Request for Proposals on July 10, 2013. The Council File subsequently expired on July 22, 2016.

February 2016 – Council instructed EWDD, GSD, and CAO AMSP to report back with updates on the status of their asset management functions and to provide recommendations for a Citywide asset management plan ([CF No. 15-1521](#)). Both EWDD and GSD restated the need for a citywide real estate asset portfolio database, and GSD outlined its efforts in collaboration with the Mayor’s Operations Innovation Team to compile the City’s property data (these efforts came to fruition in August 2017 when the Mayor’s Office launched an online property database cataloguing the City’s real estate assets). In its report, the CAO AMSP described its role as the chief strategic asset manager for the City, distinguishing itself from other affiliated departments such as GSD, EWDD, and HCID whose responsibilities are stated to be more transactional in nature. Additionally, the CAO AMSP attached a graphic representation of its property evaluation process from a previous file, detailing how a request for potential re-use of City property is assessed according to a variety of municipal considerations ([CF No. 12-1549-S3](#)).

October 2016 – The Controller’s Office released PropertyPanel.LA, a comprehensive and detailed map of City-owned property to date. Mapping the City’s 7,500 parcels, PropertyPanel.LA responded to repeated calls by previous Controllers, consultants, and City officials and stakeholders to create a largescale, publicly accessible map of all of the City’s property. By consolidating these wide-ranging real estate assets onto a single map, our Office sought to highlight what the City actually owns, how City-owned properties are presently being used, and whether said uses are in fact the best to serve the City’s needs. On August 4, 2017, the Mayor’s Operations Innovation Team and GSD launched an internal database of the City’s real estate assets with a coordinated public portal to make the City’s real estate portfolio transparent and publicly available. A searchable database, the map provides various community layers to elucidate further details on each City-owned property.

ANALYSIS

Among the various recommendations set forth by the Controller’s Office, City staff, and consultants for the City’s real estate asset management and economic development, some have been adopted. After the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA) first issued their report in April 2012 recommending the new model for economic development, the CAO recommended establishing an interim entity called the Asset Management Strategic Planning unit (AMSP) in September 2012. Council adopted this recommendation and authorized the establishment of the CAO AMSP in December 2012. Soon thereafter, the CAO and CLA followed up in January 2013 with its initial recommendation to establish a joint economic development model consisting of a City department and a nonprofit corporation. Council responded by adopting the first component of this recommendation and established the Economic and Workforce Development Department (EWDD) in April 2013. However, the second part of the CAO and CLA’s recommendation—the creation of a nonprofit corporation—was not acted upon, and the council file expired in July 2016. The analysis that follows details the unique features and advantages of the Los Angeles Municipal Development Corporation (LAMDC), and examines a number of models found in other municipalities.

LAMDC would be charged with a number of key functions to support the City's real estate and economic development goals. These functions would include: 1) the strategic management of the City's real estate assets; 2) streamlining the reuse, revitalization, and disposition of City-owned properties; and 3) the management of select economic development financing tools. The advantages to contracting out the City's portfolio management operations to LAMDC are manifold:

1. **A clear, central starting point** – LAMDC would provide a clear, central starting point for entities seeking to engage with City-owned property, including developers, corporations, small businesses, nonprofit organizations, etcetera. Currently, the City's asset management functions are fragmented among various City departments (GSD, CAO, EWDD, HCIDLA), obfuscating the process by which stakeholders might engage with City-owned property. This fragmented system inhibits or prevents opportunities to maximize the value of the City's real estate holdings. LAMDC, on the other hand, would act as the first and readily visible entry-point for a host of stakeholder inquiries, from real estate developers examining a potential public-private partnership to businesses in need of certain financing.
2. **Public goals with private sector expertise** – The proposed governance structure of the LAMDC Board combines the public interest with private sector expertise. The size and scope of the City's real estate portfolio is less like that of a traditional municipality and more like that of a largescale private real estate company. As such, the strategic management of the City's real estate holdings should be entrusted not only to City officials representing the interests of the public as it is presently, but also to individuals whose experience and skillsets are best suited to the management of a real estate asset portfolio of the City's size. A Board of Directors that includes both City representatives and real estate and finance experts will provide this critical balance, as demonstrated by model organizations such as the New York City Economic Development Corporation (NYCEDC) and the Philadelphia Industrial Development Corporation (PIDC). These models are based on a contractual relationship whereby each City is able to maintain discretion and authority over its assets, while leveraging the private sector to manage them.
3. **A proactive approach** – The establishment of LAMDC as the chief strategic manager of the City's real estate assets would allow for a proactive, rather than reactive, approach to portfolio management. As it exists in its current form, City entities equipped with real estate asset management functions rely on an initial Motion from a Councilmember for strategic planning to be set in motion. As an income-producing entity, LAMDC, on the other hand, would be able to independently seek out economic development opportunities on the City's behalf, leveraging City-owned properties and helping to meet key policy directives of the City.
4. **Leveraging the City's finance tools** – LAMDC would be able to leverage the City's off-budget financing entities such as the Los Angeles Development Fund (LADF) and the Industrial Development Authority (IDA), among others. Not only a singular entry-point for potential real estate developments or partnerships, LAMDC could potentially serve as a conduit financing entity for some of the City's underutilized economic development financing. As a conduit issuer of tax credits, bonds, and grants, LAMDC could leverage many of the City's incentives, services, and programs. Any financing would require prior partnership and approval of the City. These include, but are not limited to:
 - Industrial Development Bonds;
 - EB-5 Immigrant Investor Program;
 - New Business and Small Business Tax Exemptions; and

