



Making financial instruments
work for cities

CSI EUROPE CASE STUDY

EVERGREEN NORTH WEST

A CSI EUROPE CASE STUDY ON GOVERNANCE



URBACT II



Connecting cities
Building successes



EVERGREEN NORTH WEST

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INTRODUCTION

The North West Evergreen Fund was established in the North West of England in 2010 to create a revolving Urban Development Fund using the JESSICA / ERDF model put forward by the European Commission for the 2007-2013 programming period.

The North West Evergreen Fund provides debt funding for commercial property and regeneration projects in the North West of England at highly competitive commercial rates. Initially, a total of £19m was provided by the ERDF and £17.1m from the HCA.

The fund is a partnership between 16 Local Councils who are all committed to investing in the transformation of the region for the long-term.

The Evergreen Fund was created by a consortium led by Manchester City Council on behalf of the ten Greater Manchester Local Authorities, with CBRE, the Greater Manchester Pension Fund and Cheshire and Lancashire authorities.

Greater Manchester Authorities

Bolton Council

Bury Council

Manchester City Council

Oldham Metropolitan Borough Council

Rochdale Metropolitan Borough Council

Salford City Council

Stockport Metropolitan Borough Council

Tameside Metropolitan Borough Council

Trafford Council

Wigan Council

Cheshire and Lancashire Authorities

Blackburn with Darwen Borough Council

Blackpool Borough Council

Cheshire East Council

Cheshire West and Chester Council

Lancashire County Council

Warrington Borough Council

LEGAL STRUCTURE

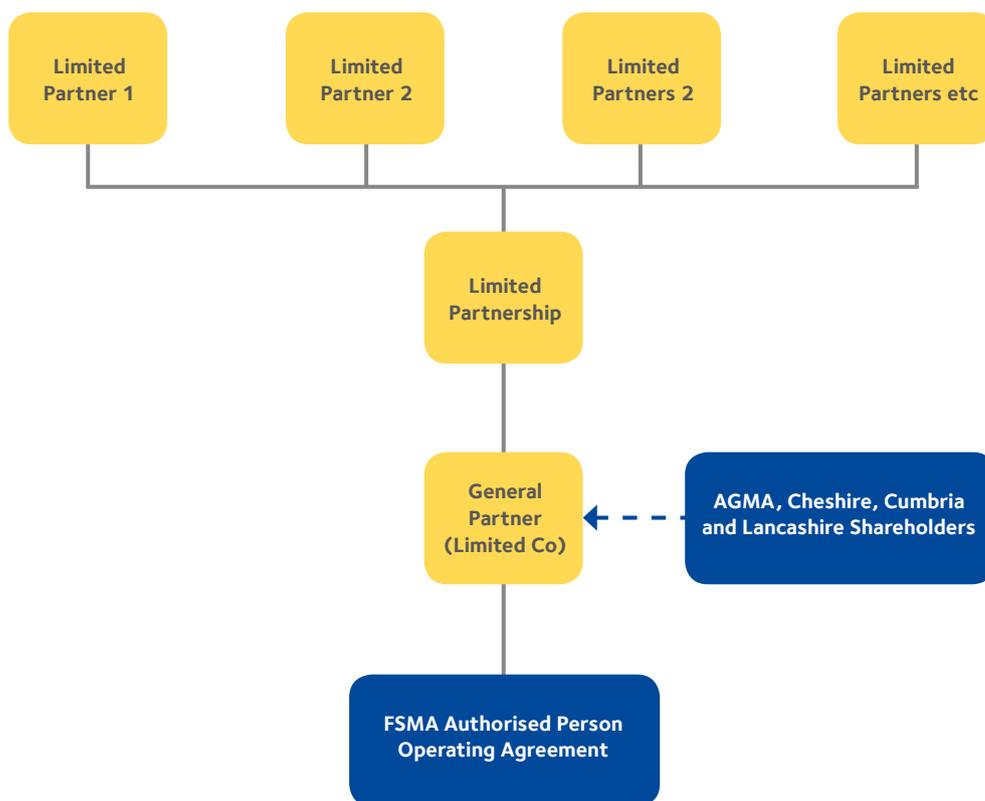
The consortium established an English Limited Partnership as the Urban Development Fund. All local authorities within the four sub-regions are able to become limited partners in the Fund and to do so must subscribe £1 in equity to the Fund. Liability is limited to the amount of capital invested in the fund.