- Section 108 Secured Loan Program.
5. **Cross-sector collaboration** – An economic development entity such as LAMDC that brings together multiple stakeholders to collectively respond to the City’s needs offers a model for cross-sector collaboration that is vital for the City’s continued development. LAMDC, with the respective City Council District, can work collaboratively with constituents and other stakeholders through robust community outreach efforts for its prospective real estate assets. **Furthermore, the contractual relationship between the City and LAMDC affords the City the leverage to assert its policy priorities directly to LAMDC, which functions in effect as a hired, private portfolio manager.** Through frequent, comprehensive financial reports, the City can stay abreast of LAMDC’s activities just as LAMDC engages with the City on its ongoing projects.
 6. **Reinvestment of transaction revenue** – In line with NYCEDC, LAMDC would be able to collect revenue from real estate and financing transactions executed for the City. While proceeds from any lease, sale, loan, grant or other transaction would be retained by, and create a steady revenue stream for, the City, LAMDC would be able to reinvest its own income from transactions – typically in the form of a percentage of revenue from the transaction – into opportunities such as business development, financing, investment in infrastructure, and new real estate developments and acquisitions.
 7. **Proprietary assets and infrastructure** – LAMDC would be able to support development projects for the City’s most critical proprietary assets and infrastructure such as LAX and the Port of Los Angeles. Currently, the major proprietary departments such as DWP, LAWA, and the Harbor operate and manage their own discretely-held real estate assets, and given their proprietary ownership, the City’s management entities are limited in their abilities to engage with these strategic real estate assets. Although these proprietary real estate assets must remain under direct management of the corresponding departments, LAMDC could provide support to the revitalization efforts of the proprietary departments.

Case Studies

New York City Economic Development Corporation (NYCEDC)

NYCEDC is a nonprofit corporation that serves as the primary engine for economic development for the City of New York. Overseen by the Deputy Mayor for Housing and Economic Development, NYCEDC is governed by a 27 Member Board of Directors, of whom 16 are appointed by the Mayor directly, 5 are appointed by the Mayor upon nomination by the Borough Presidents, 5 appointed by the Mayor upon nomination by City Council Speaker, and 1 (the Chairperson) appointed directly by the Mayor after consultation with New York City Partnership, Inc. According to NYCEDC, in FY16 alone, NYCEDC carried out 46 land sales totaling \$536.1 million, and rent from the 89 leases totaled \$126.1 million. Furthermore, NYCEDC’s 554 Financial Assistance Investment Projects as of FY16 have resulted in 5.9% of total private employment in New York City and \$36.1 billion in private investment. NYCEDC’s real estate and financing operations make up the following services:

- Facilitating development projects throughout the City spanning commercial, industrial, water front, maritime, market, and aviation properties and rail freight and intermodal transportation;
- Revitalizing and activating underutilized areas for development within the City;

- Providing financial assistance to attract, retain, and expand businesses in the City by issuing loans, grants and subsidies from public and private sources;
- Managing lease and sale opportunities for City properties;
- Streamlining procurement process for development projects; and
- Assisting and completing public improvement projects.

NYCEDC has created a variety of innovative programs and initiatives to support and carry out these essential services. Recent programs include, but are not limited to:

- NYC Ferry - provides a new, affordable travel option between waterfront communities and NYC;
- Food Retail Expansion to Support Health (FRESH) - provides zoning and finance incentives to eligible grocery store operators and developers to establish and expand neighborhood grocery stores in underserved communities;
- Fashion Manufacturing Initiative (FMI) - promotes local fashion manufacturing through grants, programs and collaborations, and a searchable production database; and
- IDA Life Sciences Program (ILSP) - provides Life Sciences companies and developers of Life Sciences space with real estate tax deductions, mortgage recording tax waivers, and sales tax exemptions on purchases of materials for equipment.

Philadelphia Industrial Development Corporation (PIDC)

Founded in 1958 by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce, PIDC is a public-private nonprofit economic development corporation that handles industrial and commercial real estate and financing for the greater region. PIDC is governed by a thirty-member Board of Directors, appointed by the Mayor of Philadelphia and the President of the Greater Philadelphia Chamber of Commerce. According to statistics listed on its website, PIDC facilitated the investment of over \$1 billion in capital and over 23 acres of land sales city-wide in 2016 alone. Also in that year PIDC gave out 75 loans to small and growing businesses and created or retained more than 8,000 jobs. To accomplish its economic development goals, PIDC manages the following three organizations:

- Philadelphia Authority for Industrial Development (PAID) - public authority that manages industrial and commercial real estate, issues taxable and tax-exempt bonds on behalf of nonprofits and manufacturers, and provides government grants funding for economic development projects throughout the city;
- PIDC Community Capital - 501(c)(3) nonprofit and certified community development financial institution (CDFI) that focuses on community investment, small business lending, and technical assistance in underserved, low-income communities; and
- PIDC Regional Center - a partnership between PIDC and CanAm Enterprises, LLC to sponsor investor opportunities in projects that qualify for the U.S. Immigrant Investor Program (EB-5 Program).

The Copenhagen (CPH) City and Port Development Corporation

The CPH City and Port Development Corporation was created in 2007 as a merger of Ørestad Development Corporation and the Port of Copenhagen. Co-owned by the City of Copenhagen and

the Danish national state, the corporation oversees the ongoing redevelopment of the country's capital city, established in response to the severe economic conditions in the city during the mid-to-late 1980s when Copenhagen suffered from 17.5 percent unemployment and an annual budgetary shortfall of \$750 million. Today, Copenhagen's reputation as one of the most prosperous cities in the world is in large part due to the efforts of its development corporation. Elucidated in a Brookings Institution report by Bruce Katz and Luise Noring, the CPH City and Port Development Corporation combines publicly-owned properties with private management expertise, following a model now referred to as the "Copenhagen Model" in studies such as those by the Brookings Institution and the recent book *The Public Wealth of Cities* by Dag Detter and Stefan Fölster.^{1 2} It can be summarized as follows:

- National and local government transfer public assets to CPH City and Port Development;
- Local government rezones transferred land for residential and commercial uses;
- CPH City and Port Development borrows against increased value of land;
- CPH City and Port Development either transfers new capital to metro construction company or uses new capital to fund infrastructure projects for the development of the land;
- CPH City and Port Development oversees development by selling or leasing to developers and occasionally by developing itself; and
- CPH City and Port Development collects revenue to service debt.

The CPH City and Port Development has managed approximately half of all redevelopment projects in Copenhagen over the last decade, overseeing the transformations of the Ørestad area, the formerly industrial South Harbor area, the North Harbor, and Paper Island. Revenue generated from the corporation's management of Copenhagen's public assets has financed the construction of the city's metro system. CPH City and Port Development was able to make an initial one-time payment of \$2 billion to the construction company after borrowing against the harbor. Compiled from financial data available on the corporation's website, the Brookings Institution states that the corporation has raised \$15 billion in capital from the North Harbor alone, \$5.8 billion of which has been directed to the metro construction.

Attachment: Citywide Asset Management Timeline - Attachment A

¹ Bruce Katz and Louis Noring, "The Copenhagen City and Port Development Corporation: A Model for Regenerating Cities," *The Brookings Institution* (June 2017): <https://www.brookings.edu/research/copenhagen-port-development/>.

² Dag Detter and Stefan Fölster, *The Public Wealth of Cities* (Washington, D.C.: Brookings Institution Press, 2016): 1-272.