The Limited Partnership (LP) model was selected over the Limited Liability Partnership (LLP) model for the tax advantages offered to pension fund investors. As the fund

aims to be attractive to institutional investors, this is a most important consideration.

As limited partners lose their limited liability if they take part in the management of the LP, a General Partner (GP) has been established to manage the LP on their behalf. The GP is a limited company (GPCo) set-up for the purpose of managing the Fund.

The legal structure of the partnership is shown below.



Key requirements for the General Partner:

- Requirement to have unlimited liability
- Manages the Fund, subject to FSMA requirements
- Delegates certain operational matters to the investment adviser
- Owned in equal shares by the limited partners
- 6 directors – representatives of AGMA and County Areas. Deadlocked Board

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FUND MANAGEMENT

As Evergreen is a collective investment scheme under the Financial Services and Markets Act 2000 (FSMA), an “authorised person” is required to carry out all functions regulated by FSMA. This is the General Partner Real Estate Advisor (GPREA) which is CBRE.

Key roles of the GPREA:

- Fund Management
- Project Assessment
- Project Monitoring
- Loan Underwriting

THE EVERGREEN VISION

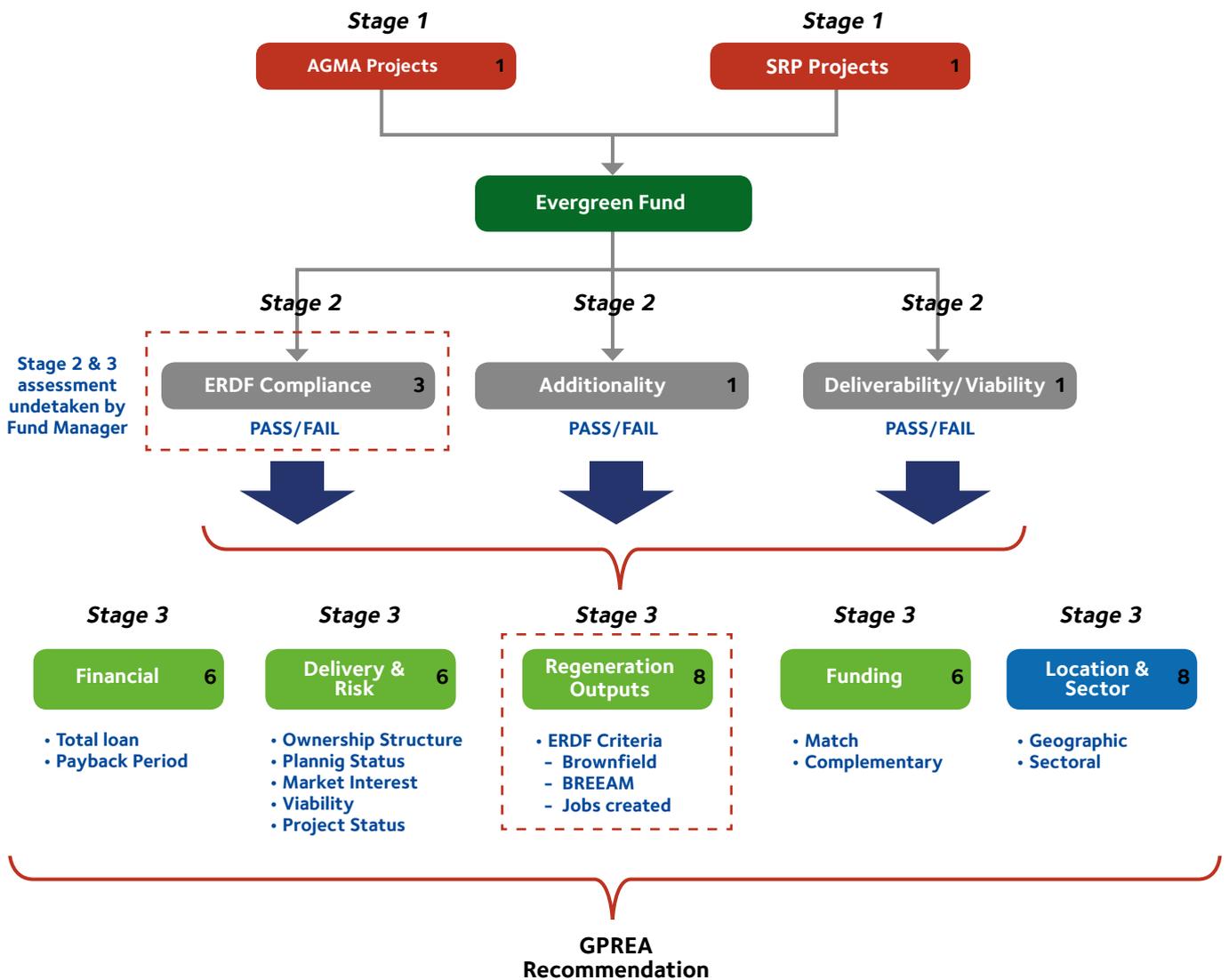
The Evergreen fund has an overarching Investment Strategy with six priority areas:

1. Create a high-employment region
2. Invest in science, research and innovation
3. Build on the region's strengths in culture and media
4. Supporting strong and diverse town centres
5. Promoting a wider, stronger and more sustainable industrial base
6. Ensuring sustainable sites are ready for development

PROJECT APPRAISAL

The governance of the fund is built around a robust appraisal process which is set out in the diagram overleaf, and which is the real strength of the Evergreen proposition. The Governance processes have been established to ensure full strategic compliance of the fund. No project is brought forward for investment without the support of the relevant

sub-regional partners, ensuring that only projects which meet local strategic needs are brought forward. Projects are then put through a rigorous appraisal process which as a first stage has the three key criteria of ERDF Compliance, Additionality and Deliverability. Each of these three criteria are pass or fail and all three must be passed to progress.



What is essential to the operation of the fund is the “Double Lock” approval process. The fund manager, in approving the financial viability of a project, provides one part of the lock. Approval of the fund’s board, made up of representatives of the municipalities, is the other part of the lock.

Operating in this way ensures that projects are both financially viable and important to the development of the local economy, thus ensuring the sustainability of the fund.

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EXIT AND WINDING-UP PROVISIONS

The intention is to operate the Fund over a period of up to 50 years. The Fund has an initial life of 10 years, with the option to extend for a further 10 years up to a maximum of 4 times. There will be a 2-year winding up period at exit. At the end of each 10 year period, the Limited Partners will have the option of refinancing the Fund.

At the conclusion of the Fund, all creditors will be repaid in accordance with the statutory rules on winding up. To the extent that there are multiple creditors, they will be repaid pari passu unless priority arrangements have been agreed in advance. Once creditors have been repaid in full, any residual funds will be repaid to the partners in the Fund in accordance with the terms of the Partnership Agreement. It is the intention of the partners that any such funds would be re-utilised for urban regeneration purposes.





The aim of CSI Europe is to build on the different experiences of the partners in relation to financial instruments and urban investment. By working together we will seek to: identify common issues that affect financial instruments and work together to identify solutions; work at a local level to translate our experience to the delivery of projects and act as a voice for cities in the development of future investment models at both a local and EU level.

The key themes that the network will seek to explore are: Governance, State Aid, Technical Assistance and Regulation and through this work we will seek to identify new models for investment through financial instruments.

The URBACT II Operational programme will support the partners' work over the next three years, providing a framework

for joint working and supporting the partners' local activities. The partners will work together through thematic partnerships where two or more partners will work together to explore, in depth, a key theme; transnational conferences where all the partners will come together to consider the key themes, share experiences, celebrate success and exchange ideas; and URBACT Local Support Groups established in each city, bringing together key public and private sector stakeholders to deliver a Local Action Plan reflecting the city's priorities for the network.

The network will also seek to develop links with the European Commission, Managing Authorities and other organisations who will help shape the role of financial instruments in the next Structural Fund programme. This may allow CSI Europe to play a constructive role in the development of financial instruments for the future support of urban development across the EU area.

URBACT II

URBACT is a European exchange and learning programme promoting sustainable urban development. It enables cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal challenges. It helps them to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. It enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe. URBACT is 181 cities, 29 countries, and 5,000 active participants.

www.urbact.eu/csieurope